

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

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ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, FVA

THRU: DAA/FVA, Walter G. Bollinger 
FROM: FVA/FFP/C, Thomas H. Reese, III 
SUBJECT: Linking Dairy Products with Development

Problem. Your authorization is needed for a new project with \$3,285,000 of development assistance funds to support initiatives that utilize surplus dairy commodities to increase consumption of dairy products, build markets for U.S. dairy products and strengthen agricultural development efforts in developing countries.

Discussion

A. Legislative background. The FY 1986 Appropriations Act provided that no less than \$5,000,000 of development assistance funds be utilized "... for new development projects of private entities and cooperatives utilizing surplus dairy products" (Obey amendment). The intent of the legislation is that A.I.D. fund new projects that utilize PL 480 and/or Section 416 dairy commodities to boost milk and dairy product consumption, to help build markets for U.S. dairy products, and to strengthen agricultural development efforts. The House Appropriations Committee report on this bill drew special attention to the Cooperative League's project with the National Dairy Development Board in India and the Land O'Lakes project with the Jamaica Agricultural Development Foundation, both of which used dairy products under the PL 480 Food for Peace authority for dairy development. Making allowance for required reductions due to the Gramm-Rudman-Hollings Act, this earmarking is reduced by 4.3 percent, thereby resulting in a minimum amount of \$4,785,000. Of this amount, \$1,500,000 has been allocated for Central America, leaving the balance of \$3,285,000 available for programming worldwide. These funds remain available for obligation until September 30, 1986.

B. Canvassing for potential projects. An AID worldwide cable sent March 28 provided background and guidance and solicited field mission preliminary proposals for projects by April 25. A similar guidance statement was sent to nine PVOs having had PL 480 and/or Section 416 experience with dairy commodities, well as to NCBA (Cooperative League) and Land O' Lakes, which were mentioned in the House Committee report. The guidance described (a) sources of surplus dairy products (either

Title II of PL 480 or Section 416 of the Agricultural Act), (b) types of commodities generally available (NFDM and cheese plus limited quantities of butter, butteroil and UHT Milk), (c) types of projects and inputs to be eligible for financing, (d) anticipated beneficiaries, and (e) types of private entities eligible. (Copies of the guidance cable and statement are attached to this memorandum.) The LAC Bureau sent supplementary guidance to five Central American missions. Seventeen (17) potential projects were identified by USAID missions and the private entities canvassed, including Belize and Honduras mission proposals, for which the \$1,500,000 allocation is being made. (A current status list of these proposals is attached.)

C. Projects recommended for financing. Three individual proposals emerge from this process that are suitable for financing from the balance of this earmarking during FY 1986. They are as follows: (a) a grant to CARE for initiating Section 416 activities in Mexico; (b) a grant to Blue Ridge Christian Homes (BRCH) to support expanded distribution of Section 416 dairy products in Haiti; and (c) a cooperative agreement with Land O' Lakes to manage worldwide technical assistance, in conjunction with other private entities, in support of the various proposals in other countries that were identified but for which projects could not be designed in the time available.

CARE/Mexico. On April 10, CARE Headquarters in New York advised us of their intention to submit a proposal to use \$400,000 of the earmarked funds in connection with their pending Section 416 program in Mexico. In early June the CARE Director in Bolivia travelled to Mexico to revise their long-standing and pending Section 416 proposal, and to design a development aspect into the program for which earmarked Development Assistance funds could be used. The AID representative in Mexico has already reviewed the revised program and the Embassy recommends that FVA approve both the Section 416 program and a grant to CARE from the earmarked Development Assistance funds.

The new proposal just received from CARE/New York requests \$652,000 for equipping 16 new dairy cooperatives and two new dairy centers. The cooperatives (lecherias populares) provide reconstituted milk at a subsidized price (equivalent to about U.S. \$0.07/quart) to low income families. The dairy centers assist small-scale dairy farmers increase their production. The overall thrust of the program is to provide for increased dairy product consumption by malnourished children and stimulate local production to meet increased demand. Although Mexico is a middle income country, up to 40% of its children are estimated to be malnourished. The CARE program would benefit over 300,000 needy families. With FVA assistance, AID/Mexico conducted a review of Section 416 programs that

totalled over 56,000 MT in FY 1985 and could amount to over 100,000 MT annually. The Title II Division has recommended the CARE proposal for Section 416 commodities to the DCC Interagency Food Aid Working Group as part of an overall Section 416 strategy for Mexico based on the review. Earlier DCC approval had been given to the CARE proposal, except for a 10% monetization element. Since the new proposal contains only 3-4% monetization (due to recalculation of internal costs) plus a CARE contribution of \$100,000 toward the distribution costs and developmental aspects of the program, DCC approval is expected. In addition to its cash contribution, CARE has expended an estimated \$85,000 for design of the program and has committed itself to assign its experienced director in Bolivia as director of the new office to be opened in Mexico. Assuming DCC approval of the CARE Section 416 proposal, FFP intends to utilize between \$400,000 and \$600,000 of the earmarked funds for a grant to CARE to equip the new cooperatives and dairy centers. The final amount will be determined after full review of the CARE proposal in relation to the other two proposals described below.

