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

REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

PROJECT PAPER

HIGH IMPACT AGRICULTURAL MARKETING
and PRODUCTION

Amendment 3

AID/LAC/P-495
CR P-435 P-290

Project Number: 538-0140

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> C A = Add C = Change D = Delete	Amendment Number 3	DOCUMENT CODE 3
2. COUNTRY/ENTITY Caribbean Regional	3. PROJECT NUMBER 538-0140		
4. BUREAU/OFFICE Latin America/Caribbean	5. PROJECT TITLE (maximum 40 characters) High Impact Agr. Marketing & Production		

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 07 15 93	7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <u>86</u> B. Quarter <u>3</u> C. Final FY <u>93</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>86</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(5,000)	(250)	(5,250)	(19,000)	(8,000)	(27,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	5,000	250	5,250	19,000	8,000	27,000

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) DA	140	070		19,401	-	-	-	27,000	-
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code B. Amount	

13. PROJECT PURPOSE (maximum 480 characters)

To increase the contribution of the agricultural sector and agricultural enterprises to GDP by improving the investment environment, relieving development constraints to private capital inflows, and demonstrating attractive returns on capital at acceptable levels of investor risk.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 05 89 04 91 01 93	15. SOURCE/ORIGIN OF GOODS AND SERVICES and participating countries <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)
 The purpose of this amendment is to extend the PACD to July 15, 1993 and to describe the institutionalization phase of project implementation.

17. APPROVED BY	Signature Larry T. Armstrong <i>Larry T. Armstrong</i> Title Acting Director	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 06 28 89
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HIGH IMPACT AGRICULTURAL MARKETING AND PRODUCTION
PROJECT (HIAMP)
PROJECT PAPER AMENDMENT NUMBER THREE

TABLE OF CONTENTS

	<u>Page</u>
Revised Project Data Sheet	i
Table of Contents	ii
I. BACKGROUND TO AMENDMENT	1
A. The Purpose	1
B. The Major Subprojects	1
C. The Quick Response Fund and Core Contractor	1
D. 1989 Evaluation	2
II. PROJECT REVISIONS	4
A. Rationale and Description	4
1. Evaluation Findings	4
2. Project Changes	8
B. FY 90 Benchmarks	11
III. REVISED COST ESTIMATE	14
A. Project Budget	14
B. Self-Sustainability Forecast	15
C. PACD Extension	16
IV. REVISED IMPLEMENTATION PLAN	17
V. REVISED ANALYSES	19
A. REVISED TECHNICAL ANALYSIS	19
1. Commercialization Fund	19
2. Investor Search	29
B. REVISED ENVIRONMENTAL ANALYSIS	23
VI. WOMEN IN DEVELOPMENT AND EVALUATION	26
VII. ANNEXES	
A. Selections from Louis Berger Evaluation dated May 1989 (Full report on file in RDO/C, LAC/DR and CDIE)	
B. Approved Initial Environmental Examination	
C. Project Officer Scope of Work	
D. Women's Participation in the HIAMP Project	
E. Summary Status of Commercialization Fund Activities	

I. BACKGROUND TO AMENDMENT

A. The Purpose

The High Impact Agricultural Marketing and Production (HIAMP) Project (538-0140) was authorized in the amount of \$30.0 million on July 15, 1986 for the purpose of increasing the contribution of the agriculture sector and agricultural enterprises to GDP by improving the investment environment, relieving development constraints to private capital inflows and demonstrating attractive returns on capital at acceptable levels of investor risk. This purpose was to be accomplished through Major Subprojects, the Quick Response Fund, and the Core Contractor.

B. The Major Subprojects

When the project was authorized three major subproject activities were initiated: the Regional Cocoa Rehabilitation Subproject which is being implemented by the Pan American Development Foundation; the Turks and Caicos Research Facility which was implemented by the Smithsonian Institution; and the Antigua Mariculture Activity which was implemented by Harbor Branch Oceanographic Institute and the Smithsonian Institute. In anticipation of a tropical fruit subproject, a PASA was executed with USDA/APHIS for a fruit fly detection and survey activity. However new subproject design and authorization was postponed and eventually cancelled because of the need for management attention in solving implementation difficulties with the Quick Response Fund component of the project. Anticipated major subprojects (e.g. Windward Island Tropical Fruit) are now being authorized as stand-alone agricultural projects.

C. The Quick Response Fund and the Core Contractor

The Quick Response Fund (now referred to as the Agricultural Venture Trust) was designed to provide a source of capital to Eastern Caribbean agribusiness enterprises. Investment funds and post investment management are provided by the grantee, the Agricultural Venture Trust (AVT), which was established as an

agribusiness investment organization to take equity positions in profit making agribusiness firms and to provide reimbursable grant funds to non-profit farmers associations. Investment promotion, business plan preparation, and field expertise are provided by the core contractor, the Eastern Caribbean Agribusiness Development (ECAD) Company. ECAD has a direct AID contract to provide the technical foundation for the AVT's investment decisions. Within the ECAD contract there is also a small research and development fund, the Commercialization Fund, which provides mini-grants to private sector companies for test marketing or agricultural production experiments. After an initial 18 months of implementation, it was obvious that the AVT/ECAD component was having serious implementation difficulties which necessitated comprehensive operational adjustments.

A June 1988 project paper amendment analyzed the difficulties in introducing an equity finance mechanism into the Eastern Caribbean and of simultaneously creating a new implementing institution. The amendment described the changes which were effected to stabilize the operational environment of the project so that a demonstration aspect of the project could be verified in order to determine whether there was enough demand for equity investment in non-traditional agriculture to warrant continuation of the project and institutionalization of project activities.

D. 1989 Evaluation

In May 1989 Louis Berger International, Inc. completed an evaluation (Annex A) which verified that during the previous year, the project had sufficiently overcome its implementation problems and demonstrated its capability to satisfy the demand for agribusiness financing. The evaluation noted:

"Using equity alone, HIAMP in its first three years of operation will have funded three times as many private sector investments in the Eastern Caribbean than two predecessor RDO/C projects together were able to fund in nine and six years respectively."

However the evaluation then went on to describe the changes which are required if the project is to successfully accomplish its institutionalization objective. The purpose of this amendment is to describe how the project will be adjusted to accomplish this objective.

II. PROJECT REVISIONS

A. Rationale and Description

1. Evaluation Findings

The 1989 HIAMP evaluation concluded that it is probable that the Agricultural Venture Trust, given its current and forecasted investments, will be able to disburse the \$12.0 million in funds allocated to the equity and reimbursable grant project element. It is anticipated that by the end of 1989, when 70% of the project months will have elapsed, about 63% of the funds will be committed. Table 1 presents actual and forecasted investments by island while Table 2 presents portfolio statistics according to whether the investment is for a business reorganization, expansion, or new start.

The evaluation also confirmed that the project had successfully achieved the primary performance targets set forth in the 1988 PP amendment. With their current staffing, both the contractor and the grantee were successful in achieving their respective objectives. The ECAD contractor focussed on business plan preparation and follow-through and submitted 18 improved-quality business plans between February 1988 and March 1989. The AVT, as manager of the portfolio, signed investments during the same 13 month period. Furthermore, the AVT was successful in meeting the turnaround time between the signing of an equity agreement and the actual purchase of shares.

The evaluation concluded that the key question for the future of the project has less to do with the number of potential agribusiness projects than it does with: (1) the quality of the existing and prospective investments; and, (2) the extent to which the project can have a significant impact on the performance and survival of the investments in its portfolio. The evaluators predicted that it is unlikely that an entity with this project's mandate could become self-financing in the commercial sense in the near future. The project will need additional time and additional resources.

Recognizing that USAID is willing to extend the project PACD but is not likely to authorize additional funding, the AVT is faced with attracting other donor or financial institution support. The evaluators stated that this will most likely occur if the AVT can demonstrate competence in: (a) ensuring the success of the existing investments; and, (b) reducing the transaction costs of investments. In this regard, the AVT must now shift focus from new business development to portfolio management and must become more efficient in the delivery of its services. In other words, the project must shift from its demonstration phase into an institutionalization phase.

The major impediment to the institutionalization objective is the evaluator's observation that coordination between the AVT and ECAD has been less than ideal. There is a lack of communication which is in part due to the physical separation of the two units and the distinct chains of command set up by each organization. Furthermore, the goals and performance benchmarks established for each unit did not encourage close cooperation between them after the business plan was submitted. ECAD was judged primarily on completing a certain number of business plans. Indeed, the majority of the ECAD staff's time and short-term technical assistance was for promoting and developing business deals. The actual negotiation and management of the investments was a secondary goal and one primarily vested to the AVT. As a result of this functional split, the majority of administrative funding in the project, close to 90%, was allotted to the "sales" department (ECAD) for business development and a little more than 10% was left for the production and management arm (AVT).

The evaluators recommended that the long-term survival of an agribusiness investment fund required that future orientation of the HIAMP project be centered around the AVT which is ultimately responsible for the success or failure of the portfolio. In addition, they recommended that the project needs to go from an orientation characterized by the decentralized execution of line responsibilities, to a more centralized strategic posture with clearly defined priorities for the future.

TABLE 1
ACTUAL AND FORECASTED INVESTMENTS

COUNTRY	1986	1987	1988	1989	1990	1991	TOTAL
							(1986-91)
1. ST. LUCIA							
A. EQUITY	0	0	0	5	5	5	15
B. REIMBURSABLE GRANTS	0	0	0	2	1	1	4
C. COMMERCIALIZATION GRANTS	0	1	2	4	4	4	15
2. DOMINICA							
A. EQUITY	0	0	1	1	1	1	4
B. REIMBURSABLE GRANTS	0	0	1	2	1	1	5
C. COMMERCIALIZATION GRANTS	0	3	5	9	6	4	27
3. GRENADA							
A. EQUITY	0	1	1	6	5	5	18
B. REIMBURSABLE GRANTS	0	0	0	3	1	0	4
C. COMMERCIALIZATION GRANTS	0	5	5	7	8	8	33
4. ST. KITTS							
A. EQUITY	0	0	2	0	1	1	4
B. REIMBURSABLE GRANTS	0	0	0	0	0	0	0
C. COMMERCIALIZATION GRANTS	0	2	1	3	3	3	12
5. ANTIGUA							
A. EQUITY	0	1	0	1	1	1	4
B. REIMBURSABLE GRANTS	0	0	0	0	1	0	1
C. COMMERCIALIZATION GRANTS	0	1	0	5	3	3	12
6. ST. VINCENT							
A. EQUITY	0	0	1	1	0	0	2
B. REIMBURSABLE GRANTS	0	0	1	1	2	2	6
C. COMMERCIALIZATION GRANTS	0	4	7	7	8	8	34
7. MONTSERRAT							
A. EQUITY	0	0	0	0	1	0	1
B. REIMBURSABLE GRANTS	0	0	0	0	0	0	0
C. COMMERCIALIZATION GRANTS	0	0	0	1	1	1	3
8. BARBADOS							
A. EQUITY	0	0	0	2	2	2	6
B. REIMBURSABLE GRANTS	0	0	0	1	1	1	3
C. COMMERCIALIZATION GRANTS	0	2	1	8	8	8	27
TOTAL:							
A. EQUITY	0	2	5	16	16	15	54
B. REIMBURSABLE GRANTS	0	0	2	9	7	5	23
C. COMMERCIALIZATION GRANTS	0	18	21	44	41	39	163

