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AGRIBUSINESS DEVELOPMENT IN ASIA AND THE NEAR EAST:

Strategic Issues and a Plan for Action

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Ramada Renaissance Hotel
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July 18, 1989

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AGRIBUSINESS DEVELOPMENT IN ASIA AND THE NEAR EAST
Strategic Issues and a Plan for Action[1]

1.0 Introduction

The Agency for International Development (A.I.D.) Asia Near East (ANE) Bureau's Food System Strategy for the 1990's places new emphasis on government-business partnership for promoting agribusiness development in 18 countries reaching from Morocco to Fiji.[2]

The ANE Bureau has contracted with Abt Associates and the Agricultural Marketing Improvement Strategies (AMIS) project to assess experience with agribusiness development in the region and assist in identifying high priority initiatives that A.I.D. can undertake to encourage U.S. and Multinational Agribusiness to contribute to ANE development through direct investments, joint ventures, licensing arrangements, exports and other activities.

Recent events in China are already leading business leaders to reexamine options for profitable investment in the region. At the same time, many national governments in the ANE region are taking a new look at private sector promotion activities that will encourage employment generation and economic growth. This mix of interest and opportunity has led A.I.D.'s Assistant Administrator for the ANE region to host an Agribusiness Strategy Roundtable, bringing together leaders of agribusiness and A.I.D. officials. The roundtable is to be the first step in an on-going dialogue aimed at making A.I.D. programs more effective in providing incentives to agribusiness and addressing constraints perceived as most important.

This paper, directed at providing a framework for roundtable discussions, is based on preliminary results of a review of Agribusiness promotion and development activities and corporate experience in the ANE Region. It suggests strategic considerations in designing the ANE Bureau's agribusiness strategy and some concrete actions that can be taken to encourage agribusiness in the region.

1.1 Agribusiness: A Broad Range of Activities

Agribusiness, as discussed here, involves the chain from input producers and farm suppliers, through producers, assemblers, processors, wholesalers, brokers, importers, exporters, retailers and institutional distributors to consumers, as well as such functions as research and development, transportation, packaging, storage, marketing/promotion, risk management, financial services and a variety of government activities including regulation (see figure 1).

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[1]For discussion at ANE Bureau Agribusiness Strategy Roundtable, July 18, 1989. Based on: Mark D. Newman, Richard Abbott, Liana Neff, Joanne Yeager, Merle Menegay, David Hughes and James Brown. "Agribusiness Development in Asia and the Near East: Experience and Implications for A.I.D. Strategy," Agricultural Marketing Improvement Strategies Project, May, 1989.

[2] The ANE region countries on which A.I.D. agriculture programs focus include: 1) Low Income Agricultural Economies: Bangladesh, Burma and Nepal; 2) Low Income Transitional Economies: Egypt, India, Indonesia, Morocco, Pakistan, Philippines, Sri Lanka and Yemen; and 3) Middle Income Industrializing Economies: Jordan, Oman, Thailand and Tunisia.

1.2 Agribusiness: Opportunities and Challenges

Agribusiness, as distinct from business in general, offers certain unique opportunities and challenges as a component of an economic development strategy. Among the opportunities:

- Agribusiness lends itself to decentralization, moving jobs and other income generating opportunities toward rural areas. It can slow the massive migration to and growth pressure on urban areas. Where decentralization doesn't lead directly to rural growth, it can lead to growth in smaller urban centers, where costs of providing public services are often lower than in the largest cities.

- While production agriculture may shrink as a share of employment and GNP as countries grow, the importance of industry, including upstream and downstream agribusiness is likely to increase (see Figure 2).

  As incomes increase, and demand for more processed products increases, local agribusiness processing industries can provide import substituting products, while creating jobs and other economic benefits. At the same time, growth in product processing for domestic and export markets can fuel demand and the ability to pay for imports. For example, Tunisia is increasingly exporting olive oil, and importing lower cost soy and other vegetable oils. Growth in meat production and processing in Thailand is expected to lead it to shift from being a net exporter of corn in the coming decade to becoming an importer.

- Linkages between specific projects and the rest of the local economy can lead to important multiplier effects on growth of the country concerned. For example, growth in processing is likely to increase demands for a variety of related services - packaging, transportation, distribution, some of which will lead to development of additional small, medium and large scale enterprises.

