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(International Organizations –
International Fund for Agricultural Development)

Case file Number(s): 175146 (3 of 3)

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Withdrawer

DLB 9/12/2014

File Folder IT108 (INTERNATIONAL FUND FOR AGRICULTURAL
DEVELOPMENT) (175146) (3 OF 3)

FOIA

S697

Box Number 36

SYSTEMATIC

120

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
165552	LETTER	DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1
165553	LETTER	DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1
165554	LETTER	DUPLICATE OF #165540; REAGAN TO ZIA	1	6/16/1982	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

9217

Received SS
1983 DEC 24 AM 10:44 Document No. 175146CS

WHITE HOUSE STAFFING MEMORANDUM **URGENT**

DATE: 12/20/83 ACTION/CONCURRENCE/COMMENT DUE BY: December 23 - 3:00 p.m

SUBJECT: DRAFT DECISION MEMORANDUM RE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Brady</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	<i>Small</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

REMARKS:

Please provide any comments on the attached memorandum by 3:00 p.m. It will be scheduled for review with the President after the first of the year. Thank you.

RESPONSE: The NSC supports:

- o Maintaining the current payment schedule for the U.S. contribution to the International Fund for Agricultural Development (IFAD)--request \$50 million in FY 1985 budget and \$40 million in FY 1986 budget; and
- o U.S. participation in the negotiation of a second replenishment of IFAD, but subject to certain predetermined conditions.

Robert M. Kimmitt
Robert M. Kimmitt
Executive Secretary

Richard G. Darman
Assistant to the President
Ext. 2702

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

December 22, 1983

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DOUGLAS W. McMINN

SUBJECT: International Fund for Agricultural
Development (IFAD)

In a memo from Jack Block, the President is being asked to decide on two issues relating to IFAD:

- o What is the appropriate level of the U.S. FY 1985 contribution to IFAD?
- o Should the United States participate in the negotiation of a second replenishment of IFAD?

U.S. FY 1985 IFAD Contribution

There is universal agreement within the Administration that the United States should fulfill its monetary commitment to IFAD by providing an additional \$90 million. However, there is disagreement over how rapidly the United States should complete this contribution. The first replenishment of IFAD was negotiated to provide funds for calendar years 1981-1983. We are already behind schedule. The current plan for fulfilling our obligation calls for a \$50 million budget request for FY 1985 and a \$40 million budget request for FY 1986.

Four other major donors (U.K., West Germany, France, Canada and Japan) have informed the United States that they would draw out their contributions to IFAD, if the United States refused to accelerate its payments.

Agriculture wants to accelerate somewhat the FY 1985 payment schedule in order to demonstrate "good faith efforts" to meet our commitment and to appease the other donor countries who are threatening withdrawal. Ag wants \$70 million in FY 1985 and \$20 million in FY 1986.

State, Treasury and OMB want to maintain the current payment schedule, i.e., \$50 million in FY 85 and \$40 million in FY 86. State, OMB and Treasury argue that changing the "mix" now will have an adverse affect on the overall U.S. foreign assistance program that has been worked out so painstakingly. They argue that foreign assistance priorities have already been set. OMB and Treasury also argue on purely budgetary grounds.

We should concur with State, Treasury and OMB on this one.
An additional \$20 million in FY 85 will buy us very little with other donors and is not worth the price of reopening our overall foreign assistance program.

U.S. Participation in Negotiation of a Second Replenishment of IFAD

All relevant agencies agree that the United States indicate a willingness to discuss a second replenishment of IFAD, but with two stipulations:

- o The OPEC countries maintain their current 43 percent share of IFAD contributions; and
- o The U.S. share not increase above the current 17 percent level.


We should agree with this consensus view on a second replenishment of IFAD.

RECOMMENDATION

That you sign the memo to Richard Darman at Tab I, indicating the following NSC positions:

- o Support maintaining the current payment schedule for IFAD--\$50 million in FY 85 and \$40 million in FY 86; and
- o Support U.S. participation in the negotiation of a second replenishment of IFAD, but subject to certain predetermined conditions.

Approve K Disapprove

Geoffrey Kemp concurs. 

Attachments

- TAB I Memo to Richard Darman
- TAB A Secretary Block's memo to the President

Received SS

1983 DEC 14 PM 4:37

THE WHITE HOUSE

WASHINGTON

December 14, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN R. BLOCK, CHAIRMAN PRO TEMPORE,
THE CABINET COUNCIL ON FOOD AND AGRICULTURE

SUBJECT: International Fund for Agricultural Development

Issues

This memorandum requests your decision on two issues relating to the International Fund for Agricultural Development (IFAD) which the Cabinet Council on Food and Agriculture has recently discussed. The two issues are:

- o What is the appropriate level of the U.S. FY 1985 contribution to IFAD?
- o Should the U.S. participate in the negotiation of a second replenishment of IFAD?

The first issue needs to be resolved for your FY 1985 budget. The last issue needs to be resolved before February when negotiation of a second replenishment of IFAD is scheduled to resume.

Background

The International Fund for Agricultural Development (IFAD) is an outgrowth of the 1974 World Food Conference. It was established in December 1977 to mobilize additional resources to be made available on concessional terms for agricultural development. Under the agreement establishing IFAD, industrialized countries (Category I) and petroleum-exporting countries (Category II) contribute resources for projects in developing countries (Category III) that address the needs of small farmers and the rural poor.

IFAD's initial funding for 1978-1980 amounted to \$1 billion, \$200 million of which was contributed by the U.S. IFAD has a staff of approximately 165, half professional and half support. Most of IFAD's projects are cofinanced by existing multilateral institutions, such as the World Bank and the regional development banks. However, IFAD also cooperates with national organizations, including development-oriented agencies like the U.S. Agency for International Development (AID).

Issue 1: Level of U.S. FY 1985 Contribution to IFAD

The Cabinet Council agreed to recommend that the Administration fulfill its commitment to complete the first replenishment by contributing the remaining \$90 million owed to IFAD. The Council disagreed on how rapidly the U.S. should complete this contribution. Some felt there was no reason to accelerate our current payment schedule of \$50 million in FY 1985 and \$40 million in FY 1986. Others felt this schedule could precipitate other nations slowing down their contributions with the U.S. bearing the burden of criticism that we were undermining the Fund.

The first replenishment of IFAD was negotiated to provide funds for three calendar years, 1981-1983. The pledged U.S. share was \$180 million (17 percent of the total pledges). By December 31, 1983, the end of the period covered by the first replenishment, the U.S. will have contributed \$90 million. The current plan for fulfilling the outstanding U.S. IFAD obligation calls for a \$50 million budget request in FY 1985 and a \$40 million budget request in FY 1986.

Except for Iran and Libya, other donors already have contributed roughly two-thirds of their pledges and are prepared to complete their contributions in late 1983 or early 1984.

