

INTER-OFFICE CORRESPONDENCE

FROM: JAP

DATE: January 24, 1977

TO:

SW		<i>h</i>
DBG	<i>copy to my desk file</i>	
ACM		
FEB		

COMMENTS:

SUBJECT: Harold Graves' Discussion Paper "Alternatives for IADS"

I have read H. Graves' paper on "Alternatives to IADS." No doubt Harold's observations will be helpful in thinking through a number of questions vital to IADS's future operations. He also examines a number of alternatives which are not viable and gives a good analysis why this is so. A number of questions are also raised which should be carefully answered - particularly for the community at large.

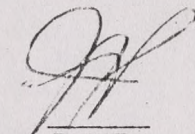
As I see it, IADS will have to come to some conclusion or give consideration to the following:

1. Does or does it not matter that IADS is a U.S. incorporated non-profit organization? I think it does not.
2. Should or should not IADS establish itself independently of the RF? I think it should.
3. Should IADS establish a base or its principle headquarters outside of the U.S.? I think serious thought should be given to this question but feel that Washington, D.C. probably offers the best location. Geneva or Amsterdam might also provide all of the conditions one would want but a major factor, as Harold points out, is going to be taxation laws.
4. On the matter of program, I feel that IADS indeed will have to distinguish what its unique qualities are and what its major kind of activity is. I don't think we should become paranoid about this, however, and let every criticism reduce the effort to a level acceptable to everybody but of little value to anyone.

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5. I'm not convinced that IADS can operate financially without obtaining untied contributions. Your comment #3 in the memo of January 17 regarding support for centers does not reflect the part that the centers also had substantial core unrestricted support. Although only time will tell, I think it is unwise to state that IADS will not need or can operate without core support. If it can, I would like to know how as this will also affect RF support.

In summary, I'm not sure that Harold has given you a specific formula, but my impression is that IADS should seek some form of association with the CGIAR. If that is done, your location problem diminishes in importance and other issues become more easily resolved. However, some very careful planning and negotiating will have to be done if IADS is to gain CG acceptance but that I feel is the major question before us now.


J.A.P.

January 17, 1977

SW

HC

Reaction to your discussion paper "Alternatives
for IADS"

MN

This is an excellent review. The following points come to my mind as I studied it:

1. The current version of the paper appears to assume that IADS will have substantial continuing care costs not covered by overhead charges, or management fee as we sometimes call it. This may not be true; most of IADS' work may be either (a) contract operations or (b) restricted care or even special projects. We could make all work "special projects."
2. Re para 6: Insofar as IADS is undertaking special projects such as (a) preparation of development-oriented literature or (b) assisting smaller, poorer countries, there may be little competition with national organizations, since none of them really could undertake such work. And, IADS should not, in my view, be in competition with such national organizations; the help of all is needed.
3. Re para 10: Similar point: we may need only special project funding from donors; but it would be best, probably, to qualify IADS for general support should that become desirable. (Most support for international research centers by bilateral agencies began with restricted funds.)
4. Re paras 12-14: Would you be willing to undertake a review of the basis of IADS overhead charges as part of your assignment with us? Would be a great help. We have thought that institute practice is a useful guide.

5. Re para 16: What accounts for the difference in the experience of IFDC and IFPRI in employment of non-U.S. nationals. What are the implications for IADS.
6. Re para 42: It would be helpful to know which of the "wide range of service" IADS seemingly lacks the capabilities to provide. Which donors "would be willing to see the service used over the complete range...?"
7. Re paras 47-48: IADS, de facto, specializing in national agricultural research and training with the qualification that IADS is very much concerned with making investments in national systems result in reasonably quick returns to the country. IADS also extends the concept of research to include farm level work, as well as establishment of goals and relevant planning.
8. Re para 50, last sentence: IADS is the Rockefeller Foundation's effort to get action underway.
9. Re para 51: This approach would seem to make sense to me (SW). The reaction of the IADS Board would be important.
10. Re para 52, and recommendations of the Review Committee: IADS probably would not require "major financial commitments" from CGIAR, since most of its work for individual countries (80-90% of the total) should be financed by loans or grants to the countries, or by the countries themselves.
11. Sir John Crawford told me, in discussions in Washington on January 13, that he would be pleased to review your report to IADS and to comment on it. Please feel free to send him a copy for his reaction and/or to talk with him. It is my understanding that he, at least, might favor explorations of the desirability of association of IADS with CGIAR.
13. Location of IADS. IADS presently has offices at 1133 Avenue of the Americas in space on the 24th floor which is rented on a year to year basis from The Rockefeller Foundation. It has been assumed from its establishment in 1975, that IADS should within a few years move to another location.

In considering possible new locations, several probably desirable features of a permanent site, not in order of importance, should be kept in mind:

- a) IADS will need to employ at its headquarters persons of high professional standing of diverse nationalities. Such persons will be concerned about residence status, taxation, education of children, housing;

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- b) The location should contribute to the IADS image as an international organization;
- c) English probably will continue as the first language of IADS; supply of English speaking supporting staff therefore will be important;
- d) IADS should be able to operate up to 16 hours per day, seven days per week. Staff members should live close to headquarters and be able to participate in evening work when desirable;
- e) Costs of operations should be reasonable. Telephone, telegraph, postal, and airline service must be good;
- f) Easy access to major donor organizations, and to embassies of developing countries, would be an advantage;
- g) The desirability of a tropical location where field testing and training of various sorts could be conducted, should not be overlooked.

Would you be willing to work with us in determining alternative locations which might be considered?

We should discuss the desirability of your visiting the major donors to obtain their views directly, preferably before the May meeting.

S.W.

SW:jz

Mr. Harold Graves
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ALTERNATIVES FOR IADS

A Discussion Paper

1. This paper discusses various paths of development and forms of incorporation open to the International Agricultural Development Service (IADS), keeping in mind the desire of the sponsors to make IADS as useful as possible to developing countries and to make the Service's sources of technical and financial cooperation as broad as possible.

2. Several corporate forms are examined, including IADS as it exists at present. Each is evaluated from the standpoint of its bearing on the possibilities of cooperation with developing countries and with development assistance organizations, including international and regional organizations, bilateral agencies and the Consultative Group on International Agricultural Research (CGIAR). Also discussed is the relationship between the Service's expected pattern of assistance activities and the acceptance of IADS by donor organizations and groups.