Figure 1. Agribusiness: A Food System Perspective

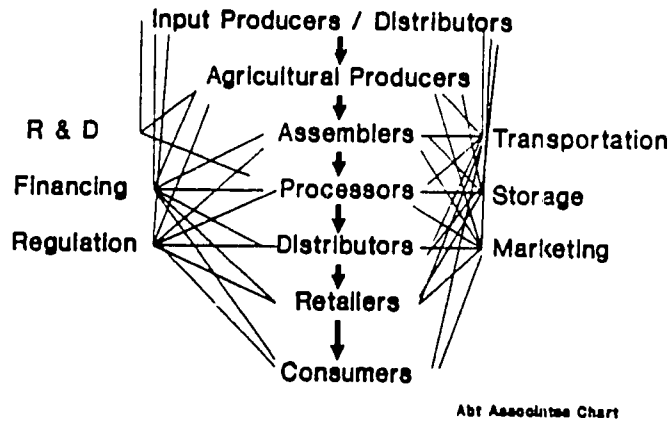
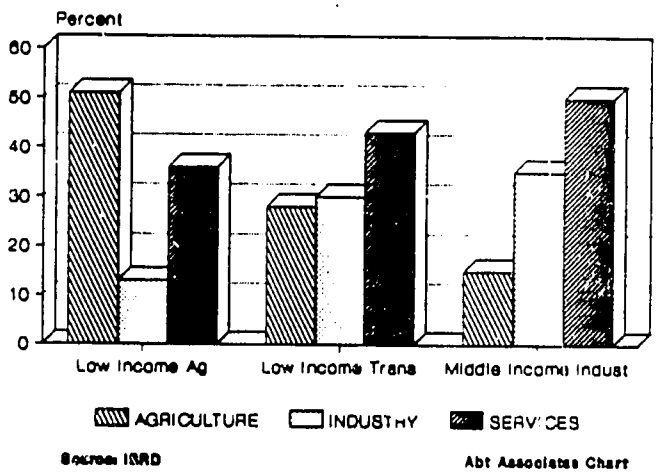


Figure 2. Composition of Gross Domestic Product by Level of Development (1985)



The challenges arise from:

- The need for a policy environment conducive to investment;

- New demands on infrastructure, human and financial capacity that influence the economic interest of entrepreneurs in a given project or region; and

- The need to structure incentives and in some cases provide for public programs that contribute to broad distribution of the benefits of investment and growth.

Agricultural processing industries require access to roads, electricity and water supplies, waste disposal facilities, transportation, communications, health care and educational facilities. Entrepreneurs must evaluate costs associated with securing such facilities and services, as well as risks associated with uncertain supplies or quality. They are less likely to find investment in a particular project attractive when more certain alternatives are available.

Countries around the world sometimes offset disadvantages caused by inadequate infrastructure with easy financing, advantageous tax treatment of earnings and investment, favorable tariff treatment of imported inputs and exports, and a variety of other mechanisms. A.I.D. has contributed over the last several decades with project assistance that addressed specific portions of this package. As it approaches the 1990's, A.I.D. must determine how best to apply the limited resources at its disposal to meet this challenge.

The ANE region has most of the world's poor. While a rising tide makes it easier for all boats to float, and overall growth will make it easier to improve the well being of the poorest in the ANE region, not all boats are equally buoyant, so not all enjoy the same benefit from overall economic growth.

The challenge for A.I.D.'s programs in the 1990's is to promote government -business partnerships that can stimulate economic growth and investment while structuring incentives, and in some cases, contributing directly to the development of marketable skills and other factors that will distribute the benefits of growth widely.

2.0 *Promoting Agribusiness: Strategic "Lessons" for ANE Bureau* Planning

Initiatives to increase agricultural production in developing countries in which the technical package looked promising, but nothing happened, are relatively easy to identify. Sometimes lack of available seeds, fertilizer or chemicals at appropriate times can be blamed. At times, a remunerative market outlet for the product didn't exist. Often, government fear that these activities, left to the invisible hand of the market, would be botched, or lead to exploitation of farmers by middlemen, lead instead to the creation of a costly marketing board or other parastatal. Such organizations have often botched things on their own - with seeds or fertilizer that arrive too late to plant; or offers to take goods from producers with "trust me" as the short term substitute for payment.

