

PA / EL - 411

# AGENCY FOR INTERNATIONAL DEVELOPMENT PPC/CDIE/DI REPORT PROCESSING FORM

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number 936-5447	2. Contract/Grant Number DHR-5447-Z-00-7074	3. Publication Date May 1989
--	--	---------------------------------

4. Document Title/Translated Title

Agribusiness Development in Asia & the Near East: Experience & Implications for A.I.D. Strategy

5. Author(s)

1. Mark D. Newman	4. Joanne Yeager	7. James Brown
2. Richard Abbott	5. Merle Menegay	
3. Liana C. Neff	6. David Hughes	

6. Contributing Organization(s)

Abt Associates, Inc.

7. Pagination 50p.	8. Report Number	9. Sponsoring A.I.D. Office S&T/RD
-----------------------	------------------	---------------------------------------

10. Abstract (optional - 250 word limit)

This report presents preliminary findings of a study aimed at identifying and ranking the most appropriate interventions to support private sector agribusiness development in countries of the Asia - Near East (ANE) region. Under a buy-in to the Agricultural Marketing Improvement Strategies (AMIS) project Abt Associates, Inc., the Postharvest Institute for Perishables and Deloitte Haskins and Sells have assembled and analyzed information on experiences and lessons learned from public and private agribusiness development activities and projects in ANE countries, including AID and World Bank projects.

11. Subject Keywords (optional)

1.	4.
2.	5.
3.	6.

12. Supplementary Notes

13. Submitting Official Gerard Martin/Project Manager	14. Telephone Number (202) 362-2800	15. Today's Date August 23, 1989
--	--	-------------------------------------

.....DO NOT write below this line.....

16. DOCID	17. Document Disposition DOCRD [] INV [] DUPLICATE []
-----------	--

# AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT

Under contract to the Agency for International Development, Bureau for Science and Technology, Office of Rural Development  
Project Office 4250 Connecticut Avenue, N.W., Suite 500, Washington, D.C. 20008 • Telephone: 202-362-2600 • Telex: 312636

PA-7/15/89  
03/20

## AGRIBUSINESS DEVELOPMENT IN ASIA AND THE NEAR EAST

Experience and Implications for  
A.I.D. Strategy

May, 1989

A Draft Report Presented to:

Asia Near East Bureau  
Office of Technical Resources  
Agricultural and Rural Development  
Division  
Agency for International Development

Mark D. Newman  
Richard Abbott  
Liana C. Neff  
Joanne Yeager  
Merle Menegay  
David Hughes  
James Brown

Prime Contractor: **Abt Associates Inc.**, 4250 Connecticut Avenue, N.W., Suite 500, Washington, D.C. 20008 • 202-362-2600

Subcontractor: **Postharvest Institute for Perishables**, University of Maryland, P.O. Box 80843 • 202-885-6791

**Deloitte Haskins & Sells**, 1001 Pennsylvania Avenue, N.W., Suite 350, Washington, D.C. 20004 • 202-637-7000

## TABLE OF CONTENTS

	<u>Page</u>
Preface	ii
Abstract	1
1.0 Introduction	1
2.0 What Does It Take to Foster Agribusiness?	6
3.0 Lessons for Planning an ANE Agribusiness Strategy	15
4.0 Elements of an Action Plan to Promote ANE Agribusiness	17
5.0 Next Steps	21

### APPENDICES

1. Agribusiness in ANE's Strategy Statement	28
2. Summary of A.I.D. Experience in Agribusiness Related Projects	31
3. Terms of Reference: Agribusiness Food Marketing Systems Study	48

## Preface

This report presents preliminary findings of a study aimed at identifying and ranking the most appropriate interventions to support private sector agribusiness development in countries of the Asia - Near East (ANE) region. Under a buy-in to the Agricultural Marketing Improvement Strategies (AMIS) project Abt Associates, Inc., the Postharvest Institute for Perishables and Deloitte Haskins and Sells have assembled and analyzed information on experiences and lessons learned from public and private agribusiness development activities and projects in ANE countries, including AID and World Bank projects.

The initial product of the study was a presentation of preliminary findings to the ANE Bureau's Agriculture and Rural Development Officers Conference held at Rabat, Morocco in February, 1989. The conference provided an opportunity for discussions with representatives from A.I.D. missions in most of the countries of the region. This draft, together with follow up interviews and discussions with representatives of selected U.S. agribusiness firms, agricultural commodity interests, international financial institutions and A.I.D. will serve as the basis for a final report is to be produced in August, 1989.

To date, this study has included activities on three fronts:

AID policy, program and project review. To begin our review, we arranged for A.I.D.'s Center for Development Information and Evaluation (CDIE) to conduct a computerized search of projects, reports, and other literature with potential agribusiness content in ANE countries. Additionally, centrally funded projects in A.I.D.'s Bureaus of Science and Technology (S&T) and Private Enterprise (PRE) and proposals in A.I.D.'s Congressional Presentation were reviewed. A broad range of project papers, evaluation reports, and case study documents have been assembled. We also sent a cable to all missions, and contributed to the ANE newsletter, leading to responses with information from a number of missions and interviews at the ANE Bureau Rabat conference. Table 1 presents a summary of our findings on the types of A.I.D. projects supporting agribusiness in the region since 1980.

World Bank contacts. A member of our team, the former World Bank agroindustry adviser, has provided insights into findings of a review of the World Bank's agroindustry portfolio, summarized in table 2. We also benefitted from access to a 1988 analysis of World Bank experience in Agricultural Marketing. Additional contacts are being developed for insights into current World Bank activities with respect to Agribusiness.

Agribusiness contacts. On the basis of our own network of agribusiness contacts in the U.S. and internationally, as well as written material, contacts with A.I.D. missions, and miscellaneous other contacts, we have begun the process of developing case studies of agribusiness experience in ANE countries. To date, we have partial information on about 25 companies involved in input production and distribution, production and processing. Some firms have wholly owned subsidiaries, others are involved in joint ventures, licensing and franchising arrangements. Tables 3-6 summarize findings.

AGRIBUSINESS DEVELOPMENT IN ASIA AND THE NEAR EAST  
Experience and Implications for A.I.D. Strategy

ABSTRACT

Agribusiness offers important potential as a contributor to A.I.D.'s objectives of economic growth and increased rural income and employment in the countries of Asia and the Near East (ANE). Agribusiness development, Trade and Market Development are ranked as high priorities in the ANE Bureau's Strategy for the 1990's. This report offers a systems perspective on agribusiness and identifies seven critical areas of attention for programs aimed at fostering agribusiness growth. These include: a regulatory and policy climate conducive to investment; markets for potential products; infrastructure and maintenance of infrastructure; technology and scale of operations; labor and human capital; finance; and raw materials supply. Experience of A.I.D., the World Bank and private agribusinesses are discussed. After presentation of "Lessons" for Planning an ANE Agribusiness Strategy, proposals for components of such a strategy are presented. In conclusion, next steps toward developing and implementing an ANE agribusiness strategy are presented and proposed.

1.0 Introduction

This report presents preliminary results of a review of Agribusiness promotion and development experience in the Asia - Near East Region, an area including 18 countries, reaching from Morocco to Fiji. It also identifies a range of agribusiness interventions and support activities that should be considered in designing ANE Bureau's agribusiness strategy. Specifically, the report:

- 1) Explains agribusiness in the context of the Agency for International Development (A.I.D.) Asia - Near East Bureau's (ANE) strategy proposals, and provides some preliminary observations on what it takes to make agribusiness work, with examples of donor projects and programs, and private agribusiness experience;
- 2) Presents some examples and discusses the types of A.I.D. agribusiness development and support activities with which A.I.D., other donors, financial institutions and government agencies have experience;
- 3) Suggests "Lessons" for planning an ANE agribusiness strategy, and a process by which country-level promotion of agribusiness can be undertaken.

4) Identifies concrete actions that A.I.D. missions can undertake as part of an agribusiness promotion strategy; and

5) Concludes with some notes on next steps in this study.

### 1.1 What is Agribusiness? A Food System Perspective

Agribusiness 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, promotion, financial services and a variety of government activities including regulation (see figure 1).

In general, A.I.D. has the most experience in working with one component of agribusiness in the food system: the entrepreneurial producers who participate in the market. In addition, A.I.D. has varying degrees of experience with input producers, suppliers, agricultural credit, commodity imports, marketing and policy analysis, and off-farm employment that are all important to agribusiness.

### 1.2 Why Look at Agribusiness?

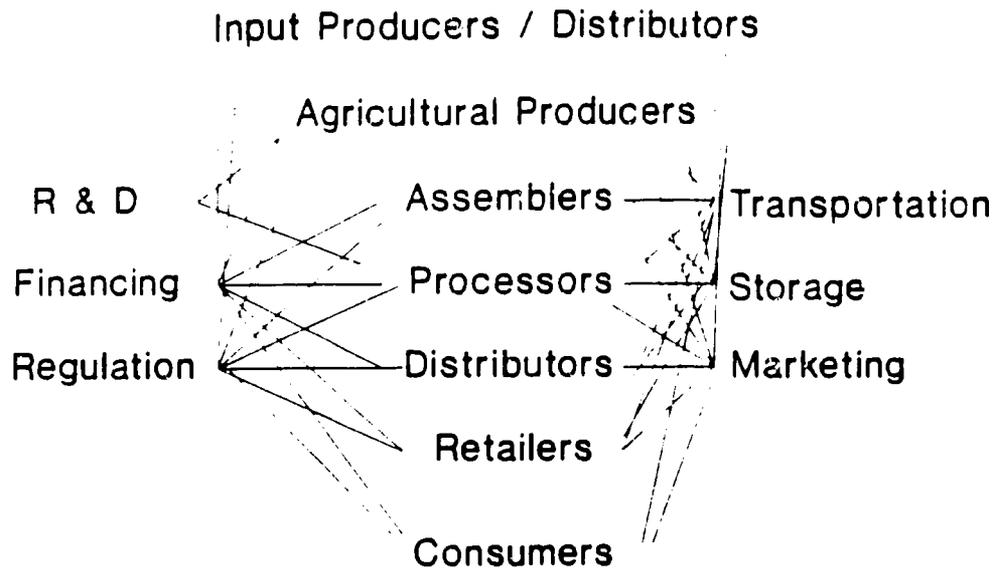
The success of past A.I.D. projects in increasing crop production in the ANE region is in part a reflection of Agriculture Development Officer (ADO) understanding of complex production systems, permitting the design of technological packages and extension programs that will increase yields and production, and also be adopted.

Likewise, an understanding of the broader agribusiness system is critical to A.I.D.'s ability to assure that there are suppliers and timely availability of required seeds, fertilizer, farm machinery, agricultural chemicals, feed and other production inputs; that there are markets for what is produced; and that there are incentives to invest private capital in rural employment generating agribusiness production, processing, marketing and distribution activities. Our focus in the current study is on drawing useful lessons from corporate and donor agency experience that will help A.I.D.'s ANE agribusiness strategy successfully encourage a business - government partnership for development.

Examples of projects aimed at increasing production of an agricultural commodity where the technical conditions for success appeared to be met, 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, fear that these activities, left to the invisible hand of the market, would be botched, or lead to exploitation of farmers by middlemen, lead to the creation of a costly parastatal that botched things on its own - seeds or fertilizer too late to plant; or offers to take products from producers with "trust me" as the short term substitute for payment. These and other

# AGRIBUSINESS

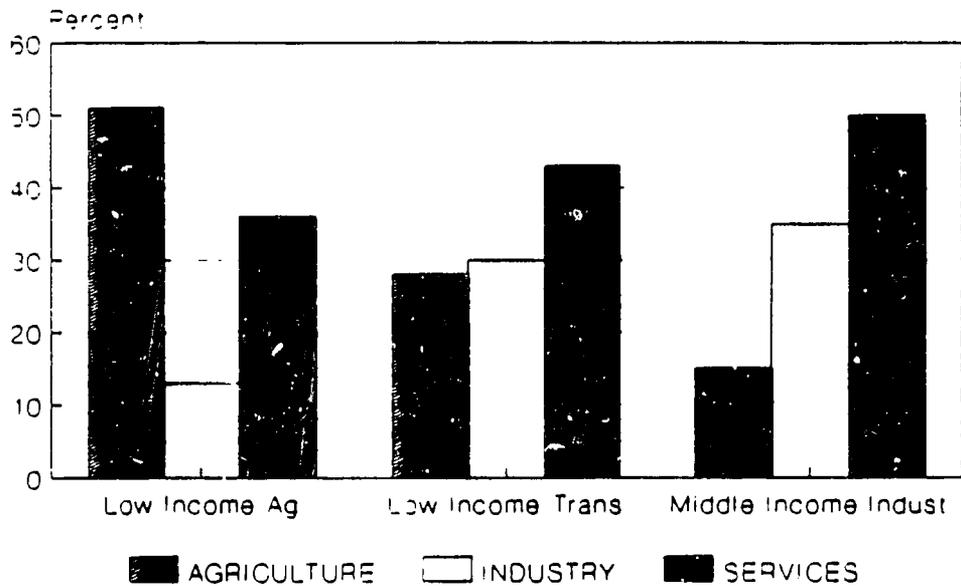
A Food System Perspective



Abt Associates Chart

Figure 1. Agribusiness: A Food System Perspective

## Agriculture, Industry and Services in ANE Gross Domestic Product (1985)



Source: BRD

Figure 2. Composition of GDP by Level of Development

factors are behind current donor emphasis on developing a public sector private sector partnership for agricultural development.