3. As various alternatives are considered, several tendencies appear. One is that as IADS moves toward forms of incorporation calculated to increase its possibilities of cooperation with donor organizations, the more it risks losing its present identity, including its private character; in the end, what results is not simply a modified IADS but a quite new organization. Another tendency is paradoxical: the more kinds of assistance IADS proposes to give developing countries, the less general support it is likely to have in the donor community. Finally, the question of where IADS is located emerges as one of critical significance.

I. IADS Today

4. IADS today has an important asset in its close identification with the Rockefeller Foundation. The long record of the Foundation's service, its enduring humanitarian interests in developing countries, its notable successes in its chosen fields and its private, non-political character assure IADS of a welcome virtually anywhere it goes.

5. That IADS is incorporated under New York law is not a handicap from the point of view of developing countries. The governments of those countries are as free to contract with the Service as they are with any of the hundreds of other private corporations of which they make extensive use. The fact that the Service does not seek a profit presumably adds to its acceptability.

6. It is expected, however, that third parties -- international organizations and bilateral agencies -- will provide most of the funds out of which IADS assistance to developing countries will be financed. Most bilateral donors, for reasons of law or national policy, limit their disbursement of technical assistance funds largely to experts and consultant services of their own nationality. The preference for tying funds in this way is particularly strong among former colonial powers (Belgium and France, for instance). Most of these nations have, and prefer to use, a reservoir of experts and service organizations with experience in less developed countries: an example is the International Organization for Rural Development, a semi-private organization supported by voluntary contributions and a large annual appropriation from the Government of Belgium. Limitations therefore exist on the extent to which the funds of bilateral donors could be disbursed in ways that would be useful to IADS.

7. A large volume of third-party financing nevertheless is open to the Service. IADS operations in developing countries are eligible to be financed by any official international organization of which the United States (the host country of IADS) is a member -- that is, by the United Nations and its associated specialized organizations (including UNDP, the World Bank and, presumably in due

course, the International Fund for Agricultural Development) and by regional development institutions of which the United States is a member (for instance, the Asian Development Bank. Funds from any of these sources may be disbursed directly to IADS or may be lent or granted to developing countries for disbursement to IADS.

8. The same is true of bilateral funds which are not restricted on the basis of nationality. This includes all official development assistance from Australia and the OPEC countries, and it also includes, throughout the donor community, much of the funding of fellowships. Most important among bilateral donors, the United States puts no limitation on technical cooperation funds which would bar disbursements to IADS at present.

9. The net result of limitations of nationality on the disbursement of technical assistance funds does not leave IADS in an unfavorable position with respect to direct services to developing countries. While only crude estimation is possible, it nevertheless appears that as much as two-thirds of the technical cooperation funding granted to developing countries is made available on terms that would not bar disbursements to IADS.

10. The core budget of IADS -- for the headquarters operation, including the maintenance of a "professional home" for temporarily unassigned experts -- is in a different position. Limitations of nationality on disbursements prevent most bilateral donors from considering contributions to it. In fact, as IADS is now presented, the core budget seems unlikely to attract funds in the foreseeable future from any official source. Even those organizations legally able to contribute to the core budget (for example, the World Bank and USAID) do not expect to do so. These donors are accustomed to financing specific programs, a method which allows them a choice of how to use their funds; but the mission of IADS is so general that to support it implies to these donors a surrender of choice and a loss of control over their own funds. (What appears to the sponsors

as flexibility is unkindly referred to by some donors as a lack of focus.)

11. On present form, IADS will have to support its core operations from private sources, from overhead charges to clients of its field services, or from a combination of the two. Among private sources, the addition of other philanthropic resources to those provided by the Rockefeller Foundation is a possibility that presumably already has been given some consideration by the sponsors of IADS.

12. Whether and how much to rely on overhead charges seems to be partly a matter of philosophy and partly a matter of arithmetic. If support of overhead costs is thought of as a charge on developing countries, it is not easily reconciled with the humanitarian instincts of IADS. But in fact, the charge usually would be on the funds provided by third parties -- on grant funds which do not have to be repaid by developing countries at all, or on funds lent on easy terms which contain a large grant element. Donors, moreover, would regard it as normal for a service organization to charge for overheads.

13. In determining a reasonable level of overhead charges, the practice of the international agricultural research centers does not appear to be a useful guide. The aggregate overhead charges by a center are not intended to cover the full amount of the center's headquarters budget; and the overhead figure of 15 per cent used by centers for some types of service project is clearly too low.

14. Another way of approaching the question is to calculate what overhead charges on what volume of operations would be necessary to fund a budget of given size. For instance, if the average annual costs of individual experts (without administrative overhead) is \$60,000 each, and if IADS has 75 experts in the field, then the overhead charge necessary to fund the IADS core budget at its 1977 level is about 35 per cent ($\$60,000 \times 75 \times .35 = \$1,575,000$). If the core budget were doubled and the other factors remained unchanged, the overhead charge obviously would rise to 70 per cent. Charges by

private firms, before the addition of a margin for profit, commonly run to 100 per cent or more, so that a charge even of 70 per cent could not be considered unreasonable. The forgoing of profit would remain as an important philanthropic element.

15. IADS has been concerned by one other consequence of its American nationality. As a New York corporation, the Service is unable to offer non-American employees special treatment under United States law. It is thought that this may hinder internationalization of the IADS staff: it may be difficult to obtain employment permits for non-U.S. nationals, the procedure by which a non-U.S. employee obtains and maintains status as a resident alien may be burdensome, and the lack of tax exemption may mean that non-U.S. employees may have to be offered considerably higher salaries than might otherwise be the case.

16. Whether these disadvantages are real or intolerable is arguable. In the case of the International Fertilizer Development Center, immigration requirements apparently have proved irksome in the extreme; but in the case of the International Food Policy Research Institute (more than half of whose staff are not U. S. citizens) they have been easily dealt with. As far as taxes are concerned, the IADS would not be in a different position from other American corporations employing non-U.S. nationals. (There is no question of tax exemptions for U. S. nationals ; there is no formula under which they could be exempted.)

