

**UNCLASSIFIED**

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

GRENADA

**PROJECT PAPER**

GRENADA AGRICULTURAL SECTOR REVITALIZATION

AID/LAC/P-180

Project Number: 543-0005

**UNCLASSIFIED**

|  |  |                        |                                  |
|--|--|------------------------|----------------------------------|
| <b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b><br><b>PROJECT DATA SHEET</b> | <b>1. TRANSACTION CODE</b><br><input type="checkbox"/> A = Add<br><input type="checkbox"/> C = Change<br><input type="checkbox"/> D = Delete<br><input checked="" type="checkbox"/> <b>A</b> | Amendment Number _____ | <b>DOCUMENT CODE</b><br><b>3</b> |
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|                                     |  |
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| <b>2. COUNTRY/ENTITY</b><br>GRENADA | <b>3. PROJECT NUMBER</b><br><input type="checkbox"/> 543-0005 <input type="checkbox"/> |
|-------------------------------------|--|

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|---|--|
| <b>4. BUREAU/OFFICE</b><br>LATIN AMERICA & CARIBBEAN <input type="checkbox"/> 05 <input type="checkbox"/> | <b>5. PROJECT TITLE (maximum 40 characters)</b><br>GRENADA AGRICULTURAL<br><input type="checkbox"/> SECTOR REVITALIZATION <input type="checkbox"/> |
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|  |   |
|--|---|
| <b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b><br>MM DD YY<br>0   1   3   1   8   6 | <b>7. ESTIMATED DATE OF OBLIGATION</b><br>(Under 'B.' below, enter 1, 2, 3, or 4)<br>A. Initial FY <input type="checkbox"/> 8   4 <input type="checkbox"/> B. Quarter <input checked="" type="checkbox"/> 4 C. Final FY <input type="checkbox"/> 8   4 <input type="checkbox"/> |
|--|---|

| 8. COSTS (\$000 OR EQUIVALENT \$1 = ) |             |         |           |                 |         |           |
|---------------------------------------|-------------|---------|-----------|-----------------|---------|-----------|
| A. FUNDING SOURCE                     | FIRST FY 84 |         |           | LIFE OF PROJECT |         |           |
|                                       | B. FX       | C. L/C  | D. Total  | E. FX           | F. L/C  | G. Total  |
| AID Appropriated Total                |             |         |           |                 |         |           |
| (Grant)                               | ( 1,390 )   | ( 574 ) | ( 1,964 ) | ( 1,390 )       | ( 574 ) | ( 1,964 ) |
| (Loan)                                | ( )         | ( )     | ( )       | ( )             | ( )     | ( )       |
| Other 1.                              |             |         |           |                 |         |           |
| U.S. 2.                               |             |         |           |                 |         |           |
| Host Country                          |             | 355     | 355       |                 | 355     | 355       |
| Other Donor(s)                        |             |         |           |                 |         |           |
| <b>TOTALS</b>                         | 1,390       | 929     | 2,319     | 1,390           | 929     | 2,319     |

| 9. SCHEDULE OF AID FUNDING (\$000) |                         |                       |         |                        |         |                                |         |                    |         |
|------------------------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| A. APPROPRIATION                   | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE |         | D. OBLIGATIONS TO DATE |         | E. AMOUNT APPROVED THIS ACTION |         | F. LIFE OF PROJECT |         |
|                                    |                         | 1. Grant              | 2. Loan | 1. Grant               | 2. Loan | 1. Grant                       | 2. Loan | 1. Grant           | 2. Loan |
| (1) ESF                            | 170                     | 010                   |         |                        |         | 1,964                          |         | 1,964              |         |
| (2)                                |                         |                       |         |                        |         |                                |         |                    |         |
| (3)                                |                         |                       |         |                        |         |                                |         |                    |         |
| (4)                                |                         |                       |         |                        |         |                                |         |                    |         |
| <b>TOTALS</b>                      |                         |                       |         |                        |         | 1,964                          |         | 1,964              |         |

|  |                                   |
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| <b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b><br>050                      075 | <b>11. SECONDARY PURPOSE CODE</b> |
|--|-----------------------------------|

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| <b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> |  |  |  |  |  |  |  |  |  |
| A. Code   |  |  |  |  |  |  |  |  |  |
| B. Amount   |  |  |  |  |  |  |  |  |  |

**13. PROJECT PURPOSE (maximum 480 characters)**

a) re-establish a policy environment which provides positive incentives to private agriculture sector entrepreneurs to employ requisite levels of labor and capital in farming and agro-industry;

b) build technical and managerial capacity in the private sector producer cooperative associations to provide cost-effective services to members for production (e.g. input supply, pest control) and marketing (e.g. alternative sales channels, value-adding activities);

c) to strengthen the capacity in the Ministry of Agriculture to provide essential sector support services, notably planning and policy formulation and technology development and diffusion.

|   |   |
|---|---|
| <b>14. SCHEDULED EVALUATIONS</b><br>Interim    MM YY    MM YY    Final    MM YY<br> | <b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b><br><input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____ |
|---|---|

**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

|                        |  |   |
|------------------------|--|---|
| <b>17. APPROVED BY</b> | Signature<br>WILLIAM B. WHEELER <i>William B. Wheeler</i><br>Title DIRECTOR<br>REGIONAL DEVELOPMENT OFFICE/<br>CARIBBEAN | <b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b><br>Date Signed<br>MM DD YY<br>0   7   28   8   4 |
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11

PROJECT AUTHORIZATION

NAME OF COUNTRY: Grenada

NAME OF PROJECT: Grenada Agricultural Sector Revitalization

NUMBER OF PROJECT: 543-0005

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agricultural Sector Revitalization for Grenada (the "Grantee") involving planned obligations of not to exceed One Million Nine Hundred Sixty Four Thousand United States Dollars (\$1,964,000) in grant funds ("Grant") over a one month period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is eighteen months from the date of obligation.

2. The Project consists of assistance to the Grantee in a program to provide funds for the revitalization of the Grenada agricultural sector. Specifically, the program is designed to: a) assist the Government of Grenada to establish a policy environment which offers positive incentives to private farmers and agro-industry firms and b) strengthen the Ministry of Agriculture and private producer associations to provide essential support services to the private agricultural sector. Support will include the provision of long and short-term technical assistance; the establishment of a divestiture facilitation fund; the provision of fertilizer to farmers through the Grenada Cocoa Association and the Grenada Banana Cooperative Society; the creation of a pest management unit in the Ministry of Agriculture; and rehabilitation of St. George's central market facilities.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegation of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate: ..

A. Source and Origin of Commodities

Commodities financed by A.I.D. under the Project shall have their source and origin in Grenada or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Grenada or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

B. Conditions Precedent to Disbursement

(1) First Disbursement. Prior to the first disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which

disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that the Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement of the name of the person holding or acting in the office of the Grantee; and of any additional representatives, together with a specimen signature of each person specified in such statement;

(2) Disbursement for Divestiture Facilitation Fund. Prior to any disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for the Divestiture Facilitation Fund Component of the Project, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) Evidence of establishment of a task force, with requisite, adequate operational responsibilities, to implement this Project component; and

(b) Evidence of establishment of detailed criteria for the selection of sub-grantees and detailed procedures for payment and accountability of the funds disbursed for this Project component.

(3) Disbursement for Pest Management Unit Component. Prior to any disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for the Pest Management Component of the Project, except for technical assistance to design this component, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that an environmental assessment/risk analysis has been completed for all pesticides proposed for use by the pest management unit and procedures established to assure that no unreasonable risk exists with regard to the use of pesticides for this Project.

### C. Special Covenants

Fertilizer Distribution. The Grantee, except as A.I.D. may otherwise agree in writing, shall, prior to distribution to growers of bananas or cocoa of any fertilizers funded under this Agreement, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of a Memorandum of Understanding between the Grantee and the Grenada Banana Cooperative Society and between the Grantee and the Grenada Cocoa Association, as appropriate,

which contain the specific terms and conditions under which individual banana growers or cocoa growers may be eligible to receive the fertilizers provided. This Memorandum of Understanding shall contain, among other things, minimum levels of field husbandry, volumes of fertilizers to be made available, and prices to be paid in cash or credit.

D. Waiver

I hereby approve procurement of four project motor vehicles in an amount not to exceed a total of \$40,000 from A.I.D. Code 935 source/origin.

  
William B. Wheeler  
Director

23 July 1984  
Date

Clearances

RLA:TCarter    (In Draft)  
AADO:SSzadek    \_\_\_\_\_  
C/DR: POr r    (In Draft)  
CONT:RWarin    (In Draft)  
CPO:KFinan    (In Draft)

GRENADA AGRICULTURAL SECTOR REVITALIZATION PROJECT

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LIST OF ACRONYMS

|         |   |
|---------|---|
| ADO     | Agricultural Development Officer  |
| BDD     | British Development Division  |
| CARDI   | Caribbean Agricultural Research and Development Institute                 |
| CDB     | Caribbean Development Bank  |
| CDSS    | Country Development Strategy Statement                                    |
| CIAT    | Centro Internacional de Agricultura Tropical                              |
| CIDA    | Canadian International Development Assistance                             |
| CIF     | Cost Insurance and Freight  |
| CRSP    | Collaborative Research Support Program                                    |
| DFE     | Divestiture Facilitation Fund   |
| ESF     | Economic Support Fund   |
| GBCB    | Grenada Banana Cooperative Society  |
| GCA     | Grenada Cocoa Association   |
| GDP     | Gross Domestic Product  |
| GOG     | Government of Grenada   |
| IBRD    | International Bank for Reconstruction and Development                     |
| IICA    | Institute for International Cooperation in Agriculture                    |
| IITA    | International Institute of Tropical Agriculture                           |
| MNIB    | Marketing and National Importing Board                                    |
| MOA     | Ministry of Agriculture   |
| NPK     | Nitrogen, Phosphorus and Potassium  |
| PMU     | Pest Management Unit  |
| RDO/C   | Regional Development Office/Caribbean                                     |
| USAID/G | United States Agency for International Development/<br>Mission in Grenada |

I. SUMMARY AND RECOMMENDATION

A. Recommendation

1. Funding

The Project Committee recommends that the Mission Director, Regional Development Office/Caribbean (RDO/C) approve a \$1,964,000 Economic Support Fund (ESF) Grant to the Government of Grenada (GOG) to finance over an eighteen month period the activities described in this Agricultural Revitalization Project.

Due to the interim political situation, the current agricultural slump in Grenada, and the need to initiate project activities as soon as possible, the ESF Grant funds have been programmed without the specificity usually afforded Development Assistance financed projects. The detailed implementation plan for sub-project activities will be finalized by USAID/Grenada (USAID/G) and the Grantee in consultation with the technical assistance team. Disbursements for sub-project activities will only be made upon USAID/G's acceptance in writing of adequate implementation arrangements. Conditions Precedent to disbursement for sub-project activities to this effect are included in the Grant Agreement.

2. Geographic Code

The Project authorization will specify that, except as AID may otherwise agree in writing:

a. Goods and services financed by AID under this project shall have their source and origin in countries included in AID Geographic Code 000 or Grenada; and,

b. Ocean shipping financed by AID under this Project shall be only on flag vessels of the United States or Grenada unless AID otherwise agrees in writing.

3. Waiver

A vehicle waiver is included in the authorization package.

B. Summary Project Description

The goal to which the Project will contribute is increased productivity and incomes of private sector agricultural entrepreneurs and workers in Grenada. The purpose of the project is (a) to establish a policy environment in Grenada which offers positive incentives to private farmers and agro-industry firms and (b) to strengthen the capacity of the Ministry of Agriculture (MOA) and private producer associations to provide essential support services to the private agricultural sector.

The sub-purpose of the project is to further the process, already underway within the Government of Grenada, of reducing public participation in, and regulation of, agricultural production and marketing. Programs will be executed to (a) divest government ownership of farms and agri-businesses, (b) curtail government participation in and regulation of commodity markets, and (c) establish majority control of producer cooperative associations to democratically elected member representatives. A large amount of technical assistance will be provided to the Government of Grenada to help formulate and execute these policy reform programs.

Going hand-in-hand with the technical assistance being provided to these programs will be the funding of a set of four sub-project activities necessary either to (a) support the implementation of the policy reform programs or (b) foster public acceptance of the reforms. In order to assure continued public support for the GOG and its programs of structural reform necessary for longer-term prosperity, some evidence of immediate economic benefit is necessary, especially in the area of employment. Those sub-project activities not directly tied to supporting the implementation of policy reform will either create immediate employment or provide tangible agricultural productivity improvements.

The sub-project activities are listed below and explained in detail under the main project description section:

- (a) Divestiture Facilitation Fund.
- (b) Enhanced Fertilizer Use in Major Crops.
- (c) Pest Control Services.
- (d) Market Facilities Rehabilitation.

#### C. Summary Findings

The Project Committee has determined that the proposed Project and its sub-activities can be implemented within an eighteen month period. During Project design, the Interim Government of Grenada was already underway in preparing policy reforms and committed to seeing these implemented where possible ahead of scheduled elections. Ample private sector capacity is already in place to improve productivity and expand output once a feeling of confidence and the right economic signals are restored. Ministry of Agriculture capacity to provide essential services is limited but sufficient, with adequate advisory help, to undertake a small number of sub-activities that will enhance this capacity as well as promptly benefit farmers. Finally, the Project meets all Agency Statutory Criteria.

#### D. DAEC Concerns and Design Guidelines

PID development and DAEC review of the PID identified the following issues which were analyzed by the Project Committee during Project design (see Annex A: PID Review Cable). These issues and the outcome of the analysis are summarized here.

##### 1. Capacity of Private Sector Organizations to Participate in Project Activities

The economic, social and institutional analyses (see Part V) have surfaced ample evidence that private sector organizations (notably the

producer cooperative associations and agro-businesses) have engaged actively in production and marketing activities in the past and have the capacity to do so in the future. Selected sub-project activities have been designed to directly assist private sector organizations further strengthen their capacity to offer production and marketing services to the large private farm population.

2. Capacity of MOA in Programming, Budgeting & Personnel Management

The institutional analysis, Annex H, revealed that the staffing level of the Ministry of Agriculture is thin. This impacts on the number and quality of technical personnel available to carry out Project objectives. It was also found that upgrading the current level of expertise in programming, budgeting and personnel management is highly desirable. The MOA is expected to fill key vacant positions with qualified counterparts in order to maximize the productivity of the proposed technical assistance prior to the arrival of the consultants. The Project will provide short-term technical assistance in programming, budgeting and personnel management in addition to the long-term core advisory staff.

3. Capacity of MOA to Institutionalize & Underwrite Recurrent Costs of Project Activities

The institutional analysis reveals that weaknesses in manpower capability and finances within the MOA greatly constrain its capacity to assume new on-going activities beyond its current mandate. The likelihood of more than modest MOA budget increases in the near future, is remote. It is the Project strategy, therefore, to help the MOA reallocate its manpower away from activities in which it has no valid role (e.g., state farms, input and crop purchase/sales) and use these technicians in activities supported by this Project (e.g. pest management unit). Moreover, some Project funds will be given by the MOA as sub-grants to producers' associations to assist them in providing immediate production inputs to growers and in the provision of technical assistance needed to lower the associations' operational cost.

4. Economic and Social Constraints to Private Sector Participation in Project Activities

Aside from low labor productivity which derives from technological problems to be addressed by this Project, farmers appear to have the production capacity and the market orientation conducive to active participation in expanded agricultural production once a supportive policy environment and healthy economic outlook is restored, with reduced Government of Grenada participation in and regulation of agricultural production and markets.

5. Responsiveness of National Marketing Board to Market Forces

The policy initiative occurring in Grenada, both independently and through this project, such as support for divestiture and the improved operations in cooperatives, will result in the Marketing Board's repositioning itself as it relates to market forces.

## II. PROJECT RATIONALE AND DESCRIPTION

### A. Rationale

#### 1. Agricultural Sector in Historical Perspective

The island of Grenada, including the dependencies of Carriacou and Petite Martinique, has a land area of 133 square miles and a population estimated at 92,000 persons. The terrain is extremely rugged and the tropical maritime climate is characterized by a distinct rainy season (July - December) with the remaining months relatively dry. The island was formed by volcanic action and has fairly rich soils. Approximately 70 percent of the land area is considered arable, however, because of the steep slopes, much of the land is suitable only for tree crops.

The combination of these natural resource conditions provide an environment especially conducive to the production of spices and other tropical tree crops. Grenada is the second largest producer of nutmeg and mace (after Indonesia) supplying about one-third of world production. The country's cocoa production is of high quality, commanding a premium price in international markets. Bananas are also a major export commodity and help constitute what must be considered a relatively diversified agricultural base for a small country.

Agriculture is the principal sector in the economy; it employs over one third of the labor force, constitutes about one fifth of the Gross Domestic Product, and accounts for 40 percent of export earnings. Four products alone -- banana, cocoa, nutmeg, and mace -- represent about 75 percent of the sector's value added, while other fruits and spices, sugarcane and rootcrops account for most of the remaining 25 percent.

Apart from the approximately 5,000 acres within the state-owned and managed farms, most farms in Grenada are small and privately owned. There are about 8,200 farms with 90 percent of all holdings being less than 5 acres. In addition, there are approximately 7,000 rural farm households that produce fruits and vegetables for home consumption. The typical farm produces a variety of commodities consisting of the principal export commodities grown in mixed stands, as well as fruits, vegetables, and livestock primarily for domestic consumption.

The last four years of economic and political uncertainty have taken their toll on the agricultural sector. Most notably the uncertainty relative to the future of privately owned farms and agribusinesses has led to decreasing amounts of private investment capital going into agriculture. As a result, agriculture and agro-industry have stagnated and income from major export crops (cocoa, bananas, nutmeg) has been declining. Total agricultural production declined almost 7 percent in 1983, alone.

Another consequence has been a negative and widening trade balance. In 1978 goods imports were 2.2 times goods exports and by 1982 the ratio had risen to 3.8. While outwardly, this may appear to be an alarming

trend, in fact much of the import deficit is attributable to capital imports for public sector infrastructure development (e.g. the new airport) which are financed by loans and grants. Of course, this trend must be reversed soon by an expansion of exports or the country's foreign indebtedness will rise to unmanageable levels.

The recent general downturn in the Grenadian economy and the visible deterioration of agricultural output, exports and incomes appear to have been further aggravated by cyclical factors. Prices for some of the country's export crops are currently low and their impact along with that of the course of recent political events has shaken the confidence of Grenada's private producers.

What allows room for optimism in Grenada is a deep rooted historical heritage of diversified private farming which remains in place and capable of contributing to quick recovery and sustained agricultural growth once incentives are restored and confidence in the future is justified. The large number of private farmers in Grenada are experienced in taking risks in a small island nation exposed to the arbitrariness of natural and economic events. The diversified crop base, market orientation, high literacy levels and receptiveness to change and innovation of Grenada's farm population give the island a reasonably good capacity to recover from adverse periods such as the one the country has recently traversed. (See Section V, Economic and Social Analysis, for a description of the country's agricultural structure and a profile of the Grenadian farmer).

One need only look to the recent past to see this capacity to recover from the impact of natural and man-made events. The devastating hurricanes of 1955 and 1970 and the turmoil of independence in 1974 were all followed by rapid recovery of agricultural production. (See Section V, Economic and Social Analysis). While there was Government support to farmers in the form of production credits and grants as well as some marketing arrangements, in each case it was the private farm sector which, without Government intervention, restored the country's production base.

This human and natural productive capacity remains in place today and the land, market and agricultural structures are largely unchanged. This inventory of human and natural resources is currently underutilized. The private farm sector remains ready, however, to restore productivity, production, profits and incomes. With modest amounts of assistance in addressing the economic, technical, institutional and financial constraints to production, the country can position itself to take advantage of markets for its traditional export crops as well as to move into production for export and domestic consumption of new crops for which markets are also promising.