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

- o 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.
- o 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.
- o 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.

The challenges arise from:

- o The need for a policy environment conducive to investment;
- o New demands on infrastructure, human and financial capacity that influence the economic interest of entrepreneurs in a given project or region; and
- o 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 face the challenge of 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 reap 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 permit the benefits of growth to be broadly distributed.

### **1.3 Agribusiness in ANE's Strategy Statement**

ANE Bureau's "Food Systems Strategy for Growth in the 1990's," summarized in Appendix 1, proposes that A.I.D. programs in the region reflect similarities associated with countries' level of economic development. Different priorities are presented for Low Income Agricultural Economies (Bangladesh and Nepal); Low Income Transitional Economies (Egypt, India, Indonesia, Morocco, Pakistan, Philippines, Sri Lanka and Yemen); and Middle Income Industrializing Economies (Jordan, Oman, Thailand and Tunisia).

The strategy paper identifies seven priorities for A.I.D.'s investment portfolio:

1. Promoting sustainable agricultural technology generation and dissemination
2. Agribusiness development
3. Trade liberalization
4. Agricultural policy
5. Infrastructure management
6. Natural Resource Management
7. Human capital and institutional development

As pointed out in the strategy document, agribusiness sophistication varies as one moves across the ANE region in geographic or economic terms. Each country and geographic subregion has unique conditions and requirements to consider. Likewise, levels of development and income affect options and

opportunities. Thus, it is appropriate that A.I.D.'s strategies and priorities take these variations into account.

Some useful lessons can be drawn from experience in individual economic subgroups. At the same time, as one moves from a Seed Production and Export project in the Low Income Agricultural Economy of Nepal to a study of Wine Export Prospects for the Middle Income Industrializing Economy of Tunisia, many aspects of issues surrounding identification of market niches, processing and packaging are similar. Despite important differences, some factors will be of general value.

## 2.0 What Does It Take To Foster Agribusiness?

A view of the entire agribusiness system is critical to understanding the components that will lead to successful interventions to support and promote agribusiness in ANE countries. Every A.I.D. activity cannot address all elements of the system, but a mental picture of the system can help the people designing a country agribusiness strategy to ensure that the essential components are brought together successfully.

The following discussion includes an overview of essential considerations and selected experience gleaned 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; 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 Look At Local And Regional Markets and Competition, As Well As Export Opportunities**

Agribusiness is generally approached initially as a mechanism for finding outlets for what is being produced, or for what a project plans to produce. Often it would be more productive to begin with the consumer. What does the market want in terms of products, quality, timing? Who are the competitors? 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.

Sometimes product choice revolves around varietal choices for specific market niches or processing characteristics. Other choices are more dramatic:

Will the European Community market for fresh or processed fruits and vegetables remain a viable option for exporters in ANE countries once

Spain is fully integrated into the EC in 1991 and the single European market of 1992 arrives?

Will agreements in the Uruguay Round of GATT negotiations effectively eliminate markets for such feed ingredients as manioc? Will other market opportunities be opened or closed by the negotiations? Should individual ANE countries be taking a more active role, or at least evaluating their self-interest?

Will export promotion projects of development assistance agencies result in a large number of suppliers flooding a single market with fresh vegetables, seafood, or other products at the same time, depressing prices below production costs?

These types of questions are critical to evaluating the potential success of an agribusiness project.

It is currently in vogue to focus marketing analyses on export market prospects, especially opportunities for exports to North America, Europe or Japan. These potentially lucrative markets offer consumers with large incomes and opportunities to earn foreign exchange. They are also highly competitive, very costly to enter with new products, and as such, very risky for a new venture seeking to develop an outlet for fresh or processed produce or a branded product. Nontariff trade barriers (NTBs) must also be investigated early in the market research process.

If regular supplies cannot be guaranteed to marketers over a long period of time, there will be little interest in the kind of promotional expenditures required to launch a new product. For fresh products, brokers and wholesalers may only be willing to fill in after marketing for their regular clients. Among the alternatives that should be considered initially for such markets is to link up as a supplier to a firm with a well established branded presence in a given market.

Regional and domestic markets for fresh and processed agricultural products should not be overlooked in the market research process. Where the distance to market is short, the ability to evaluate progress is increased, and the risks involved in making mistakes reduced. While foreign exchange considerations may suggest pursuit of certain markets, and potential multinational involvement may focus on specific export markets, some ventures will find that the opportunities for success lie closer to home.

At one time it was standard for donor and financial agencies to assume that if production could be achieved, markets would take care of themselves. A review of recent experience indicates that this is no longer the case.

Of 960 agro-industry components of World Bank projects worldwide during 1972-83, 169 components focused on markets - export markets, domestic markets, instability of production as it affects markets, and market research.

A.I.D. has had 63 projects since 1980 with components aimed at improving analytical capacity in countries throughout the ANE region, with some specifically focussing on markets. For example, joint U.S. - India research on agricultural processing and pollutants; studies of the business climate in Egypt, and marketing studies focusing on export markets for Jordan and Tunisia.

Overall, our survey identified 14 ANE and centrally funded projects that focus on agricultural markets. Some of these, such as the centrally funded Agricultural Marketing Improvement Strategies (AMIS) Project under which the current study is being conducted, involve buy-ins with multi-country operations.

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 A Regulatory And Policy Climate Conducive To Investment**

A.I.D.'s focus on policy dialogue with host countries indicates recognition of its importance. A broad range of policies affect the incentives to mobilize private investment, including: corporate licensing requirements and other regulations of 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.

Monitoring procedures and regulatory controls of agribusiness activities will be required to satisfy government authorities that they can control fraud and avoid exploitation of agricultural producers, government or consumers. Anti-trust laws may have to be examined.

World Bank structural adjustment lending programs have increasingly made reform of regulations affecting incentives for private investment a major condition for loans. Pricing and incentives have been major factors in loans to Morocco and Tunisia, for example.

A.I.D. projects and programs throughout the region are directed at aspects of policy reform: deregulating the agricultural sector in Egypt, contributing to conditions conducive to expanding and diversifying the agricultural sector in Indonesia, revising the investment code in Tunisia, removing licensing constraints in Jordan, and removing fertilizer subsidies in Pakistan.

Corporate experience with regulations in ANE regions is mixed. Certain barriers are genuine impediments to investment, and companies could work with A.I.D. or 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.

Our survey of A.I.D.'s ANE and centrally funded projects since 1980, summarized in Table 1, identified 33 projects with components directed at improving the investment climate for the private sector, 24 projects with investment promotion components, and 63 projects aimed at improving analytical capacity, some of which are directed at improving host governments' ability to evaluate the potential impact of alternative regulatory reforms.

In its pursuit of regulatory reform, A.I.D. has achieved gains from coordination of efforts with other donors and financial institutions. While some missions are more successful in this respect than others, A.I.D.'s resource limitations make it important to achieve leverage where possible. Coordination can also help A.I.D. missions to stay abreast of policy analysis and initiatives of other donors.

### **2.3 Public Investments In Infrastructure And Maintenance Of Infrastructure Can Make Private Investment More Attractive**

As noted above, 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.

Although infrastructure development appears to be declining in importance overall, A.I.D. is financing feeder road maintenance and improvement in Bangladesh, and a variety of irrigation projects throughout the region.

While major strides have been made, the job is not completed. Where satisfactory infrastructure has been developed, maintenance and upkeep are often an issue. An evaluation of World Bank agribusiness projects found that unreliable power supplies, leading to brown-outs and requiring costly investments in auxiliary generators, were the most commonly identified problem in this area, followed by inadequate water supplies and waste disposal facilities.

One U.S. agribusiness interviewed indicated that it routinely assumes that it will have to cover the costs of power generation and water supply when it evaluates projects in the region. In general, U.S. agribusiness takes a conservative approach to investment in agribusiness in LDCs. They are generally unwilling to get involved in projects which involve infrastructure investment. Exceptions are the US fruit companies, which are involved in some activities in conjunction with A.I.D. in the Philippines to promote such activities as improved water management for shrimp production, erosion control and health and educational facilities improvement.

Of the A.I.D. projects in ANE countries directed at agribusiness, only 11 involved infrastructure development. Other projects aimed at infrastructure alone probably show up separately. If A.I.D. is decreasing its direct investment in infrastructure, it should not be assumed that infrastructure problems no longer exist.

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.

#### **2.4 Available Technology Appropriate to Scale of Operations and other Conditions**

When is technology "appropriate?" Evaluation of World Bank financed agribusiness projects through 1985 concluded that most were overly ambitious in terms of scale and sophistication of required skill levels relative to the available work force. Local repairs, maintenance and spare parts availability must all be addressed if a project is to succeed.

As one looks at the mix of micro enterprise and agro-industrial promotion in a country's agribusiness development strategy, it is essential to think back to the issue of markets. Excess sophistication is counterproductive. At the same time, product quality and presentation will be critical, whether the market targeted is import substituting, responding to new demand, or an export market. When small and medium scale enterprise development is the goal, it need not necessarily imply use of primitive technology. For example, A.I.D.-financed work on low-cost extrusion cookers has led to a joint venture in Sri Lanka that produces supplementary infant foods, primarily from local agricultural products.

Where state-owned enterprises are in the process of privatization, as is the case in several ANE countries, A.I.D. may be able to stimulate the development of joint ventures, especially where major processing facilities could benefit from the technology and marketing expertise of a foreign partner.

A.I.D. can also usefully support trade linkages between local and foreign agribusiness firms which involve some transfer of technology. These links can grow into joint investments and guaranteed export markets for local firms.

Partnerships involving a mix of small, medium and large scale enterprises can be developed, but will require skillful analysis and structuring of

incentives if they are to succeed. An example based on one of the companies interviewed provides a useful illustration.

A U.S. company, lets call it PNB, Inc., has a joint venture in an Asian country to produce canned pork and beans. Under an arrangement with the previous government, tariffs are low and imported beans are used. The product is sold on the domestic market.

In order for a processing plant to operate efficiently, a regular supply of raw materials. In this case, beans, is required. While beans could be produced, dried and sorted locally, the U.S. and local partners find it simple and cost effective to continue to import. Assuring a quality local supply would require production credit, extension services, research on varieties and the development of drying, sorting and grading facilities, etc. which the company would prefer not to engage in.

As a result of the ability to import, and control its supply of raw materials, PNB invested in a modern facility. Yet, there are apparently no incentives for it to develop its own local supply. If, however, tariff concessions had been provided initially with the proviso that they would gradually be phased out, the investment might have been made, but there might have been further interest in working with local small and medium enterprises to develop local supply capacity.

Considerable care must be taken in structuring the incentives to invest so that efforts to achieve development objectives, such as small scale enterprise development, don't eliminate the incentives for the initial investment.

It cannot be assumed that because a processing facility is built, local supplies will develop to keep it running. A U.S. firm built a modern tomato paste facility for a local firm in the Philippines several years ago, but it has never operated. Many U.S. agribusinesses have little or no experience with operations in third world economies, and are unwilling to take much risk. Large fruit companies that have succeeded often develop self-contained, enclave 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 encourage U. S. and other foreign companies to take a more aggressive approach 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. could act as catalyst in promoting joint ventures with local investors in the ANE region.

## **2.5 Assuring Required Labor, Management and Technical Skills**

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 family-owned, and where markets are expanding and/ or being made more open to private business, these entrepreneurs are often the ones in a position to take advantage of new opportunities. As these enterprises grow in size, the need for training of middle management personnel will develop.

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 its products. For example, flour mills in Tunisia would like to introduce mechanical bagging equipment. They would have difficulty doing so because the government is unlikely to let them eliminate the jobs of people currently filling the bags. 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.