17. The consequences of IADS's origins, legal status and intended mission at present may be summarized and elaborated as follows:

18. IADS can count on wide respect and convenient entree in developing countries. It also has the es- of developed countries and is concerned with development assistance. It also has the es-

teem of developed countries and international organizations concerned with development assistance. For reasons of policy or law, many bilateral donors are unlikely to provide any significant amounts of finance for disbursement on IADS operations in the field, but IADS still has access to large financial resources for these operations. The more intractable problem lies in the core budget: few, if any, donors are likely to contribute to it: the multiplicity of tasks IADS proposes to undertake, however advantageous it may be to developing countries, detracts from the attractiveness of the core budget to donors. That budget, however, ultimately may account for only about 10 per cent of IADS expenditures. If it is necessary to support core activities from sources other than donor appropriations to it, this can be done in a way that is not disadvantageous to developing countries. In so far as administrative convenience is concerned, it is not clear that IADS's status as a New York corporation puts the Service at a serious disadvantage.

19. Even if a decision were taken to incorporate IADS on some other basis, a change certainly would take one year and easily might take three years. IADS therefore can expect for at least that length of time to operate in its present form. In that form, it clearly has considerable scope for growth, experimentation and valuable service to developing countries.

II. A Changed IADS?

20. It is felt that IADS could achieve wider scope if the Service were to be organized on an international basis. That is probably correct, but a good deal would depend on the form of internationalization; and effective forms probably would require important changes in the present structure.

21. One possible form of internationalization would be simply to move IADS to a donor country outside the United States. The Service would not necessarily lose any of its attraction for developing countries thereby, and it is perhaps true that some European donors would find it less awkward to contribute (however indirectly) to the operations of a Service situated, say,

in The Hague than to operations stemming out of New York.

22. Nevertheless, it is doubtful that to organize the IADS under the national law of some donor country outside the United States would significantly improve its prospects of financial and technical cooperation or the convenience of administering it. Establishment in another donor country would not loosen the restrictions IADS now faces in the tying of technical assistance funds. Indeed, the Service would lose some of its present ease of access to United States funds (since American development loans are tied to the procurement of American goods and services). In any country, it would face much the same tax and immigration problems with respect to employing persons not citizens of the host nation.

23. Another possibility to be considered is for IADS to be recognized as an international organization in the host country. In the United States, this would require the IADS to qualify under the International Organization Immunities Act. That Act gives international privileges and immunities to any international organization "in which the United States participates pursuant to any treaty or under the authority of any Act of Congress authorizing such participation, and which shall have been designated by the President through appropriate Executive Order as being entitled to enjoy... privileges, exemptions and immunities."

24. Under this procedure, the United States has recognized many entities outside the United Nations organization itself, including, for example, the Food and Agriculture Organization of the United Nations, the Inter-American Institute of Agricultural Sciences (IICA) and the International Cotton Advisory Committee. The International Fertilizer Development Center (IFDC) expects recognition under the same procedure, and at the beginning of 1977 was awaiting only the requisite Executive Order.

25. All the organizations receiving the privileges and immunities in question are intergovernmental in character. In the case of IFDC, the United States Government appropriates funds to the Center and names two members of its govern-

ing Board; other governments are deemed by the United States to participate through the circumstance that three other members of the Center's Board are named by the Consultative Group on International Agricultural Research.

26. The procedure followed for IFDC, however, does not automatically qualify the Center in the eyes of other governments. An organization recognized as international by one government is not by that token international; such action in no way binds other governments to recognize it as international or to give it international treatment; governments commonly give international status only to intergovernmental organizations of which they are members. (There is no comparable recognition for private international organizations such as the International Red Cross or the World Council of Churches.)

27. For IADS to be "internationalized" according to American law, therefore would not of itself create a more international image and widen the circle of cooperation for IADS. It would not of itself make IADS more eligible to receive bilateral funds, and it would not change the prospects of support from U. N. and regional organizations.

28. For IADS to follow the example of IFDC, in any case, would be difficult, since IADS, unlike IFDC, does not result from an American official initiative. For IADS to follow IFDC's example, moreover, would require some degree of governmentalization of the Service's structure -- at least to the extent of placing U. S. government nominees on its Board. That would, however slightly, impair its character as a private and non-political organization, and could change the view which some developing countries might take of it.

29. The usage concerning the recognition of international organizations disposes of another possibility: that IADS could obtain international status outside the United States and use that status to claim privileges and immunities for a sizeable U. S. operation maintained as a field office of an entity nominally based overseas. Official American recognition of the parent organization would still be required, and could be obtained only through the demanding

procedures prescribed by U. S. law.

30. For international status to be useful to IADS from the standpoint of broader possibilities of cooperation, it would have to give access to significant amounts of bilateral funding not now available or accessible only with difficulty. The most straightforward (and most difficult) way of achieving it would be to re-create the Service through a formal agreement among governments -- not only the United States and others whose funds are now available, but other governments whose funds at present are not open to the IADS. The new IADS would of course be an intergovernmental organization, and it would be eligible to receive funds, privileges and immunities from the governments which created it.

31. Governments, however, would find this course difficult to pursue. There already is an intergovernmental organization occupying the whole field defined by the IADS -- namely, the FAO; and governments (regardless of what their agricultural experts may think of FAO) would not find it easy to participate in the creation of a second one.

32. A way through this kind of difficulty was found in the case of the International Board for Plant Genetic Resources (IBPGR), established to work in a field in which FAO already had a program. The Board was created on the initiative of the Consultative Group on International Agricultural Research, and through that circumstance had the acquiescence of FAO, which is a co-sponsor of the CGIAR. In addition, the FAO provides the secretariat of the Board and acts as the Board's fiscal agent, so that it has close links to the Board; but the Board retains full autonomy within the framework of the CGIAR. A similar course, if sponsors, governments and the FAO agreed, would be open to the IADS.

33. There is a third way in which IADS might be internationalized. That is to establish the Service in a developing country, and on the same pattern as the international agricultural research centers of the CGIAR system.

34. The centers are a relatively new creation, living in the best of

several worlds and offering great flexibility of action. Most of them clearly are not true international organizations, being only partly governmental (through the participation of host-country Trustees). They nevertheless have some of the characteristics of intergovernmental organizations: they are financed in large part by governments, and host governments often agree to accord them some of the same privileges as are given to true international organizations.

35. At the same time, the charters of most of the centers declare them to be private organizations. In fact they are, in the important sense that their governing bodies are autonomous and self-perpetuating; their Trustees (apart from those designated by host countries) do not represent governments.

36. The centers are versatile in other important respects. Donors financing the centers treat them either as international organizations or as developing-country institutions, so that the funds provided are free from limitations of nationality. The centers not only receive funds for their own core programs, but execute contracts under programs being carried out by developing countries with the help of third-party funds.

