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**WHORM Subject File Code:** IT108

(International Organizations –  
International Fund for Agricultural Development)

**Case file Number(s):** 175146 (2 of 3)

**Box:** 36

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

**Withdrawer**

DLB 9/12/2014

**File Folder** IT108 (INTERNATIONAL FUND FOR AGRICULTURAL  
DEVELOPMENT) (175146) (2 OF 3)

**FOIA**

S697

**Box Number** 36

SYSTEMATIC

119

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
165550	LETTER	DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1
165551	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.

Hold for Adele

waiting to  
hear from

OSTR

C.F.

Document No. 175146CS

IT108

*File closed*

# 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 <i>Issue 1 - #4 Issue 2 - #1</i>	<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 <i>Issue 1 - #4 " 2 - #1</i>	<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 <i>no legal obj. 12/20</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN <i>ok per Justice 12/28</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG <i>No Comment 12/21</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GERGEN <i>No Comment 12/20</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY <i>Issue 1 - #4 " 2 - #1</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON <i>OK per Herrington/Rawson 12/21</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Baroody</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	<u>Small</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

*12/13  
Checking  
w. C.F.*

### 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:

*12/28 - per C.F., we should hold til all comments come in -- then check w/ him + R.G.D. They will then decide whether to table or bring up w/ PRES in budget mtg. S.E.*

Richard G. Darman  
Assistant to the President  
Ext. 2702

Received SS

1983 DEC 19 PM 4:15

THE WHITE HOUSE  
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: December 19, 1983 Number: 175146CA Due By: 3 pm, Friday  
December 23  
Subject: DECISION MEMO: International Fund for Agricultural Development

	Action	FYI		Action	FYI
<b>ALL CABINET MEMBERS</b>	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins (ORIGINAL)	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please provide any comments you may have on the attached recommendation by 5 pm, Friday, December 23. It will be scheduled for review with the President after the 1st of the year.

RETURN TO:

Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs  
456-2823

Katherine Anderson  Don Clarey  
 Tom Gibson  Larry Herbolsheimer  
Associate Director  
Office of Cabinet Affairs  
456-2800

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).

'83 DEC 14 P5:33

12:00 PM '83

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.

# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
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*Withdrawer*

DLB 9/12/2014

*File Folder*

IT108 (INTERNATIONAL FUND FOR AGRICULTURAL  
DEVELOPMENT) (175146) (2 OF 3)

*FOIA*

S697  
SYSTEMATIC

*Box Number*

36

119

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<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>
165550	LETTER  DUPLICATE OF #165540; REAGAN TO ZIA	1	6/15/1982	B1

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

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

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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.

## 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"/>
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FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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FULLER	<input type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GERGEN <span style="color: red; font-size: 2em;">→</span>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Bready</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:**

*12/20  
no comment.  
D. Gergen/kr*

Richard G. Darman  
Assistant to the President  
Ext. 2702

Received SS  
1983 DEC 28 PM 12: 22

THE WHITE HOUSE  
WASHINGTON

Received SS  
1983 DEC 28 PM 1: 58

December 23, 1983

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT  
AND DEPUTY TO THE CHIEF OF STAFF

FROM: FRED F. FIELDING,  
COUNSEL TO THE PRESIDENT

SUBJECT: Draft Decision Memorandum re: International Fund  
for Agricultural Development

Counsel's Office has reviewed the above-referenced draft decision memorandum and, from a legal perspective, has no objection to any of the recommendations presented being exercised by the President. The question of how rapidly the U.S. completes its commitment to provide funding to the International Fund for Agricultural Development (IFAD) under the "first replenishment," the first issue presented in the decision memorandum, is a policy one. The only legal issues that may perhaps be involved are ones of international law that do not restrict the President's authority to act on any of the options presented to him.

Whether the U.S. should participate in the negotiation of a "second replenishment" of IFAD's capital, the second issue presented, is also only a policy question. By the terms of the IFAD Agreement, "Members" (including the U.S.) may be "invited" to make additional contributions; they cannot be required to do so. Agreement Establishing the International Fund for Agricultural Development, June 13, 1976, Art. 4, sec. 3, 28 U.S.T. 8435, 8442, T.I.A.S. 8765 at 7. Participating in the negotiations will not, absent further agreement, obligate the U.S. to make future contributions to IFAD.



Received SS  
1983 DEC 21 PM 7:49

Document No. 175146CS

# 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"/>
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HERRINGTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Baroody</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:

*No Comment  
R/S*

Richard G. Darman  
Assistant to the President  
Ext. 2702

Received SS  
1983 DEC 23 PM 3:00

Document No. 175146CS

## 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

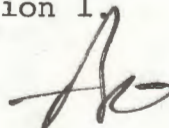
	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<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"/>
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: Issue One: Option 4 more consistent with our need for budgetary constraint. Our 1984 Supplementals are already getting out of hand.

