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MEMORANDUM

NATIONAL SECURITY COUNCIL

2504-X

Pat
ACTION

April 18, 1972

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MEMORANDUM FOR:

MR. KISSINGER

FROM:

JOHN H. HOLDRIDGE *JH/DM*

SUBJECT:

Alleged GAO Report that USAID Funds
are Diverted to CIA in Laos

At Tab I is a memorandum from you to the President responding to his interest in the facts surrounding Senator Kennedy's allegations, as reported in the press, that a GAO report charges that USAID funds are diverted to CIA for support of the paramilitary effort in Laos. The CIA memorandum attached explains that the Kennedy allegations are incorrect.

Recommendation:

That you sign the memorandum to the President at Tab I.

NSS, USAID reviews
completed

MORI C03234484

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

2504-X

INFORMATION

April 19, 1972 ✓

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MEMORANDUM FOR: THE PRESIDENT HAS SEEN...
 THE PRESIDENT *AK*

FROM: HENRY A. KISSINGER *HK*

SUBJECT: Alleged GAO Report that USAID Funds
 Are Diverted to CIA in Laos

At Tab A is a CIA memorandum responding to your interest in the facts surrounding Senator Kennedy's allegations, as reported in the press, that a GAO report charges USAID funds are diverted to CIA for support of the paramilitary effort in Laos.

CIA states that Senator Kennedy's allegations are incorrect. The \$2.5 million referred to in the press report constituted FY 72 medical support to paramilitary dependents which CIA transferred to USAID, rather than from USAID to CIA as alleged.

More generally, beginning in 1969 costs for military and paramilitary dependent relief previously provided by USAID were progressively moved into the Defense and CIA budgets. As of FY 72, no identifiable costs for medical support to paramilitary dependents have been funded by USAID. USAID personnel and facilities do, however, provide some humanitarian services to those paramilitary dependents included among refugees in Laos.

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

21 MAR 1972

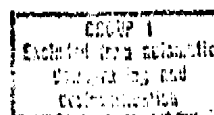
MEMORANDUM FOR: Major General Alexander M. Haig, Jr.
Deputy Assistant to the President
for National Security Affairs

SUBJECT : Alleged GAO Report that USAID Funds
are Diverted to CIA in Laos

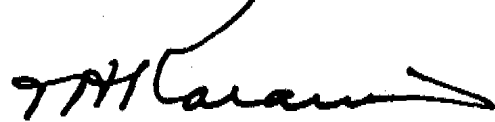
1. The President has indicated an interest in the facts surrounding Senator Kennedy's allegations as reported in the press that a General Accounting Office report alleges that USAID funds are diverted to CIA for support of the paramilitary effort in Laos.

2. The allegations are incorrect. The facts are that commencing in 1969 costs for military and paramilitary dependent relief previously provided by USAID were progressively moved into the Department of Defense and the Central Intelligence Agency budgets. In FY 72 medical support to military and paramilitary dependents is funded by DOD and CIA respectively, completing the transfer of funding responsibility. The total amount of the medical support funding responsibility transfer was 3.6 million dollars, 1.1 million dollars to DOD and 2.5 million dollars to CIA. This is the 2.5 million dollars referred to in the Senator Kennedy article. It is CIA money being transferred to USAID during FY 72, not a diversion of USAID funds to CIA supported paramilitary programs as alleged in the Senator Kennedy article. As noted in the GAO report and in the Senator Kennedy article, 1.3 million dollars of the 2.5 million dollars has been passed to USAID by CIA.

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3. As of FY 72, no identifiable costs for medical support to paramilitary dependents are funded by USAID. USAID personnel and facilities do provide some humanitarian services to those paramilitary dependents included among refugees in Laos.



Thomas H. Karamessines
Deputy Director for Plans

Hal Chan

2504 X

THE WHITE HOUSE
WASHINGTON

OUTSIDE SYSTEM
INFORMATION

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21 March 1972

MEMORANDUM FOR: GENERAL HAIG
FROM: PETER FERGUSON
SUBJECT: Alleged GAO Report that USAID Funds
are Diverted to CIA in Laos

Handwritten signature: Peter Ferguson
Handwritten signature: Hal Chan

Attached is CIA's response to your query regarding Senator Kennedy's allegations reported in the press that USAID funds are diverted to CIA support of paramilitary efforts in Laos.

CIA states the allegations are incorrect, that Agency funds were, in fact, transferred to USAID in the amount of \$2.5 million for support for military and paramilitary dependent relief in FY-72. Both DOD and CIA have, since 1969, assumed the budgetary responsibilities for funding the relief of military and paramilitary dependents through USAID in Laos.

Attachment
Tab A

Seen by:
John Holdridge *JH*

Handwritten note:
Pg 6 memo
to Pres.
summarizing
facts @

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3/22