37. A variety of procedures has been used to incorporate the international centers. The International Laboratory for Research on Animal Diseases was established under the companies act of Kenya. The International Crops Research Institute for the Semi-Arid Tropics was incorporated by two international organizations (the FAO and the World Bank). The International Livestock Centre for Africa and the International Centre for Agricultural Research in the Dry Areas were each established by an agreement between a host government and a signatory representing the CGIAR.

III. Administration and Program

38. If the principals were willing, any of these modes of establishment could be used to create IADS in a new form. But, to obtain the backing of principals, the IADS could expect to pay a price. The re-creation in all likelihood would require consequential changes in the Service, with respect both

to its administration and its program. The Service would probably lose its American and philanthropic coloration, and its program might well become more concentrated. These changes could somewhat reduce the appeal of the Service to developing countries, but they might result in stronger cooperation from aid-giving governments.

39. To be generally accepted by donors as a useful instrument, IADS as it is now could not simply be transplanted to some other jurisdiction. It would have to be perceived as genuinely having characteristics of an international organization or of an institution of a developing country -- or both. These characteristics would have to be expressed not only in its charter but in its people. The Chairman of its Board or its chief executive officer (and perhaps both) would have to be nationals of developing countries or of industrial nations commonly regarded as relatively neutral in world politics. The staff, and especially the senior staff, would have to be internationalized.

40. Needless to say, IADS's program of action would have to be thought to promise a highly effective way of meeting needs of both developing and donor countries and institutions.

41. As now conceived, the IADS program gives expression to the conviction of the sponsors that agriculture lags in less developed countries because of the lack of comprehensive agricultural systems. The Service therefore offers to help supply, on request, components at any point throughout a system, from finding experts to formulate national agricultural programs to providing middle-level staff for individual projects.

42. Donors do not disagree with the Service's analysis of what is needed for the development of agriculture. But, as a group, they do not unite in any consensus that IADS has capabilities to provide the wide range of service which it proposes. Some donors would gladly look to IADS for some types of assistance it could provide; but only a minority would be willing to see the Service used

over the complete range it now intends.

43. At least two informal associations of aid donors and beneficiaries exist through which some kind of consensus could be reached which would lead to action in support of the IADS, either as now composed or as it might be re-created.

44. One of these is the Consultative Group for Food Production and Investment (CGFPI). The view within its secretariat does not indicate that CGFPI could reach a consensus in support of the mechanism now offered by IADS. The secretariat does not believe that the establishment of the Service has created a new resource: many official agencies and private organizations already are engaged in the tasks which IADS is taking up (although there is a shortage of experts on whom any of them can call). The matter of coordinating and catalyzing development assistance is felt to be more complicated than IADS may have taken into account. In any case, one important part of the IADS spectrum is definitely excluded from the purview of CGFPI: that is, assistance to national programs of research.

45. The second vehicle of opinion and action, more specialized but perhaps more decision-oriented, is the Consultative Group on International Agricultural Research. Some form of supportive association with the CGIAR would clearly be of advantage to the Service, in bringing it to the attention of developing and developed countries, in widening its acceptability and in enhancing its possibilities of cooperation.

46. Precedents exist for a variety of forms of association with the CGIAR. Some are listed below:

a. The Asian Vegetable Research and Development Center is an associate member of the CGIAR. The Center is represented at one of the two annual meetings of the Group and presents its program there. Members of the CGIAR are free to contribute funds to the AVRDC, but financing of the Center does not take place

under the procedures of the CGIAR system. This kind of association so far appears to have been of limited benefit to AVRDC and the Group.

b. The IADS could be the concern of a working party of the CGIAR. The working party would provide a forum in which donors could follow the operations of IADS, harmonize their own uses of the Service, and consider specific proposals for the utilization of the IADS. Such a party has been formed by CGIAR members interested in post-harvest technology, but experience with it is too short to permit definite conclusions about its merits.

c. The CGIAR could name some or all of the elected members of the IADS Board. The CGIAR names three members each to the Boards of several of the international agricultural research centers; and it names all of the members of the dry-areas center except those serving ex officio or as the designated representatives of host countries. The device is a way of giving the CGIAR an opportunity, if it wishes, to exert extra influence on centers which it thinks to be in need of guidance. The CGIAR's appointment of three members of the fertilizer center's Board, it will be remembered, was an element in obtaining privileges and immunities for the center in the United States; but the center is not financed within the CGIAR framework.

d. The CGIAR could re-create the IADS in a new form. The usual procedure would be (i) for the Group's Technical Advisory Committee to recommend a project for establishing an agricultural development service, (ii) for the Group to accept the proposal in principle, (iii) for the Group's Chairman to name a subcommittee of interested donors to formulate a specific plan for effectuating the proposal, (iv) for the subcommittee to name an organization to serve as its executive arm in drawing up the plan and establishing the new agency, (v) for the members of the CGIAR to authorize one of their number to act on their behalf in signing the charter or other instrument establishing the new organization as a legal entity.

47. As the IADS is now designed, however, it is too broad for association with the CGIAR, since the mandate of that Group is limited basically to agricultural research and training. When a detailed and authoritative presentation of the Service was made to the Group's Technical Advisory Committee (TAC) early in 1976, it was observed in the Committee that the intended activities of the Service "were very similar to those of the FAO," and the Chairman of the Committee felt that the Service's further development and activities should become the subject of "constructive discussion" between the IADS and the FAO.^{1/}

48. Nevertheless, TAC and the CGIAR feel an urgent need for treatment of a problem to which the experience and qualifications of the IADS are highly relevant and for which the FAO is thought to lack the necessary staff resources. That is the matter of strengthening national programs of agricultural research and extension. Both the Group and its technical advisers believe that there is a grave danger of the CGIAR's efforts being wasted if the work of its international agricultural research network is not effectively translated into production from farmers' fields. The former Chairman of the TAC felt that "the whole subject would collapse for lack of proper attention if the present CG system did not develop a more careful policy on support for national research."^{2/}

49. Both the CGIAR and TAC have been circling around this matter for a long time without settling on any approach of promise. Indeed, the former Chairman of TAC concluded that TAC itself could not do much more on the question, and suggested that the co-sponsors of the CGIAR, the FAO, UNDP and the World Bank -- should once again study the problem.^{2/}

50. Donor countries seem willing, to say the least, to consider a program for assistance to national research and extension. The then Secretary

^{1/} Draft Report of the Twelfth Meeting of the Technical Advisory Committee.