The following discussion, draws strategic "lessons" for planning from reviews of activities of the World Bank, A.I.D. and private firms. Critical factors required to encourage agribusiness include:

- Markets for potential products;
- A regulatory and policy climate conducive to investment;
- Adequate infrastructure and maintenance conducive to competitive agribusiness development;
- Availability of technology appropriate to the scale of agribusiness operations;
- Appropriate labor and management skills and the means to upgrade and maintain them;
- Adequate financing; and
- Timely availability of required raw materials.

2.1 *Understand Markets and Competition: Don't Forget Domestic and Regional Markets*

- Begin with the consumer. What does the market want in terms of products, quality, timing?
- Who are the competitors? Where does a country's competitive advantage lie?
- What kinds of developments are likely to influence market opportunities over the first several years that a project comes on line?

Where a range of production possibilities exists, attention to market research can avoid major headaches. Options that can be examined include processing for import substitution, outlets for new products in domestic and regional markets, and broader export opportunities in a range of developed country markets.

U.S., European and Japanese markets offer many opportunities, but they are also highly competitive and often protected by nontariff barriers. Agribusiness that gets "bugs" worked out close to home is often more competitive when it is ready to market far away. Local and regional market development may complement exports, as consumers in different markets may vary in quality preferences and ability to pay. A.I.D. can (and does) support market research and feasibility analyses that reflect this.

Corporate interviews have underscored that expertise in marketing is often an important basis for partnerships between local firms in the ANE region and U.S. or multinational firms. In the case of U.S. firms, activities in ANE countries are often managed through offices in Europe and the Far East, as well as through offices in the countries in which A.I.D. operates.

2.2 Policy Reform Is Critical

A.I.D. is already involved in discussions of policy reform in countries throughout the region. A broad range of policies affect the incentives to mobilize private investment, including:

- Corporate licensing requirements and other regulations governing who is permitted to operate in markets;
- Restrictions on transportation of agricultural and food products;
- Regulations of prices and margins;
- Grades and standards encouraging product quality;
- Laws governing salaries and employment;
- Exchange rates;
- Tax and tariff treatment of imports and exports, which affect inputs, competing products and outputs;
- Tax treatment of profits;
- Rules governing ownership and repatriation of capital investment and earnings;
- Liability statutes; and
- Arbitration procedures.

Corporate experience with regulations in ANE regions is mixed. Certain regulations and policies are genuine impediments to investment, and companies can work with A.I.D. and its analysts to identify options for improving them. At the same time, it is clear that once they understand the system, some firms gain competitive advantage from being among the few that are able to operate successfully.

In pursuing policy reform, don't forget that a carrot is not necessarily a carrot. Incentives differ between A.I.D. and host government, and they also differ within A.I.D. The tendency among international donors and financial institutions is to be in a hurry for reforms to be adopted. In contrast, while local officials may be quick to accept the general principle of benefits of policy reform, privatization and an increased role for private agribusiness, agreement on the procedures to attain this end may take time, with considerable interest in protracted study of details and implications.

It is essential to recognize that individual incentives, and the costs of making a mistake, differ among the participants in a policy dialogue. Local officials may assume that the A.I.D. representative will be rewarded based on the amount of money distributed, so concessions on their side may be difficult to come by. At the same time, the risks of a failed change in policy are much lower for the A.I.D. representative, than for his or her local counterpart. Clear and unbiased analysis of potential implications -benefits, costs and risks of specific policy reforms - may be the best route to the kinds of reforms necessary to encourage private investment.

2.3 An Agribusiness Strategy Should Couple Agriculture and Rural Development Officers' Talents With Those of Others in A.I.D. and Other Agencies; New Skills Will Be Required.

Recent World Bank reviews of marketing and agribusiness activities have pointed to the specific skills required. They suggest the need for a combination of increased training and staff resources. While A.I.D. is often ahead of the World Bank in a number of strategic respects, a careful examination of staff training needs and new staff requirements is necessary. A recent review of ANE Bureau staffing indicates a highly trained set of Agriculture and Rural Development Officers (ARDOs), with extremely limited preparation in areas related to agribusiness and international trade. Bureau strategy for addressing the internal capabilities factor will influence the options for an agribusiness strategy.

ARDOs have contacts and knowledge that could permit them to take the lead in a Mission Agribusiness Strategy. Corporate finance, venture capital and other activities will require coordination with others. Figure out how to coordinate with and use others within A.I.D. (the Bureau for Private Enterprise (PRE), for example), other U.S. government agencies (Trade and Development Program, the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, U.S. Departments of Agriculture and Commerce), others in the development business (World Bank, the Asian Development Bank, national foreign assistance agencies), and business organizations and development groups (Chambers of Commerce, etc.).

