[redacted]

[redacted]

[redacted]

AGRO-INDUSTRIAL DEVELOPMENT

AID/LAC/P-113/1

Loan Number: 527-T-018
Project Number: 532-0081

[redacted]

PROJECT DATA SHEET

C. Change D = Delete | 1 | 3

ENTRY/ENTITY
JAMAICA

3. PROJECT NUMBER
532-0081

HEAD/OFFICE
LAC | 05

5. PROJECT TITLE (maximum 40 characters)
Agro-Industrial Dev. Project Amendmen

OJECT ASSISTANCE COMPLETION DATE (PACD)
MM 0 0 | DD 3 1 | YY 8 8

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 83 | B. Quarter 4 | C. Final FY 87

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

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
Appropriated Total	500		500	1,989		1,989
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	(500)	( )	(500)	(1,989)	( )	(1,989
1. PRIOR PHASE				8,500		8,500
2.						
Country		434.6	434.6		1,907.8	1907.8
Other Donor(s) PRIOR PHASE		3,217.0	3,217.0		8,460.0	8,460.0
TOTALS	500	3,651.6	4,151.6	10,489	10,367.8	20,856.8

9. SCHEDULE OF AID FUNDING ($000)

PROGRAM	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
FN	160		150		4.2	"	1,989		10,489
TOTALS							1,989		10,489

CONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) | 11. SECONDARY PURPOSE CO

ECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

OJECT PURPOSE (maximum 480 characters)

Purpose: To support the Government of Jamaica's (GOJ) economic recovery by strengthening the private productive sector as a vehicle for economic growth, employment generation and increase in food production, through access to credit, technical assistance strategic plans, targeting of foreign firms, prefeasibility and feasibility studies.

HEDULED EVALUATIONS
Interim MM 0 9 YY 8 5 | MM 0 9 YY 8 7 | Final MM 0 9 YY 8 8

13. SOURCE/ORIGIN OF GOODS AND SERVICES
☒ 000 ☒ 941 ☒ Local ☐ Other (Specify)

ENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 100 page PP Amendment)

To add Component II to the Project to provide funding for strategic planning, promotional activities, and prefeasibility studies intended to greatly accelerate the investment by large private sector agribusinesses, both foreign and domestic, in agricultural activities which measurably increase the production of non-traditional crops for export.

APPROVED BY

Signature
L. F. Reade

Title
Director, USAID/Jamaica

Date Signed MM 0 7 DD 1 3 YY 8 3

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

1104 (8-79)

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

PROJECT AUTHORIZATION
(Amendment No. 1)

Name of Country	:	Jamaica
Name of Project:	:	Agro-Industrial Development
Number of Project	:	532-0081
Number of Loan	:	532-T-019

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, the Agro-Industrial Development project was authorized on September 24, 1982 (the "Authorization"). The Authorization is hereby amended as follows:

a. Section 1 of the Authorization is hereby amended by deleting the figure "Eight Million Five Hundred Thousand United States Dollars ($8,500,000)" therefrom and by substituting the figure "Ten Million Four Hundred Eighty-Nine Thousand United States Dollars ($10,489,000)" therefor.

b. Section 2 of the Authorization is hereby amended by adding after the words "raw material inventories" the following "and further consists of a Component II which will assist in the financing of foreign exchange costs of pre-investment studies for agro-industrial firms and of strategic planning and foreign industry targeting programs to promote agro-industrial development in Jamaica".

c. The Authorization is hereby further amended by requiring the Government of Jamaica ("Borrower") to repay the loan increase being authorized by this Amendment No. 1 ("Loan Increase") to AID in U.S. Dollars within twenty (20) years from the date of first disbursement of the Loan Increase, including a grace period of not to exceed ten (10) years. The Authorization is also hereby amended to require the Borrower to pay to AID in U.S. Dollars interest from the

2

date of first disbursement of the Loan Increment at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan Increment and on any due and unpaid interest accrued thereon.

2. Except as expressly amended or modified hereby, the Authorization remains in full force and effect.

Dwight Johnson
Acting Assistant Administrator
Bureau for Latin America
and the Caribbean

August 20, 1983
Date

Clearances:
GC/LAC:RBMeighan RM/GW date 8/19/83
LAC/CAR:RDelaney date 8/17/83
LAC/DR:DBJohnson date 8/19/83

GC/LAC:GMWinter:GJW 0037A:8/12/83:X23272

3

AGRO-INDUSTRIAL DEVELOPMENT PROJECT PAPER

AMENDMENT NO. 1

July 1983

USAID/Kingston

PROJECT DEVELOPMENT COMMITTEE

U.S.A.I.D:	Government of Jamaica:
William Jones	Mrs. V. Corrine McLarty, Managing Director Jamaica National Investment Promotions, Ltd.
Gerardo Berrios	Mr. Hugh Shaw, Agribusiness Coordinator, Jamaica National Investment Promotions, Ltd.
Richard Mangrich	Dr. Keith Roache, Managing Director, Agricultural Credit Bank
Larry Bailey	Mr. James R. Rinella, Executive Director, Agro 21
Tridib Mukherjee	

Technical Assistance:

Dr. Bryant Smith

Dr. Alan LeBaron

Mr. David Knight

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LIST OF ACRONYMS

ACB	Agricultural Credit Bank
ADU	Agro-Industry Development Unit in the ACBA
Agro 21	The Secretariat in the Office of the Prime Minister which has broad responsibilities and powers, both specified and to be defined, for the development of agriculture, especially the production of non-traditional crops for export and the implementation of such projects.
AID/W	Agency for International Development
ARDO	Agricultural and Rural Development Office, USAID/J
ADC	Agricultural Development Corporation
AID/PRE	Bureau of Private Enterprise
AID/TAD	Trade and Development
EOP	End of Project
PP	Project Paper
GOJ	Government of Jamaica
US$	U.S. dollars
J$	Jamaican dollars
$	Stated in U.S. dollars, US$1.00 = J$1.78 (official rate) unless otherwise indicated
LDC	Lesser Developed Country
SME	Small and Medium Sized Enterprises
JNIP	Jamaican National Investment Promotions
JNIC	Jamaica National Investment Corporation
JNEC	Jamaica National Export Corporation
PCGP	Productive Credit Guarantee Program
LAAD	Latin American Agroindustrial Development Program
OPIC	Overseas Private Investment Corporation

OPED/J	Office of Private Enterprise Development, Kingston
USAID/J	The United States AID Mission in Jamaica
NPA	The National Planning Agency
MOA	Ministry of Agriculture
PACD	Project Assistance Completion Date

PROJECT SUMMARY

A. Proposed Project Amendment:

The Project amendment, Amendment No. 1, proposes that a US$1,989,000 additional loan be authorized under the Agro-Industrial Development Project, (the Project to assist in the funding of Component II of the Project. Component I of the Project, as previously approved for US$8,500,000 is primarily to provide for loans to existing local medium-sized agribusinesses to expand production of traditional crops for the domestic market. Component II, as described in this amendment, is primarily to provide funding for strategic planning, promotional activities, and prefeasibility studies intended to greatly accelerate the investment by large private sector agribusinesses, both foreign and domestic, in agricultural activities which measurably increase the production of non-traditional crops for export. The need for this amendment was anticipated at Page 28 of the original Project Paper (PP).

B. Borrower, Executing Entities, and Disbursing Agent:

The Borrower will be the Government of Jamaica (GOJ). The executing entities will be the Agro 21 Secretariat to the Office of the Prime Minister (Agro 21), and two agencies -- Jamaica National Investment Promotion (JNIP) and the Agricultural Credit Bank (ACB). Consistent with Component I of the Project, all funds will be administered by ACB, which will disburse such funds upon the authorization of the applicable executing entity.

C. Summary Project Description:

As indicated in the Logical Framework (see Annex A) the goal of the Project is to support Jamaica's economic recovery by strengthening private productive sector as a vehicle for dynamic growth, employment generation, and increased production. The purpose of the Project amendment is to increase investment in Agribusiness projects through Agro 21, JNIP, and ACB. The Project will accomplish its purpose through the strategic planning and negotiating activities of Agro 21 and the promotional activities of JNIP, as coordinated with Agro 21. Under the amendment, Agro 21, consistent with its broad responsibilities and powers for developing agriculture, will authorize all prefeasibility studies resulting from JNIP promotional actitivities.

The procedure for accelerating investments in Jamaican agriculture has several steps. First Agro 21 will develop hard data on subsectors and commodity groups, approximately 20 profiles in total, where Jamaica can achieve a competitive international position. This data, as modified into documents appropriate for effective promotion, will be used by JNIP, as the account executives for Agro 21, to make approximately 320 presentations to identified potential foreign investors. Due to the careful targeting of the foreign firms to which presentations are made together with the immediate relevancy to the potential investors of the modified subsector and commodity group information, approximately one-half, or 160, of the presentations will result in requests by the investors for funding to do a prefeasibility study. Through careful evaluation of these requests by Agro 21, it is anticipated that of the 160

prefeasibility studies, approximately 70 will result in further investor interest and that from these 70 studies, that about 30 investments with a total value of J$200,000,000 will result over the five year life of Component II.

In summary, approximately one out of 10 presentations by JNIP will result in an investment decision. The effects of these investments will include the creation of over 8,000 new jobs and the increase in GDP by an amount sufficient to generate an economic rate of return of 12% for the Project (see Section III.C., Economic Analysis).

The generation of foreign exchange through efficient export agribusiness will benefit the total Jamaican society. Needed foreign exchange will be availabe to finance inexpensive food imports where domestic substitution is not possible, thereby providing a stabilizing element in the cost of food to consumers. Also, a higher level of imported inputs for industry can be attained, which will generate a greater demand for industrial labor (see Section II.F, Beneficiaries).

Consistent with the strategies of other successful international trading countries such as Japan and Korea, the Project provides our incentive to encourage investment in Jamaica. The Project, as amended, offers a grant of up to $10,000 per study toward the cost of prefeasibility studies. Also outside the Project, USAID/J and GOJ have jointly earmarked a total of J$50,000,000 of ESF counterpart funds for use by ACB in support of Agro 21 activities, including investments resulting from activities under this Project.

Various project analyses have identified the need for appropriate subsidies to investment, especially the need for funding for prefeasibility studies. Other studies as well as interviews with leading businessmen have identified the absence of hard data, including the need for appropriate technology and market access to international markets, as a major constraint on investment. The Project addresses both of these constraints, among others, to accelerate the rate of foreign investment in agriculture to increase the production of non-traditional crops for export.

The GOJ has placed major emphasis on the strengthening of the private sector, especially on agribusiness export industries, as its principal engine of productive growth. However, the rate of investment in export agribusiness has remained relatively slow. In recognition of this situation, in early 1983, Agro 21 was established as a Secretariat to the Office of the Prime Minister, with broad powers and responsibilities for the development of agriculture, especially the production of non-traditional crops for export and the related design, negotiation, and implementation of these projects (see Section III.A.3, Analysis of Implementing Institutions).

D. Project Amendment Funding:

AID will provide a loan of US$1,989,000 and GOJ will contribute in J$ the equivalent at the official exchange rate of US$1.00 to J$1.78 of US$1,908,000, for a total cost of $3,897,000, over five years. The summary project budget by elements is as follows:

Table I

Summary of Project Costs

(US$ 000)

Element		AID	GOJ	TOTAL	PERCENT
I.	Evaluations	75	-	75	1.9
II.	Pre-feasibility Fund-- 160 studies	925	200	1,125	28.9
III.	Strategic Planning Program -- 20 profiles	720	620	1,340	34.4
IV.	Foreign Industry Targeting Program --320 presentations	107	561	668	17.2
V.	Staff and Furniture-- ADU/ACB	-	261	261	6.7
VI.	Training for JNIP and Agro 21 Staff	70	17	87	2.2
VII.	Commodities	92	30	122	3.1
VIII.	Contingency	-	218	218	5.6
TOTALS		1,989	1,908	3,897	100.0

The nature of each element of the Project amendment, or Component II of the Project, is discussed in detail at Section II.B., Project Elements, and additional cost detail is provided in Tables V through VIII.

II. BACKGROUND

A. Project History

In 1982 the Mission submitted the Project to AID/W for approval which contained two general purposes. The first to purpose, or Component I, was to assist medium scaled agro-industries and the second, or Component II, was to provide some assistance to larger scale* agribusiness development. The elements of Component I to strengthen medium scaled agroindustries consisted of a loan and guarantee system, a fund to pay part of the costs of preinvestment studies for medium sized firms and technical consultancy assistance. These were designed to meet the constraints which these so-called "second tier" firms had in terms of access to long-term credit, their inability to prepare business plans and feasibility studies, and their need for technical and managerial assistance. Studies done in preparation of the PP indicated the need to solve these problems and the potential for employment generation, increased food production, and for strengthening the private sector thrust of the new government. An Agroindustry Development Unit (ADU) was to be created in the Agricultural Credit Bank (ACB) to help in the preparation of feasibility studies, in the management of the credit through commercial banks, and in the provision of technical consultancy services to "second tier" firms. Two foreign long term advisors have been contracted to assist in the initial phases of Component I.

Component II the Project, designed to strengthen large scale

---

* "Large Scale" firms in this PP Amendment refer to firms with assets valued at more than one million U.S. Dollars, at book value.

agribusinesses, consisted of an Agroindustrial Promotion Fund which was to provide a partial reimbursement for the cost of preinvestment studies.

The project was reviewed at the DAEC meeting held in Washington, D.C. on September 16, 1982. One of the results of that meeting was to delete Component II from the Project, for the time being. It was agreed that, if after closer analysis, the Mission believed there was a strong case for including Component II, then it could submit a PP amendment for reconsideration. The present amendment is submitted to provide the necessary level of justification for the inclusion of the Project component meant to strengthen the development of larger scale agribusinesses, Component II.

The PP itself is relied upon to provide the general background and constraints analysis which is equally applicable to both second tier and larger agribusinesses. This amendment is designed to supplement that analysis and provide specific and adequate justification for the inclusion of the large scale agribusiness component in the overall Project.

B. Recent Developments Affecting the Agribusiness Sector

1. Definition of Agribusiness Sector for Purposes of this Amendment.

In this amendment, large-scale agribusiness refers to all types of newer, larger agricultural production and processing activities. This is the same definition utilized by JNIP's Agribusiness Division. In that agency's view, processing plants and other non-farm production activities are not the only sub sector involved, if higher exports and foreign exchange earning are important Project goals. Also, a large scale firm is one with assets valued at more than US$1,000,000; at book value.

Many of the newer ideas for export of specialized and unique items are heavily weighted to working land. An example is the large number of "ornamental horticulture" investments just being put into operation by smaller investors. Currently, some of the more sizable amounts of "agricultural" money is moving into well placed, traditional, Jamaican crop and livestock enterprises. The most prominent case is coffee.

A point to bear in mind when contemplating this broad definition of agribusiness is that most of the economic and employment impact envisaged (in the PP) from advancing credit to second tier firms hinges on the assumption that the subsidized credit will mostly be taken up by expansion of scale and output of existing firms whose present interests are mainly in supplying the domestic market. Support of large scale, new ventures is a necessary element to round out a global approach to strengthening the whole performance of what exists and what might exist (especially with respect to exports of agribusiness products) in Jamaican agribusiness.