^{2/} Report of the Eleventh Meeting of the Technical Advisory Committee.

of the TAC remarked in 1975 that "most of the donor nations and donor institutions were now strongly concerned with how to help build national programmes (of agricultural research).... What... was delaying them was that neither TAC nor anyone else had come out with clear lines for action. Somebody had to stick their neck out and say, 'Well, let's try it this way.'" ^{3/}

51. Desirable characteristics of a mechanism that TAC and donors might find of interest are mentioned at various points in the discussions of the TAC in 1975 and 1976. ^{4/} These mentions can be combined into a profile of such a mechanism, as follows:

- a. Its mission would be to identify the needs and marshal resources to strengthen national research, including applied research or extension.
- b. It would advise countries, on request, concerning the gaps, needs and weaknesses for research in relation to their most important agricultural products.
- c. It would help to provide the training and the input of professionals designed to build up the capacity of developing countries themselves for research and extension.
- d. It would be linked to the TAC and to donors, and would maintain close and cooperative contact with the international agricultural research centers. It would be able to approach donors either bilaterally or in a group for support to agreed proposals endorsed by the governments concerned.
- e. The service might operate through some kind of informal consortium within or attached to the CGIAR.

^{3/} Report of the Twelfth Meeting.

^{4/} Especially in 1975 (Report of the Eleventh Meeting, pp. 15-24).

52. Since the time of the TAC discussions from which this profile is derived, a Review Committee composed of CGIAR members has considered the question in the course of a general survey of the Group's operations. The Committee reported that "strengthening national research programs is a topic of concern to many... bilateral and multilateral agencies, and there is widespread recognition that this critical issue does not receive nearly the emphasis that it deserves." The Review Committee felt, however, that "the magnitude and geographic dispersion of needed support for national research programs is so overwhelming that it would overburden the CGIAR," and, more generally, recommended a 3-year moratorium (1977-1979) on initiatives requiring major financial commitments. It recommended, however, that the TAC should continue its study of the problem of national programs and -- again, more generally -- that the CGIAR should support forums and commission papers discussing "CGIAR issues of interest to donors and research beneficiaries."

53. It appears, then, that the way is open for further discussion both in TAC and in the full CGIAR of tasks such as a re-created IADS might undertake. It appears possible that, even within the three-year period of moratorium, the CGIAR could agree to spin off a re-created IADS, operating outside the Group's financial framework, but linked to the CGIAR in various ways, including review by the TAC.

54. If it were decided that the IADS should conduct explorations in this direction, they probably should be preceded by informal discussions with the Chairman of the Consultative Group before being taken formally into TAC and the Group.

ALTERNATIVES FOR THE IADS

A Discussion Paper

1. This paper discusses various paths of development and forms of organization open to the International Agricultural Development Service (IADS), keeping in mind the desire of the sponsors to make the IADS as useful as possible to developing countries and to make the Service's sources of technical and financial cooperation as broad as possible.

2. The present form and future possibilities of the Service are examined in several dimensions: various forms of incorporation which might be considered by IADS; the range of services to be performed; and the question of the site of IADS headquarters. Each of these is looked at from the standpoint of the effectiveness of the IADS and the relationships among the Service, development assistance organizations, and countries being assisted.

3. As various alternatives are considered, several tendencies appear. One is paradoxical: the more kinds of assistance IADS proposes to give developing countries, the less general interest it seems likely to arouse in the donor community. Another tendency is that as the IADS moves towards forms of incorporation calculated to increase the possibilities of technical and financial cooperation with others, the more modifications of its present control and identity seem to be implied. Finally, the question of where IADS is located appears to be one of considerable interest, with a strong bearing on the perception of IADS by its prospective partners and beneficiaries.

4. This paper is organized as a brief discussion of a series of topics on which the IADS and its prospective collaborators may find it useful to reach positions. The paper obviously is not intended as a final treatment of any of the issues raised.

Topic 1: Are changes needed in IADS's present framework of organization, objectives and tasks to permit it to function adequately as a service to developing countries and to donors?

5. The IADS today has an important asset in its close identification with the Rockefeller Foundation. The long record of the Foundation's service, its enduring humanitarian interest in developing countries, its notable successes in its chosen fields and its private, non-political character give the IADS exceptional credibility with donors and with developing countries where the Foundation is known. The historical and personal links which the Foundation provides between the Service and the international network of agricultural research stations sponsored by the Consultative Group on International Agricultural Research can be of great practical value to the Service and its partners.

6. That the IADS is incorporated under New York law is not a handicap from the point of view of developing countries. The authorities of those countries are as free to contract with the Service as they are with any of the hundreds of other private corporations of which they make extensive use. The fact that the Service not only is non-political but abjures profit presumably adds to its acceptability in developing countries.

7. The Service is entering a field, however, which does not lack for occupants. The amount of effort being put into agricultural

development -- whether or not it is yet adequate -- has been growing steadily over a long period of time, and recently has increased rather sharply. The number of organizations, private and public, prepared to offer services in the field of agricultural development, certainly amounts to scores; many are official or semi-official instruments of aid-giving governments; and many, taking into account the whole span of activities embraced in agricultural and rural development, have experience and professional qualifications not less impressive than those of the IADS. In addition, developing countries themselves are developing significant new capabilities to perform tasks formerly entrusted to expatriates.

8. Third parties -- bilateral agencies and international organizations -- are expected to provide, in one way or another, most of the funds out of which IADS assistance to developing countries will be financed. Most bilateral donors choose to support technical cooperation projects of a kind in which they themselves have some experience and some basis for informed judgment; and as a matter of policy they limit their disbursements for experts and consultant services almost entirely to experts and services of their own nationality or of the nationality of the country being aided. Disbursements to others take place only under exceptional circumstances, when experts of the donor nationality are not available.

9. Limitations therefore exist on the extent to which the funds of bilateral donors ordinarily could be disbursed to the IADS. In 1975 (the last year for which detailed figures are available), the donor governments and organizations of the OECD committed \$400 million of

funds for technical cooperation in agriculture. Of this, about \$260 million originated outside the United States and therefore was largely closed to IADS.