BRCH/Haiti. The Blue Ridge Christian Homes (BRCH), which has been operating in Haiti since 1977, submitted a letter of intent on April 29 and a proposal on May 9 for a grant of \$476,860 to expand storage space and procure equipment for distribution of Section 416 dairy commodities. After discussion with USAID/Haiti, BRCH deleted regional centers and added a well-drilling rig bringing the total grant proposal to \$575,489. The added storage and equipment would enable BRCH to double its own dairy distribution program of 400 MT annually and to improve its support to ten other PVOs under a consolidated 2,000 MT annual Section 416 dairy program, scheduled to start in August 1986. The well drilling program would be a new, expanded initiative, also in support of other PVOs as well as its own dairy products distribution program. The new rig would enable BRCH to help communities obtain clean water sources for use in reconstituting powdered milk to reduce water-borne diseases, which has been a constraining factor in expanding milk consumption by Haitian children. Although BRCH is still working out its own budget, they informally estimate that over \$200,000 will be raised from indigenous PVO well drilling and dairy commodity handling reimbursements plus their own U.S. contributions, of which about \$40,000 could be attributed to procurement of the new well-drilling rig (allowing for a \$40,500 debt remaining on the old rig). USAID/Haiti has reviewed this proposal and strongly recommends its approval (Port au Prince 4367).

Worldwide Technical Assistance (Land O' Lakes cooperative agreement). The canvassing of USAID missions and PVOs revealed interest in dairy programs in seventeen countries. (See Attachment E.) LAC Bureau has authorized its missions in

Guatemala and Belize to obligate funds for bilateral projects totalling \$1,500,000 involving technical assistance and some equipment to establish NFDM and cheese processing plants and to utilize NFDM for calf milk replacer feeding. The Food for Peace Office is coordinating closely with LAC regarding these projects since approval of surplus dairy products under PL 480 and/or Section 416 authority will be required. Likewise the DCC Interagency Working Group for Food Aid is being kept advised.

Other projects identified in Indonesia, Ecuador, Mozambique and Egypt appear to have significant potential for increasing consumption of dairy products and supporting development objectives in those countries through private sector activities. In each of these four countries the mission has consulted with local entities and/or U.S. private organizations regarding design of some type of dairy reprocessing and/or production scheme; however, none of the designs are far enough along to justify obligation of funds. In the other countries where USAID and/or PVO interests have been identified there are more remote possibilities for dairy projects, but much more pre-feasibility work needs to be done in each case. Emerging from this canvassing is a clear need for on-going prefeasibility, feasibility and design work if viable projects are to be carried out using surplus dairy products.

From informal discussions with Land O' Lakes, Inc. (LoL), National Cooperative Business Association (NCBA), Agricultural Cooperative Development International (ACDI) and several less specialized PVOs, a consensus emerged that LoL should take the lead as a coordinator for on-going technical assistance efforts involving collaboration among all the interested entities. LoL submitted a proposal on June 16, 1986, supplemented with a letter of June 23, 1986, that would utilize up to \$3,000,000 for technical assistance to requesting missions over a two year period. Review of this proposal indicates that it is a suitable basis for a cooperative agreement with LoL under which continuing assistance can be provided to explore technical aspects in individual countries where interest exists and that are verified to be eligible for assistance under the FAA. The cooperative agreement with LoL will specify that country eligibility be verified in each technical assistance. Furthermore, it will stipulate that technical assistance is not to be provided for production of any dairy product by a developing country for export purposes, which would be contrary to the intention of the earmarking legislation and to statutory provisions in Section 522 of the Continuing Appropriations Act, 1986. If both the CARE/Mexico and BRCH/Haiti grant proposals are fully funded (which is subject to more detailed review and analyses), \$2,090,000 will be available for this cooperative agreement with LoL.

E. Evaluations. An interim evaluation will be scheduled for the first anniversary of the Land O'Lakes agreement and a final evaluation on or about the second anniversary. Funds are budgeted specifically for this purpose as part of the LoL cooperative agreement. Evaluations also will be required as part of the CARE and BRCH grants.

F. Project Management. Management of the project will be decentralized to the extent possible. The PVO grant activities in Haiti and Mexico can be monitored by the USAID and AID Representative, as part of the ongoing Section 416 programs in those countries, with backstopping by FVA/FFP and LAC country offices. Each technical assistance activity submitted by an AID Mission will be passed directly by the FFP backstop officer for that country to LoL, which will search for the required technical consultants through its contacts and arrangements with cooperative organizations and private sector organizations. Pre-feasibility and feasibility studies that are within the time and funding limits set in the cooperative agreement will be arranged directly between LoL and the requesting field posts. As identified activities move toward full design, FVA and the respective regional bureau will have to consider the management aspects of whether the required ongoing dairy commodity and complementary development assistance (if any) are justified and programmable. Monetization of dairy commodities (subject to established PL 480 and Section 416 criteria and DCC interagency approval) and contractual management arrangements designed into activity proposals will be important factors in this regard. An FVA/FFP officer will be designated as the central focal point to maintain liaison with LoL under the cooperative agreement arrangement.

G. Budget. Subject to final review and negotiations, the following budget is recommended.

Grant to CARE for Mexico Section 416 operation	600,000
Grant to BRCH for Haiti Section 416 operations	565,000
Cooperative agreement with LoL for central tech. asst.	2,100,000
Evaluation (under LoL cooperative agreement)	20,000
Total	<u>3,285,000</u>

Issues

A) Levels of contributions by cooperating sponsors. The relatively short notice regarding availability of funds for this project has not allowed the prospective cooperating sponsors time to generate additional resources from other sources. Nevertheless, bona fide efforts have been demonstrated by the three proposed recipients.