2. Dimensions of Recent Large Scale Agribusiness Activity.

For the years 1981, 1982 and through April 1, 1983, JNIP has made informal reports that 199 projects of all sizes have been implemented or finalized (roughly 400 proposals at one stage or another of execution are in the agency's active files at any one moment). Annex D Table A.1 reports on only the 199.

During the time period mentioned the agribusiness share of the total was 34, or 17% of the total. In relation to the sum of estimated investments, the agribusiness share, at J$34M was 10% of the total. The large scale sub sector, as defined, is represented by 11 projects, having investments averaging J$2.086M each. (The average investment size for all projects was $1.667M). These amounts may be contrasted with the average investment in small/medium scale agribusiness (many closely related to farming) of J$0.504M.

If some account is taken of proposed investments that are in JNIP's "active" files, a somewhat more rounded look at the possible future pattern of large scale agribusiness development emerges. (See Annex D, Table A.2).

Allowing for projects that are a clear mix of production and processing (for example, feedlot/meatpacking or rice/milling/distribution) and food processing (including fish products), the additions to the large scale agribusiness sub sector would divide into 36% mainly processing and 64% mainly production agriculture (split between exports and import substitution). In terms of investment capital, about 45% would be devoted to processing and 55% would be placed in more production oriented activities.

In terms of the planned processing activities already in the "pipeline", the planned and not finalized investment, if it materializes, would equal J$73M and create employment for about 1280 persons. This implies a capital/labor ratio of about J$5700 (about $2150)* which is far lower than estimated by A. D. Little, either currently in the sub sector or as projected through business expansion, to be financed through Component I of the Project. In U.S. dollars these amounts are $10,000 - $20,000 for existing firms and an expected $8162 in the case of expansions. (Q, Report #2, pp 16 - 19). This wide difference suggests an over estimation of job generation in the early stages of project planning and probably also reflects the grey area between purely manufacturing/processing enterprises and mainly farming oriented projects which is created by the broad classification of agribusiness employment in this amendment.

3. Trends in Domestic Agriculture Output, Value of Production and Agriculture Imports:

Since 1976 farmgate prices have taken a "phenomenal" jump. (E. page 8). This has been ascribed mainly to major devaluation and subsequent monthly "crawling peg" devaluations in 1977 and 1978, by MOA sources (Ibid). The effect of these devaluations was an increase in the prices of farm inputs such as labor, chemicals, fertilizer, planting materials, farm equipment, etc., thereby introducing upward pressure at the farmgate.

Meanwhile the index of production of domestic food crops dropped in 1972, and then rose steadily until 1978, then turned down and probably stood at about 110 (relative to a 1978 high of 152) as of 1981.

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* Converted at 2.65

Table II relates the overall farmgate price index to the overall production index. It will be noted that the rise in farmgate prices only faltered in one year of the 11 year period illustrated--that was in 1978, the year of very good production.

Both of these indexes refer only to domestic food crops; values for the traditional export crops are not involved. Although no official index of movement in the value of food imports is available, a crude, unweighted index can be constructed for reference purposes. Inspection of the result clearly indicates the great drop-off of imports from 1976/1977. Through the years 1970 - 1975, the farmgate index and the import index moved more or less in harmony. Even by 1980, however, the disparity introduced, by cutting imports in 1976, had not been removed. This suggests that, in a general way, food imports are not putting too much pressure on local farmers, (at least prior to 1981 and 1982, years for which data are skimpy). It is likely that the import index has taken a big jump in the last two years.

Table II

CERTAIN ANNUAL INDICES OF

AGRICULTURAL PRODUCTION

(1970 - 1980)

Year	Quantity Index	Farm Gate Price Index	Index Unweighted Value of Imports
1970	67.2	79.2	76.6
1971	91.2	98.1	85.5
1972	100.0	100.0	100.0
1973	91.7	136.6	127.9
1974	98.2	181.3	194.2
1975	99.1	228.6	197.8
1976	98.1	247.8	88.7
1977	120.0	335.2	137.3
1978	152.3	329.7	260.0
1979	130.4	433.3	200.0
1980	117.3	688.6	332.5

Sources: (E), p. 14; Import Index Calculated by PP team.

Note: The unweighted value of production index, on a 1972 base, reaches 835.9 as of 1980.

The continual strength of the farmgate index lends some credence to the MOA view, cited earlier, that rising local costs explain much of farmgate prices (many of which are set or arranged by looking at reported costs of production). And, finally, the movement of all three indexes, taken together suggest that, for the present, many food imports are not substitutes for local crops and products.

What this pattern represents is something that is probably obvious to all Jamaicans-- the agricultural system cannot adjust fast enough to take up major slack in food imports, i.e. in 1976/77 and, indeed, the nation could not feed itself in the absence of a long period of production adjustment (including considerable revision in local tastes and preferences for small grains).

The dependence upon food imports that has existed in this country for a long time. In the late 1960s the ratio of value of food imports to value of domestic production was at least 2:1. In 1970 the ratio stood at 1.9:1. An irregular fall began as imports were reduced until in 1976 and 1977 the ratio was reversed and stood at 0.67:1 and 0.61:1 respectively. By 1980 the ratio had recovered to only 0.74:1. (No doubt it would have been considerably higher except for the effect of great price increases on the value of domestic production already alluded to). It is quite certain that the ratio will be calculated at greater than 1:1 once 1981 and 1982 data are firm, i.e., the ratio will return to its long term historical relationship. This does not mean that it will return to the 1969 levels, however.

The reason why this is unlikely to happen very soon is that there has been a considerable increase in physical production during the past 15 years. The biggest gainers have been specialized crops which have moved more and more into export positions: fruits and condiments (does not include bananas). Otherwise vegetables, plantains, yams and other tubers have all shown gains in absolute tonnages of 100 to 200% since 1967.

The laggards are legumes, cereals and potatoes, all of which increased about 70% in production during the same period

Recent MOA data indicate a decline in acres harvested since 1978. (E, p.5). Given a longer perspective, however, the 15 year period since 1967 generally shows steady increases in harvested amounts of land. The peak acreage was reached in 1978 (as might be expected). In short, a significant percentage of the production increments mentioned, were obtained by expansion of area and not by yield increases alone.

Annex D Table 3 summarizes the changes in average production and acreage for major domestic food crop groups. It turns out that the yield of yams has only increased about 15% throughout the 15 year period. Vegetables increased about 46% in yield as a group. Ignoring condiments and fruits, the rest show yield increases of 20-30%.

There are certain limitations insofar as import substitution of domestic production is concerned. First there is a technical problem of substituting out the share of food imports that is comprised of wheat and wheat products. Jamaica may never be self-sufficient in production of such small grains if international comparative advantages are taken into account. If it is not possible to produce rice in an efficient low cost manner, the only substitution possible is with totally different crops such as maize or tubers or do without. Since cereals represent roughly 50% of the food import value, the current range for import substitution is narrowed considerably.

Inspection of data covering a long period of years reveals that red and white meat, fish and various dairy product imports account for the great bulk of the remaining 50 - 60% of annual import food values.

Between 1974 and 1980 the "residual" for import substitution, after subtracting the two major categories mentioned, has never had a value greater than J$97M (1978). More generally, the annual range was from J$8M to J$55M. Within these extremes, some scope for relatively small scale import substitution no doubt can be found and may possibly be exploited; anything more major must be sought out in the major categories already discussed. For example rice may be a cereals possibility. Jamaica can also produce dairy products, meat and possibly fish. In these cases certain financial, import policy or technical resource constraints must be removed to increase production of these items.

4. Large Scale Agribusiness Investment for Import Substitution:

Of the crops that seem obvious import substitution candidates, two have been especially criticised as crops that Jamaica should be self-sufficient in: potatoes and onions. These captions have therefore been included in Table III, although no large scale investigations are indicated.

Table III

Relation of Implemented and Proposed Large Scale Agribusiness Investments to Imports Substitution Possibilities

Commodity	Investment (# of Projects)		
	Implemented & Finalized	Active	Other
Potatoes		1	
Onions			
Rice		1	
Dairy			
Edible Oils		2	
Poultry			
Red Meat	1		2
Fish (fresh and canned)	3		

Inspection of JNIP case files indicates that all of the above areas are being investigated at some agribusiness scale level. However, the only examples included in Table III are large scale investigations that appear to be moving along the investment path.

Some of the proposed investments such as rice and oil crops with assistance from Agro 21 may take time to settle out all the technical details in island production. Apparently considerably more investment

could be absorbed in all phases of dairy product production and manufacture but, as mentioned, certain price and import policies may be a hinderance, along with lack of cheap feed and fodder.

Jamaica has considerable agricultural resources and some improvement in the current food import situation cannot be achieved. The generation of hard data envisaged in this amendment, plus the targeted promotion program, is designed to encourage this improvement and to assist Component II, the production of non-traditional crops for export.

C. Constraints to Large Scale Agribusiness Development, Especially in Non-Traditional Products, Not Covered in Main PP

The PP describes a number of constraints to agribusiness development in Jamaica, almost all of which remain equally valid today. In addition, there are barriers to growth of larger scale agribusinesses which are important because of the size of their operations and their unique characteristics.

It is not intended that Component II directly address any of the desired structural changes necessary to facilitate the expansion of private sector goals, since the Mission uses the ESF tranches/PL480 as the main vehicle for such initiatives. Among such initiatives currently contemplated for the tranches, are ones which will directly impact this Component: the movement of substantially all agricultural production, marketing and credit into the private sector by 1985 and rationalization of certain GOJ foreign exchange practices (see CDSS FY 1985 p.45).

1. Lack of Preinvestment Financing:

The conventional wisdom that larger investors can and will self-finance their own prefeasibility studies does not appear valid under current Jamaican conditions. Detailed interviews with important Jamaican decision makers, who are themselves involved in stalled large joint ventures, clearly shows that even extremely knowledgeable businessmen with wide-spread contacts lack the capacity at critical junctures to create and mesh financial and technical investment packages. This problem is less true in the case of traditional companies where the proposed investments are traditional trading type operations which they have been carrying out for a considerable length of time. The thrust ofthis amendment, however, is for the development of non-traditional agribusiness export led crops, where large scale Jamaican agribusinesses have less experience.

Where the key investors are Jamaican, they do not know the necessary new technology to fully conceptualize a new idea. If a foreign firm is involved, it is unable to obtain hard data about important aspects of the Jamaican situation, data which may be more readily available in other countries which are alternative investment sites. As a consequence, it appears that specialized data is demanded by both local and foreign experts. This need has been identified by a wide range of decision makers interviewed, and will be addressed by Agro 21 through Component II of the Project, and other interventions.

More than one observer of the Jamaican investment scene, sensitive to the need to get the economy moving at a more accelerated pace, has remarked upon the need for a fund to finance preinvestment studies. The

USAID/J's draft private enterprise strategy paper suggests as one action area to relieve critical pressure points to the development of the Jamaican private sector as: "...financing for activities designed to improve information flows, such as technical consultancies and feasibility studies." (p. 29) The same document goes on to state: "...Our research indicates that the unavailability of feasibility money is hampering the investment effort in Jamaica." (p. 32) Some of the reasons mentioned are as follows: (italics in original)

> [Given the Jamaican investment climate], the initial $5,000 to $100,000 required to confirm and explore opportunities is a sufficient deterrent to send many investors home early.... local investors [are deterred by lack of foreign exchange from] investigation of projects requiring foreign technical experts.... The types of foreign firms investigating Jamaica tend to be smaller firms which do not have money for feasibility studies....
>
> . . . . . .
>
> Quantifying the Problem
>
> To quantify the seriousness of this problem, consultants retained by USAID/J asked decision makers in the course of their field work whether they thought the unavailability of feasibility money creates a serious deterrent to new investment. The answer strongly supported the concept that it does: 83% of all respondents [large scale] answered yes.
>
> As a further indicator of the magnitude of this problem, the consultants asked organizations involved in promotion... how serious this problem was. All believed it was a serious problem. The JNIP, for example estimated that at least half of all potential investors ended their investigation in Jamaica prematurely....because of the lack of feasibility money. Loans or advances for this purpose could alleviate this problem. The purpose of this financing is to prevent worthwhile projects from dying early deaths. (pp. 32-33).

Using 83% as the high end of the range, promotion experts in the JNIP, JNIC, ADC, and the JNIP were surveyed regarding investors who asked about preinvestment financing. This was done to obtain the "low end" of the range of demand; (recognizing that many firms did not ask because they knew it was not available.) The data on investors involved in large scale

agribusiness projects were isolated to determine the demand in this specific subsector.

The numbers shown have to be assumed to be representative of a flow rate during some time period; in this case about 18 months. These requests come from serious investors, as they are stratified in the file records of the organizations. These particular files are only created when substantial interest and a capacity to carry out investment projects is demonstrated.

On the basis of Table IV, it can be seen that approximately 44% of such investors made specific inquiries regarding the availability of preinvestment funding. Thus, it would appear that the level of demand for preinvestment funding from reputable companies exploring investment opportunities in Jamaica is probably from 44% to 83% of large agribusiness firms. Given this high range, it would appear likely that worthwhile projects are probably dying an early death for lack of preinvestment financing incentives. Component II responds to this need by providing a grant of up to $10,000 per study, to partially reimburse companies for the cost of prefeasibility studies. Other preinvestment financing is not available under the Project.

Table IV
AGRIBUSINESS INVESTOR DEMAND FOR FEASIBILITY STUDY SUPPORT
SELECTED JAMAICAN SUPPORT AGENCIES
(18 months, ending April 1983)

Agency	Scale of Proposed Investment	No. of Projects Recently Studied or Active	Specific Requests for Feasibility Study Support	Data and Ability to Undertake Study
JNIC	Large	20	4-5	yes-some data problems
ADC*	Large	2	2	no-project stalled
JNEC**	Large	9	9	some data but must contract studies
JNIP/Agribusiness Supervisors	Various		40%***	very limited
Promotion Officers Portfolio:				
1. Industrial	Large	4	1	
2. Food Proc.	Large	6	2	
3. Livestock/	Large	****	-	
4. Fisheries & Winter Cps	Large	11	6	at least 2 stalled for lack of prefeas. subsidy
TOTALS		54	24	

Requests As a Percent of Investment Proposals= 24/54 = 44%

*ADC estimate covers only last 3 months; data on prior activities not available.

** JNEC data covers full scale marketing analysis done for 9 companies. Do not do specific feasibility except on request. Full scale studies only undertaken where export potential is significant size.

*** Estimate includes companies which did not reach "active" status in JNIP files.

**** Overlaps with ADC data.

SOURCE: Personnel Interviews; File data.

2. Lack of Strategic Planning at Agribusiness Level:

Large scale agribusiness development in Jamaica will depend to a significant extent on the export market because the domestic market is not sufficiently large to absorb large volumes of output, except in some instances. Penetration of the export market requires considerably more complex organization, quality control, and volume production than domestic marketing. Thus, coherent strategic planning is a prerequisite for the expansion of the large scale agribusiness sector; but this has not been achieved at either the sector level or, in many cases, the individual firm level.