10. A large volume of third-party financing nevertheless is open to the Service. The bilateral aid program of the United States makes no limitation of nationality which would bar disbursements to the IADS, since the Service is an American corporation. The disbursement of funds provided by OPEC countries for technical cooperation is not tied to nationality, and would be open to the IADS.

11. More important still, the IADS is eligible to receive disbursements from funds provided by international organizations of which the United States, the host country of the IADS, is a member -- that is, by the United Nations and its associated specialized organizations and funds (including the World Bank, the UNDP and, in due course, the International Fund for Agricultural Development), and by such regional institutions as the Asian and Inter-American Development Banks. In 1975, the commitments of these organizations for agricultural development jumped to 250 per cent of what they had been only two years before; and for the first time, international and regional commitments for agricultural development began to approach a magnitude as great as all bilateral commitments for this purpose combined.

12. The net result is to leave the IADS in a quite tenable position with respect to the funding of services to developing countries. If as much as 8 per cent, say, of international and regional commitments to agricultural development were for technical cooperation (rather than capital goods), then the situation with respect to IADS eligibility for

funding committed in 1975 can be crudely estimated as follows:

(in millions of U. S. dollars)

<u>Donor</u>	<u>Committed</u>	<u>Closed to IADS</u>	<u>Open to IADS</u>
OECD Countries (ex U. S.)	\$ 260	\$ 260	-
United States	140	-	\$ 140
OPEC Countries	20	-	20
International and Regional	245	-	245
	<hr/>	<hr/>	<hr/>
	\$ 665	\$ 260	\$ 405

13. These figures include some approximations and may err in one direction or another. Nevertheless, the impression they give is not likely to be misleading: in its present form, the IADS has considerable scope for growth, experimentation and valuable service to developing countries.

14. In any case, even if decisions were taken to make important modifications in the structure of IADS, the resulting changes certainly would take two or three years. IADS therefore can expect to operate in substantially its present form for at least that length of time.

Topic 2: Are there feasible changes of organizational form which would improve the administrative convenience and efficiency of the IADS?

15. The IADS has been concerned by at least two administrative consequences of its American nationality. As a New York corporation, the Service is unable to offer non-American employees special treatment

under United States law. It is thought that this may hinder internationalization of the IADS staff: it may be difficult to obtain employment permits for non-U. S. nationals, the procedure by which a non-U. S. employee obtains and maintains status as a resident alien may be burdensome, and the lack of tax exemption may mean that non-U. S. employees may have to be offered considerably higher salaries than might otherwise be the case.

16. Whether these disadvantages are real or intolerable is arguable. The experience of two somewhat comparable organizations in the U. S. is contradictory. In the case of the International Fertilizer Development Center, immigration requirements apparently have proved irksome in the extreme; but in the case of the International Food Policy Research Institute (more than half of whose staff are not U. S. citizens) they have been easily dealt with. As far as taxes are concerned, the IADS would not be in a different position from other American corporations employing non-U. S. nationals. (There is no question of tax exemptions for U. S. nationals; there is no formula under which they could be exempted.)

17. A second administrative consequence of the U. S. nationality of the IADS has to do with its general, or core, budget. As an American corporation, the IADS cannot expect to receive contributions for its headquarters budget from non-U. S. donors, and an American contribution (because of the U. S. preference for specific projects) also is unlikely.

18. On present form, the IADS will have to support its core operations from private sources, from overhead charges to clients of its field

services, or from a combination of the two. Whether and how much to rely on overhead charges seems to be partly a matter of philosophy and partly a matter of arithmetic.

19. If support of overhead costs is thought of as a charge on developing countries, it is not easily reconciled with the humanitarian instincts of the IADS. But in fact, the charge usually would be on the funds provided by third parties -- on grant funds which do not have to be repaid by developing countries at all, or on funds lent on terms which contain a large grant element. Donors, moreover, would regard it as normal for a service organization to charge for overheads.

20. A way of calculating overhead charges is to estimate what overhead charges on what volume of operations would be necessary to fund a budget of given size. For instance, if the average annual costs of individual experts (without administrative overhead) is \$60,000 each, and if IADS has 75 experts in the field, then the overhead charge necessary to fund the IADS core budget at its 1977 level is about 35 per cent ($\$60,000 \times 75 \times .35 = \$1,575,000$). A charge of this, or even higher, proportion would fall within normal practice. The forgoing of profit would remain as an important philanthropic element and advantage to developing countries.

21. Several suggestions have been made about changes of form to overcome the drawbacks to the IADS deriving from its American nationality. All would, in some degree, internationalize the IADS.

22. One possible form of internationalization would be to move IADS to a donor country outside the United States. The Service would not

necessarily lose any of its attraction for developing countries thereby, and it is perhaps true that some European donors would find it less awkward to contribute to the operations of a Service situated, say, in The Hague than to operations stemming out of New York.

23. Nevertheless, it is doubtful that to organize the IADS under the national law of some donor country outside the United States would solve the problems in question. In any host country, the IADS would face much the same tax and immigration problems with respect to employing persons not citizens of the host nation. Indeed, the Service would lose some of its present ease of access to aid funds of the United States, the largest single bilateral donor.

24. Another possibility mentioned is for the IADS to be recognized as an international organization by the host country, so that its employees could be given the desired tax and immigration privileges. Such recognition, however, customarily is reserved for organizations composed of sovereign governments as members, so that the IADS is not eligible for such treatment.

25. An organization recognized as international by one government, moreover, is not by that token international; such action in no way binds other governments to recognize it as international or to give it international treatment. This usage disposes of another suggestion: that the IADS could obtain international status in one country and use it to claim privileges and immunities for employees based elsewhere.

26. It is not clear that the tax and immigration privileges for employees recruited outside the host country are of sufficient importance

to justify the adoption of fundamental changes in the organization of IADS in order to obtain them. It is likely, however, that fundamental changes would indeed be required (in the case of developed countries, at any rate), since host countries normally extend such privileges only to organizations which are official and intergovernmental in character.

27. A further possibility, in principle, would be to create affiliates of the IADS in donor countries, each assuming the nationality of the host country and able to receive funds from it either for core activity or for specific field projects. Whether this would be practical or worthwhile in any particular case would of course depend on whether the host country was receptive and also on the importance of the donor activities of the country from the standpoint of the IADS. The fact that 70 per cent of all bilateral funds for technical cooperation originate with only three countries (France, Britain and the United States) suggests that the question of possible IADS affiliates is a special one about which wide generalization would not be particularly useful.

