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4 September 1962

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SUBJECT: Agency's Analysis of the Refinancing of the African-American Institute

This memorandum is to recapitulate the situation with respect to the AAI as we understand it.

The matter of CIA's financing of the AAI was initially raised by members of the Board of the AAI who were concerned about the possible damage to that organization and its programs because of CIA's involvement.

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The fact of CIA's involvement has apparently been discussed in the foundation community and in academic circles, and can no longer be considered confidential. The Secretary of State and Mr. McGeorge Bundy were concerned about the situation and at a meeting between them, [Redacted] of Ford, and McCone and Meyer of CIA, it was agreed that CIA should disengage, to allow the AAI to be funded by a combination of private foundation grants and overt government contracts. An interdepartmental working group under a Department of State chairman has been meeting over a period of some weeks at the request of the Secretary of State to consider possibilities for refinancing AAI with overt governmental funds and a Ford Foundation grant. The refinancing plan envisioned a "package" which could be presented to the Ford Foundation for consideration at its board meeting on September 22.

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The Agency has reviewed AAI expenditures in detail and on August 29 Mr. Cord Meyer, Jr. agreed with Mr. Waldemar Nielsen, President of AAI, to provide AAI with a total [Redacted] for FY 1963. This is to include AAI's operating and administrative costs (not covered by its government contracts and income from private sources) until refinancing is worked out, and is also to include a terminal grant thereafter. The size of the terminal grant will therefore depend on how soon refinancing is arranged. It was made clear to Mr. Nielsen that CIA [Redacted]

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[Redacted] will have no responsibility for the AAI or any uncompleted projects [Redacted] to AAI.

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We are informed that Mr. Nielsen is obtaining letters of intent from the Agency for International Development and the Educational and Cultural Affairs Bureau, Department of State, to the effect that they will provide AAI with a total of approximately [Redacted] in contracts. Nielsen believes that with these in hand and the above commitment which CIA has

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made he will be able to approach the Ford Foundation for a grant to make up the difference in operating and administrative expenses not provided by the above contracts. He estimates these at about [redacted] a year.

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Although we are hopeful that refinancing along the above lines will be worked out successfully, and CIA will provide assistance as described above to achieve this end, the Agency believes it prudent to point out to all parties concerned the situation which will exist if these efforts are unsuccessful. At current rates of expenditure [redacted] CIA funds will be exhausted by April 1963 at the latest. AAI's contracts with AID for ASPAU and other programs do not provide sufficient administrative and overhead costs for AAI to continue in operation without additional financial support. AAI has continuing commitments under its ASPAU and other AID contracts for African students in the U.S. and for American teachers in Africa through 1966. In addition, AAI has made commitments for other African students in the U.S., some at the specific request of State Department, amounting to about [redacted]

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The Agency will not be able to continue underwriting the AAI because of the top level decision to withdraw and, equally important, because of the widespread knowledge which has developed about CIA's past and present involvement in AAI.

If other funds are not obtained from the Ford Foundation or other sources, we assume there would be no alternative to liquidating AAI in the most orderly way possible and the transfer of ASPAU and other continuing contracts to other agencies operating in this field.

The Agency would appreciate State's written assurance that this situation is understood and accepted by all elements of State concerned including AID and CU so that appropriate contingency planning may be made in the event that refinancing of AAI is not possible.