This approach must be seen within the context of the whole Project. Component I of the Project envisaged that most of the economic and employment impact from advancing credit to second tier firms hinged on the assumption that credit will be used for expansion of the size and output of existing firms whose present interest is in supplying the domestic market. The large scale agribusiness strategy, Component II, rounds out a global approach to strengthen the whole performance of the sector in terms of what exists and what might exist in Jamaican agribusiness.

Agribusiness planning and promotion efforts at the sector level have not been well focused, despite the scarcity of resources available for such activities. Analysis has been disjointed, with energy being devoted to marketing for one product, production problems for another, and processing for still another. The result is a lack of comprehensive

analysis that synthesizes the possibilities for product development as part of a strategic plan which would identify priority agribusiness products for targeted promotion and investment attention.*

The most serious constraint is that no mechanism within the GOJ exists to maintain an accurate inventory of the factors of production in Jamaica. No one Ministry of parastatal organization has the necessary institutional geography for effective strategic planning. Agro 21, as implemented, will address these two constraints, among others.

Strategic planning is also seriously constrained by the lack of hard data with which to identify those products for which Jamaica has a long term international competitive advantage. Information on individual non-traditional products is not of sufficient breadth to give a complete picture of the chain of production, processing, and marketing structure and costs to determine the degree to which they might be price competitive with imports in the local market or with exports in the external market. Likewise, there are not sufficient hard facts to determine which products, among those which seem competitive, offer the greatest long-term expansion capacity. Consequently, products are currently promoted and granted incentives on the basis of subjective judgments of their apparent

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* Strategic planning is defined as "...a coordinated plan of action to reach stated goals," in T. Craig & D. Shaw, A Private Sector Strategy for USAID: An Integrated Approach to Private Sector Development in Jamaica, July 12, 1982, p. 17, Agribusiness Associates, Inc. This paper, done for the Mission, addresses the problem described above.

benefits; an insufficient basis on which to conduct strategic planning. Until Jamaica is able to carry out product level analysis to generate hard data on the entire chain of production and marketing, the effectiveness of its agribusiness thrust will remain in doubt.

Almost without exception, outside investors commonly request hard data from the JNIP, ADC, and JNIC when they approach these entities regarding potential investment projects. The lack of data increases the uncertainty of the investment potential and discourages investors from pursuing projects. Much of the data ordinarily generated by sector level strategic planning of commodities is needed by companies, but the information cannot reasonably be obtained by private companies themselves.

The potential labor constraint in the current unfocused agribusiness strategy is an illustrative case in point. Some of the agribusiness products which have received considerable attention in Jamaica contain a significant labor component at the production level. Both coffee and winter vegetables, for example, are very labor intensive at the production stage. In fact, the agribusiness sector already has a strong linkage with small farmers, because of the labor intensive characteristics of a number of crops they process. In 1981, 59% of large scale agribusinesses had direct linkages with small farmers, principally as purchasers of the farmers' output.* It is not inconceivable that investors may find field workers in short supply during harvest periods. Companies planning agribusiness investments involving products with a high labor component need data regarding not only the costs of agricultural

*B. Smith & Ministry of Agriculture, "Large Scale Agribusiness Case Study Survey," 1981; hereinafter called: "Agribusiness Case Study Survey."

labor, but also information about labor availability and other projects which might increase demand for labor, so they can make life-of-investment projections regarding the probable cost and availability of farm labor and processing workers. This type of data cannot be generated by companies themselves, but its unavailability will seriously constrain their enthusiasm for investment.

The lack of hard data also impedes the type of long term planning which would allow the country to see where a direct intervention might reverse its non-competitive position so that a viable industry could be created or new life breathed into an existing one. Hard data based strategic planning analysis allows planners to identify where it is along the production chain that competitiveness is lost. On the basis of this information, strategies can be assessed regarding the potential for overcoming the problem through an appropriate intervention that would be cost-effective. Such hard data can emerge from both company feasibility studies as well as commodity level analysis. Removal of barriers, however, often requires public intervention because of their size or nature. Irrigation in Jamaica is one such potential area. Both dairy and beef investments have been suggested for the agribusiness sector, but some studies have not been optimistic regarding the profitability of the investments. Strategic planning analysis would disclose the impact that new or revamped irrigation could have on fodder production and the use of pasture lands to reduce feed costs in affecting the competitiveness of these industries. An irrigation project, however, might require public involvement because of its size. Therefore analysis of its potential would have to be undertaken on a sector level, since agribusiness could not afford such an investigation unless it involved a small system.

3. Lack of Expansion Capacity by Large Scale Agribusinesses

Although an important element of the GOJ's agribusiness strategy is that larger scale agribusinesses lead the way in export led investments, it is doubtful they will be able to do much alone. For products that they have traditionally produced, there is a significant number for which they lack an international competitive advantage. A total of 44% of these firms estimated that, although they were interested in exporting their products, they could not do so because of the lack of price competitiveness.* This is the result of several factors. First, except for a number of traditional commodities, the agribusiness sector has been oriented toward production for the domestic market. Private firms have often received high rates of effective protection in the form of low tariffs on imported raw materials and high tariffs on competitive imports. This has resulted in a sector highly dependent on imported inputs. At the same time it is insulated producers from external competition to encourage efficiency. Consequently, a significant restructuring of production is necessary before large scale Jamaican agribusinesses will be able to substantially penetrate the international market with traditional products.

With regard to the export development of non-traditional agribusiness products, preliminary data would indicate that several large scale Jamaican agribusinesses quickly entered into export investment projects with the change of governments. In fact the majority of such investments were made by Jamaican firms alone without outside equity participation by foreign companies. These projects appear to be the more

*"Agribusiness Case Study Survey", p. 24.

easily identified opportunities which involve relative simple technology, for which there are not a great number. Since this initial phase, however, Jamaican agribusiness firms have played no significant role in the development of newer projects which would require exporting. Data would indicate that foreign firms are now taking the lead in the investigating new projects, with Jamaican companies having a minimal role. Discussions with companies themselves and agencies in charge of the promotion of such investments reveal that the large scale Jamaican agribusinesses themselves do not necessarily have a strong capacity to develop projects in non-traditional products for which they and other companies on the island have little experience. They lack a knowledge of the technology involved, the international marketing system, international demand for the product, their price competitiveness, as well as market access for selling the goods abroad. This seriously constrains their ability to develop feasibility studies to fully identify investment opportunities in new products. Thus, a reliance on large scale Jamaican agribusinesses to create a dynamic export led agribusiness sector, without outside help, is unrealistic.

4. Need for and Difficulties of Attracting Small and Medium Enterprises from Abroad

In all likelihood, Jamaican agribusinesses will need assistance from foreign companies in order to penetrate export markets. One survey of large agribusinesses in Jamaica found that they had identified approximately 39 product areas in which they thought there were agribusiness investment opportunities. Of these areas, however, the

respondents estimated that 82% of this number would require exporting and the same percentage would require technical and financial assistance to develop. Likewise, 25% of the firms noted the difficulty in even finding appropriate new technology for their product lines.*

International firms of the size of the Fortune 1000 will have some interest in participating in some agribusiness investment projects in Jamaica. Also foreign companies of a smaller scale, small and medium sized enterprises (SMEs) in U.S. or European terms, are appropriate investors. Such firms also have technology which is appropriate to investment in Jamaica as well as knowledge of markets and access in those markets to established ditribution channels.

The attraction of U.S. and European firms, however, must surmount barriers. U.S. firms, except for those of the Fortune 1000 size, generally do not have a great deal of experience in investment outside their regional markets. Such U.S. firms operate in regional markets in the U.S. or have a well-connected and large national market, with a unified communication and transportation system free of international financing, transportation, and customs requirements. While similar European firms do deal in an "international" market, it is generally restricted to the European Community which has a well integrated system involving small distances.

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*"Agribusiness Case Study Survey", pp. 17, 19.

In one survey of SME agribusiness firms in the U.S., approximately 50% of them expressed an interest in getting involved in the international market, but only half that number had any experience; mostly in the form of exporting; not production. The majority of firms expressed their reluctance to make foreign investments because of their lack of knowledge of how to do business abroad, the uncertainty involved in operating in a foreign environment (especially in developing countries), the lack of personnel and capital to assign to foreign investment opportunity analysis, and the high fixed costs involved in looking for foreign opportunities.*

Any involvement of such firms in international operations generally progresses through several phases. The first is that an SME will undertake exporting, generally through an intermediary broker. This is the most common and the end point for most SMEs. Subsequently some will get involved in licensing or management agreements, generally in Europe if they are a U.S. company. The least common form of participation is that of joint ventures--given the difficulty of finding suitable partners, the risk involved, the amount and difficulty of monitoring the foreign operation, and the amount of investment necessary.

Thus, to involve foreign SMEs in international investments requires a sophisticated and effective promotion program. When trying to attract such firms to a developing country, the promotion must be even more

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* W. Scofield & B. Smith, Survey of U.S. SMEs, 1980 for AID/S&T/AGR/AGB; a study by A.L. Little, Inc. done for AID/LAC/DR came to the same conclusions; see also: Devres, Inc. "Technology and Management Needs of Small and Medium Agro-Industrial Enterprises in Jamaica, June, 1981, p. 83.

effective and the opportunities even more attractive because of the increased risks perceived by the investor in an LDC environment. To date the Jamaican promotion program has concentrated more on a "shotgun" approach, with inadequate attention to target certain industries and then focus promotion efforts on foreign SMEs that might be attracted to invest in their own product line for which SMEs have the technology and market information. Nor has the hard data been available on which they could determine the desirability of taking a closer look at investment opportunities.*

5. Foreign Exchange Situation:

While the scarcity of foreign exchange continues to be a serious constraint to normal business operations, the increased use of multiple exchange rates has introduced increasing uncertainty into the system. Recent decisions of the GOJ have the characteristic actions which LDC governments go through to delay an unevitable devaluation, which only heightens uncertainty and discourages business investment and proper adjustments.

The GOJ currently maintains three rates of exchange: the official rate of $J 1.78 per US dollar, the parallel rate of approximately $J 2.65 per US dollar, and a rate for CARICOM trade of $J 2.20 per US dollar. A quota system imposes restrictions on imports, and foreign exchange obtainable at the official rate is rationed. Firms may purchase foreign exchange at the official rate in the amount of 80% of the value of their 1982 imports. Additional needs for importing must be obtained at the parallel rate.

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* See Craig & Shaw, "A Private Sector Strategy for USAID: An Integrated Approach to Private Sector Development in Jamaica," pp. 66-67.

Traditional exports are exchanged into local currency at the official rate. Non-traditional exporters can turn in a maximum of 50% of their foreign exchange to a commercial bank and then use that to cover needed imports, or sell it to an approved purchaser at the parallel rate. Where a non-traditional exporter has been able to certify itself, it can begin to obtain imports at the official rate. Currently Jamaican businesses are buying about 24% of their own total inports on the parallel market.

The current system results in an effective export tax on traditional agribusiness exports of sugar and bananas (both of which have had a great fall in production for other causes as well). The allocation of foreign exchange by the GOJ discourages efficient import substitution, since companies fear that the government will use the quota system to allow inexpensive competitive food imports at the subsidized official rate.

Companies are unwilling to enter into foreign currency denominated loans, not knowing what the rate of devaluation will be. The Export Import Bank of the United States has a $US 15 million line of credit to Jamaica, for example, which can be tapped for the importation of U.S. goods. It has remained almost entirely inactive for a year and a half because the credits must be in U.S. dollars. Businessmen are not willing to assume the devaluation risk; nor are the commercial banks. Likewise, even if firms are willing to expect to absorb the devaluation risk, the current system gives them no reliable guidelines from which to estimate the absolute size of the cost or the future predictability of the cost which could be built into their pricing structure over a reasonable investment horizon. Thus, the uncertainty of the exchange system tends to

discourage investment in which local companies must assume hard currency denominated loans.

6. Public Sector Role in Agribusiness Development:

There is a constant tension in Jamaican society, which enters directly into the political process, regarding the proper role of the public and private sectors in productive activities. It has been argued that the private sector is so conservative and inefficient that the public sector must be the principal vehicle of productive and dynamic growth in the economy. Conversely, it is asserted that the public sector is incapable of playing that central role and that the private sector is less dynamic than it could be because of government policies and its interference with the market mechanism.

These opposing pressures manifest themselves in a constant conflict as interest groups advocate a widening and narrowing role for the public sector, and its role fluctuates according to the circumstances of the moment and the policies of the party in power. As the PP points out in some detail, public sector involvement in agribusiness has been very substantial, and on balance quite negative. The marketing boards' control of external marketing of traditional agribusiness products, for example, has operated so that the public sector has captured the value of the parallel exchange rate. Although they can sell traditional export products abroad at the parallel rate, the benefits have not generally been passed backward to farmers in the form of higher prices.

The private sector, including potential foreign investors, constantly watch government actions to assess swings in policy which may

affect them. While this adds to the already substantial political uncertainty which exists in the country, the high expectations which were created when the current government took power have created heightened demand for rapid change in the economic conditions of the country. While substantial investment has already been made in the private sector, there are time lags between initial promotion of private investment and final implementation of projects--often from two to three years. Because of the unrealistic expectations, however, pressures are increasing for the public sector to reassert itself and again take a more direct and active role in productive investment, especially in the area of larger scale agribusiness. The implementation of Agro 21 will be an effective private sector response to these pressures, in combination with JNIP as the promotional arm of the GOJ's agricultural thrust in relation to Agro 21 activities. Support and strengthening of the JNIP by Agro 21 efforts is essential for the GOJ to maintain its private sector thrust which the Mission supports.

The JNIP has established itself as able to facilitate foreign and domestic investment in the country as underscored by the level of involvement it has had in investments, at the request of private companies themselves. In recognition of the fact that promotional activities associated with new private sector investment must be accelerated to an even greater degree, JNIP has itself undertaken a number of organizational changes. It is in the process of creating foreign offices in New York, Toronto, Miami, and London, with a part time representative in Washington, D.C. Likewise, it has reorganized its internal administration to consolidate functions so that there is a greater integration of functions. (See Annex C for JNIP organization).

D. Large Scale Agribusiness Sector Strategy

Jamaica has historically relied upon traditional exports, whether sugar in the pre-independence period or bauxite in the current era, along with tourism, to subsidize its consumption patterns and industrial expansion. This has been accomplished through an exchange and import control system which has taxed traditional exports, including agribusiness exports, and held low the import prices of consumer food items and industrial inputs. Now foreign exchange earnings from tourism and bauxite are unable to keep pace with the growth in demand for food and raw meterial imports; the traditional system has been put under substantial pressure.

A considerable amount of industrialization has taken place but it is not very export oriented. To compensate for reduction in bauxite earnings the country has looked for alternative sources of foreign exchange generation and savings which would diversify the foreign exchange base of the economy and lessen its dependence upon such a few sectors to sustain its living standard. Within this broad context, agribusiness is considered to be the obvious sector for development to help fill the foreign exchange gap through the expansion of agroindustrial exports. Due to the labor intensive nature of some agricultural and processing activities the agribusiness strategy is a way to achieve both foreign exchange and employment objectives at the same time.