28. A final variation suggested does not deal with IADS's eligibility for funding or the status of employees; it has been brought forward as a means of improving the Service's access to specific projects. The suggestion is that the IADS should open offices in several locations where developing countries are most likely to be discussing their needs with organizations offering technical or financial cooperation: that is, for instance, in Rome to be near FAO, in Washington to be near the World and Inter-American Development Banks, and in Manila to be near the

Asian Development Bank and various other Asian regional organizations. Each host country would have to agree to the establishment of such an office; but presumably there would be no difficulty unless IADS wished to try to negotiate some kind of special privilege for its outpost.

Topic 3: Are substantive problems arising from the IADS's present form of organization sufficient to justify consideration of change, and, if so, what kind of changes might be considered?

29. The fact that IADS is a corporation of single nationality does seem, indeed, to face the Service with two impediments of substantive importance. First, it limits the number of donor-partners with which IADS might expect to be involved, which, while perhaps not crucial to the viability of the Service, might nevertheless exclude the IADS from opportunities to participate in situations in which it could be of use, especially in some small-scale projects in least-developed countries which are of particular interest to certain European donors.

30. Second, there might be tasks which the IADS could not undertake if it continued to be a corporation of one nationality. For instance, if nominees of the IADS were to help perform any kind of coordinating function among donors -- leaving aside for the moment what that function might be -- the Service's single nationality might be a handicap, since that nationality, or even the idea of any single nationality, might not be acceptable to the donors affected.

31. Some form of genuine internationalization might mitigate or solve these problems; and it would not adversely affect the Service's

acceptability to developing countries. A good deal would depend, however, on the form of internationalization.

32. For international status to be useful to IADS from the standpoint of broader possibilities of cooperation, it would have to give access to significant amounts of bilateral funding not now available or accessible only with difficulty.

33. When all the alternatives are considered, it appears likely that fundamental changes in the form and character of IADS would help to achieve this result. Quite possibly they would reach to the extent of creating a new organization into which the useful elements of IADS could be absorbed.

34. The most straightforward (and most difficult) way of achieving it would be to re-create the Service through a formal agreement among governments -- not only the United States and others whose funds are now available, but other governments whose funds at present are not open to the IADS. The new IADS would of course be an intergovernmental organization, and it would be eligible to receive funds, privileges and immunities from the governments which created it.

35. Governments, however, would find this course difficult to pursue. There already is an intergovernmental organization occupying the whole field defined by the IADS -- namely, the FAO; and governments would not find it easy to participate in the creation of a second one.

36. A way through this kind of difficulty was found in the case of the International Board for Plant Genetic Resources (IBPGR), established to work in a field in which FAO already had a program. The Board

was created on the initiative of the Consultative Group on International Agricultural Research, and through that circumstance had the concurrence of FAO, which is a co-sponsor of the CGIAR. In addition, the FAO provides the secretariat of the Board and acts as the Board's fiscal agent, so that it has close links to the Board; but the Board is intended to be autonomous within the framework of the CGIAR.

37. Other cases of this kind of symbiotic relationship exist in the United Nations' system -- for instance, an international cancer research institution at Lyons, related to Unesco, and an international reference center for improvement of potable water supply, situated in The Hague and related to WHO.

38. There is a third way in which the IADS might be internationalized. That is to establish the Service on the same pattern as various international centers that already exist both within and outside the CGIAR system, having been created by international action at something below full governmental level. The centers are a relatively new creation, living in the best of several worlds and offering great flexibility of action. Most of them clearly are not true international organizations, being only partly governmental (through the participation of host-country Trustees). They nevertheless have some of the characteristics of inter-governmental organizations: they are financed in large part by governments, and host governments often agree to accord them some of the same privileges as are given to true international organizations.

39. At the same time, the charters of most of the centers declare them to be private organizations. In fact they are, in the important sense that their governing bodies are largely autonomous and

self-perpetuating; their Trustees (apart from those designated by host countries) do not represent governments.

40. The centers are versatile in other important respects. Donors financing the centers treat them either as international organizations or as developing-country institutions, so that the funds provided are free from limitations of nationality. The centers not only receive funds for their own core programs, but execute contracts under programs being carried out by developing countries or other institutions with the help of third-party funds.

41. A variety of procedures has been used to incorporate international centers. The International Laboratory for Research on Animal Diseases was established under the companies act of Kenya. The International Crops Research Institute for the Semi-Arid Tropics was incorporated by two international organizations (the FAO and the World Bank). The International Livestock Centre for Africa and the International Centre for Agricultural Research in the Dry Areas were established by an agreement between host governments and signatories representing the CGIAR.

42. In any case, to win broad acceptance by donors as a useful instrument, it would be helpful for the IADS to be perceived as genuinely having the characteristics of an international organization. This perception might well require a new charter, and probably would require that donors themselves participate somehow in helping to formulate it.

43. The Service's international characteristics would have to be expressed not only in its charter but in its people. The Chairman of

its Board, its chief executive officer and its Trustees would have to be chosen under some international procedure. The staff, and especially the senior staff, would have to be drawn from as many different countries (including developing countries) as possible.

44. The location of the Service's headquarters would also be an important element in perceptions of the international character of a re-created IADS. (Partly because it is located in Washington and always has had an American President, the World Bank has long been taken by many people for an American organization rather than for the international organization that it undoubtedly is.)

45. A site outside the United States presumably would make it easier for the IADS to achieve an international role. The location obviously would have to be chosen with many factors in mind -- among them, for instance, convenience of travel to client and donor countries, communications, availability of amenities and skilled local staff, receptivity of the host country. Sites which could be envisaged would include capitals of industrial countries already accepted as official international centers (e.g., Geneva, Rome, The Hague, Vienna), or sites in developing countries at crossroads of travel (e.g., Mexico City, Rio de Janeiro, Tunis, Bangkok).

46. The site chosen will have a particular significance for the IADS and its reputation for internationality: a site in an industrial country would tend to give the IADS a donor coloration; situated in a developing country, the Service perhaps would have a better chance to make a name as a partner of low-income nations.

Topic 4: What services could the IADS perform which donors would consider most useful to them and the developing countries they are assisting?

47. The various services to be performed by the IADS have been described in various ways at various times. Donors perceive the organization as offering a range of services as wide as the agricultural sector itself, or (taking the many facets of "rural development" into account) perhaps wider.

