

-PD-ABJ-121 ISN=89537

ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR, PPC

FROM: PPC/PDPR, Robert W. Kelly

SUBJECT: Cooperative Agreement with The Agribusiness Council, Inc.

Problem: Your approval is needed to obligate \$40,000 from PPC/PDPR for this cooperative agreement with The Agri-Business Council.

Dicussion:

Recommendation: On the basis of the attached program description, PPC/PDPR recommends that you approve an obligation of this sum for the JConsortium for The Agri-Business Council, and that you sign the attached PIO/T which will obligate the \$40,000 for this proposed 1-year activity.

PROGRAM DESCRIPTION

I. Purpose

This program would be a pilot Middle-income Country (MC) program that aims to build and strengthen an emerging global network of agribusiness trade associations that would link U.S. and MC agribusiness contacts. The program would strengthen business partnerships and other relationships between emerging agribusiness sectors in Middle-income Countries (MCs) and their counterparts in U.S. agribusiness. "Agribusiness," here, is defined as encompassing all aspects of agricultural production, processing and distribution including food, forest and fiber production, finance and trade, agribusiness/farm management, agro-environmental considerations, and land development. The approach stresses a range of post-harvest, "food system" issues, as compared to more traditional, agricultural production, and thus has particular application to PPC's current work in developing an Agency-wide strategy for MCs.

II. Expected Impact

The program is expected to strengthen activities that would mutually benefit the U.S. and MCs. The program is expected to encourage broader private sector participation in international agricultural development and A.I.D. programs by informally linking the AER/ABC network of agribusiness councils with A.I.D. initiatives. The programs would identify, cultivate and maintain contacts with potential private sector leaders in Third World and Eastern European countries who can assist institution-building in economic development consistent with a market-oriented economy, democratic pluralism, and other U.S. objectives. The program is expected to generate more dialogue, research and public affairs activity using a "food systems" approach to construct an association forum that stimulates cross-sectoral exchanges, particularly on privatization and structural adjustment reforms. The program would also supplement A.I.D./W programming and coordination with A.I.D. missions by supporting country agribusiness strategies, backstopping efforts that link U.S. agribusiness with their emerging country counterparts, through trade missions, and providing trade association management expertise to assist local agribusiness association formation efforts. For example, local associations can help the indigenous private sector organize and build nascent agribusiness councils to self-sustainability. The program would also provide A.I.D./W and the A.I.D. missions with a clearinghouse and focal point for resources on agribusiness and agriculture cooperatives, equipment pools and renting/leasing organization, and eventually pilot projects of the type that A.I.D. might find too risky to otherwise undertake. The program would also streamline A.I.D. procurement procedures and facilitate A.I.D.'s project development work involving U.S. private sector and counterparts in developing countries.

III. Agribusiness Associations

Agribusiness associations are institutions fundamental to an efficient private sector in a worldwide economy. They embrace a rapidly growing concern over issues and problems that transcend more compartmentalized, traditional agriculture organizations and their approaches and deal with issues such as Aero-Environmental Concerns, Food Safety, New Crops and Technologies, Post-Harvest Distribution Systems, Industrial and Energy Uses for Agricultural Commodities; Privatization and Reduction of Public Sector Intervention in Aspects of Aero-Food Systems including subsidies and trade distortions; Problems Reflected in the GATT Uruguay Round, Debt-equity and Non-conventional Trade Financing Techniques.

The AER/ABC agribusiness association model embraces this "umbrella" approach in a manner consistent with a private enterprise/management emphasis and greater cooperation between public/private sectors. Association in Partnership with A.I.D. can also assist in the cost-effective application of foreign assistance to leverage greater private sector contributions.

The program would support the on-going work of the Aero-Energy Roundtable (AER)/ Agri-Business Council (ABC) by providing it with funds to work with Middle-income Countries. Specifically, the PPC support would

- . Enable ABC/AER to effectively follow-up on 1988-1990 agribusiness association exploratory and formation activities in consultation with USAIDs through visits and workshops with various formation groups in MCs;
- . Provide ABC with Washington office and staff funding to backstop the growing demands of the AER network for communication, program planning and other services;
- . Provide ABC/AER a support role in coordinating the A.I.D./W inter-bureau coordinating group for agribusiness associations; and
- . Allow ABC to strengthen its communication and programming linkages with the state agribusiness council network and introduce these groups as appropriate, to counterparts overseas through program activities designed to encourage transactions.

Agribusiness association development in MCs fits naturally within PPC's overall coordination function and mission of stimulating private enterprise and market solutions to development problems.

it would essentially allow AER/ABC to continue its on-going work in an area that appears to provide substantial benefits to both the

U.S. and the MCs.

II. Background

an effective Middle-income Country (MC) strategy. The program
IndlvPPproposal focuses on expanding A.I.D. inter-bureau
cooperation with Aero-Energy Roundtable (AER) Development in the
Middle-Income Countries (MCs). II.

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