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DANZANSH

THE WHITE HOUSE  
WASHINGTON

VIII A

December 11, 1986

Presidential Determination  
No. 87-4

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

SUBJECT: Determination Pursuant to Section 560 of the  
Foreign Assistance and Related Programs  
Appropriations Act, 1987

Pursuant to Section 560 of the Foreign Assistance and Related Programs Appropriations Act, 1987, (as enacted in Public Law 99-500), I hereby certify that the withholding of funds to multilateral development banks and other international organizations and programs pursuant to the limitation contained therein, prohibiting the obligation of funds appropriated by the Act to finance indirectly any assistance or reparations to certain specified countries, is contrary to the national interest.

This determination shall be published in the Federal Register.

Ronald Reagan

THE WHITE HOUSE

WASHINGTON

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*Ronald Reagan*

THE WHITE HOUSE  
WASHINGTON

December 4, 1986

**SIGNED**

MEMORANDUM FOR THE PRESIDENT

FROM: ALTON G. KEEL *AK*

SUBJECT: Certification Required to Allow Payments to Multi-lateral Institutions

Issue

Whether to determine that it is in the national interest to waive a provision of law that effectively prevents U.S. payments to multilateral institutions.

Facts

Section 560 of the FY 1987 Continuing Resolution (PL 99-500) prohibits use of appropriated funds to finance "indirectly" any assistance or reparations to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, or Syria, unless you certify that withholding such funds is contrary to the national interest. Secretary Shultz has proposed that you make such a certification.

Discussion

Without a waiver, the U.S. could contribute to the multilateral development banks and other international organizations only by earmarking funds such that they could not be used for the listed countries. The banks and organizations, however, have determined that their charters do not allow them to accept earmarked funds. Thus, implementation of Sec. 560 would do serious harm to the U.S. role in these institutions and would be contrary to the national interest of the U.S.

Recommendation

OK      No  
*AK*      \_\_\_\_\_

That you sign the Presidential Determination at Tab A.

Attachments:

- Tab A      Determination
- Tab B      Memo from Secretary Shultz

Prepared by:  
Stephen P. Farrar

cc Vice President



THE WHITE HOUSE  
WASHINGTON

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Recommendation

OK

No

—

—

That you sign the Presidential Determination at Tab A.

Attachments:

Tab A Determination  
Tab B Memo from Secretary Shultz

Prepared by:  
Stephen P. Farrar

THE WHITE HOUSE

WASHINGTON

Presidential Determination  
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This determination shall be published in the Federal Register.



United States Department of State

Washington, D.C. 20520

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No. \_\_\_\_\_

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This determination shall be published in the Federal Register.

[Signature]



THE SECRETARY OF STATE  
WASHINGTON

8381

November 20, 1986

## MEMORANDUM TO THE PRESIDENT

FROM: George P. Shultz *GPS*

SUBJECT: Presidential Certification Required to Authorize  
Payments to Multilateral Development Banks and  
International Organizations and Programs

ESSENTIAL FACTORS

Section 560 of the FY 1987 Continuing Resolution prevents use of appropriated funds to finance "indirectly" any assistance to Angola, Cambodia, Cuba, Iraq, Vietnam, South Yemen, Libya or Syria unless you certify that withholding such funds is contrary to the national interest. This provision is basically political in nature but would seriously interfere with U.S. involvement in and support of multilateral development banks (MDBs). None of the MDBs has lent to Cambodia, Iraq, Libya or Vietnam in recent years; Cuba is not even a member. Lending to the others - Angola, South Yemen and Syria -- over the last five years has only amounted to a quarter of one percent of total MDB lending, and only modest levels of lending are likely in the future.

Moreover, the provision also applies to U.S. voluntary contributions to international organizations and programs (the IO and P account) which provide assistance to the listed countries. During FY 1987, this account will fund such UN-supported (and Congressionally-earmarked) programs as the UNDP, UNICEF, IFAD, WMO, and the IAEA which include the listed countries among the recipients of their assistance programs. Although exact amounts of such indirect assistance are not available, the total for FY 1987 could be significant. For example, UNDP has made a tentative allocation of \$2.2 million for Cuba in 1987.

The implementation of this provision will do serious harm. Absent the presidential waiver authorized by the provision, we can contribute to these institutions only by "earmarking" funds such that they could not be used for the listed countries. The MDBs and various international organizations and programs, however, have determined that acceptance of contributions containing any "earmarking" provisions is contrary to their charters and that they could not accept them. The interested USG agencies concur with this view.