All A.I.D. Missions in the region have programs directed at improving analytical capacity. A.I.D. in the Philippines has proposed a rural development training program to provide skills and training for middle and senior level officials and private entrepreneurs. A.I.D. programs in Indonesia focus on human resource development, especially for management. A.I.D.'s centrally funded Entrepreneurs International program plans to bring entrepreneurs from eight ANE countries to the U.S. for training with U.S. agribusinesses and other firms.

A recent review of the Entrepreneurs International program concludes that A.I.D. missions find it easier to support training for government employees than for employees of private firms. In large part, this may be a result of limited experience.

Projects in A.I.D.'s S&T Bureau Employment and Enterprise Development Division are providing ANE countries with technical assistance in evaluating management and vocational training needs, some of which supports agribusiness.

## 2.6 Adequate Financing

Financing is probably the most frequently cited constraint to agribusiness development. It definitely 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. 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 ARDO's 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.

There are 19 ANE country projects and three centrally-funded ones identified that focus on capital markets or credit. A proposed A.I.D. grant to the Philippine Agribusiness Industrial Investment Company (PAIICO) would provide technical assistance and partial capitalization so that PAIICO could mobilize private capital to "turn around" financially distressed agribusinesses, invest in parastatals slated for privatization and new or existing agribusinesses. A grant to a Venture Capital fund to support small to medium sized enterprises in areas of high growth potential has been proposed for FY 1990. Other projects support rural financial services and credit in Egypt, Indonesia, Jordan, and Tunisia. There are projects to support stock exchanges in Sri Lanka and the Philippines.

Beyond availability of capital for initial investments, operating capital requirements, which often exhibit huge seasonal swings for processing

operations, may require innovative approaches to financial institutions' lending. Where parastatals have had an almost open line of credit on the national treasury for purchases of agricultural inputs and products, private agribusiness cannot expect similar treatment.

Multinational trading firms sometimes extend a degree of financial flexibility to parastatal organizations in the certainty that the good faith and credit of the national government means that they will eventually get paid. Where private firms take over from a parastatal, the implicit government guarantee does not necessarily follow, making access to credit more difficult.

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. 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 Reliable Supplies Of Agricultural Raw Materials And Other Inputs Are Essential To Competitiveness**

Availability of agricultural products that meet requirements in terms of quantity, quality and seasonal availability has a major impact on the costs and potential returns of an agribusiness project. To assure that requirements are met, management of agribusiness projects may have to assume a role in research and extension activities, input supply, credit and assembly operations.

Of the agribusinesses studied thus far in our project, 16 percent conduct some sort of research, and 40 percent are involved in extension activities. Almost half attempt to assure supplies through some sort of mechanism: imports, integrated production - processing arrangements, or vertical linkages through contracts or other procedures. Contract farming, whereby an agribusiness firm provides inputs, extension services and guarantees prices can have the impact of mutual risk reduction.

Price incentives may be used to encourage deliveries early and late in the processing season, reducing required investment in capacity for peak processing periods and storage facilities. Research and extension services may encourage production of a range of products that can be processed at the same facilities, increasing initial investment requirements, but reducing the average cost per unit processed.

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.

A.I.D.'s experience with a broad range of production projects can be an extremely valuable resource in working with agribusiness to assure that agricultural raw materials of required quantity and quality are available in a timely fashion. At the same time, working with agribusiness to facilitate changes that will assure supplies of other raw materials required for processing, such as tin plate, bottles or other containers, labels, etc. will represent new areas for A.I.D.'s Agriculture and Rural Development Officers. An important consideration in planning a strategy is to figure out how to draw on the expertise of other parts of A.I.D. (PRE and regional private sector office, for example) and other private and government organizations.

### 3.0 'Lessons' for Planning An ANE Agribusiness Strategy

#### **3.1 Understand Markets and Competition: Don't Forget Domestic and Regional 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.

#### **3.2 Policy Reform is Critical**

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.

**3.3 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. Meyer's recent review of ANE Bureau staffing indicates a highly trained set of Agriculture and Rural Development Officers, 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.

ARDO's 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. (PRE, for example), other U.S. government agencies (Trade and Development Program, OPIC, USDA, Commerce), others in the development business (World Bank, CIDA), and business organizations and development groups (Chambers of Commerce, etc.).

**3.4 As a Bilateral Donor, A.I.D. Has More Experience Working With the Private Sector 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 this study 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.

**3.5 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.

### **3.6 Finance Requires Attention, But Management Shortcomings Should Not Be Confused With Financial Constraints.**

Agribusiness financial requirements are different than those of general industry. In many cases, dealing with parastatals has been much easier than will be financing a competitive private enterprise which will see profits and losses. Training and risk reduction are two areas in which A.I.D. can contribute.

### **3.7 Labor and Human Capital Development Will Present New Challenges to A.I.D.**

Private agribusinesses in ANE countries are often well placed to take advantage of new and expanding market opportunities. Family businesses and middlemen may have operated on the fringe of legality under parastatally dominated systems. 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.

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

While not all "public" services need to be provided by the state, capital investments will be required. If not financed directly, A.I.D. should consider innovative approaches to stimulate required investments.

### **3.9 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.

## **4.0 Elements of an Action Plan to Promote ANE agribusiness**

With the above lessons in mind, the following section presents a range of concrete actions that A.I.D. missions 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: 1) begins with a rapid appraisal of agribusiness capabilities, constraints and opportunities including existing capacity, competitive position, comparative advantage and market opportunities; 2) examines areas where A.I.D.'s interest, influence and experience in policy reform can be brought to bear to contribute to an investment climate that will facilitate agribusiness development; 3) discusses opportunities to contribute to infrastructure development and maintenance of infrastructure; 4) examines opportunities in support of technology development and transfer; 5) presents a range of opportunities to affect labor force and management skills and availability, and other aspects of human capital formation; 6) lays out a number of opportunities to contribute to required financing for agribusiness development, directly and indirectly; and 7) suggests activities to contribute to availability of reliable supplies of agricultural products and inputs for processing, packaging and marketing, often key constraints to successful agribusiness projects. Finally, some thoughts are presented on coordination of Agribusiness Strategy at the A.I.D. Country Mission level.

#### **4.1 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.

#### **4.2 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.

#### **4.3 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.

#### **4.4 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.

#### 4.5 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 will be 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.

#### 4.6 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.

#### 4.7 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.

#### 4.8 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 the Rabat conference 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.

#### 5.0 Next Steps

This draft 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 refinement of a set of lessons that will be useful for A.I.D. Programming.

An informal seminar with selected representatives of agribusiness, commodity associations, A.I.D. representatives and others interested in A.I.D.'s strategy for agribusiness development is tentatively scheduled for mid-July. This is expected to lead to reactions to this document.

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

Additional follow-up that is under discussion 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.

Table 1. USAID Interventions in Agribusiness in the ANE Region, 1980 to present\*

SELECTED PROJECTS IN AGRIBUSINESS 1980 to Present	Number of Projects	Commodity Imports	Infra-structure Development	Privatization of State Run Enterprises	Off Farm Employment & Rural Enterprise	Small & Micro Enterprises	Development of Capital Markets	Private Sector Investment Climate/Policy Reform	Agricultural markets	Development of Analytical Capacity	Investment Promotion
LOW INCOME AGRICULTURAL ECONOMIES	13	23%	38%	15%	15%	8%	8%	8%	15%	54%	0%
LOW INCOME TRANSITIONAL ECONOMIES	44	7%	9%	14%	27%	23%	32%	30%	11%	59%	27%
MIDDLE-INCOME INDUSTRIALIZING COUNTRIES	18	6%	11%	22%	17%	28%	22%	56%	33%	72%	33%
CENTRALLY AND REGIONALLY FUNDED PROGRAMS	26	0%	0%	4%	8%	15%	12%	35%	4%	65%	23%
OVER ALL TOTAL	101	7%	11%	13%	19%	20%	22%	33%	14%	62%	24%

\* There are cases where multiple interventions were entered for individual projects. Due to this fact, percentages do not add up to 100%.

\*\* This is a preliminary survey of USAID project interventions related to Agribusiness.

Table 2. World Bank Experience in Agribusiness Lending

	Production	Transport	Storage	Processing (percent)	Marketing
Asia - Near East*	6.7	6.5	13.7	22.8	12.6
Total	14.6	11.1	27.5	41.6	29.7

\*Components of loans approved by the World Bank 1972-83  
Regional definition only approximates that used by USAID

\*\*Percent of 960 total components, data add to more than 100%  
because two activities listed for 243 components

Source: derived from J. Brown. Review of Agroindustrial Operations

Table 3. Country and Regional Experience of Agribusiness Firms Studied\*

	Number of Companies -----
Low Income Agricultural Economies -----	2
Bangladesh	1
Nepal	2
Burma	1
Low Income Transitional Economies -----	20
India	8
Sri Lanka	3
Pakistan	5
Indonesia	5
Yemen	1
Morocco	4
Philippines	12
Egypt	7
Middle Income Industrializing Nations -----	14
Thailand	14
Tunisia	1
Jordan	2
Oman	1

-----  
\* Some firms operate in multiple countries

Table 4. Commodity Experience of Agribusiness Firms Studied\*

	Percent of Companies -----
Inputs	35
Production Output	17
Processing	74

-----  
 \*Total percentage is greater than 100 because  
 companies are involved in more than one  
 commodity area.

Table 5. Ownership Experience of Agribusiness Firms Studied\*

	Percent of Companies -----
Licensee/Franchise	13
Joint Venture	57
Wholly Owned	65

-----  
 \*Total percentage is greater than 100 because  
 companies are involved in more than one  
 ownership arrangement.

Table 6. Other Activities of Agribusiness Firms Studied

	Percent of Companies -----
Research	17
Extension Services	48
Supply Linkages	48

**APPENDICES**

## Appendix 1. Agribusiness in ANE's Strategy Statement

ANE Bureau's "Food Systems Strategy for Growth in the 1990's" proposes that A.I.D. programs in the region be adjusted on the basis of countries' economic structure, primarily on the basis of per capita income. Countries fall into three groups:

- 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.

As countries move from group 1 to group 3, the World Bank's estimates of per capita income rise from \$161 to \$978 (1985); annual GDP growth rises, the share of agriculture in GDP declines, while industry's share rises. Labor in agriculture declines, while urban consumer demand shifts to greater reliance on higher protein and more processed, as opposed to bulk agricultural products. As labor moves out of agriculture, the importance of food processing and marketing is thought to increase.

The strategy lays out somewhat different priorities as a function of level of development. For Low income agricultural economies, the strategy calls for much of A.I.D.'s recent package of programs: Research and Technology diffusion; Input supply, with reduction in subsidies and an increased role for the private sector; Public Services and Infrastructure, with emphasis on irrigation; improved policy analysis; a focus on natural resources, and a focus on human and institutional capital development, especially for research, analysis and management.

Proposed programs for Low Income Transitional Economies focus on improvement of the management of existing resources as a source of growth. Strengthening Agricultural Policy Analysis; emphasis on technical innovation to offset recent slowdowns in yield increases; increased emphasis on Agribusiness - development of infrastructure and services to promote agribusiness investments; Trade Liberalization; emphasis on Natural Resources; and investments in human and institutional capital development in support of policy analysis, agribusiness, export promotion and crop diversification are among key areas identified.

The strategy for Middle Income Industrializing Economies assumes that food self-sufficiency is no longer a problem - either as a result of production or imports. Institutional capacity is also assumed to be developed, with some need for further strengthening domestic and international networks. The strategy sees highly trained nationals taking a role in regional affairs.