As a matter of policy, the Administration has attempted to meet its obligations to all multilateral development banks (MDBs). The IFAD pledge is an obligation incurred by this Administration. You have indicated in writing that the U.S. plans to provide the balance of the U.S. contribution to IFAD before the end of 1983 (see attached letter to President Zia).

Four major Category I donors (United Kingdom, West Germany, France, Canada and Japan) recently informed the U.S. that they would draw out their first replenishment contributions, if the U.S. refused to accelerate payment of its pledge.

Options

The Council considered four options.

Option 1: Maximum Acceleration of Payment Schedule.

Request \$40 million in FY 1984 Supplemental and \$50 million in FY 1985 budget.

Advantages:

- o Comes as close as presently possible to complying with this Administration's financial commitment to IFAD.
- o Would not interfere with the pending State-AID budget request for FY 1985.

- o Would have an advantageous effect on the economic-military assistance ratio in the FY 1984 Supplemental.
- o Would avoid demise of IFAD that could result from a slowdown of major donors' first replenishment contributions.

Disadvantages:

- o Could prematurely signal U.S. support for a second replenishment of IFAD (unless accompanied by appropriate caveats).
- o Could necessitate reductions for other higher priority multilateral and bilateral foreign assistance programs.
- o Could set a precedent for accelerating payment of U.S. pledges to other multilateral development institutions.

Option 2: Accelerate Payment Schedule to Complete Commitment in FY 1985.

Request \$90 million in FY 1985 budget.

Advantages:

- o Next best option for complying with the Administration's financial commitment to IFAD.
- o Would avoid demise of IFAD that could result from a slowdown of major donors' contributions.

Disadvantages:

- o Same disadvantages of Option 1 plus has negative budget impact in that it requires an increase over the FY 1984 budget and the pending State-AID FY 1985 budget request for IFAD.

Option 3: Accelerate Somewhat the FY 1985 Payment Schedule.

Request \$70 million in FY 1985 budget and \$20 million in FY 1986 budget.

Advantages:

- o Might be enough to demonstrate U.S. good faith efforts to meet its commitments.
- o OECD nations probably would not withhold funding with this increased show of U.S. support.

Disadvantages:

- o Combines most of the disadvantages of Options 1, 2 and 4.

Option 4: Maintain Current Payment Schedule.

Request \$50 million in FY 1985 budget and \$40 million in FY 1986 budget.

Advantages:

- o No budget increase over FY 1984.
- o Requires no increase over pending State-AID FY 1985 budget request for IFAD.
- o Avoids U.S. action that is inconsistent with its behavior towards other multilateral and bilateral international assistance programs.

Disadvantages:

- o Constitutes a signal that the U.S. has a low regard for IFAD and is not prepared to honor its commitment.
- o Could prematurely signal U.S. opposition to a second replenishment of IFAD (unless accompanied by appropriate caveats).
- o Would seriously damage IFAD if OECD nations withhold final contribution.
- o Leaves U.S. paired with Iran and Libya.

Issue 2: U.S. Participation in Negotiation of a Second Replenishment of IFAD

The Cabinet Council agreed to recommend that the U.S. indicate a willingness to discuss a second replenishment of IFAD with the following two stipulations:

- o The OPEC countries maintain their current 43 percent share of IFAD contributions.
- o The U.S. share not increase above the current 17 percent level.

This approach would shift the focus of attention in the IFAD discussions from how rapidly the U.S. will fulfill its outstanding contributions, and whether we will agree to a second replenishment, to the OPEC desire to reduce their share of IFAD contributions. Should the second replenishment discussions prove

inconclusive, the U.S. would not be seen as responsible for a failure to reach an agreement under this strategy.

Arguments For Participation in Second Replenishment

1. IFAD places emphasis on small farmer and rural poor. IFAD is the only multilateral institution which is focused entirely on small farmers and landless poor. Successful projects can make a major impact in raising nations to agricultural self-reliance. As a specialized agency, IFAD can develop the depth of experience needed to design effective targeted projects and innovations. U.S. support of IFAD is a clear international illustration of our support for the agricultural sector.

2. IFAD provides for a partnership between OECD and OPEC countries. The governance of IFAD emphasizes partnership between OECD and OPEC. This serves an important diplomatic purpose by creating a forum for cooperation among the Arab and industrialized states.

3. IFAD leverages U.S. dollars. The U.S. contribution share to MDBs is generally 25 percent. In IFAD, the current U.S. share is 17 percent. As a result, the U.S. contribution gets more project dollars into the field than any other use. IFAD mobilizes more petro dollars for development per U.S. dollar invested than any other development institution. It is unlikely that OPEC states would divert their IFAD contributions to other international assistance programs, should IFAD's funding be reduced or eliminated.

4. IFAD is an efficient, low-overhead operation. IFAD operates with a limited number of staff. By design, it is a "fund", not a "bank", and is structurally prohibited from being involved in project implementation. Thus, administration of projects are undertaken by other institutions which cofinance IFAD projects. A recent study by Elmer Staats, former Comptroller General of the U.S., concluded that IFAD's staff was actually too small.

5. There are signs of growing support for IFAD in Congress. Senator Hatfield recently pledged his cooperation in securing appropriations necessary to keep IFAD a viable institution.

Arguments Against Participation in Second Replenishment

1. IFAD duplicates the programs of AID and MDBs. Bilateral and multilateral foreign assistance programs are already heavily oriented toward agriculture. Approximately half of U.S. development assistance goes into the agricultural sector. Most of these funds are spent on research and large infrastructure projects, rather than on projects with direct application to the rural poor. The results of these research and large scale projects may be more beneficial in the long run than small scale rural development projects.

2. IFAD has accomplished its mission. To the extent that IFAD was formed because of a lack of donor attention to the problems of the rural poor, it has accomplished its mission. Various industrialized countries and multilateral institutions are now placing increased emphasis on assisting the rural poor.
3. The U.S. lacks control over IFAD. IFAD loans are being made to countries such as Cuba, Nicaragua and Guyana. The U.S. does not have a blocking vote over country loans nor has it been successful in influencing IFAD's lending policy.
4. IFAD is one more drain on the Treasury. The U.S. could save a significant amount of money by dropping out of IFAD. Alternatively, the U.S. could supplement its bilateral assistance programs with funds that heretofore have gone to IFAD.
5. Long-standing congressional concerns about IFAD will be revived. Congress has been critical of IFAD in the past and has delayed funding due to concerns related to: the perception of a rapidly expanding IFAD staff; IFAD's loans to countries that are objectionable to the U.S.; and the lack of equity between OECD and OPEC donors in their contributions to IFAD.

Options

The Council considered two options.

- Option 1: Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment will be subject to strict predetermined conditions.
- Option 2: Refuse to participate in the negotiation of a second replenishment of IFAD.