2.4 As a Bilateral Donor, A.I.D. Has More Experience Working With Agribusiness Through Governments Than In Dealing Directly With Private Sector Operators.

Much World Bank and A.I.D. experience in support of agribusiness has actually involved working bilaterally through government and parastatal agencies. The World Bank reported this to be the case 97 percent of the time through 1983. This implies the need to develop new networks of contacts if there is to be a shift toward direct relations with private firms.

One of the objectives of the study currently being conducted by Abt Associates and the AMIS project is to identify information sources and networks that may be useful in developing a country agribusiness strategy. Two-way training may also help - helping A.I.D. deal with firms, and firms deal with A.I.D.. Regional or subregional specialists may be means to offset some of the short term skill and experience limitations.

2.5 Development and Profit Objectives Don't Necessarily Mesh Automatically.

Without careful attention to the design of incentives, the contribution of agribusiness to A.I.D.s development objectives may be largely accidental. Partnerships involving large, medium and small scale (micro) enterprises can be developed, but will require skillful analysis to make them work. Large investments will not be made if assurance of timely availability of quality inputs cannot be assured. Reinforcing recipient country capacity to analyze and structure incentives is important. This will require additional and different skills than A.I.D. is currently supporting through most policy projects, often with reinforcement of capacity in different parts of host governments.

Innovative arrangements, such as contract farming, through which entrepreneurs are assured supplies to operate their processing plants and local producers and small entrepreneurs are encouraged to share in the benefits of agribusiness represent an ideal combination of A.I.D.'s development goals and entrepreneurs' profit motives. Such arrangements can be developed through careful structuring of incentives. They may happen if left purely to chance. However, A.I.D. supported training and capacity development can improve the odds in this process.

Many U.S. agribusinesses have little or no experience with operations in third world economies, and are unwilling to take much risk. Companies that have succeeded often develop self-contained operations that are totally vertically integrated, or at least involve vertical contracting arrangements.

At the same time, a number of the agricultural input suppliers interviewed are successfully involved in production and marketing of a range of seeds and agricultural chemicals throughout the region, with

research and production facilities in a number of countries. For example, Pioneer recently completed a seed conditioning plant in Egypt with A.I.D. assistance.

There are ways that foreign firms can operate other than through bricks and mortar. One firm interviewed provides technology for poultry production on a franchise basis. Franchisees pay for everything with a letter of credit, so there is little or no risk, but technology is transferred. Operations such as this may be supported by revolving funds and credit guarantee programs.

In addition to continuing work with trade and investment promotion organizations in ANE countries, A.I.D. may want to introduce incentives to make it more attractive for U. S. and other foreign companies to take a more aggressive approach. Individual firm awareness of programs can be increased by networking with selected firms and associations in the U.S. Contacts with the U.S. agribusiness community under this project should point the way by learning more about how A.I.D. can act as catalyst in promoting joint ventures with local investors in the ANE region.

2.6 Finance Requires Attention, But Management Shortcomings Should Not Be Confused With Financial Constraints.

Agribusiness financial requirements are often different than those of general industry. Agriculture-related businesses often face seasonal cash flow variations that differs markedly from other businesses. Interannual variations in business volume, profits and losses associated with climate swings are also somewhat unique to agribusiness.

In many cases, some aspects of dealing with parastatals have been much easier than will be financing a competitive private enterprise. Where agribusiness has been dominated by parastatals, the banking system may not have worried about profits and losses, since the national treasury stood behind the parastatal, effectively guaranteeing against losses to the bank. Financing a competitive private agribusiness sector, which will see profits and losses, will introduce new risks, for which financial institutions will want to be compensated. In some cases, lack of experience (or bad previous experience) may lead to prohibitive capital costs, effectively freezing out new business.

A.I.D. is making initiatives to facilitate investments in agribusiness through revolving fund credit, credit guarantees, promotion of debt for equity swaps, and other efforts at equity and capital market development. Debt-Equity swaps generally imply privatization of the assets of a parastatal, but that need not necessarily be the limit of their usefulness. Agriculture and Rural Development Offices often have the knowledge and skills required to assess the technical feasibility of projects that might be supported through these mechanisms. In a few cases, this has led to joint action by ARDOs and A.I.D.'s Private Sector Offices. At the same time, generally limited ARDO familiarity with the jargon of corporate finance appears to inhibit participation in the process in a number of cases.