TABLE 1

STATUS OF QUICK RESPONSE ACTIVITIES BUSINESS PLAN

File No.	Name	Business Plan Finalized	Type of Investment	Agreement Accepted by AID	Funds Requested/ Disbursed	Comments
4.	Nonsuch Ltd. EA US\$61,357 (30%)	06/11	Expansion	I.L. #15 01/27/87	10/14/87	Black pineapples in Antigua.
7.	Windward Islands Aloe Ltd. EA US\$500,000 (35%)	07/09	Expansion	I.L. #15 01/27/87	01/29/88	Alne Vera in Dominica.
8.	Windward Island Tropicals, Ltd. EA US\$301,317 (25%)	11/09	Expansion	I.L. #14 12/29/87	12/28/87 02/05/88	Ornamental Plants in St. Lucia.
9.	Stonefort Farm EA US\$40,000 (42%) US\$7,440 (Added)	08/24	New	I.L. #15 01/27/87	01/27/88 02/16/88	Vegetables and fruits in St. Kitts.
10.	Passion Fruit GA US\$246,359 (33%)	09/10	New	I.L. #12 12/16/87	01/04/88 01/20/88	Passion fruit production in Dominica.
12.	Agro-Industries Ltd. EA US\$92,999 (33%)	02/05	Reorganization			Agro processing in St. Lucia.
13.	Barte Meats EA US\$130,000 (45%) US\$18,972 (Added)	02/05	Reorganization	I.L. #37 12/07/88	09/07/88 10/11/88	Production of processed meats in Grenada.
14.	ORD GA US\$390,596	02/18	Expansion	I.L. #38 12/2/88	11/23/88 1st	Expand and improve production and packing in St. Vincent.
15.	Southern Agronomics EA US\$493,000	03/14	New	I.L. #34 10/18/88	08/10/88 08/25/88	Ethanol production in St. Kitts
16.	Cherry-Bim Agro-Industries Inc. EA US\$109,181	04/08	Expansion			Cherry production in Barbados.
17.	Biofertilizer EA US\$500,000		New			Fertilizer production in St. Kitts.
18.	Corona Development Limited EA US\$72,930	07/05	Expansion	I.L. #46 02/23/89	01/19/89 02/23/89	Passion fruit processing in Dominica.
19.	Funtime Sea Moss EA US\$37,200 US\$14,508 (Added)	09/13	Expansion	I.L. #45 02/23/89	01/27/89 02/23/89	Sea moss production and processing in Grenada.

File No.	Name	Business Plan Finalized	Agreement Accepted by AID	Funds Requested/ Disbursed	Comments
20.	Ferrands Dairy EA US\$467,155	08/19	Expansion		Marketing and production of dairy and dairy substitute products in St. Lucia.
21.	MV Windward EA US\$500,000	09/30	New		Transporting agricultural produce and traffickers. in St. Vincent.
22.	BARPAC EA US\$500,000	09/30	Reorganization		Enhance capital structure, and secure equipment and working capital in Barbados.
23.	Grenada Cocoa Assoc. G US\$500,000	09/21	Expansion		Rehabilitation of cocoa through the GDB in Grenada.
24.	Carambola EA US\$204,863	10/20	New		Production and marketing of carambola in Dominica.
25.	Sunshine Meats Ltd EA US\$250,000	12/08	New		Establish a confinement hog production facility with associated slaughter house in Grenada.
26.	Viking Enterprises Ltd EA US\$365,412	12/19	Expansion		Plant expansion and diversification into fruit juices, purees and pulps and market expansion in Grenada.
27.	Small Farmer Passion Fruit G US\$250,000	12/20	New		Production and processing of 200 acres of passion fruit by small farmers of St. Vincent.
28.	Constant Paw-paw EA US\$250,000	12/28	Expansion		Processing rejected pawpaws into pawpaw puree in Barbados.

2. Project Changes

The Mission, along with AID/Washington representation, held a review of the evaluation in April 1989. The review concurred in the results of the evaluation and recommended that negotiations be held with the AVT and ECAD to restructure the institutional arrangements within the project. The evaluation review committee also recommended that the Project Assistance Completion Date be extended until July 15, 1993. The rationale for that recommendation is contained in Section III.B.

During May 1989, the Mission met repeatedly with ECAD and the AVT to plan changes in the staffing structure and resource allocation of the project. These negotiations focused on short-term and medium-term institutional changes. In order to achieve an increase in managerial and monitoring capability, the following short-term (6 months) changes will occur:

- a. Integration of ECAD functions into the AVT. This will begin with a move to joint office space and end with the termination of ECAD's AID-Direct contract and the award of an AVT host country contract. See Table 3 for a new organizational chart;
- b. Hiring, under the ECAD contract, a retired investment banker to "coach" the AVT and its staff regarding portfolio management and venture capital principles;
- c. Reduction in the number of island advisors by two and refocusing the remaining three advisors to spend 45% instead of 15% of their time on monitoring the existing investments. See Table 4 for an estimation of the current and proposed use of ECAD staff time;
- d. Replacement of the contractor's deputy chief-of-party with a senior assistant for the AVT staff;

TABLE 3

AVT/ECAD
ORGANIZATIONAL CHART
BEGINNING 1990 - 1991

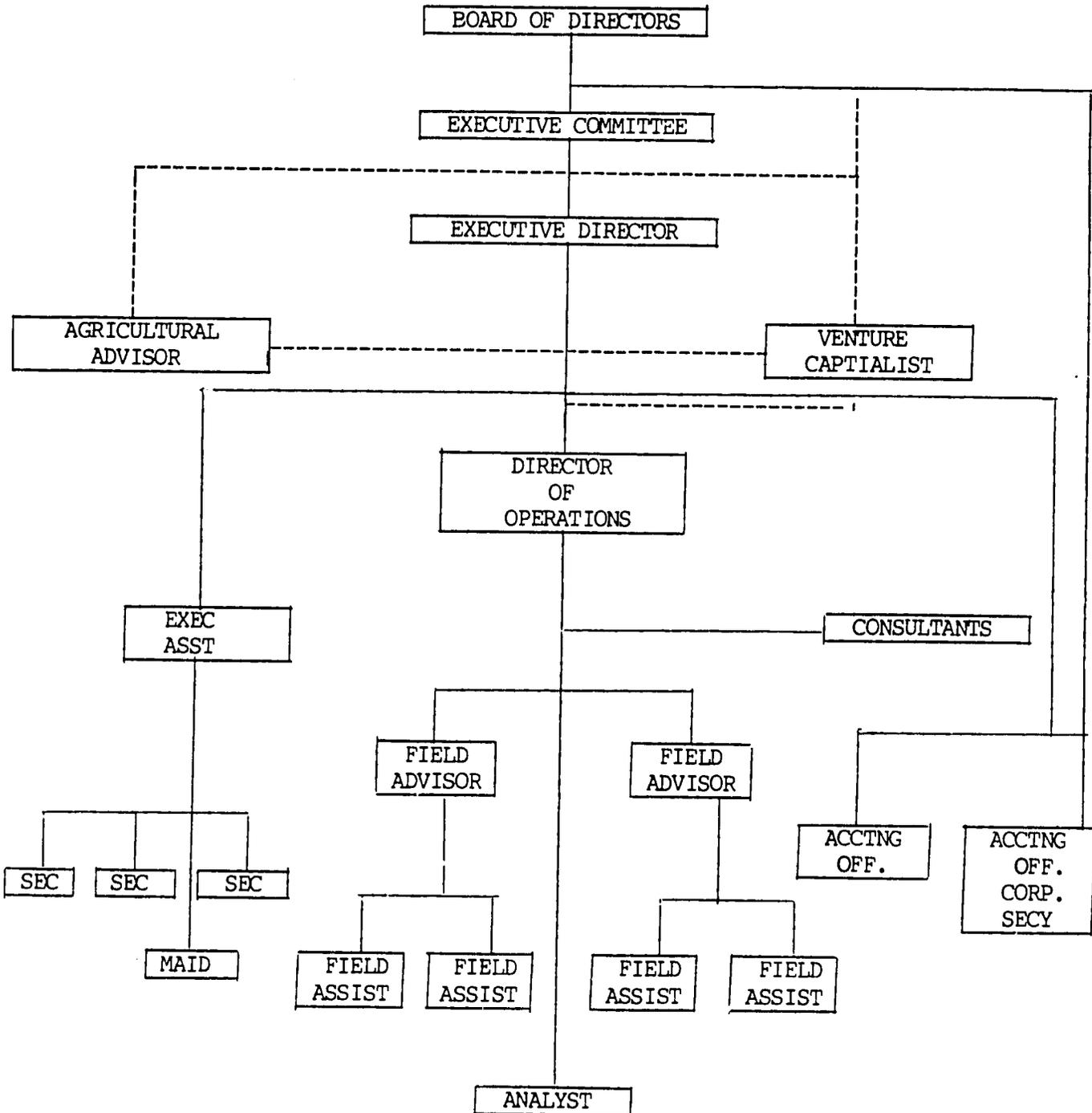


TABLE 4
ESTIMATED TIME ALLOCATION OF ECAD

<u>Function</u> -----	<u>Current ECAD</u> <u>Staff Time</u> <u>Allocation</u> <u>1988-1989</u> -----	<u>Proposed ECAD</u> <u>Staff Time</u> <u>Allocation</u> <u>1989-1991</u> -----
1. Deal Promotion/ Public Relations	10%	10%
2. Business Plan Preparation	20%	5%
3. Business Plan Follow-Up/T.A.	15%	45%
4. Commercialization Grant Development	10%	5%
5. Commercialization Grant Follow-Up/T.A.	10%	5%
6. Foreign Investment Promotion	10%	5%
7. Management and Administration	25%	25%

e. Increasing the number of trustees available for advising and managing the portfolio to seven;

f. De-emphasizing the active search for foreign investment until there is demonstrated success in the management of the current investments (this last recommendation would not preclude current initiatives from being completed and followed-up. It would only pertain to future activities); and,

g. Registration of the AVT as a non-profit corporation and dissolution of the Trust.

Once these recommendations have been successfully implemented, it will then be possible to enter a second phase of institutional modification. The second phase would begin in 1991 and would include the following features:

a. Replacing all expatriate island advisors with local staff;

b. Increasing the number of trustees to nine; and,

c. Shifting all contractual arrangements for technical assistance from the host country contract directly to the AVT.

B. FY90 Benchmarks

For the next 12 to 15 months, the primary goals of the HIAMP project will be to master the challenge of managing its existing portfolio and to develop an integrated AVT and ECAD administrative unit. The unit will need to demonstrate a capability to effectively manage investments and to develop a strategy which clearly identifies future cash reflows, technical assistance requirements, investment goals and priorities.