48. The IADS has said, for instance, that it was established "to provide services which nations are indicating they need to increase food supplies for their hungry people and to alleviate the poverty under which vast rural populations live and suffer. IADS will work to the extent it can with interested countries, both individually and collectively, in programs to accelerate agriculture and rural development.... It will work with a nation to obtain needed services from whatever source and in whatever combination is most advantageous for the nation. It will represent country interests in the study of development needs, formulation of programs and projects, negotiations on grants and loans, and the staffing, management and evaluation of programs.... IADS will operate as a neutral, objective mechanism, ready to serve in whatever catalytic, facilitating or integrative role the situation requires and IADS can perform."

49. Donors will certainly be willing to finance IADS services in their own assistance to developing countries if and when occasion arises, and when considerations of nationality and other circumstances permit. It seems likely to most donors, however, that on present form these occasions will be limited.

50. Donors generally do not perceive a need for an all-purpose agricultural service. Taking into account the sum of the services already offered by official and private organizations, donors do not see, in the main, that IADS represents a net addition to the skills and services already available to them and the developing countries. The staff of the IADS itself is rather specialized, and when the Service seeks to recruit other kinds of talent, it seems to many donors not to be increasing the supply of talent but simply adding to the competition to obtain that talent.

51. There is an important exception to the reservations with which many donors regard the IADS program. The Service is believed by the donor community generally to have an important advantage over existing services in the expertise it can offer in the field of agricultural research and the application of research in production programs.

52. Many donors would be especially interested to consider an initiative under which the IADS, perhaps in modified or re-created form, would become the focal point for efforts to strengthen national programs for agricultural research and for linkage between research and production. The strengthening of national agricultural research programs has been for a long time a pre-occupation of the Consultative Group on International Agricultural Research (CGIAR) and its Technical Advisory Committee (TAC); it was the subject of a special meeting of European members of the CGIAR in the spring of 1976. It is regarded as a matter of urgent importance, but as yet no satisfactory way of treating it has been proposed.

53. The elements in a concerted effort to deal with the problem, as some donors see it, might be three or more, carried out by an international institution such as the IADS might become. These elements would include:

(a) the strengthening of national agricultural research (and production) programs, through assistance in the formulation of such programs, in the strengthening or creation of national institutions for creating such programs, through the monitoring and evaluation of such programs, and through the seconding of needed experts;

(b) the rationalization and strengthening of international and national training for agricultural research scientists and technicians, partly by acting as an international reference center able to advise on training facilities and sources of funding, perhaps by direct administration of some types of training, by cooperation in the improvement of curricula and the provision of instructional materials, and the like; and

(c) the permanent employment of a small, central corps of senior specialists available for either special or long-term assignments on the tasks suggested in (a) and (b).

54. Concentration on these tasks, in the opinion of many donors, would be of outstanding value. It would not need, however, to bar the IADS from undertaking other services as might be justified or required in special circumstances, when the necessary funding could be found.

Topic 5: If it were desirable to internationalize the IADS, how might that be done?

55. Some methods of internationalization have been discussed earlier in this paper. If the IADS were to concentrate on assistance to national agricultural research programs (and links to production), its activities would fall within the purview of the CGIAR. Some form of supportive association with the CGIAR would clearly be of advantage to the Service, in bringing it to the attention of developing and developed countries, in widening its acceptability and in enhancing its possibilities of cooperation.

56. Precedents exist for a variety of forms of association with the CGIAR. Some are listed below:

(a) The Asian Vegetable Research and Development Center is an associate member of the CGIAR. The Center is represented at one of the two annual meetings of the Group and presents its program there. Members of the CGIAR are free to contribute funds to the AVRDC, but financing of the Center does not take place under the procedures of the CGIAR system. This kind of association so far appears to have been of limited benefit to AVRDC and the Group.

(b) The IADS could be the concern of a working party of the CGIAR. The working party would provide a forum in which donors could follow the operations of IADS, harmonize their own uses of the Service, and consider specific proposals for the utilization of the IADS. Such a party has been formed by CGIAR members interested in post-harvest technology, but this experience is too short to permit definite conclusions about its merits.

(c) The CGIAR could name some or all of the elected members of the IADS Board. The CGIAR names three members each to the Boards of several of the international agricultural research centers; and it names all of the members of the dry-areas center except those serving *ex officio* or as the designated representatives of host countries.

(d) The CGIAR could re-create the IADS in a new form. The usual procedure would be (i) for the Group's Technical Advisory Committee to recommend a project for establishing an agricultural development service, (ii) for the Group to accept the proposal in principle, (iii) for the Group's Chairman to name a subcommittee of interested donors to formulate a specific plan for effectuating the proposal, (iv) for the subcommittee to name an organization to serve as its executive arm in drawing up the plan and establishing the new agency, (v) for the members of the CGIAR to authorize one of their number to act on their behalf in signing the charter or other instrument establishing the new organization as a legal entity. Step (i) would not necessarily have to be taken by TAC; it could also be taken by interested members of the CGIAR.

57. In 1976, a Review Committee composed of CGIAR members, in the course of a general survey of the Group's operations, reported that "strengthening national research programs is a topic of concern to many bilateral and multilateral agencies, and there is widespread recognition that this critical issue does not receive nearly the emphasis that it deserves." The Review Committee felt, however, that "the

magnitude and geographic dispersion of needed support for national research programs is so overwhelming that it would overburden the CGIAR," and, more generally, recommended a 3-year moratorium (1977-1979) on initiatives requiring major financial commitments. It recommended, however, continuation of the study of the problem of national research programs and, more generally, urged that the CGIAR should support forums and commission papers discussing "CGIAR issues of interest to donors and research beneficiaries."

58. It appears, then, that the way is open for further discussion in CGIAR of tasks such as a re-created IADS might undertake. It appears possible that, even within the 3-year period of moratorium, the CGIAR could agree to spin off a re-created IADS, operating outside the Group's financial framework, but linked to the CGIAR in various ways, including regular review by the TAC.

TO: SW


FCB

FROM: FCB

Sw

DATE: 3.29.77

In clearing out my pile of notes, I came across one relating to the possibility of talking to someone about the IADS overhead rate. Bruce Olds of Arthur D. Little Co. was the person mentioned by one of the board ~~members~~ at the Excom meeting in January.



HAROLD GRAVES WILL ALSO
TRY TO COME UP WITH
NAMES.