CARE is prepared to commit \$100,000 toward start-up of its Section 416 program and dairy development activities in Mexico in addition to over \$85,000 in field design costs already expended. Past and future support costs from Headquarters, and the cost of opening a permanent office in Mexico are also significant contributions.

BRCH expects to maintain an annual operating budget of about \$200,000 in Haiti and is considering expanding its efforts to raise funds from its U.S. congregations with the stimulus of additional USG surplus food and this proposed grant. Moreover, the coordinating role of BRCH in Haiti has been and should become increasingly important in enabling smaller PVOs to operate dairy and other food distribution programs.

LoL activities in the field and those of their collaborators (principally NCBA and ACDI) have been the stimulus for identifying the proposed projects that have already emerged. Their role will be especially important in attracting private capital investment to invest in dairy development activities in the future. They will be asked to demonstrate that the use of funds under the agreement results in attracting significant amounts of additional private capital investment in the dairy sectors of the countries in which they carry out technical assistance.

Given the short time available, the contributions by the three proposed recipients of project funds are deemed to be appropriate in nature and size.

B) Collaboration. The process of canvassing has revealed strong, and potentially competitive, interests in using U.S. dairy surpluses for expanding markets and for development. The written proposal and letter by LoL give assurances of collaboration and express the LoL "intention to enter into arrangements with cooperative organizations, cooperatives, and private sector agribusiness organizations to ensure timely and effective responses to requests for assistance" under the project. This has been reinforced by numerous discussions with representatives of LoL and other interested organizations. Upon approval of this project, FFP will send a circular cable to the 17 interested posts (i.e. those responding to the circular telegram) notifying them of the arrangement expected with LoL. Upon signature of a cooperative agreement, FFP will advise the other private entities who responded and send a worldwide circular cable to help ensure that posts not responding previously are informed. Therefore, monitoring of incoming requests from field posts and periodic reports from LoL as described under the project management arrangements above will enable FVA/FFP to confirm that there is collaboration among all interested entities.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE
 A = Add
 C = Change
 D = Delete

Amendment Number _____

DOCUMENT CODE
 3

COUNTRY/ENTITY
 Worldwide-Centrally Funded

3. PROJECT NUMBER _____

BUREAU/OFFICE _____

5. PROJECT TITLE (maximum 40 characters)
 Linking Dairy Products and Development

PROJECT ASSISTANCE COMPLETION DATE (PACD)
 MM DD YY
 1 2 3 1 8 8

7. ESTIMATED DATE OF OBLIGATION
 (Under "B:" below, enter 1, 2, 3, or 4)
 A. Initial FY 8 6 B. Quarter 4 C. Final FY 8 6

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	3,285		3,285	3,285		3,285
(Grant)	(3,285)	()	(3,285)	(3,285)	()	(3,285)
(Loan)	()	()	()	()	()	()
her 1.						
S. 2.						
Host Country						
Other Donor(s)						
TOTALS	3,285		3,285	3,285		

9. SCHEDULE OF AID FUNDING (\$000)

APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
FN						3,285		3,285	
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code _____

B. Amount _____

13. PROJECT PURPOSE (maximum 480 characters)

Supporting development initiatives that utilize surplus U.S. dairy commodities to increase consumption of dairy products, build markets for U.S. dairy products and strengthen agricultural development efforts in developing countries.

4. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 0 9 8 7 1 2 8 8

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) _____

5. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

Signature _____

Title Coordinator, Office of Food for Peace

Date Signed MM DD YY _____

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY _____

**HOUSE JOINT RESOLUTION 465, FURTHER CONTINUING
APPROPRIATIONS FOR FISCAL YEAR 1986**

DECEMBER 19, 1985.—Ordered to be printed

Mr. WHITTEN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.J. Res. 465]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.J. Res. 465) making further continuing appropriations for the fiscal year 1986, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 3, 5, 11, 15, 16, 27, 28, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48, 52, 53, 54, 55, 59, 63, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 105, 116, 121, 122, and 134.

That the House recede from its disagreement to the amendments of the Senate numbered 9, 12, 17, 18, 19, 20, 21, 25, 61, 118, 119, and 120, and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows:

In lieu of the matter stricken and inserted by said amendment insert the following:

(a) Such amounts as may be necessary for programs, projects, or activities provided for in the Agriculture, Rural Development, and Related Agencies Appropriations Act, 1986 (H.R. 3057), to the extent and in the manner provided for in the conference report and joint explanatory statement of the Committee on Conference (House Report Numbered 99-459), as filed in the House of Representatives on December 12, 1985, as if such Act had been enacted into law.

or 614 of the Foreign Assistance Act of 1961, or any other provision of law, such funds may be made available only for the second replenishment of the International Fund for Agricultural Development, except that to the extent that these funds cannot be so utilized, they shall revert to the Treasury as miscellaneous receipts).

TITLE II—BILATERAL ECONOMIC ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

For expenses necessary to enable the President to carry out the provisions of the Foreign Assistance Act of 1961, and for other purposes, to remain available until September 30, 1986, unless otherwise specified herein, as follows:

AGENCY FOR INTERNATIONAL DEVELOPMENT

Agriculture, rural development and nutrition, Development Assistance: For necessary expenses to carry out the provisions of section 103, \$699,995,900: Provided, That not less than \$5,000,000 shall be provided for new development projects of private entities and cooperatives utilizing surplus dairy products: Provided further, That not less than \$8,000,000 shall be provided for the Vitamin A Deficiency Program.