Agribusiness Development, Trade Liberalization and Market Development are all of interest in the current study. Suggested priorities in these areas include:

## Agribusiness Development

### Low Income Agricultural Countries

Develop host country capacity for market analysis

### Low Income Transitional Countries

- 1) improve market analysis capacity in order to help define private sector investment role, also do market testing of new products
- 2) establish product standardization & quality control agencies
- 3) expand private sector marketing and advertising capacity
- 4) re-focus agricultural research on products with market potential
- 5) Adjust import restrictions to allow freer import of supplies for processing industries
- 6) create quasi-public agency to oversee infrastructure development
- 7) strengthen private investment promotion programs, such as tax breaks, legal provisions for joint foreign-local investment
- 8) interest rate policy adjustment

### Middle Income Industrializing Countries

- 1) expand analytical capacity to identify/promote expansion of exports of processed products
- 2) improve export licensing procedures
- 3) assist processors to improve product quality, management, cost control
- 4) help establish links with foreign firms for market outlets or joint ventures
- 5) provide access to foreign technology/expertise

## Trade Liberalization and Market Development

### Low Income Agricultural Countries

- 1) Support expansion/upgrading of input marketing systems and

encourage price competition between government and private suppliers

2) Use commodity import programs to lever greater involvement of private sector in input distribution

3) Monitor input distribution systems to determine where government intervention is required and analyze subsidy adjustments

4) establish analytical units to monitor domestic and international cereal prices

5) assist in establishing public cereal stocks at least cost levels, encouraging shift to market-driven systems (floor & ceiling prices)

6) support programs encouraging private sector investment in input and output storage facilities and processing facilities related to cereals, including adjustments in licensing procedures, credit, and testing of low-cost storage techniques

#### Low Income Transitional Countries

1) Restructure state trading agencies - disengage from non-cereal markets

2) Promote private investment in domestic food supply through changes in investment and tax policies, and by the use of market interest rates to mobilize domestic capital (offset by tax breaks to target specific industries)

3) Improve analytical capacity in domestic trade policy, in such areas as streamlining the licensing of trading activities and promoting investment in trade, in order to encourage expansion of agribusiness.

#### Middle Income Industrializing Countries

1) Support establishment of trade development office to increase access to foreign markets and earning of foreign exchange to finance imports. Functions would include: monitoring changes in world markets, identifying new markets, and balancing trade flows with major trading partners

APPENDIX 2

SUMMARY OF AID EXPERIENCE IN AGRIBUSINESS -RELATED PROJECTS

- USAID Projects by Category (Preliminary)
- USAID Interventions in Agribusiness
- USAID/ANE Agribusiness Related Project Descriptions

<b>COMMODITY IMPORTS</b> -----	Inputs which contribute directly to an agribusiness project. Commodities which may affect agricultural production or food supplies are not included in this survey.
Bangladesh  Egypt Nepal Pakistan	Bulk importation of fertilizer from USAID (290,000MT) to meet the need for fertilizer supply, beyond local production levels. Reduced risk to private fertilizer distributors, and allowed for 40% reduction in fertilizer subsidies. Private Sector Commodity Import Program - Unspecified commodities Import/Market support for fertilizer delivery Private sector distribution of fertilizer
<b>INFRASTRUCTURE DEVELOPMENT</b> -----	Buildings, Factories, Irrigation Systems, Canals, Roads Physical improvements which facilitate the development of agribusinesses. General infrastructure projects which were not planned in relation to an agribusiness or private sector development effort are not surveyed in this study.
Bangladesh  Philippines Sri Lanka Thailand	Construction of urea factory, Fertilizer storage and distribution infrastructure Roads to facilitate farmer access to production inputs, credit and markets. Rehabilitation of markets in medium sized cities Macavelli region, canal construction, water systems Assisted in building of national vegetable seed center and peanut center
<b>PRIVATIZATION OF STATE RUN ENTERPRISE</b> -----	Efforts to move ownership from the public ownership (parastatals - government owned stock) to private ownership. Includes private sales, public share offerings, liquidations, liberalizations. Privatization activities listed here can be ANR and/or PFI supported.
Bangladesh Egypt Jordan  Morocco Oman Pakistan Philippines	Fertilizer distribution shift away from government dealers to private dealers Privatization of government-owned farm input supply systems Fruit and vegetable processing centers in the Jordan Valley -- mission exploring selling at least one of two modern but idle processing centers to an int'l food processing company Capital participation privatization of three fisheries and four sugar companies. Public Share Offerings for Oman Flour and a fisheries company. Liberalization of ghee plant PFI developed plans for privatization of National Food Authority and Philippine Dairy Corporation.
<b>OFF-FARM EMPLOYMENT AND RURAL ENTERPRISE</b> -----	Interventions which are specifically aimed at supporting employment opportunities other than traditional farming enterprises. Rural based, not urban based.
Bangladesh Indonesia Morocco Philippines  Sri Lanka Thailand	Support of small-scale enterprises with backward linkages to agriculture Encouraging off-farm employment and expanding the role of the private sector Small farm credit to the Agricultural Credit Bank. Project seeks to increase private sector agribusiness and rural manufacturing investments in the Sicol region. Improved cooperative marketing systems to agricultural commodities produced by small farmers. Philippines is particularly strong in support of off-farm enterprises. Support of rural industry Rural Industries project to expand off-farm employment outside of the metro Bangkok area.
<b>SMALL AND MICRO ENTERPRISES</b> -----	Support of medium-small-micro level private enterprises included. Interventions Entries in this category may have small business development listed as a project goal or component focus to support private sector development. Focus on employment generation in small scale business development especially in rural areas.
Egypt India Indonesia  Morocco Philippines  Sri Lanka  Thailand	Support to micro & small scale farmers to increase ag investment Grower's cooperatives Private Sector Devt project starts from the bottom and works up, indentifying entrepreneurs who have the capacity to expand a particular section of the ag industry Creation of pre-export financing facility for small businesses. Small & Medium Enterprise Devt seeks to accelerate growth of Labor Intensive small medium enterprises Development of the Sri Lanka Business Development Center - Final evaluation recommendation that the SLBDC focus on new, small and medium scale enterprises. Supports small and medium sized firms; agro-industry seen as the most promising area for small enterprise rapid development.

USAID Projects by Category, continued

DEVELOPMENT OF CAPITAL  
MARKETS

Includes both the development of institutional capital markets, as well as credit and financing.

-----

Bangladesh	Rural Finance Experiment Project - improve credit systems for farmers
Egypt	Improved financial services to private sector enterprises, resulting in expanded investment
Indonesia	Improving rural financial intermediation; support of lending for export led production
Jordan	Strengthen financial markets, mobilize and allocate venture capital. Provide seed capital to improve technology financing, trade financing program for US capital goods.
Philippines	PVO programs to offer credit to small and medium scale enterprises
	Encourage development of a self-sustaining rural financial system.
	Consider constraints limiting the development of securities markets, strengthen Securities and Exchange Commission, facilitate mobilization of capital investment.
	Mobilize private term capital for investment
Sri Lanka	Support to the development of dynamic capital markets, long-term capital
	Assist in strengthening the Securities Council & Stock Exchange
Tunisia	Private sector development looks at capital markets

INDUSTRIAL TRADE AND  
POLICY REFORM

Policy dialogue which addresses government policies which restrain free market growth. i.e. unnecessary formal licensing procedures & other pricing barriers to moving ag commodities from areas of production markets, licensing procedures for establishing agro-processing facilities, pricing structure, import restrictions.

-----

Bangladesh	Policy dialogue with emphasis on strengthening the role of agricultural private sector
Egypt	Support of deregulation of agricultural sector; Strong AID policy reform efforts in Egypt
Indonesia	Policy agenda aimed at reducing constraints to expansion and diversification of ag sector
Jordan	Remove constraint on licensing of new industries and protectionist policies
Pakistan	Balance of payments support, encouraging ag policy reforms, remove fertilizer subsidies
Sri Lanka	Policy reforms sought to encourage diversification, technological innovation and upgrades
Tunisia	Support of economic policy reforms and structural adjustments to the ag sector

AGRICULTURAL MARKETS

Efforts to extend agricultural markets, distribution and sales.  
Also to identify and analyze existing or potential markets.

-----

Bangladesh	Encourage fertilizer use/market for fertilizer. Create new private sector marketing system
Jordan	Ag Marketing Project, aimed at improving marketing orientation and skills in agribusiness
	Decrease public sector involvement in marketing process.
Philippines	Development of strongest growth sectors, rather than focusing of the most depressed areas
	Improvement of market management and operations
Tunisia	Structural Adjustment to encourage private sector role in marketing of farm inputs & products.

DEVELOPMENT OF ANALYTICAL  
CAPACITY

Training, Technical Assistance, Research, Surveys, Institutional Development  
Development of university curriculum, US study tours

-----

Indonesia	Particularly strong institutional development program
All Countries	Across the board, these activities are interventions.

INVESTMENT PROMOTION

Promotion of foreign investment, joint ventures, trade mission, investment opportunity surveys

-----

Egypt	FY89 plans to launch a Business Development Center, primary object, Investment Promotion
India	Joint US/India ventures in technological innovations research in agro-processing
Jordan	Creation of Business/Exporters Association, US/Jordanian ventures
Oman	Encouragement of commercial fishing and Omani private sector investment in fisheries.
Philippines	Support of regional and national trade fairs, product display centers, trade missions
	Support to a for profit investment banking and financial services company - to act as a broker to identify investors/buyers to provide new capital
Sri Lanka	Sri Lanka Business Development Center addresses investment promotion
Thailand	Investment surveys, Trade missions has minimal success. Encouraging strong US/Thai bilateral trade by developing investment promotion service through the American Chamber of Commerce in Bangkok
Tunisia	Industrial Promotion Agency to regulate and promote investment.

USAID Interventions in Agribusiness in the AME Region, 1980 to present\*\*

SELECTED PROJECTS IN AGRIBUSINESS 1980 to Present	Commodity Imports	Infra-structure Development	Privatization of State Run Enterprises	Off Farm Employment & Rural Enterprise	Small & Micro Enterprises	Development of Capital Markets	Private Sector Investment Climate/Policy Reform	Agricultural markets	Development of Analytical Capacity	Investment Promotion
<b>LOW INCOME AGRICULTURAL ECONOMIES</b>										
10 Bangladesh	2	4	2	1	1	1	1	2	4	0
3 Nepal	1	1	0	1	0	0	0	0	3	0
0 Burma	-	-	-	-	-	-	-	-	-	-
13 Sub-Total	3 23%	5 30%	2 15%	2 15%	1 8%	1 8%	1 8%	2 15%	7 54%	0 0%
<b>LOW INCOME TRANSITIONAL ECONOMIES</b>										
2 India	0	0	0	0	1	0	0	0	2	1
9 Sri Lanka	0	2	1	2	1	3	4	0	5	1
5 Pakistan	2	1	1	0	1	0	2	0	2	0
5 Indonesia	0	0	0	3	2	2	2	0	3	3
3 Arab Republic of Yemen	0	0	0	1	1	0	1	1	2	1
4 Morocco	0	0	1	1	1	2	1	0	3	0
11 Philippines	0	1	1	4	2	4	1	4	6	3
5 Egypt	1	0	2	1	1	3	2	0	3	3
44 Sub-Total	3 7%	4 9%	6 14%	12 27%	10 23%	14 32%	13 30%	5 11%	26 59%	12 27%
<b>MIDDLE-INCOME INDUSTRIALIZING COUNTRIES</b>										
6 Thailand	0	2	0	2	3	0	3	2	5	2
5 Tunisia	1	0	2	1	1	1	3	1	4	1
5 Jordan	0	0	1	0	1	3	4	3	3	2
2 Oman	0	0	1	0	0	0	0	0	1	1
10 Sub-Total	1 6%	2 11%	4 22%	3 17%	5 20%	4 22%	10 56%	6 33%	13 72%	6 33%
<b>CENTRALLY FUNDED PROGRAMS</b>										
7 Private Enterprise	0	0	0	0	1	2	5	0	4	4
12 Science and Technology	0	0	1	1	3	1	3	1	10	1
7 REGIONAL PROGRAMS	0	0	0	1	0	0	1	0	3	1
26 Sub-Total	0 0%	0 0%	1 4%	2 8%	4 15%	3 12%	9 35%	1 4%	17 65%	6 23%
101 OVER ALL TOTAL	7 7%	11 11%	13 13%	19 19%	20 20%	22 22%	33 33%	14 14%	63 62%	24 24%

\* There are cases where multiple interventions were entered for individual projects. Due to this fact, percentages do not add up to 100%.

\*\* This is a preliminary survey of USAID project interventions related to Agribusiness.