As an integral part of this strategy, Jamaica has recognized that the agribusiness sector does not have the technology, market access, or investment resources sufficient to generate the level of dynamic, accelerated growth that is necessary. Consequently, a heavy emphasis is

needed to attract foreign companies, which possess these resources. In order to ensure that Jamaica captures a fair portion of the benefits of the sector and preserves its control over much of its natural land resources, foreign companies will be encouraged to form joint ventures with Jamaican firms, although wholly foreign owned operations are also permitted.

Two factors inevitably draw the public sector directly into the promotion of the strategy. First, Jamaica has recognized that accelerated foreign private investment will not result without a subsidy or incentive, especially in the case of non-traditional agribusiness products where the profitability of the activity is less certain. Countries such as Japan, Brazil, South Korea, and Taiwan, which have achieved impressive export targets have all provided incentives to the private sector, including foreign firms, during these periods. Likewise, the GOJ also recognized that as a consequence of the policies of prior governments, it now is owner of some of the best agricultural lands in the country and the largest landowner on the island. Thus, it cannot escape the fact that it must devise and administer some system for the utilization of these properties.

The private agribusiness sector has in many cases urged a greater concentration on integrated large scale agribusinesses, if this sector is going to be targeted for priority development. Since the linkages between farmers and processors have been rather weak, some backward integration into production will be a part of large scale, non-traditional agribusiness projects--particularly in those projects which are not labor intensive at the production stage, so that such integration will not adversely affect the employment of agricultural workers.

E. Related Activities by USAID and Other Donors:

The activities of this amendment are complementary to the on-going agricultural programs of the Mission and other activities within the country. Since there is no credit component it is consistent with programs of AID's Bureau of Private Enterprise (AID/PRE) in terms of its Productive Credit Gurantee Program (PCGP) guarantee activity, its program with Life of Jamaica, and the Latin American Agro-industrial Development (LAAD) program in the country. Likewise, the current plans to create an investment bank which is being studied jointly between the Mission and AID/PRE Bureau will complement the project amendment, if implemented.

The prefeasibility fund does not compete with the programs of Overseas Private Investment Corporation (OPIC), AID/PRE, or the Trade and Development office of AID (AID/TAD). The OPIC fund is restricted to U.S. firms, so it would not be available to Jamaican companies or other companies, unless they were in a minority position in a joint venture with a U.S. company. The AID/PRE program reverses the OPIC requirements, in that a Jamaican firm must be the majority owner in the proposed project. Finally, the TAD program requires that there be a significant potential for U.S. exports before it can finance a study.

F. Beneficiaries:

The direct beneficiaries of the project amendment will be large scale Jamaican agribusinesses and foreign companies interested in investing in agribusiness in the country. While these are important beneficiaries, the Project is designed to capture significant benefits which will have widespread secondary impacts. First, the generation and

saving of foreign exchange through efficient export and import substitution agribusiness will benefit the total Jamaican society. Needed foreign exchange will be available to finance inexpensive food imports where domestic substitution is not efficient, thereby providing a stabilizing element in the cost of food to consumers. Likewise, a higher level of imported inputs for industry can be attained, which will generate greater demand for industrial labor. The overall increase in economic activity from increased availability of foreign exchange will also have beneficial impacts on the society itself.

The direct employment benefits from the project amendment should also be substantial, at a relatively modest capital intensity. It is estimated that approximately 8,810 new jobs will be created in the agribusiness sector through the project activities, with an average investment per job place of approximately US$ 8,481. About 26% of the jobs will come in processing and 74% in production. In addition a number of jobs will be created indirectly through linkages with small firms who produce inputs for food processing plants and activities.

III. PROJECT DESCRIPTION:

A. Project Strategy

Within the context of the overall GOJ strategy and the considerations which have shaped it, the aim of Component II is to remove constraints to the development of non-traditional agribusiness products. The traditional products need little additional support--larger domestic and very large foreign companies who need no assistance have already entered this area and have initiated serious investment activities. The non-traditional products, (for which foreign companies are essential), however, require a considerable amount of support.

As made clear in the prior section, Jamaican agribusinesses are interested in non-traditional investments but recognize their weakness in technology and market access to carry out such investments. A marriage between Jamaican and foreign companies can promote this strategy, if the necessary, critical elements can be brought together. The will and desire on the part of Jamaican large scale agribusinesses would seem to be present. While only 15% of them were involved in joint ventures in 1981, a total of 50% of the companies surveyed indicated that they had seriously considered it.* This Project, as implemented, will provide the opportunity for additional joint ventures.

The basic thrust is to approach large scale agribusiness development through a strategic planning approach. The Japanese have demonstrated how targeting certain product groups and focusing resources towards the creation of a comparative advantage in these products can produce a significant long-term advantage in the international market. Jamaica has

* "Agribusiness Case Study Survey," pp. 14-16.

such limited resources that competitive planning under any circumstances is the essential approach to expand export agribusiness.

Such an approach will have three major requirements to be successful. The project amendment is planned so that the separate elements imply the progressive development of three specific phases, each of which folds into the next in an integrated manner.

In the first phase, Agro 21 generates adequate information which will be needed in order to determine in which agribusiness products Jamaica reasonably appears to have long-term international competitive position.* An ongoing product of Agro 21 is the in-depth development of subsector profiles linked as a whole to the National Strategic Program. Using these economic/technical/strategic evaluations as a foundation, the promotion efforts of JNIP can be given additonal focus and effect, which will have a lasting impact upon the economic growth of Jamaica.

In the second phase, this hard factual information is fed into the JNIP promotion system which actively seeks companies having the technology and market access who may be able to develop the activities on the island (generally in collaboration with Jamaican firms, wherever possible). It is highly unlikely that selected firms can be attracted through a passive promotion system which relies on non-specific information dissemination or

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* S. Skogstad in "Private Enterprise Strategy Paper-Draft," August 1982, pp. 29-30 points out the critical importance of better information flows. He identifies as one of the 6 critical pressure points to the development of the private sector: "...1. Financing of activities to improve information flows, such as technical consultancies and feasibility studies." He likewise points out the necessity of detailed studies to determine the viability of investments. For the importance of targetting efforts, see Craig and Shaw, "A Private Sector Strategy for USAID: An Integrated Approach to Private Sector Development in Jamaica," p. 57.

generalized promotion efforts. The promotion will have to identify specific companies and then focus promotion efforts on those companies.

The final phase of the strategy involves an incentive to attract firms which have been targeted in the promotional phase as potential investors. Its objective is to introduce the incentive where it will be most effective, but low cost. Traditionally, Jamaica and a large number of other countries have promoted domestic production via production subsidies which may support rural incomes, pull forth more production, or both. Either way production appears more profitable than it would otherwise be. During the 1970s this effect was achieved in Jamaica through import protection. The real cost to society of such subsidies are enormous, even though they do not flow through the public sector, because of the high costs the majority of consumers pay for these products. Moreover, the long term consequence is entrenchment of inefficient domestic industries, or small operators, rather than the creation of a production vehicle capable of dynamic growth.

The incentive takes the form of a preinvestment subsidy for prefeasibility studies. The subsidy is available at the critical point where many companies turn away from further investigation; i.e. at the initial stage of investigation of opportunities. The incentive is designed to encourage firms to find out whether or not there really is a profitable investment opportunity. That is to say, it is designed to encourage efficient investment projects that can stand on their own two feet over the long-term. In the end, this will minimize the social cost of the subsidy by placing long term productive agribusinesses on a solid growth oriented basis.

B. Project Elements

1. Summary

The borrower will be the GOJ. The executing agencies will be Agro 21, JNIP, and ACB. ACB will administer all Project funds, and will disburse funds based upon the authorization of the appropriate executing agency: Agro 21 for all funds allocated to the strategic planning program, including training, the prefeasibility study fund, and for certain commodities; JNIP for funds to be used for the foreign industry targeting program including training and certain commodities and ACB for other Project funds. The use of ACB to administer all Project funds is consistent with the previously approved Component I of the Project and represents the administratively viable procedure for USAID/J.

The project amendment will significantly augment the strategic planning program within Agro 21 which will identify subsector and commodity groups with international competitive potential. Secondly, a foreign industry targeting program will be established within the JNIP for the identification of specific foreign companies which have technology and market access, which Jamaican firms lack, in products which have been identified in the strategic planning program as internationally price competitive for Jamaica. Finally, a prefeasibility study fund will be administered by ACB under the authority of Agro 21 which will provide modest grant funds to companies which have an established reputation, have a demonstrated access to investment capital, and have shown a willingness to seriously consider an investment in agribusiness in Jamaica.

2. Detailed Description:

a. Overview:

The operation of Component II is diagrammed at Table V. First, Agro 21 will prepare strategic plans for up to twenty agricultural subsectors and commodity groups. Information from these strategic plans will be provided by Agro 21 to JNIP, which will act as the marketing arm, or account executives, for Agro 21. This information will be organized into crop specific "cookbooks", which will facilitate the matching of investors with proposed projects. Next JNIP will target and promote foreign investors. The result of the promotion activities by JNIP will be requests by foreign investors to Agro 21 for authorization to proceed with prefeasibility studies. Promising prefeasibility studies will be followed by investor financed feasibility studies, as authorized by the Agro 21 steering committee. ACB will assist investors by providing J$ from counterpart funds, outside the Project, for investment in projects identified through the feasibility studies.

All AID Project funds, consistent with Component I, will be administered by ACB, and will be disbursed upon the authorization of the applicable executing agency. For example, disbursements for prefeasibility studies will require the authorization of Agro 21.

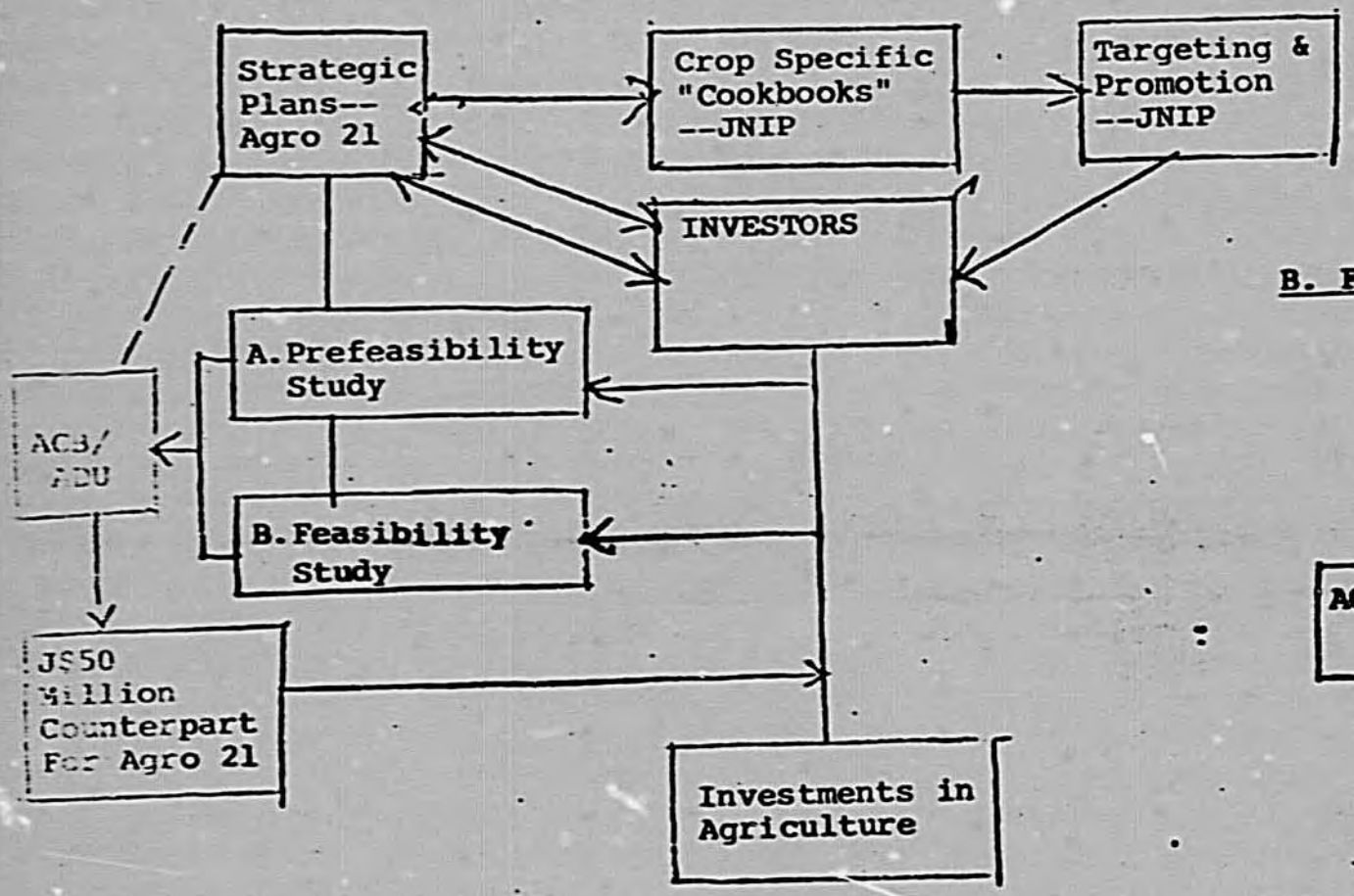
Each element of the Project is described in detail next below.

TABLE I

AGRO-INDUSTRIAL DEVELOPMENT PROJECT

ORGANIZATION CHART: COMPONENT II

A. Operational Detail: (Illustrative)



B. Flow of Project Funds--AID

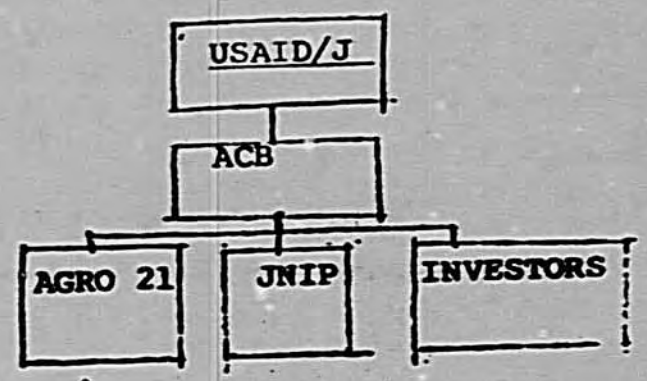


TABLE V

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b. Strategic Planning Program:

The strategic planning program is sited within Agro 21. The Agro 21 technicians under the program will be involved in the research and development of the program. The program will focus its effort on carrying out analysis of 15 to 20 subsectors and/or agribusiness products for which there is preliminary evidence that the country has or can achieve a international competitive position or efficiently substitute large levels of imports.