## 2. Analysis of Constraints

A number of donor analyses and individual studies (AID, IBRD, CDB) have been conducted recently on the performance of Grenada's economy in general and the agriculture sector in particular. While approaching Grenada's

economy from different perspectives, these analyses share a common view that there are policy, technical, institutional and financial constraints which require attention as part of any program to remobilize the productive capacity of Grenada's agricultural producers.

a. Policy Constraints

The most notable impact on the agriculture sector since independence one decade ago, has been the growing Government intervention in and control of agricultural production and markets. Many of the policies established during this period undermined private initiative and created an environment of uncertainty. The specific agricultural policies which created this situation include:

- Acquisition of agricultural land from private owners (in some cases without compensation) for the purpose of establishing state-managed enterprises and regulating land sales so as to create an environment of uncertainty among private cultivators with respect to investments in their farms.
- Establishment of the Marketing and National Importing Board (MNIB) with sole authority for importation of some basic items such as foods, tires, fertilizers, cement, etc., and participation in the local purchase, transport and retailing of fruits and vegetables.
- Government domination (through the appointment of a majority of the members of the Boards of Directors) in the affairs of private producer-owned cooperative commodity associations.
- Creation and management of public agro-industrial enterprises most of which operated at losses thus draining public sector revenues needed for essential services of research, extension, information, land titling, etc.

Of course, LDC Governments are often involved in regulation of land use, product markets, and input distribution and they often participate in production and marketing alongside the private sector. In Grenada, however, Government intervention and controls have been more disruptive than constructive because rapidly shifting policies created an environment of uncertainty that has reduced private sector incentives to invest. The thin layer and limited technical training of Government employees have led to mismanagement of public enterprises and services. In summary, the public sector has been over-extended in its efforts to direct the course of the nation's economy and could best contribute by withdrawing from direct economic activity and market regulation in order to focus its limited technical manpower on essential services to open commodity markets (e.g. market information, basic market facilities) and boost agricultural productivity (e.g. research, extension).

b. Technological Constraints

A second constraint in growing evidence is the decline in productivity among the country's large number of private sector farms. Disincentives to re-invest in agriculture have led to poor husbandry of the Country's nutmeg and cocoa tree crops and banana plantations with a resulting decline in yields. Diseases and pests are on the rise while soil fertility and land improvements (e.g. drainage) deteriorate. Large tracts of land are idle and farm roads are poorly maintained. Combined, these technical constraints have hobbled the country's capacity to ride out poor market years and respond to strong market incentives because of poor yields, low production and high per unit costs.

An examination of current agricultural practices reveals that Grenada is not taking advantage of some of the latest technologies available to boost crop yields and reduce production costs. Chemical fertilizers are applied without any prior analysis of soil fertility. Such soil analyses are vital to efficient use of costly imported petroleum-based chemical fertilizers. Improved pasture planting material is available in other countries which could be tested to improve animal nutrition and stabilize soils in Grenada and its outer islands of Carriacou and Petit Martinique. Biological and cultural controls of diseases and pests need to be considered along with current expensive chemical pesticide applications. Improved plant and animal genetic material is also available to Grenada and can contribute to expanding production of both traditional and non-traditional crops for domestic and export markets.

c. Institutional Constraints

During the past several years, the Government of Grenada has involved the Ministry of Agriculture, as well as other Government agencies, in crop and livestock production, in wholesale and retail marketing of commodities and inputs, and in a variety of agro-industrial activities. As a result of this policy, routine service functions in research and extension, soils, pest management, etc., were neglected. Because of ideological differences many trained agriculturalists left the country during this period. Events following October 1983 led to further reductions in Ministry staff.

During the past several years, the public sector investment program placed a heavy burden on public sector finances. This led to financial neglect of some of the traditional departments of the Government which are responsible for the provision of needed agricultural sector services. The net result has been a serious debilitation of the public services available to the private agricultural sector coupled with a simultaneous expansion of Government-subsidized production activities.

Private agricultural producers and entrepreneurs look to the public sector for certain essential services. These services include land title registration/survey and mapping services, research and extension services, provision of soil testing facilities, high quality plant and seed

materials, provision of crop projection services, climatological information, market news, and clear policy guidelines for private sector activities in the economy.

In addition to the Ministry of Agriculture, the agricultural sector depends also on policies and procedures within the Ministries of Trade, the Ministry of Finance and Planning and the Banks that are providing agricultural credit. Although the Ministry of Agriculture has a planning unit, most of the policies, procedures, program selection and project design activities are handled by inexperienced staff and many critical positions are currently unfilled.

A relative low level of productivity in agriculture can also be partially traced to weak capacity of the Government to develop and deliver improved technologies because of:

- i. low level scientific expertise among Government technicians;
- ii. lack of planning and organization to provide technical inputs and support services for production and marketing;
- iii. lack of a systematic approach to research, technical problem solving within the sector; and
- iv. lack of a well organized approach to technology transfer.

d. Financial Constraints

Available evidence suggests that the agricultural sector is decapitalizing as farmers await the outcome of current political trends. Little reinvestment has taken place in the last five years either from revenues generated by crop sales for export or by borrowing from the public and private banking system. At the same time, crop productivity has fallen and per unit costs have risen at the very time prices of all three major crops -- cocoa, nutmeg and bananas -- have been in a cyclical downswing. Operating fund reserves of the producer associations have been depleted or are tied up in excess stocks in efforts to sustain prices and keep costs down for producer members.

The amount of investment capital available in the banking system is unclear, but likely to be limited; most banks have large shares of their assets tied up in public bonds which were issued to finance ambitious infrastructure projects (such as the new airport) and new industrial ventures. With crop export sales down, Government revenues are tighter and less available for public financing. Some farmers have outstanding debts against their land titles and are ineligible for further borrowing; others are reluctant to borrow until the domestic and international market conditions are improved.

Some capital might be generated by farmers willing to sell off some lands to improve the rest. Some capital could be repatriated by Grenadians anxious to return with savings earned abroad and a desire to invest in Grenadian farming, commerce or light industry at home. However, current Government regulations on the sale of land -- which must currently be considered on a case by case basis -- appear to unduly hinder repatriation of capital and reinvestment in farm improvements. With the passage of time, capital needs will rise with requirements for land clearing and replanting on the one hand and as current rising production costs and low yields deplete farmers' net revenues and remaining savings on the other.

### 3. Project Rationale

The Government of Grenada is clearly committed to a set of policies that will foster a free-enterprise market-driven economy in which private sector initiative will have ample scope to operate. The GOG has underway already plans to withdraw from intervention in and control of the economy, particularly where it has little expertise to do so effectively. Land is being returned to owners, the Marketing and National Import Board (MNIB) monopoly and monopsony powers are being scrutinized for reform and Government technicians are being redeployed to function in technical service rather than managerial control capacities.

This Project is designed to induce these policy changes where they are not already in process. This Project also will provide assistance to assure the institutional, technical and financial underpinnings of the agriculture sector are put back in place to assure these policies will have the desired effects on producer's willingness and capacity to restore growth in crop production for export and domestic markets.

The activities proposed for funding by the Project are selected on the basis of their contribution to repositioning Grenadian agriculture as a competitive producer of what the country exports and consumes domestically.

Because the MOA will continue to assume the leadership in preserving and effectively utilizing the country's human and natural resources, sub-project activities have been designed to build the institutional capacity to perform in that role. Specifically, information gathering and analysis to monitor the sector's performance will be supported as will diagnosis and recommended measures for dealing with plant disease and pest problems. The Project will also serve as a vehicle to enhance MOA relationships with regional (e.g. CARDI) and international (e.g. CIAT, IICA, IITA) agencies and U.S. research institutions (e.g. Denver Wildlife, Small Ruminants CRSP) with technologies appropriate for testing and selecting for adaptation to Grenada's growing conditions.

There is ample evidence, though largely circumstantial at present, that some producers and agro-industry investors will need access to financing to rehabilitate farms or businesses divested by the state. A Divestiture Facilitation Fund will be made available. To provide subgrants to individuals willing to make immediate investments aimed at financing productivity of divested farms.

4. Relationship to the Government of Grenada Strategy

Grenada has been under a situation of political and economic uncertainty for many years and is currently in a period of extraordinary transition which began when late Prime Minister Bishop was placed under house arrest on October 13, 1983, leading to the military intervention by U.S. and OECS forces. Immediately following cessation of military action, the Governor General of Grenada, Sir Paul Scoon, formed an Interim Government to serve until elections can be held late in 1984. Because the installation of an elected Government is anticipated so quickly, the Interim Government of Grenada (GOG) has adopted a set of national objectives which reflect the concerns of broadest possible consensus of Grenadian society, including:

- reduction in the level of unemployment;
- improvement in the generation and utilization of foreign exchange resources;
- examination of the tax structure to increase public sector savings;
- maintaining and making essential improvements in the nation's social and economic infrastructure;
- stimulating economic growth by encouraging the involvement of all economic groups in the process; and
- minimizing the nation's external debt burden.

To make measurable progress in fulfilling these objectives, the Government is giving high priority to the growth of agriculture. The economic and social development of Grenada is closely linked to investment and growth in the agricultural sector. The Government of Grenada believes that the development of the sector is closely related to resolving the perceived disincentives for private investment and intends to deal with these problems by initiating actions required to:

- return lands to their original owners and/or offer fair compensation for all acquisitions;
- provide supportive technical assistance for increased production by the private sector;
- promote existing and potential private sector investors in farming and agribusiness;
- expand services available to farmers such as seed and plant propagation and distribution pest management services improved market information; reduce Government-appointed members of Boards of producers' associations to levels consistent with original legislation; and assist the associations with management.

The Interim Government expressed a need to act quickly to expedite the turn-around from the centrally planned economy that was being established by the People's Revolutionary Government, to the desired free-enterprise open economy. This Project is designed to assist this process and has been worked out with the Minister of Agriculture and key staff members of related Ministries to implement this Interim Government strategy.

The Government of Grenada objectives outlined above, have the singular theme of returning the economy to a private sector oriented, market directed, free enterprise system. Grenada will require assistance from the international financial institutions and the donor community in order to implement the strategy which has been outlined. The Project is intended to strengthen key Government offices which will be charged with making policy recommendations, analysis, planning, and implementation of programs required to achieve the strategy.

##### 5. Relationship to Agency and Mission Strategy

The fundamental strategy objective of the Regional Development Office/Caribbean's agricultural assistance activities, as presented in the FY 83 CDSS, is to increase the per capita output of food and other marketable commodities and to expand employment opportunities for rural families, thereby increasing farm family incomes. The proposed bilateral project in Grenada will contribute to that regional objective.

The elements of RDO/C's overall agricultural strategy correspond to constraints in the major functional areas of the agricultural sector, i.e. production, planning/policy, marketing, input supply/credit, rural infrastructure and institution building. RDO/C is supporting activities through regional institutions aimed at resolving certain problems in each of these functional areas. Regional projects in agricultural research (through CARDI) and agricultural extension (through MUCIA) have both been amended to fully incorporate Grenada into their ongoing activities.

Not all problems, however, are amendable to regional intervention. The specific policy problems and fundamental restructuring of many agricultural sector activities in Grenada require a bilateral approach as well. Moreover, the effectiveness of regionally supportive services is very dependent on national capacity to implement programs offered by regional and international institutions. Events in the recent past have severely weakened Grenada's capacity to tap external sources of assistance to the sector. RDO/C, therefore, is not proposing any major change from the elements of the agricultural strategy presented in the FY 83 CDSS, but rather proposes to utilize bilateral assistance to Grenada to complement ongoing regional activities and to engage aspects of specific problems that are inappropriate for regional solution.

The proposed Project is totally consistent with RDO/C's overall agricultural assistance strategy. In addition to complementing ongoing regional efforts, the bilateral nature of the Project will enable AID assistance to focus on immediate high priority needs of Grenada, increase the

capacity of the Grenadian Government to more effectively absorb available development resources, and promote needed policy modifications aimed at placing the private sector in a position to respond to economic incentives in agriculture.

In addition, those aspects of the Project dealing with divestiture of public enterprises, agro-industrial development, market development and other areas, will be closely coordinated with the Project Development Assistance Program (PDAP). The PDAP Project has been amended to provide a Resident Advisor in Grenada and 15 person-months of short-term technical assistance. As appropriate, that assistance will be used to examine, for example, the issue of the marketing of traditional products, possible private sector interest in agro-industrial investment, etc.

#### B. Objectives

Goal. The project goal is to increase the productivity and employment of private agricultural sector entrepreneurs and workers in Grenada, thereby increasing rural incomes.

Purpose. The Project purpose is to:

- a) re-establish a policy environment which provides positive incentives to private agriculture sector entrepreneurs to employ requisite levels of labor and capital in farming and agro-industry;
- b) build technical and managerial capacity in the private sector producer cooperative associations to provide cost-effective services to members for production (e.g. input supply, pest control) and marketing (e.g. alternative sales channels, value-adding activities); and
- c) to strengthen the capacity in the Ministry of Agriculture to provide essential sector support services, notably planning and policy formulation and technology development and diffusion.

The shared view of the GOG and RDO/C is that Grenada's agricultural development should be private sector oriented and led. However, there is a definite role for the government. That role is primarily one of setting appropriate policies and creating a stable environment which is conducive to private sector investment and effort. The government also has a legitimate role in providing services to support the private sector such as basic infrastructure, research and extension services, policy formulation and information on sector performance. At the same time, farmers themselves have found it cost-effective to arrange for production and marketing services through the cooperative associations of which they are members.

#### C. Project Elements

Because of the urgent need to move forward, particularly with regard to the Government of Grenada effort to examine a number of policy issues, RDO/C has decided to proceed in two phases. Phase I is already providing limited but critical support for a four month period, and is already

underway using Project Development and Support funds to initiate project activities in policy analysis and reform. Phase II will undertake the program outlined in this document and is an eighteen month effort designed to be fully mobilized in 1984 and continue through January, 1986.

This two-phase approach enables RDO/C to respond rapidly and sustain this assistance over the life of the Interim Government and into the first nine to twelve months after the elected Government of Grenada assumes power.

Given the diversity and complexity of the policy and institutional factors constraining Grenada's agricultural development and the very real issue of absorptive capacity, the proposed project will focus on those activities which will have the greatest fundamental impact on policies and institutions of the agriculture sector, and by implication on farm income and production.

During PP design the Interim Government already had underway a program by which recently acquired Government farms are being returned to their former owners. Similar steps are being taken to address on a case-by-case basis the divestiture of Government owned agro-industries and to re-evaluate the role and function of the Marketing and National Importing Board. Phase I activities under PD&S funding will help advance these programs, and personnel and budgets released by the phase-down of selected activities will be utilized to strengthen other essential activities in the Ministry of Agriculture and other Government agencies.

The Project strategy under Phase II is to assure that the country's private producers and agro-industrial firms are capable of responding to the new policy environment resulting from the reduction of Government participation in and regulation of agriculture production and marketing. To create the base so that private initiative can respond to this new policy environment, the project will sponsor a small number of discrete sub-project activities under the leadership of the Ministry of Agriculture and the provision of a technical and management consultant team made up of two long-term resident persons supported by additional short-term technical specialists (See Annex G for Scope of Work). This team of long-term and short-term specialists will consult with the Government of Grenada in the formulation of policies and plans in the agriculture sector and assist with the implementation of the sub-projects which have been identified to strengthen the institutional capacity of the MOA and cooperative associations and the financial capacity of farmers and agro-industrial firms.

#### 1. Technical Assistance Component

Two long-term technical advisors will be resident in Grenada over the eighteen month life of project. Their main function will be to:

- (a) Assist the Ministry of Agriculture with the divestiture of Government owned farms and agri-businesses;

- (b) Perform agricultural policy analysis and draft policy action memoranda as directed by the Minister of Agriculture;
- (c) Develop methods to collect and store data necessary for policy analysis;
- (d) Investigate means and propose solutions for improving the marketing of the four major agricultural commodities presently produced (nutmeg, cocoa, bananas and minor spices);
- (e) Investigate means and propose solutions for improving the marketing of food crops for regional markets;
- (f) Identify market opportunities for non-traditional agricultural products;
- (g) Recommend ways to improve the efficiency and lower the cost of the cooperative commodity producer associations;
- (h) Recommend how the Marketing and National Importing Board (MNIB) can be restructured to divest those responsibilities that can best be performed by the private sector and to recommend ways to improve the efficiency of those functions remaining under its control; and
- (i) Promote, in conjunction with the PDAP project, new agri-business investments.

In close collaboration with the two long-term resident advisors will be short-term technical assistance brought in on an as-needed basis. It is anticipated that persons with special agronomic skills as well as persons in financial management may be required to increase the efficiency of the cooperative commodity associations and the restructured MNIB. Some assistance may also be needed on agri-business opportunities, to the extent that it is not being provided under the PDAP project. The majority of the short-term assistance, however, will be identified as project implementation progresses and the Government of Grenada, contractor and USAID/G determine scopes of work with greater specificity.

Technical assistance will also play a major role in the implementation of the sub-project activities. These activities and their technical assistance implications are summarized below.

## 2. Sub-Project Activities

The sub-project activities are designed to ensure achievement of policy reforms by providing the means to expand private sector involvement in agriculture, increase productivity and promote employment. Additionally,

public support for Government initiatives is promoted by the use of quick impact public awareness activities.

a. Divestiture Facilitation Fund

i. Problem: The divestiture by the Government of Grenada of commercial farming and agri-business operations is an essential action required to establish creditability for policy reforms now being promulgated by the Interim Council. However, divestiture is a complex undertaking that requires careful analysis, multiple administrative and legal tasks, and willing investors able to assume ownership of these assets. While the Government of Grenada has initiated work for divestiture and has in fact accomplished the return of some farm lands to former owners, it is not clear that this is sufficient to achieve the immediate increase in the productivity of those assets that is desired by the Government of Grenada. This is because the newly re-vested owners frequently have neither the financial means nor the incentive to quickly invest in productivity enhancing activities. Activities typically required on returned farms, for example, involve labor intensive work to clear brush from cocoa, weeds from banana, open field drainage ditches, apply disease control measures, and fertilize. Having been denied income from these farms for at least the past four years, and in the face of currently low commodity prices, re-vested owners lack ready cash for needed work and are perceived as high risks for short-term production credit facilities. Moreover, there is some degree of a "wait and see" attitude among farmers in general, in light of the perceived "un-settled" political situation.

A similar problem potentially exists with respect to the divestiture of state-owned agri-businesses. While no sale or transfer of assets of state-owned agriculturally related firms has yet been accomplished, at least two such firms are likely to be sold to private investors in the near future. As in the case of land, simple changes of ownership are unlikely to be sufficient in themselves to bring about the enhanced productivity desired. In most cases, buyers of these firms will need to immediately accomplish extensive maintenance and repair to equipment, replenish essential inventory of raw material, and re-establish normal commercial links with suppliers and distribution agents. As in the case of returned land, it is unlikely that the new owners of agri-business firms have ready cash or incentives to quickly accomplish the enhanced productivity desired.

There are additional impediments to divestiture of state-owned firms that limit the pace and creditability of the process. Among these impediments are issues relating to the Government's ability to meet its administrative and legal responsibilities prior to sale, and otherwise winding-down affairs of a state-owned firm in an orderly manner. This may include settlement of pay for discharged workers, establishment of clear titles to assets, specific encumbrances on those assets, accomplishing specialized technical and financial appraisals, arranging for actual auction or tendering, and other tasks required for actual transfer of ownership from the state to private investors. It is clear that one of the most troublesome

and potentially explosive issues related to divestment or dissolution of state owned firms is the almost certain dislocation of a portion of workers now employed by these firms. Therefore, this issue must be explicitly addressed, and every attempt should be made to create alternative employment for displaced workers.

