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(International Organizations –
International Fund for Agricultural Development)

Case file Number(s): 175146 (1 of 3)

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WITHDRAWAL SHEET

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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) (1 OF 3)

FOIA

S697

Box Number 36

SYSTEMATIC

118

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
165547	MEMO	CHARLES HILL TO ROBERT MCFARLANE, RE: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)	2	12/29/1983	B1
165548	MEMO	DUPLICATE OF #165547	2	12/29/1983	B1
165549	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.

THE WHITE HOUSE
WASHINGTON

RO 175146PD
IT108

January 17, 1984

MEMORANDUM FOR CRAIG L. FULLER

FROM: ROGER B. PORTER *RBP*
SUBJECT: IFAD Memorandum for the President

Burleigh Leonard has reviewed the comments on the IFAD decision memorandum that your office circulated to agencies for consideration last month.

The comments can be summarized as follows:

- o The only comment pertaining to the content of the decision memorandum comes from the State Department. State believes that Option 1 of Issue 2 does not represent the consensus of the December 5 CCFA meeting.
- o State, Treasury, and OMB believe that the issue of the FY 1985 funding level for IFAD has been resolved in the course of the budget review process and, therefore, does not require further consideration by the President.
- o State, Treasury, and OMB also believe that it is premature to ask the President to decide whether the U.S. should discuss participating in a second replenishment of IFAD.

With respect to the first comment, while the statement of Option 1 of Issue 2 (on pp. 6 and 8 of the decision memorandum), read in the context of the entire paper, fairly represents the CCFA consensus, the wording of the option can be modified to address State's particular concern. We, therefore, have changed Option 1 of Issue 2 to read as follows: "Be prepared to discuss with other member countries a second replenishment of IFAD, making it clear that a second replenishment, if any, could not involve an increase in the U.S. share or a decrease in the OPEC share of the total contributions." State accepts this wording as an accurate reflection of the CCFA consensus.

Regarding the second comment, it is worth pointing out that State, Treasury, and OMB acknowledge that the FY 1985 IFAD funding issue was never specifically raised during the course of the budget review process. In view of the President's letter to President Zia regarding U.S. plans to provide the balance of the

total U.S. contribution to the first replenishment of IFAD before the end of calendar year 1983, having a brief discussion of the funding issue (Issue 1) seems appropriate.

Finally, with respect to the third comment, we do not consider it premature to decide whether the U.S. is prepared to enter into discussions on a second replenishment of IFAD. IFAD member countries are scheduled to meet in February to continue talks on the possibility of negotiating a second replenishment. Various member countries have indicated that such talks would be useless without the participation of the U.S. If the U.S. delegation has no instructions to enter into good faith discussions, the U.S. will likely be accused of dragging its feet and undermining IFAD.

In the absence of a presidential decision on this last matter, there likely will not be sufficient incentive to make the appropriate preparations for the February discussions and interagency consideration of the subject will continue to drift.

This issue has been handled from the outset in the way Cabinet Councils were designed to operate: The issue was identified and assigned to the CCFA. An interagency working group including all interested departments and agencies was established and participated in preparing a paper, the paper was then discussed at a Cabinet Council meeting, and the paper appropriately revised for a Cabinet Council meeting with the Preisdnet. At no time were any departments, agencies, or viewpoints excluded from the process.

In view of the fact that the decision merits presidential attention, and that the process has produced a paper that fairly reflects the range of viable options and the advantages and disadvantages associated with each, we recommend submitting the decision memorandum to the President as soon as possible.

THE WHITE HOUSE

WASHINGTON

January 17, 1984

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: Be prepared to discuss with other member countries a second replenishment of IFAD, making it clear that a second replenishment, if any, could not involve an increase in the U.S. share or a decrease in the OPEC share of the total contributions.

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, OMB, and Defense.

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 Be prepared to discuss with other member countries a second replenishment of IFAD, making it clear that a second replenishment, if any, could not involve an increase in the U.S. share or a decrease in the OPEC share of the total contributions.