The performance targets to be achieved by July 1990 can be organized into four general areas: (1) institutional; (2) strategic; (3) operational; and, (4) portfolio development. These targets are elaborated in Chapter IV of the Annex A evaluation but are described for future measurement as follows:

1. Institutional Targets

a. Conversion of the AVT from a charitable trust to a non-profit corporation.

b. Integration of the core contract functions into the AVT through: colocation of office space; consolidation of personnel; and, centralization of decision-making authority with the Agricultural Venture Trust.

c. Expansion of the AVT Board of Directors to include 7 persons - at least two of whom are resident in the OECS territories.

2. Strategic Targets

Development of a portfolio management strategy to enhance the probability of long-term financial sustainability of the AVT by: the proper balance between risk and return; estimated cash reflows; identification of technical assistance needs; allocation of professional time for monitoring investments; and, clear definition of investment criteria and buy back plans.

3. Operational Targets

a. Increase of the contractor's level-of-effort spent on portfolio management (versus new business development) to 40 percent or 50 percent.

b. More active use of those AVT Board Members and representatives with business backgrounds for the monitoring of investments.

c. Development of an AVT Board subcommittee approval process for future investments to expedite the decision-making and processing time.

d. Preparation of a consolidated grantee/contractor quarterly report which highlights the individual status of the on-going portfolio of investments and discusses the steps being taken to strengthen those investments.

4. Portfolio Development

a. Reasonable assurance of at least 35% of the investments surviving and buying back the AVT-held shares.

b. Completion of only 7 to 10 business plans per year and new investment in only 5 to 8 companies per year.

III. REVISED COST ESTIMATE

A. Project Budget

The life of project funding for the HIAMP project remains as described in the 1988 project paper amendment and as indicated below.

TABLE 5a
REVISED HIAMP LIFE OF PROJECT FUNDING

AVT Investments	12,000,000
AVT Administration	1,600,000
ECAD Contract	7,533,000
Major Subprojects	4,273,000
Special Studies & Evaluation	1,594,000
TOTAL	<u>27,000,000</u>

As displayed in Table 5b, at the time of this amendment \$19,401,400 of the \$27,000,000 is obligated. The remaining project mortgage of \$7,598,600 will be allotted to the project in FY90, FY91 and FY92. Section 2 below discusses the programmatic reasons for extending the PACD which coincide nicely with the problems which the Mission is having with the availability of funds prior to the current PACD.

As the elements are currently funded, the AVT's administrative budget is fully obligated, the ECAD contract is 80% obligated, and the project mortgage is primarily for the equity and reimbursable grant line item. The pipeline for this element is adequate for the next year and, with investment restraint, can be increased by approximately \$2.0 million in each of the next three years. However this conservative disbursement plan will result in a slower transition to self-sustainability because of slower investment reflows.

Early in 1990 the budget will need to be revised to adjust for the termination of AID's direct contract with ECAD and the movement of funds to AVT control.

14A

TABLE 5b

HIAMP PROJECT BUDGET

<u>PROJECT COMPONENT</u>	<u>AUTHORIZED IN 1986</u>	<u>REVISED LOP 6/88</u>	<u>OBLIGATED FY 86, 87, 88</u>	<u>DISBURSED & ADVANCED</u>	<u>OBLIGATIONS FY 89</u>	<u>MORTGAGE</u>
I. Agricultural Venture Trust Equity/Grant	12,000,000	12,000,000	5,225,000	2,349,803	1,265,914	5,509,086
Administrative Expenses	850,000	1,600,000	533,918	526,212	1,066,082	0
Sub-Total I	12,850,000	13,600,000	5,758,918	2,876,015	2,331,996	5,509,086
II. ECAD Contract ^{a/}	8,000,000	7,533,000	4,950,787	3,997,968	1,030,000	1,522,213
III. Major Project Fund	4,500,000	4,273,000	4,273,000	2,186,947	0	0
IV. Special Studies & Evaluation						
A. Fruit Fly	-	-	455,171	211,782	167,976	0
B. Project Management ^{b/}	-	-	156,446	85,692	107,200	162,000
C. Evaluations	-	-	69,675	62,386	74,181	150,000
D. Other	-	-	14,403	14,331	11,647	225,301
Sub-Total IV	<u>4,650,000</u>	<u>1,594,000</u>	<u>695,695</u>	<u>374,191</u>	<u>361,004</u>	<u>537,301</u>
GRAND TOTAL	30,000,000	27,000,000	15,678,400	9,435,121	3,723,000	7,598,600

^{a/} Include \$71,595 of Batson's Contract

^{b/} FY 89 and future obligation to cover PSC project officer contract from 8/89 to 8/91 after which direct hire would assure residual responsibility.

B. Self-Sustainability Forecast

Despite the proposed staffing and restructuring, it appears that with respect to administrative costs the AVT will not become self-sufficient by the current PACD. When the transition from contractor implementation to full AVT implementation occurs in mid-1991, the AVT will have only begun to realize reflows from its 1988 investments and will therefore still be dependent on \$1.2 million of donor support to cover operational costs. Since at the beginning of the project, USAID could not allow the \$12.0 million grant to be provided upfront as an infusion of capital from which the interest earned could be used for operating costs, the AVT's eventual cash reflows must be used for building up sufficient reserves to achieve the same purpose.

The evaluation team developed reasonably conservative estimates on cash reflows to the AVT. Rather than assume dividend payments by firms (after the investment is made but before it is recovered), the team assumed that the AVT will have all of its shares bought back at the end of a five year investment period and that these investments will take at least 3 or 4 years before beginning to generate any positive cash flow. The team further assumed that: (1) the AVT will have 35% of outstanding shares repurchased; (2) the average annual rate of return on these shares will be 15 percent; and, the reflows accumulate 10 percent interest when not in use. Using these assumptions, at the end of five years (from the first reflow) the AVT will receive approximately double the \$12.0 million originally invested.

Table 6 incorporates these assumptions into a forecasted cash flow scenario whereby the AVT does not receive any cash reflow until 1992. From 1992 to 1995 a total of \$8.22 million will be paid back. The interest earned off this principal will amount to about \$110,000 in 1993, \$390,000 in 1994 and \$730,000 in 1995. The expected requirement for outside funds (administrative costs less proceeds from reflows) required to finance operating costs will decrease from last year's \$2.0 million to \$0.47 million in 1995.

**TABLE 6
CASH REFLOW SCENARIOS
(IN US MILLIONS)**

INVESTMENT COSTS

YEAR	TOTAL	NEW	SUPPLEMENT	PROJECT ADMIN COST	INVESTMENT REFLOWS	NET REQUIRE
PHASE I						
1986/87	0.00	0.00	0.00	1.20	-	-
1987/88	1.28	1.28	0.00	1.61	-	-
1988/89	3.58	3.16	0.42	2.00	0.00	2.00
1989/90	4.87	3.83	1.04	2.00	0.00	2.00
1990/91*	2.26	1.00	1.26	1.80	0.00	1.80
SUBTOTAL	12.00	9.27	2.73	8.60	0.00	5.80
PHASE II						
1991/92	1.83	1.50	0.33	1.50	0.00	1.50
1992/93	2.50	2.00	0.50	1.35	1.13	1.35
1993/94	3.16	2.50	0.66	1.20	2.80	1.09
1994/95	3.83	3.00	0.83	1.20	3.40	0.81
1995/96	3.99	3.00	0.99	1.20	0.89	0.47
SUBTOTAL	15.30	12.00	3.30	6.45	8.22	5.21
TOTAL	27.30	21.27	6.03	15.05	8.22	11.01

* END OF ORIGINAL HIAMP PROJECT

Most likely, the AVT will have to increase its investment portfolio from \$12.0 million to about \$25-30.0 million dollars in order to have a sufficient base to finance administrative costs and future investments. With more than double the original \$12.0 million of invested funds, it would be possible for the AVT to earn \$1.6 to \$2.0 million in interest. This would more than cover the expected operating costs as well as provide a surplus of funds for reinvestments.

The issue of AVT sustainability is therefore, not whether the AVT can achieve financial self-sufficiency in the short-term, it cannot. Rather, it is whether the AVT will be able to attract outside donor or financial institution funding to cover operating and investment costs over the next 2-7 years. To double their investment capital base, the AVT must use the next phase of project implementation to demonstrate competence in ensuring the success of existing investments and reducing investment transaction costs.

C. PACD Extension

When the project was authorized in 1986, it was assumed that a "high impact" project with a "quick response" fund could achieve its objectives and be completed within a five year timeframe. However it took over two years to realize the first investment (see PP Amendment #2 for explanation) and another 18 months to verify that there was adequate demand for agribusiness investment funds. With this amendment, the project is just beginning the critical institutionalization phase which will, as noted above, form the foundation of experience essential to attracting other sources of funding. Based on the delays experienced in starting a new implementing institution combined with the difficulties of instituting an equity capital fund in the Eastern Caribbean, the project committee has concurred in the evaluators recommendation to extend the PACD. However at this point in time, the Mission only recommends a two year extension since USAID funding will run out shortly thereafter.

IV. REVISED IMPLEMENTATION PLAN

The schedule to accomplish the targets specified in Section II.B. is:

April 30, 1989	Departure of island advisors on St. Kitts and Grenada.
June 23, 1989	Finalization of negotiations between ECAD, AVT, & USAID on revised institutional arrangements.
June 30, 1989	PP Amendment #3 completed & FY89 funds obligated. Departure of ECAD Deputy Chief-of-Party.
July 15, 1989	AVT invites 3 new board members (2 are temporarily observers) with effect from August board meetings. First joint ECAD/AVT quarterly report submitted.
September 30, 1989	Several ECAD support staff have been released. Legal documents for AVT conversion to non-profit corporation are finalized. Investment approval subcommittee formally established. AVT & ECAD move to new office facilities completed. ECAD recruited investment banker arrives.

Second joint ECAD/AVT quarterly report submitted with focus on achievement of institutional targets.

December 31, 1989

AVT granted non-profit corporation status and all board members obtain voting rights.

Third joint ECAD/AVT quarterly report submitted with focus on achievement of operational targets.

January 15, 1990

Termination of ECAD direct contract with USAID

AVT/USAID grant agreement amended to reflect changes in project, including provision for host country contract and new benchmarks.

Execution of AVT contract with ECAD.

St. Lucia island advisor departs

March 31, 1990

Portfolio management strategy submitted.

May 31, 1991

Begin evaluation number 3

July 15, 1993

PACD

V. REVISED ANALYSES

In the technical analyses presented below, the Mission is taking the opportunity of this amendment to document the rationale for continuing the commercialization fund and discontinuing the U.S. based investor search activity. Changes to the project's administrative and institutional analysis are described in the Section II, Project Description.