In sum, the issues related to accelerating the divestiture of state owned farms and agri-business firms are not rooted only in inappropriate Government of Grenada policies, but also involve practical resolution of specific problems. These practical problems include some the Government must accomplish to enable sale, and some the buyers must accomplish to attain the desired gains in productivity. Underlying all of this is the essential need to move expeditiously and aggressively to foster the creditability of the policy reforms away from state ownership of productive enterprises.

ii. Proposed Response: This project will provide the Ministry of Agriculture with a grant in the amount of \$400,000 to establish a special fund to be known as the "Divestiture Facilitation Fund" (DFF). The Ministry will utilize the DFF to make sub-grants, as maybe required, to accomplish the quick, smooth, and productive divestiture of state owned farms and agricultural firms. Each divestiture undertaking will be appraised on a case by case basis to determine the need and justification of DFF sub-grants.

The DFF will be a short-term and extra-ordinary activity of the Ministry of Agriculture to be executed and totally disbursed prior to March 31, 1985. Responsibility for the award of DFF sub-grants will rest jointly with the Minister of Agriculture and the Chairman of the Task Force to be established for the purpose of advising the Government of Grenada on the disposition of state owned farm land. It will be the responsibility of the Task Force referred to above for appraising each divestiture action, for determining the need and justification for grant assistance, for recommending the amount and utilization of all grants deemed justified, and for certifying correct application of any sub-grants provided. The Task Force will be assisted by resident technical assistance personnel provided under this project.

Given the purpose and extra-ordinary nature of the DFF, it is intended that the Task Force and Minister be given wide latitude to use their judgement and specific knowledge in making sub-grants from the DFF. Therefore, sub-grants may be awarded for any purpose that directly enables transfer of farms or firms from state ownership to private ownership, or directly enables the acquiring private owners to expeditiously rehabilitate the productive capacity of these farms and firms that typically have suffered from neglect while under Government control. However, sub-grants awarded from the DFF will be subject to the following guidelines:

a) No sub-grant may be awarded for aquisition of capital equipment, buildings, or machinery, but will be limited to expenses for labor, services and repairs, consumable inputs, or other costs of an immediately productive nature;

- b) No sub-grant or series of sub-grants to any enterprise or individual may exceed the amount of \$30,000;
- c) All sub-grant awards must be approved and work initiated by the Grant recipient on or before 12/31/84, and all work for which the sub-grant was awarded must be completed on or before 3/31/85;
- d) All sub-grants awarded will require the recipient to contribute a portion of the cash cost of the work to be performed, and in no case shall the amount of the sub-grant exceed two-thirds (67 percent) of the actual expense incurred.

Implementation of the DFF will be accomplished under the general guidance of the Minister of Agriculture, and will be operated directly by members of the Task Force who may be assisted by other persons, including USAID funded technical assistance personnel, as directed by the Minister. This is feasible since the number of sub-grant recipients are relatively small and procedures are purposely simple. The Task Force will make its appraisal of a divestiture activity on the basis of a plan of work proposed by the prospective sub-grant recipient. The work plan will specify the location, type, and extent of work to be accomplished, and will specify the expected cost by line item. Upon the recommendation of Task Force and the approval of the Minister, then the sub-grant recipient will be given a firm written commitment of a specific grant amount based on his/her work plan. Actual payment of the sub-grant will be made upon Task Force certification of work accomplished and Task Force certification of the amount of cash expended to accomplish the work. It is anticipated that the Task Force will in most cases make progress payments to sub-grant recipients based on work accomplished on a weekly or bi-weekly basis. In this way, DFF sub-grants will be both timely and allow for prudent oversight and accountability.

iii. Resources Required: The Ministry of Agriculture has the personnel and administrative capacity to establish, operate, and account for special purpose funds. A specially appointed Task Force to advise on the claims settlement of Government owned/controlled land is to be established and its scope of responsibility can be appropriately expanded to oversee the DFF. This project is providing resident technical assistance to the Ministry, and among other work, is available to assist with the implementation of the DFF. Therefore, the primary resource proposed for USAID financing to carry out this sub-project activity is a cash grant to the Ministry in the amount of \$400,000. This amount is recommended because there is about 5,000 acres of farm land expected to be returned to former owners or otherwise divested. and eight agri-business firms that should be either sold or simply dissolved. Sub-grants to private investors purchasing agri-business firms or Government agencies divesting these firms is expected to require about \$75,000. Therefore, most of the sub-grants are expected to be provided to individuals acquiring state farms for the purpose of field/crop rehabilitation. The amount of \$325,000 would allow an average grant of \$65 per acre for 5,000 acres expected to be involved.

b. Enhanced Fertilizer Use In Major Crops

i. Problem: Production and exportation of both cocoa and bananas are of fundamental importance in Grenada. Cocoa is the most important crop in Grenada, accounting for annual sales over \$5 million or 40 percent of total export earnings. Bananas account for an additional \$3.5 million of export sales. Typically, the crops are grown in "mixed stands" and exact acreage is difficult to ascertain. Estimates put "pure stand equivalent acres" at 10,000 for cocoa and 3,500 for bananas. This acreage is tended by approximately 6,000 farmers, most of whom grow both crops.

Yields per acre are low in Grenada for both crops in comparison to other producing countries in Africa and Latin America. This low productivity is attributed to several factors, but the most frequently mentioned reasons are: (a) the high cost of labor, and (b) the high cost of commercial inputs. Hence, the appropriate cultural practices like weeding, pruning, etc. which require intensive labor are not well attended; likewise, insufficient levels of fertilizer and disease control inputs are applied.

The situation is made worse by recently depressed prices received by growers. In the case of cocoa, the world market price is severely depressed (e.g. adjusted for inflation, world cocoa prices are currently less than 50% of the 1977 price and 30 percent lower than prices in 1980). Banana prices on the other hand have been currently rising on the United Kingdom market. However, due to the sharp drop in the relative value of the pound sterling vis-a-vis the Eastern Caribbean dollar, prices received by Grenada banana and cocoa growers have been very low. Thus, Grenadian farmers have had neither the profits nor the incentive to invest in improved production. Moreover, in recent years, there has been grower dissatisfaction with the management and operations of the Grenada Cocoa Association (GCA) and Grenada Banana Cooperative Society (GBCS) and uncertainty with regard to land tenure policies of the government. As a result of this combination of factors, the Grenada cocoa and banana industries are caught in a low productivity/low profitability cycle which if left unattended can only worsen. Given the paucity of alternative enterprises, Grenada can ill afford to passively allow the traditional mainstays of its economy to erode.

Some action is already underway to boost the cocoa and banana industries in Grenada. With funding assistance from CIDA, a major effort to establish 5,000 acres of new cocoa plantings with improved varieties is targeted to be accomplished by 1990. With BDD funding assistance, 300 acres of bananas are expected to be planted in the next 12 months. Both of these projects are correctly aimed at boosting production and productivity at the farm level, and should achieve a major impact in the medium to long-term. The more immediate problem, however, is finding a way to achieve greater productivity on the plantings already established. The key to this problem is getting the 6,000 individual growers to take the decision to bring the existing 10,000 acres of cocoa and 3,500 acres of bananas up to proper and profitable husbandry standards.

ii. Proposed Response - The quickest way to get significant production increases in cocoa and bananas is to apply recommended levels of fertilization to fields that are substantially free of weeds and disease. Therefore, it is proposed that AID funding be used to procure 1,350 metric tons of NPK fertilizers to be made available to individual cocoa and banana growers on a grant basis, subject to certain conditions described below.

(a) Cocoa: Recommended fertilizer levels of cocoa in Grenada calls for annual applications of 2 pounds of NPK (12:8:24) per mature tree. Based on estimates of 10,000 acres at 300 trees per acre, then 6,000,000 pounds or 2,700 metric tons of NPK is recommended. Effective demand for cocoa fertilizer in the recent past has amounted to only about 1,500 MT/year, or about one-half the recommended rate. Cocoa growers purchase fertilizer, on credit, from the GCA and payment is deducted by the GCA from growers sales receipts. The prices paid by growers is about \$15 per 50 kg. bag which is the full commercial cost. Typically, growers apply fertilizer to cocoa twice per year, once in May and once in October. Therefore, the GCA has historically ordered two shipments annually, each of about 750 MT.

A key condition for cost-effective use of fertilizer is to minimize the growth of weeds, brush, and vines within the cocoa fields. Many growers have, in the recent past, neglected this crucial aspect of field husbandry.

As an incentive to re-establish improved field husbandry, cocoa growers will be offered the opportunity to receive extra fertilizer provided they have satisfactorily weeded and prepared their fields.

It will work as follows. For each bag of fertilizer purchased by a grower during the period September - December 1984, he/she will be eligible to receive an equal amount of AID funded fertilizer free. In effect, this is the same as selling fertilizer at half price during this period. To be eligible however, the grower will have satisfactorily demonstrated, in the opinion of an authorized GCA or Ministry of Agriculture employee, that his/her field is substantially free of weeds. The GCA field inspector will also verify the number of cocoa trees to be fertilized, and therefore establish the maximum amount of fertilizer any individual grower may be eligible to receive. The GCA has adequate field personnel to accomplish this verification responsibility. It is believed that the combination of improved field husbandry and application of fertilizer at recommended rates will increase physical yields of cocoa by at least 20 percent for calendar year 1985. This implies that export sales, at current prices, would amount to about \$850,000 more than 1984. For the individual grower whose recent production has been 400 lbs. of cocoa per acre, he/she can expect to harvest 480 lbs. per acre, with gross sales increasing from about \$300/acre to \$360/acre.

b. Bananas: Recommended fertilization of bananas in Grenada calls for annual applications of 3 lbs. of NPK (16: 8:24) per plant. Based on estimates of 3,500 acres being in banana production, then 7,350,000 pounds or 3,280 metric tons of NPK is recommended. Effective demand

for banana fertilizer in recent years has amounted to only about 1,600 MT per year. Banana growers are supplied fertilizer through the GBCS. The GBCS withholds an amount of money from all bananas sold by growers (known as a "pre-paid cess") so that each grower accumulates a credit which he/she can then claim in the form of inputs, mostly fertilizer. Growers are charged the full commercial cost of fertilizer, currently about \$15 per 50 kg. bag.

Although the "pre-paid cess" is a practical and sound method that enables growers access to fertilizer, it does not allow for production increases. This is because the "cess" is directly proportional to production so as production of bananas go downward, less fertilizer is made available which contributes to even less production in the next cycle. In this way, most Grenadian banana producers are caught in a self re-enforcing downward spiral of productivity. What is required is an intervention to break this spiral, and boost productivity upward.

Toward this end, banana growers will be eligible to receive extra fertilizer during the period September 1984 to February 1985. For each bag of fertilizer purchased by a grower during the specified period, he/she will be eligible to receive an equal amount of AID funded fertilizer free. As in the case of cocoa, this in effect will enable the GBCS to sell fertilizer at half price. The amount an individual grower may receive is based on the amount of "pre-paid cess" he/she has on account with the GBCS, which in turn is directly proportional to historical production. As in the case of cocoa, banana growers will be required to demonstrate that proper field husbandry, including moko disease control, is being accomplished. It is believed that by enabling growers to apply recommended levels of fertilizer during the period indicated, banana yields will increase by at least 25 percent in calendar year 1985. Therefore, annual export sales can be expected to increase by about \$875,000 over 1984. For the individual banana grower, fruit yield would increase from 4 tons per acre to 5 tons per acre, with gross sales increasing from about \$650 per acre to \$820 per acre.

iii. Resources Required: Since both the GCA and the GBCS have well established systems and facilities to distribute fertilizer to individual cocoa and banana growers; and given that growers already demonstrate demand for fertilizer to the limit of their resources, then the provision of the fertilizer itself is the only AID funded resource required.

The total amount of fertilizer to be procured with AID funding amounts to 1,200 metric tons. This amount is equal to the amount that the cocoa and banana growers are expected to purchase during the six month period beginning in September 1984. Specifically, 675 MT of NPK formulation, as designated by the Ministry of Agriculture, will be delivered to the GCA; and 525 MT of NPK formulation, as designated by the Ministry of Agriculture, will be delivered to the GBCS.

Both types of fertilizer are estimated to cost \$330 per MT, CIF St. George's from U.S. supplies. Funds in the amount of \$400,000 have been budgeted for this procurement.

c. Crop Protection Services

i. Problem: Pests and disease are major problems for all farmers in Grenada. For cocoa alone, field surveys conducted in 1981 found that 40 percent of all cocoa trees were infested by at least one pest and account for financial losses approaching \$1 million annually. Leaf-spot and Moko diseases and root-knot nematodes are major pests in bananas and effective control is attained at very high cost to banana growers. The Grenada Cocoa Association (GCA) and Grenada Banana Cooperative Society (GBCS) together spend a total \$450,000 on pests control on an annual basis. This amounts to about 25 percent of the association's total annual budgets.

In other crops, including fruits and vegetables, insect damage and disease are prevalent and their effect can be observed in most fresh commodities offered for sale in Grenada. For example, almost all mangoes and avocados are discolored by the presence of Anthracnose (*Colletotrichum gloeosporioides*) appearing as black spots, and being particularly harmful to possible export sale of these fruits. Green peppers, another potentially exportable commodity is also effected by the same fungus resulting in lesions and fruit rot. Local market crops, leafy vegetables and cabbage are found to be defoliated to varying degrees by periodic insect attacks. Moreover, a common complaint by farmers is the damage by rats in sweet potatoes, peanuts and other root crops. This pest damage to potential exports and widely grown domestic market crops is a significant factor in the low yields and low quality of Grenada produce.

With the exception of the efforts of the GCA and GBCS, there are almost no other pest and disease control services in Grenada. The Ministry of Agriculture is charged with the responsibility to monitor the incidence of pest infestations, to educate farmers on pest control techniques, to implement pesticide safety regulations, and to stimulate availability of appropriate pest control services. In addition, the MOA is responsible for the whole range of activities related to plant and animal quarantine and phyto-sanitary certification with regard to agricultural commodities imported and exported. The above responsibilities notwithstanding, the Ministry in fact has no organized unit to carry out these functions nor the budgetary resources to establish such a unit.

ii. Proposed Response: A Pest Management Unit (PMU) will be established and operationalized within the Ministry. A small group (4 to 6) of current employees will be re-assigned to the newly established PMU, one of whom has a B.S. Degree in Agricultural Science and has completed limited short-term training in pest control management. With AID Grant Funding Assistance, the PMU unit will be supplied with vehicles, sprayers and other field equipment, and training required to assume duties. Day-to-day technical assistance and on-the-job training will be provided to the unit by an expert funded under this grant. Short-term technical assistance to accomplish specific assessments of existing or proposed pest control methods will be provided with AID Grant funds.

The efforts of the Pest Management Unit will also be directed at three basic purposes:

(a) To ensure optimal effectiveness and efficiency of pest control activity in the state.

(b) To minimize hazards to the public health and economic industries that may be introduced by importation of contaminated commodities or inappropriate use of pesticides.

(c) To provide selected pest control services in selected crops not being serviced by the private sector, e.g. fruits and vegetables, or where clearly exogenous benefits accrued to the state, e.g. national rat control campaigns.

It is anticipated that the PMU will increase the cost-effectiveness of current pest control activities of the GCA and GBCS; reduce the risk of inadvertent introduction of new pests into Grenada (which is especially critical in light of new international airport); and assist fruit and vegetable growers achieve higher yields and better quality commodities through more effective pest control.

iii. Resources Required: The Ministry has staff available, some of whom were previously assigned to now idle state-owned enterprises, who can be re-assigned to establish the Unit. AID Grant funds will be used to procure needed equipment, provide short-term training, and secure selected long and short-term technical assistance. Long-term technical assistance for day-to-day guidance to the Unit will be provided by an expert entomologist funded by this AID Grant.

Specifically, AID grant funds will be used to purchase:

|   |               |
|---|---------------|
| - 4 vehicles @ \$10,000                                 | \$ 40,000     |
| - 6 motorized back-pack<br>sprayers @ \$750             | 4,500         |
| - 12 manual sprayers @ \$150                            | 1,800         |
| - Other associated application<br>Equipment and tools   | 1,200         |
| - Protective clothing and<br>safety equipment           | 1,000         |
| - 6 person months of short-term<br>training             | 18,000        |
| - 15 person months of long-term T.A.                    | 150,000       |
| - 3 person months of short-term<br>technical assistance | 30,000        |
| - Contingency @ 7.5%                                    | <u>18,500</u> |
|   | \$265,000     |

d. Marketing Facilities Rehabilitation

i. Problem: The majority of fresh fruits and vegetables sold in St. George's flow through the public market in the city center. About three hundred market vendors, mostly women, regularly use the Central Market as their principal place of business and attend to several thousand food buyers who weekly frequent the market. The vegetable market is in an advanced stage of disrepair, represents potential public health dangers and impedes the orderly execution of market transactions. The Ministry of Health has declared the market to be unsanitary and has recommended a set of specific actions to reduce the incidences of accumulated filth, the infestation of rats, and other potential sources of food contamination like leaky roofs and poorly maintained toilet facilities. In addition to the issue of sanitation, it is evident that poor structural maintenance contributes to ineffective use of available market space, as when unrepaired lighting or unrepaired security barriers cause certain available spaces to be unused by both vendors and buyers.

Given the important function of the central market, the frequency with which a large proportion of the St. George's population visit the market, and the policy of the Government to encourage private sector food marketing; it is essential that the physical market facilities be maintained to acceptable levels of sanitation and to accommodate efficient levels of utilization. Moreover, market rehabilitation is a high priority of the Government of Grenada, not only because of the contribution to public health welfare and economic function, but also because market rehabilitation will be a highly visible indication of the Government's commitment to providing services for private sector trading.

ii. Proposed Response: The project will provide a grant to the Ministry of Agriculture in the amount of \$124,000 to pay for goods and services to repair and rehabilitate the public market in St. George's. This work will include:

- Installation of 6 additional water taps with sinks suitable for washing vegetables;
- Installation of 8 high-volume water hydrants, with hose connections, suitable for routine cleaning and drain flushing operations;
- Inspection and repair of about 1,200 ft. of storm drainage channels;
- Replacement of about 1,400 sq. ft. of galvanized roofing;
- Replacement of about 1,000 ft. of roof gutters;

- Replacement of about 20 lighting fixtures;
- Replacement of 6 toilet bowls with sewage connections;
- Replacement of about 1,000 sq. ft. of heavy gauge wire mesh;
- Clean, prepare, and paint approximately 15,000 sq. ft. of roof and extension surfaces;
- Clean, prepare, and plant approximately 12,000 sq. ft. of interior surfaces; and
- Resurfacing and sealing about 15,000 sq. ft. of cement floors and trading areas.

In addition, a modest supply of cleaning and maintenance tools (e.g. brooms, shovels, hoses, etc.), will be procured to enable routine housekeeping to be thoroughly executed.

As a result of these actions, it is expected that generally sanitary conditions in and around the market will be achieved, the incidence of rats and other pests will be significantly reduced, and better utilization of existing space facilities will be accomplished.

iii. Resources Required: The Ministry of Agriculture is the Agency responsible for the operations and management of public food markets. A small staff is assigned to oversee the rental of space to vendors and perform routine cleaning facilities. The MOA does not have the staff to perform major repair and maintenance activities. Therefore, all of the market rehabilitation work will be contracted to private Grenadian firms selected by the Ministry through normal tendering procedures.