To maximize the output of the program, the first phase of any product analysis will be to collect and survey all of the data and studies already available on the product. On the basis of this background information, the team organized for each specific product analysis will then develop an outline of the precise information which must be generated in order to determine a long-term competitive profile and to achieve an effective promotion of companies capable of investing in the opportunity. The work will then be assigned to team members to carry out and short-term consultants will be brought in to carry out the parts of the analysis for which local capacity does not exist. Once the analysis and evaluation are completed, a decision will be made within Agro 21, in consultation with private sector organizations, as to the advisability of continuing further development of the concept.

The strategic planning program will be assigned top priority by Agro 21 for two years. This is based on the premise that once the program has structured the available asset base, the agribusiness sector will have made major advances in achieving operations planning and should be able to proceed with only continuing, routinized consultation with Agro 21.

The strategic planning program will substantially augment Agro 21's capacity for carrying out in-depth, essential subsector and commodity group profiles. A partial list of 12 tentative subsectors and 29 commodities, by groups, for analysis is contained at Annex H, as provided by Agro 21. The analysis of each subsector is intended to identify and integrate all the various commodity components of the subsector, to pinpoint opportunities for vertical integration within the subsector, to determine the nature of satellite businesses related to specific commodities, and to analyze linkages among subsector--for commodities in which Jamaica can develop an international competitive position.

Because of the ambitious and potentially complex nature of certain analyses, the time required for any specific analysis cannot be estimated with exact precision in advance. However, in the opinion of Agro 21, six person months per subsector/commodity analysis (120 person months in total for 20 commodities and/or subsectors, split 1/3 expatriate 2/3 local consultants) of short-term technical assistance, on average, is reasonable, given the number of commodities to be done within a subsector and the necessity for analysis of linkages among subsectors. A long-term expatriate technical assistant will be hired for two years to manage the Strategic Planning Program. This person, because of his familiarity with all of the subsector analyses, will be of great assistance in linking the analyses and in identifying potential weaknesses in the interrelationships among analyses. Supporting the manager, will be two local hire assistants, who will be responsible for the detailed preparation of the studies including content, format, and supervision of the consultants' activities inlcuding effective coordination and scheduling with participating GOJ agencies, private sector firms, and individuals.

To illustrate a typical analysis, the dairy subsector has two principal commodities: milk and meat. currently, most beef and most milk is improted and the GOJ has to rationalize its pricing policies for dairy products. This subsector analysis will identify not only the areas where Jamaica can develop an international competitive position, but also those areas where, consistent with Mission and World Bank strategy, certain changes must be made first to get a competitive position. The identification of these latter areas, or inappropriate investments is very beneficial since it will stop some of the carpetbagging which is going on, where promoters are trying to sell ideas and technologies that are inappropriate for Jamaica.

From milk, various byproducts are derived such as butter, all of which is currently imported, and cheese. Meat is also imported, but Jamaica wishes to determine whether its national goal of developing self-sufficiency in meat for local consumption is appropriate. Assuming so much meat per person, how many cattle are needed and how much pasture? How are the herds to be developed, by importation or by embryo transplant? If the herds are developed rapidly will the pastures support the size of the herds? Are the necessary food supplements available? Can the local processing plants and storage facilities handle the number of animals killed on a monthly basis? Is the national goal cost-effective, and, if so, which strategy within the subsector is most cost-effective?

The question of adequate food supplements for cattle feed leads to a linkage with the grain subsector because many of the grains can be used for feed and/or as a feed supplement.

It is not anticipated that any one consultant will or should be broad gauge enough to do all aspects of a subsector analysis. Rather a variety of consultants will be used, as dictated by the needs of the applicable analysis. In the dairy analysis, a local hire consultant would provide background on traditional Jamaican practices, and one or more expatriate consultants would identify the best practices in other countries, which might be capable of transfer to Jamaica. Other specialists which may be necessary for the analysis would include a nutritionist, a pasture specialist, a geneticist, a marketing specialist, and an economist.

It is anticipated that other members of Agro 21's permanent staff will also assist the Strategic Planning Program, and that some staff members will require training to maximize their participation in the program.

c. Foreign Industry Targeting Program:

The foreign industry targeting program of JNIP will continue to concentrate its efforts on attracting to Jamaica foreign companies which possess the technology and market access in those products which have been identified through strategic planning as offering Jamaica a long-term competitive position in the international market. The team carrying out the program will coordinate their work with the Agro 21 strategic planning program to jointly determine which commodities should receive targeted promotion.

Selected companies are to be contacted by the promotion team and interviews scheduled at their home offices with their chief executive

officer and his staff. Presentations will be based on information generated in the strategic planning program.

If, after presentation to a firm, the promotion team is favorably impressed with the company and the company manifests a significant level of interest in investigating further, the team can provide information regarding the availability of the prefeasibility fund. If the company was then interested in further investigating an investment opportunity in Jamaica, the team could in coordination with Agro 21 work with the company to come to an agreement with regard to content of the prefeasibility study, for approval by Agro 21.

The foreign industry targeting program would be provided with a mininimum level of short-term expatriate assistance in the form of 3 person months and no long-term assistance. The short-term assistance would involve a foreign promotion expert to conduct a short course in the identification of commodity specific firms, screening firms, contacting foreign companies for promotional presentations, and data/information oriented promotional presentation methods. The expert would then work with the targeting team in its first two commodity promotion efforts in order to give them on-the-job training.

The Jamaican targeting team would consist of a Jamaican promotion expert and an agroindustrial engineer. These two technicians will be trained by the short-term advisor and will then provide the program with expertise for 5 years.

d. Prefeasibility Fund

The prefeasibility fund will be administered by ACD under the approval authority of Agro 21. This procedure will take advantage of the administrative system already organized under the Project as well as the foreign technical assistance that is being provided under Component I to train staff in administration of preinvestment funds in the ACB Unit. A financial analyst/accountant will be assigned to ACB to maintain Project records and to act as liaison with Agro 21 and JNIP for all Project disbursements under Component II.

The fund will provide a grant of up to $10,000 to companies which are willing to conduct prefeasibility studies of large scale agribusiness projects. This would probably represent from one-fourth to one-third of the cost of a prefeasibility study. The funds cannot be used to cover the international travel of the company staff carrying out the prefeasibility studies. Firms eligible for the fund would include those which are classified as having assets valued at more than one million U.S. dollars, at book value.

The JNIP Agribusiness Division in conjunction with Agro 21 would screen the applicants to ensure their creditworthiness, their demonstrated potential for actually investing through access to capital to implement an investment, and prior business experience. The company would present a concept paper of the investment and an outline scope of work for the prefeasibility study, which must be approved by Agro 21 before companies will be given access to the grant. After approval the companies may use whomever they wish to carry out the prefeasibility study. Upon satisfactory completion of the study and evaluation of it by Agro 21, the

firm will be reimbursed up to US$10,000. The screening and approval process is to be kept simple so that the incentive does not require so much time to obtain approval that it loses its effectiveness. If the firm decides not to proceed further, then the completed prefeasibility study becomes public information. Agro 21, JNIP and other Jamaican agencies may use it for any promotional or investment purposes.

The total amount of the Pre-feasibility Fund will be US$1,125,000 of which $925,000 is a loan by AID and the rest a GOJ contribution.

e. Training

Component II will also provide minimal funds for training of both the Agro 21 and the JNIP staff. For Agro 21 it is anticipated that experts will be brought in on a short-term basis for specific training needs and staff members will make short course training trips abroad. For the JNIP staff, it is anticipated that staff will attend conferences, workshops, and undertake foreign observations where necessary to improve their general promotion skills as well as their knowledge about commodities for which they will be promoting.

f. Anticipated Results: End-of-Project Status:

The above project amendment elements will result in a total new investment over a 5 year period in the amount of J$198 million, creating 8,810 new jobs; the JNIP will have improved its promotional methods and capabilities through foreign industry targetting, a function that will be continued by the JNIP; the country will have developed a strategic plan for the large scale agribusiness sector; the strategic planning program will have terminated, having completed its function with the development of a self directed and dynamic large scale agribusiness sector.

IV. SUPPLEMENTARY ANALYSIS

A. Institutional Analysis

1. Alternative to Strategic Planning and Foreign Industry Targeting Programs

The most viable alternative to the proposed strategic planning and foreign industry targeting programs is to let the promotion system continue in its current mode of operation. The approach would be to rely on market forces to sift out the most profitable investment pattern, rather than rely on strategic planning to target commodities and foreign companies for focused promotion as quickly as possible.

The current system is having an effect and is generating investment from both Jamaican and foreign sources. The pace of large scale investment is not nearly fast enough to produce the results necessary to provide the political stability which is needed. The amendment seeks to provide a more direct mechanism which will accelerate the investment process in the agrobusiness sector, and round out and add to the domestic market expansion of the second tier program in order to achieve foreign exchange and additional employment benefits, and bring about greater political stability and a favorable self-perpetuating investment climate.

2. Analysis of Implementing Institutions:

The project paper provides a complete analysis of both the ACB, including a description of the Agroindustrial Development Unit, and the JNIP. The amendment, therefore, need only describe Agro 21.

Agro 21, established in early 1983 and financed by USAID/J and GOJ funding, operates as a Secretariat to the Office of the Prime Minister.

As such, although not a legal entity, Agro 21 has broad responsibilities and powers, many of which remain to be specified and defined, for the development of agriculture, especially the production of non-traditional crops for export and the related design, negotiation, and implementation of these projects. Agro 21 is intended to rationalize a broad range of current and future agricultural and agriculturally related activities, in part through its cooperative relationship with the various GOJ agencies including the MOA and JNIP. Ultimately, when Agro 21 is fully operational at the end of two or more years, it will have identified and coordinated the relevant institutional geography, both public and private sector, necessary to sustain a high level of investment in and development of profitable and productive agriculture in Jamaica.

The organization of the Agro 21 Secretariat, as defined to date is illustrated at Annex B. Agro 21 operates under the guidance and direction of a Steering Committee comprised of the Prime Minister, senior representatives from five agencies -- JNIP, JNIC, MOA, ACB and NPA --, and USAID/J as an ex-officio member. Reporting to the Steering Committee is the expatriate Executive Director who is coequal with two other officers: the Parliamentary Secretary in the MOA and the local counterpart to the Executive Director. Under the Executive Director are four expatriate senior level, broad gauge management executives who serve Agro 21 as Directors for each of the four organizational components of Agro 21: Finance, Agro-Industrial Processing, Marketing, and Agricultural Activities. Each Director will be responsible for a staff of from five to twenty persons. For example, three local hire technicians necessary for the Agricultural Activities component will be an industrial relations

specialist, an expert in site location and evaluation, and a person with a background in logistics.

The activities of the four components of Agro 21 are directed toward two key efforts: (1) project research and strategic planning, and (2) the negotiation and implementation of projects. By design, Agro 21 plays a major role in several areas, among others:

1) Clarifying for Government of Jamaica the potentialities of the agricultural sector as they relate to overall national economic development strategy; specifically the rational opportunities for import substitution, export augmentation, and job creation.

2) Developing and maintaining the comprehensive informational file of national agricultural assets; land, water resources, infra-structure, equipment, labor pools, technological and management capacities. Directed by senior businessmen, the organization will necessarily be developing in depth sub-sector intelligence to undertake both strategic rationalization of available resources and to compile sub-sector profiles for promotional use.

3) Structuring sub-sector development concepts utilizing available assets base combined with latest cost, yield, applicable technologies, crop rotation strategies, transport/distribution opportunities and market intelligence.

4) Assisting other Government agencies or parastatal organizations in marketing these opportunities.

5) Resolving bureaucratic, technical and/or financial impasses in projects where development is currently at impass.

6) Assisting new enterprises or investor groups in planning and implementation as required.

To date, Agro 21 has hired the Executive Director and the Director of Finance under host country contracts. James R. Rinella, Executive Director, has headed two of the largest agro-industry businesses in the world--as President, Tropical Operations, United Fruit Company, and as Vice President, Agricultural Operations, Castle & Cooke Foods. He brings to his two-year assignment at Agro 21 over two decades of experience in the design, negotiation and development of major agricultural ventures. Mr. Rinella has achieved an international reputation as a multinational manager of worldwide agriculture.

Frank X. Lang, Director of Finance, has over 15 years corporate experience in the financial, controllership, operations, planning, and control functions. In addition, he is recognized as an expert in the international transportation and distribution of perishable commodities. The other three senior, expatriate businessmen who will serve as Directors also will each have a multifunctional, trananational agribusiness background. Augmented by Jamaican technical/managerial staff, Agro 21, with a total staff of from 45 to 50 persons, will possess a broad range of capabilities from formal national strategic planning to the ultimate design and implementation of site specific agricultural/agro-industrial projects.

In this vein, its primary role is to be innovative in developing systems, and techniques which will enable timely review, analysis,, evaluation and approval of projects designed to exploit identified opportunities and then manage the assembly of the allocated natural resources, sources of capital, energies of individuals, infrastructure and technical expertise by working within and through the Government ministries, statal organizations, public institutions and the private business sector to launch new non-traditional agribusiness and improve and expand on existing operations.

Agro 21 is to be an intimate, hands on, integrator of these projects, not a passive casual observer and/or consultant. Within the framework and limits of the authorities, with which it will be empowered to act, it will be held responsible and accountable for the timely implementation of its assigned role.

Agro 21 will provide the short term tactical implementations to these long term strategies. It will play a key role in developing new businesses by bringing together interested parties, assisting in incorporation, seeking out funding, utilizing land requirements, providing agribusiness technical assistance, expedite permits, approvals, licences, design organizational structures, provide assistance in manning and training workforces, help structure contemplated wage scales and incentive programmes, provide liaison with source of materials, equipment and supplies, design management information systems, operating report formats, provide assistance in quality control, grading, packaging, handling, transportation, marketing and sales, forecasting and data base information and assist in the installation of infrastructure, equipment and machinery.

B. Financial Analysis:

1. Financial Plan:

Tables VI through IX provide both a summary and a detailed breakdown of the project inputs. It is expected that over the five year life of Component II a total of US$1,125,000 million will be provided for preinvestment studies through the pre-feasibility fund. Of this total, US$925,000 will be in the form of foreign exchange and the balance in local currency. It is expected that foreign staff members of companies and foreign consultants will be heavily involved in prefeasibility studies, so that the foreign exchange component is important. The local currency component is to cover the use of Jamaican consultants and in-country costs where possible. Annual disbursement rates are based on the assumption of an acceleration of the use of the funds as the strategic planning and foreign industry targetting programs begin to have their intended affect. Since disbursements out of the funds are not made until after pre-feasibility studies are completed, there is not a problem of reimbursement of government entities for advances made to companies.

2. Financial Viability:

It is anticipated, as can be seen from the economic analysis, that Component II of the Project will result in a total investment of J$ 198 million for a total of 8,810 new job places at a capital cost per job place of an average of US$ 8,481. The cost of the project per job created is comparable with other projects approved by AID, and significantly below some in process in the Caribbean region. Also, the cost of obtaining the J$ 198 million investment, of US$3.9 million, is reasonable in relation to the invested amounts.

