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 disburse-
ment 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 com-
munity, 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 estima-
tion 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 pre-
vent 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 x 75 x .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
team 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 dis-
advantageous 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 ne-
cessarily 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
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. 

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." 

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. 

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

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.'"

51. Desirable characteristics of a mechanism that TAC and donors might find of interested are mentioned at various points in the discussions of the TAC in 1975 and 1976. 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.

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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.