Training and risk reduction are two areas in which A.I.D. can facilitate agribusiness financing. Training that helps financial institutions to better understand how others handle the unique aspects of agribusiness lending as an economy becomes more market oriented could be a useful service. Training and technical assistance can also help entrepreneurs prepare feasibility studies and financial analyses of projects that will ease approval of financing. A.I.D. Missions that have been especially successful may want to share their experience with others in the region. A.I.D. programs that provide credit guarantees can also help to reduce the risk to financial institutions, encouraging them to increase their private agribusiness lending.

2.7 Labor and Human Capital Development Will Present New Challenges to A.I.D.

Availability of reliable skilled and unskilled employees, as well as local management personnel is critical to the success of agribusiness ventures. Private agribusinesses in ANE countries are often well placed to take advantage of new and expanding market opportunities. Growth of family businesses and middlemen may have been limited by the fact that they operated on the fringe of legality under marketing systems dominated by parastatals and marketing boards. Taking on an expanded role will require that middle management be developed. A.I.D. will have to explore ways to be as effective in supporting training for employees of private firms as it is for civil servants. Support of vocational and managerial training for agribusiness should receive new attention.

Where skilled labor is in short supply, agribusinesses may find that their trained employees have a broad range of opportunities, leading to turnover problems and increasing costs to the business. Options to reduce employee turnover, such as more attractive benefits, social services and Employee Stock Ownership Plans (ESOPs), can be considered, but must reflect productivity if the business is to remain competitive.

Rigidities in labor laws may encourage agribusinesses to be less efficient than they could be, increasing costs and reducing the competitive position of their products. Retraining programs financed by A.I.D. and other donors could ease the transition of displaced low skill workers, and actually make the creation of additional jobs more attractive. Where rigidities in labor laws make it difficult to promote investment, a combination of efforts in regulatory reform and vocational training may be useful.

2.8 Infrastructure Development and Maintenance, While a Lower Priority on A.I.D.'s Agenda, Will Still Be Critical to Mobilizing Private Capital for Agribusiness

Public investments in improved infrastructure can lower costs to private market participants. As a result, activities that would not be profitable without such infrastructure attract investments of private capital. Over the last several decades A.I.D. and other donors and financial institutions have provided support to countries of the ANE region for infrastructure development such as roads, public utilities, transportation systems, warehouses and storage facilities, health and educational service facilities.

While not all "public" services need to be provided by government, capital investments will be required. The ability of ANE countries to mobilize private capital for agribusiness investment will be strongly influenced by available infrastructure, and required costs of bringing it to acceptable levels. Identification of innovative ways to stimulate local government and private investment in infrastructure may be an alternative where A.I.D.'s ability to finance directly is limited. In some places, and under certain conditions, public debt offerings in support of infrastructure development and preferential corporate tax treatment in return for infrastructure investments may be appropriate.

2.9 Agribusiness Partnerships Between U.S. and Local Firms Will Not Spring Up Overnight

Many of the partnerships, joint ventures, licensing, franchising, and distributorship relationships between U.S., multinational and ANE firms have developed as a climate of mutual trust is developed. What begins as a marketing, distributorship arrangement in Europe or the U.S. may lead to capital investment. Despite A.I.D. personnel rotations, the need for a longer term, systems perspective is critical. He (or she) who starts the ball rolling may not be there to see it achieve its objective. At the same time shorter term achievements are possible.

3.0 Elements of an Action Plan to Promote ANE Agribusiness

The following section suggests a range of concrete actions that A.I.D. can undertake as part of a strategy to promote agribusiness development. The focus is on activities that will lead to employment and income generation in the countries concerned, while simultaneously advancing U.S. self-interest by promoting U.S. exports, and economic growth conducive to longer term market development.

The Action Plan is organized around the set of requirements for fostering agribusiness development presented above. It includes:

- Rapid appraisal of agribusiness capabilities, constraints and opportunities including existing capacity, competitive position, comparative advantage and market opportunities;
- Use of A.I.D.'s interest, influence and experience in policy reform to contribute to an investment climate that will facilitate agribusiness development;
- Contributions to infrastructure development and maintenance of infrastructure;

- Support for technology development and transfer;
- Development of labor force and management skills and other aspects of human capital formation;
- Contributions to required financing for agribusiness development, directly and indirectly; and
- Activities to contribute to availability of reliable supplies of agricultural products and inputs for processing, packaging and marketing,
- Finally, some thoughts are presented on coordination of Agribusiness Strategy at the A.I.D. Country Mission level.