Decision

Issue 1: What is the appropriate level of the U.S. FY 1985 contribution to IFAD?

Option 1 _____ Maximum Acceleration of Payment Schedule.

Request \$40 million in FY 1984
Supplemental and \$50 million in FY 1985 budget.

Option 2 _____ Accelerate Payment Schedule to Complete Commitment in FY 1985.

Request \$90 million in FY 1985 budget.

Option 3 _____ Accelerate Somewhat FY 1985 Payment Schedule.

Request \$70 million in FY 1985 budget and \$20 million in FY 1986 budget.

Supported by: Agriculture.

Option 4 _____ Maintain Current Payment Schedule.

Request \$50 million in FY 1985 budget and \$40 million in FY 1986 budget.

Supported by: State, Treasury and OMB.

Note: AID would like to do something to indicate U.S. interest in IFAD but has not recommended a specific proposal.

Issue 2: Should the U.S. participate in the negotiation of a second replenishment of IFAD?

Option 1 Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment would be subject to strict predetermined conditions.

Option 2 Refuse to participate in the negotiation of a second replenishment of IFAD.

Recommendation: The Cabinet Council on Food and Agriculture unanimously recommends Option 1, specifying that U.S. participation in a second replenishment of IFAD be subject to the following conditions:

- o The OPEC countries maintain their current 43 percent share of IFAD contributions.
- o The U.S. share not increase above the current 17 percent level.

Approve _____

Disapprove _____

If you approve this general approach, the Council will refine the other elements of the U.S. negotiating position on a second replenishment for your consideration.

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IT108 (INTERNATIONAL FUND FOR AGRICULTURAL
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FOIA

S697
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36

120

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
165552	LETTER DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1

The above documents were not referred for declassification review at time of processing
Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

National Security Council
The White House

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Package # 927

	SEQUENCE TO	HAS SEEN	DISPOSITION
Executive Secretary	<u>1</u>	<u>K</u>	
John Poindexter			
Wilma Hall			
Bud McFarlane			
John Poindexter			
Executive Secretary			
NSC Secretariat	<u>2</u>		<u>D</u>
Situation Room			

DEC 24 1983

I = Information	<u>A = Action</u>	R = Retain	D = Dispatch	N = No further Action
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cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____

(Date/Time)

83-37-90



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COMMUNICATIONS SECTION
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
400 ANDREWS AVENUE
WASHINGTON, D.C. 20535

TO: DIRECTOR, FBI (100-441100)
FROM: SAC, NEW YORK (100-100000)
SUBJECT: [Illegible]

100-441100-1000

DEC 23 6 53 PM '91

RE: [Illegible]

RECEIVED 20 DEC 83 12

TO MCFARLANE

FROM DARMAN, R

DOCDATE 20 DEC 83

BLOCK, J

14 DEC 83

KEYWORDS: CCFA

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DARMAN REFERRAL

EXPEDITE

SUBJECT DRAFT DECISION MEMO RE INTL FUND FOR AGRICULTURAL DEVELOPMENT

ACTION. PREPARE MEMO KIMMITT TO DARMAN DUE. 23 DEC 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCMINN

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NSCIFID

(CL *PMQ*)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>Kimmit</i>	<i>X 12/23</i>	<i>Decision</i>	<i>12/24</i>	<i>MC, RK</i>
	<i>DEC 2 4 1983</i>	<i>Kimmit sgd</i>		

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W/ATTCH FILE *WH* (C)

OFFICE OF POLICY DEVELOPMENT

B

MEMORANDUM

DATE: 12/20/83 ACTION/CONCURRENCE/COMMENT DUE BY: 12/23 3:00 pm

SUBJECT: DRAFT DECISION MEMORANDUM RE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

- SVAHN ACTION FYI
- PORTER ACTION FYI
- ANDERSON ACTION FYI
- BLED SOE ACTION FYI
- BRADLEY ACTION FYI
- CHAO ACTION FYI
- COY ACTION FYI
- GALEBACH ACTION FYI
- GUNN ACTION FYI
- HOBSON ACTION FYI
- B. LEONARD ACTION FYI
- LI ACTION FYI
- McALLISTER ACTION FYI
- McCAFFREY ACTION FYI
- SIMMONS ACTION FYI
- SMITH ACTION FYI
- SWEET ACTION FYI
- UHLMANN ACTION FYI
- WALTERS ACTION FYI
- ADMINISTRATION/
JOHNSTON ACTION FYI

- DRUG POLICY ACTION FYI
- TURNER ACTION FYI
- D. LEONARD ACTION FYI
- WILLIAMS ACTION FYI

OFFICE OF POLICY INFORMATION

- HOPKINS ACTION FYI

PROPERTY REVIEW BOARD

OTHER

- _____ ACTION FYI
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- _____ ACTION FYI

RESPONSE TO:

Burleigh - Comments to Janice.

John A. Svahn
Assistant to the President
for Policy Development
(x6515)

Roger B. Porter
Director
Office of Policy Development
(x6515)

THE WHITE HOUSE
WASHINGTON

December 21, 1983

MEMORANDUM FOR JACK SVAHN

FROM: BURLEIGH LEONARD *BL*

SUBJECT: Comments on Draft Decision Memorandum Regarding IFAD

I recommend that you support a maximum acceleration of the payment schedule for the U.S. contribution to IFAD under the first replenishment agreement (Option 1 under Issue 1 in the attached decision memorandum). I also suggest that you urge the President to approve the Cabinet Council on Food and Agriculture's recommendation on Issue 2 -- that the U.S. participate in the negotiation of a second replenishment of IFAD subject to the following conditions:

- o The OPEC countries maintain their current 43% share of IFAD contributions.
- o The U.S. share not increase above the current 17% level.

I believe that IFAD is worthy of full U.S. support. IFAD mobilizes additional resources for the poorest developing countries to use in increasing their agricultural output. IFAD promotes the use of small-scale, appropriate technology to address the needs of the indigenous populations. The fund maximizes the use of U.S. dollars for developmental purposes. The U.S. contribution share to MDBs is generally 25%. In IFAD, the current U.S. share is 17%. Thus, the U.S. contribution gets more project dollars into the field than any other use. IFAD also mobilizes more petro dollars for development per U.S. dollar invested than any other development institution. It is unlikely that OPEC states would divert their IFAD contributions to other international assistance programs should IFAD's funding be reduced or eliminated.

While I do not presume to put words in the President's mouth, I do believe that his letter to President Zia of Pakistan amounts to a commitment of support for IFAD. It, therefore, is important for the Administration to live up to that commitment by speeding up the current payment schedule on our first replenishment contribution to IFAD, and by participating in the negotiation of a second replenishment subject to the condition that the OPEC countries maintain their current share of IFAD contributions.