3. Post Project Recurring Expenditures

It is expected that the strategic planning program will have terminated by EOP. It is anticipated that upon the project assistance completion date (PACD) an appraisal will be made by the GOJ regarding the necessity of continuing the promotion and preinvestment funding of agribusiness projects. Also, a determination as to the appropriateness of continuing Component II, or certain aspects, thereof, is dependent, in part, upon the institutional geography and capacity, both public and private sector, created through the implementation of Agro 21.

Table VI

Financial Analysis

Breakdown of Project Components

(Thousands of U.S. Dollars)[@]

	USAID	GOJ	TOTAL
Prefeasibility Fund	$ 925.0	$ 200.0	$1,125.0
Strategic Planning Program	$ 720.0	$ 620.0	$1,340.0
Foreign Industry Targetting Program	$ 107.0	$ 560.9	$ 667.9
Agroindustry Development Unit	$ --	$ 261.3	$ 261.3
Training	$ 70.0	$ 17.5	$ 87.5
Commodities	$ 92.0	$ 30.0	$ 122.0
Evaluations	$ 75.0	$ ---	$ 75.0
Contingency for Inflation (15%)*	$ --	$ 218.1	$ 218.1
TOTALS	$1,989.0	$1,907.8	$3,896.8

@ Local costs were calculated in local currency and then converted into U.S. dollars at the official rate of J$ 1.78 per U$ dollar.

* The contingency for inflation was calculated at 15% per annum rate for recurring costs, except for the feasibility and prefeasibility funds and U.S. dollar financing of long and short-term expatriate experts.

TABLE VII

SUMMARY OF PROJECT INPUTS
5 YEARS
($000)

YEAR 1:	AID	GOJ	TOTAL
Commodities	92.0	30.0	122.0
Ag. Dev. Unit	--	5.0	5.0
TOTALS--Year 1	92.0	35.0	127.0
YEAR 2:			
Strategic Planning	360.0	310.0	670.0
Foreign Industry Targeting	58.9	196.3	255.2
Prefeasibility	200.0	80.0	280.0
Training	70.0	17.5	87.5
Ag Dev Unit	--	64.0	64.0
Contingency	--	88.2	88.2
TOTALS--Year 2	688.9	756.0	1,444.9
YEAR 3:			
Evaluation	25.0	--	25.0
Strategic Planning	360.0	310.0	670.0
Foreign Industry Targeting	18.5	140.2	158.7
Prefeasibility	475.0	80.0	555.0
Ag Dev Unit	--	64.1	64.1
Contingency	--	77.1	77.1
TOTALS--Year 3	878.5	671.4	1,549.9
YEAR 4:			
Foreign Industry Targeting	18.5	140.2	158.7
Prefeasibility	200.0	25.0	225.0
Ag Dev Unit	--	64.1	64.1
Contingency	--	30.6	30.6
TOTALS--Year 4	218.5	259.9	478.4
YEAR 5:			
Evaluations	50.0	--	50.0
Foreign Industry Targeting	11.1	84.2	95.3
Prefeasibility	50.0	15.0	65.0
Ag Dev Unit	--	64.1	64.1
Contingency	--	30.6	478.4
TOTALS--Year 5	111.1	185.5	296.6
TOTALS FOR FIVE YEARS	1,989.0	1,907.8	3,896.8

Table VIII
Detailed Breakdown of Project Components
(In U.S. Dollars, unless indicated otherwise)

Expense Category (Authorizing Entity)	USAID	GOJ
I. Prefeasibility Fund (Agro 21) (if 160 studies @ $7,030 each)	$ 925,000	$ 200,000
II. Strategic Planning Program (Agro 21)	$ 720,000	$ 620,000
1. One expatriate for 2 years to manage the program @$120,000 per year	240,000	--
2. Two local hire assistance to the program manager for two years each @$35,000 per year (salary and allowance)	--	140,000
3. 40 months of expatriate short-term technical assistance @$12,000 per month	480,000	--
4. 80 months of local hire short-term technical assistance @$6,000 per month	--	480,000
III. Foreign Industry Targetting Program (JNIP)	$ 107,000	$ 560,900
Short-Term Advisory Services foreign promotion expert (3 mo @ $11,000 per month)	33,000	--
Long-Term Local Promotion Staff	--	351,135
1. Promotion Expert 2. Industrial/Ag Engineer 1 @ J$ 60,000/yr x 5 yrs 1 @ J$ 50,000/yr x 5 yrs 3. Secretary (J$ 15,000/yr x 5 yrs)		
Operating Expenses (see Table IX)	--	154,800
Travel:	74,000	55,000
Per Diem: $100/day x 14 days x 30 trips x 2 people Airfare: 30 tickets x $750 x 2 people		

Expense Category		USAID	GOJ
IV.	Agroindustrial Development Unit, (ACB)	$ --	$ 261,300
	Local Financial Analyst/ Accountant (J$60,000/yr x 5 yrs)	--	168,500
	Secretary (J$ 15,000/yr x 5 yrs)	--	42,100
	Operating Expenses (see Table IX)	--	50,700
	Furniture	--	5,000
V.	Training (JNIP/Agro 21)	$ 70,000	$ 17,500
	JNIP staff--trips for conferences, workshops, and observation (JNIP)	20,000	5,000
	Agro 21 staff--for training by experts (Agro 21)	50,000	12,500
VI.	Commodities	$ 92,000	$ 30,000
	4 Vehicles (1 ACB, 2 Agro 21, 1 JNIP)	47,000	--
	Furniture (1/3 each: ACB, Agro 21, JNIP)	30,000	30,000
	Microcomputer and/or software (Agro 21)	15,000	--

Table IX

ESTIMATED AVERAGE ANNUAL OPERATING COSTS PER PROFESSIONAL

(In U.S. Dollars)
(equal to a factor of 1)

	Promotion Staff	Research Staff
Office Space 194 sq ft @ $J 20/sq ft	$2,180	$2,180
Utilities	1,775	1,775
Telephone	6,740	1,000
Supplies	1,000	1,000
Vehicle Operation incl. operation, maintenance, and insurance of J$ 9,000/yr; one car per 3 professionals	1,685	1,685
Duplication	600	1,000
Miscellaneous	1,500	1,500
TOTAL	$15,480	$10,140

For Five Years (to Table VIII) - $50,700
For Ten Years (to Table VIII) - $154,800

C. Economic Analysis:

As pointed out in the A.D. Little background document (Q, Report No. 5, pp. 62-3), funding for strategic planning and agribusiness promotion is expected to have favorable economic consequences which, while substantial as to new economic benefits for Jamaica, cannot be forecast quantitatively. The economic benefits to the Nation are obtained in two main ways. The first notion is that careful promotion will uncover potential investors that might not have materialized otherwise. The second notion, and one that is given considerable emphasis in this amendment, is that the whole investment process can be speeded up to a considerable degree. Investors are already looking at Jamaica, but the idea is to have more take investors more serious looks, and do it in a shorter time. The quicker employment, foreign exchange, and value added benefits are obtained, the better for all concerned.

1. Method and Data:

In contrast to the existing project paper, this amendment utilizes a different data base and concentrates on the plans of individuals and firms who have actually come forward to invest in Jamaican agribusiness, or who appear to have serious intentions of carrying through on their initial proposals. The absolute magnitude of financial commitments made since the start-up of JNIP can be calculated; proposed amounts must be assumed to be as accurate as investors can estimate in advance. It is possible that expected numbers of employees may be the least accurate forecast in the individual proposals.

The main source of information is the semi-confidential files maintained by JNIP for each investor that must pass through its doors in order to obtain approval for various government clearances, incentives, quotas, etc. Some of this information has been utilized to support

proposals for agribusiness investment and published for (apparently) limited distribution by the National Planning Agency (NPA) in December, 1982 (N). Other mimeographed investment status up-dates are prepared quarterly (or thrice yearly) by JNIP for distribution to selected agencies--USAID being one of them. Copies of these reports were made available through the OPED/USAID/Jamaica. Interviews with investment officers in JNIC, Marketing Officers in JNEC, and senior staff at ADC and ACB also added to information concerning specific investment activity in the agribusiness sub-sector during the past 2 1/2 years.

Some duplications are apparent once some familarity is gained in reading and utilizing these sources, and these have been eliminated. However, it is possible that some unintentional ones remain. The most important qualification placed upon the total mass of material is to ignore information that the JNIP classes as being in the "proposal" stage. Therefore, to illustrate what has happened to agribusiness investment thus far, only finalized and implemented data are employed.

Since this same investment pattern may not hold into the future, some account is taken of what JNIP project files classifies as "active". These files are generally felt to represent projects that have moved forward far enough to be classified as being backed by serious intent. Annex D Table A.2 summarizes the shape that this latter investment category gives to the probable types of agribusiness investments that would appear to have the most chance of materializing in the immediate future as well on into the life Component II.

During the Project, fifty new investments in large scale agribusiness will occur, of which 10 would have happened without Component II. This component will encourage the other 40 investments by enhancing JNIP's current promotion activities (9 investments) and by creating the foreign industry targeting program (31 investments). Section IV.C.2 next below describes JNIP's ecurrent efforts and Section IV.C.3 discusses the results of the targeting program.

2. General Assumptions About Incremental Augmentation of Current Promotion System:

The Strategic Planning Program will generate compiled data of wide applicability to many users, both inside and outside Agro 21. It will specifically benefit all kinds of agricultural production/processing projects, large and small. In this analysis only probable impacts upon productivity of JNIP promotional activities will be considered.

During the past 2 1/2 years, the actual implementation rate of large scale projects has been as high as 6 per year and as low as 2. For present purposes, we assume that without the project at least 2 per year would likely materialize just through current procedures during the 5 year period, 1984-1988 inclusive. Next we assume that, although a lot of "free" benefits would be drained off by the energy and effort JNIP devotes to small and medium scale project finalization and implementation, at least two additional large scale projects could be implemented in each of the years of the Project (and beyond, depending upon whether GOJ judges the results of the program out-lined here to be cost effective and socially worthwhile). These assumptions are illustrated in Table X.

Table X

Assumed Rate of Growth of Current JNIP Experience Promoting and Implementing Large Scale Agribusiness Ventures Plus Increments Flowing From The "Spin-Offs" of the Program Outlined In This Amendment

Item	1981	1982	1983	1984	1985	1986	1987	1988
Implemented L.S. Projects								
Past Experience	6	2	3					
Estimate without Program				2	2	2	2	2
Increment due to Program Spin-offs				1	2	2	2	2
Estimated Program Totals Per Year				3	4	4	4	4
Estimated Program Totals -- Cumulative				3	7	11	15	19

3. New, Implemented Large Scale Agribusiness Investments Due to Strategic Planning Plus Foreign Industry Targeting Program:

The new industry promotion focus to be institutionalized in JNIP promotion operations will be based on the "hard data" about Jamaica's ability to expand into new markets, especially foreign, at an accelerated pace. As explained in the project description, the key feature is routine, high quality, in depth presentations of the nations' specific potentials in non-traditional areas of agribusiness, to pre-selected foreign investors (naturally, local investors and Jamaican firms.

Based on the size of the proposed JNIP staffing pattern, in the

internal divisions responsible for agribusiness ventures, an estimate has been made of the number of such presentations that could reasonably be undertaken during the five-year life of the program. However, it should be appreciated that the vast majority of such presentations must be accomplished as early as possible (allowing some waiting time for the strategic planning data to start to appear).

Table XI

Summary of Numerical Results of

JNIP Promotion Activities Under Component II

	Activity	Amount
1.	Number of presentations to foreign investors	320
2.	Number of presentations resulting in requests for prefeasibility studies	160
3.	Number of investments resulting from JNIP activities under Component II	31
4.	Approximate ratio of presentations to investments	10 to 1

The resources scheduled for the foreign industry targeting program should support 30 two week trips abroad. Experience has shown that it is possible to meet with top executives of 10 to 12 firms in a given two-week period. Therefore 320 presentations, as indicated in Table XI, are an achievable goal. (There is considerable repetition involved and efficiency increases throughout each trip, as well as from trip to trip).

Given the efficiencies achievable, plus the pre-feasibility incentives the promotional teams will be empowered to offer, the recruitment rate should reach 50%. (If everyone has done their homework); Therefore, 160 pre-feasibility studies must be programmed into the promotion system by JNIP.

The test of the whole process is in implemented investments. Thus far into JNIP's experience, 199 investments of all sizes have materialized out of the 400 proposals. Regardless of how the process is defined, there is little doubt that the link between feasibility study and actual investment will exist. Based on the process outlined, it is expected that the overall planning and targeting program will lead to a minimum of 31 investments in large scale agribusinesses, or approximately 1 investment per 10 firms visited under the targeting program.

The role of the pre-feasibility studies needs to be reiterated at this point. The process to be put into place in the present program places great weight on the industry presentation/introduction and prefeasibility steps as clinching arguments for individual investors. Indeed this is quite similar to what is happening right now. However, the firms involved are small and medium sized to a great degree. Many of them know the local scene quite well. Larger, more powerful, foreign firms need a process that stimulates the system "insiders use".

4. Impact on Investment and Value Added:

The assumption, made earlier, of a 10% link between initial presentation and final investment, results in an estimated 31 implemented, large scale agribusiness projects. In addition, a further 9 projects are expected to be generated from enhanced operating activities of the current JNIP promotional system (see Table X).

The actual pattern of a total of 40 investments no doubt will be influenced heavily by the Nation's export strengths uncovered in the strategic planning process; at this time the results are totally unkown. Therefore for present purposes we assume that the final investment pattern will approximate what has already occurred in the recent past and what is being studied by private firms. The generalized details are summarized in Table XII.

Table XII

Average Investment and Employment Coefficients Applied to Future Investments Expected in Large Scale Agribusiness Projects, Jamaica.

Category	Share of Future Investments (%)	Average Per Investment Dollars (J$000,000)	Average Per Investment No. of Employees
Crops for Export	40	5.0	400
Crops for Import Sub.	3	5.0	150
Mixed for Import Sub.	5	10.0	300
Livestock and Industrial	14	2.0	50
Fisheries			
Inland	6	4.0	30
Ocean	3	15.0	230
Food Processing	29	3.5	50

Source: Adapted from Annex D Table A.2

If the coefficients of Table XII are applied to 31 plus 9 new investments, the quantities and employment impacts would be distributed according to Table XII. The new targeting program is expected to lead to new investment of J$155.5M. The increment to the current promotion should lead to J$42.5M of new investment. The total equals U.S.$74.72M*. In total about 8810 new jobs would be created** at a cost of $84.81 each. The promotion cost per job will be $624.

The Project Paper utilizes $6022 annual value added per employee (1981 dollars) to estimate direct gross economic benefits to be gained from the credit program for second tier agribusiness firms. If the same value is employed in this amendment for 1500 "processing" jobs, by the end of the 5-year project time period there would be an annual increment to GDP of over $9.0M that would last over the time horizon of the investments. In addition, ignoring any increment to value added prior to 1988, from the more predominantly farm labor/farm management oriented investments, the remaining 7310 new jobs would produce an additional $10.0--15.0M in value added each year for some indefinite length of time. This estimate is based on a conservative value added amount per job of about one third for processing employees.