The Ministry of Construction is currently preparing the plans and specifications for each work task, suitable for inclusion in IFB's. The Ministry of Agriculture will select the contractor and the Ministry of Construction will supervise and certify work accomplished. USAID grant funds in an amount up to \$124,000 will be provided to the Ministry of Agriculture to pay for market rehabilitation on a cost reimbursement basis.

III. COST ESTIMATES AND FINANCIAL PLAN

Total Project cost is estimated at \$2.319 million of which AID Grant funds account for \$1.964 million. AID funds will be used to finance the technical assistance team which will contribute to policy formulation as well as the implementation of the sub-project activities. The technical assistance is estimated at \$.650 million.

The four discrete sub-project activities are inclusive of commodities, equipment, labor, and are estimated at \$1.189 million. The remaining \$.125 million is budgeted for evaluation and contingency. A summary cost estimate by category of expenditure is presented in Table 1.

The two Project Development and Support (PD&S) funded consultants who will participate in the implementation of this project as indicated in the Implementation Plan, Table 2, do not contribute to the total project cost as stated above. They are on contract to AID to assist in fulfilling AID's project management role.

TABLE 1  
Estimated  
Summary Project Costs  
by Expense Category and Source of Funding  
(\$ '000)

| <u>Expense Category</u>                      | <u>FX</u>    | <u>AID<br/>LC</u> | <u>Total</u> | <u>GOG/Total</u> | <u>Total</u> |
|--|--------------|-------------------|--------------|------------------|--------------|
| 1. <u>Technical Assistance:</u>              |              |                   |              |                  |              |
| a. Policy Advisor                            | 200          | -                 | 200          | 25               | 225          |
| b. Marketing Advisor                         | 200          | -                 | 200          | 25               | 225          |
| c. Other Short-Term                          | 150          | -                 | 150          | 25               | 175          |
| d. Support Equipment                         | <u>100</u>   | <u>-</u>          | <u>100</u>   | <u>50</u>        | <u>150</u>   |
| Sub-Total                                    | 650          | -                 | 650          | 125              | 775          |
| 2. <u>Sub-Project Activities:</u>            |              |                   |              |                  |              |
| a. Divestiture Facili-<br>tation Fund        | -            | 400               | 400          | 50               | 450          |
| b. Enhanced Fertilizer<br>use in major crops | 400          | -                 | 400          | 50               | 450          |
| c. Pest Control<br>Services                  | 265          | -                 | 265          | 100              | 365          |
| d. Market Facilities<br>Rehabilitation       | <u>-</u>     | <u>124</u>        | <u>124</u>   | <u>20</u>        | <u>144</u>   |
| Sub-Total                                    | 665          | 524               | 1,189        | 220              | 1,409        |
| 3. <u>Evaluation:</u>                        | 25           | -                 | 25           | 10               | 35           |
| 4. <u>Contingency/Inflation:</u>             | <u>50</u>    | <u>50</u>         | <u>100</u>   | <u>-</u>         | <u>100</u>   |
| Grand Total                                  | <u>1,390</u> | <u>574</u>        | <u>1,964</u> | <u>355</u>       | <u>2,319</u> |
|  | =====        | ====              | =====        | ====             | =====        |

IV. PROJECT IMPLEMENTATION AND MONITORING

Table 2 presents a detailed implementation plan for initiation of the technical assistance and sub-project activities of this Project. The unusually compact implementation time schedule will require close cooperation between USAID/Grenada, the Ministry of Agriculture, other participating Grenadian organizations and the technical assistance team to be hired for project implementation.

Immediately upon Project Authorization, Grant Agreement execution and satisfaction of initial Conditions Precedent, USAID/G will engage the full time services of an experienced Agricultural Development Officer (ADO) under long-term contract covering the life of the Project. This contractor will report to the General Development Officer, USAID/G. He/she will serve as Project Officer for the Project, except for those functions that require U.S. Direct Hire authority. The contracted ADO will devote almost all of his time to project management and monitoring. He/she will take primary responsibility for all procurement, including services and commodities. The contracted ADO will develop sub-project activities and implementation plans, and will participate in evaluations, assure financial accountability and provide technical guidance to the Project. He/she will be assisted, as needed, by other officers on the USAID/G staff as well as those from RDO/C and AID/W.

The first task under project implementation will be the procurement of technical assistance (TA). A draft scope of work for this TA is attached to this PP as Annex G. Because of the urgency to move on the issue of policy reform and divestiture, a temporary four month TA team is already working in Grenada under an Indefinite Quantity Contract (IQC) financed by Project Development and Support (PD&S) funds. The long-term TA team will continue the work begun by the temporary team. In order to keep the momentum begun by the IQC team, a waiver of the formal competitive negotiation procedures or utilization of an 8-A firm will be necessary. A waiver from the AA/LAC would be required on the grounds that rapid movement in policy reform and divestiture is required while the Interim Government is still in power. If expeditious progress is not made before the general elections scheduled for later this calendar year, the chances for meaningful policy reform might be greatly diminished. Once the long-term TA is incountry, hopefully by mid-September, 1984, the contracted ADO will shift some of his energies to sub-project procurements.

Two major categories of commodity procurement need to be undertaken. The first will entail the purchase of fertilizer for the cocoa and banana cooperative producers' associations. These will be Host Country procurements involving a solicitation of bids from U.S. suppliers. Whereas the Government of Grenada has adequate experience in fertilizer procurements, USAID assistance will focus on expediting the AID procurement requirements so that the October planting season can utilize the recommended amount of fertilizer. A waiver of formal advertising will be submitted to the Mission Director RDO/C and SER/COM will be requested to assist in requesting bids from appropriate suppliers.

TABLE 2

Detailed Implementation Plan

I. Technical Assistance

A. PD&S Funded Ag. Officer

- |  |      |
|--|------|
| 1. Short-term PIO/T signed by USAID/Grenada                | 7/25 |
| 2. Security clearance initiated                            | 7/27 |
| 3. Short-term contract negotiated and signed by<br>SER/COM | 8/10 |
| 4. Contractor arrives in Grenada                           | 8/24 |
| 5. Security clearance received                             | 9/21 |
| 6. Long-term PIO/T signed by USAID/Grenada                 | 9/21 |
| 7. Long-term contract negotiated and signed by RCO         | 9/30 |

B. Project Technical Assistance Team

- |  |      |
|--|------|
| 1. RCO cable to SBA requesting concurrence to<br>negotiate with 8A | 7/27 |
| 2. PIO/T drafted and signed by USAID/Grenada                       | 7/27 |
| 3. Initial CPs to disbursement met. (CP 4.1)                       | 8/30 |
| 4. Contract negotiated and signed by RCO                           | 8/31 |
| 5. Team arrives in Grenada   | 9/15 |

II. Sub-Project Activities

A. Fertilizer

- |   |       |
|---|-------|
| 1. Waiver of advertising signed by RDO/C                      | 7/27  |
| 2. Procurement specifications received from USAID/<br>Grenada | 7/27  |
| 3. Request for procurement assistance from GOG                | 7/27  |
| 4. Request SER/COM assistance in procurement by RDO/C         | 7/27  |
| 5. Bids requested by SER/COM on behalf of GOG                 | 8/01  |
| 6. Bids received and opened at Grenadian Embassy              | 8/24  |
| 7. Contract signed between Embassy and company                | 8/30  |
| 8. Fertilizer shipped from U.S. in bags                       | 8/31  |
| 9. Fertilizer received in Grenada                             | 9/30  |
| 10. Fertilizer distributed by GCA & GBCS                      | 10/15 |
| 11. Fertilizer spread   | 10/30 |

TABLE 2 (Con't)

B. Market Rehabilitation

|  |       |
|--|-------|
| 1. Plans for rehabilitation received from GOG      | 7/31  |
| 2. Plans approved by USAID/Grenada                 | 8/04  |
| 3. Advertisement for contractors in Grenada by GOG | 8/04  |
| 4. GOG prepares IFB                                | 8/15  |
| 5. Approval of IFB by USAID/Grenada                | 8/18  |
| 6. Distribution of IFB by GOG                      | 8/20  |
| 7. Evaluation of bids by GOG                       | 9/25  |
| 8. Approval of selected contractor                 | 10/01 |
| 9. Award of contract by GOG                        | 10/02 |
| 10. Advance processed by RDO/C                     | 10/10 |
| 11. Renovation begins                              | 12/15 |
| 12. Certification of work for final payment        | 12/31 |

C. Pest Management Unit

|   |       |
|---|-------|
| 1. PIO/T for PL&S funded short-term PSC with Botrell<br>USAID/Grenada | 8/01  |
| 2. Botrell arrives to begin implementation, do EA                     | 8/16  |
| 3. PIO/T for long-term advisor prepared by Botrell                    | 9/10  |
| 4. Waiver of formal competition for L/T PSC                           |       |
| 5. Environmental CP met (CP 4.3)                                      | 9/15  |
| 6. Long-term contract negotiated and signed by RCO                    | 10/31 |
| 7. Advisor arrives in Grenada   | 11/15 |
| 8. Equipment list drafted   | 12/15 |
| 9. Equipment procured using informal solicitation                     | 1/15  |

D. Divestiture Fund

|  |       |
|--|-------|
| 1. DFF Task Force established by GOG   | 8/01  |
| 2. Approval of task force by AID (CP 4.2.a)  | 8/02  |
| 3. DFF operational guidelines, sub-grant criteria,<br>& accounting procedures established by GOG | 8/15  |
| 4. Approval of DFF guidelines by AID (CP 4.2.b)  | 8/18  |
| 5. GOG request advance of DFF funds  | 8/19  |
| 6. Advance disbursed by Regional Controller  | 10/01 |
| 7. Sub-grant awards  | 12/31 |
| 8. Completion of tasks   | 03/30 |

The second set of commodity procurements will involve the Pest Control Services sub-project activity. These procurements will be more complicated and will be based on a detailed needs assessment. The long-term advisor under the pest management sub-activity will utilize experts as required under the blanket TA contract to help recipient organizations determine commodity specifications. The pest control commodities, which will not be ordered until after an Environmental Assessment has been completed, are not expected to arrive in Grenada until the Project is well into implementation.

The Market Facilities Rehabilitation sub-project activity will involve Host Country Contract(s) for renovation/construction services. The Government of Grenada has previous successful experience in this area and therefore their contracting procedures will be followed and USAID/Grenada will monitor the procurement process.

It is believed that the availability of a full-time contract Agricultural Development Officer devoted almost entirely to implementation oversight of the Project will be adequate to assure proper attention is given from the AID side. The provision of two resident TA contractors with ready access to short-term support under their blanket contract will assure adequate technical input. Management of the Project by the Ministry of Agriculture will be the responsibility of the Special Projects Coordinator who reports to the Minister. He will serve as the primary contact in the Ministry for Project affairs and coordinate Project activities among the various divisions of the Ministry, as well as the private commodity associations and the MNIB. The Special Projects Coordinator will work closely with USAID/G and the TA team to develop Project timetables and ensure that targets are met.

V. SUMMARIES OF ANALYSES

A. Economic Analysis

1. The State of Agricultural Production

While declining in importance, agriculture remains Grenada's major economic sector. Agriculture contributes -- 20 percent to GDP, employs 30 percent of the labor force, and accounts for 40 percent of exports.

The sector is encountering serious structural problems. A major cause for these difficulties is the dislocation caused by the demise of the estate system, a process which accelerated in the early 1970s, and the failure to replace it with an effective substitute. Some estates acquired by the government were divided into very small farms and distributed to persons lacking farm management experience, while others were kept under government control. The change in the tenure system was accompanied by an intensification of the population exodus from agriculture, particularly of young people. Moreover, the transition from the estate system was not accompanied by increased government support to small farmers. Hence, agricultural capital deteriorated.

Consequently, of particular importance at present is the need to reposition the agricultural sector in order that it may respond effectively to changes beyond the control of Grenada in the international markets for the country's main export crops. This involves restoring the sector's capacity to:

- a. increase production when world prices and markets are favorable;
- b. ride out periods of sagging world prices and shift export crop production mixes when appropriate;
- c. take advantage of markets for new crops where the country can produce competitively (e.g. spices); and
- d. substitute imports of food items that can be produced competitively by local farmers (e.g. coffee).

In the past, Grenada's agriculture sector has shown its capacity to respond to economic shocks -- internal and external. The sector recovered quickly from hurricane damage in 1955 and again, after the disturbances associated with Independence in 1974, showing its capacity to overcome hardships and restore previous production levels.

Farmers have learned to deal effectively with volatile export markets for their crops by cultivating two, three or more crops simultaneously. The 1981 Census of Agriculture, for example, reported that bananas, cocoa and nutmeg were all cultivated by most farmers able to produce any of these crops.

## 2. Constraints to Increased Production

There is mounting evidence that the agricultural sector has lost some of its capacity both to respond to short-term changes in market conditions and to expand output where long-term potential exists. The following are particularly notable signals of this declining capacity:

### a. Aging of Tree Crop Inventories:

The average age of nutmeg and cocoa trees has increased as farmers have cut back on replantings. The result is a declining productivity of the existing tree crops as well as a reduction in overall productive capacity as the tree population declines with the pace of tree die-offs exceeding that of newly planted trees coming into production. Banana yields have fallen and costs have risen notably because of aging plantations. This trend, now in motion, will take several years to reverse and several more to restore production; it takes 15 years from planting to peak production for cocoa and 20 years for nutmeg, and at least 18 months for bananas.

### b. Reduction in Cultivated Acreage:

Area under cultivation of export crops has declined as well. Land on Government farms has fallen into disuse and some private lands have not been replanted. Some of the land may now be planted to food crops by farmers lacking cash crop income to buy domestic foods. Again, several years will be required to restore these lands to cash crop production for export.

### c. Government Control of Agricultural Lands

While the Government of Grenada is seeking to divest lands, it, nonetheless constructively controlled 42 parcels of land (8,099 acres) at the time of the intervention. Many of these had been taken from their owners by the previous Government without compensation, although other parcels were owned by the Government free and clear of claims or liens by private citizens. The average size of these parcels is very large by Grenada standards and the land area controlled by the Government of Grenada constitutes a major portion of Grenada's arable land (about 10 percent). Some of these parcels were being farmed by the Grenada Farms Corporation (GFC), a public enterprise now employing 691 persons (many of whom were idle).

### d. Export Duties

Export duties have been imposed on the major agricultural commodities. As a percent of growers' prices, they ranged as high as 31 percent for nutmeg in 1983. While they had been levied to draw farmer incomes into the tax net, the duties, nevertheless, affect production negatively and have an adverse impact on employment opportunities.

### e. Aging of the Farm Population

According to the 1981 Agriculture Census (GOG - 1982), nearly 52 percent of the country's farm operators are over 50 years of age.

As suggested in the profile of the Grenadian farmer below, there appears to be a trend toward an older farmer/operator population, as the younger population opts for other sources of employment either for lack of land, less promise for remunerative employment or low prestige. As this older farm population retires from agriculture, it will take with it technical and management skills needed for production.

f. Mounting Pest and Disease Problems

There is an uneasiness that the country's major exports are facing growing problems from disease, pests and soil nutrient depletion. Cocoa is being hit by thrips and beetles, black pod and witches broom; bananas suffer from Moko disease. Bananas have relatively high soil nutrient requirements and are depleting soils at rates faster than farmers are currently willing or able to apply chemical fertilizers. Domestically produced food crops (potatoes, tomatoes and grains particularly) also face disease and pest problems for which there currently are no tested treatments or control services available to more than a handful of farmers. Declining yields caused by these technical problems have meant lower gross revenue and higher per unit costs for producers.

g. Labor Shortages

The 1981 Agriculture Census (GOG - 1982, p. 39) ranked labor shortages as the most severe economic problem which farmers reported in crop production. Alternative employment in tourism, construction and commerce, domestically or in occupations abroad, appears accountable for labor, particularly at planting and harvesting, becoming more scarce and more costly. Mechanization can go only part way in replacing labor on Grenada's hilly lands; needed are technical improvements in plant materials or cultivation practices to increase labor productivity to levels that will pay for its cost.

h. Credit Shortages

Lower prices, declining yields and rising per unit costs have squeezed farmers' capacity to finance the labor and input costs and crop establishment expenses -- particularly land clearing and planting of tree crops. At the same time, the producer associations have depleted much of their working capital reserves in efforts to soften the blow of low export prices on farmers. At the end of 1983, for example, the Nutmeg Growers' Association had much of its capital tied up in one whole year's inventory of stocks while the Banana and Cocoa Growers' Associations have depleted much of their reserves in supporting purchase prices and subsidizing input prices for their producers. In addition, the Government of Grenada banking system, at the end of 1983, appeared to have too little financial resources to come to the rescue of either the associations or the producers, a situation that in part, can be attributed to excessive Government borrowing from the banking system and the existence of the usury law. Finally, small farmers do not have the requisite collateral to secure credit.

i. Low Labor Productivity

The low labor productivity arises, in part from the reduced productive capacity of the soils and standing tree crops with which hired labor works. Bananas are a good example. Since plants are not currently being replaced and new stands established on fresh well fertilized soil, at an acceptable pace, the banana population is growing beyond its most productive age. The result at harvest is smaller, poorer bunches of bananas with undeveloped "hands" and blemished "fingers". Rejects of 25 percent in the field and 25 percent more at the boxing sheds were standard in 1983 compared to only 10 percent total of rejects some years earlier, when plants were replaced earlier and better cultivated. In sum, laborers are getting paid the same wage in 1983 to cut and haul 30 bunches of bananas, of which only about half are eventually selected for boxing. This compares to an equivalent of 90 percent when stronger stands of better yielding bananas were cultivated. Similarly the productivity of labor is lower in draining and cutlassing activities where it takes place in stands of older poorer yielding bananas or cocoa and nutmeg trees capable of producing less marketable output for the effort.

B. Cost-Benefit Analysis

This project has four main components, including (1) the provision of technical assistance in the form of two consultants, (2) the provision of input assistance to the commodity associations, (3) the establishment of disease control expertise in the Grenada Ministry of Agriculture, and (4) assistance to farmers to use lands productively that have been divested. Normally in undertaking cost-benefit analyses, costs are specified and benefits projected, and an internal rate of return is calculated. For this Project, however, benefits are extremely difficult to quantify especially for the technical assistance component. Moreover, there is a paucity of economic data in part attributable to a lack of skilled manpower in the Ministry of Agriculture.

Consequently, to demonstrate economic viability, with costs specified we calculated the annual benefit stream required to generate a 10 percent internal rate of return because the cost of capital in Grenada has been estimated at roughly that level. Annual benefits would have to total a little over \$300,000 a year to generate the requisite 10 percent return.

While domestic production data are unavailable, we do have export data for the various commodities, including bananas, cocoa, nutmeg, mace and fresh fruits. Exports totalled \$13.3 million in 1983. Nutmeg and mace with export receipts of \$4.4 million led the way followed by cocoa (\$4.2 million), bananas (\$3.0 million), and fresh fruits (\$1.7 million). Only a 2.2 percent increase in export receipts would be required to generate the requisite 10 percent rate of return. To achieve this increase, for example, banana exports would have to increase to 10.7 thousand tonnes, a level that would be still far less than the 14.1 thousand tonnes achieved in 1979. Similarly, cocoa exports would have to total 2.8 thousand tonnes, a level that was achieved in three of the four years during the 1978-81 period.

