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Summary of the Assessment of

JOINT AGRICULTURAL CONSULTATIVE CORPORATION (J.A.C.C.)

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Any attempt to review the success, failure and/or future direction of the J.A.C.C. Corporation, cannot make any sense without first looking at the purpose or reason for its existence. As described in the business plan for J.A.C.C. Corporation, the original intent was to develop or foster business relations between the United States and foreign private agricultural business firms, in selected developing nations, through facilitating the flow of investment capital and the transfer of technology.

The plan was to provide service specifically designed to assist companies in getting together to form joint venture enterprises, or other business relationships, which would be to their mutual benefit. That very simple purpose for J.A.C.C.'s existence would seem to be well in line with what the President of the United States has been pushing for since his first inauguration, the encouragement and installation of private enterprise programs to replace the government financial aid wherever possible.

I believe after reviewing the documents presented by Truitt Enterprises, Inc., on the assessment of the situation of Joint Agricultural Consultative Committees, there is at least some form of committee structure set-up in the eleven countries reviewed. Although they are in various stages of development and their track record of completed "deals" is rather limited. They are at least in Truitt's findings, fairly high quality and worthy of supporting, if there is any way feasible to do so.

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If we assume Truitt's report to be an accurate appraisal of what is the current situation, then it would be difficult not to find a way to support the concept. There seems to be a strong feeling among the participants of the meetings I've attended and Truitt's report, that a Washington based headquarters is essential to the perceived survival and viability of the various J.A.C.C. committees.

With the previous assumptions in mind, I would make the following observations. A method should be devised whereby the program or at least the concept can continue. It also seems very obvious to me that the current structure of J.A.C.C. cannot continue in this country. It must be revised and at the very least a new form of leadership be designed.

I have heard people say; "If it's good for private enterprise, then let private enterprise have it and keep the government completely out of it." This should be discussed in the onset of this report. If you accept that concept, the only option that makes any sense is to close down the J.A.C.C. operations and allow private enterprise to pick-up the projects and run with them. It is very tempting to accept that concept during tight budgeting times, as it would certainly reduce the need for government funding. The most glaring problem with the concept of "let them do it" is the total loss of control. Why would the private sector do things as the U.S. government would like them done and in the countries that A.I.D. determined to

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be appropriate? The answer, of course, is that they would not. If the private enterprise bureau, or any segment of A.I.D., wants some say in what happens in the future, they have to have some financial interest.

Any new plan should include a name change, structural change and new leadership in the Washington office. But, a long term goal of totally absolving the U.S. government from any financial relationship with the J.A.C.C. Corporation would destroy any opportunity that A.I.D. might have to guide and control a change in relationships abroad. Given the current philosophy of this administration, it would seem that our political well being abroad is based on a large extent of our ability to bring those countries into a self-supporting economy.

At this point, rather than propose a plan for the future, I will make a few suggestions for change. As I mentioned earlier in this report, there is a need for a design and personnel change for the Washington based office. This change should start with a new formula base for funding with a much smaller staff. A large portion of the funding should be placed on a repayable loan basis with an annual decline in the amount provided by the government. To be more specific, a small office funded by A.I.D. should house one or two specialists and appropriate secretarial staff for the U.S. base to service the committees needs and guide the direction of the operations.

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This office, no matter how small, is very important in the perception of the U.S. commitment to improve conditions abroad. If this Washington office is to successfully promote business and create an atmosphere where U.S. money is attracted into the program, it is essential that the person hired or assigned to the Washington office, be someone with a good understanding of the business world and able to command the respect needed to entice the U.S. corporate leadership to join in. It would be feasible to have this office as a subcontract with an existing operation having similar goals to reduce the cost, but I personally favor a clean definition of the purpose for their going to work each morning.

It would seem to me that a commitment of \$100,000 to \$150,000 per year could finance a Washington office if it were not designed to be too showy. A separate portion of funding should be established that would set up a revolving account of money to be used wherever it was deemed appropriate to promote the goals of the newly formed corporation. This might take the form of a "Program Development Fund" and the money would be replaced by a percentage of the profits generated by the establishment of joint ventures. A cap would be placed on repayment so the companies involved would not be obligated to repay after twice the amount borrowed, or used, was replaced in the revolving account for future program development. A.I.D. would be obligated to fund this account on a yearly decreasing percentage to help promote the idea that it will be a

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a self-sustaining account in the future. Let me suggest a figure of \$200,000 to start the account with a formula base that would require A.I.D. to repay the portion used to bring the account back to \$200,000 each year for the next two (2) years and a decreasing formula be in place for the next three (3) years of the project, to reduce A.I.D.'s refunding obligation down to \$100,000.

If the program is successful, by the end of the third year the fund should be supporting itself and not require further help. There should also be an agreement established on the upside of the contract so that if and when the revolving account reached an annual amount of \$300,000, any amount over that could be channeled back at a rate of 50%, into the fixed office overhead. Thereby reducing A.I.D.'s commitment to fund the Washington office. Obviously, a complete success would be when all of the fixed overhead was generated by the deals made and A.I.D. would be out of the project.

I have purposely tried to avoid being specific as to how the Washington office would operate or how the decision would be made to fund project promotion from the revolving account. I am afraid that anything stronger than rough guidelines in the early stage of the development might run into legal or bureaucratic road blocks that can be worked around given appropriate flexibility in the original design. I do not believe that a project should be developed where money is thrown at a problem. Thus, adequate checks and controls are

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very important, but it would be equally damaging to place such tight controls on the project in the beginning that may never get started. I have also carefully avoided a recommendation as to just where the funding should generate, because it may be appropriate, given the previous history of J.A.C.C., to move this project over into a "special" project area and out of P.R.E., where it currently is housed. These rough guidelines suggest the following actions to be considered:

1. The need for the overseas committees to exist is there and it should remain in tact.
2. The method of funding for the Washington base office should be changed, as should the image, personnel and possibly the name.
3. The cost of operating and promoting projects should be substantially reduced from previous history and a formula for pay back established.
4. The most appropriate bureau or division of A.I.D. to oversee this project should be carefully thought through before the next step is taken.
5. The quality and background of the new manager of this project should be the very best available.

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6. Controls and guidelines should be strong enough to protect the interest of the U.S. Government, yet flexible enough to allow an entrepreneur approach to its development and operation.
7. Timing is crucial, if there is any lag of time or perceived lack of direction, the progress made to date will be jeopardized by loss of interest or possibly the complete disbanding of some committees.

My intent with this report is to provide a short concise summary of the J.A.C.C. assessment and make suggestions as to the direction most appropriate for the future. It is not my intent to design in detail the format for the future or the precise formula to be used in funding. Although these are important as is the guidelines for administration and operations, I believe the immediate focus must be on the larger decision of what future, if any, the J.A.C.C. should have. After the decision is made the attention must quickly shift to the question of how.