Such a position would put the Administration on the high ground on the international hunger question. It would demonstrate that the President is a "caring" man who wants to see to it that the U.S. does its part in helping needy countries feed their own people.

It may be wise to have a Food and Agriculture Cabinet Council meeting with the President before he makes his decision so that he may hear the interested principals debate the IFAD issues.

Should the President concur with my recommendations, I suggest that we prepare a White House press release announcing the Administration's decision on the FY 1985 funding level for IFAD and the decision to participate in the negotiation of a second replenishment for IFAD.

OFFICE OF POLICY DEVELOPMENT

MEMORANDUM

DATE: 12/20/83 ACTION/CONCURRENCE/COMMENT DUE BY: 12/23 3:00 pm

SUBJECT: DRAFT DECISION MEMORANDUM RE INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

closed 12/21

	ACTION	FYI		ACTION	FYI
SVAHN	<input type="checkbox"/>	<input type="checkbox"/>	DRUG POLICY	<input type="checkbox"/>	<input type="checkbox"/>
PORTER	<input type="checkbox"/>	<input type="checkbox"/>	TURNER	<input type="checkbox"/>	<input type="checkbox"/>
ANDERSON	<input type="checkbox"/>	<input type="checkbox"/>	D. LEONARD	<input type="checkbox"/>	<input type="checkbox"/>
BLED SOE	<input type="checkbox"/>	<input type="checkbox"/>	WILLIAMS	<input type="checkbox"/>	<input type="checkbox"/>
BRADLEY	<input type="checkbox"/>	<input type="checkbox"/>			
CHAO	<input type="checkbox"/>	<input type="checkbox"/>	OFFICE OF POLICY INFORMATION		
COY	<input type="checkbox"/>	<input type="checkbox"/>	HOPKINS	<input type="checkbox"/>	<input type="checkbox"/>
GALEBACH	<input type="checkbox"/>	<input type="checkbox"/>			
GUNN	<input type="checkbox"/>	<input type="checkbox"/>	PROPERTY REVIEW BOARD	<input type="checkbox"/>	<input type="checkbox"/>
HOBSON	<input type="checkbox"/>	<input type="checkbox"/>	OTHER		
B. LEONARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LI	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McALLISTER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McCAFFREY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SIMMONS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SMITH	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SWEET	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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WALTERS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
ADMINISTRATION/ JOHNSTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

RESPONSE TO:

Burleigh - Comments to Janice.

John A. Svahn
 Assistant to the President
 for Policy Development
 (x6515)

Roger B. Porter
 Director
 Office of Policy Development
 (x6515)

WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/20/83 ACTION/CONCURRENCE/COMMENT DUE BY: December 23 - 3:00 p.m

SUBJECT: DRAFT DECISION MEMORANDUM RE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Baroody</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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REMARKS:

Please provide any comments on the attached memorandum by 3:00 p.m. It will be scheduled for review with the President after the first of the year. Thank you.

RESPONSE:

Richard G. Darman
Assistant to the President
Ext. 2702

Received SS

1983 DEC 14 PM 4: 37

THE WHITE HOUSE

WASHINGTON

December 14, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN R. BLOCK, CHAIRMAN PRO TEMPORE,
THE CABINET COUNCIL ON FOOD AND AGRICULTURE

SUBJECT: International Fund for Agricultural Development

Issues

This memorandum requests your decision on two issues relating to the International Fund for Agricultural Development (IFAD) which the Cabinet Council on Food and Agriculture has recently discussed. The two issues are:

- o What is the appropriate level of the U.S. FY 1985 contribution to IFAD?
- o Should the U.S. participate in the negotiation of a second replenishment of IFAD?

The first issue needs to be resolved for your FY 1985 budget. The last issue needs to be resolved before February when negotiation of a second replenishment of IFAD is scheduled to resume.

Background

The International Fund for Agricultural Development (IFAD) is an outgrowth of the 1974 World Food Conference. It was established in December 1977 to mobilize additional resources to be made available on concessional terms for agricultural development. Under the agreement establishing IFAD, industrialized countries (Category I) and petroleum-exporting countries (Category II) contribute resources for projects in developing countries (Category III) that address the needs of small farmers and the rural poor.

IFAD's initial funding for 1978-1980 amounted to \$1 billion, \$200 million of which was contributed by the U.S. IFAD has a staff of approximately 165, half professional and half support. Most of IFAD's projects are cofinanced by existing multilateral institutions, such as the World Bank and the regional development banks. However, IFAD also cooperates with national organizations, including development-oriented agencies like the U.S. Agency for International Development (AID).

Issue 1: Level of U.S. FY 1985 Contribution to IFAD

The Cabinet Council agreed to recommend that the Administration fulfill its commitment to complete the first replenishment by contributing the remaining \$90 million owed to IFAD. The Council disagreed on how rapidly the U.S. should complete this contribution. Some felt there was no reason to accelerate our current payment schedule of \$50 million in FY 1985 and \$40 million in FY 1986. Others felt this schedule could precipitate other nations slowing down their contributions with the U.S. bearing the burden of criticism that we were undermining the Fund.

The first replenishment of IFAD was negotiated to provide funds for three calendar years, 1981-1983. The pledged U.S. share was \$180 million (17 percent of the total pledges). By December 31, 1983, the end of the period covered by the first replenishment, the U.S. will have contributed \$90 million. The current plan for fulfilling the outstanding U.S. IFAD obligation calls for a \$50 million budget request in FY 1985 and a \$40 million budget request in FY 1986.

Except for Iran and Libya, other donors already have contributed roughly two-thirds of their pledges and are prepared to complete their contributions in late 1983 or early 1984.

As a matter of policy, the Administration has attempted to meet its obligations to all multilateral development banks (MDBs). The IFAD pledge is an obligation incurred by this Administration. You have indicated in writing that the U.S. plans to provide the balance of the U.S. contribution to IFAD before the end of 1983 (see attached letter to President Zia).

Four major Category I donors (United Kingdom, West Germany, France, Canada and Japan) recently informed the U.S. that they would draw out their first replenishment contributions, if the U.S. refused to accelerate payment of its pledge.

Options

The Council considered four options.

Option 1: Maximum Acceleration of Payment Schedule.

Request \$40 million in FY 1984 Supplemental and \$50 million in FY 1985 budget.

Advantages:

- o Comes as close as presently possible to complying with this Administration's financial commitment to IFAD.
- o Would not interfere with the pending State-AID budget request for FY 1985.

- o Would have an advantageous effect on the economic-military assistance ratio in the FY 1984 Supplemental.
- o Would avoid demise of IFAD that could result from a slowdown of major donors' first replenishment contributions.

Disadvantages:

- o Could prematurely signal U.S. support for a second replenishment of IFAD (unless accompanied by appropriate caveats).
- o Could necessitate reductions for other higher priority multilateral and bilateral foreign assistance programs.
- o Could set a precedent for accelerating payment of U.S. pledges to other multilateral development institutions.