TABLE 3

Grenada Agricultural Exports  
(1982 data)

|                 | <u>Value</u><br>(Million US\$) | <u>Volume</u><br>(Tonnes) |
|-----------------|--------------------------------|---------------------------|
| Total           | 13.3                           | Not applicable            |
| Bananas         | 3.0                            | 8,711                     |
| Nutmeg and Mace | 4.4                            | 3,093                     |
| Cocoa           | 4.2                            | 2,404                     |
| Fresh Fruits*   | 1.7                            | 2,845                     |

C. Social Analysis

1. The Grenadian Farmer - A Profile

Evidence available from the 1981 Census of Agriculture and from a few other published sources reveal certain socio-economic characteristics about the Grenadian farmer which are important considerations in designing measures to assist him/her in overcoming technical and economic constraints to improved production. The following profile summarizes particularly relevant socio-economic characteristics to recognize.

a. The Grenadian Farmer is Small: (S)He cultivates an average of 2.5 acres of land if (s)he is a part-time farmer and at least 5 acres if (s)he is a farmer operator on a nearly full-time basis. He may rent additional land to cultivate but seldom cultivates under a share crop arrangement.

b. (S)He Cultivates Several Crops: It is common for the Grenadian farmer to cultivate a little nutmeg as well as some bananas and cocoa (the bananas serve as shade for cocoa in many areas); (s)he may also have some minor spices, vegetables and livestock for added cash income and home consumption along with yams, chickpeas and other staples. While such a diversified farm may be hard to manage efficiently, it helps spread risk of crop failure or poor market prices -- an important consideration in an open economy like Grenada's where world prices for exports are volatile.

c. The Grenadian Farm is Fragmented

The large number of small plots that make up a typical farm in Grenada pose an obstacle to the adoption of some management practices (e.g. pest management where area-wide application is most cost-effective). Some consolidation could be beneficial. Plots in different locations also reduce risks by inhibiting disease and pest dispersion as well as exploiting different micro-climates in this mountainous country.

d. The Grenadian Farmer is Aging

The average Grenadian farmer is 51 years old. There is much greater likelihood that (s)he is over 60 than under 30. This implies that (s)he has a rich history of farming experience on which to rely when conditions are severe or promising. At the same time, advancing age would make him/her reluctant to invest in expanding production of tree crops which require many years before production -- 15 years to peak production for cocoa and 20 years for nutmeg. Only by the attractive promise of steady profits in the long-run can young people be encouraged to enter farming.

e. The Grenadian Farmer is Often a Part-Time Cultivator

Two out of three farmers have sources of income in addition to crop or livestock production. These other sources of income are important to meet expenses during the long period between harvest of their export crops; farmers are also anxious to employ their labor during periods when they have no cultivation requirements. Off-farm income also can carry farmers through periods of bad crop prices and can provide capital for farm investments or to pay for inputs and hired labor if needed.

f. The Grenadian Farmer is Market-Oriented

The typical Grenadian farmer is a member of, or at least a supplier to, the major producer cooperative associations for the crops (s)he cultivates. (S)He is assertive in pressing those associations to assure him the best price possible for his crop at time of delivery and actively seeks the inputs and technical services (e.g. pest control) that the associations have to offer. In fact, it was largely due to pressures from the country's small producers that the major export crop cooperative associations for bananas, nutmeg and cocoa, came into being. On the other hand these associations may be granted a larger portion of the pie than appropriate, reducing the farmers' shares.

g. The Grenadian Farmer Responds to Technical Help

The Grenadian farmer appears to be a willing client for services of the sponsored association and has learned over the years that these associations can serve the farmer's interests by building up reserves in good market years so as to underwrite his inputs and support sales when conditions worsen. (S)He is also prepared to turn to these associations and to the Government for help in overcoming some of the technical constraints that alone (s)he is powerless to overcome, in order to improve yields and income. Among the most evident yield and income constraints to which he looks to Government and associations for help on are:

- i. market information on prices/quality of produce beyond Grenada;

- ii. better packaging arrangements for bananas;
- iii. improved pasture management for ruminant (sheep/goats) livestock;
- iv. pest and disease control;
- v. diagnosis of soil fertility and corrective recommendations;
- vi. agronomic practices and marketing procedures for new crops; and
- vii. higher yielding plant stock for both new export crops and new and traditional food crops.

In summary, the Grenadian farmer, though small, is a profit-motivated individual, assertive enough to seek income in or out of agriculture, and responsive to price incentives and technical improvements as long as the long-run and short-run financial risks can be averted.

## 2. Implications for Project Design

The economic, technical and social make-up of agricultural production and producers in Grenada suggests several considerations for Project design. The limiting factors at present appear to be: 1) technical constraints -- disease, pests, soils, plant stock -- on production which are resolvable by joint public (GOG) and private (producer cooperative association action); and 2) market distortions for land, credit and produce which are aggravated by a general uneasiness over the course of action to be followed by the Interim and soon to be elected Governments. Attention, then, should focus and address constraints to greater farm productivity and to freer market performance. Among specific measures are the following:

### a. Land Market Deregulation

Not only had the previous Government taken over farms to operate but it had also legislated regulations prescribing the use and disposition of lands by private producers. For example, farmers with more than 100 acres were forbidden by law from selling any land at all, perhaps to avoid capital flight or to prohibit "selling" lands to family members so as to give the appearance that farms were smaller than they were, in efforts to avoid expropriation.

Government controls, however, have precluded farmers from selling land to Grenadians anxious to return from abroad with savings enough to undertake farming on a small parcel of land near where they were raised. Thus, land sale regulation has cut off an inflow of badly needed foreign reserves and younger manpower with an interest in farming. Government regulation of land sales also crippled farmers' ability to sell off some land in order to raise money to finance improvements on their remaining holdings.

Given current limited commercial or public financing and sagging international markets and prices, the lack of recourse to land sales is crippling commercial producers' capacity to maintain their farm roads, drainage systems and replanting schedules with a resultant loss in crop yields, quality and market ability.

The current Government legislation regulating land sales and otherwise distorting land markets should be reviewed and reformed promptly. The deregulation of land markets and return of expropriated lands to owners should be a clearly stated policy objective of the new Government of Grenada. Guidelines to assure lands suitable for agricultural use end up in agriculture and are not diverted for other purposes is also essential.

b. State Land Redistribution

Because part-time farming is so popular (and practical) in Grenada, it would appear unnecessary to invest much time or manpower in assessing the "optimum" size at which Government-owned land should be parcelled out to farmers in order to provide them with a livelihood. Small one acre or even half-acre plots could be auctioned to farmers in units up to five or ten acres depending on how much land they already farmed and their capacity to manage more land productivity.

To accelerate transfer of these lands to private management and into productive use, GOG attention should focus on prompt surveying and titlement of these lands as well as on establishing mortgage mechanisms to allow access to these lands by farmers with limited cash to use as down payments. Follow-on credit, extension and input services for new land owners should also be planned by the Government and producer cooperative associations.

c. Participation of the Cooperative Associations

Because they already have a proven performance record and some technical capacity of their own, the producer cooperative associations should be looked to as important partners with the Government in conducting research on production constraints as well as in providing extension, credit, input delivery and marketing services to producer members. Policies to pursue in this partnership between the Government of Grenada and the associations would include:

i. Association participation in applied research coordinated by the Government would be contracted on a cost-reimbursement basis using funds from the Government of Grenada budget and donor sources.

ii. Input supply and market services would be charged to farmers at cost -- no subsidies would be encouraged.

iii. Purchases from farmer producers would be conducted at prices determined by the associations in consultation with the Government if their funds are used, with the objective of preserving operating reserves of the associations over the long run - thus the associations would be free to

help farmers in bad market years by keeping purchase prices high and drawing down reserves, and to assist farmers in good crop years by purchasing at prices that will allow reserves to be restored for future use.

The implementation of the above three policies would be the focus of technical assistance to the associations under this Project.

D. Institutional Analysis

The institutional analysis is attached as Annex H.

VI. CONDITIONS PRECEDENT AND COVENANTS

The following conditions and covenants will be included in the Grant Project Agreement:

A. Conditions Precedent to Disbursement

1. First Disbursement

Prior to the first disbursement under the Grant or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(a) An opinion of counsel acceptable to AID, that the Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement of the name of the person holding or acting in the office of the Grantee; and of any additional representatives, together with a specimen signature of each person specified in such statement;

2. Disbursement for Divestiture Facilitation Fund

Prior to any disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made for the Divestiture Facilitation Fund Component of the Project, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(a) Evidence of establishment of a task force, with requisite, adequate operational responsibilities, to implement this Project component; and

(b) Evidence of establishment of detailed criteria for the selection of sub-grantees and detailed procedures for payment and accountability of the funds disbursed for this Project component.

3. Disbursement for Pest Management Unit Component

Prior to any disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made for the Pest Management Component of the Project, except for technical assistance to design this component, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID, evidence that an environmental assessment/risk analysis has been completed for all pesticides proposed for use by the pest management unit and procedures established to assure that no unreasonable risk exists with regard to the use of pesticides for this Project.

4. Disbursement for Market Rehabilitation Component

Prior to any disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made for the Market Rehabilitation Component of the Project, the Grantee will, except as

the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

Evidence that detailed work plans, materials specifications, and cost estimates have been prepared and approved by the Ministry of Construction for all market rehabilitation activities to be accomplished with funds provided for this project component.

B. Special Covenants

1. Divestiture

The Grantee, except as AID may otherwise agree in writing, shall proceed with divestment of state-owned or controlled commercial farms and state-owned or controlled agri-business firms with all deliberate speed, with final procedural steps for all such divestiture to occur no later than June 30, 1985 or such other date as AID may agree to in writing.

2. Fertilizer Distribution

The Grantee, except as AID may otherwise agree in writing, shall, prior to distribution to growers of bananas or cocoa of any fertilizers funded under this Agreement, furnish to AID, in form and substance satisfactory to AID, evidence of a Memorandum of Understanding between the Grantee and the Grenada Banana Cooperative Society and between the Grantee and the Grenada Cocoa Association, as appropriate, which contain the specific terms and conditions under which individual banana growers or cocoa growers may be eligible to receive the fertilizers provided. This Memorandum of Understanding shall contain, among other things, minimum level of field husbandry, volumes of fertilizers to be made available, and prices to be paid in cash or credit.

VII. EVALUATION PLAN

A final evaluation of project activities will be conducted in November, 1985. The evaluation will assess the extent to which the objectives of the project have been achieved. More specifically, it will examine:

- (a) the project's success in facilitating agricultural policy definition in order to stimulate private enterprise development.
- (b) the impact, both actual and potential, of these policies on agricultural production and farmers' income;
- (c) the institutional capability of the Ministry of Agriculture to provide essential sector support services;
- (d) the progress made by the Government of Grenada toward divestiture of state owned enterprises; and
- (e) the impact of the fertilizer subsidy on increased output of banana and cocoa crops.

ACTION AID INFO AMB DCM

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INFO RUEBWN/AMEMBASSY BRIDGETOWN PRIORITY 4300

BT

UNCLAS STATE 076079

AIDAC

E.O. 12356 N/A

TAGS:

SUBJECT: GRENADA AGRICULTURAL SECTOR REVITALIZATION PID

1. THE BUREAU REVIEWED THE PID ON FEBRUARY 16 AND APPROVED IT SUBJECT TO MODIFICATIONS WHICH WERE COMPLETED ON FEBRUARY 17. THE MISSION IS HEREBY AUTHORIZED TO PROCEED WITH PP DEVELOPMENT AND APPROVAL IN THE FIELD, SUBJECT TO THE FOLLOWING GUIDANCE:

2. PROJECT STRATEGY: THE PROJECT PAPER SHOULD CLEARLY ESTABLISH THE FOLLOWING OBJECTIVES:

-- A; A SPECIFIC PROGRAM BY WHICH GOVERNMENT-OWNED LANDS MAY BE DIVESTED;

-- B, STEPS WHICH CAN BE TAKEN TO ASSIST THE NATIONAL MARKETING AND IMPORT BOARD BE MORE RESPONSIVE TO MARKET FORCES;

-- C; DIVESTITURE OF GOVERNMENT OWNED AGRO-INDUSTRIES AND STIMULATION OF A COMPETITIVE BUSINESS ENVIRONMENT. IN ACCORDANCE WITH THE REVISED PID, POSSIBLE AVENUES FOR MORE DIRECT PARTICIPATION IN PROJECT ACTIVITIES BY

PRODUCERS' ASSOCIATIONS OR OTHER NON-GOVERNMENTAL ENTERPRISES ACTIVE IN THE AGRICULTURE SECTOR SHOULD BE EXPLORED. THE PP SHOULD IDENTIFY PARTICIPATING PRIVATE SECTOR ORGANIZATIONS AND THEIR PRESENT ACTIVITIES, REQUIREMENTS FOR TECHNICAL AND MANAGEMENT ASSISTANCE, AND CAPABILITY FOR ASSUMING A MORE ACTIVE ROLE IN THE AGRICULTURE SECTOR.

3. PROJECT MANAGEMENT: GUIDANCE REGARDING THE ESTABLISHMENT OF A ADDITIONAL USAID/GRENADA POSITION FOR A DIRECT HIRE AGRICULTURAL OFFICER TO MANAGE THE PROJECT WILL FOLLOW IPTEL.

4. TECHNICAL ASSISTANCE: IN ORDER TO FULLY ADDRESS THE INSTITUTIONAL DEVELOPMENT OBJECTIVES OF THE PROJECT, THE PP SHOULD EXAMINE PRESENT NOA CAPABILITIES IN SUCH AREAS AS PROGRAMMING, BUDGETING, AND PERSONNEL MANAGEMENT TO DETERMINE THE NEED FOR SPECIAL ASSISTANCE IN THESE

| ACTION | INFO                                |
|--------|-------------------------------------|
| AGRI   |                                     |
| DIR    | <input checked="" type="checkbox"/> |
| A/DIR  | <input checked="" type="checkbox"/> |
| PROG   | <input type="checkbox"/>            |
| ECON   | <input type="checkbox"/>            |
| CONT   | <input checked="" type="checkbox"/> |
| RLA    | <input type="checkbox"/>            |
| CDO    | <input type="checkbox"/>            |
| AGRI   | <input type="checkbox"/>            |
| DATE:  | 03/16/84                            |
| TAKEN: |                                     |
| SIGN:  |                                     |

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AREAS. BASED ON THESE FINDINGS THE MISSION SHOULD INCLUDE A PUBLIC SECTOR MANAGEMENT SPECIALIST AS A PART OF THE TECHNICAL ASSISTANCE PROGRAM, AND IDENTIFY IN THE PP HOW MUCH ASSISTANCE WILL BE NEEDED FOR THIS ACTIVITY AND WHAT MIX OF LONG AND SHORT-TERM TA MAY BE MOST APPROPRIATE.

5. HOST COUNTRY COMMITMENT: IN VIEW OF THE LARGE AMOUNT OF LONG AND SHORT TERM TECHNICAL ASSISTANCE THAT THE PROJECT WILL PROVIDE, CONCERN WAS EXPRESSED OVER THE ABILITY OF THE GOG TO (A) INSTITUTIONALIZE THE INCREASED CAPABILITIES RESULTING FROM THE TA PROGRAM WITHOUT ACTIVE PARTICIPATION OF GOG PERSONNEL IN PROJECT ACTIVITIES, AND (B) FINANCE ANY RECURRING COSTS THAT WILL BE INCURRED BY SUPPORTING MOA CAPACITY TO PROVIDE AGRICULTURAL SUPPORT SERVICES. THE PP SHOULD DESCRIBE PRESENT MOA CAPABILITIES BOTH IN TERMS OF BUDGET AND PERSONNEL (INCLUDING TRAINEES RETURNING FROM OVERSEAS PROGRAMS AND WHERE THEY CAN BEST BE USED BY MOA), AND EXAMINE THE NEED FOR A GOG CONTRIBUTION OF PERSONNEL TO THE PROJECT SO AS TO INSURE THAT INSTITUTIONAL GAINS RESULTING FROM PROJECT ASSISTANCE WILL BE MAINTAINED. THE PROJECT PAPER SHOULD ANALYZE THE MOA'S ABILITY TO SUPPORT PROJECT ACTIVITIES AND THE IMPACT OF THE PROJECT WITH REGARD TO RECURRENT COSTS IN THE MOA BUDGET. TO THE EXTENT THESE COSTS MAY BE INCREASED, THE ABILITY OF THE GOG TO PROVIDE THE NECESSARY FINANCIAL RESOURCES AFTER PROJECT COMPLETION SHOULD BE ADDRESSED.

6. PROJECT BUDGET: THE PP SHOULD DESCRIBE THE DOLS 600,000 OF COMMODITIES THAT ARE PROPOSED FOR A.I.D. FINANCING, AND THE RATIONALE FOR THEIR PROCUREMENT IN VIEW OF THE NATURE AND OBJECTIVES OF THIS PROJECT.

7. DESIGN STRATEGY: ALTHOUGH THE DAEC RECOGNIZED THAT AN ABREVIATED PP FORMAT OFFERED TIMING ADVANTAGES, IT CONCLUDED THAT THE ECONOMIC AND SOCIAL ANALYSES WILL BE IMPORTANT GIVEN THE SIGNIFICANCE OF THE CHANGES BEING SOUGHT BY THE PROJECT. THE ANALYSES SHOULD FOCUS ON THE SOCIAL AND ECONOMIC FEASIBILITY OF THE PROPOSED PROJECT STRATEGY, NAMELY THE TRANSITION FROM A STATE-MANAGED ECONOMY, AND SHOULD, IN PARTICULAR, ADDRESS THE FOLLOWING:

--(A) ECONOMIC - IDENTIFICATION OF POSSIBLE ECONOMIC CONSTRAINTS TO PRIVATE SECTOR PARTICIPATION (PRODUCER GROUPS, FARMERS, TRADERS) IN PROJECT ACTIVITIES, AND THE FEASIBILITY OF VARIOUS APPROACHES FOR SUCCESSFULLY ADDRESSING THESE CONSTRAINTS;

--(B) SOCIAL - GIVEN GRENADA'S GRADUAL TRANSITION TO A STATE-MANAGED AGRICULTURAL SYSTEM DURING PREVIOUS PERIODS, THE PP SHOULD DISCUSS ANY OBSERVABLE SOCIAL

BIASES THAT MIGHT CONTRAINDICATE PRIVATE SECTOR INTEREST  
IN PROJECT ACTIVITIES AND ALTERNATIVES FOR ADDRESSING  
THESE BIASES WITHIN THE SCOPE OF THE PROJECT. TO THE  
EXTENT SOCIAL FACTORS APPEAR TO WARRANT GREATER ANALYSIS  
THAN CAN BE PROVIDED DURING THE LIMITED PERIOD OF PP  
DEVELOPMENT, THE MISSION SHOULD CONSIDER INCLUDING  
APPROPRIATE SHORT-TERM TECHNICAL ASSISTANCE TO MORE  
CLOSELY EXAMINE SOCIO-CULTURAL-POLITICAL ASPECTS OF  
PROPOSED PROJECT ACTIVITIES.

B. IN VIEW OF THE STRONG INTEREST IN THIS PROJECT  
EXPRESSED BY THE DAEC, MISSION DIRECTOR SHOULD DISCUSS  
CURRENT PROJECT STATUS WITH DEPUTY ADMINISTRATOR MORRIS. SHULTZ  
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PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects under the FAA and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Funds.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).
  - (a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (a) A Congressional Notification has been done.
  - (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)? (b) Yes.
  
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) Yes.  
  
(b) Yes.
  
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? No further legislation action is required.
  
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land N/A.

resource construction,  
has project met the  
standards and criteria as  
set forth in the  
Principles and Standards  
for Planning Water and  
Related Land Resources,  
dated October 25, 1973?

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? **Yes.**
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. **The project is not appropriate for regional execution.**
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) **The Project will promote privatization of the agriculture sector through policy reforms and as such the project will encourage Government's efforts in b, d, and e.**

strengthen free labor unions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). U.S. goods and services will be used in the project as appropriate.
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the No.