During the preparation of PP Amendment #2 in May 1988, the Mission contracted an economist to update and amend the original project paper economic analysis. The May 1989 evaluation prepared an indicative cost-benefit analysis. But since so few of the AVT investments have had time to generate returns, both exercises had to depend on order-of-magnitude projections based on extrapolations from business plans. The 1988 amended economic analysis goes into some depth on the methodology and conclusions and therefore remains the relevant document for reference in this area.

A. Revised Technical Analysis

1. Commercialization Fund

As of June 1989, ECAD had obligated \$465,000 of the \$500,000 Commercialization Fund (Fund) to finance 64 research and development (R&D) grants in eight countries. Maximum permissible grant size is \$10,000 although the average grant turned out to be approximately \$7,350. Through March 1989, 19% of the fund had been used for testing new crops or cultivars for the region, 45% for testing production methods or alleviating production constraints, and 36% for marketing trials.

Utilizing the Annex E status report, RDO/C reviewed the use of the Fund in February 1989 and the evaluation team included an assessment of its effectiveness in their May 1989 Report. The conclusion of both reviews was that the Fund should be continued. The evaluators commented that the Fund has been useful in demonstrating to a wider audience the seriousness and

capability of the HIAMP Project in dealing with constraints to agribusiness development in the region. They recommended that an additional \$85,000 be obligated for each of the next two years.

At the time of the RDO/C review, there were two primary concerns, the agronomic validity of the R&D results and the end use of procured equipment. The Mission's agriculture office pointed out that the research results deriving from the commercialization fund activities have limited usefulness in the classical agronomic sense unless they can be closely coordinated with an agricultural research facility which can monitor the trials (e.g. Caribbean Agricultural Research & Development Institute or the local Ministries of Agriculture). However the discussion concluded that the purpose of the Fund was not to add to the body of research but to quickly develop solutions to specific problems of enterprises which might become AVT investment candidates.

The majority of the commercialization fund grants are used to procure expendable goods and services, however some funds have been used to purchase non-expendable property (e.g. small, hand-operated tractor). In situations where non-expendable property is involved, the contractor is encouraged to either: (1) have the company purchase the capital equipment and use the grant for the expendable supplies; or, (2) make the commercialization fund grant to a non-profit organization (such as a farmer's cooperative or CARDI) rather than to an individual enterprise. However, occasionally the objectives of the trial can only be accomplished by procuring equipment for the individual company that is testing the idea. In this rare situation, the project committee has concluded that the need for the trial justifies the procurement and that if the trial is successful, the equipment will continue to be used for the intended developmental purpose.

2. Investor Search

The investor search element of the Project began as an unstructured activity, in which potential investors were sought by ECAD staff through personal

contacts and informal communications both inter and extra regionally. There was some limited success through the beginning of 1988, with 4 investments made and at least one eventual investor from the US (Southern Agronomics) identified. The investor search element took on greater importance during the 1988 push to demonstrate a demand for agribusiness investment funds. PP Amendment #2 included a provision for a U.S.-based investor search program to be incorporated in the revised ECAD scope of work on a six month trial basis. At the same time, the PP amendment also called for formalization of relations with the Eastern Caribbean Investment Promotion Service (ECIPS) in Washington, D.C. and an increasing role for the AVT in promotion of HIAMP opportunities within the region.

a. Experience to Date

The ECAD investor search team took advantage of their agribusiness experience and access to a network of agricultural and other business and investment leaders to try to attract potential investors to the Eastern Caribbean region. The direct investor search activity was given precedence over developing linkages with ECIPS because that organization was still in a nascent stage and was focussed almost entirely on developing its promotion capabilities for the manufacturing sector. The AVT did begin to increase its promotional activities, and the AVT island lawyers were encouraged to begin to seek out potential investments.

The results of the three investor contact methods (new U.S.-based, the AVT, and the old island advisor system) produced mixed results during the past year. While both ECAD and the AVT met the performance targets established in the PP amendment, the majority of investment leads were from regional and island advisor contacts. The direct investor contact activity in the U.S. failed to generate any investor visits or business plan preparations during the six month trial period, and was, therefore, discontinued.

The evaluation recommended that, to the extent that new business development is a priority, the AVT continue to emphasize local investment opportunities, recognizing the limited attraction of the

region to large foreign investors because of limited scale. The evaluation also emphasized the inherent promotional advantage of the AVT's local business networks.

b. Revised Investor Search Program

Based on the results of the past year and the Evaluation recommendations, the investor search activity will be de-emphasized and will include the following specific components:

i. Short term technical assistance will be used under the ECAD contract to follow up on any investment leads previously generated by the U.S. direct investor contact activity (between October 1988 and April 1989) which are considered to be likely to lead to a HIAMP investment;

ii. Interaction with ECIPS will be pursued, so that ECIPS is capable of handling general promotional materials about HIAMP activities and of responding to U.S. based inquiries about the Project. This will be accomplished by maintaining a part-time project backstop in the ECAD Washington office, whose duties will include the development of this working relationship;

iii. ECAD Barbados and island staff will continue to promote the Project locally, through newsletters and brochures, as well as personal contacts; and,

iv. The AVT will develop a regional network of island representatives who will identify local and regional investment opportunities. This network will include: a) island attorneys, whose principal

remuneration will continue to be payment for services provided in relation to the preparation and execution of the investment agreement, (b) other island representatives, who will maintain a loose association with the AVT, and who will be remunerated on a fee-for-services basis, and (c) Trustees or Directors, who are regional business leaders. Development of this network is consistent with the recommendations of the evaluators to reduce the financial resources dedicated to investor search, to emphasize local investment opportunities, and to make the AVT the lead institution in managing HIAMP activities.

B. Revised Environmental Analysis

1. Current Situation

Annex B contains the amended Initial Environmental Examination for the HIAMP Project, which recommends a categorical exclusion based on 22 C.F.R. 216.2(c)(2)(x), which provides such an exclusion for "support for intermediate credit institutions, when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution."

The 1988 concurrence in the categorical exclusion by the Latin America Bureau Chief Environmental Officer was conditioned on the inclusion of a covenant in the USAID/AVT grant that no pesticides restricted for use by the EPA on the basis of human health hazard can be procured or used under this project. The AVT which has its own environmental policies and procedures has signed a grant agreement amendment which includes such a covenant.

2. Analysis

The HIAMP Project has undergone an evolutionary process in which the focus of the Project has increasingly become the capitalization of the agribusiness sector through the provision of equity capital by the AVT. Central to the success of this strategy is the ability of the AVT to make sound investments and provide timely management support. One practical implication of this has been the need to withdraw AID from the review and approval of individual investments, and to vest the AVT with full status as a bona fide financial institution. With the withdrawal of AID from the approval and review of specific investments, the criteria of 22 C.F.R. 216.2(c) applies.

The application of the categorical exclusion, however, does not mean that environmental analyses will not be carried out, but rather that AID will no longer be in the approval process for individual investments. In the process of developing their status as a bona fide financial institution, the AVT has drawn up a set of policies and procedures for environmental safety. A copy of these are attached to the amended IEE. Basically, they call for an environmental analysis of each investment as part of the business plans, in which environmental hazards are identified and mitigating measures are recommended. If the investment carries an unacceptable environmental risk, no investment will be made.

In addition, the application of this categorical exclusion to the HIAMP Project was conditioned upon the inclusion of a special covenant in the Grant Agreement, proscribing the procurement or use of EPA restricted pesticides. This covenant is a recognition of the particular importance of the hazard that can be presented to human health by certain highly toxic pesticides. The covenant, as included in the amended Grant Agreement, provides: a) no pesticides will be procured or used under the Project, and b) the AVT will exert diligent management influence within the board of directors of companies in which they are shareholders, that these companies will use only EPA approved pesticides.

The effect of this covenant is that, in any case where the AVT maintains direct control over procurement or use of any materials under this Project, pesticides cannot be procured or used, and where they do not maintain direct control over the specific procurement and use of materials, they will, nevertheless, exert influence to ensure that, if pesticides are used, they will be USEPA approved for general use.

The first clause will generally apply to reimbursable grants in which the AVT makes specific disbursements for specific activities or materials, and in effect maintains knowledge of or control over the specific use of funds. In these cases, the AVT will not finance the specific procurement or use of any pesticides, and will, therefore, avoid the risk of the improper use of restricted pesticides entirely.

The second clause will generally apply to procurement of shares in a company, in which the AVT capitalizes that company but does not disburse funds for specific materials or activities, and does not maintain control over the activities of that company. In these cases, the AVT will maintain a seat on the board of directors, as a minority shareholder, and will exert influence over with the company management to ensure environmental responsibility.

VI. WOMEN IN DEVELOPMENT AND EVALUATION

1. Women in Development

Annex D provides a detailed list of women's participation in the various elements of the HIAMP project. At this time, there are a total of 12 AVT investments, 10 equity agreements totalling \$2,756,317 and 2 reimbursable grant agreements totalling \$633,000. When these details are put within the context of total amounts of disbursed project funds, the following facts emerge:

Five percent of AVT equity funds (\$185,000) are invested in three firms in which women are shareholders. The women themselves own from 11% to 30% of the stock in these companies, however the companies themselves are small and have small AVT investments.

All of the AVT reimbursable grant funds are invested in two organizations in which from 20% to 40% of the participating farmers are women. In one of these activities, the project employs female technical assistance.

Fifteen percent of the commercialization grants (\$65,615) is provided directly to eight women owned organizations and another 13 percent (\$60,061) is provided to another eight organizations which are approximately 50% women owned and operated.

During this phase of project implementation, the grantee will seek to place a women on its board of directors thereby increasing public awareness of women's roles in investment finance activities.

2. Evaluation

While HIAMP's annual project evaluations have been useful in analyzing and redirecting project implementation, they also have had a draining effect on project participants who must simultaneously maintain project momentum. The Mission believes that the HIAMP project is sufficiently back-on-track to withstand two years of uninterrupted implementation prior to the next evaluation. Funds have been budgeted for another interim and a final evaluation in case both are deemed appropriate.

PD-AAZ-812

ANNEX A
Page 1 of 12

**EVALUATION OF THE
HIGH IMPACT AGRICULTURAL
MARKETING AND PRODUCTION PROJECT**

Project Number 538-0140

FINAL REPORT

**Prepared for
USAID, RDO/C**

**Prepared by
LOUIS BERGER INTERNATIONAL, INC.**

MAY 1989

EXECUTIVE SUMMARY

This evaluation focuses on the future of the High Impact Agricultural Marketing and Production Project (HIAMP). In its 32-month history, the project has undergone significant changes. The present evaluation gives some limited attention to the project's past, and particularly to its accomplishments in the last year. However, our principal concern here is with a forward-looking project strategy, with organizational changes needed to meet the challenges of the present and of the future, and with benchmarks which can be used to judge performance during the remainder of project's life.