Population, Development Assistance: For necessary expenses to carry out the provisions of section 104(b), \$250,000,000: Provided, That none of the funds made available in this Act nor any unobligated balances from prior appropriations may be made available to any organization or program which, as determined by the President of the United States, supports or participates in the management of a program of coerced abortion or involuntary sterilization: Provided further, That none of the funds made available under this heading may be used to pay for the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions; and that in order to reduce reliance on abortion in developing nations, funds shall be available only to voluntary family planning projects which offer, either directly or through referral to or information about access to, a broad range of family planning methods and services: Provided further, That nothing in this subsection shall be construed to alter any existing statutory prohibitions against abortion under section 104 of the Foreign Assistance Act.

Health, Development Assistance: For necessary expenses to carry out the provisions of section 104(c), \$90,824,900: Provided, That not less than \$12,500,000 shall be provided for child survival programs and activities.

Child Survival Fund: For necessary expenses to carry out the provisions of section 104(c)(2), \$25,000,000.

Education and human resources development, Development Assistance: For necessary expenses to carry out the provisions of section 105, \$162,242,700: Provided, That of this amount not less than \$4,000,000 shall be made available only for the International Student Exchange Program.

Energy and selected development activities, Development Assistance: For necessary expenses to carry out the provisions of section 106, \$174,252,900: Provided, That not less than \$5,000,000 shall be

99TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
99-252**FOREIGN ASSISTANCE AND RELATED PROGRAMS
APPROPRIATIONS BILL, 1986**

AUGUST 1, 1985.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ORY of Wisconsin, from the Committee on Appropriations, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany H.R. 8235]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1986 and for other purposes.

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AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION, DEVELOPMENT ASSISTANCE

Fiscal year 1985 level.....	\$75,551,000
Fiscal year 1986 request.....	792,362,000
Committee recommendation.....	679,995,900

The Committee recommends \$679,995,900, a reduction of \$75,555,100 from the FY 1985 level and of \$112,366,100 from the FY 1986 budget request. This is consistent with the Committee's overall reduction formula.

SURPLUS DAIRY PRODUCTS

The Committee earmarks up to \$5 million of the funds in this account to be available for new development projects of private entities and cooperatives using surplus dairy products.

Under the PL 480 Food for Peace authority, development projects such as the Cooperative League's project with the National Dairy Development Board in India and Land O'Lakes' project with the Jamaica Agricultural Development Foundation have directly used and sold surplus dairy products to increase the availability of milk and dairy products and to finance agricultural development. The Committee intends that AID fund new projects, based on these successful models, which, where appropriate, utilize PL 480 and Section 416 dairy cooperatives to boost milk and dairy product consumption, to help build markets for U.S. dairy products, and to strengthen agricultural development efforts.

VITAMIN A DEFICIENCY

The Committee earmarks \$8 million of the funds available in this account for the AID Vitamin A deficiency program.

It is estimated that 100,000 children in developing countries go blind each year because they do not get enough vitamin A. Ten million children suffer from this nutritional disorder annually. The World Health Organization considers vitamin A deficiency a public health problem in 78 countries and territories.

There is now evidence as well that vitamin A supplementation alone can save the lives of children in the Third World. A recent study in Indonesia found that providing doses of vitamin A for 18 months reduced the death rate by 29% among the infants treated.

AID estimates that current vitamin A programs save 100,000 children a year from blindness, and that as many as 400,000 more children can be saved from blindness.

Hundreds of thousands more may be saved from preventable deaths due to measles and other diarrheal and respiratory diseases closely associated with vitamin A deficiency.

AID is to be commended for its efforts in this important field.

The Committee intends that these funds be used for nutrition supplementation and fortification programs carried out by private and voluntary organizations and international organizations, as well as research.

Leah
Calendar No. 379

99TH CONGRESS }
1st Session }

SENATE

{ REPORT
99-167FOREIGN ASSISTANCE AND RELATED PROGRAMS
APPROPRIATION BILL, 1986

OCTOBER 31 (legislative day, OCTOBER 28), 1985.—Ordered to be printed

EOT:

Mr. KASTEN, from the Committee on Appropriations,
submitted the following

REPORT

[To accompany S. 1816]

The Committee on Appropriations reports to the Senate the bill (S. 1816), making appropriations for Foreign Assistance and related programs for the fiscal year ending September 30, 1986, and for other purposes, and presents herewith an explanation of the contents of the bill.

Amounts in new budget authority

Fiscal year 1985 appropriations	_____	\$10,890,403,072
Fiscal year 1986 amended budget estimate	_____	15,032,241,934
Amount of bill as reported to House	_____	14,560,423,283
Amount of bill as reported to Senate	_____	14,843,772,886
Bill as recommended to Senate compared to:		
1985 appropriations	_____	-6,046,630,186
Amended budget estimate	_____	-182,469,048
House Committee reported bill	_____	+283,349,603

AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION

Appropriation, 1985	_____	\$755,551,000
Budget request, 1986	_____	792,352,000
House allowance	_____	679,995,900
Committee recommendation	_____	760,000,000

The most basic concern of the world's inhabitants is an adequate food supply. Through this function, the Agency for International Development funds a variety of agricultural related programs designed to increase production, improve nutrition, and develop the rural areas of Third World countries. The programs also include a wide variety of research on plant yields, soils, and plant disease, as well as institutional development.

