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

REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

PROJECT PAPER

WEST INDIES TROPICAL PRODUCE SUPPORT

AID/LAC/P-501

Project Number: 538-0163

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Regional Development Office/Caribbean

3. PROJECT NUMBER: 538-0163

4. BUREAU/OFFICE: Latin America/Caribbean LAC — 05

5. PROJECT TITLE (maximum 40 characters): West Indies Tropical Produce Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 15 YY 94

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 89 B. Quarter 4 C. Final FY 94

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

A. FUNDING SOURCE	FIRST FY 89 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(660)	(515)	(1,175)	(3,031)	(3,169)	(6,200)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		200	200		1,000	1,000
Other Donor(s)		500	500		500	500
TOTALS	660	1,215	1,875	3,031	4,669	7,700

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ARDN	140	070				1,175		6,200	
(2)									
(3)									
(4)									
TOTALS						1,175		6,200	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 150 020 050 120 740

11. SECONDARY PURPOSE CODE: 730

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BR	BF	R/AG	PART	TECH		
B. Amount	100,000	250,000	100,000	100,000	1,000,000		

13. PROJECT PURPOSE (maximum 480 characters)

To increase the regional and local capacity to market non-traditional agricultural products, including post-harvest handling, transport and quality control of exportable production from OECS member states.

Approval of Methods of Implemenation/Finance — Thomas F. Fallon, Controller

14. SCHEDULED EVALUATIONS
Interim MM 10 YY 91 — MM YY
Final MM 06 YY 94

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [X] Local [ ] Other (Specify) ____

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

17. APPROVED BY
Signature: Alan S. Williams
Title: Director
Date Signed: MM 09 DD 29 YY 89

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

AID 1330-4 (8-79)

WEST INDIES TROPICAL PRODUCE SUPPORT PROJECT

538-0163

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I. Project Design Team
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[1] Unattached annexes are located in the official project files in the RDO/C office in Bridgetown, Barbados.

LIST OF ABBREVIATIONS AND ACRONYMS

ADCU	-	OECS Agriculture Diversification Coordinating Unit
ADP	-	Agricultural Diversification Program
BDD	-	British Development Division
CATCO	-	Caribbean Agricultural Trading Company
CARICOM	-	Caribbean Community Secretariat
CARDI	-	Caribbean Agricultural Research and Development Institute
CFC	-	Caribbean Food Corporation
CIDA	-	Canadian International Development Agency
EAS	-	Economic Affairs Secretariat
ECSEDA	-	Eastern Caribbean States Export Development Agency
EDF	-	European Development Fund
EEC	-	European Economic Community
FAO	-	Food and Agriculture Organization
GATT	-	General Agreement on Trade and Tariffs
GDP	-	Gross Domestic Product
HIAMP	-	High Impact Agricultural, Marketing and Production Project
IDB	-	Inter-American Development Bank
IICA	-	Inter-American Institute for Cooperation on Agriculture
MKIS	-	Market Information Systems
NTAX	-	Non-traditional agricultural exports
OECS	-	Organization of Eastern Caribbean States
RDO/C	-	Regional Development Office/Caribbean (USAID)
RDSS	-	Regional Development Strategy Statement
TROPRO	-	West Indies Tropical Produce Support Project
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Program
UWI	-	University of the West Indies
WINBAN	-	West Indies Banana Association

Project Authorization

Name of Grantee:	Organization of Eastern Caribbean States (OECS) and the Caribbean Agricultural Research and Development Institute (CARDI)
Project Site:	Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines
Name of Project:	West Indies Tropical Produce Support
Number of Project:	538-0163

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the West Indies Tropical Produce Support Project ("Project"), for the benefit of the Organization of Eastern Caribbean States (OECS) and the Caribbean Agricultural Research and Development Institute (CARDI) (the "Grantees"), involving planned obligations of not to exceed Six Million Two Hundred Thousand United States Dollars ($6,200,000) in grant funds ("Grant") over a five year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. Operating Year Budget allotment process, to help in financing foreign exchange and local currency costs for the Project.

2. The Project provides technical assistance, infrastructure development, various goods and services, and institutional support to strengthen private sector capabilities in the production, post-harvest handling, transport, and marketing of nontraditional agricultural export products.

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

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in countries that are members of the Caribbean Common Market (CARICOM) or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping and as specified below, the suppliers of commodities or services shall have countries that are members of CARICOM or the United States as their

place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

b. Conditions Precedent to the First Disbursement

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

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

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

(c) An agreement shall be entered into between the OECS Agricultural Diversification Coordinating Unit, the OECS Economic Affairs Secretariat, the Caribbean Agricultural Trading Company Ltd. (CATCO), and CARDI, defining the implementation responsibilities and authorities for specific activities to be carried out under the Grant. This agreement may be made part of the Project's first annual operating plan.

c. Conditions Precedent to Subsequent Disbursements

(1) Prior to any disbursement under the Grant for the procurement of storage sheds, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, A.I.D. must receive either a bilateral agreement between OECS and each participating OECS country or such other documentation satisfactory in form and substance to A.I.D., in which the respective participating country agrees to the utilization of the storage sheds in accordance with the objectives of the Project and details the support it will give to that aspect of the Project, including provision for maintenance and operation of the sheds.

(2) Prior to any disbursement under the Grant for air freight services, or the issuance by A.I.D. of documentation pursuant to which such disbursement will be

made, A.I.D. must receive either a bilateral agreement between the OECS and each participating OECS country or such other documentation satisfactory in form and substance to A.I.D., in which the respective participating country agrees to permit the operation of such additional inter-island air freight services in its country and details the support it will provide to the establishment and operation of such services.

d. Other Conditions and Covenants

(1) Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, the program will include, approximately midway during the life of the Project and again prior to the PACD, (a) evaluation of progress toward attainment of the objectives of the Project, (b) identification and evaluation of problem areas or constraints which may be inhibiting such attainment, (c) assessment of how such problems or constraints may be overcome, and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

(2) Pesticides Unless A.I.D. otherwise agrees in writing, no procurement of pesticides will be financed under the Grant.

(3) Ineligible Commodities Unless A.I.D. otherwise agrees in writing, no assistance will be provided under the Grant for production, processing, or marketing of sugar, palm oil, or citrus.

(4) Per Diem The Grantees agree that per diem expenses to be reimbursed or paid under the Grant shall not exceed those which A.I.D. pays to its employees pursuant to its established regulations.

(5) Adequate Staffing The Grantees covenant to provide such personnel as are necessary to assure the effective implementation of the Project, in particular adequate qualified staff for an Agricultural Diversification Coordinating Office within the OECS.

(6) Environmental Protection The Grantees covenant that all activities undertaken under the Project will be carried out with due regard to good natural resources management practices and environmental protection, in order to promote long-term sustainable agricultural production in the Eastern Caribbean.

(7) Government Policies The Grantees covenant to use their best efforts to encourage the OECS member

intervention of the individual country marketing boards or their equivalent in the export of agricultural produce, more streamlined procedures for customs clearances of agricultural produce in the process of being exported or transshipped, and other measures and policy changes facilitating the export of agricultural produce.

(8) Project Sustainability The Grantees covenant, based on the results of the project evaluation program, to continue the Project activities, or to encourage their continuance by the private sector and/or by the governments of the participating OECS countries, as appropriate, so as to sustain Project results beyond the life of the Project.

(9) Reports The Grantees agree to prepare and to submit to A.I.D. semi-annual reports, detailing progress by activity toward the achievement of Project objectives and projecting the specific activities to be undertaken during the subsequent period.

A. S. Willi

Aaron S. Williams
Director, RDO/C

9/29/89
Date

I. PROJECT RATIONALE AND DESCRIPTION

A. REGIONAL SETTING AND OVERVIEW

The six island countries of Antigua and Barbuda, St. Kitts-Nevis, Dominica, St. Lucia, St. Vincent, and Grenada that form the Organization of Eastern Caribbean States (OECS) are small, basically open economies. The cultural heritage is British and democratic. The economic heritage is plantation agriculture linked to European colonial markets. They share a tropical climate, modified by mountainous topography and trade winds. The topography of their agricultural lands is rolling to steep, generally located along the coast and in adjacent valleys. The islands of Antigua-Barbuda and St. Kitts-Nevis are known as the Leewards and the remaining four as the Windwards. In general, agriculture is more important in the Windwards, with tourism more important in the Leewards.

The macroeconomic situation, with some exceptions, is slightly favorable or neutral. The region's total GDP is US$700 million, with an average of US$1237 per capita. While agriculture's contribution to GDP in Antigua is negligible (4 per cent), it ranges from 17 per cent in St. Lucia to 30 per cent in Dominica. Real GDP has grown at a rate of 5.4 per cent annually since 1980. Inflation during the same period has been low. External debt, with the possible exception of Antigua--borrowing in anticipation of expanding tourism--is within manageable bounds. Under the OECS, the countries have a unified exchange rate policy. The EC dollar has been pegged to the US dollar since 1976 at the rate of EC$2.70=US$1.00. Modification of this rate requires the unanimous consent of the member countries. Because the UK is the region's largest trading partner, the relative strength of the US currency vis-a-vis the pound sterling is a principal factor in explaining regional exports and growth.

The trading resources of the region are agriculture and a climate and setting propitious for tourism. With the exception of Antigua, whose economy depends on tourism and related investments, agricultural exports have grown consistently over the past five years, reflecting in part the decline in the value of the US dollar. In all countries except Dominica and St. Vincent, imports have risen even faster, and the trade balance has deteriorated. Estimated 1988 current account balances were negative $54.6 million ($-19.4 million excluding Antigua). The negative trade balance, however, is largely offset by a favorable services sector balance, tourism. Agricultural products are a significant share of total merchandise exports.

In the agriculturally oriented Windwards, gross foreign exchange earnings from agriculture and tourism are

basically equivalent (1985), $96.0 million from tourism and $93.8 million from agriculture. However, because import components of tourism significantly exceeds the import component of agriculture, the net foreign exchange earnings from agriculture likely exceed those from tourism.

The export of bananas is the principal earner of foreign exchange. Total exports in 1988 were approximately $280.0 million. Bananas accounted for $138.0 million, almost fifty per cent of total regional exports. In fact, bananas are produced only in the Windwards. Total exports from the Windwards were approximately $225.0 million. Bananas account for slightly more than sixty percent of the value of exports from these four islands. The OECS banana producers enjoy preferential treatment in the U.K. market under the Lome Convention. Under this agreement, the OECS banana producers receive a subsidy equivalent to approximately thirty percent above international market price. The agreement expires in 1992 and must be renegotiated.

At that same time, the EEC economic integration will occur, eliminating trade barriers between countries. The elimination of trade barriers will put OECS bananas in competition with bananas from Ecuador and Central America. The thirty per cent subsidy will likely disappear and maintenance of market share will be difficult in the face of stiff competition.

In summary, while the current situation appears favorable in terms of recent growth, debt load, inflation, and political stability, there are two clouds on the horizon: a strengthened US dollar and a highly competitive banana market.

B. COUNTRY CHARACTERISTICS

The basic characteristics of the six OECS countries are described below.

GRENADA, which of the six countries has the highest percentage of its land under cultivation, is a longstanding producer of nutmeg, cloves, cinnamon, and other spices. Predominant crops are nutmeg at higher elevations and cocoa at the lower, both interplanted with bananas. Grenada, however, is the smallest banana exporter of the four Windward Island countries. Grenada exports a large variety of non-traditional crops, principally to Trinidad via hucksters, but also some directly by air to the U.K. These crops include pumpkin, eggplant, soursop, mangoes, breadfruit, plantains, sapodilla, avocados, tamarind, and various other fruits, vegetables, and fresh flowers.

ST. VINCENT is known as the "Emerald Isle". Together with a series of tiny islands (the Grenadines), it is volcanic, fertile, and steeply sloped. Large estates account for only a third of the area under cultivation, and small farms are encouraged by the government to grow cash crops for export. Sugar cane was the predominant crop to about 1900, displaced by arrowroot (used to make starch), which in turn was displaced by bananas in the 1950's. Although restricted by poor roads and dock storage facilities, St. Vincent exports a variety of root crops (sweet potatoes, yams, dasheen, tannia) and fruits (plantains, avocados, mangoes, breadfruit), principally to Trinidad. It also is a major exporter of ginger.

ST. LUCIA, the most populous OECS country, is also the largest extra-regional exporter of bananas, accounting for approximately 50 percent of the OECS's total. Located primarily on former sugar cane plantations which have been divided into medium-sized plots, banana production relies on relatively modern methods of cultivation (although not comparable to that used in Central America), including aerial spraying. Coconuts and cocoa are also produced on a large scale, but the amounts exported are small. St. Lucia was a major exporter of ginger, but production has been adversely affected by poor incentives. It is a major extra-regional exporter of fresh fruit, principally breadfruit, plantains, and mangoes. Small amounts of fresh vegetables and root crops are also exported to Canada, the U.K., and Europe.

DOMINICA, the most mountainous island in the Windwards, has only 19 percent of its land under cultivation. Agriculture, however, is the most important element in the economy, contributing a higher percentage to GDP than that of any other OECS country. Dominica has the fewest farms of any OECS country and the largest percentage of farms over 50 acres in size. Dominica was a major coffee producer in the last century, switching to limes when disease affected the coffee plants. It was the world's largest producer of lime concentrate until the 1930s, when plant disease caused a switch to bananas. It is the OECS's second largest banana exporter. The Dominican government is encouraging diversification to passion fruit and aloe vera. Dominica is a major exporter of grapefruit and a minor exporter of pumpkin, plantains, avocados, mangoes, and other citrus fruits.

ST. KITTS is an island of large state-owned agricultural

holdings, dedicated primarily to sugar cane. Its smaller sister island, Nevis, consists of small holdings,accounting for half the total of all small farms on the two islands. The Government of St. Kitts and Nevis has not created land rights or water use policies favorable to investment or diversification, but there is potential for efficient fruit and vegetable production by small farmers using drip irrigation.

ANTIGUA is a fertile island, but (as with all the Leewards) suffers from sparse rainfall and recurrent droughts. (Barbuda is a tiny adjoining island with little agricultural potential.) Antigua formerly was covered with large sugar cane plantations, but these were allowed to languish and are now covered with second-growth brush or grasses used for cattle grazing. Agriculture is mostly on small farms, but currently accounts for only 4 percent of GDP, far behind tourism and fishing, which have brought the country relative prosperity. In spite of its relative economic success, the country suffers from the largest trade and current account deficits in the OECS. With irrigation and improved technologies, Antigua has the potential to be a major producer of melons, pineapple, and winter vegetables.

Basic country characteristics are shown in Table 1, below.

TABLE 1: COUNTRY CHARACTERISTICS (1985)

COUNTRY	POPULA-TION	AREA (SQ.MI.)	% OF LAND AG. USE	GDP PER CAPITA*	AG.GDP/ TOTAL GDP	NUMBER OF FARMS
Grenada	102,000	133	71	$ 961	20	5,960
St. Vincent	112,000	150	32	$ 804	20	3,032
St. Lucia	130,000	238	45	$1,051	17	4,730
Dominica	86,000	290	19	$ 973	30	1,921
St. Kitts and Nevis	44,000	104	41	$1,409	23	2,036
Antigua and Barbuda	82,000	108	22	$2,093	4	1,988

C. AGRICULTURAL SETTING AND OVERVIEW

Agricultural Production Characteristics

The total land area of the six countries is 1023 square miles, somewhat smaller that the state of Rhode Island. Terrain tends towards ruggedness so that only about one-third of the land area, some 220,000 acres, is suited to agricultural production. Irrigation is scarce, thus rainfall patterns are significant for agriculture. Rainfall is strongly influenced by altitude, with mountain peaks in the Windwards frequently receiving more than 200 inches per year. Most Windward agriculture, however, is conducted in areas with rainfall between 50 to 100 inches. These tend to be areas along the coast and in gently sloping coastal valleys. Similar areas in the Leewards receive far less rain, only 35 to 50 inches per year. The rainy season, in both cases, falls between June and November.

The plantation heritage is still seen in the pattern of land tenure. Traditional export production of bananas and sugar (St. Kitts) occupies relatively large holdings, while myriad small holdings with insecure tenancy produce for home consumption and the local market. On average, 46 per cent of the farms are of less than one acre and upwards of 90 per cent are of less than 10 acres. However, the few relatively large farms generally occupy upwards of 50 per cent of the agricultural land.

Tenure insecurity is widespread throughout the region. In the Leewards, public ownership of land is significant, compounding the general problem of tenure insecurity. Publicly owned land is one of the major potential sources of idle productive land, yet the conditions under which it can be utilized by the private sector inhibit investment.

Agricultural production is dominated by bananas, which exceeds by four times the quantity of the second highest category, root crops. Citrus, cocoa, plantains, and vegetables follow in decreasing order. A wide variety of spices are produced on several islands. The major spices are nutmeg, bay leaf, ginger, and hot peppers. Root crops include yams, edoes, sweet potatoes, and tannia.

Productivity levels are low, even for traditional export commodities, and unit production costs are higher than those of comparably situated competitors. The best technology in use is neither the most productive nor the latest.

Agricultural Marketing Characteristics

The intra-regional market is dominated by some 400-1000 "hucksters" or "traffickers" who individually move small quantities of produce from the Windward Islands to markets in Trinidad, Barbados, Antigua, Guadeloupe, and Martinique. Major quantities of produce and consumer items are moved by the hucksters in a competitive fashion. However, there is no capitalization of the system and no economies of scale are realized. Consequently, the only standardization is in ill-treatment and mishandling. Produce is moved by schooners between islands in multi-purpose packing. Infrastructure for transportation, collection, cooling, packing, etc. is simply non-existent. Climate control is provided by the sun, the humidity, engine heat, and the lack of ventilation.

The size of the intra-regional market is limited by the small population of the importing islands and the similarity of production patterns. The agricultural-tourism link is not strong. The up-scale tourism market is as demanding as the international export market and it has not yet been penetrated significantly by local producers.

Extra-regional trade is in the hands of a relatively few exporters per island. The primary markets are the United Kingdom, Canada, other Europe, and the US. International trade suffers from the same inter-island infrastructure problems--poor transport, poor wharf storage, inadequate loading and docking facilities, limited and irregular air service. However, there is access to refrigerated surface vessels on a weekly basis.