At the beginning of its work, the evaluation team gave brief consideration to a fairly wide range of alternatives to the present project design, including redesigns focussing respectively on (1) policy reform; (2) infrastructure development; (3) redistribution of HIAMP functions among existing Caribbean institutions; and (4) broadening of the charter of the Agricultural Venture Trust (AVT) to include equity investments in tourism, industry, and other non-agribusiness sectors. However, we soon narrowed the choice to just two basic alternatives: (1) consolidation of the functions of AVT and of the HIAMP contractor, Eastern Caribbean Agricultural Development (ECAD), into a single successor institution to AVT or (2) an orderly termination of the project. While we prefer the first alternative which would continue the HIAMP with a sound local institutional base and adequate funding, we favor orderly termination of the project by AID if (a) needed organizational changes cannot be made in the near future; or (b) neither AID nor another donor is prepared to consider providing the funds which will be required to sustain HIAMP during a second five years of project activity.

We are impressed with a number of HIAMP's accomplishments, particularly those in the past year. However, we think that the project's current organizational arrangements are seriously flawed, and are heading for trouble. There is a real need for expanding agricultural production and processing for export and production in the Eastern Caribbean, for equity financing of agribusiness ventures, and for technical assistance to these ventures. Using equity alone, HIAMP in its first three years of operation will have funded three times as many private sector investments in the Eastern Caribbean than two predecessor RDO/C projects together were able to fund in nine and six years respectively. The key questions for the future have less to do with the number of potential agribusiness projects which HIAMP may be able to fund than they do with (1) the quality of the existing and prospective investments in agribusiness and (2) the extent to which the HIAMP can have a significant impact on the performance and survival of the investments in its portfolio.

AVT will derive funds from RDO/C and from investment payback. There is, as yet, little experience on the basis of which to forecast the rates at which the projects in which AVT has invested will survive. However, our early prognosis indicates that it is highly doubtful that an entity carrying out HIAMP's functions could become self-financing in the commercial sense in the near future. If this project is to be continued beyond 1991, substantial additional donor capitalization and/or sustained support of operating expenses will be required for some time to come.

In the last year, ECAD has met its quantitative objectives with respect to submitting business plans. With some notable exceptions, the quality of these plans and the judgement which has entered into their preparation has improved over time. ECAD's leadership team in Bridgetown has taken its targets seriously and effectively focused team efforts on business plan preparation. In the past year, in particular, ECAD advisors collaborated with each other in producing business plans, to good effect.

During its country field trips, the evaluation team had some quite favorable impressions of the accomplishments of the advisors, particularly those in Grenada, Dominica, and St. Lucia. It seems clear that each of the island advisors has been given latitude to develop approaches to the substance of his work which are suitable to his own talents, as well as to differing island circumstances. Whether by design or circumstance, a commendably well-balanced portfolio has emerged, spread among start-up operations, expansions of successful operations, and reorganizations of foundering operations. On the whole, plans to tie cooperative production to private sector processing ventures appear well conceived. Commercialization grants have been provided responsibly, and have led to equity investments in a number of instances. AVT's new Executive Director is viewed with high regard by those who have worked closely with him in the field.

Despite indications of need for the project and some favorable impressions concerning the performance of particular project activities and of individuals associated with them, the evaluation team does not believe that HIAMP's organizational arrangements are appropriate to the circumstances with which the project is now faced. The reasons for this conclusion are as follows:

1. The project has created a troika in which the contractor (ECAD) has been primarily responsible for investment promotion and business plan preparation; AVT has been primarily responsible for screening and funding investments; and AID has been both at the top and in the middle. The arrangement creates at least two chains of command. It confuses responsibility and accountability. It creates unnecessary conflict and inhibits the capacities of its participants to act in the best interests of the whole on their own initiatives.

2. RDO/C has functioned in a variety of roles for HIAMP, sometimes setting policy, sometimes resolving differences between AVT and ECAD, sometimes directly intervening in operational decisions. The Mission has no special expertise in the venture capital field which can be used to reconcile strategic and operational differences between adversaries. Its management system is not well adapted to the pace and style of venture capital operations.
3. An organization engaged in venture capital operations must react rapidly to changing circumstances. HIAMP's promotional, investment, and monitoring functions require a clear leadership and decision-making focus at a level beneath RDO/C in order to enable the system to make timely integrated responses.
4. AVT and ECAD have too frequently worked at cross-purposes. On occasion, they have applied different standards with respect to investments sought and the contents of business plans provided. The division of responsibility between the two organizations has sometimes confused investors and occasionally angered them. There has been some personal ill-will between the two organizations.
5. HIAMP now faces the task of monitoring and managing its existing investments, and is not effectively marshalling its resources for this critically important task. ECAD has focussed on promoting HIAMP facilities and preparing business plans. AVT, which is short-handed, has concentrated on screening investments and getting the money out. In the meantime, neither organization, nor both together, has devoted sufficient attention and manpower to the planning and the execution of the portfolio management task which is key to the project's basic strategy. In our judgement, the division of responsibilities and resources between the two organizations has contributed to the inability of both to address this task effectively.
6. The Agricultural Venture Trust was set up on short notice as an eleventh-hour alternative to operating the project through the Caribbean Financial Services Corporation and at a time when alternatives under the laws of Barbados were more restricted than they are today. At the time AVT was created, some persons in AID and ECAD may have expected that AVT would routinely approve decisions made by the Mission and by ECAD. If so, that expectation has proven to be highly unrealistic. The charitable trust format of AVT, with its traditional trappings of prudence, conservative investment strategies, and of individual trustee civil and criminal liability for errors made, is not well matched to the image and the reality of an equity finance operation whose purpose is to persuade Eastern

Caribbean entrepreneurs to take higher-than-traditional risks on non-traditional agribusiness ventures.

Given its basically favorable view of HIAMP's potentials and its fundamentally unfavorable view of the project organization, the evaluation team reached the following conclusions:

1. HIAMP should shift its strategy and use of resources from emphasis on producing business plans and processing new investments to a more balanced strategy. Much greater attention should be given to actively participating in the management of the businesses in which AVT has invested and to helping these businesses to survive and grow. A substantial share of remaining funds should be earmarked for meeting unprojected but nevertheless predictable needs for additional capital of the businesses in AVT's portfolio. Efforts to promote new investment should be reduced and should concentrate on high-quality local opportunities.
2. A single organization, a successor to AVT, should be given responsibility for the full range of project functions including the promotion, selection, and management of HIAMP investments. That organization should be regarded as having a potential for permanence, but should be required to earn that status through effective performance of its principal functions. HIAMP requires the kind of organization that will earn status and continuity through performance. AVT has made a good beginning, but it has important tests to pass in the areas of promoting, selecting, and managing of investments. Future AID and other donor funding should be tied to demonstrated competence in these areas.
3. AVT should be converted from a charitable trust to a non-profit corporation. The Board of Directors of the new corporation should include persons who have substantial business operating experience, preferably in the field of agribusiness. It should also include persons resident in the Eastern Caribbean islands served by HIAMP as well as residents of Barbados. The Board need not include a representative from every country, but its membership should rotate in such a way that the business communities of each country will feel a sense of participation.
4. The Board of Directors of the non-profit corporation should function as a policy-setting entity, with ultimate responsibility for all investments. However, it should delegate substantial negotiating authority to its President, and be prepared to ratify investments approved by subcommittees of the Board.
5. The mission of the ECAD team should be to serve AVT and its successor organization. It should report to the Executive Director of the AVT and thereafter to the President of the non-profit organization. AVT and ECAD should be housed at the same location. The ECAD contract should be transferred to AVT or its successor in

an orderly fashion.

6. Island advisors completing their tours on St. Vincent and St. Kitts should not be replaced. One of the remaining island advisors should join the central operation in Barbados. Efforts underway to utilize local professional personnel on each of the islands should be expanded and expedited.

7. Significant cost savings can and should be effected through the use of permanent residents of the Caribbean as island advisors and other specialists. However, we would counsel against cost-cutting pursued for its own sake. The objective should be to carry forward HIAMP functions in the most cost-effective manner. It makes little sense to make relatively minor savings in technical assistance costs if the result is to lose a major investment. Similarly, while we believe that significant changes in the project are required, we would caution against throwing the baby out with the bath water. The substantial investment which RDO/C has made in HIAMP is just beginning to show results. While we think it would be better to wind up the HIAMP than to keep it on its present course, we also believe that AVT, ECAD, and RDO/C have created a project well worth saving.

8. There is a significant need for upgrading skills at every level, from the AVT's Board of Directors to the company operations at the grass roots. While the level of AVT's skills in business analysis and systems appear to be quite adequate, experience in agribusiness and venture capital operations seems very limited both for the AVT and the ECAD field team. The AVT Board, the AVT Executive Director, and the managements of some AVT investments could benefit from coaching from experienced managers.¹ IESC, as well as ECAD, should be regarded as a source of such assistance. In addition, there will be substantial and continuing needs for conventional technical assistance.

9. Benchmarks and monitoring indicators should focus for the remainder of the project period on the survival of the businesses in the AVT portfolio and on sound selection of remaining investments. It is critically important that estimated survival rates be realistically attainable and that they should not be inflated for purposes of selling the continuation of the project. Projections made by the evaluation team, AVT, and ECAD each show failure rates well over fifty percent. One estimate shows failures

¹ "Coaching," a one on one relationship in which an experienced senior manager provides a commentary on the work of another senior manager requires (1) a recognition on the part of the person coached that he lacks important skills, experience, and/or disciplined instincts possessed by the "coach" and (2) a good personal relationship between the coach and the person coached.

exceeding 66 percent. Estimates in the project paper to the contrary notwithstanding, the original project team anticipated fairly high failure rates.

10. It is particularly important for AVT/ECAD to focus attention on those marginal situations in which effective management and technical assistance can make the difference between success and failure. A very careful portfolio review is urgently needed to identify those critical cases where a precise kind of management assistance, technical assistance or other intervention can help turn a potential loser into winner. It should also identify investments which are unlikely to survive and the resulting consequences for HIAMP.

11. Given the time profiles and characteristics of most agricultural investments in the Eastern Caribbean, it is very doubtful that the institution responsible for HIAMP could become financially self-sustaining in the near future. What the project could be expected to accomplish in the near term is to demonstrate sufficient skill, toughness, and success in supporting agribusiness to attract continuing support by the development community on concessional terms. With AID's help, this is what the Caribbean Financial Services Corporation has been able to accomplish albeit with a somewhat less difficult mandate, and it seems a meritorious objective for the institution responsible for HIAMP.

CHAPTER IV

BENCHMARKS AND TARGETS

A. INTRODUCTION

The 1988 performance targets identified in the Project Amendment Paper focus primarily on demonstrating demand for equity financing and the effectiveness of the ECAD and AVT units in responding to that demand. In both areas, the ECAD and AVT units have demonstrated a capability to meet most of the performance targets.

The evaluation team believes that the establishment of clear performance targets a year ago had an important bearing on the significant improvements which have been made since then. However, at the time of our arrival we found that those targets were already out of date and required substantial reorientation: the fulfillment of the objectives created circumstances which were substantially different than those which existed a year ago.

We believe that it is important and useful to establish targets for the next 12 to 15 months. By the end of that period, the targets which we recommend will almost certainly require as much change and revision as the objectives set a year ago require today. HIAMP will continue to be an innovative, experimental project responding to market conditions and to its own performance. Ultimately, the task of year-to-year target setting should be turned over to the management of an integrated project.