LEAD AND AGRIBUSINESS RELATED PROJECT DESCRIPTIONS

-----  
 BANGLADESH  
 -----

1 FERT DISTRIB IMPROVE I (388-0024) 1978-1980	Fertiliser Storage & Import Constraints Distribution Distribution Demand Constraints Infrastructure
(Commodity Imports) (Infrastructure Devt)	Objective: Strengthen private sector role at the retail and wholesale levels. (Lack of entrepreneurship in Bangladesh) Fert investment more attractive the HTV technology Project Lessons: Major shift in control of fertilizer from public sector to private sector is taking place. Project assistance in the fert sub-sector of ag is a viable concept in Bangladesh & may be so in other countries. New Marketing System - move towards network of private distribution dealers Commitment to bulk importation of fertilizer, method of shipping, movement contracting National Fert Storage Plan AID imported 280,000MT of fert to meet need for fert supply, beyond local production levels.
CAO audit delayed Implemented 1981	
2 1981 - 1982 AMENDMENT TO 388-0024 (Agricultural Marketing) (Privatization) (Analytic Capacity)	Major Issue: Role private dealers play in increasing the use of fert in Bangladesh Dealer Devt Prog: Includes dealer credit component, dealer training & fostering dealer assoc. Equity Issues: Are small farmers increasing fert use? Privatization of Fert Distribution just getting underway in '82: Reduction (40%) of fertilizer subsidies
FERT STORAGE CONSTRUCTION (1977 - 1980)	AID Financed & design 27 small - intermediate sized godowns & buildings
3 DOMESTIC FERT PRODUCTION Ashunganji Fert Proj (1981) (338-0016) (Infrastructure)	Dvt of domestic fert production capability by participating construction of urea factory
4 AGRICULTURAL RESEARCH (338-0003) (Analytic Capacity)	Helped develop agronomic recommendations/extension service
5 RURAL FIN EXPERIMENT (388-0025) (Capital Market/Financing)	Rural Finance Experiment Project attempt to improve the credit system for owner-cultivator and sharecroppers
6 FERT DISTRIB IMPROVE II (388-0060) 1984 - 1988 (Privatization) (Ag Marketing) (Commodity Imports) (Analytical Capacity) (Infrastructure) (Policy Reform)	Goal: Increased fertilizer consumption through cost-effective distribution Private Sector Development (Continuation of the New Marketing System) Development of large scale private wholesalers Retailer credit program and/or fertilizer imports, infrastructural improvements, and T.A. and T.P. Policy Reform project w/focus on entry of private sector into lg scale fert wholesaling.
FY 89 Cong Presentation	Policy dialogue, emphasis on strengthening the role of agricultural and other markets generally increasing the role of private sector in development
7 AG RESEARCH PROJECT II (388-0051) (Analytical Capability) ARP II extended to 1991	Ag Research Project - Develop more productive crop varieties, cultivation techniques, strengthening institutional capacity  Focus will be on research systems management & farm systems research approach.
8 FEEDER ROAD MAINT/IMPROVE (338-0056) 1981 - 1989 (Infrastructure)	Roads to increase employment through project facilitating farmer's access to production inputs, credit and markets, as well as increasing employment.
9 ENTERPRISE DEVT PROJECT (388-0066) 1986 - 1991 (Small & Micro Enterprise)	Addresses small-scale enterprises (TA and credit) backward linkages to agriculture
10 RURAL INDUSTRIES PROJECT (388-0042) 1981 - 1987 (Off Farm Employment)	Addresses small-scale enterprises (TA and credit) backward linkages to agriculture

Summary: USAID/Dhaka started in 1978 to focus on privatization of fertilizer distribution.

The Fertilizer Distribution Improvement program continues to date, and additional private initiative projects are underway, addressing small enterprise, and rural industries.

Potential Lessons: AID supported the fertilizer industry for over 10 years. If fert distrib is in fact a viable private sector market, then perhaps AID's continued support of that effort has contributed to its success

-----  
INDIA

- 1 TA TO NDBB'S OILSEED CROWER'S COOP (386-2144) 1979 - 1985 (Micro & Small Enterprise) (Analytical Capacity) Task: To integrate the production, processing & marketing of oils within a cooperative system owned by the growers themselves. TA/Training/Consultant services provided for design, construction and operation of oilseed plants. 6 participants tours US oilseed processing plants/cooperatives.
- 2 COMMERCIALIZATION OF TECHNOLOGY (386-0496) 1985 - 1993 (Analytical Capacity) (Investment Promotion) Expand joint US/India research & development efforts in areas of agro-processing & industrial pollutants.
- 0 AGRICULTURAL TECH DEVT & ENTERPRISE (386-0510) 1989-1993 Discussed in 89CP, but not listed in CP90 (no gov) Post harvest agro-industry are in their infancy: Project to support the expansion of linkages between ag tech & agro-industry sector. NOT FUNDED?
- ABS 89/CDSS 89 Emphasis of India's private sector agricultural activities is supporting research India is having an internal debate on the topic of privatization. AID's focus is on science & technology, stimulation of economic growth and poverty alleviation.

Notes: USAID/Delhi seems to focus on technology innovations, health and population in India. The agricultural sector, namely agro-industry is supported primarily as it falls into the technology field.

-----  
EGYPT

- 1 BUSINESS SUPPORT & INVESTMENT (263-0159) 1983 - 1985 (Analytic Capability) (Investment Promotion) (Capital Markets) (Policy Reform) To encourage private sector investment: Project funds activities to modernize & improve the business environment in Egypt. Five activities - Capital Markets Devt, Strengthening Accounting & Financial Rpts, Legal & Financial Infrastructure, Investment Authority, Technology Transfer.
- 2 PRIVATE ENTERPRISE CREDIT (263-0201) 1986 - 1989 (Commodity Imports) (Investment Promotion) (Capital Markets/Finance) (Analytic Capacity) Expand investment in productive private sector enterprises, including a broad range of activities in manufacturing, agribusiness, and service industries. Three components: Project Finance Facility, Private Sector Commodity Import Program and Small-Scale Enterprise Credit Guarantee Fund.
- Amendment extends thru 1993 Same goal of increased investment
- 3 AG PRODUCTION & CREDIT (263-0202) 1986 - 1993 (Policy Reform) (Privatization) (Analytic Capacity) (Small & Micro Enterprise) (Off-Farm Employment) (Capital Markets/Finance) To increase ag investment, productivity and farm incomes by supporting deregulation of ag sector Provides farmers with new technology, improved financial services, and expanded access to input supp. Ag Production lags since 1970's due to price controls and distribution inhibitors
- 4 COMMODITY IMPORT PROGRAM (Investment Promotion) Egypt's commodity import programs are the single largest program providing balance of payments suppo US/Egyptian trade has been stimulated - US is Egypt's largest trading partner.
- CDSS & ABS Privatization of Public Enterprises, Improvement of Private Sector Investment Climate, Small and Micro Enterprise Development, and Privatization of Government-Owned Farm Input Supply systems.
- 5 (Privatization) FY89, USAID plans to launch a Business Devt Center, with primary objective of investment and export promotion (Tied into the Int'l Exec Service Corps) Objective to privatize govt owned or operated farm input supply systems by FY92.

NOTES: AID's most important sectoral policy reforms are taking place under the Ag Production & Credit Project. Removing prices, area and procurement controls on 3 crops. Greatest growth potential seen in ag and private industry. Goal of AID is to free up these sectors to free market forces. AID will encourage devt of private sector, agro-industry, and post-harvest activities, also consider govt restructuring of public agro-industries.  
 EGYPT: Case of strong policy reform efforts.

-----  
 INDONESIA  
 -----

- 1 PRIVATE SECTOR MGMT DEVT (497-0345) 1984 - 1990 (Analytic Capacity)      Aims to strengthen private sector mgmt institutions. Accelerate human resource development.
- 2 FINANCIAL INSTITUTION DEVELOPMENT (497-0341) 1984 - 1987 (Off-Farm Employment)      Goal of encouraging off-farm employment, and expanding the role of private sector. Mobilizes and manages local resources more efficiently. Continues through 1989-90
- 3 PRIVATE SECTOR DEVT (497-0329) 1982 - 1988 (Analytic Capacity) (Investment Promotion) (Policy Reform) (Small & Micro Enterp) (Capital Markets/Credit) (Off Farm Employment)      Facilitating growth of Indonesian Private Enterprise through greater involvement of US Business Training, TA to identify opportunities for joint ventures. Increase investment, trade & technical transfer. Facilitate entrance of US private sector in Indonesia in areas of mutual interest. Project starts from the bottom and works up, identifying and supporting those entrepreneurs who have the capacity to expand the industrial capability of a particular industry. It attempts to remove constraints, which would restrain this expansion, such as lack of managerial know-how, equity capital and sellable project profiles. Main focus is rural enterprise, small scale devt. Establish US Business School Alumni group -
- 4 CENTRAL JAVA ENTERPRISE PROJECT 1984 (Investment Promotion) (Small & Micro Enterp) (Off Farm Employment) (Analytic Capacity) 1989 Sub-Project      Included as an amendment to Private Sector Devt (June 1984). Designed to attract new investment to areas of high employment and profit potential in agribusiness and light manufacturing for export: focuses on shrimp production, rattan and wood products, agroprocessing equipment and metal spare parts. Use private businessmen as ext agents in efforts to create self-sustaining units. Significant gains in developing technologies and institutions to support shrimp production. New sub-project will expand these lessons beyond the Central Java Region.
- 5 AG & RURAL SECTOR SUPPORT PROGRAM (497-0357) 1987 - 1989 (Indust Trade/Pol Reform) (Capital Markets) (Investment Promotion) FY89 Amendment      Supports policy agenda aimed at creating conditions conducive to expanding & diversifying the ag sector including improvement for ag processing and trade, reduction of pesticide & fert subsidies and planning for expanded efficiency of domestic financial markets. The adoption of these policies is expected to improve the climate for agribusiness development. Incremental financing for further liberalization of ag processing and trade, increased efficiency in rural financial intermediation, and policy adjustments leading to export led production patterns for industry.

1982 CDSS focused on rice self-sufficiency, off-farm employment opportunities, and reducing infant mortality. Priority given to human resource devt, institution building, 36T, and private sector initiatives.  
 1988-89 Retrospective: 1982 CDSS focused on 1) off-farm employment, focused on devt selected basic services essential for small business development (ie. rural credit, private mgmt trng, & investment promotion). 2) studying policy & institutional constraints to enterprise devt, and 3) directly support selected business ventures. Mixed results. Mission shifted focus to broader policy issues such as capital markets, administration, investment policies, and TA for policy analysis in trade and investment.  
 Discussion of an AID Policy Support Program to improve policies for agro-processing.  
 Joint ventures of dairy cattle, soybeans and vanilla beans.  
 Investment brokering and loan guarantees for private banks have only had marginal success and the mission may limit future involvement in these areas.  
 1989 Policy Agenda: Review restrictions that inhibit investments in ag processing and ag trade, (ie. unnecessary formal licensing procedures and other pricing barriers for moving ag commodities from areas of production markets, licensing procedures for establishing agro-processing facilities, the pricing structure and import restrictions for commodities which have an impact on the ag sector. GOI relaxed restrictions on foreign investors, established potential privatization possibilities, four US-Indonesia joint ventures, USAID support of simplification of tax procedures. PNE funds used to explore opportunities for reforms in pension and (CAPITAL MARKET DEVT), investment, and privatization.  
 NEXT CDSS to support improving the macro-policy environment for private sector devt.  
 FY 90 Congressional Presentation  
 Indonesia is important for US exports. AID estimates that Indonesia's demand for US products could triple over the next 10 years. AID's portfolio will move away from construction and commodity support and toward the agricultural resource planning and mgmt, with a particular focus on agro-processing & wider private sector participation.

JORDAN

- 1 JORDAN VALLEY AG SERVICES (278-0241) 1981 - 1986 (Agriculture Marketing) (Analytic Capacity) Devt of Jordan Valley - primary focus of AID's support to ag growth in Jordan. AID involvement has resulted in minimum of 25% increased production of fruit & vegetables.
- 2 PRIVATE ENTERPRISE TECH RESOURCE ASSIST (287-0277) (1986 - 1989) (Ag Marketing) (Capital Markets) (Policy Reform) (Investment Promotion) (Small & Micro Enterprise) Aims to alleviate policy, industry wide, and firm specific constraints to increasing overall productivity and effectiveness of the private sector. TAs, Trng, Policy Dialogue, Project Design & Support, (Private Service Sector Proj., Small Entrepreneur Devt Proj, Private Devt Bank Proj, Ag Marketing Proj, & Export Promotion) Ag Marketing Project, aimed at improving marketing orientation and skills in agribusiness. Creation of Business/Exporters Associations, US/Jordanian ventures, Constraints on licensing of new industries
- 3 FINANCIAL MARKET IMPROVEMENT PROJECT (278-0283) FY 1990 (Policy Reform) (Capital Markets) (Analytic Capacity) 3 major components to improve financial intermediation: 1) studies for policy trade-offs, policy dialogue on financial market liberalization (deregulation of interest rates), 2) TA & Trng to strengthen financial markets & stock exchange, 3) Mechanisms for mobilizing and allocating venture capital funds. Secondary Markets
- 4 TRADE AND INVESTMENT PROJ (2878-0284) 1990 - 1993 (Investment Promotion) (Analytical Capacity) (Policy Reform) (Capital Markets) To assist private sector enterprises to expand trade and promote investment. Policy Reform measures for simplification of licensing & import/export procedures. Protectionist policies: GOJ is passive in promoting trade, and often discourages exports. USAID assisting in establishment of a Trade Council, increase availability of int'l trade info networks. Provide seed capital to improve technology financing. Trade financing program for US capital goods. PRE financed import support facility
- 5 NEW AG MARKETING PROJECT (278-0274) 1988 - 1990 (Agriculture Marketing) (Policy Reform) Aimed at increasing private sector ag marketing, decreasing public sector involvement in the marketing processing and engaging GOJ in ag policy reform
- 6 Privatization Efforts (Privatization) Fruit and Vegetable Processing Centers in Jordan Valley - Mission is exploring the possibility of the GOJ selling at least one of two modern but idle processing centers to an int'l food processing company.

