

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5234

To amend the Agricultural, Trade, Development, and Assistance Act of 1954 to authorize the use of agricultural commodities to promote market development.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 6, 1994

Mr. PENNY introduced the following bill; which was referred jointly to the Committees on Agriculture and Foreign Affairs

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## A BILL

To amend the Agricultural, Trade, Development, and Assistance Act of 1954 to authorize the use of agricultural commodities to promote market development.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SEC. 101. SHORT TITLE.**

4       This Act may be cited as the “Food for Trade Act  
5 of 1994”.

6       **SEC. 102. ESTABLISHMENT OF PROGRAM.**

7       Title I of the Agricultural Trade Development and  
8 Assistance Act of 1954 (7 U.S.C. 1701 et seq.) is amended  
9 by adding at the end the following new section:

1 **“SEC. 106. FOOD FOR TRADE PROGRAM.**

2 “(a) ESTABLISHMENT.—

3 “(1) IN GENERAL.—The Secretary shall carry  
4 out a pilot program under this title to establish per-  
5 manent, self-sustaining organizations in eligible re-  
6 cipient countries to promote and provide financing  
7 for broad-based economic development activities in  
8 the countries.

9 “(2) COOPERATION.—The Secretary shall carry  
10 out this section by entering into contracts with non-  
11 profit organizations or entities (referred to in this  
12 section as “facilitators”) to facilitate the establish-  
13 ment and operation of approved pilot projects in eli-  
14 gible recipient countries utilizing agricultural com-  
15 modities provided under this section.

16 “(b) ELIGIBLE PROJECTS.—

17 “(1) IN GENERAL.—An organization or other  
18 entity may participate in this program by submitting  
19 a complete proposal for the operation of a project in  
20 an eligible recipient country, according to guidelines  
21 developed by the Secretary.

22 “(2) PROJECT FUNDING.—Upon approval of a  
23 project proposed under this section, the Secretary  
24 shall make available agricultural commodities under  
25 this title to the facilitator on a grant basis for the  
26 purpose of funding and carrying out the project. The

1 Secretary shall cover the costs of transporting the  
2 commodities to the recipient country under para-  
3 graph (4).

4 “(3) DURATION OF ASSISTANCE.—Assistance  
5 may be provided under this section in annual install-  
6 ments for up to 5 years per individual approved  
7 project, or such longer period of time as deemed ap-  
8 propriate by the Secretary.

9 “(4) MONETIZATION.—The facilitator shall  
10 transport the agricultural commodities received  
11 under this section for sale in the recipient country.  
12 After deduction of any associated expenses, the pro-  
13 ceeds generated from the sale shall be used to estab-  
14 lish a permanent, self-sustaining investment fund in  
15 the recipient country according to guidelines estab-  
16 lished under subsection (h).

17 “(5) ROLE OF THE FACILITATOR.—A facilitator  
18 participating in this program shall—

19 “(A) be responsible for the storage, trans-  
20 port, and monetization of agricultural commod-  
21 ities in eligible recipient countries pursuant to  
22 guidelines established by the Secretary under  
23 subsection (h);

24 “(B) establish and manage an investment  
25 fund in the recipient country using the proceeds

1 from the monetization of the agricultural com-  
2 modities, until such time as the facilitator  
3 transfers control of the project to the joint com-  
4 mission under subsection (g);

5 “(C) establish and operate an advisory  
6 board to advise in the management of the in-  
7 vestment fund; and

8 “(D) coordinate the eventual transfer of  
9 the advisory board and the investment fund to  
10 the joint commission in the participating recipi-  
11 ent country.

12 “(6) EXPENSE PROJECTIONS.—Each project  
13 proposal submitted under this section shall contain  
14 a projection of the estimated expenses necessary to  
15 carry out the project, including the monetization of  
16 the agricultural commodities and the establishment  
17 and operation of the investment fund.

18 “(c) INVESTMENT FUND.—

19 “(1) ESTABLISHMENT.—The facilitator shall  
20 establish a permanent, self-sustaining investment  
21 fund in the participating recipient country from the  
22 proceeds of the sales of the agricultural commodities  
23 provided under this section.