The international demand for regional commodities is composed of four commodity groups: traditional exports (sugar, bananas, nutmeg, cocoa, and cocoa), ethnic commodities (local root crops, plantains, hot peppers, and spices), off-season fruits and vegetables, and exotics. Most trading experience is in the former two commodity groups to the UK market. The OECS countries have little experience in exporting the latter commodities and little experience outside the UK market.

Traditional Exports. While the banana market has been strong, it will likely be increasingly competitive after 1991 in the UK market. It is not clear that the regional production can compete with suppliers from Ecuador and Central America. The sugar market offers no opportunity for growth. The international market for cholesterol-laden coconut oil is not great. The traditional spices, however, remain strong. While the market may not expand rapidly, it is a stable market that offers premium prices for quality

production.

Ethnic Commodities. With relatively significant resident immigrant populations in the UK, Canada, and other parts of Europe and the US, an important "ethnic market" for regional root crops, vegetables, and spices has developed. The primary commodities are yams, dasheens, edoes, sweet potatoes, breadfruit, plantains, fruits, spices, and peppers. The growth potential of this market is not clear: the commodities can be produced by other Caribbean Islands, the assimilation of ethnics may reduce demand, or their assimilation may bridge the commodities into the non-ethnic market. However, the ethnic market is not as quality conscious as the wider market and the commodities, particularly the root crops, tend towards low margins.

Off-Season Fruits and Vegetables. This is probably the most demanding and risky market. In this market, marketing begins at the farm level: varietal selection, spacing, water, pesticide treatment, harvesting, cooling, packaging, transport must all be done by the importers' book. The OECS countries appear to be at a comparative disadvantage in terms of transport cost, marketing infrastructure, packaging alternatives, weak volumes, high labor costs, and lack of understanding and experience of the market: varieties, qualities, quantities, prices, linkages, pitfalls. However, given highly focused, technical assistance, it is possible to create a comparative advantage in specific commodities.

Exotics. The Windward Islands produce a wide variety of tropical fruits and flowers, such as mangos, papayas, passion fruit, anthurium, and orchids, for which there is a strong and growing demand in Europe and North America. The market tends to be made up of relatively small requirements from many suppliers. Again, however, marketing begins at the farm level--existing production may, in fact, be a detriment to quality export production if growers believe current varieties, practices, and qualities are adequate for the export market.

One of the most progressive entities involved in agricultural exports is CATCO, the Caribbean Agricultural Trading Company, Limited. CATCO is a private, for profit firm, established in 1981. It is jointly owned--69.4 per cent by the Caribbean Food Corporation (CFC), which is a wholly owned subsidiary (essentially a venture capital operation) of the CARICOM governments, and the remaining 30.6 per cent by private Caribbean investors.

As discussed in more detail below, CATCO markets fresh produce on a volume scale to extra-regional distributors,

principally in the UK. To date, its volumes have been small and profits nil, with sales at US$1.6 million in the operating year ending June 30, 1989. Nevertheless, it has done significant developmental work in assisting farmers in agricultural export production, appears to have weathered some difficult organizational transitions, and is close to making a profit. The very difficult problem of assembling product from many small producers, coupled with the need to train those producers in production and post harvest technologies is not easy to overcome and caused CATCO to spend scarce resources on developmental rather than trading or business activities.

D. Conformity with Agricultural Strategies/Programs

1. **OECS and Other Donors.** A number of recent studies found that the Eastern Caribbean Region is a competitive producer for some world markets of a wide range of non-traditional agricultural products, and that it has the potential to become more competitive. This conclusion has emerged in the studies by IICA (La Gra and Marte, 1987), CIDA (1987), the FAO (Saul, 1982), UNCTAD/GATT (Griffin, 1988), and Jones (1988 for the EEC).

However, all these studies cite a number of improvements that are needed in the areas of production techniques; post-harvest management, transportation and marketing. While each study tends to emphasize certain constraints, a consensus is emerging in the region regarding the kinds of actions and programs that could help realize the potential that exists for non-traditional agricultural exports.

As a result of these findings, the OECS approved a major agricultural diversification program to develop export potential. (A Program for Agricultural Diversification in the OECS, etc. November 1988). Its focus is on extra-regional exports; that is, hard currency earnings, although it is recognized that it may benefit agricultural development efforts for domestic and regional markets as well. The program has been endorsed by all the external donors to the region, and some already are planning to support the program, particularly USAID, the EEC, CIDA, and the British Development Division (BDD).

In separate studies for each of the countries, the World Bank also stresses that priority should be given to agricultural diversification. For example, its 1988 Economic Memorandum on St. Lucia states that it is necessary to "diversify agriculture into competitive... crops such as fruits, vegetables and root crops..."; and the corresponding document for St. Vincent endorses the Government's emphasis

on agricultural diversification and points out that "future export growth prospects are weak unless the country diversifies away from bananas...". In a 1988 report on St. Kitts, the World Bank notes that in spite of improving sugarcane yields "the Government should accelerate its diversification outside the [sugar] industry...".

The non-traditional crops that are now exported by the OECS countries in significant volumes to extra-regional markets, in the form of fresh produce, are mostly fruits, root crops, and some vegetables. They include principally mangoes, breadfruit, plantain, grapefruit, soursop (chirimoya), ginger, arrowroot, dasheen and eddoes, sweet potatoes, hot peppers, pumpkins, and avocadoes.

Other crops that are now traded in smaller quantities, but may have greater potential, are carambola, melons, cucumbers, yams, tannia, other citrus, peanuts, christophene (chayote), okra, pineapple, papaya, macambou, cashew, golden and sugar apples, passion fruit (for processing) and others. Different observers have different lists of the crops with the best prospects, but all are in agreement that many crops are worth promoting.

These opinions are supported by the growth rates of non-traditional agricultural exports recorded in the 1980s. For the OECS countries for which the appropriate data series are available, growth rates are extremely high, as noted in Table 2 below. In other words, the potential has been confirmed by both expert studies and experience. The very diversity of these crops is a strength, for if markets suddenly weaken for some of them, others may pick up the slack.

The most recent consistent set of information on trade volumes and values for non-traditional fresh produce is for 1985/86. The total volume of this trade was approximately 33,000 tons, with an approximate value of US$12.0 million. Of total trade in non-traditional commodities, slightly more than ten percent, 3,900 tons went to extra-regional markets. The UK was the largest extra-regional market, purchasing approximately 75 per cent of regional non-traditional exports. Canada, the US, and other European markets follow in decreasing order.

The OECS' Agricultural Diversification Program has four major components:

1) Identification of the commodities with the greatest potential for diversification, by member countries, and corresponding commodity-specific projects that cover the production, post-harvest and marketing phases.

TABLE 2

VALUE OF TOTAL EXPORTS OF FRUIT, VEGETABLES AND ROOT CROPS
(Excluding bananas and coconuts)
(EC$)

	1981	1982	1983	1984	1985	1986	Annual growth rate between endpoints
Dominica	2,944,016	4,060,902	4,893,652	5,523,941	5,184,349	8,522,500	23.7%
St. Lucia	-0-	1,012,766	1,064,198	1,487,784	1,113,629	5,237,376	50.8%
St. Vincent	12,208,504	15,262,391	22,233,971	50,196,841	70,840,410	-0-	55.2%
Grenada	1,350,000	4,590,0005	11,070,000	12,960,000	17,280,000	15,390,000	62.7%
Fruit only (without bananas)							
Dominica	2,076,585	3,155,786	3,466,951	3,799,145	3,972,952	7,253,939	28.4%
St. Lucia	-0-	717,464	979,953	1,432,558	1,013,845	5,142,092	63.6%
St. Vincent	2,826,791	2,842,031	2,863,801	6,212,560	7,674,635	-0-	28.4%
Grenada	1,350,000	4,590,000	11,070,000	12,960,000	17,280,000	15,390,000	62.7%

Notes: (1) The Grenada data include only fruit (except bananas).
(2) These aggregates cover more than 40 individual products.
(3) The growth rates are compound annual growth rates.

Source: Compiled from data in J. Schuur-Castenmiller, Trade of Fresh Produce in the Eastern Caribbean, FAO, Barbados, Sept.1988.

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2) Support projects that assist more than one product, such as actions in areas of credit, strengthening farmers' organization, improving input supplies, and the like.

3) Region-wide marketing efforts, with associated grading, labelling, and transportation arrangements. In this regard, it is considered that the Caribbean Agricultural Trading Company (CATCO) is the leading regional marketing entity, though not to the exclusion of other exporters.

2. **AID Strategy** The AID Annual Action Plan for FY 90-91 outlines a strategy that emphasizes economic growth, agricultural sector deficiencies, and obstacles to private sector development among other things. This project addresses these concerns directly by encouraging diversification of production to take advantage of market opportunities as well as strengthening private sector organizations to better support the needs of a diversified market.

Promotion of exports is a key element of the strategy of AID in directly and indirectly increasing foreign exchange earnings/savings. This project will contribute to this by increasing export income generation through non-traditional agricultural products. For additional information on this subject see the Annual Action Plan, FY 90-91, April 25, 1989 on file in RDO/C.

RDO/C completed its review of the Project on September 6, 1989. The memorandum agreeing to allow renegotiation of CATCO's loan with AID was signed in Washington D.C. on September 29, 1989. With this final action the Project was sent to the Mission Director for authorization.

E. PROBLEM STATEMENT AND CONSTRAINTS

The immediate and overriding problem is the possible termination of the UK subsidy to OECS banana production. While it may or may not occur in 1992, there can be little doubt but that the elimination of trade barriers within the expanded EEC spells the end of such preferential treatment in the medium term. The combination of a reduction in the subsidy, a loss in market share, and a strengthened US dollar would have a major effect on foreign exchange earnings, economic growth and farm incomes. The dependence on a single, subsidized, commodity sold to a single market has left the OECS countries ill-prepared to respond to the demands of the international market place.

In response to this situation, the OECS countries have outlined a strategy oriented towards (a) maintaining their

market share in traditional exports (i.e. bananas) through improved competitiveness via increased productivity, (b)maintaining and increasing their market share in the ethnic market through increased reliability and quality of supply, (c) introduce and move new commodities into this market, (d) strengthen the development of potential "crossover" commodities that can go beyond the ethnic market, and (e) increase sales to the U.S. market.

The constraints to the achievement of this strategy are enumerated below. Because of these constraints, post harvest losses of non-traditional agricultural exports are estimated from 40 to 60 percent of the volume exported. Assuming total non-traditional exports are on the order of 4000 tons and an average price of $0.80 to $1.00 per pound, the value of the annual loss of exportable produce is from $2.6 to $4.8 million in foreign exchange.

In addition, the high loss rate makes export production risky, thereby discouraging potential exporters from entering the market. Further, the high loss rates limit the capacity of exporters to consolidate shipment volumes to provide reliable market supplies, thereby limiting market expansion potential. Finally, to the extent that the market price is a band, with premiums and discounts for quality differentials, the variable quality of regional produce represents a lost opportunity for the higher quality price. The major constraints are as follows:

1. Inappropriate Production Technologies. The marketing of fresh produce for export begins at the farm level. Decisions on varietal selection, timing of planting and harvesting, and pesticide applications, for example, are determined by external market requirements, not by tradition and common usage. This is particularly problematic when the volume demanded for economic shipment requires the consolidation of product from many small producers at the opportune time. Each producer must be producing the same quality, at the right moment, and in the planned amounts. The cost of getting many small farmers to produce for the stringent conditions of the external market, to change old habits and adopt new risks, is high.

2. Lack of Marketing Services and Infrastructure. Infrastructure has developed around the major export commodity, bananas, but, given the embryonic nature of non-traditional exports, the market infrastructure necessary for their proper post harvest care, handling, storage, and transport is practically non-existent. These constraints include:

a. Inappropriate and Costly Packaging Material. The supply of boxes is chronically short, and produce often goes out in inappropriate boxes. The quality of locally made boxes is questionable, and imported boxes face a tariff.

b. Inadequate Airport Facilities. Produce is exposed to the elements while awaiting irregular transport service. Cool storage is unavailable even though approximately 60-70 per cent of exported produce (excluding bananas) is shipped by air.

c. Inadequate Seaport Facilities. As above, produce is exposed to the elements, cool or shaded facilities are unavailable, electricity for containers is not available, container cranes are not available, and the primary regular service to the U.K. major market takes produce only on a "space available" basis.

d. Lack of Market Information. There is a lack of marketing services that commonly provide knowledge and information concerning brokers, market conditions, requirements, and guides to standards, grades, and qualities. Most export traders are linked to foreign markets, principally the ethnic market, through personal and/or family connections. Exporters have few contacts outside this market, and are particularly limited in their knowledge and understanding of the US market.

3. Irregular Transport Service. While transport rates, both for sea and air, are competitive, the quality and regularity of the service is inadequate. This is particularly true for inter-island shipments, as producers ship to an island with international connections. All the islands except Antigua must utilize transshipment all or part of the time for products that require air transport. Air transport companies indicate that the low volumes and irregular supplies make a dedicated freight service unprofitable. Irregular transport service coupled with inadequate cool storage facilities makes the marketing of perishable produce very risky for a prudent investor.

Similar Transshipment problems exist for those products (e.g. root crops) which can be shipped by sea. During any particular week, a ship to Europe may be available from only one port, and it becomes necessary to transship to that port. Losses, even for relatively hardy root crops are high. Extra-regional sea freight is dominated by the banana marketer, Geest, which serves various ports on a weekly rotating basis. Geest, however, links its transport service with its marketing activities. Thus, a grower or shipper wanting only transport services, receives the lowest priority

and is accommodated on a space available basis only.

Antigua, St. Lucia, and Grenada have modern airports with direct flights to the UK and the US, though there tends to be excess capacity to the US, a minor market, and scarce capacity, at peak times, to the major UK market. Barbados is also used as a hub for connections to external markets.

4. Lack of Effective Demand for Marketing Services. To a significant degree, the lack of marketing infrastructure, post harvest handling facilities, cooling facilities, and regular transport reflect the lack of an effective demand for those services. The principal factor limiting the demand for marketing services is the low and irregular volume of produce for export. Low and irregular volumes of produce do not permit efficiency and the achievement of economies of scale in marketing.

The achievement of efficiency and economies of scale in marketing when production is derived from many and small production units is both technically and organizationally complex. Yet, the efficient utilization of post harvest cooling, storage, and transport infrastructure requires the capacity to organize, plan, and consolidate production volumes. It is precisely when volumes are low that this becomes most important, as only through the entrepreneurial effort of organization and consolidation can an effective demand be made manifest.

5. Economic Environment. Generally protectionist policies have skewed price incentives and, consequently, resources, towards production for import substitution, rather than the development of a strong export base based on comparative advantage. High tariffs, export taxes, and marketing monopolies tend to discourage export production and investment. International competitiveness is significantly sensitive to the exchange rate and labor market conditions. Policy rigidities with respect to both can quickly undermine efforts to increase exports.

Small, open economies, dependent on trade, must be able to monitor export competitiveness vis-a-vis other producing countries and be prepared to take appropriate action lest the policy environment undermine their long term objectives. A major policy constraint to the development of the inter-island air transport system is the difficulty in securing landing rights in each country. Because of low volumes, an efficient and profitable carrier will need to have landing rights in each of the islands, including Barbados and Trinidad.

F. PROJECT GOAL AND PURPOSE

The goal of the Project is to increase net hard currency foreign exchange earnings through increased exports of non-traditional agricultural exports (NTAX) to extra-regional markets.

The purpose of the Project is to increase regional and local capacity to produce and market non-traditional agricultural export commodities through the provision of supporting infrastructure, technical assistance, and hands-on training directed towards the alleviation of the principal constraints. The Project will concentrate in four areas: product quality and quantity, post harvest handling, transportation and market knowledge. The project will also assist in enhancing institutional strengthening (CATCO), and developing monitoring and evaluation systems for the Project. These are the specific project elements and each has a specific set of interventions and indicators.

The Project's primary beneficiaries will include a wide-ranging set of individuals and organizations involved in developing and increasing non-traditional agricultural exports. Farmers will benefit because the project will provide for an improved infrastructure to channel increased amounts of agricultural production. Farmers will also benefit from improved agronomic and product handling practices, and from improved quality of products they will be able to export to a larger number of destinations.

Exporters will benefit from increased knowledge on how to export to new markets, from improved grading, packaging and handling techniques, from more reliable transportation, and from product handling infrastructure.

The Project includes planning, coordinating, and managing the entire export process, from on-farm production to marketing and final product delivery. In addition, regional exporters and producers associations will also benefit from an on-going capacity, developed under the Project, to access, analyze, and disseminate information. Individuals will be trained in the use of production and marketing information and technologies for decision making needs of diversified agricultural producers and exporters. Lastly, the Project will serve to benefit, both directly and indirectly, a broad base of people involved in the production and export process. These include individual private and public sector agents, farmers, shippers, and marketing personnel.

Quantifying achievement of the goals is complicated by the unknowns looming on the horizon, particularly the future

of the preferential treatment afforded the banana sector and the strength of the US dollar vis-a-vis European currencies. Continuation of a subsidy to banana exports makes its production more profitable and less risky than most NTAX commodities. A well designed phase-out program will provide important market incentives for NTAX commodities. An abrupt termination, while causing great agricultural excess capacity, would significantly reduce farm incomes and foreign exchange availabilities.

The Project purpose stems from the realities and constraints of the existing non-traditional agricultural product marketing system. It is important to keep in mind that the Project will not be creating a new system, but will be building on and improving what exists, institutionally and technologically.

G. PROJECT COMPONENTS

In line with the strategy outlined above, the objective of this Project is to facilitate and encourage the development of a more diversified agricultural export base through improved farmer and exporter knowledge of markets and technologies, improvements in small, but crucial, infrastructure, and the provision of improved transport and marketing services.

The Project is composed of four components, or modules, from the farm level through the marketing chain. At the farm level, the objectives are to (1) increase the reliability and quality of supply through improved agronomic practices that improve market quality and reduce unit production costs, (2) reduction of post harvest loss and quality deterioration through improved harvesting and post-harvest packing and transport practices, (3) achievement of price and quality competitiveness in potential "crossover" commodities, principally mangos at this stage, and (4) development of marketable qualities and quantities of minor exotics. The objectives of the marketing interventions are to (1) reduce post harvest losses of export commodities, (2) increase farmer and exporter knowledge of export markets and technologies, (3) facilitate the development of market services, and (4) facilitate the provision of reliable transport and infrastructure facilities required for the marketing of diversified agricultural produce.