USAID's goal is to improve productivity and marketing, increase investment, and raise employment. Ability for Jordan to become a major player in agribusiness is doubtful due to desert terrain. However, their potential in industrial productivity, services industry, and micro and small enterprise devt encouraging.

PHILIPPINES

- 1 BICOL INTEGRATED RURAL DEVT PROJECT (492-0303) 1976 - 1980? (Analytical Capacity) (Off-Farm Employment) (Investment Promotion) Project seeks to increase private sector agribusiness and rural manufacturing investments in the Bicol Region. Studies, Loan projects, Resource Assessment (Identifying agribusiness potential in the region and relaying info to potential investors)
- 2 PHILIPPINE COOPERATIVE MARKETING PROJECT (492-0300) 1979-1983 (Analytical Capacity) (Off-Farm Employment) (Small & Micro Enterprise) Designed to provide financing for an improved cooperative marketing system for essential agricultural commodities produced by small farmers. Goal: set up national cooperative financial institution to serve local cooperatives. Only minimal success.
- 3 INTEGRATED AGRICULTURAL PRODUCTION & MARKETING PROJECT (492-0302-1) 1977 - 1983 (Analytical Capacity) (Agricultural Marketing) National Policy, Technical and Academic Thrusts of the project Agribusiness: Set up university courses addressing agribusiness, set up regional agribusiness councils, food feed grain processing center (little success in 1982, but show's AID's & Philippines attention to agribusiness). Example of an integrated rural devt project: while it asks pertinent questions re: agribusiness and the small farmer, it does not look strongly at the private sector to develop the appropriate and most suitable environment.

- 4 SMALL & MEDIUM ENTERPRISE  
DEVT (492-0359)  
1983 - 1991  
(Small and Micro Devt)  
(Capital Markets/Finance)
- Accelerate growth of labor intensive small and medium enterprises.  
Components include Institutional Devt, Research, and Micro Enterprise Devt  
PVOs offer credit and marketing assistance and agmt trng.
- 5 Amendment 1988  
(Analytical Capacity)  
(Agricultural Markets)  
(Investment Promotion)  
(Off-Farm Employment)
- Modifies SMED I, to be more specific of which productive sectors the project will support  
Change in geographic focus, to include the Javao area, an important food processing center,  
with 123 operating food processing firms. Rather than focusing on the most depressed areas, SM  
supports areas with the greatest growth potential (31% of all small and medium Philippine Indus  
are in the food processing sector). There is an abundance of raw materials for food processing  
in addition to significant domestic marketing potential.  
Int'l Exec Service Corps (IESC) Supplemental Grant  
Support of regional and national trade fairs, product display centers, trade missions.  
Food and Metals Testing Laboratories will be provided to upgrade  
the existing food product testing. Studies on export & trade devt, technology & production  
People's Economic Councils
- 6 RURAL FINANCIAL SERVICES  
(492-0394) 1985 - 1990  
(Capital Markets)  
(Policy Reform)  
(Analytic Capacity)
- Strengthen policy and institutional framework necessary to develop a self-sustaining rural  
financial system. Encourage phase out of subsidies to stimulate savings mobilization.  
Credit, TA, Training, Studies, Evaluation  
Short-term loans by the Central Bank to "retail" bank at market-oriented interest rates for  
on-lending to farmers and agribusiness entrepreneurs at unregulated rates.
- 7 ACCELERATED AG PRODUCTION  
(492-0383) 1986 - 1991  
(Agriculture Marketing)
- Resources to support services for farmers and increased efficiency of markets for  
for agricultural inputs and products.
- 8 MARKETS PROJECT  
(492-0363) 1982 - 1989  
(Agriculture Marketing)  
(Infrastructure)
- Improve market agmt and operations, construction rehabilitation of markets in medium sized cities
- 9 CAPITAL MARKETS  
(492-XXXX)  
Proposed 1990 - 1994  
(Capital Markets)  
(Analytical Capacity)  
(Off-Farm Employment)
- Assist GOP examine policy, legal, procedural, and organizational constraints limiting the devt  
of securities market, strengthen the capacity of the Securities and Exchange Commission to  
to develop as well as regulate; provide specialized trng for GOP officials involved in capital  
markets regulation and/or devt, assist in efforts to unify and strengthen the stock exchanges.  
Facilitate mobilization of capital investment including rural non-farm enterprise
- 10 PHILIPPINES AGRIBUSINESS  
INDUSTRIAL INVESTMENT CO  
(492-XX02)  
Proposed 1990 - 1994  
(Capital Markets)  
(Investment Promotion)
- Purpose: To mobilize private term capital for investment in high priority Philippine enterprises  
The PAIICO, a "for profit" investment banking and financial services company, will be establish  
private investor's group. 2 functions: to act as a broker to identify investors/buyers who will  
provide new capital and managerial expertise to turn around existing distressed business, and  
2) to manage an agro-industrial fund that will provide capital to small rural, non-farm enterpr  
Initiate basic entrepreneur training program for projects with high return potential.
- 11 PRIVATE ENTERPRISE  
(Privatization)
- Privatization efforts have been lagging due to lack of investor interest and underdeveloped  
equity markets, and some ideological resistance to privatization. Debt-Equity swaps have been  
established by the Central Bank of Philippines. PRE/Center for Privatization developed plans &  
recommendations for privatization of the National Food Authority and is looking into the operat  
of the Philippines Dairy Corporation. Privatization of National Food Authority, peripheral pro  
The Food Terminal, has met with difficulty in realization of a workable plan.
- SRI LANKA  
-----
- 1983 - Economic policy package of 1977 directed toward job creation through increased exports and a  
shift away from public to private productive sectors, emphasis on indigenous resources  
to produce export goods.
- 1983 - Private Sector vitality is evident, problems however are: not enough jobs for unemployed,  
and growing population, int'l trade imbalance, increasing govt debt.
- 1 PRIVATE ENTERPRISE  
PROMOTION (383-0082)  
1983 - 1988  
(Small & Micro Enterprise)  
(Investment Promotion)  
(Analytical Capacity)  
(Capital Markets)  
(Off-Farm/Rural Enterprise)
- To foster improved investment climate and increased private sector investments in Sri Lanka,  
both domestic and foreign, using resources where comparative advantages exist.  
Emphasis on agro-industry.  
Investment Service Center, agmt trng, entrepreneur devt programs mobilizing private investment  
To address Sri Lanka's lack of comparative strategy for nat'l investments, of knowledge of  
foreign and local markets, and general know-how in addressing the export issues.  
This project was AID's first direct intervention to stimulate the more rapid growth of  
Sri Lanka's private sector. Specialized areas of support could include: rural industry,

markets, agri-business, investment guarantees, etc.  
 Sri Lanka Business Development Centre still functioning, 3 years after it was established.  
 The Centre has successfully developed business support programs in agmt mgmt, investment promotion,  
 and rural enterprise devt. However, the Centre has not had as strong a role in  
 policy dialogue between the govt and private sector as anticipated.

Evaluation Limited success of Investment Service Center: Recommendations point to more focus on  
 new, small and medium scale enterprises. Foreign investment promotion  
 and services should be handled by other groups.

- 2 PRIVATE SECTOR POLICY SUPPORT PROGRAM (383-0100) 1988 (Capital Markets) Direct support to the development of GSL privatization strategy both economy wide and in specific cases. Looking for dynamic capital markets, to provide long-term capital -- particularly equity. Assistance to strengthen the Securities Council & stock exchange to help develop appropriate policies, mechanisms and regulatory controls.
- 3 MAHAWELI ACCEL DEVT (Infrastructure) (Policy Reform) (Analytic Capacity) Canal construction, physical infrastructure Water mgmt, adaptive research, and crop diversification. Companion to MAHAWELI DOWNSTREAM SUPPORT project.
- 4 MAHAWELI AG & RURAL DEVT PROJECT (383-0086) (Infrastructure) Establish sound water mgmt practices from the systems level to the farm level, fast turn-around adaptive research to identify profitable cropping rotations, and production to market linkages.
- 5 MAHAWELI ENTERPRISE DEVT PROJECT (383-0090) (Off-Farm) (Policy Reform) Test strategies for rural enterprise promotion as well as removing policy constraints to private business investment in rural areas.

The Mahaweli area offers AID an opportunity to test policies and strategies for private sector devt. With significant infrastructure investment in the region and the potential for crop diversification, AID looks to this area to serve as the testing grounds for potential national programs.

(Free market pricing for products and factors generally prevails. Strong participation of the private sector in food production marketing and processing is widespread. Crop diversification is constrained by conflicting import and domestic pricing policies and related marketing policies.

AID Irrigation Component looks at the expansion of existing systems, as well as institutional devt of farmer's organizations which contribute to upkeep and cost recovery.

- 6 DEVT OF AGRICULTURAL MARKETING SYSTEMS (383-0093) (Analytical Capacity) (Capital Markets) To develop a more responsive and efficient ag marketing system that provides timely info, better credit mechanisms and expands trading and assembly points for better farmer/trader interaction. Studies on seasonal cropping patterns and crop pricing and extension info; credit; develop credit mechanisms for traders; and trader/farmer interaction for bulking, storage and service facilities for enhanced marketing activities. Broad national plan for ag diversification
  - 7 DIVERSIFIED AGRICULTURAL RESEARCH PROJECT (383-0058) (Analytical Capacity) (Policy Reform) Building institutional capacity to support technological change needed to support a diversification program. Research in production economics, marketing, and policy will be encouraged by the project. Diversification policy will set the research priorities.
  - 8 AGRICULTURAL PLANNING & ANALYSIS PROJECT (383-0083) (Policy Reform) A direct result of the 1985 National Agriculture, Food and Nutrition Strategy focuses on interagency coordination of planning and policies, particularly with respect to diversified ag.
  - 9 SCIENCE & TECHNOLOGY INITIATIVE FOR PRIVATE SECTOR (383-0108) 1990 - 1994 (Analytical Capacity) Sri Lanka needs to upgrade its technology, both in products to production processes if it is to compete in world markets. Goal is to strengthen research, devt, and engineering capabilities--primarily with the private sector, by stimulating market led technological innovation and upgrades. Small and medium agro-processing sectors. Training, TA, networking systems.
- 1987 CDSS Notes wide disparity between rhetoric and action of GSL's record of private enterprise promotion Political, ethnic tensions diverting attention from devt issues.
- 1988 Prog Week Submission Mission has made advances in policy initiatives, especially in areas of privatization and capital markets.
- FT90 ABS Private Sector confidence in the economy is low because of the continuing political violence and the uncertainty associated with upcoming elections

AID's program is built around improving rural productivity and expanding private sector investment  
expanding private sector investment  
Ag Diversification, research, irrigation water mgmt and delivery, and rural enterprise.  
Policy reform, privatization, active and effective capital market, and growth of rural enterprise.

-----  
THAILAND  
-----

1 THAILAND SEED DEVT PROJ  
(493-0270) 1977 - 1981

Integrated Seed Production  
up to 1976 no such program  
existed in Thailand

(Analytical Capacity)  
(Infrastructure)  
(Policy Reform)  
(Ag Markets)  
(Small & Micro Enterprises)

Crop yields in Thai were considerably below their potential, and a major constraint to improving yields was the difficulty in obtaining viable seed of higher yielding varieties.  
The purpose of the project was to get Thai farmers to use good seed of improved varieties which will result in increased yields which in turn will increase farmer's income.  
5 major activities: foundation seed production, seed multiplication, seed processing, inoculum and inoculum distribution. Public Sector production and processing; problems incurred in the distribution/timely transport to farmers. As well, distribution benefitted the high income farmer more than small, due to travel requirements to pick up the seed from the GOT distribution center.  
(No mention of private sector in this program)  
However, in the 1980 redesign of the project, it is noted that private companies are emerging seed producing companies; AID assisted the private companies with TA, Trng, and feasibility info. GOT recognizes that a really effective seed industry cannot be established without private sector participation.