Issue Two: Concur on Option 1



Richard G. Darman  
Assistant to the President  
Ext. 2702

Received SS  
1983 DEC 21 AM 9:48

Document No. 175146CS

# 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"/>
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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"/>
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: 12/20/83

Issue 1 Option 4

Issue 2 Option 1

*Jack L. Cuatrecasas*  
OPL

Richard G. Darman  
Assistant to the President  
Ext. 2702

IT108

WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET



- O - OUTGOING
- H - INTERNAL
- I - INCOMING  
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Richard G. DARMAN

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Draft decision memorandum re: International Fund for Agricultural Development

ROUTE TO: Office/Agency (Staff Name)	ACTION		DISPOSITION	
	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>CWHOLL</u>	ORIGINATOR	<u>83112120</u>	<u>JV</u>	<u>C 83112123</u> JV
	Referral Note:			
<u>QUAT II</u>	<u>D</u>	<u>83112120</u>	<u>JV</u>	<u>C 83112123</u> JV
	Referral Note:			
<u>CWFIEL</u>	<u>S</u>	<u>83112123</u>	<u>JV #F</u>	<u>A 83112123</u> JV 3:00pm
	Referral Note:			
		<u>1 1</u>		<u>1 1</u>
	Referral Note:			
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	Referral Note:			

- ACTION CODES:**
- A - Appropriate Action
  - C - Comment/Recommendation
  - D - Draft Response
  - F - Furnish Fact Sheet to be used as Enclosure
  - I - Info Copy Only/No Action Necessary
  - R - Direct Reply w/Copy
  - S - For Signature
  - X - Interim Reply
- DISPOSITION CODES:**
- A - Answered
  - B - Non-Special Referral
  - C - Completed
  - S - Suspended

**FOR OUTGOING CORRESPONDENCE:**  
 Type of Response = Initials of Signer  
 Code = "A"  
 Completion Date = Date of Outgoing

Comments: \_\_\_\_\_

Keep this worksheet attached to the original incoming letter.  
 Send all routing updates to Central Reference (Room 75, OEOB).  
 Always return completed correspondence record to Central Files.  
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

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Prime Subject Code: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Secondary Subject Codes: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_  
 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_  
 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

### PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	Time: _____	P. _____
DSP	_____	Time: _____	Media: _____

**SIGNATURE CODES:**

- CPn - Presidential Correspondence**
- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie
  
- CLn - First Lady's Correspondence**
- n - 0 - Unknown
- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 - Mrs. Ronald Reagan
  
- CBn - Presidential & First Lady's Correspondence**
- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

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- D - Official document**
- G - Message**
- H - Handcarried**
- L - Letter**
- M - Mailgram**
- O - Memo**
- P - Photo**
- R - Report**
- S - Sealed**
- T - Telegram**
- V - Telephone**
- X - Miscellaneous**
- Y - Study**

THE WHITE HOUSE

WASHINGTON

December 23, 1983

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT  
AND DEPUTY TO THE CHIEF OF STAFF

FROM: FRED F. FIELDING *Orig. signed by FFF*  
COUNSEL TO THE PRESIDENT

SUBJECT: Draft Decision Memorandum re: International Fund  
for Agricultural Development

Counsel's Office has reviewed the above-referenced draft decision memorandum and, from a legal perspective, has no objection to any of the recommendations presented being exercised by the President. The question of how rapidly the U.S. completes its commitment to provide funding to the International Fund for Agricultural Development (IFAD) under the "first replenishment," the first issue presented in the decision memorandum, is a policy one. The only legal issues that may perhaps be involved are ones of international law that do not restrict the President's authority to act on any of the options presented to him.

Whether the U.S. should participate in the negotiation of a "second replenishment" of IFAD's capital, the second issue presented, is also only a policy question. By the terms of the IFAD Agreement, "Members" (including the U.S.) may be "invited" to make additional contributions; they cannot be required to do so. Agreement Establishing the International Fund for Agricultural Development, June 13, 1976, Art. 4, sec. 3, 28 U.S.T. 8435, 8442, T.I.A.S. 8765 at 7. Participating in the negotiations will not, absent further agreement, obligate the U.S. to make future contributions to IFAD.

FFF:DEW:jlk  
FFFielding ✓  
DEWilson  
Subject  
Chron

THE WHITE HOUSE

WASHINGTON

December 23, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM:

D. EDWARD WILSON, JR. *D. E. W., Jr.*

SUBJECT:

Draft Decision Memorandum re: International Fund  
for Agricultural Development

This memorandum from John R. Block, Chairman pro tempore, Cabinet Council on Food and Agriculture, requests the President's decision on two issues relating to the International Fund for Agricultural Development (IFAD): (1) the appropriate level of the U.S. FY 1985 contribution to IFAD; and (2) whether the U.S. should participate in the negotiation of a second replenishment for IFAD. The first issue must be resolved for the President's FY 1985 budget; the second before February when negotiation of a second replenishment for IFAD is scheduled to resume.