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* J256c = US100c. ** The reasons why this number is so much larger than in the project paper are a composite of much larger expected direct fixed investment and greater emphasis upon basic agricultural (labor intensive) production.

If the "average" value added of say, $22.0M/year is assumed to flow from a homogeneous mix of the expected 40 investments in large scale agribusiness, an example of possible returns to society is shown in Annex D Table 4. (In this example any construction phase multipliers and foreign exchange benefits are ignored). The average internal rate of return would be 12% (including allowance for the cost of the promotion program described in this amendment. Foreign exchange benefits will be significant due to the nature of Component II and should approximate about $8.5 million per year by EOP, if export activity increases 10% from 1980 levels, due to investments resulting from activities under Component II.

V. IMPLEMENTATION SCHEDULE AND PROCUREMENT PLAN:

A. Implementation Schedule:

Estimate Project

Month	Activity
0	Project Paper Amendment Review and Approval
1	Mission and GOJ sign Project Amendment Agreement
2	GOJ has met initial CPs to establish or provide: long-term TA hired for Agro 21
3	Financial analyst/accountant in Agro-Industrial Unit of ACB
4	Agro 21 will have developed criteria for prefeasibility fund screening for eligibility, and ACB will have developed a definition of eligible costs for reimbursement, and have received training in project evaluation.
4	Work on Strategic Planning Program begins.
6	Addition to JNIP Promotion staff.
6	Short-term advisor trains JNIP promotion staff.
8	Prefeasibility fund disbursements of US$100,000 and J$40,000.
14	Prefeasibility fund disbursements of US$100,000 and J$40,000.
26	Prefeasibility fund disbursements of US$475,000 ad J$80,000.

28	Strategic Planning Program is completed.
38	Prefeasibility fund disbursements of US$200,000 and J$25,000.
50	Last prefeasibility fund disbursements of US$50,000 and J$15,000.
60	PACD and Final Project Evaluation.
62	Report Completed.

B. Procurement Plan:

Technical assistance required for the Strategic Planning Program, specialized training for Agro 21 staff, training for JNIP promotion staff and short-term advisory services to JNIP will all be procured under direct Mission contracts.

AID commodity procurement under the amendment consists of four motor vehicles ($47,000), office furniture ($30,000) and a microcomputer and/or software ($15,000). These transactions should fall within the ambit of the small value procurement procedures, as described in Chapter 3 of Handbook 11. Procurement will be done by ACB, with guidance from USAID/J, as authorized by the entity which will own the applicable commodity.

All procurement requirements and guidelines will be addressed in the initial implementation letters issued by USAID/J. Cost estimates and procurement schedules for the commodities and for technical assistance services and training are presented in Table VIII.

C. Evaluation Plan:

Component II will have three evaluations: September 1985, September 1987, and the final evaluation in September 1988. A

representative from PPC and from LAC/DR will be invited to participate in each evaluation. Outside consultants will be used, for two months, per each evaluation, together with representatives from GOJ and USAID/J. $75,000 of Project funds are earmarked to cover the cost of the outside consultants. Additional financing, if necessary, will be available from PD & S funds, in accordance with customary Mission practice.

The initial evaluation will focus on the strategic planning program and will evaluate the success of the program in developing the hard data necessary to attract investors to Jamaica. The seond evaluation assesses JNIP's success in promoting new investment in Jamaica and analyzes the success of the prefeasibility fund as a vehicle for assisting investor decision making. The final evaluation takes a critical look at the program, to measure its overall success in meeting its goals and objectives. To facilitate these evaluations, the Project will provide customary periodic reports to USAID/J on the progress of Component II, and will identify the employment and investment impact of all projects resulting from the program.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Narrative Summary	Objective Verifiable Indicators	Means of Verification	Assumptions
Program or Sector Goal:			
Support Jamaica's economic recovery by strengthening private productive sector as a vehicle for dynamic growth, emplotment generation and increased food production	-food production increase by 5% -non-traditional agribusiness exports increases by 5% -employment in agribusiness increases directly be 3,810	-national statistics -project data records	-exchange rate system stabilized to encourage exporting -availability of credit to large scale firms does not substancially decrease -political stability of country does not worsen over life of project -private sector policies do not shift signifi-gantly over life of project
Project Purpose:	End of Project Status:		
To increase investment in Agribusiness projects through Agro 21, JNIP, and ACB.	1. J$198M of new large scale JNIP, JNIC, ADC, JNEC, Agro 21 2. 31 new investments made in Jamaica	JNIP, JNIC, ACD, JNEC, Agro 21.	-fiscal investment incentives available -govt. sells/leases at reasonable terms good agricultural lands -public export taxes and food price controls not used to prejudice exports -exchange regulations allow foreign investors to repartiate profits

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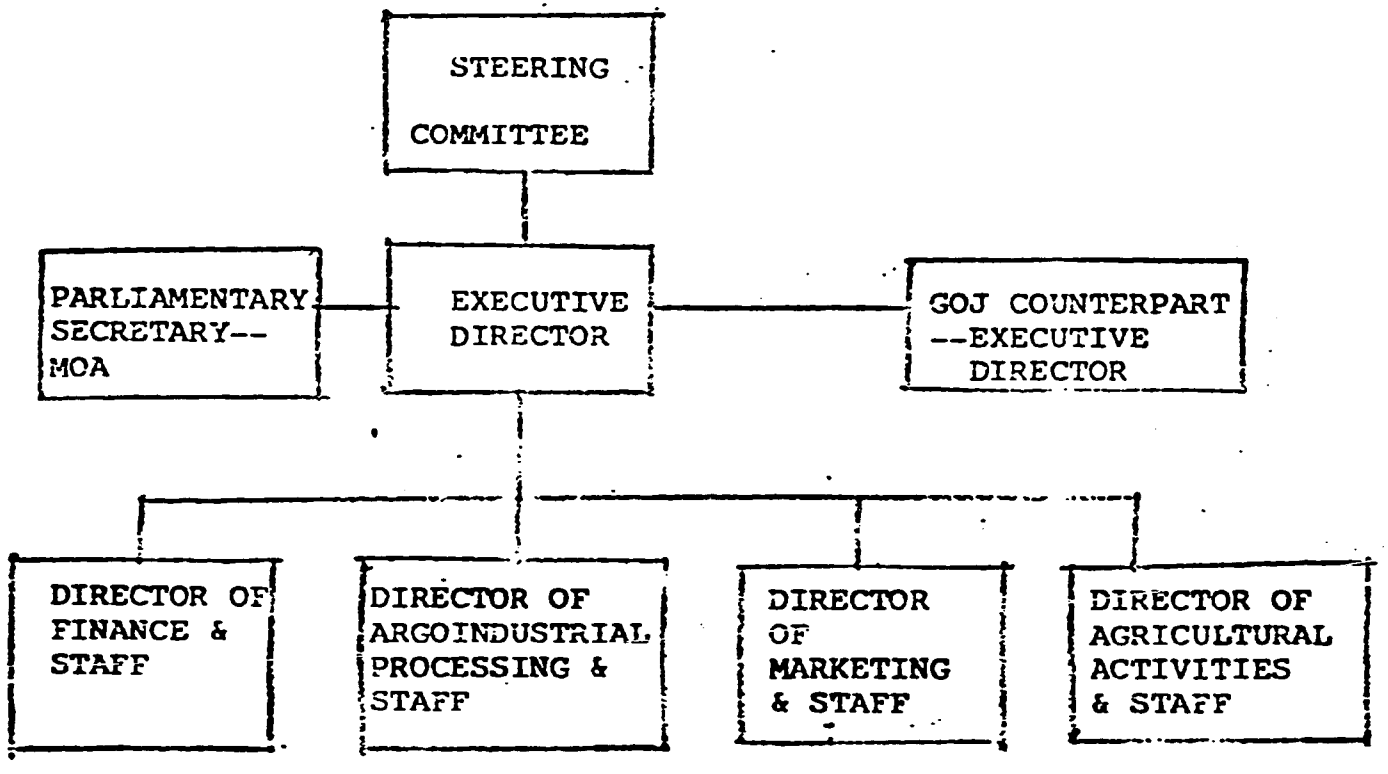
LOGICAL FRAMEWORK--continued

Narrative Summary	Objective Verifiable Indicators	Means of Verification	Assumptions
OUTPUTS:			
1. Strategic planning porgram carried out in Agro 21 2. Foreign industry targetting program conducted with foreign companies 3. Pre-feasibility fund disbursed to large potential firms 4. Feasibility fund disbursed to large firms investigating large scale agb. projects	-20 commodities analyzed -320 presentations made to foreign companies with technology & market access -160 pre-feasibility studies	-JNIP records survey JNIP staff ; Agro 21 records; ADU records	-Agro 21 can find expert consultants with expertise in non-traditional agribusiness commodities -profits sufficient to attract foreign firms to invest in Jam. Agb. -a modest initial incentive will attract foreign companies to invest in Jamaica -foreign firms have the technology and market access Jamaican companies need for export oriented large scale agb. -foreign firms and large Jamaican firms willing to form joint ventures
INPUTS:			
Prefeasibility Fund	See Financial Plan	USAID/Kingston, JNIP, acb, Agro 21	-AID and GOJ inputs supplied on timely basis
Strategic Planning			
Foreign Industry Targeting			
Training			
Commodities			
Evaluations			
Contingency			
Agroindustry Development Unit ACB			

(000s)	AID	GOJ
Prefeasibility Fund	925.0	200.0
Strategic Planning	720.0	620.0
Foreign Industry Targeting	107.0	560.9
Training	70.0	17.5
Commodities	92.0	30.0
Evaluations	75.0	--
Contingency	---	218.1
Agroindustry Development Unit ACB	----	261.3
TOTALS	1989.9	1907.8

AGRO 21

ORGANIZATION CHART



KEY EFFORTS:

A. PROJECT RESEARCH & STRATEGIC PLANNING

B. NEGOTIATION & IMPLEMENTATION OF PROJECTS

ORGANIZATION OF JNIP, INC.

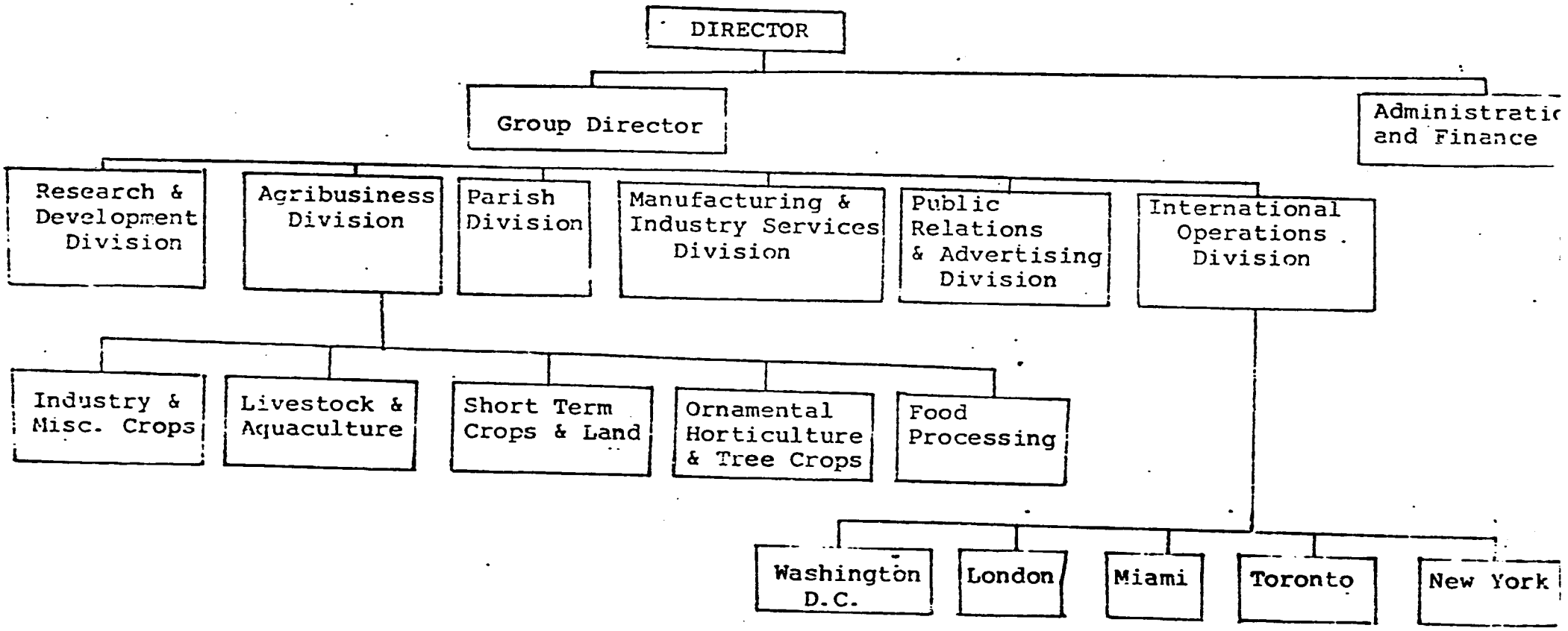


TABLE 1 : SUMMARIZATION OF INVESTMENT PROMOTION ACTIVITY: JAMAICA

	TOTALS			JOINT VENTURE		FOREIGN ONLY TOTAL		FOREIGN ONLY U. S. A.		LOCAL ONLY	
	No. of Projects	Proposed Amount J$000	Potential Employment	No. of Projects	Proposed Amount J$000	No. of Projects	Proposed Amount J$000	No. of Projects	Proposed Amount J$000	No. of Projects	Proposed Amount J$000
PROMOTION IN ALL SECTORS IMPLEMENTED											
1981	22	36.47	1754	3	.915	7	3.044	7	3.044	12	34.21
1982	94	205.16	11782	17	68.0	25	93.1	20	69.3	52	44.1
1983 (April)	40	17.73	1541	4	5.7	6	1.67	4	1.54	23	10.36
Finalized (April '83)	43	70.28	1412	5	3.031	14	45.403	10	19.093	20	21.849
TOTALS	199	331.64	16489	29	77.65	52	143.42	41	91.44	107	110.52
PROMOTION OF ALL AGRI-BUSINESS IMPLEMENTED											
1981	7	14.462	287								
1982	9 e	7.98 e	2000 e								
1983 (April)	9	6.489	482								
Finalized (April '83)	9	5.623	205	9	6.489	–	–	–	–	–	–
TOTALS	34	34.55	2973	1	1.750	3	1.32	2	0.666	5	3.019
PROMOTION OF LARGE SCALE AGRI-BUSINESS IMPLEMENTED											
1981	6	14.42 e	1633 e								
1982	2	3.23 e	575 e								
1983 (April)	1	3.199	300	–	–	–	–	–	–	1	3.199
Finalized (April '83)	2	2.1	89	–	–	2	2.1	1	0.35	–	–
TOTALS	11	22.95	2597 e								

SOURCES: (N), Annex II; (O), Table 1; (P), Various Tables. e = estimated

Table 2 Apparent Patterns in Large Scale Agrobusiness Investment

Investment categories	No.	Totals Invest. J$x10^6	Totals Employ.	Averages Invest. J$x10^6	Averages Employ.
General Pattern Prior 1983					
Mainly farm oriented* (export)	7	19.3	3154	2.76	450
Mainly fish oriented (warm water)		5.56	54	2.78	27
Mainly Manufact. or.					
General Pattern of "Active" Proposals					
Mainly farm oriented					
Industrial crops	2	2.92	90	1.46	45
Crops for export	9	55.79	2260	6.2	251
Import sub. crops	1	3.0	90	3.0	90
Mixed-import. sub.***	2	21.8	400	10.9	200
Livestock	2	4.2	107	2.1	54
Mainly fish oriented (ocean)	2	26.35**	440	13.17	220
Mainly processing	9	29.4	386	3.27	43

Distribution by percentage:

Export farm. 44 Import sub. 3 Livestock 6

Fisheries 11 Mixed-import. sub. 6 Processing 25

*Includes one finalized large scale project

**Includes high percentage of processing

***Includes such things as rice/polishing; livestock packing

Sources: (N), Annex II; (P), various tables

Table 3 Relative Change in Farming Efficiency

by Crop Group, Jamaican: Domestic Food Crops

(1967 - 1981)

Crop group	Inc Production	Inc. Acreage	Implicit yield Inc. for group
Legumes	1.7	1.42	1.20
Vegetables	3.0	2.05	1.46
Condiments	7.0	4.33*	1.62
Fruits	5.3	0.82**	6.46
Cereals	1.7	1.41	1.21
Plantains	2.9	2.25	1.29
Potatoes	1.7	1.30	1.31
Yams	2.1	1.83	1.15
Other Tubers	2.4	1.74	1.38

* 1969 base ** 1970 base

Sources: Mimeo data sheets from Data Bank, MOA, Hope.