Option 2: Accelerate Payment Schedule to Complete Commitment in FY 1985.

Request \$90 million in FY 1985 budget.

Advantages:

- o Next best option for complying with the Administration's financial commitment to IFAD.
- o Would avoid demise of IFAD that could result from a slowdown of major donors' contributions.

Disadvantages:

- o Same disadvantages of Option 1 plus has negative budget impact in that it requires an increase over the FY 1984 budget and the pending State-AID FY 1985 budget request for IFAD.

Option 3: Accelerate Somewhat the FY 1985 Payment Schedule.

Request \$70 million in FY 1985 budget and \$20 million in FY 1986 budget.

Advantages:

- o Might be enough to demonstrate U.S. good faith efforts to meet its commitments.
- o OECD nations probably would not withhold funding with this increased show of U.S. support.

Disadvantages:

- o Combines most of the disadvantages of Options 1, 2 and 4.

Option 4: Maintain Current Payment Schedule.

Request \$50 million in FY 1985 budget and \$40 million in FY 1986 budget.

Advantages:

- o No budget increase over FY 1984.
- o Requires no increase over pending State-AID FY 1985 budget request for IFAD.
- o Avoids U.S. action that is inconsistent with its behavior towards other multilateral and bilateral international assistance programs.

Disadvantages:

- o Constitutes a signal that the U.S. has a low regard for IFAD and is not prepared to honor its commitment.
- o Could prematurely signal U.S. opposition to a second replenishment of IFAD (unless accompanied by appropriate caveats).
- o Would seriously damage IFAD if OECD nations withhold final contribution.
- o Leaves U.S. paired with Iran and Libya.

Issue 2: U.S. Participation in Negotiation of a Second Replenishment of IFAD

The Cabinet Council agreed to recommend that the U.S. indicate a willingness to discuss a second replenishment of IFAD with the following two stipulations:

- o The OPEC countries maintain their current 43 percent share of IFAD contributions.
- o The U.S. share not increase above the current 17 percent level.

This approach would shift the focus of attention in the IFAD discussions from how rapidly the U.S. will fulfill its outstanding contributions, and whether we will agree to a second replenishment, to the OPEC desire to reduce their share of IFAD contributions. Should the second replenishment discussions prove

inconclusive, the U.S. would not be seen as responsible for a failure to reach an agreement under this strategy.

Arguments For Participation in Second Replenishment

1. IFAD places emphasis on small farmer and rural poor. IFAD is the only multilateral institution which is focused entirely on small farmers and landless poor. Successful projects can make a major impact in raising nations to agricultural self-reliance. As a specialized agency, IFAD can develop the depth of experience needed to design effective targeted projects and innovations. U.S. support of IFAD is a clear international illustration of our support for the agricultural sector.

2. IFAD provides for a partnership between OECD and OPEC countries. The governance of IFAD emphasizes partnership between OECD and OPEC. This serves an important diplomatic purpose by creating a forum for cooperation among the Arab and industrialized states.

3. IFAD leverages U.S. dollars. The U.S. contribution share to MDBs is generally 25 percent. In IFAD, the current U.S. share is 17 percent. As a result, the U.S. contribution gets more project dollars into the field than any other use. IFAD mobilizes more petro dollars for development per U.S. dollar invested than any other development institution. It is unlikely that OPEC states would divert their IFAD contributions to other international assistance programs, should IFAD's funding be reduced or eliminated.

4. IFAD is an efficient, low-overhead operation. IFAD operates with a limited number of staff. By design, it is a "fund", not a "bank", and is structurally prohibited from being involved in project implementation. Thus, administration of projects are undertaken by other institutions which cofinance IFAD projects. A recent study by Elmer Staats, former Comptroller General of the U.S., concluded that IFAD's staff was actually too small.

5. There are signs of growing support for IFAD in Congress. Senator Hatfield recently pledged his cooperation in securing appropriations necessary to keep IFAD a viable institution.

Arguments Against Participation in Second Replenishment

1. IFAD duplicates the programs of AID and MDBs. Bilateral and multilateral foreign assistance programs are already heavily oriented toward agriculture. Approximately half of U.S. development assistance goes into the agricultural sector. Most of these funds are spent on research and large infrastructure projects, rather than on projects with direct application to the rural poor. The results of these research and large scale projects may be more beneficial in the long run than small scale rural development projects.

2. IFAD has accomplished its mission. To the extent that IFAD was formed because of a lack of donor attention to the problems of the rural poor, it has accomplished its mission. Various industrialized countries and multilateral institutions are now placing increased emphasis on assisting the rural poor.

3. The U.S. lacks control over IFAD. IFAD loans are being made to countries such as Cuba, Nicaragua and Guyana. The U.S. does not have a blocking vote over country loans nor has it been successful in influencing IFAD's lending policy.

4. IFAD is one more drain on the Treasury. The U.S. could save a significant amount of money by dropping out of IFAD. Alternatively, the U.S. could supplement its bilateral assistance programs with funds that heretofore have gone to IFAD.

5. Long-standing congressional concerns about IFAD will be revived. Congress has been critical of IFAD in the past and has delayed funding due to concerns related to: the perception of a rapidly expanding IFAD staff; IFAD's loans to countries that are objectionable to the U.S.; and the lack of equity between OECD and OPEC donors in their contributions to IFAD.

Options

The Council considered two options.

Option 1: Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment will be subject to strict predetermined conditions.

Option 2: Refuse to participate in the negotiation of a second replenishment of IFAD.

Decision

Issue 1: What is the appropriate level of the U.S. FY 1985 contribution to IFAD?

Option 1 _____ Maximum Acceleration of Payment Schedule.

Request \$40 million in FY 1984 Supplemental and \$50 million in FY 1985 budget.

Option 2 _____ Accelerate Payment Schedule to Complete Commitment in FY 1985.

Request \$90 million in FY 1985 budget.

Option 3 _____ Accelerate Somewhat FY 1985 Payment Schedule.

Request \$70 million in FY 1985 budget and \$20 million in FY 1986 budget.

Supported by: Agriculture.

Option 4 _____ Maintain Current Payment Schedule.

Request \$50 million in FY 1985 budget and \$40 million in FY 1986 budget.

Supported by: State, Treasury and OMB.

Note: AID would like to do something to indicate U.S. interest in IFAD but has not recommended a specific proposal.

Issue 2: Should the U.S. participate in the negotiation of a second replenishment of IFAD?

Option 1 Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment would be subject to strict predetermined conditions.

Option 2 Refuse to participate in the negotiation of a second replenishment of IFAD.

Recommendation: The Cabinet Council on Food and Agriculture unanimously recommends Option 1, specifying that U.S. participation in a second replenishment of IFAD be subject to the following conditions:

- o The OPEC countries maintain their current 43 percent share of IFAD contributions.
- o The U.S. share not increase above the current 17 percent level.