24 “(2) USE OF FUND.—Monies in the investment  
25 fund shall be invested and managed in a manner

1 that provides the best possible return for the fund,  
2 without posing an undue risk to the principal bal-  
3 ance used to establish the fund.

4 “(3) RESTRICTION ON INVESTMENT OF  
5 FUNDS.—Monies from the fund may be invested in  
6 any appropriate investments as determined by the  
7 Secretary pursuant to regulation.

8 “(4) INVESTMENT PROCEEDS.—Profits gen-  
9 erated by the investments shall be made available to  
10 the joint commission to carry out development activi-  
11 ties under subsection (f). The facilitator shall be re-  
12 imbursed for any administrative costs associated  
13 with the operation of the investment fund.

14 “(d) ADVISORY BOARDS.—

15 “(1) ESTABLISHMENT.—The facilitator shall  
16 operate an advisory board (referred to in this section  
17 as the “board”) in each participating recipient coun-  
18 try to advise the facilitator on the management of  
19 the investment fund and other investment issues.

20 “(2) MEMBERSHIP.—The members of the board  
21 shall be selected by the facilitator from the local and  
22 international business and investment community.  
23 Members of the board shall serve without pay.

24 “(3) TRANSFER OF AUTHORITY.—After control  
25 of the project is transferred to the joint commission

1 under subsection (g), the advisory board shall pro-  
2 vide advice to the joint commission on investment  
3 fund issues.

4 “(e) JOINT COMMISSION.—

5 “(1) ESTABLISHMENT.—The Government of  
6 the United States shall enter into an agreement with  
7 the government of each recipient country that par-  
8 ticipates in this program, along with the facilitator  
9 organization that oversees the project in that coun-  
10 try, for the establishment in the country of a Food  
11 for Trade Joint Commission (referred to in this sec-  
12 tion as the “joint commission”).

13 “(2) MEMBERSHIP.—The joint commission  
14 shall be composed of representatives of—

15 “(A) the participating recipient country;

16 “(B) local nongovernmental entities;

17 “(C) international nongovernmental enti-  
18 ties; and

19 “(D) the United States diplomatic mission  
20 in the recipient country, which may include a  
21 representative of the Foreign Agricultural  
22 Service.

23 “(3) BOARD OF DIRECTORS.—The joint com-  
24 mission shall elect a board of directors that provides  
25 equal representation for each of the 4 entities speci-

1       fied in paragraph (2). The directors shall serve with-  
2       out pay.

3               “(4) SECRETARIAT.—The joint commission may  
4       hire administrative personnel to handle the day-to-  
5       day activities of the joint commission.

6               “(5) DUTIES.—The joint commission shall be  
7       responsible for—

8                       “(A) the selection and approval of recipi-  
9                       ents for loans and grants for eligible activities  
10                      under this section;

11                     “(B) the dispersal of funds to approved ap-  
12                     plicants from investment fund profits;

13                     “(C) monitoring of activities funded under  
14                     this section; and

15                     “(D) overall operation and maintenance of  
16                     the program including the investment fund,  
17                     upon the final transfer of control under sub-  
18                     section (g).

19       “(f) ELIGIBLE ACTIVITIES.—The joint commission  
20       may make available funds from the profits generated by  
21       the investment fund for developmental activities including:

22               “(1) CREDIT.—Loans may be made under this  
23       section to—

24                     “(A) local private co-operative banks,

25                     “(B) credit unions,

1           “(C) non-profit venture capital investment  
2 organizations,

3           “(D) eligible organizations for the purpose  
4 of providing micro-credit, and

5           “(E) approved local entrepreneurs.

6           “(2) TECHNICAL ASSISTANCE.—Grants may be  
7 awarded under this section to—

8           “(A) cover in-country costs for farmer-to-  
9 farmer program implementors, or

10          “(B) eligible organizations working in agri-  
11 business development.

12          “(3) RESEARCH, EDUCATION AND EXTENSION  
13 ENDOWMENTS.—Research grants, scholarships and  
14 sabbaticals may be awarded under this section to in-  
15 dividuals working in local agricultural research and  
16 education institutions.