For the next 12-15 months, the primary goals of the HIAMP project should be (1) to master the challenge of managing its existing portfolio and (2) to develop a more centralized, integrated AVT and ECAD operational unit. This integrated unit should demonstrate a capability to effectively manage investments and to develop a strategy which clearly identifies future cash reflows, technical assistance requirements, investment goals and priorities.

The performance targets to be achieved by July 1990 can be organized into four general areas: (1) Institutional, (2) Strategic, (3) Operational, and (4) Portfolio Development. Specific targets in each of these areas are presented in turn below.

B. INSTITUTIONAL TARGETS

1. Conversion of the AVT to a non-profit corporation. Barbados now has laws which permit the creation of non-profit corporations. The current status of the AVT as a trust has created confusion concerning the standards which it is, or ought to be, applying in making investments. Trusts are instruments normally associated with the protection of "widows

and orphans", and with conservative investment standards. Such standards, in combination with potentially serious legal penalties, seem ill-matched to a project which requires investment in innovative, usually high-risk ventures. In fact, the businesses in which AVT investments are made themselves could be considered the trust's beneficiaries. Hence the risks to the trustees in fact may be negligible. Nevertheless, the traditional concept of the trustee's role and liability, in combination with the prospect that a project might end with the sale of the trust portfolio at a few cents on the dollar, could have a chilling effect on the existing trustees. It also could make recruitment of new trustees very difficult. The form of a non-profit corporation would be much better suited to the business AVT is conducting and to its style of operations.

2. Integration of the ECAD unit into the AVT. Both units should be located in the same building. In addition, a centralized reporting system should be implemented. As is presently done, all the island advisors should report to the ECAD manager. The ECAD manager, in turn, should regularly report and meet with the AVT executive director.

3. Consolidation and centralization of the AVT and ECAD staff. During the next year, the following modifications in staffing should occur:

a. Reduction in island advisors from five to three. The three remaining advisors should be skilled in the following areas: i) Deal-making, ii) Business planning, and iii) Agriculture. Currently, the advisors on Grenada, St. Lucia, and Dominica all have experience in those areas. By July 1990, all three of these advisors should be based in Barbados and be available for developing and monitoring businesses on all the islands.

In the case of the non-reimbursable grant investments in Dominica and St. Vincent, the ECAD should begin to train local staff for carrying out this extension work. This transfer of responsibility should be initiated immediately. By July 1990, the local staff on these two islands as well as the agronomists on the other islands should demonstrate an ability to monitor the agricultural investments with minimal assistance.

b. Establishment of two senior level management positions in the integrated AVT/ECAD unit: 1 Executive Director and 1 Chief of Party/Operations Manager. Ideally, these two positions should be staffed by professionals from the Caribbean region.

c. Reduction in secretarial and support staff in the AVT

and ECAD units from 7 to 5. Reduction in accounting staff from 2 to 1.

d. Increase in the number of trustees available for advising and managing the portfolio. The AVT should name an additional two trustees who are non-Barbadian and who have hands-on business experience.

C. STRATEGIC TARGETS

4. Review of existing portfolio and development of a clearly defined portfolio strategy. This strategy would establish clear criteria and priorities in the following areas:

a. Proper balance in the portfolio between risk and return taking into consideration: (i) distribution of funds among islands, (ii) allocation among reorganization, expansion and new projects, (iii) division between equity and grant funding;

b. Estimated cash reflows according to the risk and probability of success associated with each investment;

c. Identification of technical assistance needs and the type of professionals needed to respond to those needs;

d. Allocation of trustee and senior staff time for the monitoring of projects; and

e. Clear definition of investment criteria and buyback plans for each investment.

D. OPERATIONAL TARGETS

5. Increase in the percentage of time spent by the ECAD unit on managing existing businesses. By July 1990, the ECAD unit should be spending about 40-50% of their time on supervising existing investments.

6. Increase in the use of outside consultants, preferably from the region, for the preparation of business plans. All future business plan development should be contracted out. The existing ECAD staff would limit its role to supervising the development of business plans.

7. Use of two additional trustees with business backgrounds in actively monitoring investments. Currently, most of the board meetings are attended by the AVT Executive Director and one trustee with an agricultural background. In the near future, the director should receive more assistance from

trustees with business backgrounds.

8. Development of a sub-committee approval process for future investments. Instead of having all the trustees vote on each business plan, a system needs to be developed whereby only 3 or 4 out of 7 trustees are responsible for approving an investment. The only time all seven trustees would vote would be for the final ratification of each investment.

9. Documentation that the AVT/ECAD has actively monitored each business during the year. The AVT/ECAD unit should prepare a quarterly report on each business, analyzing the existing status of the business, existing and likely constraints, and steps to be taken in order to overcome those constraints.

E. PORTFOLIO DEVELOPMENT

10. Indication that at least 35% of the investments made are still likely to survive. In conjunction with Targets 4 and 8 described above, the AVT/ECAD should have some indication that at least 35% of the investments are surviving. This can be documented through the monitoring trips and reports prepared by the AVT/ECAD.

11. Slow down in the number of new investments and commercialization grants obligated per year. Assuming that the investments forecasted (\$7.6 million) in this evaluation are made, it will be possible for the ECAD to focus more on monitoring rather than business plan development. It is expected that during the next 1-2 years, a total of \$2.7 million in new investments will be approved. Instead of 15 business plans being submitted and 9 signed per year, the AVT should seek to develop about \$1-\$1.5 million in new investments or an estimated 5-8 new investments over the next year. This will probably require the preparation of 7-10 new business plans per year.

Regarding the commercialization grants, an additional \$170,000 is recommended as an allocation for the final two years of the project. This would result in an average \$85,000 per year or 10-15 new grants per year.

By July 1990, most of these targets should be achieved, particularly those pertaining to institutional and operational changes. If several of the above targets have not been met, then USAID should consider terminating the project, once the original project period is completed. If that decision is taken, then a one-year notice should give the AVT sufficient time to develop a post-1991 strategy. Assuming that these targets are met, USAID should then continue funding the project through the end of project period (1991), with an eye toward providing more funding for a Phase II (1991-1995).

Any decision to continue with the project should include a new set of benchmarks and targets to be achieved by July 1991. These targets will depend in part on what has transpired over the previous 12-15 months. Still, some general targets that should probably be met by July 1991 include:

1. Replacing all expatriate island advisors with local staff;
2. Shifting all contractual arrangements of Technical Assistance directly to the AVT;
3. Increasing the number of trustees by 2 (to a total of 9);
4. Establishing annual targets by which business plan development staff and monitoring staff will be judged.

What is required in order to make a "go/no go" decision on the project, in addition to establishing specific targets for the next two years, is an annual review of the institutional changes recommended and their impact on the AVT portfolio. As with any new project, the parameters of success are formulated as the project evolves. Just as the AVT should closely monitor the progress of its investments, USAID will have to closely monitor the progress of the AVT and ECAD units.

Thus far, both units have demonstrated a strong capability to meet new targets and benchmarks. While both units may also become frustrated by the establishment of new benchmarks every year, the nature of this project requires constant modification of goals, particularly as the concerns and priorities of USAID and the executing agencies change. Once enough institutional experience is developed, it should be possible to proceed to the next stage - one in which the agenda and content of the annual target setting process will become more stable.

LAC-IEE-89-07

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Caribbean Regional

Project Title : High Impact Agriculture Marketing
and Production

Project Number : 538-0140

Funding : \$27.0 million (Grant)

Life of Project : Five years (FY86-91)

IEE Prepared by : RDO/C Bridgetown

Recommended Threshold Decision : Categorical Exclusion

Bureau Threshold Decision : Concur with Recommendation

Comments : Concurrence provided subject to
inclusion of covenant in project
agreement with AVT (Agricultural
Venture Trust) that no pesticides
restricted for use by EPA on the
basis of human health hazard will
be procured or used under this
project.

Copy to : James S. Holtaway, Director
USAID/Bridgetown

Copy to : Rebecca J. Niec, USAID/Bridgetown

Copy to : Patricia Buckles, LAC/DR/CAR

Copy to : Andre DeGeorges, REMS/CAR

Copy to : IEE File

James S. Hester Date DEC - 7 '88

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

29

INITIAL ENVIRONMENTAL EXAMINATION

Project Location : Caribbean Regional

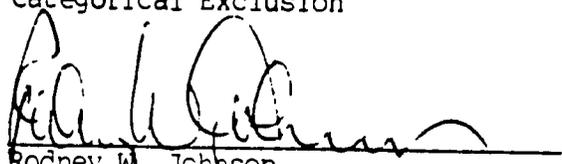
Project Title : High Impact Agriculture Marketing and Production

Life of Project : Five years (FY86- FY91)

LOP Funding : \$27.0 million (Grant)

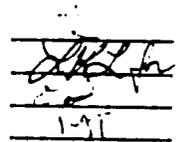
IEE prepared by : RDO/C Bridgetown

Environmental Action Recommended : Categorical Exclusion

Mission Director's Concurrence : 
Rodney W. Johnson
Acting Director

Date : November 25, 1988

Clearance : A/C/PDO:DChiriboga
ADO:RNiec
REMS:ADeGeorges
A/D/DIR:KFinan



I. Background

The original HIAMP project described three project components; the Quick Response Fund, the Major Subprojects, and the Core Contract. The Project Amendment discontinued the Major Subprojects component and combined the Quick Response Fund and the Core Contract into one project activity focussed solely on identification and financing of agribusiness investments in the Eastern Caribbean. An essential element of this amendment is the establishment of the implementing agency (the Agricultural Venture Trust) as an intermediate financial institution. With this change, the AVT no longer requires USAID approval prior to individual investments. The changes described reduce the planned life of project from \$40 million to \$27 million, of which \$12 million is for financing agribusiness investments.

II. Project Description

The purpose of the HIAMP Project is to increase the contribution of the agricultural sector and agricultural enterprises to GDP by improving the investment environment, relieving development constraints to private capital inflows, and demonstrating attractive returns on capital at acceptable levels of investor risk. This is accomplished by making a fund of investment capital available to the Agricultural Venture Trust (AVT) for the purchase of equity shares in private agricultural and agribusiness enterprises.

Investment opportunities are identified by the Eastern Caribbean Agribusiness Development Company (ECAD). ECAD island advisors make investment contacts and submit concept papers for review by ECAD Barbados management and the Executive Director of the AVT. If the concept is approved, a business plan preparation team is formed, utilizing appropriate skills of the island advisors and independent short-term consultants.

Business plans contain sections of analysis in the areas of management, marketing, production, finance, and environment. They are submitted in draft by ECAD to the Executive Director of the AVT, so that adjustments can be made quickly before the final plan is submitted to the AVT's Board of Trustees for final approval.

After the business plan is approved by the Board of Trustees, the AVT Executive Director proceeds to negotiate an equity purchase agreement with the businessman or co-investor involved. The equity agreement specifies the number of shares to be purchased, the price, conditions precedent, covenants, terms of default, etc. The AVT is authorized to purchase only a minority of outstanding shares.