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.

~~CONFIDENTIAL~~

~~Exempt
to R.P. Act~~

9217 Add-on

C. F.
175146C5
IT108

MEMORANDUM

NATIONAL SECURITY COUNCIL

Declassified
Sec 2.4(a) EO 13526
BY NARA db DATE 7/2/14

January 13, 1984

CONFIDENTIAL

MEMORANDUM FOR CRAIG L. FULLER

FROM: ROBERT M. KIMMITT *Bob*

SUBJECT: Presidential Decision Memorandum Concerning
the International Fund for Agricultural
Development

Attached at Tab A is a memo from the Department of State indicating State's position regarding the International Fund for Agricultural Development.

Attachment
TAB A State Department memorandum

~~CONFIDENTIAL~~
Declassify on: OADR

~~CONFIDENTIAL~~

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MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

DECLASSIFIED
Sec 1.4(a) E.O. 13526, authorized
for public release on 11/11/2008
BY: [unclear] ds 9/12/14

ACTION

January 4, 1984

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DOUGLAS W. McMINN ~~ds~~

[Redacted]

SUBJECT: State Department's Position Regarding the
International Fund for Agricultural
Development

Craig Fuller, on December 14, requested State's comments on a Presidential decision memorandum concerning the International Fund for Agricultural Development. State has responded to this request in a memorandum to Robert McFarlane (Tab A).

RECOMMENDATION

That you sign the memo to Craig Fuller at Tab I, transmitting State's memorandum.

Approve K Disapprove _____

Attachments

- TAB I Memorandum to Craig Fuller
- TAB A State Department memorandum

CONFIDENTIAL

Declassify on: OADR

~~CONFIDENTIAL~~

C. F. 9217 Add-on

PY

175146CS

IT108

MEMORANDUM

NATIONAL SECURITY COUNCIL

DECLASSIFIED

Sec. 3.400, E.O. 12859, as amended
Kissinger Guidelines, Sept. 14, 2000
BY NARA *ds* DATE 9/12/14

January 13, 1984

CONFIDENTIAL

MEMORANDUM FOR CRAIG L. FULLER

FROM: ROBERT M. KIMMITT *Bob*

SUBJECT: Presidential Decision Memorandum Concerning
the International Fund for Agricultural
Development

Attached at Tab A is a memo from the Department of State indicating State's position regarding the International Fund for Agricultural Development.

Attachment

TAB A State Department memorandum

NSC #8309217

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Declassify on: OADR

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A

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165547	MEMO CHARLES HILL TO ROBERT MCFARLANE, RE: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)	2	12/29/1983	B1

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

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

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RECEIVED
National Security Council
The White House

84 JAN 4 P 6: 45

System # I
Package # 9217
Add on

	SEQUENCE TO	HAS SEEN	DISPOSITION ^{ca}
Bill Martin	<u>1</u>	<u>wfm</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter	<u>3</u>	<u>[Signature]</u>	<u>I</u>
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	<u>4</u>	<u>[Signature]</u>	<u>D</u>
Situation Room			

JAN 1 3 1984
JAN 1 3 1984

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other _____

COMMENTS Should be seen by: _____
(Date/Time)

But No decision necessary from our front office.
Should I sign these types of referrals? Bill
Bill: generally, yes, but this one had a history, so
I wanted JHP to at least review.

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84 JAN 4 P 7: 35

NAME	ADDRESS	CITY	STATE	ZIP
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Mr. J. Edgar Hoover
 Director
 Federal Bureau of Investigation
 Washington, D.C. 20535

84 JAN 4 P 7: 35
 U.S. DEPARTMENT OF JUSTICE
 FEDERAL BUREAU OF INVESTIGATION

RECEIVED 20 DEC 83 12

TO MCFARLANE

FROM DARMAN, R

DOCDATE 20 DEC 83

BLOCK, J

14 DEC 83

HILL, C

29 DEC 83

KEYWORDS: CCFA

LIBYA

DARMAN REFERRAL

SUBJECT. DRAFT DECISION MEMO RE INTL FUND FOR AGRICULTURAL DEVELOPMENT

ACTION. PREPARE MEMO KIMMITT TO DARMAN DUE. 04 JAN 84 STATUS S FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCMINN