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resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

13. FAA 118(c) and (d).  
Does the project take into account the impact on the environment and natural resources? If the project or program will significantly affect the global commons or the U.S. environment, has an environmental impact statement been prepared? If the project or program will significantly affect the environment of a foreign country, has an environmental assessment been prepared? Does the project or program take into consideration the problem of the destruction of tropical forests?

The initial environmental examination recommended a negative determination. However, final project design includes a component for pest control activities for which an environmental assessment will be prepared prior to disbursement of any funds for this component.

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria  
a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by

N/A.

extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses,

and small incomes of the poor)?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

g. FAA Sec. 281 (b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective

participation in  
governmental processes  
essential to  
self-government.

2. Development Assistance Project N/A.  
Criteria (loans Only)

a. FAA Sec. 122(b).  
Information and  
conclusion on capacity of  
the country to repay the  
loan, at a reasonable  
rate of interest.

b. FAA Sec. 620(d). If  
assistance is for any  
productive enterprise  
which will compete with  
U.S. enterprises, is  
there an agreement by the  
recipient country to  
prevent export to the  
U.S. of more than 20% of  
the enterprise's annual  
production during the  
life of the loan?

c. ISDCA of 1981, Sec. 724  
(c) and (d). If for  
Nicaragua, does the loan  
agreement require that  
the funds be used to the  
maximum extent possible  
for the private sector?  
Does the project provide  
for monitoring under FAA  
Sec. 624(g)?

3. Project Criteria Solely for  
Economic Support Fund

a. FAA Sec. 531(a). Will Yes.  
this assistance promote  
economic or political  
stability? To the extent  
possible, does it reflect  
the policy directions of  
FAA Section 102?

b. FAA Sec. 531(c). Will No.  
assistance under this  
chapter be used for  
military, or paramilitary  
activities?

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c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? No.

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A.

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the Agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed. Yes
  
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S except as otherwise determined by the President or under delegation from him? Yes
  
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? Yes
  
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A
  
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Yes
  
6. FAA Sec. 603. (a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percentum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes

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7. FAA Sec 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes
8. International Air Transport Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? Yes
9. FY 79 App. Act. Sec. 105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States? Yes

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? Yes
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? Yes
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? Yes

C. Other Restrictions

1. FAA Sec. 122(e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

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3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the U.S.? Yes
4. FAA-Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S., or guaranty of such transaction? Yes
5. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the Government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? No
6. Will arrangements preclude use of financing:
  - a. FAA Sec. 104(t). To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? Yes
  - b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes
  - c. FAA Sec. 660. To finance police training or other law enforcement assistance, except for narcotics programs? Yes
  - d. FAA Sec. 662. For CIA activities? Yes
  - e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S.. unless a waiver is obtained? Yes
  - f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjust service compensation for military personnel? Yes
  - g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues? Yes
  - h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending? Yes

- i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
  
- j. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE  
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, William B. Wheeler, as Director of the Agency for International Development, Regional Development Office/Caribbean having taken into account, among other things, the maintenance and utilization of projects in the Caribbean Region previously financed or assisted by the United States, do hereby certify that in my judgement the Government of Grenada has both the financial capacity and the human resources capability to effectively utilize and maintain goods and services procured under the proposed capital assistance grant project entitled Grenada Agricultural Sector Revitalization.

This judgement is based upon the implementation record of externally financed projects, including AID-financed projects, in Grenada, the commitments from the Government of Grenada and the quality of the planning which has gone into this project.

(Signed) William B. Wheeler  
William B. Wheeler  
Director

(Date) 23 July '84

Ref. No. ....  
In replying the above  
Number and date of this  
letter should be quoted.



ANNEX D  
MINISTRY OF AGRICULTURE,  
RURAL DEVELOPMENT  
AND CO-OPERATIVES  
ST. GEORGE'S,  
GRENADA, W.I.

July 17, 1984

Mr. James Habron  
Associate Director for Grenada  
Agency for International Development  
P.O. Box 54  
St. George's  
GRENADA

Dear Mr. Habron,

The purpose of this letter is to request an AID Grant in the amount of \$1.964 million to assist in the revitalization of agricultural production and employment in Grenada.

The AID Grant will be used to implement a specially designed project, aimed on the one hand, at fostering a policy environment offering positive incentives to farmers and agribusiness firms; and, on the other hand, strengthening the capacity of the Ministry of Agriculture, Natural Resources and Industrial Development to provide essential support services to the private agricultural sector. Elements of the project will support improving the management and control of pest and diseases in the state; providing incentives for greater and better use of fertilizers in major crops; rehabilitating the public market facilities in St. George's; and establishing incentives for immediate private investment in recently divested agricultural lands. In addition, the AID Grant will enable significant levels of technical assistance in the areas of policy analysis and production techniques.

We are pleased with the interest USAID has demonstrated in the agricultural sector of Grenada, and we look forward to your favorable consideration of the request for assistance contained in this letter.

Yours Sincerely,



Arnold Cruickshank  
Member of Interim Council for  
Agriculture, Natural Resources  
& Industrial Development

/joc

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: GRENADA AGRICULTURAL SECTOR REVITALIZATION PROJECT

| NARRATIVE SUMMARY   | OBJECTIVELY VERIFIABLE INDICATORS  | MEANS OF VERIFICATION  | IMPORTANT ASSUMPTIONS   |
|---|--|--|---|
| <p>1. <u>Goal</u></p> <p>The project goal is to increase the productivity and incomes of private agricultural sector entrepreneurs and workers in Grenada.</p>  | <p>1. To be measured by percentage increase in commodity outputs and a decrease in range of prices received for commodities.</p>   | <p>1. National agricultural statistics.</p>  | <p>1. No natural disasters and stable investment environment.</p> |
| <p>2. <u>Purpose</u></p> <p>The project purpose is to:</p> <p>a. Re-establish a policy environment which provides positive incentives to private agriculture sector entrepreneurs to employ requisite levels of labor and capital in farming and agro-industry;</p> <p>b. Build technical and managerial capacity in the private sector producer cooperative associations to provide cost-effective services to members for production. (e.g. input supply, pest control) and marketing (e.g. alternative sales channels, value-adding activities); and</p> <p>c. To strengthen the capacity in the Ministry of Agriculture to provide essential sector support services, notably planning and policy formulation and technology development and diffusion.</p> | <p>a. By the end of the project, the GOG will have analyzed and promulgated new policies regarding:</p> <ul style="list-style-type: none"> <li>- disposition of the state farms;</li> <li>- role of the National Marketing and Importing Board;</li> <li>- GOG relationships with the Commodity Associations; and</li> <li>- divestiture of Government owned agro-industrial enterprises;</li> </ul> <p>b. By the end of the project programs within the private producer cooperative associations will be providing improved production and marketing services at cost to participating members in such areas as fertilizer supply, rat and insect pest and disease control, packing and handling of produce;</p> <p>c. By the end of project, the MOA Statistical Unit will routinely collect, tabulate and distribute key sector data; and the MOA Planning Unit will be performing the functions of monitoring sector programs, collection/analysis of key data on sector performance, sector policy formulation and Ministry budgeting.</p> | <p>a. These policy changes may be verified by a review of the analytical reports; laws, decrees and administrative regulations. It is not anticipated that complete implementation of the changes will have been completed upon termination of the project; however, it is expected that enabling legislative or administrative decisions will be accomplished, implementation plans will be adopted and the implementation process will be actively underway;</p> <p>b. These achievements will be evidence by reviewing the financial accounts of the producers' associations and the charters of any new ones; Ministry of Agriculture's organization and staffing pattern, as well as the recurrent budget allocations;</p> <p>c. MOA records.</p> |   |

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3. Outputs

- a. The major portion of commercial agricultural land now owned by the Government will be farmed by private individuals;
- b. The following state-owned enterprises will be divested to private investors or closed down:
  - canning plant;
  - ice-cream plant;
  - spice plant;
  - coffee plant;
  - livestock farm;
  - fishing company;
- c. The incidence of pest and disease damage in cocoa and bananas will be measurably reduced;
- d. Public market facilities in St. George's will be rehabilitated;
- e. At least \$400,000 in matching grant assistance will have been extended to private investors benefiting from divestiture of state owned enterprises.

4. Inputs

- 45 work months of long-term technical assistance;
- 15 work months of short-term technical assistance;
- \$700,000 in sub-project activities;
- \$400,000 in divestiture grants.

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ACTION AID INFO AME DCM

JUL 18 1984

LOC: 03 183  
18 JUL 84 2245  
CN: 01902  
CHRG: AID  
DIST: AID

LOZEVZCZCWN0471  
FM RUEBWN  
DE RUEHC #0731 1992237  
ZNR UUUUU ZZE  
F 172058Z JUL 84  
FM SECSTATE WASHDC  
TO AMEMBASSY BRIDGETOWN PRIORITY 5854  
BT  
UNCLAS STATE 209731

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: GRENADA AGRICULTURAL SECTOR REHABILITATION  
(53E-0005)

1. LAC/DR CHIEF ENVIRONMENTAL OFFICER CONCURRED WITH  
AND SIGNED AMENDED IEE RECOMMENDING POSITIVE  
ENVIRONMENTAL THRESHOLD DECISION FOR PESTICIDES  
COMPONENT ON JULY 13, 1984.

NNH

2. COPIES OF ENVIRONMENTAL OFFICER'S DECISION BEING  
FOUCHED. DAM

BT

#0731

UNCLASSIFIED

STATE 209731

| ACTION           | INFO |
|------------------|------|
| AGRI             |      |
| DIR              | ✓    |
| A/DIR            | ✓    |
| PROG             |      |
| ECON             |      |
| CONT             |      |
| RLA              |      |
| M.HUFFMAN<br>CDO | ✓    |
| AGRI             |      |
| EDUC             |      |
| HLTH             |      |
| JAO              |      |
| DUE: 07/19/84    |      |
| TAKEN:           |      |
| SIGN:            |      |

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INITIAL ENVIRONMENTAL EXAMINATION

AMENDMENT NO. 1

PROJECT LOCATION: Grenada

PROJECT TITLE: Grenada Agricultural Sector Rehabilitation  
(538-0005)

FUNDING: FY 1984 - 2.0 million, Grant

LIFE OF PROJECT: One and One Half Years

IEE PREPARED BY: \_\_\_\_\_  
Michael G. Huffman  
Capital Development Office

DATE: July 10, 1984

ENVIRONMENTAL ACTION

RECOMMENDED: This Project will concentrate primarily on policy analysis and institutional development activities. However, the Crop Protection sub-activity will help establish a Ministry of Agriculture Pest Management Unit. The sub-activity will provide technical assistance and equipment, but not purchase pesticides. Nevertheless, a Condition Precedent to disbursement under the Crop Protection sub-activity will be included in the Grant Agreement requiring the conduct of an appropriate Environmental Assessment or a Risk/Benefit Analysis on all pesticides proposed for use by the Pest Control Unit. No disbursement will be made under the sub-activity until AID/W has approved the Assessment or Analysis. Therefore, a positive determination is recommended for the Crop Protection sub-activity and a negative determination for the rest of the Project.

CONCURRENCE: \_\_\_\_\_  
William B. Wheeler  
Mission Director  
USAID,  
Regional Development Office/Caribbean

DATE: \_\_\_\_\_

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TECHNICAL SERVICES

TERMS OF REFERENCE

BACKGROUND

As a result of events which took place in October, 1983, an Interim Government assumed power in Grenada, pending an election late in 1984. The Interim Government of Grenada (GOG) wishes to effect a number of agricultural sector policy changes, to reorganize the public sector support services and increase private sector involvement, aimed at revitalizing the economy. To help the GOG with this effort, AID has designed the Grenada Agricultural Sector Revitalization Project (The Project).

Because of the urgent need to move forward, particularly with regard to the GOG effort to examine a number of policy issues, AID decided that technical assistance should be provided on an accelerated interim basis until The Project could become operational. To accomplish this, a four-month IQC Work Order was signed with Development Alternatives, Inc. This effort will expire at the end of August 1984.

The work initiated under the IQC Work Order will be continued under The Project. It is assumed that the four tasks undertaken by the present contractor will be mostly completed by the end of August. The tasks which have been assigned to Development Alternatives under an IQC Work Order consist of the following.

- A. Assess and recommend regarding the disposition of agriculture land owned, controlled and/or managed by the GOG. Sub-tasks include: 1) identify and describe the utilization alternatives of the land 2) analyze the alternatives vis a vis public welfare, and 3) develop a plan of work for divestiture.
- B. Assess and recommend regarding the disposition of Government owned, controlled and/or managed enterprises related to agriculture, forestry, and fisheries. Sub-tasks include 1) inventory and assess the performance and potential of the enterprises and recommend whether to immediately divest, divest in the future, or close down, 2) recommend strategies for disposing of individual enterprises, and 3) recommend how to operate or maintain enterprises until divestment is affected.
- C. Assess and recommend regarding the private and public organizations engaged in marketing agricultural products and providing agricultural inputs. Sub-tasks include 1) inventory of all organizations engaged in agricultural marketing and assess viability of each in the present political-economic environment, 2) recommend for restructuring the Marketing and National Importing Board (MNIB) to service the private sector and recommend improving the performance of the commodity associations, 3) recommend other policy

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and financial changes that will foster the growth of private firms, and 4) assess availability and make recommendations relating to marketing support services -- which are most appropriately provided by private enterprises and which by the government.

- D. Assess and recommend regarding the organizational structure of the Ministry of Agriculture. Sub-tasks include 1) assess Ministry structure to promote effectively increasing the value of traditional export crops and expanding divestification and 2) recommend for reorganization to serve development needs and to provide support services to the private producers.

#### OBJECTIVE

The objective of the technical services to be provided through the Project is to reform agricultural policy to enable the sector to be more responsive to market forces.

#### STATEMENT OF WORK

To achieve the objective set forth above, the following interrelated tasks will be performed.

##### Task I:

The contractor shall work with those Government representatives charged with the implementation of divestiture of lands not recommended for retention by the GOG. The contractor shall assist the Ministry of Agriculture, as required, to deliver public sector service support for the recently divested lands, including implementation of the Divestiture Facilitation Fund (DFF).

The contractor shall act as a consultant to the GOG in monitoring accomplishments, identifying problems, and assisting with resolution of those problems.

##### Task II:

The contractor shall work with those Government representatives charged with implementing the decisions of the Special Committee for Parastatal Bodies and with the private sector development advisor from the Project Development Assistance Project (PDAP) to accomplish the divestiture or dissolution already in progress.

In assisting with this task, the contractor, with the PDAP advisor, will identify problems and assist with the resolution of those problems.

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Task III:

The Marketing and National Importing Board (MNIB)

The contractor shall work with the General Manager of the Board of Directors and the private sector to prepare specific proposals to restructure or redirect the MNIB to its activities and resources. This will include working cooperatively with the Ministry of Agriculture and the Ministry of Trade to identify activities that should be terminated, redirected or maintained, in order to support the agricultural private sector. In accomplishing this task, the contractor shall give careful consideration to recommendations made under the IQC Work Order and promote the accomplishment of those recommendations, if appropriate.

Within the above broad lines, the contractor shall assist MNIB to:

- Study other marketing boards in the Caribbean to benefit from their experience, successes and failures.
- Establish a marketing intelligence system within the MNIB to provide farmers and traders with commentary on current and expected farm gate prices, market conditions, export/import opportunities, etc.
- Establish a marketing opportunity identification unit within the MNIB to undertake basic market research and intra- and extra-regional markets that will be accessible to interested private sector entrepreneurs.
- Provide assistance to groups of traders and/or farmers wishing to exploit the advantages of group/cooperation marketing activities. Conduct an inventory of existing and needed marketing facilities for the expansion of available fresh produce for domestic and export trade.
- Act as a transportation tariff negotiating agency on behalf of farmers and traders, to negotiate with airlines and shipping agencies for better freight rates.
- Set up export grades and standards for fresh produce and provide quality control programs at point of export.
- Determine need of appropriate expertise in postharvest technology to assist traders/farmers overcome problems associated with grading, packing and storage of fresh produce.

The Commodity Associations

The contractor shall work with the General Managers and Boards of Directors of the four Commodity Associations to prepare specific proposals and a plan of action to implement the recommendations

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developed under the IQC Work Order to improve the operations and performance of the associations. Specifically the contractor shall assist the associations with the following:

- Assist nutmeg and minor spices boards to determine feasibility of merging to increase marketing capabilities (of minor spices).
- Assist three major commodity associations (banana, nutmeg, cocoa) to determine areas where it is feasible to merge activities in order to improve efficiency of operations, reduce overhead and increase market capabilities.
- Develop an appropriate system to computerize accounts of commodity boards (either individually or merged) to streamline the management system and introduce appropriate training program for operators.
- Assess present system of fertilizer and pesticide distribution programs and assist commodity associations to develop more appropriate distribution methods, if warranted.
- Assist the banana and cocoa associations to establish procedures to distribute to their members the fertilizer to be made available to these associations under the Enhanced Fertilizer use in major crops sub-project activity.
- Help to set up a regular collection of relevant international spice, cocoa and banana publications to study future market trends and implications for the commodity boards' products in Grenada.
- Investigate new processing or forms of packaging products (e.g. nutmegs, minor spices) that will increase product sales in more specialized markets (health food stores, package-your-own, supermarket sales, etc.).
- Work with the Banana Board to increase supply of bananas to the U.K. under the allocated quota market and at the same time increase utilization of rejects (over ripens, small hands, other varieties, etc.) for regional markets.
- To increase incentives to banana/fruit growers, look into the feasibility/legality of the Banana Board utilizing existing facilities for collecting and exporting of other available Grenada produced fruits to nearby markets by air and sea transport (mango, paw paw, banana rejects, etc. to Trinidad, Barbados, etc.)

Task IV:

The contractor shall assist the Ministry of Agriculture with appropriate analysis to facilitate the efficient delivery of services and optimal utilization of resources of the Ministry. This may include reorganization of certain units within the Ministry, redefining the

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tasks of others, and otherwise re-orient the operations of the MOA to support services required by private agricultural producers and marketers.

The contractor shall inventory existing policies which affect agricultural production and marketing and with available data evaluate the policies in terms of efficiency, effectiveness and equity. The contractor shall formulate recommendations for improvements in policy and in the implementing instruments and shall estimate the first-round impact on the changes on production, consumption and on producer and consumer welfare. Among the policy instruments to be analyzed are consumer subsidies, producer price supports, public food distribution, import/export taxes and controls, and foreign currency controls.

The contractor shall critically assess the information needs of the agricultural sector and recommend the appropriate entities to develop and maintain the information. The contractor shall work with the Ministry in areas appropriate to it, and with other organizations and firms where appropriate, to establish data collection and information systems, possibly including enterprise budgets and regular market information.

The contractor shall provide in-service training to Ministry, associations and MNIB personnel in the areas of economic and policy analysis.

#### LEVEL AND QUALITY OF EFFORT

The contractor shall field two long-term specialists in Grenada for concurrent tours of duty of eighteen months. The first long-term specialist shall be an agricultural economist with experience in production and marketing research, policy analysis, and organizational development. This person shall have superior communication and organizational skills. The second long-term specialist shall be an expert in agricultural marketing operations with experience in trading agricultural commodities.

The economist will be primarily responsible for Tasks I, II, and IV while the marketing expert will be primarily responsible for Task III. The contractor shall provide short-term assistance of other specialists to compliment the skills and abilities of the long-term specialists. These specialists will include but not be limited to the following:

Organizational development specialist to assist with Tasks III and IV.

Computer specialist to assist with Task III and IV.

Spice marketing specialist to assist with Task II.

A total of up to fifteen person/months of short-term assistance may be required of the contractor. In addition, an estimated \$100,000 has been earmarked for the purchase of Ministry and associations' support materials and equipment.