The level of funding recommended by the House Appropriations Committee for this function would have a disastrous affect on some of the most important programs funded under the account. The House reduction is not only substantially under the request level, but also substantially under the amount provided in fiscal year 1985. Much of this assistance, as noted earlier in this report, is central to the Agency's efforts to generate a green revolution in Africa and increase agricultural production in other areas of the world. Unquestionably, in particular, such a cut would be applied mainly to AID centrally funded programs consisting of research, agricultural education, and Third World institution building. These, and other activities, are carried on by the international agricultural research centers and nearly 40 American universities and colleges, led by such agricultural research institutions as Michigan State, the University of Wisconsin, Oregon State University, and Cornell. It is exactly this type of work by such institutions which ultimately led to the green revolution in Asia, one of the modern day miracles of agricultural research. The Committee notes that cuts made by the House to this particular account have generated more concern and complaints outside of Washington than any other action in the House legislation.

Surplus dairy products.—The Committee has included bill language that states that not less than \$5,000,000 shall be provided for new development projects of private entities and cooperatives utilizing surplus dairy products. The immense productivity of American dairy farmers has heretofore been a basically untapped resource for foreign assistance in Third World nations. The Committee believes that it is essential that serious efforts be made to utilize these resources, and therefore, it suggests this amount.

Agricultural activities in Poland.—The Committee is in total agreement with the sentiments expressed by the House Committee over the lack of progress on implementing a provision initiated by this Committee which provided \$10,000,000 for agricultural activities in Poland. The

UNCLASSIFIED
Department of State

Attachment C

PAGE 01 OF 02 STATE 097048
ORIGIN AID-03

8939 0.9514 A106099

STATE 097048

1999 025510 A106099

BALANCE AVAILABLE FOR PROGRAMMING WORLDWIDE. THESE FUNDS
REMAIN AVAILABLE FOR OBLIGATION UNTIL SEPTEMBER 30, 1996.

ORIGIN OFFICE FFP-01

INFO AALF-02 AFCD-02 AFEA-03 AFSA-03 AIFV-04 AIFW-04 AFDP-06
FPA-02 AALA-01 LAGE-03 LAGA-03 LAIP-04 EVA-01 AMAD-01
PPPD-02 GC-01 LCFL-01 C-02 CPP-01 EPS-01 CI-01 STAG-02
STHE-01 STN-03 STPD-01 SAST-01 PVI-02 FIPP-01 ES-01
AME-03 LAB-05 RELO-01 LACA-03 ANEA-02 ANEG-03 AMAA-01
ANCA-02 /089 AD

INFO LOG-00 EUR-00 AF-00 10-17 WEA-07 ARA-00 EAP-00
/024 R

DRAFTED BY: AID/FVA/FFP/11:MDVRE:JJ:4010M

APPROVED BY: AID/FVA:JCBLOCH

FVA/FFP/C:TREESE (DRAFT)

FVA/FFP/11:WPEARSON (DRAFT)

FVA/FFP/PPE:LSTANBERG (DRAFT)

AID/AFR/DP:PFEURET (SHDC)

AID/LAC/DP:PSELLAR (DRAFT)

AID/ANE/DP:BSIDHAK (DRAFT)

AID/GC:CSTEPHENSON (DRAFT)

PPC/PB:LTAAMER (DRAFT)

AID/ES:GJOE

-----131602 2821382 /38

P 282129Z MAR 86 ZEX
FM SECSTATE WASHDC
TO AID WORLDWIDE PRIORITY

UNCLAS STATE 097048

AIDAC

E.O. 12356: W/A

TAGS:

SUBJECT: NEW INITIATIVE FOR LINKING DA FUNDS WITH TITLE
11/416 DAIRY PRODUCTS

(1) SUMMARY. AID POSTS ARE INVITED TO SUBMIT PROPOSALS
FOR FINANCING NEW DEVELOPMENT PROJECTS THAT WILL UTILIZE
SURPLUS U.S. DAIRY PRODUCTS IN DEVELOPING COUNTRIES.
THE FY 1986 FOREIGN ASSISTANCE APPROPRIATIONS ACT
PROVIDES THAT NOT LESS THAN 5 MILLION DOLLARS BE USED
FOR THIS PURPOSE. THESE FUNDS ARE APPROPRIATED FOR FY
1986 ONLY. POSTS SHOULD USE THE GUIDELINES CONTAINED IN
THIS CABLE TO DISCUSS POTENTIAL PROJECTS WITH PVO'S,
COOPERATIVES AND LOCAL ENTERPRISES IN THE HOST COUNTRY
AND CABLE PRELIMINARY PROPOSALS BY APRIL 25. END
SUMMARY.