KEMP

WETTERING

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KIMMITT

COMMENTS

REF# 175146

LOG

NSCIFID

(CL)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
-	12/30	reopen / recd state memo		
MCMINN	S 12/30	Prepare memo for McFarlane	1/4	GK, WS, D4, TS, RK
Kimmit	X 1/4	For Signature	1/6	C Fuller
	C JAN 1 3 1984	Kimmit sgd		RK MC

DISPATCH

ed JAN 1 3 1984

W/ATTCH

FILE

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Ronald Reagan Library

IT 108
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IT108 (INTERNATIONAL FUND FOR AGRICULTURAL
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	<i>Document Description</i>	<i>pages</i>		<i>tions</i>

165548 MEMO

2 12/29/1983 B1

DUPLICATE OF #165547

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



OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

29 DEC 1983

MEMORANDUM FOR CRAIG FULLER, ASSISTANT TO THE PRESIDENT FOR
CABINET AFFAIRS

SUBJECT: DECISION MEMO: International Fund for Agricultural
Development (Your 175146CA)

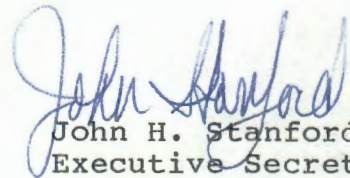
The Department of Defense has reviewed the above subject
decision memo and has the following comments on the below listed
issues:

- (1) What is the appropriate level of contributions in
FY 1985 for the IFAD?

Defense supports option 4.

- (2) Should the U.S. participate in the negotiation of a
second replenishment of IFAD?

Defense supports option 1.


John H. Stanford
Executive Secretary



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

December 22, 1983

MEMORANDUM FOR THE HONORABLE CRAIG L. FULLER
ASSISTANT TO THE PRESIDENT
FOR CABINET AFFAIRS
THE WHITE HOUSE

SUBJECT: International Fund for Agricultural Development

As requested, here are Treasury's comments on the December 14 CCFA decision memorandum which Secretary Block has sent to the President.

With regard to the U.S. FY 85 contribution to IFAD, Treasury does not believe that the President should be asked to re-open a decision which was reached through the regular budget review process, in which all concerned agencies participated, and which was finalized when the foreign affairs budget numbers were discussed with the President last week.

Treasury also believes it is premature to ask the President to decide on U.S. participation in a possible second replenishment of IFAD. Interested agencies have not yet had an opportunity to consider and seek agreement on the full range of issues regarding a second replenishment. Furthermore, we will not have an indication of OPEC intentions regarding participation in a second replenishment until some time in February. Finally, with regard to the memo's characterization of the CCFA agreeing unanimously that OPEC should maintain its current 43% share of IFAD funding it should be noted that, at the CCFA meeting, Treasury said a 50% OPEC share was a minimum as far as we were concerned.

David Chew/cy

David L. Chew
Executive Assistant
to the Secretary

DEC 23 11 59 AM '83

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 23, 1983

MEMORANDUM FOR: ~~CRAIG L. FULLER~~ ^{CRAIG}
FROM: ~~AL KEEL~~ ^{AL}
SUBJECT: International Fund for Agricultural
Development

This responds to your December 19 request (Staffing Memorandum No. 175146CA) for comments on Secretary Block's memorandum to the President concerning the International Fund for Agricultural Development (IFAD). The IFAD issue has been decided. A decision memo to the President would not be appropriate. OMB, therefore, strongly objects to re-raising the issue of 1985 or future funding for IFAD with the President.