The limitation thus effectively prevents timely payments to the MDBs under arrangements which we negotiated in good faith with our allies after close consultations with the Congress. Failure to make payment could lead to reduced payments by others concerned about equitable burden-sharing, and sharp reductions in the lending programs of those institutions. The credit markets, which lend the MDBs upwards of \$90 billion, would perceive a failure to make payments as a withdrawal of USG support for the institutions; MDB credit standing would be severely affected. The financial viability of the MDBs, thus, would be in jeopardy. Their role in the debt strategy would be severely curtailed.

The limitation is thus contrary to our national interests. It would undermine the MDBs and particularly their lending programs, which could exceed \$23 billion a year at an annualized budgetary cost to the USG of \$1.4 billion.

The impact on the IO and P account would be similarly detrimental. The limitation would undermine IO and P-financed programs in excess of \$2 billion which cost the USG less than \$250 million annually. They focus to a large extent on such humanitarian activities as immunization of children and famine relief as well as on the IAEA nuclear safeguards program.

These programs overwhelmingly assist countries we believe are important to the conduct of our foreign policy, and which (in many cases) receive little or no bilateral assistance. It is clearly unsound policy, and contrary to the national interest, to hold those programs hostage to the less than \$50 million annually provided the countries specifically mentioned in the new provision.

#### RECOMMENDATION

That you certify that withholding funds to multilateral development banks and other international organizations and programs pursuant to the limitation in Section 560 of the FY 1987 Continuing Resolution is contrary to the national interest. (A draft certification is attached at Tab 1; attached at Tab 2 is the Justification which we will provide to Congress in support of this certification.)

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachments:

- Tab 1 - Draft Certification.
- Tab 2 - Justification.

Justification for Presidential Determination  
Waiving the Limitation Provided in Section 560  
of Public Law 99-500 as Contrary to the  
National Interest of the United States

Section 560 of the Foreign Assistance and Related Programs Appropriations Act, 1987, in Public Law 99-500, prohibits use of appropriated funds to finance "indirectly" any assistance or reparations to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, or Syria. However, the statute also provides that the President may waive the limitation by certifying that the withholding of funds pursuant thereto is contrary to the national interest.

If implemented, the prohibitions set forth in Section 560 would do serious harm to multilateral institutions in which the United States has significant financial and developmental interests.

The limitation would effectively prevent timely payment of U.S. contributions to these institutions, since these institutions have determined that they cannot accept "earmarked" payments that Section 560 would require. This in turn could lead to reduced payments by others concerned about equitable burden-sharing, and sharp reductions in their important programs. It would harm U.S. credibility in these institutions and impair our ongoing efforts to have these institutions play a strong role in encouraging increased productivity and the adoption of market-oriented economic policies in developing countries.

Justification for Presidential Determination  
Waiving the Limitation Provided in Section 560  
of Public Law 99-500 as Contrary to the  
National Interest of the United States

Section 560 of the Foreign Assistance and Related Programs Appropriations Act, 1987, in Public Law 99-500, prohibits use of appropriated funds to finance "indirectly" any assistance or reparations to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, [Libya] or Syria. However, the statute also provides that the President may waive the limitation by certifying that the withholding of funds pursuant thereto is contrary to the national interest.

If implemented, the prohibitions set forth in Section 560 would do serious harm to multilateral institutions in which the United States has significant financial and developmental interests.

The limitation would effectively prevent timely payment of U.S. contributions to these institutions, since these institutions have determined that they cannot accept "earmarked" payments that Section 560 would require. This in turn could lead to reduced payments by others concerned about equitable burden-sharing, and sharp reductions in their important programs. It will harm U.S. credibility in these institutions and impair our ongoing efforts to have these institutions play a strong role in encouraging increased agricultural and manufacturing productivity and the adoption of market-oriented economic policies in developing countries.