Approve _____

Disapprove _____

If you approve this general approach, the Council will refine the other elements of the U.S. negotiating position on a second replenishment for your consideration.

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IT108 (INTERNATIONAL FUND FOR AGRICULTURAL
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165553	LETTER DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1

The above documents were not referred for declassification review at time of processing
Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

action

THE WHITE HOUSE
WASHINGTON

December 7, 1983

FOR: JACK SVAHN
FROM: BURLEIGH LEONARD *BL*
SUBJECT: CCFA Meeting on IFAD

The CCFA met Monday, December 5, to discuss issues pertaining to U.S. participation in the International Fund for Agricultural Development (IFAD). The Cabinet Council reached an apparent agreement that:

- o The U.S. should fulfill its first replenishment pledge and that the pledge should be fulfilled via at least a \$50 million contribution in FY 1985 and a second contribution in FY 1986 that was consistent with funding requests for other international assistance accounts;
- o The U.S. is prepared to discuss participation in a second replenishment of IFAD provided the OPEC countries are willing to maintain at least their current 43% share of IFAD contributions;
- o The issue of the specific funding level for the U.S. FY 1985 contribution to IFAD is a matter for the Budget Review Board to resolve. You may want to refer to the attached CCFA Minutes for further details.

While I believe that the Budget Review Board is an appropriate forum in which to deal with the issue of the U.S. FY 1985 contribution to IFAD, I question whether the matter will receive a full airing in that forum. Both OMB and the State Department agree that the pending FY 1985 budget request for IFAD (\$50 million) is appropriate, given funding requests for other international assistance accounts. AID is more inclined to raise the subject of the FY 1985 IFAD contribution in a Budget Review Board session on international assistance programs; however, AID is not likely to jeopardize its bilateral assistance programs by urging increased funding for IFAD in FY 1985. It should be noted that AID's total budget request is already more than \$200 million over its budget mark. With OMB and State being in agreement on the FY 1985 funding level for IFAD and with AID's reluctance to push the IFAD funding question very far, it is possible that the IFAD contribution issue would not even be raised in a Budget Review Board meeting, unless, of course, one of the members of the Budget Review Board raised the IFAD matter.

The President is on record as being supportive of IFAD. In a June 16, 1982, letter to President Zia of Pakistan, the President indicated that it was the Administration's plan to provide the balance of the total U.S. first replenishment contribution (\$90 million) before the end of CY 1983. This goal would appear to be impossible to meet at this late date. Moreover, it is questionable whether the goal could be reached by the end of CY 1984, if the FY 1985 budget request is only \$50 million. Various members of IFAD know of the existence of the President's letter to Zia, and they can be expected to use the letter against the U.S. Some State Department officials indicate that the President's letter is not likely to raise foreign policy problems in that it does not constitute a U.S. commitment but rather an expression of current U.S. plans or intentions. I am not comfortable with State Department officials interpreting the President's letter on his behalf. Nor am I comfortable with the notion of the Administration ignoring the existence of the President's letter.

I recommend that you or Mr. Meese do one or more of the following:

- o Raise the FY 1985 IFAD contribution issue at the Budget Review Board meeting on foreign assistance accounts and seek an agreement as to what weight should be given to the President's letter and how it affects the FY 1985 budget request for IFAD;
- o Circulate the attached decision memorandum to the appropriate parties and schedule a CCFA meeting next week with the President to discuss the IFAD issues;
- o Send the attached decision memorandum directly to the President for his action.

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON FOOD AND AGRICULTURE

December 5, 1983, 2:00 P.M.

MINUTES

Participants: Block, Simmons, Lighthizer, McPherson, Porter, Leonard, Herbolsheimer, Tracy, Derham, Hennessey, Gall, Keel, McMinn, Constable, Leland, Kingon, Kriesberg, Jenkins, Neal, and Cicconi, and Ms. Constable and Risque.

Mr. Leonard briefly described the background of the International Fund for Agricultural Development (IFAD) and its mission of providing additional resources for agricultural development projects benefiting the small farmers and rural poor of the most needy countries. He then outlined the issues that required the Cabinet Council's consideration:

- o What is the appropriate level of the U.S. FY 1985 contribution to IFAD?
- o Should the U.S. participate in the negotiation of a second replenishment of IFAD?
- o If so, what negotiating position should the U.S. adopt?

Mr. Block indicated that the question of the fate of IFAD had been raised during the recent meeting of the Food and Agriculture Organization (FAO) in Rome and that the U.S. had been the brunt of much criticism for its tardiness in delivering on its pledge to the first replenishment of IFAD.

Mr. McPherson explained that the original justification for IFAD was its role in securing the cooperation of OPEC countries in the funding of international assistance projects. He indicated that, to the extent that this remained a suitable rationale for U.S. participation in IFAD, the Administration should conduct itself so that the responsibility for the possible demise of IFAD rest with OPEC countries, not the U.S. To that end, Mr. McPherson suggested that the question of U.S. participation in a second replenishment of IFAD be deferred until two conditions were met: (1) agreement that the total second replenishment funding level would not be less than the first replenishment level; and (2) the commitment of the OPEC countries to maintain their current 43% share of total IFAD contributions. Mr. McPherson recommended that the U.S. devise some strategy to display its interest in fulfilling its remaining

first replenishment obligations (\$90 million) so that other OECD donors would not scale down their first replenishment contributions and thereby jeopardize the future of IFAD before a second replenishment could be negotiated.

Mr. Leland agreed that the question of U.S. participation in a second replenishment should be deferred. However, he proceeded to suggest a more stringent condition for U.S. participation in such a replenishment: The OECD and OPEC countries should reverse their pledge shares, with OPEC assuming a 57% share and OECD countries a 43% share.

Mr. Leland expressed his concern that the Cabinet Council was not the appropriate forum for resolving the issue of the FY 1985 funding level of IFAD. While he favored leaving the FY 1985 U.S. contribution at the \$50 million level requested by the State Department, he stressed that the matter should be decided in conjunction with budget decisions on other multilateral development organizations and U.S. bilateral foreign assistance programs.

Mr. Block noted that the President had sent a letter to President Zia of Pakistan stating that the U.S. planned to provide the balance of its total contribution under the first IFAD replenishment before the end of calendar year 1983. Mr. Block said that it was important not to overlook this apparent commitment on the President's part. Mr. Simmons concurred.

Ms. Constable indicated that the President's letter was not likely to raise foreign policy problems in that it did not constitute a U.S. commitment but rather an expression of current U.S. plans or intentions. She then echoed the sentiments of Mr. Leland, stressing that, in any event, the current plan for meeting our first replenishment obligation (\$50 million in FY 1985 and \$40 million in FY 1986) was reasonable in light of our funding arrearages for other multilateral development institutions of equal or greater priority.