- o Despite the fact that IFAD is clearly a foreign aid issue, it was discussed by the Cabinet Council on Food and Agriculture at Secretary Block's initiative on December 5. However, little support emerged in the Cabinet Council for accelerated funding for IFAD. Moreover, there was no decision to send a follow-up memorandum to the President. There was explicit mention that the proper forum to address IFAD would be the pending BRB meeting and subsequent Presidential review on Foreign Assistance Budget issues.
- o The State Department has the lead on foreign aid funding for IFAD. In its 1985 budget proposals, State requested \$50 million in 1985, \$40 million in 1986 and no additional funding for a follow-on replenishment. OMB approved these levels.
- o In subsequent discussions with the Budget Review Board and the President on the foreign aid budget, the State Department has sought neither additional funds in 1985 nor guidance on a negotiating position for a second replenishment of IFAD. USDA participated in the Budget Review Board and did not question the State position.

Because 1985 foreign aid issues have been amply aired, and because the lead agency on IFAD does not seek additional funds, OMB believes that this issue should not be taken to the President. The question of U.S. participation in a second replenishment should be left to Cabinet discussion in an appropriate forum, such as the SIG-IEP.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 23 1983

TO: Craig L. Fuller, Assistant to the President for
Cabinet Affairs

FROM: John R. Block *Richard E. Lyng*
Secretary *acti*

SUBJECT: Cabinet Council Decision Memorandum on the International
Fund for Agricultural Development (IFAD)

We have reviewed the draft Cabinet Council Decision Memorandum for the President, regarding several facets of U.S. participation in the International Fund for Agricultural Development (IFAD), including the FY '85 budget request for payment towards the U.S. replenishment pledge and U.S. participation in a second replenishment of the Fund. The memorandum adequately provides the President with the available options. We appreciate the opportunity provided for interested agencies to modify their positions, should they desire to do so, before the memorandum goes to the President.

It would also seem appropriate to call to the President's attention overtures which have been made regarding IFAD by a number of international leaders, such as those from President Mubarek of Egypt, Mrs. Charles of Dominica, the Secretary General of the United Nations, the Prime Minister of Saudia Arabia, and World Food Council Executive Director Maurice Williams, as well as the formal demarche by Organization for Economic Cooperation and Development (OECD) nations made to the State Department on behalf of IFAD.

We appreciate having the issue of U.S. relations with IFAD and its Organization of Petroleum Exporting Countries (OPEC) supporters go to the President for decision.

'83 en 23 P 132

12/22

THE WHITE HOUSE
WASHINGTON

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no count

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WASHINGTON

Objections: State, Treasury & OMB

No comment: Commerce, CEA

Concurrence: USDA

No reply: UN, USTR, CIA

MEMORANDUM OF CALL

Previous editions usable

TO: 12/21

YOU WERE CALLED BY YOU WERE VISITED BY-

OF (Organization)

PLEASE PHONE FTS AUTOVON

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RETURNED YOUR CALL WISHES AN APPOINTMENT MESSAGE

*no comment Fri.
Dell
In contact with
fund Ad for
Mary Frances
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RECEIVED BY _____ DATE _____ TIME _____

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WILL CALL AGAIN IS WAITING TO SEE YOU

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Tom Collamore's

*Commerce has no
comment on Cat. Cnd.
decision memo re Int'l
Fund for Agric. Development*

RECEIVED BY *S* DATE *12/22* TIME *10:35*

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WASHINGTON

K. H. J. ?
Suspense

CABINET AFFAIRS STAFFING MEMORANDUM

Date: December 19, 1980 Number: 175146CA Due By: 3 pm, Friday
December 23
Subject: DECISION MEMO: International Fund for Agricultural Development

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	CEA <i>no comment</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State <i>objections</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury <i>objection</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<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 <i>on W/see attached</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input type="checkbox"/>
Commerce <i>No Comment</i>	<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 <i>(ORIGINAL)</i>	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation <i>NC</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Svahn	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Herboldsheimer</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB <i>objections</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA - <i>NO REPLY</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN - <i>NO REPLY</i>	<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"/>
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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 Herboldsheimer
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).

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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