(2) BACKGROUND. THE FY 1986 APPROPRIATIONS ACT
PROVIDES THAT NOT LESS THAN 5,000,000 DOLLARS OF
DEVELOPMENT ASSISTANCE FUNDS BE UTILIZED FOR NEW
DEVELOPMENT PROJECTS OF PRIVATE ENTITIES AND
COOPERATIVES UTILIZING SURPLUS DAIRY PRODUCTS (MILK
AND BUTTER). THE INTENT OF THE LEGISLATION IS THAT
A.I.D. FUND NEW PROJECTS THAT UTILIZE PL480 AND SECTION
416 DAIRY COMMODITIES TO BOOST MILK AND DAIRY PRODUCT

CONSUMPTION, TO HELP BUILD MARKETS FOR U.S. DAIRY
PRODUCTS, AND TO STRENGTHEN AGRICULTURAL DEVELOPMENT
EFFORTS. THE HOUSE APPROPRIATIONS COMMITTEE REPORT ON
THIS BILL DREW SPECIAL ATTENTION TO THE COOPERATIVE
LEADER'S PROJECT WITH THE NATIONAL DAIRY DEVELOPMENT
BOARD IN INDIA AND THE LAND O'LAKE'S PROJECT WITH THE
JAMAICA AGRICULTURAL DEVELOPMENT FOUNDATION, BOTH OF
WHICH USED DAIRY PRODUCTS UNDER THE PL480 FOOD FOR PEACE
AUTHORITY FOR DAIRY DEVELOPMENT. (INFORMATION ON THESE
PROJECTS IS AVAILABLE FROM FVA/FFP/11). MAKING
ALLOWANCE FOR REQUIRED REDUCTIONS DUE TO THE
GRAND-SUMMIT-DOLLARS ACT, THIS EARMARKING IS REDUCED BY
4.3 PERCENT, THEREBY RESULTING IN A MINIMUM AMOUNT OF
4,785,000 DOLLARS. OF THIS AMOUNT, 2,000,000 DOLLARS
HAS BEEN ALLOCATED FOR CENTRAL AMERICA, LEAVING THE

(3) SOURCE OF SURPLUS DAIRY PRODUCTS. DAIRY
COMMODITIES SHOULD BE PROGRAMMED IN ACCORDANCE WITH
ESTABLISHED PROCEDURES FOR PL480 TITLE 11 AND SECTION
416 OF THE AGRICULTURAL ACT OF 1949, AS AMENDED.
SUBSTANTIAL REVISIONS WERE MADE TO THIS LEGISLATION IN
THE RECENTLY PASSED FARM BILL FOOD SECURITY ACT OF
1985. PENDING ISSUANCE OF REVISED GUIDANCE FOR
PROGRAMMING SURPLUS DAIRY PRODUCTS IN ACCORDANCE WITH
THE NEW LEGISLATIVE PROVISIONS, REGULATION 10 AND OTHER
CURRENT A.I.D. GUIDELINES SHOULD BE USED.

(4) TYPES OF DAIRY COMMODITIES AVAILABLE FOR USE. NON
FAT DRY MILK (NFDM) AND CHEESE GENERALLY CAN BE EXPECTED
TO BE AVAILABLE. LIMITED AMOUNTS OF BUTTER, BUTTEROIL
AND ULTRA-HIGH TEMPERATURE (UHT) MILK ALSO MAY BE
AVAILABLE FROM SURPLUS STOCKS FOR THIS PURPOSE. SINCE
LONG TERM AVAILABILITY OF SURPLUS STOCKS CANNOT BE
GUARANTEED, DELIVERY PROPOSALS SHOULD BE DESIGNED ON A
SHORT TERM BASIS, GENERALLY NOT TO EXCEED ONE YEAR IN
DURATION. MONETIZATION OF THE DAIRY PRODUCTS IN
ASSOCIATION WITH THEIR DELIVERY CAN BE CONSIDERED ON A
CASE-BY-CASE BASIS ONLY.

(5) TYPES OF PROJECTS ENVISAGED. COSTS OF
COMPLEMENTARY INPUTS TO STRENGTHEN THE DEVELOPMENT
IMPACT OF DELIVERING DAIRY PRODUCTS TO NEEDY POPULATIONS
SHOULD BE CONSIDERED FOR FUNDING UNDER THIS EARMARKING.
THIS CAN INCLUDE SCHOOL FEEDING, MOTHER-CHILD HEALTH AND
FOOD FOR WORK PROJECTS IF THEIR OBJECTIVES ARE GENERALLY
FOCUSED ON AGRICULTURAL DEVELOPMENT. STORAGE COSTS,
VEHICLES OR OTHER CAPITAL INPUTS CAN BE CONSIDERED, IF

APPROPRIATE TO OVERALL A.I.D. OBJECTIVES IN THE
COUNTRY. TECHNICAL ASSISTANCE FOR LOGISTICS,
ADMINISTRATION AND NUTRITIONAL ASPECTS CAN BE INCLUDED.

(6) FUNDING. SINCE THE FUNDS ARE FACT CAN BE INCLUDED
YEAR ONLY, PROJECTS SHOULD BE DESIGNED FOR LIFE OF
PROJECT FINANCING. THREE YEARS USUALLY SHOULD BE THE
MAXIMUM LIFE OF PROJECT ENVISAGED. FINANCING SHOULD BE
LIMITED TO CAPITAL EXPENSES, TECHNICAL ASSISTANCE,
TRAINING AND START-UP COSTS. NO OPERATING COSTS WILL BE
FINANCED BEYOND THE FIRST YEAR. OTHER SOURCES OF
FINANCING REGARDING OPERATION COSTS SHOULD BE IDENTIFIED
SHOULD BE IDENTIFIED.

