

Memorandum

TO : The File

FROM : TA/A, Jack Koteen



SUBJECT: Contractor's Report (Harvard Business School)
"Agribusiness Management for Developing Countries
with Special Reference to the Central American
Fruit, Vegetable and Floriculture Export Industries"
AID/csd-3153 - Background Statement - PAR

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DATE: September 27, 1973
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Summary Background

During the period January to June, 1970, the Office of Development Administration (TA/DA) made an intensive analysis of problems confronting the Agency in the field of development administration. One of the major conclusions of this analysis was the "Key Problem" -- the lack of managerial capacity to meet programmatic needs, particularly in agriculture, health and family planning at the national, regional, and local levels." Because of its extensive and compelling needs, the agriculture sector was selected for priority attention.

In December 1968, the Regional Office for Central America and Panama (ROCAP) had initiated a "systems approach" for certain non-traditional agricultural exports (fruits and vegetables) to the U.S. winter markets. This program was aimed at the design and implementation of export projects as a total "seed-to-consumer system," wherein modern technology and management would be orchestrated throughout each of the components of the entire system in both the private and public sectors. It represented a significant departure from the customary concentration on individual components of the system, i.e., on research, or production, or marketing, or training. And, it recognized that deficiencies in management -- in the private and public sectors -- were likely to be critical constraints in export development efforts in the LDCs involved (Guatemala, El Salvador, Honduras and Nicaragua).

Meanwhile, Harvard University's Graduate School of Business Administration (HBS) had established a working relationship with the Central American Institute of Business Administration (ICCAE) at Managua, Nicaragua, in graduate level training leading to the degree of Master of Business Administration (MBA). This program was later supplemented by a curriculum offering specialized training in agribusiness, under the immediate direction of a resident HBS staff member.



TA/DA, following a survey of prospective areas for concentrating on the key problem area of lack of management capacity in the agriculture sector, including an on-site reconnaissance of the fruits and vegetables operation, by now well under way in Central America, entered into a contract with HES in collaboration with INCAE to:

- (1) Make a preliminary survey of the U.S. fruit and vegetable market potential.
- (2) Carry out an in-depth analysis of the Central American fruit and vegetable export projects with particular attention to management deficiencies.
- (3) Examine the fruit and vegetable commodity system being developed in Central America, with special emphasis on its concept, methodology and management.
- (4) Identify key management and decision-making problems impeding the development of agribusiness and determine manpower training requirements.
- (5) Improve the conduct of training programs and workshops for Central American agribusiness executives (in the private and public sectors).

Contractor's Preliminary Report

Attached is a copy of the contractor's preliminary report which is being circulated for review and comment prior to publication and dissemination of a final version.

The 570-page report is both comprehensive and detailed in its coverage:

Chapter I outlines the commodity system concept, suggests specific usages in the private and public sectors, including educational institutions, and highlights the agribusiness system in Central America.

Chapter II offers a profile of the present and projected U.S. fruits and vegetables market system, and the role of Central America in this system. It suggests that the 32 million pounds exported to the U.S. in 1971-72 will total well over 100 million pounds by 1980.

Chapter III describes the coordinating linkages between Central American fruits and vegetables producers and U.S. consumers.

Chapter IV summarizes present and projected Central American fruits and vegetables production/exports and provides detailed analyses of selected commercial fruits and vegetables export operations in Guatemala, El Salvador, Honduras and Nicaragua.

Chapter V treats agribusiness management education from the commodity system perspective, i.e., using the commodity system to identify specific tasks and manpower skills required to perform such tasks. It also suggests education and training approaches to provide the skills needed for the technical and managerial tasks throughout the commodity system.

Chapter VI summarizes conclusions drawn by the contractor as regards the utility of this project as:

First, it does provide a new perspective for agribusiness educational institutions of Central America, both formal and informal, on-the-job training, industry seminars and so forth.