Mr. Keel explained that Congress in the past had been reluctant to fully fund the Administration's budget requests for IFAD. He stated that OMB shared State's and Treasury's view regarding the appropriate FY 1985 funding level for IFAD and urged that the Administration be hesitant to support a second replenishment of IFAD given the overriding need to address the large U.S. budget deficit.

Mr. Block indicated that some increase -- perhaps of \$10 million or \$20 million -- in the pending FY 1985 budget request for IFAD was needed to avoid encouraging other OECD donors to scale down their first replenishment contributions. Mr. Kriesberg informed the Cabinet Council that major OECD donors had decided earlier in the day to draw out their first replenishment contributions, if the U.S. refused

to accelerate its fulfillment of its pledge. Mr. Block also suggested that it would be wise to consult with Assistant Secretary of State Richard McCormack upon his return from the IFAD Executive Board meeting in Rome before a final decision regarding the FY 1985 funding level was made. Everyone present thought that this suggestion was in order.

Mssrs. Leland and Keel stated that the FY 1985 funding level decision should be made by the Budget Review Board in conjunction with budget decisions on other international assistance programs.

Mr. Porter summarized the results of the Cabinet Council's discussion saying that there was apparent agreement that:

- o The U.S. should fulfill its first replenishment pledge and that the pledge should be fulfilled via at least a \$50 million contribution in FY 1985 and a second contribution in FY 1986 that was consistent with funding requests for other international assistance accounts;
- o The U.S. is prepared to discuss participation in a second replenishment of IFAD provided the OPEC countries are willing at least to maintain their current 43% share of IFAD contributions;
- o The specific funding level for the U.S. FY 1985 contribution to IFAD is a matter for the Budget Review Board to resolve.

No one took issue with this summary of the Cabinet Council consensus.

THE WHITE HOUSE
WASHINGTON

December 7, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN R. BLOCK, CHAIRMAN PRO TEMPORE,
THE CABINET COUNCIL ON FOOD AND AGRICULTURE

SUBJECT: International Fund for Agricultural Development

ISSUES

- o What is the appropriate level of the U.S. FY 1985 contribution to IFAD?
- o Should the U.S. participate in the negotiation of a second replenishment of IFAD?
- o If so, what negotiating position should the U.S. adopt?

The first issue needs to be resolved as soon as possible so that necessary modifications of the FY 1985 budget may be made before you submit the budget to Congress. The last two issues need to be resolved prior to February when negotiation of a second replenishment of IFAD is scheduled to resume.

BACKGROUND

The International Fund for Agricultural Development (IFAD) is an outgrowth of the 1974 World Food Conference. It was established in December 1977 to mobilize additional resources to be made available on concessional terms for agricultural development. Under the agreement establishing IFAD, industrialized countries (Category I) and petroleum-exporting countries (Category II) contribute resources for projects in developing countries (Category III) that address the needs of small farmers and the rural poor.

IFAD's initial funding for 1978-1980 amounted to \$1 billion, \$200 million of which was contributed by the U.S. IFAD has a staff of approximately 165, half professional and half support. Most of IFAD's projects are cofinanced by existing multilateral institutions, such as the World Bank and the regional development banks. However, IFAD also cooperates with national organizations, including development-oriented agencies like the U.S. Agency for International Development (AID).

DISCUSSION

I. Level of U.S. FY 85 Contribution to IFAD

The first replenishment of IFAD was negotiated to provide funds for three calendar years, 1981-1983. The pledged U.S. share was \$180,000,000 (17 percent of the total pledges). By December 31, 1983, the end of the period covered by the first replenishment, the U.S. will have contributed \$90,000,000. The current plan for fulfilling the outstanding U.S. IFAD obligation calls for a \$50,000,000 budget request in FY 1985 and a \$40,000,000 budget request in FY 1986.

Except for Iran and Libya, other donors already have contributed roughly two-thirds of their pledges and are prepared to complete their contributions in late 1983 or early 1984.

As a matter of policy, the Administration has attempted to meet its obligations to all multilateral development banks (MDBs). The IFAD pledge is an obligation incurred by this Administration. You have indicated in writing that the U.S. plans to provide the balance of the U.S. contribution to IFAD before the end of CY 1983 (see attached letter to President Zia).

Four major Category I donors (United Kingdom, West Germany, France, Canada and Japan) recently informed the U.S. that they would draw out their first replenishment contributions, if the U.S. refused to accelerate payment of its pledge.

OptionsA. Request \$40,000,000 in FY 84 Supplemental and \$50,000,000 for FY 85.

Advantages:

- o Comes as close as presently possible to complying with U.S. pledge and President's commitment.
- o Would not interfere with the pending State-AID budget request for FY 85.
- o Would have an advantageous effect on the economic-military assistance ratio in the FY 84 Supplemental.
- o Would avoid demise of IFAD that could result from a slow-down of major donors' first replenishment contributions.

Disadvantages:

- o Could prematurely signal U.S. support for a second replenishment of IFAD (unless accompanied by appropriate caveats).

- o Could necessitate reductions for other higher priority multilateral and bilateral foreign assistance programs.
- o Could set a precedent for accelerating payment of U.S. pledges to other multilateral development institutions.

B. Request \$90,000,000 for FY 85.

Advantages:

- o Next best option for complying with U.S. pledge and President's commitment.
- o Would avoid demise of IFAD that could result from a slowdown of major donors' contributions.

Disadvantages:

- o Same disadvantages of Option A plus has negative budget impact in that it requires an increase over the FY 84 budget and the pending State-AID FY 85 budget request for IFAD.

C. Various intermediate options.

- (1) Request \$20,000,000 in FY 84 Supplemental and \$50,000,000 for FY 85.
- (2) Request \$70,000,000 for FY 85.

Advantages:

- o A combination reaching \$70,000,000 might be enough to demonstrate U.S. good faith efforts to meet its commitments.
- o Option C(1) would not interfere with the pending State-AID budget request for FY 85.
- o Option C(1) may have an advantageous effect on the economic-military assistance ratio in the FY 84 Supplemental request.
- o OECD nations probably would not withhold funding with this increased show of U.S. support.

Disadvantages:

- o Combines most of the disadvantages of Options A, B and D.

D. Request \$50,000,000 for FY 85.

Advantages:

- o No budget increase over FY 84.
- o Requires no increase over pending State-AID FY 85 budget request for IFAD.
- o Avoids U.S. action that is inconsistent with its behavior towards other multilateral and bilateral international assistance programs.

Disadvantages:

- o Constitutes a signal that the U.S. has a low regard for IFAD and is not prepared to honor its commitment.
- o Could prematurely signal U.S. opposition to a second replenishment of IFAD (unless accompanied by appropriate caveats).
- o Would seriously damage IFAD if OECD nations withhold final contribution.
- o Leaves U.S. paired with Iran and Libya.