# NATIONAL SECURITY COUNCIL

## EXECUTIVE SECRETARIAT STAFFING DOCUMENT

TIME STAMP

26

SYSTEM LOG NUMBER: \_\_\_\_\_

ACTION OFFICER: \_\_\_\_\_

DUE: \_\_\_\_\_

Prepare Memo For President

Prepare Memo McDaniel to Chew

Prepare Memo For Poindexter Keel

Prepare Memo McDaniel to Dolan

to: \_\_\_\_\_

COMMENTS

PHONE to action officer at ext. 3622

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- deGraffenreid
- Dobriansky
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- Douglass
- Ferrar
- Grimes
- Hanley
- Kelly
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- Laux

- FYB
- Levin
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  - Linhard
  - Mahley
  - Major
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  - Matlock
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INFORMATION

- McDaniel
- Rodman
- Poindexter (advance)

- Pearson
- Cockell
- Keel (advance)

- Secretariat
- \_\_\_\_\_
- \_\_\_\_\_

COMMENTS

Return to Secretariat

LOOK AT THE NOTE

E01

From: NSRBM --CPUA  
To: NSWRP --CPUA

Date and time 12/02/96 15:49:14

NOTE FROM: ROD B. MCDANIEL  
Subject: Pkg #8391

Issue here, AGK asked whether we had touched bases with Congress--answer is yes

\*\*\* Forwarding note from NSSPF --CPUA 12/02/96 15:49 \*\*\*

To: NSRBM --CPUA

\*\*\* Reply to note of 11/29/96 15:39

NOTE FROM: Stephen Farrar

Subject: Pkg #8391

Treasury has done all necessary consultation, and has worked with Obey's office in preparing the waiver. The prohibition with waiver authority was something we (Treasury, consulting with State, OMB and NSC) agreed to in the final days of the OR to help Obey deflect an attack in his re-election campaign.

E N D O F N O T E

PF1 Alternate PF6 PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note  
PF7 Print PF8 Print PF9 Print PF10 Next PF11 Previous PF12 Print



NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

new file:  
VII (H) (8)  
"Debt"  
COPY - VIII (A)

March 11, 1986

MEMORANDUM FOR STEPHEN I. DANZANSKY

FROM: STEPHEN FARRAR <sup>sf</sup>

SUBJECT: Information you Requested

Interim Committee

- Meets April 9-10 in Washington.
- U.S. Reps: Baker (U.S. Governor of the IMF)  
Volcker (Alternate Governor)  
Mulford (Treasury)  
Dallara (Treasury)  
Wallis (State)
- Main issue: international monetary conference. The U.S. will undoubtedly be asked for a position. Baker apparently plans to sidestep the issue, but neither Treasury staff nor other agencies know for sure. (State staff is priming Shultz to raise the issue with Baker at breakfast this Friday.)

IDA Replenishment

VIII 10-12 bil

- Will be discussed in general terms at Interim Committee meeting. No numbers.
- Next international meeting will be June/July. By then the U.S. will be expected to take a position on the size of the replenishment.
- Current Treasury thinking (per Conrow) is a replenishment of \$10.5-11.5 billion. This compares to \$9 billion for IDA VII.



VIII (A)

# Clausen: World Bank Can Meet Global Needs

By Hobart Rowen  
Washington Post Staff Writer

SEOUL, Oct. 8—World Bank President A. W. (Tom) Clausen, who surprised officials at the bank's annual meeting with his announcement of his departure when his term ends next June, said the organization "has the capacity" to deal with the complexities of Third World problems.

Clausen appended a new section to a text written well in advance of the meeting but which leaked over the weekend. In that speech, Clausen had said that the bank is in "robust health" and said it could expand its loans "while still adhering to the rigorous standards we have maintained for so many years."

He predicted that lending volume would grow in future years, and added that "there can be no question that we will need a substantial capital increase." He said that con-

sultations on the specific amount would go forward.

When Clausen decided to make today's address his last major one to the bank's board of governors (there will be brief, traditional windup remarks on Friday), he added a new section in which he said that the bank and the International Finance Corp., which makes loans to private-sector enterprises in developing countries, "are better prepared than ever to take up the challenges that lie ahead."

He added:

"I am more than ever convinced that we—our member countries and the bank—must ensure that growth in the developing countries is accompanied by programs to alleviate poverty; that a resumption of growth is accompanied by expanded investments in education and social services. We must redouble our efforts in the low income

countries—in Africa and in Asia—to end stagnation and allow the peoples of these countries to look to the future with hope.

"And we, as an international community, must undertake to reverse the depletion of our forests and the associated degradation of the land. Sustainable growth requires true development of human capital, the alleviation of poverty, and the maintenance of the environment. Improving the quality of life of all who dwell in the developing nations has more dimensions than ever before."