Secondly, it has produced a by-product in the form of creating fruit and vegetable commodity system descriptions and analyses that, to the authors' knowledge, have not existed before in Central America and the United States.

Thirdly, it has created a greater interchange than had existed before between a good many of the private and public agribusiness policy makers in Central America so that they are beginning to understand each other's needs and are finding specific ways to cooperate with one another."

A series of appendices supply additional detail highlighted in the several chapters and early commentaries by representatives of public and private institutions who participated in the project.

Project Follow-on

Inter-American Development Bank (IDB): A key follow-on action of the project has emerged from a recent \$4 million loan by IDB to the Central American Bank of Nicaragua for "...the financing of investments and technical cooperation for the installation, expansion/or modernization of agro-industrial enterprises owned by small, medium or large-scale entrepreneurs and cooperatives." This loan, recognizing the need for "management" capability, along with financial and technical assistance in development ventures, includes a grant of \$420,000 to IICA to provide "managerial training" to potential managers of the enterprises to be financed under the loan, as a pre-condition of any disbursements.

INCAE: Plans are well advanced in INCAE to utilize the project's findings in the development of its agribusiness management, training, research, and consultative programs and additional staff members are currently being recruited to help formulate and coordinate the project's follow-on activities.

Ad-Hoc Committee: Following the third international workshop to review the project at Harvard University May 15 and 16, 1973, an ad-hoc committee was appointed to advise and coordinate the projects follow-on actions in the academic institutions and in the national government institutions in the region.

Project Status and Outline

While the project was activated less than two years ago, findings and results are considered to be sufficiently promising to warrant extending the concepts and methodologies to other agricultural commodities and to other geographic regions.

During March-April, a team, representing TA/DA, HBS and the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA)/Asian Institute of Management (AIM), visited the Philippines to consider extending the project to Southeast Asia. The team concluded that it would be desirable and appropriate to extend the project to a commodity system to begin in the Philippines, Thailand and Indonesia through HBS/SEARCA/AIM, following the fruits and vegetables INCAE/Central America pattern. A proposal has been prepared by SEARCA and contractual arrangements between TA/DA and HBS/SEARCA are being developed.

During a meeting with the contractor's representatives (Dr. Goldberg and staff) at HBS September 20-21, 1973, a number of "immediate action" and "early action" issues were taken up (see September 18 memorandum attached) and agreements reached as to appropriate actions required.

Meanwhile, responses to requests for review and comment on the contractor's report (and a related Staff Paper on Agricultural Commodity Systems) are being received (three are on file and others in preparation are expected shortly).

Exploratory efforts to extend the project to Africa (Ghana) are in progress (see staff report in TA/DA file) and some consideration is being given to South America as another potential area for concentration.

UNITED STATES GOVERNMENT

ATTACHMENT-E

Memorandum

TO : The File

DATE: September 27, 1973

FROM : TA/DA  Gerry Horne

SUBJECT: Issues Statement - contract AID/csd 3153 (HBS)

This memorandum is intended to satisfy the documentation required for the project evaluation for FY73, Option A, scheduled for 9/30/73.

As indicated in the "Background Statement" dated September 27, 1973, prepared as part of the PAR process for this contract, the contract is "on course and proceeding according to plan".

No "issues" as such are being cited in this document because, to my knowledge, no issues of any substance or significance exist which might in any way impair the very satisfactory progress that is being made under the contract.

The lack of "issues" at this time can be attributed to the close and continuous supervision that the contract has had from its initial design through the latest on-site review September 20/21, 1973, and to the excellent working relationships with contractor personnel.

A number of "routine" and largely "administrative" issues were brought to the Project Director's attention during the September 20/21 meeting (see September 28 memorandum attached to the "Background Statement"). Appropriate measures for handling these matters are under way and no problems are anticipated.

A recent Agency audit of the contract was made in the TA/DA Office. While the Auditor's report has not been submitted, it is my understanding that no problems were identified during the audit.