The estimated cost of these technical services is \$133,000 per year for long-term and \$10,000 per month for short-term, for a total of \$650,000 when the equipment purchases are included.

#### RELATIONSHIPS AND RESPONSIBILITIES

The contractor will receive general guidance from the USAID Representative in Grenada and day-to-day supervision from the USAID/G officer responsible for agriculture. The contractor shall accomplish the work in close collaboration with counterparts designated by the Minister of Agriculture and shall liaise in all relevant matters with the Special Project Coordinator of the MOA.

The willingness of the other entities to cooperate must be won by demonstrated professional competence and human sensitivity.

#### REPORTS

Each long-term specialist shall submit a report monthly which briefly summarizes the nature of all activities undertaken during the period. In addition, each long-term specialist will provide quarterly written reports summarizing the status of the work in progress and describing accomplishments achieved during the quarter, as well as other reports as required from time-to-time. The short-term specialists will submit interim reports as required if the consultation is provided for more than thirty days. All personnel, long- and short-term, shall provide the Mission in form and substance satisfactory to the Mission a final report of the work accomplished.

A. Institutional Analysis<sup>1/</sup>

1. Planning Capabilities, Function and Organization for the Agriculture Sector

The planning function in Grenada is undergoing a radical change in content, philosophy and direction. Under the People's Revolutionary Government (PRG), a key governmental objective was the institutionalization of a strong centralized planning capability. A planning department was created in a consolidated Ministry of Finance, Planning and Trade, headed by a Director-General. A planning office was set-up in the Ministry of Agriculture although it never got around to acting as such before the 1983 coup.

No national or agricultural sector plan was ever produced under the PRG. However, a Public Sector Investment Program (PSIP) was generated to cover the three year period 1984 - '86. This investment program is summarized in the CDB Economic Memorandum on Grenada, January 1984. This PSIP became the basis for a revised version put forth in this same economic memorandum. It has been adopted as the investment program by the Interim Government.

In both the PRG's, PSIP, as well as the revised program adopted by the Interim Government, the agriculture sector has a large share of the proposed new project capital commitment. Within the productive sector several programs and projects would appear to be the Ministry's responsibility given its new organization (see below for a description of the merging of the Ministries of Agriculture and Industrial Development): a wide variety of projects under several agriculture sector loans totalling 13.4 million including; the Sugar Industry Rehabilitation Project, 1.6 million; the proposed Industrial Estates Project, 3 million; and the Industrial Credits Project, 2.5 million.

The exact method for implementing, monitoring and controlling this ambitious investment program is not wholly clarified. The Interim Government has proposed a "temporary arrangement" whereby an "overall PSIP Coordinator" will be appointed who will report directly to the Chairman. Attached to each Ministry will be a "Sector Program Coordinator" who will liaise with the Permanent Secretary and report to the overall PSIP Coordinator. Neither the overall coordinator or the sector coordinators have been appointed as yet. Since there are at least two other organizational units in place that may well play a role in monitoring both these projects and other aspects of sector performance, there would seem to be some overlap in responsibilities.

The Ministry of Planning (actually this is not an independent Ministry but one of three groups or "departments" under the Ministry of Finance, Planning and Trade) is currently structured essentially as it was

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<sup>1/</sup> This Analysis resulted from work performed by Dr. Harold Cline in March, 1984.

under the PRG (see the Ministry's Organization Chart). Some personnel shifts have taken place. Of particular interest, however, to agriculture sector planning is the continued vacancy of the Agriculture Planning Officer position in the Macro Planning Unit and the Agricultural Projects Officer in the Project Development Unit.

The Management Information System (MIS) function, statistical capability and the Government's primary computer system and support personnel are lodged in a "Data Resource and Information" unit within the planning organization. With the exception of this group there should be about ten professional personnel within the Technical and Economical Cooperation Unit, Projects Development Unit and Macro Planning Unit. It does not appear that this planning department will undertake any exercise in national planning within the next year. Currently, there is an OAS project initiated just before the intervention to develop a national accounts system. When this is in place it is anticipated that a five-year plan will be developed covering 1986 - '90.

There is a recognition that the planning role will diminish to that of a "support function". During the short-term the tasks that are envisaged for the planning function appear to have a decided "project" orientation, particularly as it relates to the agriculture sector. The Director-General of Planning anticipates that his department will maintain all manner of capability in project management, but expects to have specific responsibility for project analysis, evaluation and monitoring. In his view, the MOA would not maintain such capabilities but would be involved in project identification and specification/preparation. He is in the process of preparing a uniform format to be used by the MOA and other Ministries for such purposes. He anticipates that his office would be able to provide assistance in these tasks as well, but his units would take the leading role in assessing project trade-offs (i.e. prioritizing, ranking project alternatives) obtaining financing and even locating and designating appropriate technical personnel from both within the Government as well as donor agencies to accomplish project design and implementation.

This planning unit is currently installing a computer-based project management system (using a canned program) for project monitoring purposes. Actual data on project progress presumably would be obtained from the MOA's planning unit which in turn would gather relevant data concerning project progress under its jurisdiction.

This task division between the Ministry of Planning and the function within the MOA is not yet assured. The council does not appear to have dealt with this issue decisively as yet. That is, the degree to which planning and project management responsibility will or will not be vested in the MOA as opposed to the Central Planning Office has not been decided.

Much of the proposed investment program is concerned with development of the agricultural infrastructure, private agri-business support, the encouragement of domestic industrial investment and the generation of new

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product/market possibilities for new enterprises. All these functions would appear to fall in some part under the responsibility of the newly combined Ministry of Agriculture, Industrial Development and Fisheries. There is some concern within the council that there will be too much fragmentation of the planning function among Ministries.

### 1.1 Organization of the Ministry

The Ministry of Agriculture, Rural Development and Cooperatives has been merged with what was formerly the Ministry of Industrial Development and Fisheries. It is intended that all fisheries activities will be moved into the agricultural portion of this combined Ministry. The remaining industrial development agency (or unit) and the newly designated Grenada Agro-Industrial Research and Development Center (formerly the Produce Chemist Laboratory) will be kept separate with both reporting to a "General Manager" - a title that is meant to be equivalent to a "Director" in other departments of the Ministry. This latter director also currently has responsibility for overseeing Grenada Dairies Limited (of which he is the Chairman of the Board), Agro-Industries Limited (comprising spice processing, coffee processing and food and vegetable processing, the latter two being dormant at this time) and the Grenada Sugar Industries Corporation (which heretofore was one of the state bodies overseen by the MOA). These parastatal bodies eventually are expected to be either shut down or divested to the private sector.

The Industrial Development Department will be responsible for processing applications and/or proposals emanating from the private sector for establishing light manufacturing businesses. An Industrial Development Committee is in the process of being formed. The Industrial Development Department will submit reviewed proposals to the committee which, in turn, will make recommendations regarding the acceptability of submissions to the Council (see appended description of the committee and its terms of reference). Committee members will be technical personnel representing the various Ministries. Those businesses that are favorably considered will be encouraged to set-up facilities provided under the Industrial Estates Project (see discussion of the PSIP above).

The agricultural portion of this new Ministry is being restructured particularly with a view to reduce governmental involvement in production activities. The parastatal bodies are undergoing review. A special committee has been set-up which includes a CDB advisor, to recommend what ought to be the disposition of each parastatal. The terms of reference for this committee are currently being worked on by the Director-General of Finance. Action has already been taken on some parastatals. The Grenada Forestry Corporation will change its status and is being set-up as another department within the MOA under the Chief Technical Officer (CTO), a position currently vacant. The Grenada National Cooperative Development Agency, formerly a MOA state body, has been moved to the Ministry of Womens' Affairs, Community Development, Youth and Sports (see appended Organization Chart of the currently-constituted MOA).

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The Grenada Farms Corporation also is currently under review. A committee comprised of MOA officials has met and already made recommendations for the disposition of some nineteen parcels, most of which were acquired under the Land Development and Utilization Law of 1980. Over 3,400 acres accounting for ten of the largest farms can revert to their previous owners as title transfer will not entail any further financial considerations on either side. Also, the recent acquisition of these lands made identification and location of former owners an easier task than confronts the committee in other cases.

A planning function within the MOA was only activated recently under the latter phases of the PRG; nor has the Planning Office performed that function as yet. The current head of the planning unit prepared a job description under the PRG. The current status of the planning unit, its relationships with other MOA departments, other Ministries, parastatals and the Ministry of Planning, all have not been clearly defined. The vagaries of the role of planning at the national level are reproduced at the agriculture sector level as well.

Another planning activity, however, is in place: The National Agricultural Planning Committee (NAPC). This advisory committee also has three subcommittees: marketing, research and extension. Although a permanent chairman has not been appointed to the committee as yet, there are subcommittee chairmen and both the committee and its subcommittees have already met to organize themselves. The purpose of this committee and its subcommittees is to provide a vehicle whereby the various actors in both the public and private sector can provide inputs to the MOA concerning sector operations and policy orientation. Heavy emphasis will be placed on promoting extension services, thus providing a means for disseminating information from the MOA to the sector.

The operating effectiveness of the MOA is exacerbated by a key managerial vacancy: there is no Chief Technical Officer (see Organization Chart of the Ministry). This individual should be running the day-to-day operations of the Ministry. All department heads should report to the CTO. This position has been vacant for two years. In this circumstance, the current and previous Minister utilized the designated head of the Planning Unit to fill some of the responsibilities of the CTO. A sufficient number of day-to-day operating matters were channeled to her office, that she had little time to function in a "planning" capacity.

## 1.2 MOA Planning and Other Analytical Capabilities

The planning unit currently is supposed to be comprised of two sub-groups, statistics and projects. Within the latter are two parts, project monitoring and project preparation. With the exception of the statistical unit, the Planning Office is only comprised of its head; there are two vacancies currently (one professional is working with the Grenada Forestries Corporation and should return to the office shortly). The statistics unit is comprised of two junior level professionals and two clerks. Capability and experience in planning is weak or non-existent. With the exception of the

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head, there is a comparable lack of economic analysis capability. The focus of the current Planning Office (if it were to be animated) is on **project** management as can be seen from the planning unit head's own job description.

Similarly, the new Industrial Development Department has a shortfall of as many as seven professionals according to its table of organization. Thus the entire department, currently consists of the "Manager/Senior Industrial Officer" and one investment promotion officer, the latter of junior-grade.

As an indication of the intent in the creation of this unit and its prospective activity, by direction of the Interim Minister/Advisor of Agriculture, the title given to the head of this unit is "Manager". Typically, the head of this unit would have been a "Director" or a "Permanent Secretary". The Minister's intention in so doing was to create a private enterprise orientation - albeit symbolically - within the cadre of this department.

### 1.3 Institutional Constraints in the Public Agriculture Sector

The initiative that can be taken by the Interim Government is necessarily limited. Its mandate is tenuous and will be short-lived. The Government also suffers under the burden of having to function, first, after a period of chaos, followed by the departure of whatever policy-making apparatus did exist and a remaining bureaucracy that had little except its past direction (i.e., programs, plans and projects initiated by the previous Government) to guide its day-to-day activities.

Nevertheless, the Interim Government appears to have moved quickly in attempting to restructure institutional arrangements within the agriculture sector. Recommendations have already been made by a MOA committee concerning the disposition of lands acquired mostly under the PRG Government. Similarly, the Government has initiated a variety of actions that will lead to the eventual withdrawal of the state from productive activity. Within the Ministry, structural re-arrangements have been employed to implement this course (for example, the movement of both fisheries and forestry into the MOA as line departments). It has moved with dispatch to return commodity associations to the control of their members/farmers. However, in other agriculture-related areas, particularly those outside of MOA influence, institutional arrangements have remained essentially as they were under the PRG. For example, in the short-run, little if no change will take place in the pivotal role of the Marketing and National Importing Board - an agency that played the key role in providing both inputs as well as purchase of farm output.

Policy-making and planning activities are constrained by several key weaknesses: no articulated mechanism or process whereby policy, plans or projects are articulated and developed; an almost non-existent capability (in terms of personnel) to conduct policy analysis, planning and

related activities; an inadequate statistical and survey capability; and a structural arrangement of the MOA that would preclude effective planning even if the capacity to do so were available.

There simply is no policy analysis apparatus or process within the MOA at this time (there may well be an articulated process at the Council level within the Interim Government, if any exists at all on a formalized basis). Whether there is a policy-making and planning process in place at the Ministry of Planning is itself a moot question - as the MOP has little intention within the next year or so to create any national plan (see discussion above), certainly as it relates to the agricultural sector.

The MOP is first beginning to define its scope of planning, policy-making and project management responsibilities. It appears most advanced in putting in place a project management system and is currently designing uniform formats for capital project submissions from the various Ministries, including agriculture. The current MOA staff does not have much experience with capital budget preparation although the MOP anticipates the installation of an annual budgeting process this year. Following the installation of an OAS-funded national accounts system, the MOP intends to create a three year capital budget for 1984 - '86. Presumably, once this exercise is either undertaken or completed, the Ministry would undertake the development of a national plan. This sequence of events is highly undesirable: the planning exercise should precede the creation of the budget rather than the reverse. The approach taken is not at all unusual, however undesirable, since there is a great deal more experience with budgets and these are easier to prepare than plans.

Within the MOA there is a formalized procedure for deriving recurring budgets. Such a system has been in place for decades and is coordinated by the Permanent Secretary. It should be noted that this latter budgeting process concentrates on the operations of the various departments and tends to be highly accounting-orientated. That is, the resulting budgets tend to be useful in charting actual versus budgeted expenditures but not actual versus intended performance.

The absence of any systematic scheme for monitoring the accomplishments of the ambitious Public Sector Investment Program, identified in the CDB economic memorandum, is undoubtedly the rationale for the design of the sector coordinating scheme articulated in that same document for monitoring the new PSIP. If anything, this ad hoc approach should have a negative impact on establishing a more permanent project (and, ultimately, plan) monitoring capability in both the Ministry of Planning and other Ministries. Certainly, this scheme is technically redundant with the scope of responsibility of the MOP and a capability that undoubtedly is highly desirable within the MOA's planning unit.

There is very little capability in the existing staff in policy analysis and planning. One individual, more than likely, has relevant experience in this regard (the current General Manager of the Industrial Development Department). The head of the MOA's planning unit has had little

direct experience in plan development; nor does the current staff have much previous exposure (save one or two individuals previously mentioned) in economic analysis, policy analysis, market analysis or production economics. Ostensibly, such capability resides in the MOP which should have an Agriculture Planning Officer within its Macro Planning Unit; there also is supposed to be an Agricultural Projects Officer in the project development unit. The latter position is expected to be filled soon. Actually, the Macro Planning Unit has never developed any national plan. The Director-General of Planning indicates that the capability to do so was lacking in the unit during the PRG. There is some budgeting experience as described above, but it is mainly limited to a one year time frame.

The MOP appears to have much more experience in project management and, in the short-run, will focus on such activities. It anticipates, for example, dominating the monitoring of capital projects. How this interrelates and/or complements the sector coordination scheme proposed by the Council is not clear. Also, whatever actual "monitoring" of agriculture sector projects that does take place clearly will be performed by the MOA. It then will transfer such data to the MOP. Just how much of the monitoring task - which should include some estimation of project progress - should be done by the MOA or MOP is still unresolved.

The statistical capability within the MOA resides within a section of the planning unit. There are currently two statisticians of junior-grade and two clerks in this section. There is no field survey capability; data gathering at the farm level would presumably be accomplished through the use of extension agents. Governmental statistical capability does reside in the MOP's Statistics Division. This division is located with the computer activity (the only one in the country) and a documentation center within the Data Resource and Information Unit. The capabilities of this unit have not been evaluated as yet.

The existing structure of the MOA constrains the effective use of a planning and policy analysis unit even if one such were fully staffed. The recent restructuring of the Ministry and the policy of removing the state from productive activity has added two new line departments - Forestry and Fisheries - to the four existing ones (Planning, Research and Development, Agricultural Extension and Veterinary and Livestock). Additionally, the Industrial Development Department reports directly to the Minister (see appended Organization Chart of the current structure). One function of the planning unit ought to be the rationalization of internal resource allocations among the other five line departments. Furthermore, the Minister has the added responsibility of overseeing activities of the Industrial Development Department, newly merged within the Ministry. Although the latter is only tangentially related to agriculture, there is a useful function in coordinating the activities of the agro-products laboratory with that of the agronomy section within the Research and Development Department. Under the current structure there would be no functional mechanism to accomplish this task. In the same vein, development of a meaningful sector plan that involves allocating resources among line departments is difficult to accomplish if that task falls to another line department (in this case the planning department).

A more appropriate organizational location for the latter would be as a staff activity and adjunct to the Minister of Agriculture. In this capacity, the planning activity is taken out of the line and assumes more of a "service" role in relation to the remaining five line departments as well as the rest of the sector (i.e. the commodity boards).

The issue of what ought to be the structure of the planning unit itself may well be an academic issue at this time. Except for the minimal statistical capability on hand, the unit's only other professional is its head; there is the prospect in the immediate future of retrieving one project officer originally in this unit currently seconded to the Grenada Forestry Corporation. The experience of these professionals is mainly in aspects of project management - not planning or economic analysis.

Currently the head of the planning unit has been functioning in a variety of capacities, none of which are the mainstays of her supposed job description. There do not appear to be any immediate prospects of increasing the staff either in number or higher level economic analysis capability. A key constraint then confronting this project's success will be the very limited availability of counterpart GOG personnel to collaborate with resident technical advisors. Action needs to be taken to ensure that some modicum of professional capability is added to the MOA and particularly the Planning unit within the next six to eight months if it is considered desirable for any technical know-how to be institutionalized within the MOA prior to project completion.

The current structural arrangement of the planning unit (even if fully staffed) has a project management emphasis. If economic analysis capability were to be added, it would more likely than not require a structural change in the addition of such a section. If and when an agricultural policy planner/technical consultant is installed within the Ministry, that individual would become the de facto economic analysis section (if this "advisor" is to truly function in that capacity in relation to the Minister - providing policy alternatives and recommendations of major consequence to the condition of the sector - that individual must not be perceived as simply another "analyst" in a ministerial staff capacity). Although, at this time, there is no need for formal mechanisms and structures to provide technical assistance here, the recommended structural position of the planning unit - having it report in a staff capacity to the Minister - does provide a bridging mechanism between the Industrial Development Department and the agricultural portion of the Ministry. In the current situation, there are no constraints to the resident Agricultural Technical Advisor in working with the staff of the Industrial Development Department.

The newly created Industrial Development Department could conceivably serve a pivotal role in encouraging/promoting industrial investment; without the proper capability, attitude and encouragement, this same department could become a constraint to such development as well. The exact role that this department will play and its relative importance cannot be determined exactly, since this department has barely begun functioning, has but one professional, junior-level staff person and has no immediate prospects

of becoming fully staffed. Nevertheless, the department is supposed to review all proposals for industrial investment in Grenada so as to determine its appropriateness for the country and compatibility with Government goals and policies; if prospective investors require governmental assistance (i.e. some form of subsidy, tax concession, joint ventureship or land allocation in a Government-designated industrial estate) then the department would play a very substantive role in first evaluating the merits of such a proposal and structuring the project. In either case - whether there be Government involvement or not - all prospective industrial investment proposals, after review by the department, along with an assessment of their merits would be submitted to the Industrial Development/Investment Review Committee for their final approval. The Manager of the Industrial Development Department not only sits on this committee but is its secretary and convenor as well.