411

If the equity purchase agreement is successfully negotiated and signed, the AVT requests an advance of funds from USAID to cover their share purchase. The advance is processed based on the signed agreement. At the same time, the AVT's lawyers are issuing a legal opinion as to the completion of conditions precedent in the equity purchase agreement. The length of time for funds to be advanced is about the same as the time needed for a legal opinion, so that funds are available with virtually no delay. The advance is then liquidated with evidence of the actual share purchase (e.g. copies of the share certificates).

III. Environmental Impact

The Agricultural Venture Trust is authorized to purchase shares in agricultural or agribusiness enterprises worth from \$20,000 to \$500,000, never exceeding 49% of outstanding shares. In doing so, the AVT becomes a minority owner of the company. The decision as to what investments to make, to what degree, and under what terms is made entirely by the Board of Trustees. As minority owners of the company, the AVT does not have control of day to day operations of any of the enterprises in which they invest, but does exercise some guidance through their seat on the Board of Directors.

As a result of the amendment of the Project, USAID no longer approves individual investments. This independence from USAID prior approval of individual equity purchases was one of the substantial changes in the Project that were considered essential to successful implementation.

Section 216.2(c)(2)(x) of 22 C.F.R. Part 216 provides for a categorical exclusion from the environmental procedures for "Support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution".

Section 216.2(c)(1)(ii) establishes the general criteria for the exclusion as "A.I.D. does not have knowledge of or control over, and the objective of A.I.D. in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by A.I.D".

Although the categorical exclusion does not call for any special policies or procedures, USAID has requested and the AVT has submitted their "Policies and Procedures for Environmental Safety of AVT Investments". These policies and procedures were written by the Executive Director and Agricultural Trustee of the AVT after consultation with technical advisors in pesticides and waste control. They provide for:

47

- a. the requirement that all business plans presented to the AVT include a section on environmental impacts;
- b. review of the environmental section of the business plan by a professional on contract to the Trust who is competent to make that assessment;
- c. annual review of the environmental aspects of each project, including compliance with the program as described in the business plan;
- d. inclusion of the results of this review in the Board of Directors' Meetings of the company;
- e. rejection of any business plan that, in the opinion of the Trust's environmental consultant is deficient in providing for environmental safety;
- f. inclusion of the environmental control section of the business plan in the equity purchase agreement; and
- g. inclusion of the recommended mitigating measures as a special covenant in the equity purchase agreement.

The environmental analysis to be included in each business plan, as described in the AVT's policies and procedures, includes identification of environmental hazards (including hazards to workers, consumers of the product, and to the physical environment) and recommendations for mitigating measures (including, but not limited to, training, monitoring, IPM, and alternative waste disposal techniques). These analyses will continue to be conducted by competent professionals under contract to ECAD.

In addition, the AVT has created a new salaried position of Agricultural Trustee, which is currently filled by an experienced agricultural professional from the Eastern Caribbean, and whose job it is to assist the Board of Directors in making judgements relating to technical matters in agriculture, including environmental considerations.

Training and short-term technical assistance in pesticide use, waste disposal, etc. can be provided either by ECAD or by the AVT as part of their investment, and can be conducted in conjunction with the Ministries of Agriculture in each country.

IV. Recommendation for Environmental Action

In summary, the HIAMP Project has been amended to better achieve the Project Purpose of increasing the contribution of the agricultural sector to GDP by improving the investment environment and relieving constraints to private capital inflows. The essential change in the Project is the establishment of the AVT as a bona fide intermediate financial institution,

43

entirely independent of prior approval by USAID. The AVT has submitted to USAID a set of policies and procedures for ensuring environmental safety, and has developed the institutional capacity to execute them. A categorical exclusion as per Section 216.2(c)(2)(x) is now recommended.

44'

PROJECT LIAISON OFFICER
SCOPE OF WORK

A. Background

The HIAMP Project was authorized in July 1986. The purpose of the project is to increase the contribution of the agricultural sector and agricultural enterprises to GDP by improving the investment environment, relieving development constraints to private capital inflows and demonstrating attractive returns on capital at acceptable levels of risk.

The regional implementing institution is the Agricultural Venture Trust (AVT) which was registered as a non-profit Trust under the Charities Act of Barbados in 1986. As the USAID Grantee, the AVT, uses USAID grant funds to take equity positions in agricultural enterprises and to provide reimbursable grant funds to farmer's organizations in the Eastern Caribbean. During the past three years the AVT has demonstrated its technical capability to negotiate and invest in agribusiness enterprises but still requires detailed guidance with respect to U.S. Government project implementation rules and regulations. During the upcoming year, the AVT will seek to shift its emphasis to investment portfolio management and to register itself as a not-for-profit corporation.

The Eastern Caribbean Agribusiness Development (ECAD) company was awarded an AID direct contract in 1986 to jointly implement the HIAMP project. The ECAD role is to stimulate investment possibilities, develop business plans, identify short-term technical assistance and manage a small research fund. ECAD has brought the investments to the AVT door, after which the AVT has negotiated and financed the investment. During the next year, the ECAD contract will be gradually phased-over to AVT management and, in the longer-term, the contractor's responsibilities will be internalized by the AVT.

Due to the uniqueness of the equity financing element of the HIAMP project as well as the difficulties of agricultural investment in the Eastern Caribbean, this project has had constant AID/Washington scrutiny since its inception. The project has recently undergone a second evaluation, which has resulted in a second amendment to the Project Paper. The amendment defines several management changes and a series of performance targets for both the Grantee (the AVT) and the Contractor (ECAD). These targets are designed to lead the Project toward greater institutional strength and cohesiveness. Emphasis is on the development of the AVT as a viable financial institution and on increased nurturing of the AVT investments.

B. Objective

The objective of this two year contract is to provide a project advisor whose primary responsibilities will be: (1) to assist the Agricultural Venture Trust to interpret and adhere to USAID rules and regulations; (2) to promote the integration of the contractor and grantee functions; and, (3) to keep the project participants focused on the project's benchmark indicators.

45

C. Scope of Work

The contractor will work under the direction of the Chief of the Private Sector Office, and will be responsible for providing technical and implementation advice for the HIAMP Project.

The job will involve considerable regional travel to provide on-site direction to Project activities. The advisor will maintain close working relationships with both the grantee's and contractor's field representatives in order to provide advice and counsel with regard to: the provision of short and long-term technical assistance; the appropriateness of investments for the portfolio; and feedback to USAID on the progress of field activities.

Specific responsibilities of the Project Advisor will include:

1. The AVT

a. Instruct and advise the Grantee in the interpretation of and adherence to AID regulations, especially in the areas of environmental protection, commodity procurement, and agricultural policy determinations (Policy Determinations 71 and 15).

b. Assist the Grantee to maintain its focus on achieving and reporting on progress toward attainment of the project outputs and benchmark targets established in Project Paper Amendment #2.

c. On behalf of the C/PSO assure that accurate project financial records are maintained and provide a technical recommendation regarding the appropriateness of advance requests and voucher submissions.

2. ECAD

The Project Advisor will be responsible for assuring that the ECAD contractor is performing its scope of work in accordance with the spirit of the evaluation finding (i.e. that the grantee and contractor operate as one implementation unit.) This will include: travel to assist the individual island advisors to promote the AVT's goals and objectives; and, meeting jointly with the ECAD and AVT Barbados staff to promote complementary workplans.

Specific activities of ECAD that will require project advisor advice and counsel are: a) interaction with potential investors, b) preparation of business plans, c) management of the commercialization grant fund, and d) provision of technical assistance to the AVT and to AVT investments.

1/6

3. Investments

To assure that the equity investments and reimbursable grants are being prepared and managed as effectively as possible, the project advisor must keep abreast of the progress of AVT investments, from the preparation of the business plan, through negotiation of an equity agreement, purchase of shares, management guidance and technical assistance received, and production and sales performance. Due to the private sector nature of these investments, the Project advisor will primarily use reports and information provided by ECAD and the AVT. Field visits should be coordinated with the Executive Director of the AVT and should be targeted to monitoring a specific aspect of performance based on information in AVT and ECAD reports.

4. RDO/C

The project advisor will be responsible for preparation of all RDO/C reports and documents regarding the HIAMP Project. He/she will also become familiar with other RDO/C Projects (e.g. ECIPS, ARED, TROPRO, etc.) that may potentially complement HIAMP activities, and promote effective communication and coordination with the project officers for those projects.

D. Qualifications

The Project Advisor should: (1) have experience in working with AID financed projects in order to guide the AVT; (2) have professional experience in the Eastern Caribbean in order to understand the complex business and interpersonal systems that impinge on project implementation; (3) have experience in agriculture or agribusiness enterprise in order to guide the ECAD contractor, and (4) have financial experience or an MBA in order to understand the project's investment portfolio.

E. Reports

The project advisor will submit a final project report which addresses, for his/her contract, as well as for the entire HIAMP project, the information requested in the Handbook 3, Project Completion Report guidance.

47

ILLUSTRATIVE BUDGET

Description	Total Budget \$	Year 1 Budget \$	Year 2 Budget \$
Salary - FS-02 Level	92,000	46,000	46,000
FICA Insurance - @ 7.51 percent	6,900	3,500	3,400
COLA	5,000	2,500	2,500
Travel & Per Diem			
-- To Post	3,000	3,000	0
-- From Post	4,000	0	4,000
-- AID/W Consultations	1,000	1,000	0
-- Regional	24,000	12,000	12,000
-- R&R	3,000	3,000	3,000
Education Allowance	41,700	20,850	20,850
UAB - 700 pounds gross	4,200	2,100	2,100
HHE - 7,200 net	30,000	15,000	15,000
Quarters Allowance 21 months	34,900	14,950	19,950
Temp Living Allowance 3 months	18,000	18,000	0
Drapery Allowance	<u>1,200</u>	<u>1,200</u>	<u>0</u>
TOTAL	268,900 =====	143,100 =====	125,800 =====

WOMEN'S PARTICIPATION
IN HIAMP PROJECT

I. Women Shareholders in AVT Investments

Corona Development: Husband/wife team own 65 per cent of shares, she participates in management of business.

Nonsuch: Louise Brown (U.S.) owns 11 per cent of shares.

Funtime: Yvette Holder owns 30 per cent of shares.

II. Women Recipients of Commercialization Grants

Anguilla:

Welches Farmer and Women's Organization - \$9,900

Dominica:

Shirley Alleyne - \$10,000

Grenada

West Indian Sea Farms - \$10,000

Arawak Islands Ltd. - \$10,000

Grenfruit Women's Cooperative - \$4,342

Paraqua Shrimp - \$5,373

St. Vincent

Erica McIntosh - \$10,000

Chateaublair - \$6,000

III. Commercialization Grants to Organizations Approximately 50% Female

Dominica:

Grand Bay Farmers - \$10,000

Dominica Hucksters - \$1,500

SEDPA - \$9,050

Dominica Flower Growers - \$6,453

Grenada:

Flower Growers' Association - \$5,164

Lush Island Enterprises - \$9,925

Montserrat:

Montserrat Agro Industries - \$9,969

49

St. Vincent:
First Base Design - \$8,000

IV. Subgrants to Farm Organizations

Dominica:
NDFD Passionfruit Project - (\$245,000) - One woman para-technician (of 5), approximately 20 per cent participation of women in the production of passionfruit.