(7) BENEFICIARIES. THERE MUST BE DEMONSTRATED
POSITIVE AND LASTING EFFECT, PREFERABLY IN TERMS OF BOTH
INCREASED INCOME AND NUTRITION, ON A SIGNIFICANT NUMBER
OF POOR RECIPIENTS.

(8) PRIVATE ENTITIES. U.S. AND/OR LOCAL PRIVATE AND
VOLUNTARY AGENCIES, COOPERATIVES AND PRIVATE ENTERPRISES
SHOULD BE CONSIDERED AS IMPLEMENTATION AGENTS. FVA BUREAU
WILL BE PROVIDING THESE GUIDELINES TO SELECTED U.S.
PRIVATE AND VOLUNTARY AGENCIES AND COOPERATIVES TO
SOLICIT THEIR PROJECT PROPOSALS. FIELD POSTS SHOULD
CONSULT WITH LOCAL REPRESENTATIVE OF U.S. ORGANIZATIONS
AND WITH LOCAL ENTITIES AS DEEMED APPROPRIATE.

(9) ACTION. POSTS SHOULD CABLE PRELIMINARY PROPOSALS
SLOTTED FOR FVA/FFP AND REGIONAL BUREAUS AS SOON AS
PROSPECTIVE PROJECTS ARE IDENTIFIED, BUT IN NO CASE
LATER THAN APRIL 25. REGIONAL BUREAUS AND FVA/FFP WILL
PROVIDE ADDITIONAL GUIDANCE REGARDING PROJECT
DOCUMENTATION REQUIREMENTS, AS NEEDED, TO ENSURE THAT
SOUND PROPOSALS RECEIVE FULL CONSIDERATION FOR FY1986
FUNDING. UNCLAS

UNCLASSIFIED

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Notification Statement (Sent to PVOs)

The attached statement was sent by the Coordinator, Office of Food for Peace, during April 1986 to the following organizations (copies of letters are on file in FVA/FFP/II).

Adventist Development and Relief Agency (ADRA)
Blue Ridge Christian Homes (BRCH) a/
CARE b/
Catholic Relief Services
International Partnership for Human Development c/
League of Red Cross and Red Crescent Societies
Mt. Vernon Baptist Church
S.H.A.R.E. d/
World Vision e/
Save the Children
National Cooperative Business Association (NCBA) f/
Land O' Lakes, Inc., (LoL) g/

a/ BRCH submitted proposal for expanding its Section 416 operations in Haiti. Revised proposal expected soon after July 7. PIO/T to be prepared for approval.

b/ CARE letter of intent for initiating a Section 416 program in Mexico. Its full proposal is expected July 1. PIO/T to be prepared for approval.

c/ IPHD letter of intent for \$15,000 of technical assistance in Mexico. To be referred to central TA program with Land O' Lakes.

d/ S.H.A.R.E. representative has expressed interest in getting technical assistance under central program for operations in Mexico and Guatemala with Section 416 commodities.

e/ World Vision submitted letter of intent re program in Kenya, which was subsequently withdrawn. Interested in utilizing technical assistance from central fund.

f/ NCBA and LoL made informal proposal for a jointly administered technical assistance program. Subsequent proposal was submitted by LoL, providing for administrative support from NCBA and collaboration with other entities. (LoL letters of June 16 and June 23, 1986).

New Initiative for Linking Development Assistance
Funds with Dairy Products

1. Summary. A.I.D. posts and private and voluntary organizations are being invited to submit proposals for financing new development projects that will utilize surplus U.S. dairy products in developing countries. The FY 1986 Foreign Assistance Appropriations Act provides that not less than 5 million dollars be used for this purpose. These funds are appropriated for FY 1986 only.
2. Background. The FY 1986 Appropriations Act provides that not less than \$ 5,000,000 of development assistance funds be utilized for new development projects of private entities and cooperatives utilizing surplus dairy products [Obey amendment]. The intent of the legislation is that A.I D. fund new projects that utilize PL480 and Section 416 dairy commodities to boost milk and dairy product consumption, to help build markets for U.S. dairy products, and to strengthen agricultural development efforts. The House Appropriations Committee report on this bill drew special attention to the Cooperative League's project with the National Dairy Development Board in India and the Land O'Lakes project with the Jamaica Agricultural Development Foundation, both of which used dairy products under the PL480 Food for Peace authority for dairy development. (Information on these projects is available from FVA/FFP/II.) Making allowance for required reductions due to the Gramm-Rudman-Hollings Act, this earmarking is reduced by 4.3 percent, thereby resulting in a minimum amount of \$4,785,000 Of this amount, \$2,000,000 has been allocated for Central America, leaving the balance available for programming worldwide. These funds remain available for obligation until September 30, 1986.
3. Source of surplus dairy products. Dairy commodities should be programmed in accordance with established procedures for PL480 Title II and Section 416 of the Agricultural Act of 1949, as amended. Substantial revisions were made to this legislation in the recently passed Farm Bill (Food Security Act of 1985). Pending issuance of revised guidance for programming surplus dairy products in accordance with the new legislative provisions, Regulation 10 and other current A.I.D. guidelines should be used.
4. Types of dairy commodities available for use. Non fat dry milk (NFDM) and cheese generally can be expected

to be available. Limited amounts of butter, butteroil and ultra-high temperature (UHT) milk also may be available from surplus stocks for this purpose. Since long term availability of surplus stocks cannot be guaranteed, delivery proposals should be designed on a short term basis, generally not to exceed one year in duration. Monetization of the dairy products in association with their delivery can be considered on a case-by-case basis only.