The Project, through the OECS Agricultural Diversification Program Coordinating Unit, the Development Unit of CATCO, and CARDI, will provide technical support, training, and infrastructural support to alleviate the constraints identified that limit the capacity to increase export volumes of quality produce. This requires responding

to each of the constraints in a systematic manner. It should be noted that technical solutions to each of the constraints are known and utilized in other countries in the Caribbean and Central America.

Module 1. Production Support. The objectives of the production Support module are to (a) increase the reliability and quality of supply through improved agronomic practices and technologies, (b) reduce post-harvest losses and product quality deterioration through improved harvesting and post harvest packing and storage practices and technologies, (c) strengthen the development of potential "crossover" commodities, principally mangos at this stage, and (4) strengthen the development of minor exotics through increased marketable quantities and qualities. These objectives will be supported through three Project activities:

A. Quality Improvement Program for Diversified Production. The objective of this activity is to significantly increase producer and exporter awareness, appreciation, and understanding of the quality standards required for regional exports to maintain and increase their market share in competitive international markets. This activity is composed of three sub-activities, training, direct technical support, and agronomic trials. Project funding will support the continuation of CATCO's activities in developing exportable production through training, technical support, and agronomic trails. Testing for pesticide residuals will be conducted as part of the program of agronomic trials.

B. Mango Improvement Program. The objective of the mango improvement program is to increase mango exports to the European and North American markets as a potential "crossover" commodity, building upon, but moving beyond, its current ethnic market niche. Through the OECS Agricultural Diversification Program Coordination Unit, the Project will provide training, technical assistance and support to producer organizations, exporters, and public sector extension services, and, in collaboration with those client groups, conduct appropriate agronomic research trials to resolve the production and marketing constraints to increased mango exports. CARDI will assist with this activity.

C. Irrigation and Water Management Program. Through the OECS Coordination Unit, the Project will provide technical assistance and training to farmers, producer organizations, and public sector extension services in irrigation technology and water management practices and support agronomic trials to develop the technical relationships and information required for producers to efficiently utilize scarce water resources and irrigation

technologies for the production of non-traditional export commodities.

While it is likely that the primary demand for these services will be related to fruit and vegetable production (peppers, cucumbers, melons), the training and technical support activities will also focus on soil and water management practices such as contours, terraces, and other erosion control practices that are widely applicable throughout the region for improving yields of both tree and root crops. UWI and other regional institutions will provide this training.

D. Technical Assistance to the Production Support module will be provided under the AID-Israel Cooperative Development Program (930-0185). Logistic support, including costs of travel, per diem and office support, will be funded through the technical and operational support activities in this module and will be administered by the OECS CU and CARDI.

There will be three long term advisors for a period of 36 months each. The advisors will be specialized in the areas of tree crops (mangos), irrigation and water management, and horticulture. Under the agreement, an additional three person months per year of short term technical assistance will also be made available. The value of the technical assistance is estimated at $1.575 million. However, it is provided at no direct cost to the Project. The technical assistance will be coordinated by the OECS Diversification Program Coordination Unit.

The total budget allocation for this module, excluding the technical assistance, is $921,000. This supports the operational and logistics costs of the training programs, operational costs and procurement of farm implements, seeds and plant materials for agronomic trials, and limited procurement of small irrigation items for demonstration and experimentation purposes.

<u>Module 2. Post-Harvest Handling</u>. The most significant reduction in post-harvest losses comes from use of correct agronomic practices and proper handling immediately after harvest, assuming reliable downstream transportation. Thus considerable emphasis is given to getting the produce out of the sun, reducing field heat, adequate packaging, and rapid transport. Three specific interventions are proposed: training and information, technical support, and infrastructural improvements.

A. Training and Information Dissemination will be provided to producers, farmer associations, exporters, and

packers on post harvest practices, cooling, packinghouse technologies and systems, and sorting and grading standards. Publications, workshops, seminars, and site visits will be utilized for training and information dissemination. The development unit of CATCO will coordinate implementation of this activity.

B. Technical Support activities are directed towards improved technologies in packing and increased utilization of refrigerated sea transport. The development unit of CATCO will work with producers organizations, farmers groups, and exporters to improve the timely availability of sufficient and appropriate packing boxes, and to systematically consolidate and forecast expected requirements. Similarly, assistance will be provided to producers associations in organizing the timing and consolidation of volumes to facilitate the increased utilization of refrigerated sea shipment.

C. Infrastructure Development. The infrastructure development support to be provided under the Project is limited to specific interventions that are crucial to the training and development thrusts of the Project as well as to the resolution of specific bottlenecks to the export of agricultural produce. The critical infrastructural constraint that the Project will directly alleviate is the shortage of cool and shaded storage facilities. These are an essential continuation of the post harvest handling practices initiated at the farm site.

To demonstrate the utility and feasibility of pre-cooling as well as to provide for hands on experience with this technology, one pre-cooling facility will be purchased for installation in St. Lucia, as the St. Lucia airport will be the hub airport for the transport system and has international connections. This facility will be a prefabricated unit purchased as such and delivered to the location. The Project will provide technical support for its installation and set-up. It will be located at the airport, and leased to a private sector entity or to CATCO itself. The airport authorities will not manage the use of the cooling facility. A bilateral MOU with St. Lucia will include a covenant stipulating that the unit is to be leased to a private sector entity and describe the general terms of the lease agreement.

More generally applicable are storage sheds, to provide shade and ventilation for produce at airports while awaiting shipment. This relatively simple and low cost alternative provides basic protection from the elements. Construction of eight storage sheds will be supported under the Project. Again, the storage sheds will not be operated by the public

sector, but will be leased to private sector entities or to CATCO. A bilateral MOU with each host government will include a covenant stipulating that the unit is to be leased to a private sector entity and describe the general terms of the lease arrangement.

Implementation of the infrastructure activities will be the responsibility of the OECS Agricultural Diversification Program Coordination Office.

D. Technical Assistance. The Project will provide long-term and short-term technical assistance in post harvest technologies. A long term advisor in post-harvest technologies will be provided for a period of 36 months. An additional 25 person months of short term technical assistance will be provided in the following areas: packing design and materials, refrigerated transportation, grading and quality standards, pesticide requirements, packinghouse technologies, and refrigeration technologies.

Other project inputs include operational support for training and workshops and studies. The project will provide $1,803,750. for the Post Harvest Handling module.

Module 3. Transportation. The quality, regularity, and reliability of air transport service is the binding constraint to increased agricultural exports most often named by exporters and producers. Sea transport has not been a significant constraint but has potential for providing added cargo space for non-traditional fruit export. The objective of this module is to encourage improvements in dedicated freight cargo space, both sea and air, primarily oriented towards agricultural produce. This module will be implemented through the OECS Agricultural Diversification Program Coordinating Unit.

The Project strategy is twofold: the supply side, to facilitate and promote establishment of dedicated air and sea cargo service, responsive to needs of agricultural producers; and, the demand side, to assist producer associations, growers, and exporters in planning and consolidating shipments to develop an effective demand for cargo space that will make the dedicated service profitable and sustainable.

A. Financial Support. The Project will fund a long-term transportation advisor to assist the OECS to attract profitable carriers or to stimulate existing carriers to improve cargo services. The long-term advisor will review the many existing studies (by AID, the OECS and other donors) on cargo transport and will, with the Agricultural Diversification Program (ADP) Unit, devise an operational

plan to attract existing or new cargo carriers to expand their cargo capacity for perishable products. The transportation advisor will determine whether current lack of interest by carriers is due to the volume of produce or because of organizational incapacity to plan, organize, and consolidate shipments in an effective manner.

For air carriers, if the advisor and the OECS so recommend, a bonus system will be developed to (a) partially compensate for the losses in the early years and (b) provide incentives for efficient use of capacity and reliability of service. The system will structure incentives to achieve Project objectives, while maintaining management responsibility and accountability. Because there are limits to the amount of resources available to support development of a dedicated air cargo service, any public intervention will be judiciously planned and will be in full accord with international aviation laws and FAA requirements for suppliers of air cargo space.

If there is no effective way to improve air cargo service the project will increase its focus on sea cargo service. As Unattached Annex H points out, modern climate controlled containers, properly used, can match air shipments and are appropriate for established sea shipping in the region. For additional information read unattached Annexes F and G to this project paper.

B. Technical Assistance. The Project will provide 24 months of a long-term transportation specialist and nine person months of short-term technical assistance in the areas of transport economics, sea freight, and air cargo management. The total allocation for the transport module is $1.09 million which will provide for the performance fee, technical assistance, and operational and logistical support to the OECS Coordination Unit for implementing this module. See Annex A, Technical Analysis, for more information on these inputs.

Module 4. Market Information System. A recent survey of exporters in the region indicates that after the lack of a reliable inter-island air cargo transport system, the shortage of market information is the most significant constraint to export development. The objective of this module is to increase market knowledge through access to computerized commercial data bases, technical information, and improved market contacts.

Through the development unit of CATCO, training and technical support will be provided to producers, producer associations, and exporters in the following areas:

A. Technical Information for export marketing including:

(1) Accessing computerized data base information to obtain relevant information on prices, quantities, market changes, broker ratings, and shipping services.

(2) Technical information and analyses of marketing and transport alternatives, including detailed marketing studies of crops with export potential. These will be in the nature of marketing extension publications, providing economic and financial analyses of alternative marketing and transport technologies, systems and opportunities. Basic descriptive information on export market processes, functions and roles of the different elements in the marketing chain will also be developed and disseminated. Analysis of port charges and costs will also be undertaken.

(3) The development of market contacts through direct contact with traders, importers, distributors, and observation of market systems. The Project will support the development of direct contacts through travel to and participation in trade fairs and organized visits to port facilities, market terminals, importers, and distributors.

B. Technical Assistance. The Project will provide a long term Agricultural Marketing Expert for a period of 30 months. In addition, 12 person months of short-term technical assistance in the areas of marketing economics, produce import trade, international trade, and commercial policy are provided.

Other inputs to this module include operational and logistical support for training and communication. The Project allocates $1,027,250 to this module.

H. PROJECT ASSISTANCE.

A. CATCO Institutional Development. The Caribbean Agricultural Trading Company (CATCO), was incorporated in 1981, through the auspices of the Caribbean Food Corporation (CFC), an operational unit within the Caribbean Common Market (CARICOM). CATCO is a unique, public and private, for profit enterprise owned by the CFC (70 percent) and nine private sector firms dealing in agricultural commodities (30 percent).

RDO/C assistance to CATCO began in 1982, with a $4.0 million loan at terms of four percent during the five year grace period and eleven percent thereafter. In 1985, $2.75 million of the loan was deobligated due to low disbursement rates. While CATCO has developed into one of the principal

export traders in the region, it has been unable to realize a net profit on its operations to date. This is due largely to two factors: poor management during early years and large outlays of borrowed money for "developmental" activities required to establish a reliable supply of exportable produce.

Despite financial problems, CATCO has reduced operating expenses and greatly increased sales volumes and revenues since 1985. Revenues, for example, increased by 156 percent over this period and operating costs have fallen from 90 percent of sales revenue to 35 percent of sales revenue. Gross margins on sales have increased slightly, from 11 percent to 13.5 percent. The 13.5 percent gross margin on sales obviously does not cover the relatively high operating expenses, resulting in revenues not being adequate to cover costs. CATCO's accumulated deficit through 1989 totals $1.5 million. In addition, the grace period on the initial AID Loan to CATCO ends in November 1989, at which time CATCO will be required to make interest plus principal payments in the amount of approximately $37,000 semi-annually. While it is clear that CATCO's new management has made significant strides towards placing the organization on a sound track, much remains to be done.

The institutional development support to be provided CATCO under the Project will strengthen the financial management capacity of CATCO and facilitate the reduction of operational costs by assuming a significant portion of the ongoing developmental costs incurred by CATCO which are essential for achieving the objectives of this Project. The specific activities are the following:

(1) Financial Management Support. Under the Project, support will be provided to CATCO in business management, through the provision of salary support for a Financial Manager/Controller and through the funding of a bookkeeper for the purposes of this Project.

(2) Developmental Activities Support. Within CATCO, four positions are basically related to developmental activities and required for the implementation of the Project: the EEC funded advisor in post harvest technology, the Field Manager for Dominica and the Leewards, and the Field Manager and assistant for Antigua. The Project will provide salary support on a declining basis for the Field Managers, and operational cost support for their activities during the life of the Project.

(3) Technical Assistance. Under this module, seven person months of short-term technical assistance in the areas of financial management and accounting systems will be made

available to CATCO. It should also be noted that as a principal implementing agency for the production, post-harvest handling, and marketing components of the Project, CATCO will also be provided with technical assistance in the marketing and production areas.

A total of $425,000 is provided for the implementation of this activity.

B. Support to develop baseline data, improved Monitoring and Evaluation. The OECS Agricultural Diversification Program represents an important new activity for the OECS. Inter-country issues such as landing rights, tariff and non-tariff barriers, taxes, and exchange rates significantly affect the competitiveness of regional exports in international markets. The impact of the likely reduction in the U.K. subsidy to local banana production will have repercussions throughout the islands. Yet little work has been done to analyze and evaluate these issues. Statistical information on regional exports is inconsistent, making it difficult to monitor progress and identify bottlenecks and opportunities.

The objective of this activity is to assist the OECS Economic Affairs Secretariat in organizing a sound statistical base for the purpose of monitoring progress towards agricultural export diversification and in analyzing and evaluating constraints to export diversification. Support from this Project to the OECS will finance the monitoring and evaluation of the Agricultural Diversification Program. Funds budgeted for these activities will be used by both the Trade, Economic Policy and Statistics unit and the Policy and Planning unit to gather and analyze baseline agricultural export data. The work will be carried out by existing staff in the OECS's Secretariats. They will participate in the mid-term and final evaluation of the TROPRO Project as well as in the Project's Annual Evaluation and Planning Workshop.

Activities supporting monitoring and evaluation are:

(1) Establishment of a Consistent Baseline Data Base. While there are problems with data collection, relatively simple improvements of formats and commodity categories can be made. The major problem is in consolidating a consistent data set on a timely basis. The Project will provide technical assistance and improved computer facilities for developing the baseline data base.

(2) Evaluation and Studies. On an annual basis, the OECS/EAS will prepare an analytical report on the competitiveness of regional exports. The analysis will

identify the principal constraints to improved export competitiveness, such as productivity, exchange rate, tariffs and non-tariff barriers, labor market rigidities, etc. The report will make recommendations to improve regional competitiveness in international markets. The second major area for analysis to be supported under the Project is related to the impact of a likely reduction of the U.K. preferential treatment of bananas. Two studies are contemplated:

* Economic Evaluation of the Foreign Exchange, Employment, and Income Impacts of a Reduction in Preferential Treatment of Banana Exports.

* Policy Alternatives for Phasing Out the Preferential Treatment of Banana Exports.

Finally, funding is provided for the OECS/EAS to conduct one evaluation per year of a project within the Agricultural Diversification Program.

(3) Technical Assistance. Local and international technical assistance is provided on a short-term basis to collaborate and assist with these studies and to strengthen the capacity to evaluate projects and policies related to diversified agricultural exports. A total of 27 person months of short-term local (21 person months) and international (6 person months) technical assistance is provided. A total of $301,250 is provided for the implementation of this activity.

C. CARDI Support. CARDI will provide accounting and other services to the Project. These services will be funded under the Project and will include cost of providing personnel, equipment and other such inputs to support all project accounting.

I. END OF PROJECT STATUS

While precise quantification of Project benefits is difficult due to the training and institutional development focus of the Project, strong implementation of the Project is expected to result in contributing significantly to the following:

1. Strengthened private sector capacity in the production, post harvest handling, transport, and marketing of agricultural export products. This should result in a 100 percent increase in the volume of non-traditional crops exported, with export earnings reaching at least US $21 million per annum by 1994. This estimate is based on performance indicators in the RDO/C Annual Action Plan for

FY 90-91, Page 18, Objective Number 5 B.

The Project elements contributing to this are training, technical support, technical analysis, field trials, and improved market information. The Project will significantly increase producer and exporter access to information on markets and technologies necessary for agricultural export marketing.

2. Establishment of a reliable intra-island air cargo service serving the needs of agricultural producers and exporters. This is a direct output of the Transportation module.

3. An improved system of agricultural storage facilities at produce shipment and consolidation points. This will be achieved through the activities in Infrastructure Development.

4. A strengthened and sustainable CATCO, capable of achieving a net operating profit and a positive return on investment by 1995.

II. COST ESTIMATES AND FINANCIAL PLAN

A. SUMMARY FINANCIAL PLAN

The total cost of the Project is $6,200,000. AID will provide that amount in Grant funds over the life of the Project. As this is a regional Project, contribution of twenty-five percent of the Project costs in counterpart funding is not required. However, the Grantee will contribute staff for the ADP Coordination Unit, provide office facilities and fund the operational costs of the unit. In addition, the OECS will fund an agricultural economist in the EAS who will dedicate one-half time to the Project. The Grantee will provide over US $1,000,000 during the period of project implementation. In addition CARICOM is expected to provide US $500,000 in funding for CATCO.

The AID funds will finance technical assistance, operational and logistical support costs of training, information dissemination, agronomic trials, procurement of small equipment, and infrastructure for improved storage and transport of perishable agricultural produce. Of the $6.2 million, foreign exchange costs are estimated at $3.03 million and local costs at $3.17 million. The Summary Financial Plan is shown in Table 3.

The detailed budget information is provided in Annex F which shows a detailed budget description for the life of the Project, by module, activity, and cost element. Each cost element is specified by a unit cost and linked to an implementation plan that shows the number of units to be funded in each year of the Project. Based on the cost per unit and the implementation plan, budget amounts for each cost element are generated for each year of Project implementation.

B. AID FINANCIAL INPUTS

1. Production Support. A total of $921,000 is allocated to this module to support training, technical support to producers, and agronomic trials.

a. **Quality Improvement Program.** A total of $337,500 will support CATCO activities in training, technical support to producers, and agronomic trials.

(1) Training and Workshops. The Project will support approximately three workshops per year at a LOP cost of $225,000. This amount covers all costs including travel and per diem of participants and local experts, materials and supplies, and publications.

(2) Technical Support. Project funds in the amount of $30,000 will be used to fund operational and logistical costs, including logistic support to Israeli advisors, of providing technical inputs to producers over the LOP.