3.1 Rapid Appraisal of Agribusiness: Capabilities, Opportunities and Constraints

A preliminary requirement in designing a country level strategy for Agribusiness development and promotion is a snapshot of where things currently stand. In many countries, a wealth of information can be drawn upon to identify priority areas for assistance, but the information may not be available in a form that is useful for A.I.D. programming.

An understanding of government priorities, existing capacity, competitive position, current markets and opportunities, and constraints to agribusiness achievement of its potential is essential to the design of other elements of the Action Plan to support agribusiness development.

A Rapid Appraisal of Agribusiness: Capabilities. Opportunities and Constraints should be considered an important first step to identifying five to ten priority sectors with the highest potential. There are a number of sources that can be drawn upon for this process: The AMIS Project has pioneered in the development of methodologies for rapid appraisal of constraints to marketing/ agribusiness system operations and performance that should serve as a useful foundation for such analysis. AMIS Project team members have a network of offices in ANE countries and country-specific expertise that can contribute to cost effective appraisals. Several pilot case studies could be undertaken as an extension of the current project. Additionally, the U.S. Trade and Development Program (TDP) has funded a number of Reconnaissance Surveys of Agribusiness Investment Opportunities that provide important insights into components of an approach that will provide opportunities for U.S. business to identify joint venture partners. One such study has been done for the Philippines. Another source of useful information may be the PRE-sponsored Manual for Action in the Private Sector (MAPS). While MAPS is directed at general private sector development, it has been attempted in one ANE country and should provide some insights in designing Rapid Agribusiness Appraisals.

3.2 Policy Reform Initiatives to Support a Healthy Investment Climate

The importance of government policy to successful development of business - government partnerships for development is increasingly accepted. Where government has traditionally viewed business with a skeptical eye, and vice versa, the importance of government as a regulator which can achieve its social objectives by creating incentives to private investors is attracting growing interest. One task of the Rapid Appraisal discussed above is to identify priority constraints to agribusiness development that can be addressed through policy analysis and reform.

A.I.D.'s ability to influence policy in countries in which it operates often exceeds the actual resources it has to devote to policy reform, making this a high payoff area in which to operate. At the national level, identification of key areas for emphasis on the policy reform agenda is essential.

Among the areas through which A.I.D. can contribute to an attractive climate for agribusiness development are tax policy, the investment code, labor laws, pricing policies, grades, standards and a variety of related regulations, contract law and enforcement, arbitration procedures, macroeconomic policy, exchange rates, tariff and nontariff treatment of imports and exports, and other items discussed above.

3.3 Support for Infrastructure Development and Maintenance of Infrastructure

Roads, bridges, public utilities such as power, water and sewerage, market infrastructure, ports, communications systems and educational systems all influence the attractiveness of private investment. Although A.I.D.'s priorities may focus less on direct financing of infrastructure and maintenance than previously, a range of opportunities to facilitate infrastructure development can be pursued. Innovative use of U.S. commodities in Food for Work programs merit further analysis at one extreme. At another, where capital markets exist or are being developed, public debt offerings can be explored. Agriculture and Rural Development Offices could take the lead in identifying priorities for such financing, even if they do not get involved in the public offerings.

3.4 Support for Technology Development and Transfer

U.S. firms have considerable expertise and a catalogue of exportable products that can contribute to the development of technology appropriate to the needs of ANE agribusiness. In some cases, this may be tapped by supporting research and development through innovative support for partnerships between U.S. and ANE firms through scientific exchanges, joint ventures, licensing arrangements and direct sales.

A.I.D.'s Entrepreneurs International Program, sponsored by the Office of International Training has led to some useful experience with U.S. business and a few sales and business arrangements during it's first year.

3.5 Support for Labor Force Development and Management Training

A.I.D. has traditionally provided support for a range of training activities from vocational training, often administered through private voluntary organizations to advanced degree training at U.S. universities.

On both vocational and management training fronts, where national educational systems do not provide the training businesses need, U.S. based training of trainers may be useful.

Training directed at support for business, especially agribusiness, is a new agenda item for A.I.D. Even in the U.S., the unique requirements of agribusiness have led to a White House conference and a National Commission on Agribusiness Education, whose report was released in June. The Entrepreneurs International Program could provide insights into on-the-job training for ANE entrepreneurs and potential U.S. clients and suppliers. More formal training opportunities will also be required. A.I.D.'s proposed support for business training in Madagascar may provide some ideas for options for countries in the ANE region.