This table relates the general increases in average production to average acreage changes over a 15 year period. The result, shown in the right hand column indicates that yields for the cereals, legumes and yams groups have risen about 15 - 20% during the period. Plantains, potatoes, other tubers, and legumes have all had greater yields increases ranging from 29 to 46%. The yield increase for the fruit group is so large (545%) that the data may be suspect. The percentage increases in production and acreage are read the same way, i.e., subtract 1.0 from the "increase factor".

TABLE 4 Net Value Added Until the Year 2000 Due to Promotion of Large Scale Agri-business Investment in Jamaica.***

Time Horizon	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	2
Dates	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2
No. New Projects		3	6	12	19													
Share Total Invest.	('000)	- 5604	- 11208	-22416	-35492													
Share of Project Cost	-127.0,-1,444,9,-1549.9,-478.4,-296.6																	
Share of Av. Gross Val. Ad.		1650	3100	6200	10450	22000	22000.	22000	22000	22000	22000	22000	22000	22000	22000	22000	22000	2
Less Labour, Other Expenses*		(825)	(1650)	(3100)	(5027)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11000)	(11
Net Val. Ad.		825	1650	3300	5027	11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	1
Salvage Val.																		2
Net Benefits	-127.0	-6223.9 -11107.9	-19594.4 -30761.6			11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	11000	1

IRR=12%

*Operating Expenses assumed to be 50% of Gross Values. This allows for considerable shadow pricing of Labour.

**Assumes 25-30% of overall investment program will be in Land; no allowances for increase in value in real terms; all other Salvage Values ignored.

***"Average" investments stayed as shown in lines 3 and 4. Promotion project costs included in line 5. "Average" gross value added per year assumed to be $9.0m in "processing" investments and $13.0m in "basic" production investments. All values in constant 1983 dollars (implying also: J265¢ = US100¢). 1981 Value Added estimates per employee assumed unchanged in real terms in 1983 due to stagnant or falling standard of living. Income is not calculated to lag investments since cut-off of time horizon as well as most other dates are quite arbitrary.

TABLE 5 ESTIMATED EMPLOYMENT AND INVESTMENT IMPACTS
OF 40 LARGE SCALE AGRIBUSINESS INVESTMENTS
DURING 5 YEAR PROGRAM

Category	No. of Investments			Amount ($J\$x10^6$)			Employment		
	Target Program	Increment to base	Total	Target Program	Increment to base	Total	Target Program	Increment to base	Total
Crops for export	12	4	16	60	20	80	4,800	1,600	6,400
Crops for Import Sub.	1	-	1	5	-	5	150	-	150
Mixed Import Sub.	2	1	3	20	-	30	600	300	900
Livestock-Industrial	4	2	6	8	4	12	200	100	300
Inland Fisheries	2	-	2	6	-	6	60	-	60
Ocean Fisheries	1	1	2	15	15	30	250	250	500
Food Processing	9	1	10	31.5	3.5	35	450	50	500
	31	9	40	155.5	42.5	198	6,510	2,300	8,810
Investment cost per job	US$8481								
Promotion Cost per job	624								

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SEP 23 1982

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM : LAC/DR, Dwight B. Johnson

SUBJECT: Jamaica Agro-Industrial Development Project (532-0081)

Your approval is required for a loan of $8,500,000 from the Section 103 appropriation, Agriculture, Rural Development and Nutrition, for the Jamaica Agro-industrial Development project.

Background: Jamaica has sustained eight consecutive years of economic decline, an unfortunate and unique record. Following the election of a new Jamaican government in October, 1980 with a strong private-sector and free-enterprise emphasis, the United States Government has been providing support for Jamaica's economic recovery. Agribusiness has been identified as an area in which Jamaica has historically demonstrated achievement and has a natural comparative advantage. Jamaican agro-industry now has significant unused capacity which can be brought into production and even further developed in the near term. With the objective of speeding Jamaica's economic recovery, the Mission has proposed the present project to aid the agribusiness sector.

Discussion: The purpose of the three-year loan project as proposed by the Mission is to support the economic recovery of the Government of Jamaica (GOJ) by strengthening the private productive sector as a vehicle for economic growth, employment generation, and increasing food production through access to credit, technical assistance and pre-investment studies. The project seeks to promote Jamaican agribusiness enterprises by restoring their productivity as well as developing new ones. The Mission proposes that the project provide (1) foreign exchange and credit for immediate financing of new and existing agribusiness operations as well as a guarantee mechanism for insuring a portion of the sub-loans extended by the participating commercial banks to agribusiness; (2) pre-investment funds for the identification and development of new agro-industrial projects; (3) consultant services to the private agribusinesses from foreign sources to assist in the installation and start-up of new operations and the management upgrading of existing ones; and (4) training for the public-sector agribusiness staff of selected financial institutions in agribusiness investment development and promotion.

The principal implementing institution will be the Agricultural Credit Bank (ACB). The ACB will onlend project funds to commercial banks for use in agribusiness promotion, pre-investment studies, training and investments. The Jamaica National Industrial Promotion Ltd. (JNIP) would manage the preinvestment fund which will be used primarily in support of the promotion of larger indigenous and joint venture investments.

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The Mission proposed to use AID loan funds for training and advisory assistance ($2.26 million), commodities ($105,000), educational travel ($200,000), long-term credit ($8 million), and pre-investment studies and technical consultant services ($2.9 million). The GOJ would contribute $9.513 million over the life of the project, bringing the total LOP funding to $18.013 million.

A DAEC meeting was held for the project on September 16. As a result, several modifications were made to the project paper. These changes are summarized below:

1. Investment Promotion component. The investment promotion fund proposed in the PP, which was to be administered by the Jamaica National Investment Promotion, Ltd. (JNIP), was deleted from the project. The discussants at the DAEC meeting felt that the analysis supporting this component was inadequate, and that it should not be included in the project at this time. However, if after closer analysis the Mission believes that there is a strong case for including this component in the project, it may choose to submit a PP amendment to the Bureau for reconsideration.

2. Import substitution. The PP proposed the funding of a variety of industries in the agro-industrial sector. However, many of them relied heavily upon imported raw materials which would not contribute to Jamaica's export-led economic growth strategy. Therefore, the PP was amended to strengthen the screening criteria, specifically to exclude firms whose imported raw materials requirements exceeded 35% of the value of their output, except for manufacturers of farm implements. Firms producing exportable products would be given preferential treatment in the according of loans.

3. Agricultural Development Fund. Because of the lack of analysis in the PP supportive of including funding for new enterprise investment, funds for this purpose were eliminated from the Fund. Thus, the Fund, originally budgeted for $8 million, was reduced to $5 million. The Mission may submit a PP amendment for the purpose of reincorporating funds for this purpose if, after careful analysis, they can demonstrate that there is a demand for new enterprise investment funds and that the financial institutions identified for handling these funds are appropriate and likely to place them in a timely fashion.

4. Replenishment of foreign exchange. Language will be inserted in the Loan Agreement to the effect that the GOJ will seek to replenish the foreign exchange segment of the Development Fund to the best of its ability.

5. Budget. The result of these modifications was to reduce the LOP budget from $13.465 million to $8.5 million, as is shown in the table below:

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Item	PP budget	Modified budget	Difference
Training & Advisory Assistance	2,260	2,300	+40
Commodities	105	100	-05
Educational Travel	200	200	-0-
Long-term Credit	8,000	5,000	-3,000
Pre-investment Studies/ Long-term TA	2,900	900	-2,000
Total	13,465	8,500	-4,535

The GCJ contribution was maintained at the same level over the LOP.

An IEE was prepared, recommending a Negative Determination, with which the Bureau's Environmental Officer has concurred.

Waivers: No waivers will be required for this project.

Justification to Congress: A Congressional Notification was forwarded to Congress on September 9, 1982, and obligations may be incurred on or after September 24, 1982.

Recommendation: That you sign the attached project authorization.

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

LAC/DR-IEE-83-42

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	Jamaica
Project Title and Number	:	Agro-Industrial Project 532-0081
Funding	:	$2,769,000 (G)
Life of Project	:	Five years
IEE Prepared by	:	Tridib Mukherjee USAID/Kingston
Recommended Threshold Decision	:	Categorical Exclusion
Bureau Threshold Decision	:	Concur with Recommendation
Copy to	:	Lewis P. Reade Director, USAID/Kingston
Copy to	:	Tridib Mukherjee USAID/Kingston
Copy to	:	Robert Otto, LAC/DR
Copy to	:	IEE File

James S. Hester Date 28 July 1983

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

AMENDED INITIAL ENVIRONMENTAL EXAMINATION

Agro-Industrial Project No. 532-0081

A. Project Location:	Jamaica
Project Title:	Agro-Industrial
Funding (FY and Amount)	Component I: $8,500 (FY 82) Loan Component II: $2,769 (FY 83) Loan Total Project: $11,269 Loan
Life of Project:	Component I: 3 years (FY 82-84) Component II: 5 years (FY 83-87)
IEE Prepared by	Donald R. Yeaman, USAID/J Component I Tridib Mukherjee, USAID/J Component II
Dates	October 17, 1981 (original) July 27, 1983 (amended)

ENVIRONMENTAL ACTION RECOMMENDED: That this Project be given a categorical exclusion per 22CFR216.2(c)(2)(x) and (xiv).

MISSION DIRECTOR'S CONCURRENCE Wayne R. Nelston for L.P. Reade per Kingston 07074 (1983)

ASSISTANT ADMINISTRATOR'S DECISION: APPROVED_____

DISAPPROVED_____

DATE_____

The goal of the Project, which has two components, is to support Jamaica's economic recovery by stimulating economic and agricultural growth and creating employment. The purpose of the Project is to strengthen existing agribusiness enterprises and stimulate the development of new ones thereby increasing production and productivity and responding to a variety of needs, including agribusiness employment, gross earnings, foreign exchange earnings, per capita income and linking farmers and agribusiness firms to their mutual benefit.

Component I (funded under original 1982 loan):

This three year program will provide: (a) credit for immediate investment in business opportunities in both new agro-industrial projects and in existing agribusiness operations which can be expanded (b) preinvestment funds for the identification and development of new agro-industrial projects; (c) consultant services to on-going private agribusinesses from foreign sources to assist them in carrying out the installation and start-up of new operations and the trouble shooting of process technology and management problems of on-going operations; and (d) training for public sector agribusiness staff of selected financial institutions in investment development and promotion.

Component II (funded under the amendment):

This five year program will provide: (a) a strategic planning program to develop hard data on those commodity groups and related subsector profiles, where Jamaica can develop an international competitive position; (b) a foreign industry targeting program to identify and attract foreign investors who alone or together in joint ventures with appropriate Jamaican firms, have the capacity to invest in opportunities identified through the strategic planning program; and (c) prefeasibility funds to reimburse, up to $10,000 per study, potential investors for their costs of prefeasibility studies related to these investment opportunities.

An assessment of both Components indicates that none of the proposed activities will have a significant negative impact on the physical or natural environment and USAID/J recommends that the Project be given a negative determination requiring no further environmental review. Further, the Project qualifies for categorical exclusion under 22CFR216.2(c)(2)(x) and (xiv). Component I provides support for intermediate credit institutions to assist in the capitalization of the institution and Component II develops the capability of the recipient country to engage in development planning.

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FOR JIM HESTER, LAC/DR FROM FRANK MORRIS, ACTG. DIRECTOR

E.O. 12356: N/A
SUBJECT: THE IEE FOR THE AGRO-INDUSTRIAL DEVELOPMENT
PP AMENDMENT: TYPE 32-0081

1. THE SUBJECT IEE PREPARED BY TRIDIB MUKHERJEE AND DAVID KNIGHT IS ACCEPTABLE TO ME.

2. REQUEST AID/WASHINGTON APPROVAL ON THE SUBJECT IEE. (DRAFTED: ADIR/FMORRIS, APPROVED: ADIR/FMORRIS) WARNE

(13)

Partial Listing of Tentative Subsectors and Related Commodity Groups

Subsector	Commodity Groups	ByProducts	Related Subsectors
Grains	Corn Rice Sorhgum Soya	Milling of rice to produce chicken and cattle feed	Dairy Irrigation
Dairy	Milk Meat	Cheese Butter	Processing, Packaging, Pastures, Grains
Citrus	Oranges Bananas	Oils for flavoring; Fresh drink; Juice; canning of sections.	International Markets
Edible Oils	Coconut Peanut Sunflowers Palm Oil	Animal Feed	Processing, Packaging
Aquaculture	Shrimp Tilapia	Cage culture Fresh water & salt water schrimp	Water Resources Marketing Infrastructure
Nut Trees	Cashew Pecan	Spices	Marketing
Animals	Beef Swine Goats Rabbit	Milk Meat	Packaging, Processing Storage & Grading
Food Processing	Packaging Technology	Metalized pouches	Adequate supplies from production subsectors
Coffee	Blue Mountain	Roasted before sold	Marketing

Subsector	Commodity Groups	ByProducts	Related Subsectors
Vegetables	Potato Cucumber Tomato Okra	Pickles Potato Chips	Packaging Marketing
Root Crops	Cassava Yam	Cassava Chip Flour Animal Feed	Dairy
Ornamental Horticulture	Anthuriums	Cut Flowers Potted Flowers	Production Marketing