(3) Agronomic Trials. Project funds in the amount of $82,500 will be used to carry out small agronomic trials over the LOP. The cost elements of this activity include production inputs such as seed, plant materials, fertilizer, small farm implements and operational and logistical costs.

b. **Mango Improvement Program.** The Project will provide $299,500 to fund training, technical support, and agronomic and marketing trials for this activity. This activity will be directed by OECS CU.

(1) Training and Workshops. Project funds in the amount of $150,000 will be used to support approximately two workshops per year over the LOP. The cost elements include travel and per diem for participants and local experts, materials and supplies, and publications.

(2) Technical Support. The Project will provide $25,000 to support the operational and logistical costs of OECS, including logistic support to Israeli advisors, for providing technical support to producers over the LOP.

(3) Agronomic and Marketing Trials. The Project will provide $124,500 over the LOP to support agronomic and marketing trials for mango improvement. The cost elements of this activity include small field equipment, plant materials, operational costs, and a hot water treatment facility for demonstration and research purposes.

c. **Irrigation and Water Management.** The Project will provide $284,000 to OECS to support training, technical support, and demonstration trials for this activity.

(1) Training and Workshops. The Project will provide $135,000 to support approximately two workshops per year over the LOP in irrigation and water management. The cost elements of this activity include travel and per diem of participants and local experts, materials and supplies, and publications.

(2) Technical Support. Operational and logistical cost support, including logistic support to Israeli advisors, in the amount of $25,000 will be provided to extend technical support and information to producers.

(3) Demonstration Trials. The Project will provide $124,000 to conduct field trials and demonstrations on

irrigation technology and water management practices. The cost elements of this activity include production inputs such as seed, fertilizer, plant materials, small farm implements, water monitoring equipment, and minor irrigation equipment.

d. **Technical Assistance.** Under the AID-Government of Israel Cooperative Agreement, three long-term advisors will be provided for a period of three years starting in FY 1990. Three person months per year of each short-term technical assistance will also be made available. The estimated cost of the technical assistance is $1,575,000. This cost is being funded through an AID/Israeli Cooperative Agreement and is provided at no cost to the Project.

2. Post-Harvest Handling. A total of $1,803,570 will be provided to support training and information dissemination, technical support to producers, limited storage infrastructure, and technical assistance.

a. **Training and Information.** A total of $303,750 will be provided to CATCO to support this activity through seminars and workshops and site visits.

(1) Seminars and Workshops. A total of $225,000 will be provided to support approximately three workshops and seminars per year over the LOP. The cost elements of this activity include travel and per diem of participants and local experts, materials and supplies, and publications.

(2) Site Visits. A total of $78,750 will be provided to facilitate a program of site visits. The cost elements of this sub-activity include international travel and per diem.

b. **Technical Support.** A total of $260,000 will be provided to CATCO to facilitate the improvement of packing technology and increase the understanding and use of refrigerated sea transport.

(1) Box and Packing Technology. The Project will provide $140,000 for studies, experimentation, materials, publications, and operational costs for this activity.

(2) Refrigerated Containers. Under the Project, $120,000 will be provided for studies, travel, experimentation, publications, and operational cost support to increase producer and exporter capacity to utilize refrigerated sea transport.

c. **Infrastructure Development.** A total of $415,000 will be provided to OECS under the Project to establish improved infrastructure facilities for the storage of

perishable agricultural produce.

(1) Cool Storage Facilities. A total of $255,000 will be provided for the purchase and installation of one cool storage facility. Preliminary studies indicate the best location for this unit will be at the St. Lucia airport. This is a prefabricated unit that will be installed at the facility requiring no construction except for minor set-up.This is scheduled for the third year of the Project. See Annex A, Technical Analysis, for more information on this activity.

(2) Storage Sheds. A total of $160,000 is provided for the design, construction, and construction supervision of eight basic storage sheds at produce handling and consolidation points throughout the islands.

d. **Technical Assistance.** Technical assistance for this activity includes 36 months of a long-term advisor in post harvest technologies and 25 months of short-term technical assistance in specialized areas of post harvest handling. The cost of this technical assistance is estimated at $825,000.

3. Transportation. A total of $1,090,000 is provided under the Project to facilitate the establishment of a reliable intra-island air transport service and provision of technical assistance.

a. **Improve Air Cargo Service.** A total of $655,000 is allocated under the Project to provide financial and technical support to the improvement of air cargo service.

(1) Financial Support. Under the Project, financial support of $540,000 is provided to the OECS/ADP Coordination Unit through an AID contract to facilitate the development of a reliable intra-island air cargo service.

(2) Technical Support. The technical support required to facilitate the development and use of the air cargo service includes funding for travel, studies, computer and communications equipment, and operational cost support to OECS and CATCO agency. The funding for this activity is $115,000.

b. **Technical Assistance.** Technical assistance for this activity includes 24 months of a long-term Transportation Advisor and 9 person months of short-term technical assistance in specialized areas of transport management and technology. The estimated cost of the technical assistance is $435,000. This TA will be provided through an AID contract.

4. Market Information System (MKIS) Development. A total of $1,027,250 is allocated under the Project to provide technical information to producers and exporters and technical assistance to the implementation of this module.

a. **Technical Information.** Improved technical information will be provided to producers and exporters through the establishment of a computerized data base, publication of technical analyses, and market contacts. A total of $472,250 is provided to CATCO for these activities.

(1) Computerized Data Base. A total of $129,000 is allocated for the establishment of a computerized data base and training in its use. The cost elements of this activity include the purchase of computer and communication hardware and software, publications, and approximately two workshops per year in the utilization of the data base.

(2) Marketing Technical Analyses. A total of $252,000 is allocated for studies, contracts with local experts, operational cost support, and publication of market analyses.

(3) Market Contacts. A total of $91,250 is allocated for international travel, per diem, and organizational costs for site visits to improve market understanding through direct contacts.

b. **Technical Assistance.** Technical assistance for this activity includes a long-term Agricultural Marketing Advisor for a period of 30 months and 12 person months of short-term technical assistance in specialized marketing areas. The cost of the technical assistance is $555,000.

5. Project Support

a. **CATCO Institutional Development.** A total of $425,000 is allocated for salary support to strengthen CATCO's financial management capacity, operational cost of its developmental activities, and technical assistance.

(1) Financial Management Support. Project funds in the amount of $75,000 is provided to fund on a declining basis the services of a Financial Manager/Controller. It is expected that CATCO will provide full funding of the Financial Manager by PACD. In addition, for the purposes of the Project, a full time bookkeeper will be funded at an estimated cost of $50,000 over the LOP. The total funding for this activity is $125,000.

(2) Development Activities Support. The Project

will fund the salaries of three Field Managers and their operational costs during the LOP. The cost of this activity is $195,000.

(3) Technical Assistance. Technical assistance for this module includes seven person months of short-term technical assistance in the areas of financial management and accounting systems. The cost of the technical assistance is $105,000.

b. **Improved Monitoring and Evaluation.** A total of $301,250 is budgeted to support OECS activities to establish and operate an internal monitoring and evaluation system for the project. Monitoring and evaluation of projects and policies directed towards agricultural export diversification is considered a key to letting management know of the progress and success of the project activities in a timely manner. This activity provides support for improved data base, impact and evaluation studies, seminars, publications and short term technical assistance.

(1) Data Base Construction. Funds in the amount of $62,625 will be provided over the LOP to purchase computer equipment and software, to publish statistical documents, as well as for operational cost support to the activity.

(2) Evaluations and Studies. Funds in the amount of $85,625 will be provided to support the operational costs, publication, and seminars related to studies and evaluations undertaken under the auspices of the OECS/EAS.

(3) Technical Assistance. The technical assistance to be provided under this module includes 21 person months of short-term local technical assistance and 6 person months of international short-term technical assistance. The cost of the technical assistance is $153,000.

c. **CARDI Support.** CARDI will receive $146,000 to offset its core costs for the financial management of TROPRO. The direct costs for additional staffing and purchase of equipment can be met from this allocation. Use of CARDI's existing system will lower costs, ensure adequate accountability and avoid placing additional accounting burdens on the OECS and CATCO.

d. **AID Project Management.** To assist in the implementation of this Project, AID will contract the services of a local professional to serve as Project Liaison Officer. The cost of these services over a three year period is estimated at $120,000. These funds will be obligated under the Grant, but contracting responsibility will be retained by RDO/C.

6. Evaluations and Audits. A total of $102,750 is allocated for a mid-term and final evaluation, as well as periodic financial reviews. These funds will be obligated under the Grant, but contracting responsibility will be retained by RDO/C.

7. Contingencies and Inflation. A 4.5 percent per annum contingencies and inflation factor is used. This represents $262,000 over the LOP.

C: FINANCIAL TABLES

TABLE 3: ILLUSTRATIVE SUMMARY BUDGET BY MODULE/ACTIVITY(1)

MODULE/ACTIVITY	FX	LC	SUB-TOTAL
I. PRODUCTION SUPPORT			
A. QUALITY IMPROVEMENT PROGRAM			
1. TRAINING & WORKSHOPS	45,000	180,000	225,000
2. TECHNICAL SUPPORT	0	30,000	30,000
3. AGRONOMIC TRIALS	0	82,500	82,500
B. MANGO IMPROVEMENT PROGRAMS			
1. TRAINING AND WORKSHOPS	30,000	120,000	150,000
2. TECHNICAL SUPPORT	0	25,000	25,000
3. AGRONOMIC & MARKETING TRIALS	74,500	50,000	124,500
C. IRRIGATION & WATER MANAGEMENT			
1. TRAINING & WORKSHOPS	27,000	108,000	135,000
2. TECHNICAL SUPPORT	0	25,000	25,000
3. DEMONSTRATION TRIALS	12,000	112,000	124,000
*PRODUCTION SUB-TOTAL	$188,500	$732,500	$921,000
II. POST HARVEST HANDLING			
A. TRAINING & INFORMATION			
1. SEMINARS & WORKSHOPS	45,000	180,000	225,000
2. SITE VISITS	78,750	0	78,750
B. TECHNICAL SUPPORT			
1. BOX & PACKING TECHNOLOGY	0	140,000	140,000
2. REFRIGERATED CONTAINERS	0	120,000	120,000
C. INFRASTRUCTURE DEVELOPMENT			
1. COOL STORAGE FACILITIES	250,000	5,000	255,000
2. STORAGE SHEDS	0	160,000	160,000
D. TECHNICAL ASSISTANCE			
1. LONG-TERM	450,000	0	450,000
2. SHORT-TERM	375,000	0	375,000
*POST HARVEST SUB-TOTAL	$1,198,750	$605,000	$1,803,750
III. TRANSPORTATION			
A. IMPROVE AIR CARGO SERVICE			
1. FINANCIAL SUPPORT	0	540,000	540,000
2. TECHNICAL SUPPORT	15,000	100,000	115,000
B. TECHNICAL ASSISTANCE			
1. LONG-TERM	300,000	0	300,000
2. SHORT-TERM	135,000	0	135,000
*TRANSPORTATION SUB-TOTAL	$450,000	$640,000	$1,090,000

TABLE 3: ILLUSTRATIVE SUMMARY BUDGET BY MODULE/ACTIVITY (1) (CONT.)

MODULE/ACTIVITY	FX	LC	SUB-TOTAL
IV MARKET INFORMATION SYSTEM (MKIS)			
A. TECHNICAL INFORMATION			
1. COMPUTERIZED DATA BASE	17,000	112,000	129,000
2. MARKETING TECHNICAL ANALYSIS	0	252,000	252,000
3. MARKET CONTACTS	78,750	12,500	91,250
B. TECHNICAL ASSISTANCE			
1. LONG-TERM	375,000	0	375,000
2. SHORT-TERM	180,000	0	180,000
*MKIS SUB-TOTAL	$650,750	$376,500	$1,027,250
PROJECT SUPPORT			
I. INSTITUTIONAL DEVELOPMENT (CATCO)	105,000	320,000	425,000
II. MONITORING & EVALUATION SYSTEM	99,500	201,750	301,250
III. AID FSN PROJECT LIAISON	105,000	15,000	120,000
IV. CARDI ADMINISTRATION COSTS	0	147,000	147,000
*PROJECT SUPPORT SUB-TOTAL	$309,500	$683,750	$993,250
EVALUATIONS & AUDITS	$102,750	$0	$102,750
CONTINGENCY AND INFLATION (2)	$131,000	$131,000	$262,000
TOTAL PROJECT COST	$3,031,250	$3,168,750	6,200,000

NOTES:
(1) DOES NOT INCLUDE $1,575,000 IN FUNDING FROM THE AID/ISRAELI C.A.
(2) CONTINGENCY AND INFLATION ARE CALCULATED AS 4.5%, P.A., OF ALL COSTS.

TABLE 4: ILLUSTRATIVE SUMMARY BUDGET BY INPUTS (1)
(in US dollars)

COMPONENT	FX	LC	OTHER (3) CONTRIBUTION	TOTAL
1. Field Operations	299,000	1,781,250	1,500,000	3,580,250
2. Technical Assistance	1,815,000	0	0	1,815,000
3. Commodities	431,500	153,000	0	584,500
4. Transport	0	540,000	0	540,000
5. Training	147,000	388,500	0	535,500
6. Construction	0	160,000	0	160,000
7. Project Liaison Officer	105,000	15,000	0	120,000
8. Evaluation & Audit	102,750	0	0	102,750
9. Contingency & Inflation (2)	131,000	131,000	0	262,000
TOTAL	3,031,250	3,168,250	1,500,000	7,700,000

NOTES:
(1) DOES NOT INCLUDE $1,575,000 IN FUNDING FROM THE AID/ISRAELI C.A.
(2) CONTINGENCY AND INFLATION ARE CALCULATED AS 4.5%, P.A., OF ALL COSTS.
(3) GRANTEE CONTRIBUTION REPRESENTS US $1,000,000 IN LOCAL COST SUPPORT FOR OECS CU AND A CONTRIBUTION BY ECS OF US $500,000 IN ECU CURRENCY THROUGH CFC FOR CATCO OPERATING COSTS.

TABLE 5: OBLIGATION PLAN (1)
(in $000)

	FY 89	FY 90	FY 91	FY 92	FY 93
Obligation	1,175	1,425	1,400	1,200	1,000
TOTAL	1,175	2,600	4,000	5,200	6,200

(1) All funds are from ARDN Grant Funds.

TABLE 6: METHODS OF IMPLEMENTATION AND FINANCING

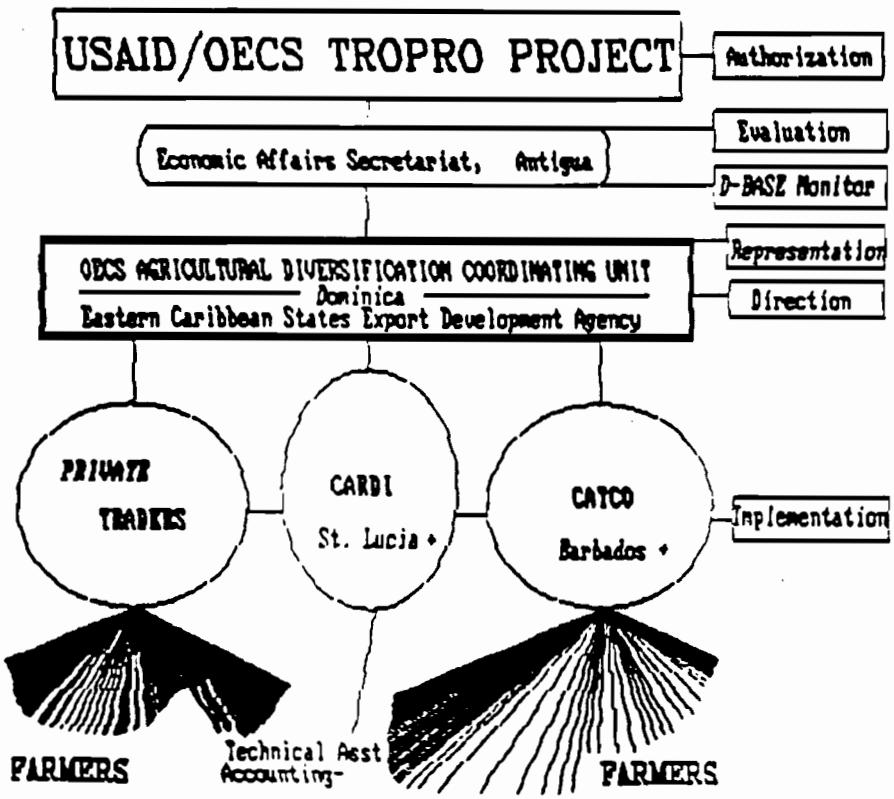
PROJECT ACTIVITY	METHOD OF FINANCING	AMOUNT (in $000)
1. Project operations	Direct Reimbursement	1,185
2. Technical Assistance:		
A. Production, Post-harvest Handling, and MKIS	Host Country Contract	1,380
B. Transportation	AID Direct Contract	435
3. Commodities	Host Country Contract	568
4. Transport (Air)	AID Direct Contract	655
5. Training	Direct Reimbursement	635
6. Construction	Host Country Contract	160
7. Project Liaison Officer	AID Direct Contract	120
8. Evaluation and Audit	AID Direct Contract	102
SUB-TOTAL		$5,836
Inflation and Contingency		262
GRANT TOTAL		$6,200

III. IMPLEMENTATION AND MONITORING ARRANGEMENTS

A. INSTITUTIONAL RELATIONSHIPS

Because the project builds upon (and will be implemented by) existing regional institutions, the OECS, CATCO and CARDI, it is important to describe how they will work together towards common goals. The grantees which will sign the project agreement with AID are all well-established, functioning institutions sharing similar mandates to serve and to improve the agricultural sector in the Eastern Caribbean.