2 SEED DEVELOPMENT II  
(493-0326) 1982 - 1986  
-Phased approach to private  
sector involvement

(Analytical Capacity)  
(Infrastructure)  
(Policy Reform)

Comprehensive seed program which efficiently and cost-effectively increases farmers' use of higher quality seed while steadily increasing the role of the private sector to supply this seed.  
Specific focus on private sector devt.  
PP notes private sector seed production by Cargill International, Pacific Seeds, Bangkok Seeds, Chia Thai Co and Agricultural Col, Ltd.  
Use govt facilities to train/TA private sector companies  
Project will provide equipment for national veg seed center and peanut center  
Rice Seed Production is left to the Government, low marginal return for private sector  
Short term consultant to help evaluate needs and provide recommendations for an orderly phasing of regulations. Board of Investment tax incentives and guarantees.

Thailand's Fifth National Economic Social Development Plan (1982 - 1986)

Supports growth of private enterprise in priority development sectors.  
The plan places particular emphasis on structural adjustment and improving economic efficiencies.  
Private sector dynamism was evident in 1959 when an AID team evaluated Thai private sector opportunities.

3 PRIVATE SECTOR IN DEVT  
(493-0329) 1982 - 1986

(Investment Promotion)  
(Policy Reform)  
(Small-Micro Enterprise)  
(Analytical Capacity)  
(Off-Farm)

The project will assist in improving the business climate and accelerating the growth of the private sector business ventures in priority devt sectors.  
TA, investment surveys, promotional campaigns, investment missions, industry visits, seminars, policy/planning studies, etc.  
Project to encourage start-up and growth of firms which are export-oriented, national resource based and labor intensive. Promote small and medium sized firms.  
The project notes PRE, TDF and OPIC involvement in Thailand  
Agro-industry offers the most promise for rapid devt under the project  
PRE Consultant sent to Thailand to assess agri-business opportunities: The agri-business sector is already rather developed and does not particularly need direct assistance.  
However, assistance would be helpful in the introduction of new technology, products and processes and more effective int'l marketing. The consultant considered Thailand to be the leading ASEAN country in terms of over-all agribusiness investment potential.  
Consultant selected 6 enterprises for considerations: fish canning, peanut oil extraction and refining, cashew nut and vegetable processing. Agribusiness opportunities outlined.  
See Project Paper for list of Thai companies pg. 21a  
Project Paper Annexes give details of Thai food-processing sector  
Results of the project were very modest: 4 investment promotion US Missions, of which one plant start-up resulted. No agri-business promotions to date are attributable to the project.  
In 17 months, Bank of Investment (BOI) approved 32 light industry and agribusiness projects with American capital participation.  
American investors express more interest in establishing sourcing arrangements with Thailand's already diversified manufacturing sector than in direct equity investment in manufacturing facilities. Investment missions not effective, instead should support direct upgrading staff technical expertise.

1987 Final Evaluation -  
No Follow on Project

4 AGRICULTURAL TECHNOLOGY  
TRANSFER (493 - 0337)  
1984 - 1989  
(Analytical Capacity)

Identify, adapt and transfer US ag technology to Thailand, Seminars & workshops.  
21 sub-activities in seaweed culture, fish production, fresh fruit and vegetable post-harvest technology and shrimp cultivation.

5 RURAL INDUSTRIES AND  
EMPLOYMENT (493-0343)  
1986 - 1989

Expand off-farm employment outside metro Bangkok, small & medium industries.  
Partially guarantees bank loans with reduce collateral requirements  
Provides market info, TA, mgmt training

Small and Micro  
(Analytical Capacity)  
(Off-Farm Employment)  
(Ag. Markets)

Micro Enterprise Component requested for 7790 -933-03-31

5 TRADE AND INVESTMENT  
PROJECT (493-0346)  
1989 -  
(Investment Promotion)

Encourages the devt of strong and open bilateral trade and investment relationships.  
Strengthen relations between Thai and US business by developing trade and investment promotion  
service through the American Chamber of Commerce in Bangkok.

Severe structural constraints exist which limit donor impact upon processes which  
require modification of established socio-political practices.

Fifth National Economic and Social Development Plan (1987 - 1991) - 10 programs aimed at  
improving productivity and improving income distribution. Economic policy measures to  
to facilitate private sector investment in high priority sectors such as export production and tourism.

AID strategy has switched as Thailand moves from an agrarian society to a semi-industrialized one.  
AID program focuses on 1) Science & Technological modernization, 2) stimulation of rural private  
enterprise and employment, 3) policy dialogue, 4) PVO support, 5) Thai mgmt of natural resources.

-----  
TUNISIA  
-----

1 PRIVATE SECTOR PROJECT  
(664-0328) 1982-1987  
(Analytic Capacity)  
(Small & Micro Enterprise)

First private sector project, small discrete activities, including investment conferences  
Int'l Exec Service Corps, Catholic Relief Small Business Assistance Program,  
No specific mention of agribusiness

2 AGRICULTURAL POLICY  
IMPLEMENTATION PROJECT  
(664-0343) 1987 - 1990  
(Policy Reform)  
(Agricultural Markets)  
(Off-Farm)  
(Analytical Capacity)

Provides support to Tunisia in implementing economic policy reform and  
structural adjustment in the ag sector.  
TA, studies to assist in making key policy decisions,  
Goal of Structural Adjustment: to increase market forces in determining prices, increasing the  
role of the private sector in marketing farm inputs and products both internally and  
internationally, enhance govt effectiveness,  
Domestic Agro-Industry case studies, Dairy  
Ag Input, Fertiliser Distribution and use  
Reducing public sector subsidies and costs

3 PRIVATE SECTOR DEVELOPMENT  
AND TECH TRANSFER  
(664-0328) 1988 - 1991  
Amendment #6  
(Policy Reform)  
(Privatization)  
(Capital Markets)  
(Investment Promotion)  
(Analytical Capacity)

To encourage the Tunisian private sector to play a more dynamic role in achieving national  
economic targets, and to increase returns and/or the continued effectiveness of  
completed or nearly completed AID projects:

Tunisia is essentially a state dominated economy -- AID strategy focuses on policy changes  
3 targets for private sector devt: privatization, capital markets, and trade liberalization  
Industrial Promotion Agency to regulate and promote investment. Tax policies discourage  
devt of financial markets.

4 NEW PRIVATE SECTOR PROJECT  
(664-0346) 1988- 1990  
(Privatization)  
(Analytical Capacity)  
(Policy Reform)

Expanded implementation of private sector devt

5 COMMODITY IMPORT PROGRAMS  
(Commodity Imports)

Have continued for the past 10 years - outputs listed as entrepreneurial and ag credit support

-----  
BURMA  
-----

0 Basically no private sector programs because of the socialist government. AID involvement  
is primarily through the ag sector, in training, and TA to improve production of maize and oilseeds.  
Program terminated in 1989 due to military take over in Sept 1988.

-----  
NEPAL  
-----

1 RAPTJ DEVELOPMENT PROJECT  
(367-0129) 1980 - 1987  
(Analytical Capacity)

To improve agricultural and forestry production through public and private sector local capacity  
building.

- 1 RAPTI DEVELOPMENT PROJECT (367-0155) 1987 - 1993  
 Follow on to 1st Rapti (Analytical Capacity) (Off-Farm Employment) (Infrastructure) (Commodity Imports)
- Extension programs to focus on production of cereals and cash crops, establish 10 storage & 15 livestock groups. Efforts in input, marketing support will ensure adequate feed security, increase private sector services, improve market info services. Creation of small enterprises, establish small farmer association, infrastructure.

AID ag sector program directly addresses Nepal's fundamental needs to increase agricultural production and income. Promotion of private entrepreneurship of fertilizer sales & reorganization of agricultural research system.

- 1 AGRICULTURAL RESEARCH AND PRODUCTION PROJECT (367-0149) 1985 - 1989 (Analytical Capacity)
- Consolidation of ag research system, new seed varieties and improving technologies

-----  
 MOROCCO  
 -----

PRIVATE SECTOR EXPORT ASSESSMENT

Morocco is currently engaged in a major effort to restructure and stabilize the economy. Two thrusts in the adjustment process: 1) reduce the role of the government favor of market forces and private sector 2) encourage exports as the key to economic growth. 1970's Morocco followed a strategy of import-substitution and large scale public investment. When phosphate exports dropped, Morocco faced problems, reduced export earnings and low tourism. 1983 Morocco finally halted all imports, made cuts in national budget, and entered into negotiations with IMF. Early 1985, AID actively pursuing a private sector strategy in Morocco -- focusing on export promotion programs. Good industrial base in Morocco, private sector spans from large manufactures to small to medium sized enterprises. Private sector participation is prominent in parts of the Agro-Industry sector (processed fruits and vegetables and canned fish). Office pour le Developpement Industriel (ODI) formed in 1973 promotes industrial devt, escorts potential foreign investors, identifies investment opportunities. Project implemented in 1982 with American Ocean Resource Inc. - White fish canning Centre Marocain de Promotion des Exportation (CMPE), investigate new markets abroad.

AID strategy is to assure adequate and productive investment levels in spite of a severe debt burden.

- 1 PRIVATE SECTOR EXPORT PROMOTION PROJECT (608-0189) 1986 - 1988 (Small and Med Enterprises) (Analytical Capacity) (Capital Markets)
- Primarily assistance to exporters. Three components: establishment of a new privatized export insurance institution, creation of a pre-export financing facility for small businesses, and managerial and TA to private firms and trade associations through the Int'l Exec Service Co. Pre-export financing to small and medium firms.
- 2 SMALL FARM CREDIT PROJECT DROUGHT RECOVERY PROJECT (608-0184) 1985 (Off-Farm) (Analytic Capacity) (Capital Markets)
- Provides loan assistance to the Ag Credit Bank - instrumental in developing an agribusiness bank. Moroccan domestic food output is well below its potential. AID has helped develop ag universities. (Analytic Capacity)
- 3 ECONOMIC POLICY ANALYSIS PROJECT (608-0191) 1985 - 1992 (Economic Climate) (Policy Reform) (Analytical Capacity)
- Helps the govt devise and implement economic policies that strengthen the role of free markets.
- 4 PRIVATIZATION EFFORTS (Privatisation)
- Completed privatizations include three fisheries and four sugar companies. -through capital participation by private investors.

-----  
 PAKISTAN  
 -----

- 1 FAUJI-AGRICO FERTILIZER PROJECT (391-0432) 1977 - 1982 (Infrastructure) (Analytical Capacity)
- AID to make loan to GOP to assist a joint venture company (Fauji Foundation in Pakistan and Agrico Chemical of Tulsa Oklahoma). To design and construct a modern fertilizer plant in Pakistan, increasing domestic production of fertilizer. Set up dealer networks.
- 2 AGRICULTURAL COMMODITIES AND EQUIPMENT (391-0468) 1982 - 1987
- These two projects effectively combined resource transfers with policy-oriented research. Deregulated wheat distribution, deregulating edible oil production, and increased private sector distribution of fertilizer.

3 FOOD SECURITY MANAGEMENT  
(391-0491) 1984 - 1988  
(Policy Reform)  
(Small & Micro Enterprise)

- 4 AGRICULTURE SECTOR SUPPORT PROGRAM  
(391-0492) 1987 - 1992  
(Commodity Import)  
(Policy Dialogue)  
(Analytical Capacity)
- Provides balance of payments support to the GOP and encourages ag policy reforms. Commodities, sector grants, policy dialogue, TA and trng. Commodity Import program will finance feed, fertilizers, seed, farm equipment, and other items for public and private organizations involved in agriculture. Policy reforms on input pricing and distribution, livestock processing and marketing and GOP support of ag. Remove fertilizer subsidies.

AID is looking to improve agricultural productivity and then secondarily support private sector. Focus on infrastructure (irrigation) and research and education. The Ag Sector Support Program looks to expand the private sector participation in ag devt.