17          “(4) HUMANITARIAN AND INFRASTRUCTURE  
18 DEVELOPMENT GRANTS.—Grants may be provided  
19 under this section to finance—

20          “(A) infrastructure development projects,  
21 and

22          “(B) humanitarian efforts.

23 All grants made under this paragraph shall be from  
24 the repayment proceeds for loans under paragraph  
25 (1).

1       “(g) TRANSFER OF PROJECT CONTROL.—After a pe-  
2 riod of 5 years of operation of the project in a recipient  
3 country, or such other period of time deemed appropriate  
4 by the Secretary, the responsibility for the management  
5 and oversight of the investment fund shall be transferred,  
6 according to terms established by the Secretary, to the  
7 joint commission. Upon the transfer of authority under  
8 this subsection, the authority and responsibility of the  
9 facilitator with respect to the project shall be terminated.

10       “(h) GUIDELINES.—The Secretary shall develop  
11 guidelines and procedures for the establishment and oper-  
12 ation of the program under this section and shall provide  
13 for the following:

14               “(1) Application procedures for proposals for  
15 projects under this section.

16               “(2) Criteria for the selection of recipient coun-  
17 tries, including—

18                       “(A) demonstrated interest in privatizing a  
19 significant percentage of the agricultural sector;

20                       “(B) demonstrated interest in privatizing  
21 land ownership;

22                       “(C) legal and judicial structures that  
23 allow for private banking;

24                       “(D) tax laws that do not overly inhibit  
25 small business development;

1           “(E) limited or no restriction on foreign  
2 investment;

3           “(F) demonstrated interest in freeing  
4 wages and prices from government control;

5           “(G) economic situation that allows the es-  
6 tablishment of profitable tax-exempt founda-  
7 tions and non-prohibitive use of these profits  
8 for development purposes;

9           “(H) judicial infrastructure that allows for  
10 legal enforcement of contracts.

11           “(3) Procedures for the monetization of agricul-  
12 tural commodities provided under this section.

13           “(4) Establishment and operation of investment  
14 fund, including any restrictions on investments  
15 deemed necessary by the Secretary.

16           “(5) Procedures for the eventual transfer of  
17 operational control, including oversight of the invest-  
18 ment fund and advisory board of the program to the  
19 joint commission.

20           “(6) Procedures for evaluation of the program.

21           “(7) Procedures for the termination of the  
22 project and dissolution of the investment fund in the  
23 event the Secretary determines that the project is  
24 being mismanaged or otherwise should not be con-  
25 tinued.

1           “(8) Other guidelines deemed appropriate by  
2           the Secretary for the operation or oversight of the  
3           program.

4           “(i) REPORT.—The facilitator shall submit an annual  
5           progress report to the Secretary on the operation of the  
6           project in the recipient country.

7           “(j) EVALUATION AND AUDIT.—

8           “(1) EVALUATION OF THE PROGRAM.—Not  
9           later than 5 years after the establishment of this  
10          program and every 4 years thereafter, the Secretary  
11          shall evaluate the effectiveness of the program and  
12          shall report the findings to the Committee on Agri-  
13          culture of the House of Representatives and the  
14          Committee on Agriculture, Nutrition, and Forestry  
15          of the Senate.

16          “(2) GAO AUDIT.—The Comptroller General of  
17          the United States shall conduct periodic audits of  
18          the operation of the program.

19          “(k) DEFINITIONS.—For the purpose of this section:

20          “(1) FACILITATOR.—The term “facilitator”  
21          means a nonprofit organization or entity with experi-  
22          ence or demonstrated capability for the storage,  
23          transport, and sale of agricultural commodities in  
24          recipient countries.

1           “(2) ELIGIBLE RECIPIENT COUNTRY.—The  
2 term “eligible recipient country” means a country  
3 that meets one or more of the criteria specified in  
4 subsection (h)(2), as determined by the Secretary.

5           “(3) ELIGIBLE ORGANIZATION.—The term “eli-  
6 gible organization” means an international private  
7 voluntary organization or a local nongovernmental  
8 organization.

9           “(l) PROGRAM FUNDING.—The Secretary shall make  
10 available at least 20 percent of the amount of funds made  
11 available to carry out this title for the purpose of carrying  
12 out this section.”.

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