The primary grantee of the project is the Organization of Eastern Caribbean States (OECS), which represents the six countries of the Project Area. Within the OECS the focal point for implementation of the project is the ADP Coordinating Unit established by the OECS Heads of Government in Dominica. While day-to-day implementation actions will be initiated or approved by the ADP unit in Dominica, that office reports to the OECS Economic Affairs Secretariat, which the OECS governments designated as the official coordinator of the regional agricultural diversification program. CATCO and CARDI will carry out their respective implementation responsibilities as described below, under the oversight of the ADP Coordination Unit. The general organization structure of the Project is shown in Illustration 1 below:



As explained in the detailed Institutional Analysis (Unattached Annex C), the institutional arrangement planned for the Project is the most feasible and cost effective for the Eastern Caribbean because it builds upon existing institutional strengths of key regional and national institutions working in the agricultural sector. It also leads to efficiency because it is part-and-parcel of the diversification plan approved by the six governments of the OECS---that plan involves the Caribbean Development Bank, the OECS, CARDI and the Inter-American Institute for Cooperation on Agriculture (IICA)--with promise of stimulating and coordinating the entire diversification effort in the Eastern Caribbean.

B. DETAILED PROJECT MANAGEMENT RESPONSIBILITIES

This section includes details delineating responsibilities of the implementing units described above. Those seeking additional information should consult Attached Annex G and Unattached Annex C for additional discussion on the organizational relationships and budget allocation for Project management.

A Joint Management Committee will be formed of the principal implementors of the Project to plan and review project activities. This committee will meet periodically, but at least quarterly, for this purpose. Members of this committee will be the OECS Project Manager, a representative of CARDI, a representative of CATCO, the USAID Project Officer as an observer, and others as identified by the Project Manager.

The major implementation activities are:

1. Production Support. Responsibility for implementation of the three activities under this module is split between CATCO and the OECS/ADP Coordination Unit. CATCO is responsible for Activity A, Quality Improvement Program, while the ADP Coordination Unit is responsible for Activities B and C: Mango Improvement Program and Irrigation Technology and Water Management. The activities of the Quality Improvement Program are a continuation of CATCO's current developmental activities.

While the OECS lacks prior experience in agricultural programs, the two programs will be supported by the Israeli Technical Assistance Team and much of the actual execution will be carried out by local research and extension services and producer associations. The Israeli technical assistance team will be assigned to the ADP Coordination Unit.

Technical assistance under Module 1, Production Support, will be provided under the AID-Government of Israel Cooperative Agreement (930-0185). The remainder of the technical assistance will be contracted either by AID or through local contracting using competitive procedures outlined in AID procurement handbooks. Wherever possible, SBA and Section 8A firms will be utilized.

2. Post-Harvest Handling. The responsibility for implementation of the three activities of this module is split between CATCO and the ADP Coordination Unit. CATCO will be responsible for implementing Activities A and B: Training and Information and Technical Support. The ADP Coordination Unit will be responsible for Activity C, Infrastructure Development, because it requires working with local governments and airport authorities.

The post harvest technologist will work in CATCO, but collaborate with the ADP Coordination Unit in implementing the Infrastructure Development activity. RDO/C will issue the procurement documents for the purchase of the single cool storage facility. The construction of the storage sheds will be done through Host Country contracting procedures.

To implement its portion of this module CATCO will be strengthened institutionally. CATCO will secure the services of a Financial Manager and Bookkeeper through competitive, open, procedures and in line with market salary levels. Short-term technical assistance will also be provided under the technical assistance contract.

3. Transportation. The transportation module will be implemented by the ADP Coordination Unit. The long term sea and air transportation technical advisor will be assigned to the ADP Coordination Unit to collaborate and assist in implementing of this module. An RFP for competitive selection of an air carrier to establish a reliable intra-island air cargo service will be issued, once the transportation advisor and the OECS develop an RFP and the Grantee meets the Conditions Precedent of this activity.

4. Market Information System. CATCO will be responsible for implementing this module. A long term technical advisor in agricultural marketing will collaborate and assist CATCO. Procurement of computer and communications equipment will be undertaken directly by CATCO but it must be compatible with that of the EAS, the ADP unit, and CARDI.

5. Project Accounting. CARDI, with support from RDO/C under the FSRDP and AREP projects, developed and maintains a computerized, decentralized, AID compatible accounting system. In January of 1989 AID carried out a review of

CARDI's financial management capability in order to assess its ability to manage and report on the use of AID funds. The review concluded that CARDI has the financial management capability required by USAID, and that the organization's system of internal control is considered to be in accordance with the standards laid down by USAID. CARDI will provide the accounting services for the project. This activity will be reinforced by inputs that assist with the cost of personnel and equipment.

Two other project management responsibilities are noteworthy; USAID's management and the Joint EAS/AID evaluation monitoring, and audit activities.

a. AID Management. A.I.D. will assign a Project Officer, from among its direct-hire staff, to be responsible for oversight monitoring of the Project. The Project Officer will have frequent contact with high level personnel of CATCO and the OECS's Economic Affairs Secretariat and with the OECS Project Manager, on progress of the Project and its various components. The Project Officer will assess Project activities to insure that they are appropriate and timely, will support technical assistance and counterpart personnel, and will interface with other organizations involved in the Project or in related activities.

The Project Officer will be the individual responsible within A.I.D. for the preparation of various project documents and for following up on the processing of financial documents. The Project Officer will be assisted by a Project Liaison Officer who will be responsible for assisting with day-to-day implementation of the Project. The Liaison Officer will foster appropriate collaboration between AID and the various implementing agencies and assist the Grantee in ensuring that project activities are occurring on schedule and according to the annual work plan.

b. Evaluation. Formal evaluations will take place twice during the life of the Project.

The first of these will be conducted during the second or the third year of the Project. A.I.D. and the OECS will jointly form a team of qualified personnel from A.I.D., the OECS, and CATCO, supplemented by outside evaluators from one or more consulting firms, universities, or regional institutions (such as the Caribbean Agricultural Research and Development Institute, the Inter-American Institute for Cooperation on Agriculture, the Caribbean Development Bank, or the Caribbean Common Market).

The evaluators will carry out analyses on the various Project activities and make recommendations on improvements.

They should also examine whether the project is moving satisfactorily toward achieving its objectives and determine whether these objectives are realistic, in the light of baseline data generated by the OECS.

This evaluation will be a critical evaluation for the RDO/C. It must recommend whether the project should be continued, modified, or terminated. Particular attention will be paid to:

1) the degree of acceptance of the project by host country governments, marketing organizations, farmers and farmers' organizations;

2) the extent to which women have been brought into the wholesale production and marketing of non-traditional crops;

3) evaluating the degree of coordination between the various implementing agencies, OECS, CATCO and CARDI and determine their effectiveness in the management of the project;

4) the effectiveness of the internal monitoring system in identifying problems and accomplishments;

5) how good the data base system has been as a project management tool;

6) the effectiveness of training and technical assistance in achieving project purpose;

7) the effectiveness of storage sheds in improving the collection and marketing of fruit;

8) the extent to which grading packing and handling techniques, on the part of the major exporters, farmers and farmer's organizations in the region, have been improved; and,

9) the extent the project has affected the production and export of non-traditional agricultural exports.

The final evaluation will be conducted at the beginning of the fifth year of the project by the OECS, CATCO and A.I.D., supplemented by outside evaluators as appropriate. This in-depth analysis will focus on the impact of the Project in achieving its purpose and satisfying its goal. The evaluation should determine whether:

1) the economic environment for non-traditional

exports has improved in the OECS;

2) inter-island air freight service has been improved;

3) CATCO has been transformed into a financially viable trading company;

4) there has been an increase in the production of products suitable for the export market as well as an increased value of non-traditional agricultural exports. These increases should be quantified where possible.

It should also provide guidelines on how to assure that the Project's achievements are sustained subsequent to the PACD.

The methodology for the evaluation will be developed by the OECS/EAS. The baseline data which they have collected will be used as indicators for monitoring and evaluating the project. Other useful sources of information will be CATCO and CARDI reports and individual country statistics.

c. Audits

(a) Unless A.I.D. determines to the contrary, A.I.D. will contract with an outside accounting firm to carry out audits or financial reviews of the Project each two years, including those operations of CATCO and the OECS relevant to the Project. The audits or reviews will be paid for from the Project. In accordance with the Project Grant Agreement, CATCO will carry out annual internal audits, the results of which will be made available to A.I.D. In addition, as provided for in Annex 2 of the Project Agreement, A.I.D. may audit the Project and its participating institutions as A.I.D. deems advisable.

(b) CARDI is required to be externally audited annually. CARDI shall provide AID with a copy of the audit report. Should AID determine it necessary, a special audit of CARDI may be required. The cost of this audit would be paid from the project.

C. PROCUREMENT PLAN

Most of the commodities, or goods, being purchased in this Project are of small value (under $25,000), and include items such as seeds or propagated/tissue-culture-origin plants, hand-tools, and office equipment including personal computers. Unless the Grantee requests otherwise these items will be purchased under host-country contracts, in accord with applicable requirements specified in AID Handbook 11. CARDI is familiar with the host-country contracting procedure and incorporates most AID regulations into its handbook entitled, Uniform Accounting and Administrative Procedures Manual. That Manual will be the basic administrative and procurement guidebook for the project, except for a few cases where AID becomes more directly involved in procuring commodities. In such exceptional cases procurement and payment for commodities is, according to the CARDI Manual, authorized directly by the donor [AID], rather than CARDI (see section 2.4.10 of the CARDI Manual.)

In the past CARDI augmented its own procurement capacity by utilization of a sister US agricultural research organization, SECID, the SouthEastern Consortium for International Development, to make U.S. procurement. It may do so again, provided that AID approves any such procurement contract with a stateside organization.

Host country contracts will be used to obtain services of technical assistance advisors (except for the advisors anticipated to be funded from the A.I.D.-Israel Cooperative Development Program) directly from consulting firms, universities, or international organizations. A.I.D. may be

requested by the Grantee to disburse directly to that entity for salaries and other direct expenses.

Host country contracting for procurement of storage sheds and other major procurement is envisioned. If requested, A.I.D. may disburse directly to the provider of these procurements. Other procurement will be carried out by CATCO or the OECS, through CARDI as appropriate, from local or foreign suppliers in accordance with A.I.D. regulations and in accordance with procedures to be spelled out in Project Implementation Letters. A.I.D. will provide advance of funds or reimbursement for such expenditures in U.S. dollars, in accordance with the terms of this Agreement, A.I.D. regulations, and Project Implementation Letters.

The Project anticipates taking several actions that will lead to improved air cargo transport under Module 3. Technical assistance will be utilized to determine the best methods and methodology that will lead to this improved service. In order to assure shippers adequate space and potential investors an adequate return, it may be necessary to partially fund air service to help develop a reliable inter-island air cargo system that can stand on its own. Should this be required, it is anticipated that such service will be obtained through a competitive bidding process under which the terms of the arrangement are carefully spelled out. A.I.D. will be involved in the decision as to whom the contract award or awards will be made.

D. IMPLEMENTATION PLAN

The following indicates the principal milestones to be achieved during the LOP, by quarter and by responsible executing agency. This is the initial estimate of the implementation schedule, throughout the life of the Project, made by the design team. An actual schedule of these activities will be developed in conjunction with the Project management team during the second quarter of the Project. A revised implementation plan will then be formalized through a countersigned project implementation letter (PIL).

The major milestones for the first year of Project implementation are as follows:

Action	Responsible	Quarter
* Issuance of PIL No. 1	RDO/C	1st
* Project Planning Workshop	Management Committee	1st
* Submission of legal opinion and authorized representative	OECS/ADP/CU	1st
* Submission of Annual Operating Plan and Budget	Management Committee	1st
* Contract FSN/PLO	RDO/C	1st
* Sign MOU for Israeli TA	OECS/ADP/CU	1st
* Issue RFP for TA	RDO/C	1st
* Contract Financial Manager and Bookkeeper	CATCO	1st
* Establish Accounting System	CARDI	1st
* Approval Annual Operating Plan and Budget	RDO/C	1st
* Initiate Study on Impact of Termination of Banana Subsidy	OECS/EAS	2nd
* Submission of Procurement Plans	CATCO,ADP/CU	2nd
* Arrival Israeli TA	RDO/C, AID/W	2nd
* Approve Procurement Plans	RDO/C	2nd
* Design Agronomic Trials	ADP/CU,CATCO	2nd
* Initiate Training & Workshops	ADP/CU,CATCO	2nd
* Initiate Agronomic Trials	ADP/CU,CATCO	2nd
* Initiate Site Visits	CATCO	2nd
* Submit A & E Design for Storage Sheds	ADP/CU, RDO/C	2nd
* Issue HC contract for Shed Construction	ADP/CU	2nd
* Issue RFP for Air Cargo Service	RDO/C	3rd
* Initiate Market Contacts Program	CATCO	3rd
* Finish Construction 2 Sheds	ADP/CU	4th
* Submit Evaluation Report on Construction	ADP/CU	4th
* Effect Procurement	RDO/C, CATCO	4th
* Select Contractor for TA	RDO/C,CATCO,ADP/CU	4th
* Evaluate Training Programs	CATCO,ADP/CU	4th
* Review and Evaluate Field Trials	CATCO,CARDI,ADP/CU	4th

Many of these tasks require technical assistance to complete. As shown in the budget, short term technical assistance is provided for in the first year of operations. This technical assistance will be secured directly by RDO/C to facilitate Project technical progress while contracting of the TA contractor is in process.

The major milestones for the second year of Project implementation are as follows:

Action	Responsible	Quarter
* Evaluation and Planning Workshop	Management Committee	1st
* Submit Annual Operating Plan and Budget	Management Committee	1st
* Arrival of TA Advisors	RDO/C	1st
* Let HC contract for Storage Sheds	RDO/C, ADP/CU	1st
* Initiate Storage Shed Construction	ADP/CU, RDO/C	1st
* Installation Irrigation Demo.	ADP/CU	1st
* Establish Computerized DBase	CATCO	1st
* Initiate Marketing Tech Publications	CATCO	1st
* Initiate Box-Packing Activity	CATCO	1st
* Initiate Reefer Transport	CATCO	1st
* Issue RFP for Cool Storage	RDO/C	1st
* Issue HC contract for 2 Sheds	ADP/CU, RDO/C	1st
* Complete construction 2 Sheds	ADP/CU, RDO/C	2nd
* Conclude Banana Impact Study	OECS/EAS	2nd
* Evaluate Utilization of Sheds Constructed Prior Year	ADP/CU	2nd
* Initiate Training in Soil	ADP/CU	2nd
* Select Air Cargo Service Conservation	AID/OECS Committee	2nd
* Initiate Air Cargo Service	ADP/CU	2nd
* Installation Hot Water Facility	ADP/CU	2nd
* Financial Analysis of Transport Carrier, 6 month	ADP/CU	4th
* Ongoing Training and Workshops	CATCO,ADP/CU	ongoing
* Ongoing Agronomic Trials	CATCO,ADP/CU	ongoing
* Ongoing Technical Support to Producers	CATCO,ADP/CU	ongoing
* Ongoing Site Visits	CATCO	ongoing
* Ongoing Market Contacts	CATCO	ongoing

By the third year of implementation, many of the activities should be ongoing and standard, particularly such activities as training, technical support to producers, agronomic trials, site visits, market contacts, and market information. Aside from these ongoing activities, the major milestones for the third year of implementation are as follows:

Action	Responsible	Quarter
* Evaluation and Planning Workshop	Management Committee	1st
* Mid Term Evaluation	RDO/C	1st
* Installation of Cool Storage Facility	ADP/CU, RDO/C	1st
* HC contract and Construction of 2 Storage Sheds	ADP/CU, RDO/C	1st
* Financial audit of project	RDO/C	1st
* Financial Analysis of Transport Carrier	ADP/CU	2nd
* Transport Advisor Finishes Tour	RDO/C	4th
* Israeli TA Program Terminates	RDO/C	4th
* Financial Analysis of Transport Carrier, 18 month	ADP/CU	4th

By the fourth and fifth years of Project implementation, almost all activities are in the category of continuing. The major milestones for the fourth year include:

Action	Responsible	Quarter
* Evaluation and Planning Workshop	Management Committee	1st
* Construction of Additional Storage Sheds	ADP/CU, RDO/C	1st
* Execution of Mid Term Evaluation Recommendations	Management Committee	1st
* Financial Analysis of Transport Carrier, 24 month	ADP/CU	2nd
* Marketing Advisor Finishes Tour	RDO/C	4th
* Continuing Technical Support to Transport Carrier	ADP/CU	ongoing

The major milestones for the fourth year include:

* Evaluation and Planning Workshop	Management Committee	1st
* Financial Audit of Project	RDO/C	1st
* Continuing Technical Support to Transport Carrier	ADP/CU	ongoing

IV. SUMMARY ANALYSES

A. SUMMARY TECHNICAL ANALYSIS

1. Constraints

Constraints to be addressed by this project:

- Inappropriate Production Technologies
- Post-harvest Handling, Farm to Port
- Lack of Proper Facilities at Ports
- Lack of Market Information
- Irregular Transport Services
- Lack of Effective Demand for Marketing Services

2. Problem Statement. The export of bananas is the principal earner of foreign exchange. Total exports of the OECS countries in 1988 were approximately $280.0 million. Bananas accounted for $138.0 million, almost fifty percent of total regional exports and some sixty percent of Windward Island exports. The OECS banana producers enjoy preferential treatment in the U.K. market under the Lome Convention. The agreement expires in 1992. Under this agreement, the OECS banana producers receive a subsidy equivalent to approximately thirty percent above international prices. When the agreement expires, EEC economic integration will take place, removing trade barriers among EEC countries. Elimination of trade barriers will force OECS banana producers into a more competitive environment. It will also make it difficult for the U.K. to maintain a general price subsidy in favor of OECS bananas. There is a strong likelihood of reduced prices and a reduced market share.

Given the significance of bananas in regional foreign exchange earnings, the impact of such reductions on foreign exchange, employment, land use, farm income, and growth are significant. The dependence on a single, subsidized commodity for foreign exchange leaves the OECS countries ill-prepared to meet the demands of the international market place.

In response to this situation, the OECS countries have outlined a strategy (See Unattached Annex K) oriented towards (a) maintaining and increasing their market share of traditional exports (i.e. bananas) through increased competitiveness via improved productivity, (b) maintaining and increasing their market share of traditional exports to the ethnic market through increased reliability and quality of supply, (c) introducing new commodities on a larger scale into this market, (d) strengthening the development of potential "crossover" commodities that can enter the non-ethnic market, and (d) increase sales to the U.S. market.

While this represents a reasonable approach, the constraints enumerated above significantly inhibit achievement of these goals. Because of the above constraints, post-harvest losses of non-traditional export commodities are estimated from 40 to 60 percent of the volume exported. Thus assuming total NTAX on the order of 4000 tons and an average price of $0.80 to $1.00 per pound, the value of the annual loss of exportable produce is from $2.6 to $4.8 million.