II. U.S. Participation in Negotiation of a Second Replenishment of IFAD

Consultations on a second replenishment of IFAD commenced in July 1983. A second meeting was held in October. A third meeting, originally scheduled for December, has been postponed to at least February 1984, with the expectation that the U.S. will then know what its FY 1985 budget request will be and whether it will participate in a second replenishment.

Arguments For Participation in Second Replenishment

1. IFAD places emphasis on small farmer and rural poor. IFAD is the only multilateral institution which is focused entirely on small farmers and landless poor. Successful projects can make a major impact in raising nations to agricultural self-reliance. As a specialized agency, IFAD can develop the depth of experience needed to design effective targeted projects and innovations. U.S. support of IFAD is a clear international illustration of our support for the agricultural sector.

2. IFAD provides for a partnership between OECD and OPEC countries. The governance of IFAD emphasizes partnership between OECD and OPEC. This serves an important diplomatic purpose by creating a forum for cooperation among the Arab and industrialized states.

3. IFAD leverages U.S. dollars. The U.S. contribution share to MDBs is generally 25 percent. In IFAD, the current U.S. share is 17 percent. As a result, the U.S. contribution gets more project dollars into the field than any other use. IFAD mobilizes more petro dollars for development per U.S. dollar invested than any other development institution. It is unlikely that OPEC states would divert their IFAD contributions to other international assistance programs, should IFAD's funding be reduced or eliminated.

4. IFAD is an efficient, low-overhead operation. IFAD operates with a limited number of staff. By design, it is a "fund", not a "bank", and is structurally prohibited from being involved in project implementation. Thus, administration of projects are undertaken by other institutions which cofinance IFAD projects. A recent study by Elmer Staats, former Comptroller General of the U.S., concluded that IFAD's staff was actually too small.

5. There are signs of growing support for IFAD in Congress. Senator Hatfield recently pledged his cooperation in securing appropriations necessary to keep IFAD a viable institution.

Arguments Against Participation in Second Replenishment

1. IFAD duplicates the programs of AID and MDBs. Bilateral and multilateral foreign assistance programs are already heavily oriented toward agriculture. Approximately half of U.S. development assistance goes into the agricultural sector. Most of these funds are spent on research and large infrastructure projects, rather than on projects with direct application to the rural poor. The results of these research and large scale projects may be more beneficial in the long run than small scale rural development projects.

2. IFAD has accomplished its mission. To the extent that IFAD was formed because of a lack of donor attention to the problems of the rural poor, it has accomplished its mission. Various industrialized countries and multilateral institutions are now placing increased emphasis on assisting the rural poor.

3. The U.S. lacks control over IFAD. IFAD loans are being made to countries such as Cuba, Nicaragua and Guyana. The U.S. does not have a blocking vote over country loans nor has it been successful in influencing IFAD's lending policy.

4. IFAD is one more drain on the Treasury. The U.S. could save a significant amount of money by dropping out of IFAD. Alternatively, the U.S. could supplement its bilateral assistance programs with funds that heretofore have gone to IFAD.

5. Long-standing congressional concerns about IFAD will be revived. Congress has been critical of IFAD in the past and has delayed funding due to concerns related to: the perception of a rapidly expanding IFAD staff; IFAD's loans to countries that are objectionable to the U.S.; and the lack of equity between OECD and OPEC donors in their contributions to IFAD.

Options

- A. Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. will contribute to the second replenishment regardless of the terms of the replenishment agreement.
- B. Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment will be subject to strict predetermined conditions (see discussion of Issue III).
- C. Refuse to participate in the negotiation of a second replenishment of IFAD.

III. U.S. Negotiating Position on Second Replenishment of IFAD

If the decision is made to participate in the negotiation of a second replenishment of IFAD, the U.S. should consider what its negotiating objectives are.

The following are conditions the U.S. might seek to incorporate in a second replenishment agreement:

1. Equal OECD-OPEC Participation. One of the unique aspects of IFAD is the participation of OPEC and OECD as equal partners in the governance of IFAD. Originally, the U.S. expected OPEC to share equally in the funding of IFAD. In the first replenishment of IFAD, OPEC pledges were 43 percent of the total pledges. There have been recent signals that OPEC would reduce its share to 25 percent in a second replenishment. This would be unacceptable to a number of major Category I donor. U.S. insistence on equal OECD-OPEC participation in IFAD or at least maintenance of the current OPEC share would be principled and would be in accord with one of the major justifications of IFAD. However, it could undermine prospects for successful negotiation of a second replenishment and create tensions with OPEC countries.
2. Level of Replenishment. The level of replenishment should be large enough to assure a continuing effective IFAD program, and small enough to minimize U.S. budget problems.
3. Eligible Recipients. The U.S. could seek to restrict the list of countries that are eligible to receive IFAD grants or loans, either directly or indirectly. This proposal would be controversial.

4. Private Sector Requirement. The U.S. could approach the aforementioned problem through the back door by defining the type of qualified projects as those benefiting the small private farmer. Since one of the selling points for IFAD is its emphasis on the "small farmer", such a position would not be totally inconsistent with IFAD's purpose, though it would still remain a controversial proposal.

DECISION

Issue I: What is the appropriate level of the U.S. FY 85 contribution to IFAD?

_____ Option A: Request \$40,000,000 in FY 84 Supplemental and \$50,000,000 in FY 85.

_____ Option B: Request \$90,000,000 in FY 85.

_____ Option C: Intermediate options:

_____ (1) Request \$20,000,000 in FY 84 Supplemental and \$50,000,000 in FY 85.

_____ (2) Request \$70,000,000 in FY 85.

Supported by Agriculture.

_____ Option D: Request \$50,000,000 in FY 85.

Supported by: State, Treasury and OMB.

Issue II: Should the U.S. participate in the negotiation of a second replenishment of IFAD?

_____ Option A: Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. would contribute to the second replenishment regardless of the terms of the replenishment agreement.

AID would like to do something to indicate U.S. interest in IFAD but has not come forward with a specific proposal.

_____ Option B: Participate in the negotiation of a second replenishment of IFAD with an understanding that the U.S. contribution to the second replenishment would be subject to strict predetermined conditions. Supported by: State, Treasury, Agriculture, OMB, and AID.

_____ Option C: Refuse to participate in the negotiation of a second replenishment of IFAD.

Issue III: If the U.S. agrees to participate in the negotiation of a second replenishment of IFAD, what negotiating position should the U.S. adopt?

All interested agencies concur that the U.S. should commit itself to a second replenishment of IFAD only if the OPEC countries agree at least to maintain a 43% share of total contributions.

Do you agree with this?

_____ Yes

_____ No

Please indicate other conditions you would want attached to U.S. contributions to a second replenishment of IFAD:

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