5. Types of projects envisaged. Costs of complementary inputs to strengthen the development impact of delivering dairy products to needy populations should be considered for funding under this program. This can include school feeding, mother-child health and food for work projects if their objectives are generally focused on agricultural development. Storage costs, vehicles or other capital inputs can be considered, if appropriate to overall A.I.D. objectives in the country. Technical assistance for logistics, administration and nutritional aspects can be included.

6. Funding. Since the funds are appropriated for one year only, projects should be designed for life of project financing. Three years normally should be the maximum life of project envisaged. Financing should be limited to capital expenses, technical assistance, training and start-up costs. No operating costs will be financed beyond the first year. Other sources of financing recurring operating costs should be identified.

7. Beneficiaries. There must be a demonstrable positive and lasting effect, preferably in terms of both increased income and nutrition, on a significant number of poor recipients.

8. Private entities. U.S. and/or local private and voluntary agencies, cooperatives and private enterprises should be considered as implementing agents. A.I.D. field posts will be available to consult with local representative of U.S. organizations and with local entities as appropriate.

9. Submission of proposals. Preliminary proposals should be submitted to the Food for Peace Office of A.I.D. as soon as prospective projects are identified. Questions regarding these guidelines may be addressed to Michael Dwyre, Arthur Braunstein or Roy Harrell of the Title II Division (Tel. 703 235-2844).

Linking Dairy Products with Development

Status of Proposals

<u>Country</u>	<u>Amount</u>	<u>References</u>	<u>Remarks</u>
<u>Central America</u>		State 102933 (4/3)	LAC guidance cable.
Belize	\$300,000	Belize 1401 (4/22) State 183372 (6/11) Belize 2253	NFDM calf feeding. Cheese processing plant. <u>Action:</u> Mission <u>is</u> authorized to obligate funds.
Guatemala	\$1,200,000	Guatemala 4486 (4/26) NCBA ltr. 4/18/86 (with Land O'Lakes) State 185503 (6/12)	NFDM reprocessing plants. <u>Action:</u> Mission <u>is</u> authorized to obligate funds.
Honduras	Unknown	NCBA (with Land O' Lakes) Mission telecon	NFDM calf feeding.
Panama	(\$700,000)	ACDI Ltr 5/1/86 Panama 5489	Mission does not want to undertake food aid project at this time.
El Salvador Unspecified		El Salvador 6930 State 180582	Requests TA. Recommend LoL central grant.
<u>Other LAC</u>			
Bolivia	\$150,000	Lapaz 1969	1,000 MT volag activity (CARE, SCF, Meals). Recommend TA from centrally funded grant.
Mexico	\$600,000	CARE Ltr. 4/10/86 Mexico 12629 (6/16) Mexico 12630 (6/16) Mexico 13110 (6/20) CARE Ltr. 6/27/86 CARE Ltr. 6/30/86	Dairy coops and processing centers. <u>Action:</u> Revised CARE proposals under review. Section 416 start-up needs DCC approval. Prepare PIO/T for DA funds.
Mexico	\$15,000	IPHD Ltr. 5/30/86	Water systems and small agric. devel.

Attachment E

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Haiti	\$575,000	BRCH ltr. 5/9/86 State 142283 (5/16) Bender mtg. 6/4/86 (Harrell/Braunstein/ Dwyre) PAUP 4367 (6/24)	BRCH revised budget upward to include well-drilling rig. Dropped regional centers. Mission concur. <u>Action:</u> BRCH to submit revised proposal soon after July 7.
Ecuador	\$350,000	Quito 4187 5/12/86	TA from LoL for coops and dairy industry. Recommend financing from central grant.
Peru	\$800,000	ACDI ltr. 5/1/86 State 160109 (5/21) Lima 7253 (6/23)	Assist local producer and financial coops, financial institution and foundation. Mission unable to pursue ACDI proposal at this time.

Africa

Cameroon	Unspecified	Yaoundi 4938 (6/12)	Dairy coop proposal by NCBA.
Kenya	(\$390,000)	WVRO ltr. 4/16/86 Nairobi 9905 State 121884 Nairobi 17039 WVRO ltr. 5/8/86	Proposal withdrawn by WVRO.
Mozambique	\$500,000	Maputo 1182 Maputo 1725 (6/20)	NFDM and butteroil for rehab of evaporated milk plant (local entrepreneur). <u>Action:</u> AFR undecided whether to proceed.

ANE

Egypt	Unknown	Cairo 8839 State 121690 NCBA ltr. 4/18/86 State 144465 Cairo 11997 ACDI concept paper 6/86	Mission supports NCBI/LoL doing further work to follow-up on initial interest generated with private sector dairy. ACDI also interested.
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Attachment E

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Indonesia Unspecified	NCBA ltr. 4/18/86 Jakarta 7489	Recommend TA from centrally funded grant.
Bangladesh Unspecified	Dhaka 2679	Ditto
<u>Centrally Funded</u>		
Worldwide \$3,000,000	LoL proposal 6/16/86 LoL Ltr. 6/23/86	Action: PIO/T in preparation. (\$2,110,000)

FFP/11 7/3/86

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