In addition, the high loss rates make production for export quite risky, thus effectively discouraging potential export producers from even entering the market. Further, the high loss rates limit the capacity of exporters to consolidate packing and shipping to provide reliable market supplies, thereby limiting market expansion. Finally, to the extent that the market price is a price band, with premiums and deductions for quality differentials, the variable quality represents a lost opportunity for the higher quality price.

Despite the soil, water, and solar energy resources required to competitively produce a fairly wide variety of fruits, vegetables, and root crops demanded in different international markets, the problems of limited production, production which does not meet the quality specifications of international markets, or which deteriorates rapidly after harvest are attributable to farm and market failures and practices. Producer and exporter experience with international markets is limited. Infrastructure is weak. Farmer and exporter knowledge of market quality specifications and approved pesticide practices is limited. Adaptive research on potential new exotics is limited. Existing market and technical information is also limited. Again, the dependence on a single commodity to a single market leaves OECS countries ill-prepared to meet the challenge implied by reductions in that market.

3. Project Response. In line with the OECS strategy outlined above, the objective of this Project is to facilitate and encourage development of a more diversified agricultural export base through improved farmer and exporter knowledge of markets and technologies, improvements in limited, but crucial, infrastructure, and the provision of improved transport and marketing services.

The strategy reflects the knowledge and experience gained through evaluation of regional needs as defined by regional institutions such as CATCO and the OECS Agricultural Diversification Coordinating Unit, as well as of the specialist comprising the Project Identification Team and the

Project Design Team.

The four modules and other activities were identified as appropriate interventions for implementation considering the regional technical strength, constraints posed, and the ability to absorb new technological and financial inputs. The principal activities are:

Module 1. Production Support. The objectives of the production Support module are to (a) increase reliability and quality of supply through improved agronomic practices and technologies, (b) reduce post harvest losses and product quality deterioration through improved harvesting and post-harvest packing and storage practices and technologies, (c) strengthen development of potential "crossover" commodities, principally mangos at this stage, and (4) strengthen development of minor exotics through increased marketable quantities and qualities. These objectives will be supported through three Project activities: a quality improvement program to support diversified production, a mango improvement program, and an irrigation and water management program.

Module 2. Post Harvest Handling. The most significant reduction in post harvest losses comes from use of correct agronomic practices and proper handling immediately after harvest, assuming reliable downstream transportation. Thus considerable emphasis is given to getting the produce out of the sun, reducing field heat, provide adequate packaging and rapid transport. Specific commodity requirements and local practices will determine in each case appropriate technological interventions. Three specific interventions are proposed: training and information, technical support, infrastructural support.

Module 3. Transportation. Quality, regularity, and reliability of cargo transport service is the constraint to increased agricultural exports most often named by exporters and producers. The objective of this module is to facilitate development of a dedicated freight cargo service, primarily oriented towards agricultural produce.

Module 4. Market Information System (MKIS). A recent survey of exporters in the region indicates that after the lack of a reliable inter-island air cargo transportation system, the scarcity of market information is the most significant constraint to export development. This reflects, in large part, the recent entry and limited experience of most exporters.

The lack of information on the US market is particularly significant. The significance of this

constraint varies among countries, however. Countries with experience, such as St. Lucia, and larger exporters, are generally familiar with market requirements and processes. However, diversification of exports to new markets, such as the US, and/or to markets outside the traditional ethnic market of established trading partners, is constrained by a lack of market knowledge.

The objective of this module is to increase market knowledge through access to computerized commercial data bases and through improved market contacts.

In addition, the project will provide funding, equipment and technical assistance to OECS, CATCO and CARDI to assist in establishing a project monitoring and evaluation system as well as providing increased capability within CARDI to strengthen the project accounting and contracting.

4. Specific Actions to Achieve Project Purpose. The project will provide specific inputs to mitigate constraints to increasing exportable non-traditional agricultural production in the region. These inputs will be procured and managed principally by the grantee institutions. Their institutional capability has been demonstrated to be adequate for the task and is further described in the Institutional Analysis.

RDO/C will manage selected procurement and will contract for the services of a Project Liaison Officer to assist in coordination of the many project activities as well as providing technical assistance where necessary. A USDH Project Officer will be assigned to provide oversight of this project.

a. Training. The project will fund considerable training (10.2% of total funds) to lead to long-term institutional strengthening. Training will come from local sources such as UWI, CATCO and CARDI and other sources external to the region when needed. This training will be conducted for professionals in workshops and seminars and for field representatives and farmers in the field. It will be primarily oriented toward applied technologies and will be supplemented by information developed in the different modules of the project.

b. Technical Assistance. Technical Assistance (TA) inputs will be oriented to specific problem resolution (short-term) or to development of systems and methodology (long-term). TA for the Production Module will be provided through the AID/Israeli Cooperative agreement. Additional TA will be funded by USAID and will be contracted through direct procurement by RDO/C or through Host Country

procurement procedures.

TA will be obtained through competitive procedures to assure both appropriate expertise and reasonable cost. Most TA will be provided to OECS through the office of the Project Manager although some will be provided to CATCO. The level of TA and the categories of assistance are sufficient to achieve the goals of the project. TA funding represents 29% of total project costs.

c. Commodities. Commodities will be provided as required to support project activities. These serve two categories. The first is for direct support to produce processing and handling. A cold storage facility and a hot water dip tank are examples. The second category includes equipment and supplies required to conduct the day-to-day operations of the project. They include supplies, computer hardware and software, tools, etc. The commodities provided are sufficient to support the needs of the project. Commodities represent 9.2% of total project funding.

d. Construction. Construction of shade sheds at holding points for produce is an important input that leads directly to quality improvement. These sheds will be run by private sector groups and will eliminate a major roadblock to improving transport and handling systems for agricultural produce in the region. Construction costs represent 2.5% of the project costs.

e. Transport. Adequate air and sea transport are major constraints to achieving the development of an export market for the region. A basic need when handling perishable goods is moving the goods to market as quickly and predictably as possible. Air transport in the region is inconsistent and unpredictable. The Project will provide both technical assistance and direct funding to improve air transport for cargo. The project will coordinate the actions of OECS and CATCO to press for better services from existing carriers and to explore other options. This action will be carried out early in the first year of the project and will result in improved air service by the second year of the project, coinciding with the construction of airport handling facilities (sheds) for the production season.

Sea transport is also of concern and represents an opportunity as well. On some islands, sea transport will be more important than air. This will be verified during the first year of project implementation. The chances are good that by PACD regional transport will be adequate to meet the needs of the non-traditional export market.

Transportation assistance represents 14% of total Project

costs.

f. Operational Cost Support The largest input in funds goes to supporting operational costs of implementing and managing this project. These costs represent administration costs of accounting, monitoring and evaluation, as well as field operational costs. Most of the grantee contributions will be provided in this area as well. The funds provided will significantly improve the ability of the implementing agencies to directly support and direct the production, development and implementation of improved produce preparation for exporting while allowing better understanding of the requirements of the competitive export market. The funds and activities planned for supporting operations are sufficient for achieving the purpose of the project. Funding for this input represents 36.2% of total project funds.

g. Other Considerations.

(1) Project Staffing. CATCO and the OECS Coordinating Unit will be required to provide additional staffing to adequately implement this project. They have committed themselves to do this. Project funds will be provided from AID and the Grantee to cover the costs of this increased staffing. In addition, the project will improve the institutional capability of CATCO by partially funding a Financial Manager position which will help alleviate CATCO's financial management gap. More intensive management by AID staff, including the AID Liaison Officer, will assist the Grantee in achieving targets in a timely manner.

2) Monitoring and Evaluation. Establishment of a project monitoring and evaluation system will give project managers a continuous feedback system that will quickly identify problems and successes for this project carried out on many sites. This system could lead to region-wide institutional improvement if successful and adopted in other OECS projects.

3) Regional Acceptance. The project follows the OECS Agricultural Diversification Programme already accepted in the region. During project design all elements were discussed with regional institutions and are acceptable to them.

5. General Statement. The project is judged to be technically feasible and should achieve its purpose by PACD. For additional details see Annex A, Technical Analysis.

B. SUMMARY ECONOMIC ANALYSIS

The basic assumptions of the economic analysis are that (1) OECS exporters face a perfectly elastic demand curve for their products in the international market, (2) the process of diversified agricultural exports has begun and will continue, but that (3) a significant proportion of current production supply is not marketable in the international market because of inappropriate production practices, inadequate post-harvest handling practices, and limited storage, and transport services and infrastructure.

It should be noted that the Project does not directly increase the area planted to a specific commodity. Further, it provides only limited direct support to increasing yields per acre through technological change.

The main focus is the reduction of post-harvest losses through increased farmer and exporter knowledge of practices and technologies for the proper care and handling of agricultural commodities in the marketing chain. Thus the question for the economic analysis is whether the value of the savings from reduced post-harvest losses, resulting from increased knowledge and better marketing infrastructure, discounted appropriately over time, sufficiently exceeds the discounted value of the investment in human capital and infrastructure to warrant an investment of funds that has alternative uses. The opportunity cost of investment funds is commonly held to be appropriately 12 percent.

The methodology commonly applied for analysis of post-harvest losses is to estimate growth paths of exportables to be supported under the Project and to derive the value of annual losses by commodity that would occur with no change in post-harvest handling, transport, and storage practices and technologies at different stages of marketing. The present value of these losses is then calculated, using an appropriate discount rate for the opportunity cost of investment funds. Specific Project supported interventions in the marketing chain are then identified, and the value of the annual losses that are prevented by these interventions is calculated. The appropriately discounted value of these savings (i.e., the value of losses that otherwise would occur) is then compared to the discounted value of Project costs so as to calculate a benefit-cost ratio or internal rate of return.

This fairly straightforward approach is complicated in this case by two considerations. First, the focus of the Project, and the principal means by which changes in post-harvest practices and technologies are to be brought about, is through training and improved knowledge of markets

and technologies.

For example, the Project design does not specify a new packaging technology or provide the credit funds or otherwise procure machinery and materials required to produce that packing output. The Project provides information and training to packers and box manufacturers about alternative packing technologies. The link between Project costs for training and information to a new packing box that reduces post-harvest losses is indirect.

With new information, packers and/or box manufacturers may or may not begin to produce a more appropriate box for agricultural produce. If they do, it is unknown whether that improvement will occur in the second or fifth year of the Project, whether it will be appropriate for breadfruit or for mangos, and by how much the improved packing technology will, by itself, reduce post-harvest losses.

The principal unknown is the extent and rate of adoption of the practices embodied in the increased knowledge. Like leading a horse to water, it is difficult to foresee if he will drink, how much he will drink, when he will do it, and how much better he will gallop after drinking. In short, it is difficult to directly link the major investment categories of the project with identifiable quantitative outputs.

The second complication for the economic evaluation is the difficulty in specifying quantitatively the potential benefits of the Project. While it is common knowledge that post-harvest loss rates are high, there is no commodity specific information on post-harvest losses. Nor is there information identifying the specific points in the marketing chain where those losses are most significant and the magnitude of those losses.

Clearly, of course, when produce is picked with improper harvesting practices, field heat is not reduced before packing in inappropriate boxes with no protection filler, and left sitting in the sun in an airport for six hours awaiting transshipment, it is difficult to separate out the contribution of the different factors in the total value of the loss. Data exists on what is shipped and sold, not on what is harvested but not shipped or what is shipped but not sold.

Two relatively recent analyses[2] of non-traditional agricultural export commodities supply some relevant information for analyzing the economics of post-harvest losses. In one study, the net economic benefits of an investment in research and extension was estimated. The commodities analyzed included a significant set of non-traditional agricultural exports. The second study, using farm budgets for non-traditional agricultural export commodities, calculated financial and economic rates of return for projected growth in those commodities.

In the former study, the rate of return to research and extension on non-traditional export commodities ranged from 18 percent in plantains to 70 percent for dasheen and eddoes. The total net present value of the eight non-traditional commodities analyzed was $7.98 million (EC$21.55 million).

It is noteworthy that the analysis assumed that the entire production increase resulting from the adoption of improved technologies will be sold in the export market. That is, the relatively high rates of return assume negligible post-harvest losses.

The second study (Unattached Annex H) is the most pertinent to this Project. It analyzes a set of eleven non-traditional export commodities and uses farm budgets to estimate financial returns to producers and economic returns to society for expanded production and export of these commodities. Fixed and variable production costs for each commodity are presented for a ten year period and held constant for an additional ten years.

Land rent and labor costs are calculated using the opportunity costs of those resources. A ten percent return to management is also included. Where ranges were available for the analysis, the most conservative estimates were used (i.e., lowest price, lowest yield, highest costs). Projections of area expansion, crop rehabilitation, and yield increases were based on current tendencies.

The analysis makes specific assumptions regarding the growth of exports, by commodity, for a twenty year period and calculated the internal rate of return for a US$7.5 million investment in general improvements in the marketing system. The estimated internal rate of return for marketing

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[2] These studies are:

a. Analysis of the Net Economic Benefits of Agricultural Research and Extension in the Caribbean, Annex F of the AREP Project Paper

b. Financial Analysis of TROPRO, Unattached Annex J.

improvements to increased exports of the eleven non-traditional agricultural commodities is estimated to be 20.3 percent.

The two studies demonstrate that production of non-traditional export commodities is generally profitable for farmers and for society as a whole. The latter study, which makes specific assumptions regarding the growth of exports, is the most pertinent for this Project. While the analysis, for the reasons described above, does not explicitly link Project interventions to reductions in post harvest losses, it demonstrates that growth in exports of non-traditional agricultural commodities supports the Project investment in improved marketing systems with an internal rate of return on the order of 20 percent.

C. SUMMARY INSTITUTIONAL ANALYSIS

1. Overview

The Project will be implemented through three regional organizations; the Organization of Eastern Caribbean States (OECS), the Caribbean Agricultural Trading Company (CATCO), and Caribbean Agricultural research Development Institute (CARDI). These organizations will have specific responsibilities for the implementation of individual components of the Project. The Project Agreement will be signed with the OECS and CARDI.

The OECS project implementation responsibilities will be managed by the recently established Agricultural Diversification Program (ADP) Coordinating Unit in Dominica and the Economic Affairs Secretariat (EAS) in Antigua. CARDI will provide accounting and procurement services and other technical services as required.

Presently the OECS Economic Affairs Secretariat (EAS) is managing several RDO/C funded projects. This Project is assisting the OECS in developing its management skills related to Agricultural Production. The OECS has significant potential to bring about true regional development and is becoming more influential in decisions that are bringing about structural changes in the administration of the area. The key activity that OECS will lead is agreement to a regional air cargo carrier's landing rights. OECS must be the catalyst in this action.

The detailed institutional analysis, unattached Annex C, reviews the historical development, legal status, roles and functions, and administrative capacity of the implementing organizations. Particular attention is given to the financial status of CATCO and its potential to become a financially sustainable trading organization. The principal constraint to effective Project implementation was found to be financial management.

Neither CATCO nor the OECS have established accounting and financial management systems to rapidly and effectively disburse, liquidate, and account for funds flowing through numerous cost centers located on the different islands, as required under the proposed Project. Additionally , the OECS accounting system is undergoing reorganization. Currently implementation of both the AID funded IPED Project (538-0119) and the RMP Project (538-0134) have been constrained by the present accounting system.

As a result, and given the complex nature of this project, the Caribbean Agricultural Research and Development Institute (CARDI) will carry out the task of Project accounting and disbursement. CARDI, with support from RDO/C, developed a computerized, decentralized, AID compatible accounting system that is deemed appropriate for effective financial management of Project funds. Use of CARDI's existing system will lower costs, ensure accountability acceptable to AID, and will avoid placing additional accounting burdens on the OECS and CATCO. The institutional analysis judges the OECS and CARDI to be the appropriate institutions for implementing the Project and capable of carrying out activities required for Project implementation.

The second major issue identified in the analysis is the ability of CATCO to achieve financial sustainability in a reasonable time period. While current projections indicate that CATCO will generate net operating profits within the next two years, a positive return on investment is unlikely until 1995 and its achievement will require a rescheduling of CATCO's debt, continued strong growth in sales, and significant reductions in operating costs.

Based on progress achieved in the last three years and approval of the restructuring of the AID loan, the analysis is reasonably optimistic that CATCO will achieve financial sustainability in 1995. Progress on the principal factors, however, needs to be monitored during the period. CATCO's technical capacity to implement Project activities is clearly demonstrated by its ongoing program.

2. The Organization of Eastern Caribbean States (OECS).

The OECS was formally established in 1981 to foster increased collaboration and integration of the English speaking island territories of the Eastern Caribbean. The daily affairs of the OECS are managed by two secretariats. The Central Secretariat, located in St. Lucia, is responsible for issues concerning integration and political representation.

The Economic Affairs Secretariat (EAS), located in Antigua, is responsible for the general administration and financial management of the organization, economic policy guidance to member countries, monitoring and evaluating implementation of OECS projects and programs, and the provision of related common services including policy analysis, statistical collection and dissemination, and diplomatic representation.

The Economic Affairs Secretariat is divided into three functional units: Trade, Economic Policy and Statistics, and

Finance and Administration. The EAS has been assigned the task of implementing the OECS Agricultural Diversification Program (ADP). The ADP will be implemented by the OECS through a Coordinating Unit, located in Dominica. It should be noted that, with funding from the EEC, the EAS also is responsible for the Eastern Caribbean States' Export Development Agency, ECSEDA[3], also located on Dominica.

The OECS/ADP Coordinating Unit will have a small office, the Chief of which spends considerable time travelling throughout the OECS to resolve export bottlenecks. Its Office Chief will be one of the most senior and respected agricultural leaders in the OECS and is universally viewed as a progressive and unbiased authority on agricultural exports. He can call upon regional organizations, member governments of the OECS and the Secretariats to carry out tasks assigned to the Diversification Program, including TROPRO.

While this Unit will have only a secretary, an economic monitor (to be provided by the EAS), a marketing expert, and an information specialist in addition to the Office Chief, it will be able to call upon resources of the ECSEDA team, i.e. support staff and marketing experts. Also, one long-term air and sea transportation coordinator will assist the Office Chief in resolving air and sea cargo bottlenecks and will be resident in Dominica for three years of TROPRO.