- 5 PRIVATIZATIONS:  
(Privatization)
- Liberalization of a ghee production; private sector share of imported fertilizer increased

-----  
YEMEN  
-----

Yemen's 3rd Five Year Plan, congruence of objectives with US based on a free-market system

- 1 AGRICULTURAL DEVELOPMENT SUPPORT  
(279-0052) 1979 - 1995  
(Small & Micro)  
(Analytical Capacity)
- Series of subprojects aimed at increasing production and productivity to increase rural incomes. Poultry Extension, Horticultural Improvement, Ag Institute, etc. show growth in US exports for poultry feed or new seed varieties, indication that the private sector efforts are gaining momentum.
- 2 PRACTICES FOR PRODUCTIVITY  
(279-0084) 1989 - 1996  
(Off-Farm)  
(Ag Marketing)
- Emphasizes on-farm applications to raise production. Private sector marketing of both imported and domestically produced ag inputs.
- 3 YEMEN ENTERPRISE SUPPORT  
(279-0085) PROPOSED  
(Policy Reform)  
(Investment Promotion)  
(Analytical Capacity)
- Policy research & dialogue, investment promotion, Yemen business trade assns, assistance to individual private sector firms and entrepreneurs (through training)

-----  
OMAN  
-----

Declining oil prices have caused numerous development problems. Fisheries sector looks to be one of the most encouraging for earning foreign exchange through private sector exports.

- 1 OMANI-AMERICAN JOINT COMMISSION  
FISHERIES DEVELOPMENT SUBPROJECT  
(272-0101) 1980 - 1990  
(Analytical Capacity)  
(Investment Promotion)
- TA to develop capacity to manage its fisheries resources, improve productivity. Encouragement of commercial fishing and Omani private sector investment in fisheries.
- 2 PRIVATIZATION EFFORTS  
(Privatization)
- Public Share Offerings for Oman Flour Mills, and fisheries.

-----  
PRIVATE ENTERPRISE  
-----

- PRE has provided expertise in developing mission strategic plans in Sri Lanka and Tunisia  
-Encouraged projects in Morocco, Thailand and Philippines  
1984 International Conference on Privatization  
Regional follow-up conferences in Philippines, Fiji and Tunisia  
Center for Privatization - joint funding activities in Tunisia

PRE funded 600 projects with IESC

Launched financial markets development program which has helped revamp Indonesia's investment code

- 1 PRIVATE ENTERPRISE DEVT SUPPORT (940-2028)  
(1986 - 1990)  
(Policy Reform)  
(Investment Promotion)
- 2 FINANCIAL MARKETS DEVELOPMENT (940-2005)  
(Economic Climate)  
(Policy Reform)  
(Analytic Capacity)  
(Capital Markets)
- 3 DIVESTITURE AND PRIVATIZATION (940-0008)  
(Policy Reform)  
(Privatization)
- 4 TRAINING DEVELOPMENT (940-2038)  
(Analytic Capacity)
- 5 US TRADE/TECH (940-0011) PROPOSED  
(Policy Reform)  
(Investment Promotion)
- 6 THE REVOLVING FUND (Small & Micro Enterprises)  
(Capital Markets)  
(Investment Promotion)
- 7 INVESTMENT DEVELOPMENT AND PACKAGING (940-2002)  
(Investment Promotion)  
(Analytic Capacity)
- SCIENCE AND TECHNOLOGY  
-----  
AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION
- ON-FARM INCOME GENERATION Research and Devt of new technologies, fish farming - strong example in Egypt.
- MARKETING AND CREDIT AID supported field research program has demonstrated that subsidized rural credit does not lead to sustainable increases in economic growth. Project is assisting the governments of Bangladesh and the Philippines to re-orient their financial systems to increase the availability of funds to rural areas on the self-sustaining basis. Project supports improvement of marketing and reduction of post-harvest losses by introducing better methods of handling, shipping, and processing.
- OFF-FARM INCOME GENERATION Funds used to identify, commercialize and replicate small-scale enterprises using appropriate technologies. i.e. Thailand, small-scale rhizobium plant. The same approach will be replicated in Thailand, Philippines, Indonesia, and Sri Lanka. Promoting co-ventures between US and local enterprises. Support of intermediary institutions that promote the growth of small, labor intensive enterprises. Case studies of agribusiness are underway in Yemen.
- 1 SMALL ENTERPRISE APPROACHES TO EMPLOYMENT (ARIES) (931-1090) 1978 - 1989  
(Off-Farm Employment)

- Small & Micro)  
Analytic Capacity)
- 1 Women - Survey of small agribusiness sector potential.
- 2 RESEARCH ON ENTREPRENEUR IDENTIFICATION & DEVT (936-5314)  
(Small & Micro)  
Analytic Capacity) Develops and field tests new approaches to increasing the success of entrepreneurial performance.
- 3 EMPLOYMENT AND ENTERPRISE POLICY ANALYSIS (936-5426)  
.984 - 1989  
(Policy Reform)  
Analytic Capacity)  
(Investment Promotion) Provides analytical inputs into the process of employment and industrial policy reform to eliminate biases against labor-intensive and smaller enterprises.  
Looks at price policies, fiscal barriers to foreign trade.  
Worked in Philippines - appraisal of institutional & policy support for small enterprise devt  
Worked in Tunisia - evaluated USAID private sector devt activities.  
Worked in Bangladesh - Long-term TA on policy climate for small & labor intensive enterprise devt.  
Worked in Sri Lanka - Long-term advisor in Mahaweli Devt Auth to develop new employment and investment promotion.
- 4 APPROPRIATE TECHNOLOGY INT'L II (936-5428)  
(Small & Micro)  
(Analytical Capacity) Facilitate the development, transfer, adaptation, commercialization and assessment of technologies appropriate to conditions in developing countries, esp. as it relates to use in micro-enterprises  
Ordering Agreement available to service field requests for approp tech, transfer of tech, etc.
- 5 AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES (936-5447) 1987 - 1992  
(Ag Markets)  
(Policy Reform)  
(Analytical Capacity) Improve capabilities to diagnose problems in ag marketing  
Market appraisals for Jordan, Philippines  
-Post Harvest Institute for Perishables conducts research on handling and marketing systems.
- 6 IMPROVED SEED PRODUCTION UTILIZATION R & P (936-4143)  
(Analytic Capacity)  
(Privatization) Through MSU, research and devt, training, info services, networking and TA on seed programs  
Privatization of seed industry
- 7 POST-HARVEST GRAIN SYSTEMS R&D (936-4144)  
(Analytic Capacity) Applied research, training
- 8 SOYBEAN UTILIZATION & RES (Analytic Capacity) Assist Private Businesses & govts to develop, test, adapt and disseminate new soy products & processes  
Studies of the soyfood industry in Sri Lanka
- 9 INT'L FERTILIZER DEVT CTR (Analytic Capacity) TA, Trng, Research on fertilizer production and use.
- 10 MICRO ENTERPRISE SUPPORT (936-5448) 1988 - 1993  
(Analytic Capacity)  
(Small & Micro Enterprise) Increase incomes, productivity and employment through microenterprises. Research, project development services, training, policy analysis.
- 11 AGRICULTURAL POLICY ANALYSIS PROJECT (APAP) (936-4084) 1983 - 1993  
(Analytic Capacity)  
(Policy Reform) Increase developing country decision makers knowledge and understanding about how key economic policies affect agricultural and rural sector devt.

**SCIENCE AND TECHNOLOGY, PRIVATE SECTOR**

- 12 MICRO-ENTERPRISE SUPPORT PROJECT (936-5554)  
(Capital Markets)  
(Small & Micro Enterprise) Assistance to indigenous NGOs, FVOs and other financial intermediaries to enable them to provide loans and related assistance to microenterprises.

-----  
**REGIONAL PROJECTS**  
-----

- 1 PRIVATE & VOLUNTARY ORGANIZATIONS (498-0251) 1976 - 1986  
(Analytic Capacity) Catholic Relief Services runs programs on ag mechanization and assist small businesses to establish

Small & Micro Enterprise.

- 2 EXTENSION SMALL SCALE EQUIPMENT (498-0263) 1982 - 1985 (Analytic Capacity) Developing appropriate technologies.
- 3 NON-FARM ENTERPRISE PROGRAM DEVELOPMENT (498-0275) 1983 - 1985 (Off-Farm) Asia Regional
- 4 REGIONAL FUND FOR PRIVATE SECTOR DEVELOPMENT (498-0050) 1984 - 1987 (Analytic Capacity) Near East Regional
- 5 ASEAN REGIONAL DEVELOPMENT (498-0254) 1979 - 1995 (Analytic Capacity) (Investment Promotion) Over the years AID has provided training and institutional support to the regional organization. Also investment promotion seminars and technology exchanges, support to intra ASEAN trade.
- 6 ASEAN SMALL/MEDIUM BUSINESS IMPROVEMENT I (398-0277) 1984 - 1988 (Small & Micro Enterprise) (Investment Promotion) To improve the operation efficiency of small and medium businesses and to enhance the free market economies. Expand trade activities.
- 7 IMPROVEMENT II (398-0358) 1989 - 1992 (Analytic Capacity) (Investment Promotion) (Policy Reform) (Capital Markets) Private investment and trade opportunities enhance stature of liberal trade regimes in the region. Encourage the formation of capital markets.

APPENDIX 3

TERMS OF REFERENCE:

AGRIBUSINESS FOOD MARKETING SYSTEMS STUDY

## Agribusiness Food Marketing Systems Study

### Statement of Work

The AMIS project will provide a team of consultants to conduct applied research contributing to ANE Bureau's ability to identify and rank the interventions that are most appropriate to ANE countries' private sector agribusiness food marketing system development. Mark Newman, Abt Senior Agricultural Economist and Director of Agribusiness Research will serve as Team Leader for the study.

### Activities:

AMIS project consultants will: 1) assemble and analyze information on experiences and lessons learned from public and private agribusiness development activities, projects, etc in ANE countries; and 2) contribute to the development of an ANE agribusiness development strategy, and identify resources that may be useful in implementing the strategy.

#### **1. Assessment of Agribusiness Experiences and Lessons Learned that are important in developing an ANE Bureau Strategy**

This component of the project will include a review of selected experiences with public and private sector agribusiness activities supported by AID and other donors or financial institutions or undertaken independently within the ANE region. It will identify the range of opportunities to support agribusiness in the ANE region that should be considered in developing an ANE Bureau strategy, and assess interest and experience of AID and private sector representatives through interviews.

### Activities

- a. Develop an approach to evaluating agribusiness activities, projects, etc. so that the topic becomes more manageable and intelligible to a broad public and private sector audience with a wide range of backgrounds, training and experiences.
- b. Identify and begin to evaluate written materials regarding public and private sector agribusiness projects, initiatives and activities in ANE countries, including those underway during the 1980's and planned for the future. Sources of information will include AID/W library resources, USAID Missions and the World Bank. For selected cases, obtain additional information on cases where support to private sector agribusiness activities has been especially successful or unsuccessful.
- c. Interview people in the Washington area, as well as at the Rabat meeting of ADOs, regarding relevant projects, programs and experiences.
- d. Contact and interview representatives of 10-20 private sector agribusiness firms that have either been active in the ANE area or have considered such activity since 1980. On the basis of interviews and available written material develop several case studies that identify and analyze factors affecting success or failure of private agribusiness investments and related activities in ANE countries. Cases could be selected to provide an example from each of ANE's sub-regions.

## 2. Contribution to ANE Agribusiness Strategy Development

On the basis of interactions with AID and the private sector, as well as the analysis discussed above, this component of the study will develop an analytical approach and propose elements of an ANE agribusiness development strategy that exploits the strengths of both the private and public sectors, and reflects the unique aspects of individual ANE countries. Identify resources that might be used in implementing such a strategy.

### Activities:

- a. Design or adapt an analytical framework for categorizing types of interventions that can be used to support or encourage private agribusiness development in the ANE region.
- b. Summarize lessons learned since 1980 and identify implications for ANE Bureau agribusiness strategy. Develop a ranked list of promising agribusiness interventions and/or support activities that can form the basis for designing an ANE Bureau agribusiness strategy.
- c. Identify resources that can be of use to the ANE Bureau in implementing its agribusiness strategy, including public and private sources of expertise and information that could be used for such purposes as identifying, evaluating and supporting agribusiness interventions most appropriate to individual ANE countries.

### Deliverables:

1. By January 15, 1989, meet with representatives of ANE Bureau to finalize planning for addressing elements of scope of work.
2. February 17-23, 1989, Presentation to ARDO conference in Rabat, Morocco explaining the approach, summarizing initial findings of the assessment of agribusiness experience in the ANE region and identifying the range of opportunities that the assessment suggests. The conference will also serve as the primary opportunity for the contractor to discuss ANE mission interests, experience and priorities.
3. May 15, 1989, Draft Analytical/Strategy paper: ANE Agribusiness Experience and Strategy Considerations for the 1990's.
4. August 15, 1989. Finalize Analytical/ Strategy paper.
5. Provide resource person to make one or more workshop presentations at sessions to be organized by ANE Bureau, and which may include participation by representatives of leading agribusinesses.

### Level of Effort:

See attached budget