Aside from the General Manager of the Industrial Development Department, who is a trained economist, the unit has minimal business analysis skills; only one recent college graduate with a degree in industrial management. If this department does not receive additional technical support in potential investment analysis, then most likely it will rely on the Caribbean Development Bank (CDB). The latter now provides whatever economic assessment capability is required by the Council for economic policy and major capital investment decisions.

#### 1.4 A Note on MOA Agricultural Production Data Collection Procedures

The method used is one of periodic surveys of the major classes of consumption institutions coupled with cross checks of productivity in sample plots. The major consumption institutions that are surveyed along with their periodicity are as follows: the public market held on each Saturday (weekly), purchases by the Marketing and National Importing Board (monthly), major hotels (monthly) supermarkets (monthly), exports (weekly), Geest Industries which handles all banana exports (monthly).

Additionally, the Statistics Unit asks the extension staff for their estimates of both production and household consumption of all commodities produced (three times per year). There are a number of sample plots that are monitored by the MOA and their outputs are considered as well. The final production estimates are "judgements" based on all the above.

#### 2. Producer Cooperative Association Marketing Boards

The last few years have seen worsening conditions in the markets for Grenada's three main agricultural exports: cocoa, bananas and nutmeg. The consequences for both farmers and the three commodity associations controlling the trade of these commodities has been severely evident. Ranging from the smallest farm to most of the larger ones, most farmers grow at least two and often all three crops. The simultaneous down-turns that occurred in the last two years in each of these commodity areas affected most farmers doubly or triply.

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Each of the three commodity associations - Grenada Banana Cooperative Society (GBCS), Grenada Cocoa Association (GCA), and Grenada Cooperative Nutmeg Association (GCNA) - worsened their financial conditions; all went through major depletions of their reserves as the boards made returns to farmers well beyond that warranted by aggregate sales. For example, the reserve problem became so critical at the banana board (association) that it dropped the subsidization of the price received by the farmer with the consequent effect of a 12% decline in 1982 production. Despite a return to the subsidization policy in 1983, banana production and resulting exports dropped by yet another 12.6%. The reduced production had to be superimposed over a product handling infrastructure capable of handling several times the volume of product shipped. This situation resulted in an increase in unit operating costs as the fixed overhead burden had to be covered by a smaller production base; unit operating costs between 1982 and 1983 rose by 15% at the GBCS.

The Nutmeg Board, GCNA, processed 22% less product in 1983 compared with the previous year. This production level was the lowest in the last five years. Mace output dropped even further during the same period - a full forty percent. Farmers became lax in their harvesting practices (i.e., lowering labor costs by decreasing the frequency of harvesting operations) thereby allowing the outer mace covering of the ripened nutmeg to deteriorate after it has fallen to the ground. The ratio of mace to nutmeg production has continued to drop consistently over the last twenty years, reaching a new low of 6.9% in 1983; this despite an upward trend in worldwide mace prices and unfulfilled demand.

The prospects for nutmeg production this year are poor. It is expected that production for the calendar year ending June 1984 will be a full 25% below that of the previous year, reflecting farmers' gloomy outlook. The board anticipates an operating loss of approximately EC\$500,000. This condition plus the continued depressed price of nutmeg product on world markets would appear to require another draw down on the nutmeg board's reserve (currently at 6.8 million E.C. dollars) by about 1.5 million, some 22% of the reserve, for payments to farmers. There are few bright prospects that confront the board in its traditional markets. The likelihood of substantial increases in Grenada's market share of worldwide nutmeg consumption during the next few years is not good. Even the prospect of the proposed nutmeg oil distillation plant, a joint venture with a European firm, only holds out the potential of absorbing 15% of the nutmeg crop at current production levels over the next several years. The board also is burdened with fourteen hundred tons of uncommitted inventory stock, the equivalent of almost 90% of the anticipated annual production by June 1984.

Forward integration in conventional nutmeg processing operations does not appear commercially feasible. Current traditional markets are reluctant to import ground nutmeg in bulk primarily due to anticipated loss in product flavor. Negotiations with a large spice processor in the United States suggested that significant price concessions would need to be made to make in-roads on that market. Such price drops, it is calculated, would result in better than a 25% drop in farmers' return from the nutmeg crop - a price at which the farmer would have little incentive to harvest his crop.

Cocoa production and marketing under the domain of the GCA (the latter having undergone some of the same financial reverses as the other two boards) appear to have better prospects. The distinctive quality of Grenada cocoa, differentiating it sufficiently to command a premium price in world markets, assures a positive long-run output for the product and, more than likely, for operations of the cocoa board. Generally declining prices over the last few years and the incidence of pests and diseases contributed to declines in output during the last three years. Undoubtedly, poor cultivation practices were also a factor. Growers have realized a declining price for their product since 1980. In order to prop up farmers, the association drew down its reserves for two consecutive years (1980 through 1982) and more likely than not will need to make another draw down for 1983. A Canadian-funded cocoa rehabilitation project is aiming for tripling output within a decade.

### 2.1 Operating and Management Practices

All three boards are similar in management structure and organization. All three commodity associations draw from almost the same 7,000 farmer base. It is estimated that at least three quarters of all farmers belong to at least two associations, while at least half belong to all three. Yet each board operates quite independently of the others. Each has its own offices and operating facilities in the field (production collection points, input distribution centres and warehousing). Each makes independent decisions of the other in all critical decision-making areas. However, the board management know each other quite well and are reasonably well familiar with their counterparts' practices. Both the banana and cocoa boards provide credit-in-kind for input purchases. The GCNA does not perform such services. The former two also provide pest control services, aerial in the case of bananas and manual spray for cocoa. Inputs were purchased directly by the boards on the open market. Under the PRG the banana board - the largest fertilizer importer - was directed to make its fertilizer purchases through the marketing and national import board, thus adding at least 10% to the cost obtained when purchased direct. The Interim Government has since rescinded this requirement; however, current deliveries (which are late) are still the result of contracts let under the MNIB. Poor management practices in the credit area have allowed unreceived and overdue repayments to reach over one-half million E.C. dollars.

Policy direction for each of the commodity associations come from their respective boards. Each board contains nine members, six of which are supposed to be elected by the farmers in the association, and three additional board members appointed by the Government. In prior years a representative from the Ministry of Finance and two others from outside the industry were selected. Beginning in 1975, the boards became politicized and selection of board members was undertaken by the regimes in power. The Interim Government appointed its board members soon after the intervention. The "transition board" will sit until each of the associations elects their own new board members - an action that should take place during the next few months. Possibly due to their turnover and the decisions to place professional-type personnel in the top management positions of the boards, there may well have been minimal interference in the day-to-day management of

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the associations. There were, however, notable instances of board interventions that affected personnel hiring policies and management of outlying facilities. In the case of the GCNA, for example, Government pressure induced the board to mount major marketing missions to South America in order to penetrate untapped markets contrary to the advice of professional management which saw difficulties in reaching commercial arrangements in these areas. Nothing came of these ventures.

The Executive Secretary/General Managers of the boards do expect to meet in the near future to examine what types of communal arrangements or joint activities can be undertaken so as to improve their effectiveness. For example, one possible area for joint action is in commodity purchasing. Although the banana and cocoa societies purchase different fertilizers, there may well be some economies in joint ordering as well as distribution of input products. A similar arrangement will be explored concerning tire purchases.

The three boards are now under the umbrella of the Ministry of Agriculture, Industrial Development and Fisheries. It is anticipated that the Minister will appoint one or more members to each of the boards and through his representative influence policy direction. It does not appear, at this time, that any interventions will take place in the operational management of these commodity associations; nor have any mechanisms been promulgated or even suggested explicitly for the extent and scope of such policy affecting them or the need for the boards to be responsive to each policy direction.

## 2.2 Constraints to the Effectiveness of the Commodity Associations

The three major commodity associations are the most prominent formalized private sector institutions in the Grenada economy. Although for a number of years they have not been under the direct policy control of their farmer/members, within the next few months the latter will surely regain policy-making supremacy within these boards. There is no way of knowing whether policy direction will be oriented toward maximizing the members' revenues in the short- or the longer-run. Each orientation will result in different operating decisions affecting the financial viability of the boards.

Currently, the financial positions of all three boards are precarious. Falling commodity prices, falling production, falling productivity, all led to depletion of the boards' financial reserves as each tried to bolster up farm income by supplementing farmers' advance payments.

Through the actions of foreign donors in the banana and cocoa subsectors, there is an ongoing attempt to rejuvenate cultivation of these respective crops and to diminish crop damage from disease and pests. It is doubtful whether these projects will have much short-term impact on returns to the farmer (i.e., during the next year or two) yet there are immediate markets for both these crops, if output were increased.

The same cannot be said, certainly in the short-run, for nutmeg production. The outlook is not good for substantial increase in world prices

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for this commodity nor for the country's ability to regain market share - a position that has been eroding for a number of years.

The market for the cocoa crop is assured - the 1983 - '84 season's production has already been sold. There is a good deal of assurance that the high degree of product differentiation of Grenada cocoa will guarantee its market in the foreseeable future. And, in fact, production did rise during this last season when compared with the previous year.

In contrast, the banana and nutmeg associations have not been noticeably successful in generating new markets for their products. The nutmeg association has, indeed, attempted to seek out new markets but with no success thus far. Given the oversupply situation, unless the nutmeg association follows radically different pricing strategies (namely making substantial reduction in its price offerings), it will have difficulty penetrating new significant markets; on the other hand, such predatory pricing tactics can well have disastrous long-term results in further depressing worldwide prices with consequent lower production incentives to farmers.

The efficiency with which the boards operate is difficult to gauge. Unquestionably, the unit operating costs of the boards have increased significantly in the last year or two. Whether this is mainly due to the consequent effect of spreading a fixed overhead burden upon a smaller production base or deficiencies in operating management cannot be determined without detailed field investigation of each of the board's practices. The extent to which political intervention during both the Gairy Administration and PRG influenced operating practices also has not been determined.

The manner of individual board decision-making is open to question. Since most farmers grow at least two and more often than not all three primary commodities, their three boards serve approximately the same farmer-base. Little is known as to how decisions concerning cultivation and harvesting of one crop are affected by the farmer's perceptions of his returns from another crop. Anticipated declines in revenues, say, from nutmeg in the next year or two may well stimulate the farmer to intensify his cultivation of bananas (a crop with a high return in the short-run). A particularly good year in one crop, yielding high returns to the farmer, may well lessen his dependence on revenues from another crop, perhaps in the midst of a bad year (i.e., the result of a drop in world commodity price). There has been no concerted study of these interrelationships. Yet the commodity boards appear to make completely independent decisions concerning farmer returns. Whether the individual commodity boards ought to take into account the payments made by the other boards in adjusting the degree to which their own reserves ought to be depleted in the event of a bad year is worth examining. There may well be a role for some coordinated decision-making.

In other areas there are probably efficiencies that can be effected through joint decision-making. The boards are already considering the possibility of joint purchasing (although this has not taken place as yet). Each association maintains completely separate receiving stations

throughout the country for storage and preliminary processing of product as well as distribution of inputs (with the exception of nutmeg which does not distribute inputs).

Except for the informal meetings among the managements of the boards, there are no formal mechanisms that link them together in any way. In an indirect sense, these commodity associations established by statute are legally under the domain of the Ministry of Agriculture. Since a Government representative, nominated by the Minister of Agriculture (as well as two other of his appointees not necessarily from the Government) sit on the association boards, there is in theory coordination at the Ministry level. However, this has not taken place in either the current or previous Governments.

### 3. The Marketing and National Importing Board

#### 3.1 Organization and Operations

The board has played a critical role in the agriculture sector well beyond that which could be inferred from the percentage of agricultural product it handles. The board, however, has no formal connection with the MOA. Not unlike similar institutions in many other LDC's, the board is engaged in a variety of activities dealing with the buying and selling of agricultural products and providing inputs and infrastructure to the agriculture sector. Under the PRG, the board's role was expanded to its present form. However, its effectiveness deteriorated considerably due in large part to mismanagement and questionable operating practices.

The board's six divisions are divided along functional lines that denote its scope of activity: the Marketing Division - exports commodities, establishes trade agreements and promotes trade; Procurement Division (the largest in terms of number of employees) - maintains retail outlets, purchases produce; Import Division (the largest in terms of the dollar volume of activity) - imports a variety of basic commodity items for most of which the board has a monopoly position (i.e., sugar, rice, powdered milk and cement); Shipping Division - acts as a shipping agency, freight forwarder, chandler, cargo handler and agent; and the Administration and Finance Divisions. Recently, the Board created two new divisions along geographic lines for Grenada's dependencies, Carriacou and Petite Martinique. These divisions would operate across functional lines.

The MNIB only accounts for about five percent of total fruits and vegetables marketed. The rest is accounted for by a variety of outlets served either directly by the producer or through middlemen. The board maintains the weekly public market in St. George's where both producers and middlemen may sell their products. Hotels, supermarkets and sometimes individuals buy directly from small or large producers. About 90% of the procured product is sold by the MNIB locally; about ten percent is exported abroad mainly to the U.K. and Trinidad.

The board buys its products from private farms (60% of the total volume), State Farms (30%) and cooperatives (10%). Although the board

has established contractual-type arrangements for purchasing farmers' output, it has been noticeably unsuccessful in inducing farmers to use these arrangements. Where these have been used, in many cases the contractual agreements did not fulfill the purposes for which these were intended - namely, to encourage production and to assure that farmers would fulfill commitments to deliver certain volumes of produce.

One type of contractual agreement used by the MNIB indicates part of the problem it encountered: the farmer agrees to supply specified quantities of a particular crop during a time period. This agreement is signed prior to planting and is accompanied by minimum price guarantees. On this basis in years past, farmers were able to obtain lines of credit from the GDB to buy inputs. Later, when farmers did not deliver the product volumes specified in the contracts and, hence, did not reach their revenue levels as anticipated, loans went into arrears.

Much of the fruit and vegetable export trade is conducted through the informal market by hucksters who purchase produce directly from farmers and then have the produce loaded and shipped to Trinidad by boat. After flying to the island, they meet the incoming boat, off-load their merchandise and retail it there. Then they fly back.

The MNIB's monopoly on the importation of several key staple commodities is justified (by them) by its need to compensate with a positive income flow for the precariousness (i.e. riskiness) of engaging in the fruit and vegetable trade. In effect, the board needs an ensured source of income to subsidize these loss operations.

Currently, the Import Division maintains large stocks of commodities that it either cannot sell or can sell only in limited quantities. Under the PRG, the country received gifts from East bloc countries and others that were either inappropriate or could only be sold off gradually. The board has approximately 20,000 cases of Algerian red table wine in stock; the wine is stored under unsatisfactory conditions and is deteriorating with no purchaser presently in sight. The board also maintains unspecified quantities of fertilizer that are inappropriate to the country's needs - also a gift. Warehouse space is now in short supply. There is now a finished goods inventory of approximately EC\$800,000 worth of Spice Island brand products - the output of the Grenada Agro-Products Company, a parastatal now dormant. The board was required under the PRG to buy the output of this company and market it locally and abroad. All the agro-product's factory output was channeled through the board. Much of this product, consisting of preserves of various sorts and fruit juices, do not appear competitive in export markets, hence the inventory build-up. Some of this stock is as much as two years old and might well be deteriorated (much of the product would be unlikely to pass U.S.A. import standards).

Under the last days of the PRG, the MNIB was given monopoly rights on fertilizer importation - another way to gain assured revenue. The Grenada Banana Cooperative Society, the largest user of fertilizer in the country, was compelled to buy its fertilizer from the MNIB. Until then the

GBCS had imported its fertilizer directly from manufacturers abroad. The MNIB performed the same functions as did the banana board - ordering, handling, warehousing - except that the final cost to the GBCS was ten percent higher than that incurred when they ordered their inputs directly. Although the monopoly position on fertilizer importation has been eliminated, the banana board's supply of fertilizer subsequent to the intervention until now are the result of contracts signed with the MNIB before the coup. Fertilizer product that should have already been delivered to the GBCS is already late by several weeks and may well further adversely affect banana production.

The board is actively involved in fulfilling reciprocal trade agreements particularly with its main trading partner in the West Indies, Trinidad. Thus, the board can act as a mechanism for channeling trade, particularly imports, in fulfillment of bilateral agreements, but not necessarily consistent with good economic practice.

In the immediate future, the MNIB current management plans to expand its operations through the import of more items (e.g., tires). It expects to do so competitively with private enterprises. Also, it is the hope that the board will be able to increase its exports of fresh fruits and vegetables. However, there is no plan or expressed strategy for just how this will be done.

During the last two or three years the operations of the board deteriorated considerably - as it took on more responsibilities for executing Government policy and replacing market mechanisms. The board's own annual reports for 1982 and 1983 conclude quite explicitly that among the various divisions there was incompetence, widespread mismanagement and very questionable accounting and financial irregularities.

In attempting to increase its operations through wider purchases of agricultural products, the board undoubtedly is carrying out Government policy, particularly toward the encouragement of import substitution crops and/or the support of those agricultural activities which may be deemed as having some "social value". The board will provide incentives then for growing certain crops; currently for example carrots falls in this category.

### 3.2 Constraints Associated with the MNIB

The poor performance of the board, aside from the difficulties of managing effectively, are essentially due to its institutional role as determined by Government policy. And the Interim Government apparently does see a continuing role for the MNIB - one not too dissimilar from its current structural position in the economy. Although its monopoly position in the sale and distribution of certain agriculture-related commodities has been removed, it still maintains a monopoly position in the import of basic commodities. It is doubtful whether there is any socially redeeming feature in this particular role, since there is no price subsidization in order to more widely distribute these products; rather the purpose is simply to cover the losses it incurs in its other high risk operations.

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To be sure, many of the problems of the board are not of its own making. The produce handling infrastructure is weak. Warehouse space is lacking and deteriorating. There is a need for cold storage facilities. The board does not have an effective market information system that would allow it to respond to changing market conditions among its trading partners within the Caribbean area so as to direct produce sales to locations offering the highest prices. Additionally, the board was required to purchase output of plants, such as the Grenada Agro-Business Industries that have not proved to be marketable (the Spice Island brand products). The gifts of both fertilizer and Algerian wine have proved, thus far, to be unmarketable and continue to add to the storage costs of the board. It can be expected that the condition of the board will worsen as guaranteed local markets for its imports disappear. Under the prior Government, state agencies were mandated to purchase products from the MNIB, thus assuring a market and profit margin for imported goods.

As the parastatals are dismembered and sold off to private interests, these markets will evaporate. Hence, the MNIB will need to become competitive within the marketplace - an environment within which it has been noticeably unsuccessful.

It is difficult to tell at this time what have been the effects of the board's monopoly position as the sole importer and distributor of essential commodities. Without further economic analysis it is difficult to know whether the prices of such commodities are held artificially high (perhaps, due to the inefficiencies of the board's middleman function) or are encouraging the use of these import products through low prices; rice, particularly, is a substitute product for other ground provisions (such as breadfruit, yams and taro).

Similarly, the implications of the board's decision to increase its activity through purchases of more commodity goods and competing even more directly with the private sector are not known. Except for the aforementioned basic commodities for which the board has an import monopoly and hence controls the distribution price, no other parastatal or private sector organization need buy provisions directly from the MNIB. On the other hand, the board is increasing its role as an importer of other commodities and products in direct competition with the private sector. Further economic analysis is necessary to determine whether there is economic justification for such a strategy: what will be the impact on price levels of such commodities, and availability? Can the board improve its profit position with such actions? Can the board effectively manage a broader set of trading arrangements? The additional actions of the board in embarking on some possible subsidization programs also is done in apparent absence of a justified economic rationale. The board is implementing a policy of encouraging production aimed at import substitution. It is doubtful whether any studies of the comparative advantage of following such a course have been undertaken. Any or all these interventions may act as constraints on economic improvement. These issues need to be given further study.

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