Apart from that, the Unit will oversee the placement and assignment of three Israeli advisors, the mango tree-topping project, the establishment of an air cargo service for produce and improving climate controlled shipping by sea. These tasks will be accomplished by a Cargo Transportation Coordinator, and three Israeli Agriculturalists (a small-scale irrigation expert, a tropical tree crop expert, and a vegetable crop expert). These last three will be funded under a separate cooperative agreement between AID/Washington and the Israeli government, although their logistic support will be provided from Project funds.

The OECS has been designated by the regional Caribbian governments as the central body for undertaking the Agricultural Diversification Program. As the regional body designated to lead this effort, they are the logical and appropriate group to lead this project.

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[3] The objective of ECSEDA is to develop export markets, improve production skills, improve product packaging and design, and upgrade management and exporter capabilities for a wide range of locally produced and processed products. The Project is to be headquartered in Dominica and will report directly to OECS.

Therefor, with these inputs and regional support, OECS should have sufficient resources to give the Project the leadership, supervision, and coordination required to ensure accomplishment of the Project purpose.

3. The Caribbean Agricultural Trading Company (CATCO).

CATCO was incorporated in 1981 under the laws of Barbados. It was established through the auspices of the Caribbean Common Market. CATCO is a unique public and private, for-profit enterprise which is owned by the CFC (70 percent) and nine regional private sector firms (30 percent) dealing in agricultural commodities. For additional discussion of the CATCO's development see unattached Annex C to this PP.

CATCO's structure was modified several times during the company's life as a result of changing corporate strategies and levels of donor assistance. The following organizational chart depicts the present structure (July 1989) which represents the organization's post-RDO/C funded position, but under current EEC project funding.

Board of Directors
(5 positions, 4 filled)

General Manager

Post-Harvest Inputs Manager Technologist	Sales Manager
European Manager	Field Manager, Dominica and Leewards
Trading Manager, (Antigua)	Trading Manager, (Barbados)

Bookkeepers (2), Secretary (1), Sales Assistant (1)

The Board of Directors establishes policy and provides oversight concerning the activities of the General Manager. Its members are selected by the Caribbean Food Corporation, the current principal stockholder. The General Manager is presently an expatriate provided through Fintrac Consulting and funded by the EEC. He is responsible for the day to day management of the company, and directly oversees the activities of the Inputs Manager, the Sales Manager, the European Manager and the Field Manager for Dominica and the Leewards.

CATCO is currently unable to afford the services of a controller and relies on two bookkeepers with occasional accounting advise being retained through a consulting contract. TROPRO support will alleviate this problem by providing additional accounting personnel.

In addition, the Post-Harvest Technologist, an expatriate funded by the EEC, provides services to growers and exporters on all of the islands on an as-needed basis.

Important indicators of CATCO's improved position include increased volumes of produce and an increased number of commodities exported, improved distribution of sources of supply from the various islands, and a greater diversity and distribution of markets being supplied thereby reducing the risk of any one market faltering.

Actual tonnage and value exported, and the percent increase over the previous year are presented in the following Table 7. These increases were achieved at the same time that CATCO was emphasizing improvements in the quality of its produce and moving towards more high value crops.

Table 7

Volumes and Value Traded 1985-90
Yearly Percentage Increases

	Year				
	1985	1986	1987	1988	1989 (est.)
Tonnage	368.5	545.5	960	1,161	1,560
Percentage Increase		48%	76%	21%	34%
Value US$	375,193	536,879	959,865	1,525,000	2,038,950
Percentage Increase		43%	79%	59%	34%

For 1989-90, CATCO's emphasis will be on improving margins for all products by concentrating more effort on the higher value products. Additionally, more emphasis will be placed on products such as papaya and melon which offer opportunities for high volume increases over the next few years. TA, provided under the Project, will assist CATCO to accomplish this.

An additional area of successful trading by CATCO which

was unforseen by the planners of the original RDO/C project is in the area of providing agricultural inputs for sale to farmers and farmer organizations. These inputs include items which are unavailable in the region, or which are only available on an unpredictable basis, including seeds, seedlings, post harvest and packaging materials, and irrigation equipment.

This economic activity was originally entered into as one of CATCO's development activities but has rapidly become a minor profit center as demand has outstripped supply. Nevertheless, while the volumes of inputs traded have increased enormously in recent years, it is not expected that this activity will become as profitable as commodity trading.

Projections for 1989/90 show the percentage breakout of suppliers to CATCO by island to be the following:

Table 8

Sources of Supply by Percentage, 1988/89

Island	% of Sales Volume
Antigua	16.0
Barbados	30.0
Dominica	18.2
Grenada	8.0
St. Lucia	3.6
St. Vincent	2.7
Trinidad	16.7
Others	4.8
Total	100.0

For the first time since its establishment in 1982, CATCO is in a position to make a significant contribution to alleviating the marketing constraints in the region. By linking production contracts with overseas buyers, CATCO can now offer attractive marketing arrangements to growers, especially for non-traditional crops which do not compete with U.S. produce.

From a relatively small base, CATCO's volume traded of fruits and vegetables and export earnings have increased about ten times since 1984, and its net operating loss has been substantially reduced (see table above). The increase in the volume and value of its export shipments represents an annual growth rate of about 61 percent for three years (1986-89).

In 1988 about 88 percent of its sales were to

markets outside the region. Important new trade to Miami and London is contributing to this improved performance. Nearly 50 products have been traded from ten Eastern Caribbean states this year.

It is important to note also that CATCO does much more than buy and sell agricultural produce. CATCO has made significant investments in technical assistance to farmers, farmers' organizations and other exporters. On the technical side, CATCO has been responsible in the region for (a) testing and disseminating higher-yielding varieties of hot peppers, (b) introducing a new melon variety of more marketable size, (c) test-marketing and financing the production costs of a new IICA-developed strain of papaya, (d) upgrading the genetic quality of giver, (e) test-marketing a variety of mangoes for the supermarket trade abroad, (f) introducing a new eggplant variety, (g) working with cardboard box companies to design improved models for produce transport, etc.

The activities for which CATCO is responsible under the Project are a continuation of the developmental activities CATCO currently implements. Thus CATCO's technical implementation capacity has been demonstrated in recent years. Its technical capacity coupled with its progress towards the achievement of financial sustainability provide clear evidence of CATCO's institutional capacity to implement project activities effectively. With the restructuring of the AID loan, RDO/C believes that CATCO can effectively carry out its responsibilities under the Project.

4. Caribbean Agricultural Research and Development Institute (CARDI)

CARDI was established in 1975 to serve the agricultural research needs of the Member States of the Caribbean community. Its major objective is "to contribute to agricultural development through the generation and dissemination of appropriate technology for the benefit of the Caribbean people". It is the only agricultural research institution which serves the small island states of the OECS. The institute formerly received funding from USAID under the Farming Systems Research and Development Project (FSRDP), (538-0099), which ended in December 1988 and currently through the Agricultural Research and Extension Project (AREP), (538-0164).

The organization is currently in the process of consolidation and reorganization to more effectively address the needs of member states. A structural reorganization and management plan for the Institute was prepared, endorsed by the Heads of Governments and is being implemented. CARDI has

also positively addressed the recommendations of the most recent USAID project evaluation. Details of the re-organization and management plan and the organizational and operational principles in restructuring are given in the recently completed AREP Project Paper.

CARDI, with support from RDO/C under the FSRDP and AREP projects, developed and maintains a computerized, decentralized, AID compatible accounting system. In January of 1989 AID carried out a review of CARDI's financial management capability in order to assess its ability to manage and report on the use of AID funds. The review concluded that CARDI has the financial management capability required by USAID, and that the organization's system of internal control is considered to be in accordance with the standards laid down by USAID. The details of CARDI's accounting, financial management and procurement system are explained in their "Uniform accounting and administrative Procedures Manual". With these inputs, RDO/C believes that CARDI has the capability necessary to effectively carry out its role under the Project.

CARDI will receive approximately $146,000 from the project to offset its core costs for the financial management of TROPRO. The direct costs of the service such as additional staffing and purchase equipment necessary can be met from this allocation. Use of CARDI's existing system will lower costs ensure accountability acceptance to AID, and will avoid placing additional accounting burdens on the OECS and CATCO.

D. SUMMARY SOCIAL SOUNDNESS ANALYSIS

1. Overview. Based on interviews with a directed, representative sample of farmers, exporters, extension agents, traders, and researchers the social soundness analysis identified the principal exogenous and endogenous constraints to agricultural diversification. Gender issues and the role of producers associations were given particular attention in the analysis.

The largely exogenous constraints include a widespread negative attitude towards farming as an occupation, a relatively aged farming population, relatively low functional literacy levels in rural areas, and the continued (to date) strong incentives for banana production. In addition, farmer experience with unsuccessful attempts at diversification and with poorly managed cooperatives and associations have left them unconvinced of the merits of both.

The primary endogenous constraints identified are lack of experience in diversification for the export market, lack of knowledge of diversified commodity production and marketing, and lack of communication among farmers, farmers associations, local extension agencies, and exporters. The social soundness analysis identifies local extension services and producers associations as the most valid institutional vehicle for providing technical and market information to producers.

Emphasis on short training courses linked to specific production and marketing opportunities and constraints is deemed most appropriate. The training programs need to give particular attention to the significant role of women in production and marketing decisions. The social soundness analysis indicates that the Project emphasis on training and collaboration with producers associations is a sound approach.

2. Small Farmer Characteristics. The typical small farmer in the region cultivates a wide variety of crops for both household consumption and the market on less than five acres of land. Farm income depends significantly on off-farm sources. The median age of people working in agriculture is over 50 years. While the production of a wide range of crops is typical, farmers are reluctant to increase investment of time and labor in expanded production for the market given perceived high risk and low returns.

Migration from agriculture, particularly by the male population, has been significant since 1950. The percentage of females in the agricultural labor force has correspondingly increased dramatically during this period.

The largest increase is in the proportion of women who are "family workers" rather than hired workers.

Women are the major decision makers on more than one-third of the small farms in the Caribbean and constitute one-third of the agricultural labor force. While women have traditionally managed the production and sale of root crops, their role has expanded to include decision maker and farm manager as well as vegetable gardener and trader. Women are expected to manage the farm as an extension of their household responsibilities.

3. Producers Associations. Because of poor experiences with cooperatives and other forms of associations, many farmers are skeptical of the merits of associations. The most effective producers' association currently functioning are the banana growers' associations. The analysis suggests that, given the confidence producers have in the banana associations, the TROPRO Project should work closely with them, particularly with their extension services. The banana associations have been able to bridge the communication gap between exporters and producers.

In summary, the social soundness analysis judges the Project interventions to be well focussed on the endogenous constraints impeding agricultural diversification. It recommends that producer associations and public sector extension services be utilized by CATCO and the OECS to reach farmers with production and market technology and information.

The principal constraint to be overcome may well be attitudinal: farmers reluctance to invest more time and effort in diversification due to perceived marketing risks.

ATTACHED ANNEX A

DETAILED TECHNICAL ANALYSIS

1. BACKGROUND

a. Trade Characteristics and Flows.

The most recent consistent set of information on trade volumes and values for non-traditional fresh produce is for 1985/86. The total volume of this trade was approximately 33,000 tons, with an approximate value of $US 12.0 million. Of total trade in non-traditional commodities, slightly more than ten percent, 3,900 tons went to extra-regional markets. The UK was the largest extra-regional market, purchasing approximately 75 per cent of regional non-traditional exports. Canada, the US, and other European markets follow in decreasing order.

b. Agricultural Marketing Characteristics

The intra-regional market is dominated by some 400-1000 "hucksters" or "traffickers" who move small quantities of produce from the Windward Islands to markets in Trinidad, Barbados, Antigua, Guadeloupe, and Martinique. Major quantities of produce and consumer items are moved by the hucksters in a competitive fashion. However, there is no capitalization of the system and no economies of scale are realized. Consequently, the only standardization is in ill-treatment and mishandling. Produce is moved by schooners between islands in multi-purpose packing. Infrastructure for transportation, collection, cooling, packing, etc. is simply non-existent. Climate control is provided by the sun, the humidity, engine heat, and the lack of ventilation.

The size of the intra-regional market is limited by the small population of the importing islands and the similarity of production patterns. The agricultural-tourism link is not strong. The up-scale tourism market is as demanding as the international export market and it has not yet been penetrated significantly by local producers.

Extra-regional trade is in the hands of a relatively few exporters per island. The primary markets are the United Kingdom, Canada, other Europe, and the US. International trade suffers from the same intra-island infrastructure problems--poor transport, poor wharf storage, inadequate loading and docking facilities, limited and irregular air service. However, there is access to refrigerated surface vessels on a weekly basis.

The international demand for regional commodities is composed of four commodity groups: traditional exports (sugar, bananas, nutmeg, cocoa, and cocoa), ethnic commodities (local root crops, plantains, hot peppers, and spices), off-season fruits and vegetables, and exotics. Most trading experience is in the former two commodity groups to the UK market. The OECS countries have little experience in exporting the latter commodities and little experience outside the UK market.

Traditional Exports. While the banana market has been strong, it will become increasingly competitive after 1991 in the UK market. It is not clear that the regional production can compete with suppliers from Ecuador and Central America. The sugar market offers no opportunity for growth. The international market for cholesterol laden coconut oil is not great. The traditional spices, however, remain solid. While the market may not expand rapidly, it is deep market that offers premium prices for quality production.

Ethnic Commodities. With relatively significant resident immigrant populations in the UK, Canada, and other parts of Europe and the US, an important "ethnic market" for regional root crops, vegetables, and spices has developed. The primary commodities are yams, dasheens, eddoes, sweet potatoes, breadfruit, plantains, fruits, spices, and peppers. The growth potential of this market is not clear: the commodities can be produced by other Caribbean Islands, the assimilation of ethnics may reduce demand, or their assimilation may bridge the commodities into the non-ethnic market. However, the ethnic market is not as quality conscious as the wider market and the commodities, particularly the root crops, tend towards low margins.

Off-Season Fruits and Vegetables. This is probably the most demanding and risky market. In this market, marketing begins at the farm level: varietal selection, spacing, water, pesticide treatment, harvesting, cooling, packaging, transport must all be done by the importer's "book." The OECS countries appear to be at a comparative disadvantage in terms of transport cost, marketing infrastructure, packaging alternatives, volumes, labor costs, and understanding and experience of the market: varieties, qualities, quantities, prices, linkages, pitfalls.

Exotics. The Windward Islands produce a wide variety of tropical fruits and flowers, such as mangos, papayas, passion fruit, anthurium, and orchids, for which there is a strong and growing demand in Europe and North America. The market tends to be made up of relatively small requirements

from many suppliers. Again, however, marketing begins at the farm level--existing production may, in fact, be a detriment to quality export production if growers believe current varieties, practices, and qualities are adequate for the export market.

Perhaps the most progressive entities involved in agricultural exports are CATCO, the Caribbean Agricultural Trading Company, Ltd., and WINBAN, the banana producers association. CATCO is a private, for profit firm, established in 1981. It is jointly owned--69.4 per cent by the Caribbean Food Corporation (CFC), which is a wholely owned subsidiary (essentially a venture capital operation) of the CARICOM governments, and the remaining 30.6 per cent by private Caribbean investors. As discussed in more detail below, CATCO markets fresh produce on a volume scale to extra-regional distributors, principally in the UK. To date, its volumes have been small and profits nil, with sales at US$1.6 million in the operating year ending June 30, 1989. Nevertheless, it has done significant developmental work in assisting farmers in non-traditional agricultural export production, appears to have weathered some difficult organizational transitions, and is close to making a profit.

The very difficult problem of assembling product from myriad small producers, coupled with the need to train those producers in production and post harvest technologies was taken on by WINBAN in a systematic fashion. WINBAN's program in St. Lucia, successively attacking the problems of production technology, input supply, packing, transportation, and marketing has significantly raised farmers income through improved productivity at the farm level. The association provides an organized means of communication, market strength, and problem resolution.

2. Constraints to Agricultural Export Marketing . In reviewing the constraints described below it is important to keep in mind that current practices (as well as the means to resolve the constraint) vary from commodity to commodity and between islands. For example, in Dominica, most produce is transported by the farmer to the exit port directly. In the other islands, produce is sorted, graded, and packaged at the farm and collected by a truck for transport to the exit port. The general inadequacy of marketing services and infrastructure is a significant constraint on improved export marketing. Infrastructure has developed around the major export commodity, bananas, but, given the embryonic nature of non-traditional exports, the market infrastructure necessary for their proper post harvest care, handling, storage, and transport is practically non-existent. These constraints are categorized and described below.

a. Inappropriate Production Technologies and Practices. Export marketing begins at the farm level. Farm level decisions of varietal selection, fertilizing practices, pesticide applications, timing of planting and harvesting, for example, can make or break an export venture.

b. Post-Harvest Handling, Farm to Port. The basic problems at this stage of the chain are to harvest correctly, reduce field heat, sort, grade and package appropriately, consolidate small quantities into quantities suitable for efficient transport, and ship to the exit port without damage and abrupt increases in temperature in a means suitable for efficient handling at the exit port. The specific constraints include:

(1) Inappropriate and Costly Packaging Material. The supply of boxes is chronically short, and produce often goes out in inappropriate boxes. The quality of locally made boxes is questionable, and imported boxes face a tariff. On the other hand, the producers of boxes would benefit from improved and timely information from exporters as to their forecast needs, in terms of quantity and quality. The demands of producers and exporters are not consolidated.

(2) Lack of Knowledge of Sorting and Grading Standards. Marketing efficiencies are realized with correct sorting and grading done at this stage. While the experienced exporters are generally aware of sorting and grading requirements, a product presentation that may be acceptable in the UK ethnic market (variable size and soil) will not be acceptable in the larger market or in other countries.

(3) Inadequate Storage and Shipping. While commodities vary in their requirements for reducing field heat, given the relatively short transport time from farm to packing house or to exit port, the general main requirements are to keep the produce out of the direct sun, maintain ventilation in packing houses, take out field heat, and maintain at cool temperatures while awaiting shipment. The utilization of reefer containers allows produce to move from the farm or packing house to the import market under optimum conditions.

c. Port Facilities. Upon arrival at exit port, whether sea port or airport, all commodities require access to cool storage facilities, particularly given the likelihood of transport delays. Containerized shipment by sea resolves this problem. Attached Annex D shows the characteristics of port facilities in each of the islands.