St. Vincent:
ORD Project - (\$388,000) - Approximately 40 per cent participation of women in production and marketing activities.

**HIGH IMPACT AGRICULTURAL MARKETING AND PRODUCTION
(HIAMP)**

**COMMERCIALIZATION FUND STATUS REPORT
January 1989**

**CONTRACT NO. 538-0140-C-00-6035
MANAGED BY DEVELOPMENT ALTERNATIVES, INC.
& WESTERN AGRI-MANAGEMENT COMPANY**

**BRIDGETOWN, BARBADOS
JANUARY 31, 1989**

- 51

INTRODUCTION

The HIAMP Project is a USAID-funded agricultural diversification program for the Eastern Caribbean. Our goal is to help Eastern Caribbean countries develop products with strong export potential. The first way we do this is through the US\$12 million Agricultural Venture Trust (AVT) capital fund which directly invests in ventures as an equity partner. The second way in which HIAMP helps stimulate agribusiness investment and encourage agricultural diversification is through the Commercialization Fund.

The \$500,000 Commercialization Fund offers grants of up to US\$10,000 per project to support initiatives leading to exportable agricultural crops and to agricultural diversification, to advance prospective AVT investments or to eliminate production and marketing constraints facing companies and grower associations. Island Advisors generally identify the recipient, outline the suggested grant and submit a request to the ECAD office. An ECAD Agriculturalist and the ECAD Deputy Chief of Party approve the request and the Island Advisor is instructed to administer the grant.

A "Summary & Conclusions" section begins the report, including a table which lists the grants by country, the targeted product, the amount of the grant and the amount spent as of 31 December 1989. This will give the reader a perspective of the breadth of the Commercialization Fund program.

The report then reviews the 49 Commercialization Fund grants thus far offered by HIAMP in eight different countries of the Eastern Caribbean. In the fourth quarter of 1988, the HIAMP team awarded fifteen grants worth \$100,150. Total obligations to date are \$357,103 or 71% of allotted funding. At this rate, the \$500,000 ceiling will be reached by mid-1989.

ACKNOWLEDGEMENTS

Contributions to this report were made by the five HIAMP Island Advisors, who initiate the funding requests and oversee the grant disbursements; by Michael Julien, the HIAMP Chief of Party who has overall responsibility for guiding the technical assistance team and administering the grants; by Beverly Alleyne who keeps the definitive numbers; and by Basil Springer, the HIAMP Senior Advisor, whose own investigative reports form the foundation of this report.

Paul Guenette
Deputy Chief of Party
HIAMP

SUMMARY & CONCLUSIONS

The Commercialization Fund (CF) is \$500,000. The forty-nine CF grants made thus far total \$357,103 in obligations. Fifteen are new ones, that is, they were granted during the last quarter. In order to summarize, each of the forty-nine grants is categorized as one of the following types:

Ag Trial: Agricultural trials covered attempts to cultivate "new" crops in the region (including asparagus, strawberry, mushroom, horseradish) or variety trials to identify the most promising variety or methods to cultivate (such as Sea Island Cotton, sweet lupins, broccoli and tomatoes). A dozen of the forty-nine grants, totalling \$63,235 (18%) were in this category. They average \$5,270.

Production: Funds which were spent to alleviate production constraints or explore new/innovative production methods (papaya, anthurium tissue cultures, garlic and okra); projects which tested the fiscal viability of a particular production process or product (coconut oil body products, turmeric and ginger). Nineteen grants, totalling \$160,867 (45%) address production constraints. Their average is largest, \$8,467.

Marketing: Funding to address marketing constraints (seamoss, frozen mangoes), conduct market trials (herbal teas, mango chutney) or improved post-harvest techniques to prepare products in an innovative way for marketing (CATCO pumpkin packaging, St. Lucian harvesting equipment studies). Eighteen grants totalling \$133,001 (37%) address marketing constraints. The average grant of this type is \$7,389.

As to results, only a preliminary assessment can be made at this time since nearly a third of the grants were recently made and are not yet active. Of the 34 previous grants, however, six (18%) preceded AVT investments. This means that six of the eight AVT investments made by end-1988 began as CF grants.

Other grants, such as the asparagus trials (Antigua), mushroom trials (Grenada) or anthurium tissue culturing (Barbados), identified basic production problems which prevented an investment from going forward before all necessary elements were in place. Still others, such as ginger lily production (Dominica), herbal teas (Grenada) and the integrated farm (St. Vincent) show promise for further development and investment at a later time.

The grants have served to enhance the technical knowledge of both ECAD and the AVT, as we gain (and share) valuable experience within agribusiness areas. For example, by marketing mango jam from Montserrat, mango chutney from Nevis and nutmeg jam from Grenada, we not only learned from the investors' success or failures but we allow new investors to avoid common market entry pitfalls. Our involvement with anthuriums in Antigua and Barbados, ginger lilies in Dominica and flower marketing in Grenada allows us to bring several investors together into a regional approach to the international markets.

At current rates, the \$500,000 Commercialization Fund will be fully obligated by June 1989. The February project evaluation should examine this development vehicle with an eye toward significantly expanding the fund.

HIAMP COMMERCIALIZATION FUND SUMMARY

December 31, 1988

<u>Recipient</u>	<u>Product</u>	<u>Grant</u>	<u>Spent</u>
ANTIGUA:			
1. Nonesuch Ltd.	Papaya	\$ 9,250	\$ 4,954
2. Southern Cross Trading Co.	Asparagus	\$ 5,315	0
3. Rooms Estate Farm	Sea Is. Cotton	\$ 4,260	0
4. Dr. Carl Walter (Private)	Hyd Lettuce	\$ 9,746	0
5. Mr. Andrew Michelin (Pri.)	Anthuriums	\$ 8,200	0
		<u>\$36,771</u>	<u>\$ 4,954</u>
BARBADOS:			
1. CATCO	Cut Flowers	\$ 4,000	0
2. Bdos Sugar Industries Ltd.	Animal Feed	\$10,000	0
3. Sheep Farmers Association	Sheep Brochure	\$ 6,250	\$ 6,250
4. CARDI	Anthuriums	\$ 5,840	\$ 6,132
5. CATCO	Pumpkin	<u>\$10,000</u>	<u>\$ 5,610</u>
		<u>\$36,090</u>	<u>\$17,992</u>
DOMINICA:			
1. Watty & Alleyne (Private)	Ginger Lily	\$10,000	\$ 8,021
2. Grand Bay Farmers	Ginger Root	\$10,000	\$ 6,596
3. Shillingford & Winston (P)	Broccoli/Tomatoes	\$ 3,372	\$ 840
4. Agricultural Stations	Passion Fr Nurs.	\$ 5,859	\$ 2,315
5. Agricultural Stations	Carambola Nurs.	\$10,000	\$ 1,077
6. Agricultural Stations	Red Pepper Nurs.	\$ 8,624	0
7. Dominican Huckster Assn	Produce Handling	\$ 1,605	\$ 3,528
8. Morpo & Grand Coulibri Est.	Christophene	<u>\$ 1,949</u>	<u>0</u>
		<u>\$51,409</u>	<u>\$22,377</u>
GRENADA:			
1. Funtime Products Ltd.	Seamoss beverage	\$10,000	\$ 5,430
2. Lab Industries Ltd.	Mushrooms	\$10,000	\$ 8,465
3. Flower Grower's Assn	Cut flowers	\$ 4,650	0
4. West Indian Sea Farms Ltd.	Commercial fishing	\$10,000	\$ 9,356
5. Arawak Islands Ltd.	Herbal teas	\$10,000	\$ 1,684
6. Wapco Ltd.	Garlic & okra	\$10,000	\$ 5,424
7. Produits Noel Gauzy Ltd.	Nutmeg jam	\$10,000	0
8. Productive Farmers Union	Fruit handling	\$10,000	\$ 9,269
9. Keith McQuilken (Private)	Oysters	\$ 4,070	0
10. Grenfruit Women's Co-op	Ground spices	<u>\$ 4,331</u>	<u>0</u>
Totals:		\$83,051	\$39,628

MONTSERRAT:

1. Montserrat Agro Industries	Mango Jam	\$ 9,969	\$ 2,061
		\$ 9,969	\$ 2,061

ST. KITTS:

1. Stonefort Farms Ltd. (St. K)	Papaya	\$ 5,633	\$ 5,423
2. Int'l Nutr. & G'tics (St. K)	Sweet Lupin	\$ 4,685	\$ 2,909
3. Brollerson Ltd. (St. K)	Chicken	\$ 9,402	0
4. Hermitage Plantation (Nevis)	Mango Chutney	\$ 1,897	\$ 355
		\$21,617	\$ 8,687

ST. LUCIA:

1. CATCO	Mango Treatment	\$10,000	\$ 5,074
2. Ramier Estates Ltd.	Vegetables	\$ 8,428	\$ 6,994
3. Galley Gourmet	Mangoes	\$10,000	0
4. National Enterprises Ltd.	Harv. Equipment	\$ 6,389	\$ 2,086
5. H.F. Jn. Baptiste Ltd.	Harv. Equipment	\$ 6,389	0
		\$41,206	\$14,154

ST. VINCENT:

1. Org. for Rural Development	Turmeric	\$ 6,150	\$ 6,150
2. Org. for Rural Development	Ginger	\$ 9,080	\$ 9,319
3. Ricky Drayton (Private)	Vegetables	\$ 5,766	\$ 4,038
4. Ricky Drayton (Private)	Rabbits	\$ 2,232	\$ 1,813
5. Rueben Robinson (Private)	Papaya	\$ 4,241	\$ 2,632
6. East Caribbean Agencies	Mangoes	\$ 8,147	\$ 524
7. Chateaubelair M.P. Corp.	Strawberry/Grape	\$ 6,000	\$ 2,499
8. Rabacca Farms Ltd.	Garlic/Okra	\$ 8,000	0
9. Rosehall Progressive Farmer	Herbs	\$ 9,374	\$ 5,043
10. Erica's Country Style Prods.	Spices	\$10,000	\$ 8,053
11. First Base Design Ltd.	Coco Oil Prods.	\$ 8,000	0
		\$76,990	\$40,071

=====

TOTALS: \$357,103 \$149,924

Data and Implications:

- o Total obligated (\$357,103) represents 71% of the \$500,000 allocated funds in the ECAD contract.
- o Total disbursed (\$149,924) represents 42% of the obligated funds.
- o During the fourth quarter of 1988, ECAD obligated fifteen grants, worth a total of \$100,150. At this rate, ECAD will hit the \$500,000 ceiling before mid-1989.

59