Training will not be a panacea, however. In some countries, labor laws may require study as part of the policy reform agenda in order to assure that the system protects labor interests without making investment unattractive.

3.6 Financing Agribusiness

Options for increasing available financing for agribusiness development range from direct financing, to credit guarantees for loans and venture capital funds, to use of local currency to set up revolving funds for agribusiness development. Capital market development in some countries may yield a source of funds for agribusiness. Potential joint ventures and ownership arrangements can also lead to direct investment of private capital in ANE agribusiness.

Studies of formal and informal credit markets in ANE countries may help to identify real financial constraints to agribusiness development. It is essential to bear in mind that inadequate financing is often a bona fide problem, but sometimes for reasons related to management, rather than the financial system.

3.7 Assuring Timely Availability of Supplies and Raw Materials

Assured and timely availability of the required quantity and quality of raw materials, including agricultural products, production inputs and packaging materials is critical to agribusiness investment decisions. As indicated above, plants built without attention to supply stand idle throughout the developing world.

Some U.S. and multinational firms address this problem through vertical integration. A variety of opportunities to develop contracting arrangements that protect the interests of both agricultural producers and agribusinesses can be addressed with A.I.D. support.

On the input side, policy reform may also be required. Tariffs and quotas on imported containers, packaging equipment and materials may prevent locally processed products from competing with imported goods, or developing export markets.

3.8 Coordinating Agribusiness Strategy Design and Implementation at the A.I.D. Country Mission Level

The Action Plan presented above embodies a complex set of activities, and will require a wide range of expertise. It is clear that among all of the potential participants, some office needs to have lead responsibility for agribusiness development activities. Agriculture and Rural Development Officers have much to recommend them to this role. At the same time, broadened responsibilities will require broadened skills through a combination of training and hiring priorities.

Among the recommendations made by ARDO's at their February, 1989 conference in Rabat, Morocco was to provide them with sufficient short term training so that they could feel more comfortable in discussions with Private Sector Officers and Agribusiness Representatives. As part of the current study, the AMIS team is identifying resources available to help support efforts at agribusiness development. Such training can be among the topics addressed.

4.0 Next Steps

This paper lays out a range of activities that A.I.D. can undertake to support agribusiness development, employment generation and income growth in the ANE region. As part of ongoing discussions with U.S. and Multinational Agribusiness, A.I.D. and other donors and financial institutions, the AMIS team will discuss specific elements of the proposed Action Plan, as a basis for further refining a set of lessons that will be useful for A.I.D. programming.

This paper is intended to serve as a focus for discussion with selected representatives of agribusiness, commodity associations, A.I.D. representatives and others interested in A.I.D's strategy for agribusiness development.

Among the key questions to be addressed are:

- What are U.S. agribusiness and commodity interest priorities in the ANE region? As markets for U.S. products? As opportunities for investment, joint ventures, licensing, etc?
- What major constraints limit activities in the ANE region? Which elements of the proposed action plan would be most useful to specific agribusiness and commodity interests? Is anything missing?
- What kind of private commitment could be expected in response to a public commitment to elements of the action plan? For example, as a first step, if A.I.D. supports the travel expenses, would businesses provide executives to participate in discussions of country specific rapid appraisals of opportunities and constraints to agribusiness development? What other possibilities should be considered?
- How do agribusiness and commodity interests view A.I.D. relative to other government agencies in supporting trade and investment in the ANE region? What does this imply for ANE Agribusiness strategy?

- How should A.I.D. initiate an on-going dialogue with agribusiness leaders? Through an advisory committee? Through country, commodity or product specific joint missions?

A final report from the current study is to be prepared in September, drawing on results of the above discussions and interviews.

Additional follow-up that is being considered includes:

A broad-based agribusiness conference, directed at providing information about A.I.D. support activities to U.S. agribusiness and further opportunity for interaction among A.I.D. Officials and Agribusiness interests; and

A series of pilot, country-level Rapid Appraisals of Agribusiness, aimed at identifying agribusiness capabilities, constraints and opportunities including existing capacity, competitive position, comparative advantage and market opportunities;

Sector and Venture specific analyses, aimed at designing agribusiness support activities that will lead to employment generation and income growth in ANE countries.