IFAD is a multilateral organization created in 1977 to mobilize financial resources, on concessional terms, for agricultural development. United States sponsorship of IFAD was based on three premises: (1) that the industrialized countries ("Category I") and petroleum exporting countries ("Category II") contribute equally for projects in developing countries ("Category III") that address the needs of small farmers and the rural poor; (2) that IFAD maintain a small staff; (3) that it not participate in the implementation of projects, simply fund them. These final two conditions were to limit IFAD to a funding role and to prevent the creation of "yet another international bureaucracy." See IFAD Agreement, *infra*, Art. 2 (Objectives and Functions), 28 U.S.T. 8435, 8439, T.I.A.S. 8765 at 4. Disagreement over whether these "conditions" to U.S. participation are being met and funding of projects in Communist countries, while unstated, underlies the options presented in the decision memorandum.

The original U.S. contribution to IFAD of \$200 million was met in 1980. A "first replenishment" was negotiated immediately thereafter, with the U.S. committing, subject to Congressional appropriation, to contribute \$180 million (17% of the total pledges). This contribution was to have been made by the end of 1983, but \$90 million is still outstanding.

The first issue concerns the speed with which the U.S. pays this remaining \$90 million obligation; the Cabinet Council does not

DEC 23 1983 11:32

1983 DEC 23 PM 4: 35

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WASHINGTON  
THE WHITE HOUSE



recommend that the commitment not be met. The second is whether the U.S. should participate in the negotiation of a "second replenishment" now that the first, running through 1983, has technically ended.

Review of the IFAD Agreement, Agreement Establishing the International Fund for Agricultural Development, June 13, 1976, 28 U.S.T. 8435, T.I.A.S. 8765, and other materials, e.g., GAO, Status Report on U.S. Participation in the International Fund for Agricultural Development, (March 27, 1981); several House and Senate Reports (in particular H. Rep. No. 98-192, 98th Cong., 2d Sess. (1983); Nawz, Legal Aspects of Co-Financing: the Experience of the International Fund for Agricultural Development, 32 Am. U.L. Rev. 121 (1982), leads to the conclusion that the IFAD Agreement is not "the law of the land" (as a treaty would be) such that the President's authority to decide when the U.S. will meet its remaining "first replenishment" commitment of \$90 million is restricted.

How the U.S. chooses to meet its obligation to IFAD (or even whether the U.S. chooses to do so) is a political question which, to the best I am able to determine, is not subject to judicial review. E.g., Taylor v. Morton, 23 Fed. Cas. 784 (No. 13,799) (C.C.D. Mass. 1855); Foster v. Neilson, 2 Pet. (27 U.S.) 253,309 (1829). Even if a violation of domestic law were alleged that might impact the President's decision making authority, such an allegation is obviated by the fact that the U.S. commitment is conditioned on Congress appropriating the necessary funds. This Congress has not done (although in 1983 the House Committee on Foreign Affairs attempted, without success, to force the President's hand by authorizing that all funds subsequently appropriated for international projects in "agricultural, rural development and nutrition" would be available to meet the U.S. obligation under the first replenishment). H. Rep. No. 98-192, supra, at 52-53.

Similar reasoning applies to the second issue, whether the U.S. will participate in negotiation of a "second replenishment" of IFAD's capital. In addition, the IFAD Agreement, Art. 4, sec. 3, provides that the Governing Council may "invite" members to make additional contributions; it cannot require them to do so. 28 U.S.T. at 8442, T.I.A.S. 8765 at 7. Participating in the negotiations, therefore, will not obligate the U.S. to make additional contributions.

Howard "Tim" Fry, GC, AID, and Bob Lester of his staff (632-8405) confirmed my understanding of the law in this area and raised an ancillary issue based on P.L. 97-113, Section 301(c) (adding an authorization for IFAD appropriations to Section 103, "International Organizations and Programs," of the Foreign Assistance Act of 1961), and section 154 of P.L. 97-337 which provides that no

funds provided for International Organizations and Programs "shall be available for the United States' proportionate share for any programs for the Palestine Liberation Organization, the Southwest Africa Peoples Organization or Cuba."

As this issue bears on the manner in which U.S. contributions are spent by IFAD, not on whether or how the U.S. contributes (the subject of the decision memorandum), I raise it simply for your information. US AID, which oversees U.S. participation in IFAD, monitors IFAD's projects closely and routinely reminds the IFAD Governing Council and President that U.S. monies cannot be spent for any programs for any of the three organizations listed in Section 154, notwithstanding the provision of the IFAD Agreement stating that contributions "shall be made without restrictions as to use." IFAD Agreement, supra, Art. 4, sec. 5(a), 28 U.S.T. at 8442, T.I.A.S. 8765 at 7.

Based upon my review, it appears that we have no legal objection to the decision memorandum. Attached with the incoming is a memorandum for your review and comment or signature to Richard G. Darman expressing this opinion.

This item is due by 3:00 pm Friday, December 23, 1983.

## 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"/>
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DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
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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"/>
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:**

1983 DEC 20 AM 10:40

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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