(1) Inadequate Airport Facilities. The absence of suitable produce handling facilities leaves produce exposed to the elements while awaiting irregular transport service. Shaded and/or cool storage is generally unavailable even though approximately 60-70 per cent of exported produce (excluding bananas) is shipped by air.

(2) Inadequate Seaport Facilities. As above, due to the lack of appropriate handling facilities, produce is exposed to the elements, cool or shaded facilities are unavailable, electricity for containers is not available, container cranes are not available, and the primary regular service takes produce only on a "space available" basis.

d. Lack of Market Information. Inadequate marketing services that provide knowledge and information concerning reputable brokers, changes in market conditions, packaging and presentation requirements, guides to standards, grades, and qualities, and access to specialized information on packaging design, and post harvest and storage technologies. Information and knowledge of improved packing house systems and technologies is particularly limited. Most export traders are linked to foreign markets, principally the ethnic market, through family connections. Exporters have few contacts outside this market, and are particularly limited in their knowledge and understanding of the US market.

e. Irregular Transport Service. While transport rates, both for sea and air, are competitive, the quality and regularity of the service is inadequate. This is particularly true for intra-island shipments, as producers ship to an island with international connections. All the islands except Antigua must utilize transshipment all or part of the time for products that require air transport. Air transport companies indicate that the low volumes and irregular supplies make a dedicated freight service unprofitable. The freight capacity is limited seasonally because most fresh produce for export is harvested during the peak banana harvest period of December through April, constraining transport availability from farm to ports and port handling facilities, such as they are. Irregular transport service coupled with inadequate handling and storage facilities makes the marketing of perishable produce quite risky for a prudent investor.

Similar transshipment problems exist for those products (e.g. root crops) which can be shipped by sea. During any particular week, a ship to Europe may be available from only one port, and it becomes necessary to transship to that port. Losses, even for relatively hardy root crops are high.

Extra-regional sea freight is dominated by the banana marketer, Geest, which serves various ports on a weekly rotating basis. Geest, however, links its transport service with its marketing activities. Thus, a grower or shipper wanting only transport services, receives the lowest priority and is accomodated on a space available basis only.

Antigua, St. Lucia, and Grenada have modern airports with direct flights to the UK and the US, though there tends to be excess capacity to the US, a minor market, and scarce capacity, at peak times, to the major UK market. Barbados is also used a hub for connections to external markets.

f. Lack of Effective Demand for Marketing Services. To a significant degree, the lack of marketing infrastructure, post harvest handling facilities, cooling facilities, and regular transport reflect the lack of an effective demand for those services. The principal factor limiting the demand for marketing services is the low and irregular volume of produce for export. Low and irregular volumes of produce do not permit efficiency and the achievement of economies of scale in marketing. The achievement of efficiency and economies of scale in marketing when production is derived from many and small production units is both technically and organizationally complex. Yet, the efficient utilization of post harvest cooling, storage, and transport infrastructure requires the capacity to organize, plan, and consolidate production volumes. It is precisely when volumes are low that this becomes most important, as only through the entrepreneurial effort of organization and consolidation can an effective demand be made manifest.

3. Problem Statement. The export of bananas is the principal earner of foreign exchange. Total exports of the OECS countries in 1988 were approximately $280.0 million. Bananas accounted for $138.0 million, almost fifty percent of total regional exports and some sixty percent of Windward Island exports. The OECS banana producers enjoy preferential treatment in the U.K. market under the Lome Convention. The agreement expires in 1992. Under this agreement, the OECS banana producers receive a subsidy equivalent to approximately thirty percent over the international price. At the time the agreement expires, EEC economic integration will take place, removing trade barriers among the EEC countries. The elimination of trade barriers will force OECS banana producers into a more competitive environment. It will also make it difficult for the U.K. to maintain a general price subsidy in favor of OECS bananas. There is a strong likelihood of reduced prices and a reduced market share. Given the significance of bananas in foreign exchange earnings, the impact of such

reductions on foreign exchange, employment, land use, farm income, and growth are significant. The dependence on a single, subsidized commodity for foreign exchange leaves the OECS countries ill-prepared to meet the demands of the international market place.

In response to this situation, the OECS countries have outlined a strategy oriented towards (a) maintaining and increasing their market share of traditional exports (i.e. bananas) through increased competitiveness via improved productivity, (b) maintaining and increasing their market share of traditional exports to the ethnic market through increased reliability and quality of supply, (c) introducing new commodities on a larger scale into this market, (d) strengthening the development of potential "crossover" commodities that can enter the non-ethnic market, and (d) increase sales to the U.S. market.

While this represents a reasonable approach, the constraints enumerated above significantly inhibit its achievement. Because of the above constraints, post-harvest losses of non-traditional export commodities are estimated from 40 to 60 percent of the volume exported. Thus assuming total NTAX exports on the order of 4000 tons and an average price of $0.80 to $1.00 per pound, the value of the annual loss of exportable produce is from $2.6 to $4.8 million. In addition, the high loss rates make production for export quite risky, thus effectively discouraging potential export producers from even entering the market. Further, the high loss rates limit the capacity of exporters to consolidate packing and shipping to provide reliable market supplies, thereby limiting market expansion. Finally, to the extent that the market price is a price band, with premiums and debits for quality differentials, the variable quality represents a lost opportunity for the higher quality price.

Thus despite the soil, water, and solar energy resources required to competitively produce a fairly wide variety of fruits, vegetables, and root crops demanded in different international markets, the problems of limited production, production which does not meet the quality specifications of international markets, or which deteriorates rapidly after harvest are attributable to farm and market failures and practices. Producer and exporter experience with international markets is limited. Infrastructure is weak. Farmer and exporter knowledge of market quality specifications and approved pesticide practices is limited. Adaptive research on potential new exotics is limited. Existing market and technical information is also limited. Again, the dependence

on a single commodity to a single market leaves the OECS countries ill-prepared to meet the challenge implied by reduced expectations in that market.

4. Project Response. In line with the strategy outlined above, the objective of this Project is facilitate and encourage the development of a more diversified agricultural export base through improved farmer and exporter knowledge of markets and technologies, improvements in small, but crucial, infrastructure, and the provision of improved transport and marketing services.

The Project is composed of six components, or modules, from the farm level through the marketing chain. At the farm level, the objectives are to (1) increase the reliability and quality of supply through improved agronomic practices to improve market quality and reduce unit production costs, (2) reduction of post harvest loss and quality deterioration through improved harvesting and post harvest packing and transport practices, (3) price and quality competitiveness in potential "crossover" commodities, principally mangos at this stage, and (4) development of marketable qualities and quantities of minor exotics. These objectives will be supported through three Project activities: quality improvement program to support diversified production, mango improvement program, irrigation development and water management program. The objectives of the marketing interventions are to reduce post harvest losses of export commodities, increase farmer and exporter knowledge of export markets and technologies, encourage the development of market services, and facilitate the provision of reliable transport and infrastructure facilities required for the marketing of diversified agricultural produce.

The Project, through the development unit of CATCO and the OECS Agricultural Diversification Program Coordination Unit, will provide technical support, training, and infrastructural support to alleviate the constraints identified above that limit the capacity to increase export volumes of quality produce. This requires responding to each of the above constraints in a systematic manner. It should be noted that technical solutions to each of the above constraints are known and utilized in other countries in the Caribbean and Central America.

Module 1. Production Support. The objectives of the production Support module are to (a) increase the reliability and quality of supply through improved agronomic practices and technologies, (b) reduce post harvest losses and product quality deterioration through improved harvesting and post

harvest packing and storage practices and technologies, (c) strengthen the development of potential "crossover" commodities, principally mangos at this stage, and (4) strengthen the development of minor exotics through increased marketable quantities and qualities. These objectives will be supported through three Project activities: a quality improvement program to support diversified production, a mango improvement program, and an irrigation and water management program.

A. Quality Improvement Program for Diversified Production

The objective of this activity is to significantly increase producer and exporter awareness, appreciation, and understanding of the quality standards required for regional exports to maintain and increase their market share in competitive international markets. This activity is composed of three sub-activities, as described below: training, direct technical support, and agronomic trials.

1. Training. Through the commodity development unit of CATCO, the Project will provide technical information, technical support and training to producer organizations, exporters, and interested public sector extension services for diversified commodities in the following areas:

* Market quality requirements, sorting, and grading.

* Agronomic practices, including pesticide regimes, for meeting quality and phytosanitary standards.

* Harvesting practices and technologies for reducing post harvest loss and crop damage.

* Practices and technologies for washing and drying root crops.

* Packaging standards and technologies.

* Packing plant design and management.

* Irrigation technology and water management practices.

* The functions of customs agents, freight forwarders, brokers, freight consolidators, wholesalers, and terminal markets.

In the development of these training workshops, CATCO will work closely, as it has in the past, with research institutions such as CARDI and IICA. The principal client of the training programs are farmer producer organizations, exporters, and other participants in the production and marketing chain. Many of these topics are of interest to firms and organizations in all of the countries, and regional workshops are most appropriate and cost effective. Under the Technical Assistance contract, external experts can be brought in for specific expertise. To achieve maximum client understanding and participation, the workshops will be limited to approximately 30 participants. During the first eighteen months of the Project, the Project will fully fund the training workshops (exclusive of technical assistance costs). After that, the client organizations will partially fund the workshops on an increasing basis. Thus it is incumbent upon CATCO to monitor and evaluate the effectiveness of each workshop in responding to the felt needs of producer and exporter groups. The workshops will be designed in collaboration with the primary client.

2. Direct Technical Support. In collaboration with CARDI, IICA, and other specialized technical support organizations, CATCO Development will assist and facilitate the provision of technical assistance to producer organizations and exporters for the resolution of specific problems in meeting market opportunities. The technical advisors, and short term technical assistance, will be significantly involved in this activity. To facilitate this response capacity a user oriented data base of production, harvesting, and post harvest technologies will be developed in collaboration with CARDI.

3. Agronomic Trials. Agronomic trials of various kinds will be required for many of the commodities, particularly for the minot exotics. Regional institutions such as CARDI, T&T, and the University of the West Indies have accumulated technical data and are staffed by highly qualified scientists and technicians with years of experience conducting tropical agronomic trials and evaluations. The Project's production specialists will collaborate with and/or train selected growers and traders in:

* Identification of critical constraints requiring research.

* Identification of available sources of information and/or qualified technical and scientific assistance for conducting trials.

* Organizing joint participation in agronomic trials.

With technical assistance support, clients will be assisted in identifying precisely the constraint which requires experiment and investigation. As the need for specific agronomic trials are identified, project funds will assist in contracting with the appropriate research organization or collaborator to carry out the required research. Such problems as alternatives for post harvest care of breadfruit, pesticide application practices, water management alternatives, and maturity indexes for optimum timing of harvest may be required. It should be noted that this is client oriented research focused on the issue of resolving a constraint that significantly limits the achievement of placing a quality product on a consumers table at minimum cost.

The institutional outputs of the Quality Improvement Program include (1) increased technical and organizational capacity of producers organizations, public sector extension services, and exporters develop programs for increasing the volume of export quality production in a wide variety of commodities through appropriate agronomic, harvesting, and post harvest handling practices and technologies and (2) increased availability and access to technical information on agronomic, harvesting, and post harvest handling practices and technologies.

The Project will provide $337,500. to support this activity. Inputs include technical assistance, logistical and operational cost support, operational cost support for agronomic trials, and operational cost support for training and workshops.

B <u>Mango Improvement Program</u>

The objective of the mango improvement program is to increase mango exports to the European and North American markets as a potential "crossover" commodity, building upon, but moving beyond, its current ethnic market niche.

The increase in international demand for fresh mangos over the past ten years has been significant. The principal suppliers are Mexico, Mali, Haiti, Brazil, Israel, and Peru. Consumer preference is for the red varieties such as Tommy Atkins, Haden Keith, Kent, and Sensation. The principal varieties produced in the region are Julie, followed by Graham. While the Julie is an excellent tasting mango, the lack of red color inhibits its consumer acceptance, except in

the ethnic market. St. Vincent and Grenada, the regions two principal exporters of mangos, are the only countries in the Americas with Medfly free status. Currently approximately 2000 tons of mangos are exported from the region, largely to the UK and Canada. Current production is on the order of 5000 tons and with on-going projects production is expected to increase to 9000 tons in the next five years. Mangos are highly perishable, and suffer high loss and damage rates, estimated above fifty per cent. The mango season begins in April and runs through September. The production season is relatively long compared to other mango producing areas as the lack of a cold season and the characteristics of the local varieties enables the potential to flower at any time of the year.

Given the strong market demand, the existing ethnic market base, the extended production season, existing production capacity and potential, and phytosanitary status of two of the islands, mangos likely have a strong potential for export, beyond their current ethnic market niche.

The major farm level constraints to increased production of export quality mangos are the following:

* Pests and Disease. Anthracnose and the mango seed weevil are common.

* Phytosanitary Status. While St. Vincent and Grenada have fly free status, the other countries do not. This is a problem if shipment goes through non-fly free countries for the US. It is not a problem for shipments to Europe, the major importer.

* Quality Control. The lack of established quality standards based on the requirements of importing countries and inadequate farmer knowledge of those standards.

* Control of Ripening. To achieve and plan reliable supply volumes for shipping requires careful control, monitoring, and timing of the ripening process.

* Lack of Harvesting Maturity Indices. A major problem is to establish maturity indices for the different varieties so that fruits are harvested at the opportune moment to obtain optimum shelf life and maturity during and after shipping.

Through the OECS Agricultural Diversification Program Coordination Unit, the Project will provide training, technical assistance and support to producer organizations, exporters, and public sector extension services, and, in collaboration with those client groups, conduct appropriate agronomic research trials to resolve the above constraints.

Technical solutions to most of the above indicated constraints have been applied in other countries. Few have tested in the OECS production setting. Relevant research in local institutions will be surveyed and local expert collaborators identified. The Coordination Unit will collaborate, as necessary, with appropriate research and technical assistance organizations to ensure the technical adequacy and feasibility of the practices and technologies proposed. The objective of the Training sub-activity is to provide farmers, exporters, and public sector extension services with the technical knowledge required to resolve constraints related to the increased production of export quality mangos. The integrated program of training, technical support, and agronomic investigation will focus on the following:

* Pre-Harvest Anthracnose Treatment. Pruning practices to open the canopy, allowing sun and air to enter, and minimize the duration of wetness following rains, as well as direct removal of inoculum sources. Spraying of fungicides is also an alternative, though effectiveness levels for local varieties is currently unknown.

* Post-Harvest Anthracnose Treatment. Hot water treatments have been shown to be effective in the post harvest control of anthracnose. As different varieties vary in tolerance to these treatment, each variety must be tested for tolerance. There is some evidence that the treatment also increases fruit coloration.

* Control of Ripening. Control of the ripening process is essential for efficient product marketing, particularly when produce is shipped by sea. Generally mangos take one to two weeks to reach an edible ripe condition at an ambient storage temperature of 30 degrees celsius and 65 to 85 per cent relative humidity. However, this depends on harvest maturity and variety. Atmospheric modification during containerized storage can also be used to control the ripening process. Testing of

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local varieties needs to be done to determine appropriate ripening control factors.

* Quality Control. Standards for quality and level of ripeness need to be determined if mangos are to crossover to the non-ethnic market and also to maintain and increase the regional market share in the ethnic market.

* Harvesting Maturity Indices. A maturity index is required to ensure that all fruits are harvested at a similar stage of maturity, to enable efficient marketing and quality control. Maturity indices for Julie mangos were established in 1936. These indices need to be reconfirmed given new storage and shipping technologies.

* Top Working of Trees. There is some evidence that top-working (pruning), increases the red coloration favored by non-ethnic consumers. This needs to be evaluated and appropriate practices determined.

The integrated training, technical support, and research program will be done in collaboration with producer organizations, exporters, and public sector extension services. The Coordination Unit will not directly conduct research trials, but will provide funding and direction to local collaborating research institutions for the trials. Technical support based on the above efforts will assist producer organizations and public sector extension services in Grenada, St. Vincent, St. Lucia and Dominica in organizing programs to improve mango production quality.

The institutional outputs of the Mango Improvement Program include (1) the development of the technical and organizational capacity of producers organizations and public sector extension services to conduct systematic programs to improve mango production for export marketing and (2) increased technical knowledge, available to all producers and exporters, of the technical means to increase the production of export quality mangos.

The Project will provide $299,500 to support the Mango Improvement Program. Inputs to the program include technical assistance, logistical and operational cost support, small field equipment, support for training and workshops, and operational cost support for agronomic trials.

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C. Irrigation Technology and Water Management

The relative lack of rainfall in the Leeward Islands and the variability of rainfall in the Windwards represents a significant constraint to increased crop diversification for exports as well as for the relatively high priced tourist market. The Leeward Islands have a long dry season during which evaporation considerably exceeds rainfall. While the Windwards have much higher average rainfall, rainfall patterns vary considerably between islands, from leeward to windward sides of each island, and by altitude. It should be noted that dry spells even during the rainy season, of relatively short durations can significantly affect crop quality, yields, and marketable volume. Heavy showers and excess water can do the same. The lengthy dry season in Antigua and St. Kitts is a significant limiting factor to agricultural diversification.

Water availability in the southern areas of St. Lucia and the southwest area of St. Vincent is also limiting. Knowledge of water management practices and technologies is extremely limited. Utilization of irrigation technologies is equally limited. Numerous small irrigation schemes are inefficiently utilized and poorly maintained. The implementation of current public and private sector programs anticipate the development of some 300 acres of additional land under irrigation in the next two years. This represents a significant resource for expanded diversification if efficiently utilized. However, efficient utilization of these systems is constrained by:

* Farmers limited experience with irrigation and water management technologies and practices.

* Technical services for irrigation and water management are non-existent.

* Knowledge of alternative irrigation technologies best suited for different production regimes is limited.

* Crop-Soil-Water relationships for non-traditional commodities under local conditions are limited.

* Knowledge of fertilization regimes under irrigation for non-traditional commodities is limited.

* Water tariffs to promote efficient water use and system maintenance are not used.

Through the Coordination Unit, the Project will provide technical assistance and training to farmers, producer organizations, and public sector extension services in each of the above areas and support agronomic trials to develop the technical relationships and information required for producers to efficiently utilize scarce water resources and irrigation technologies for the production of non-traditional export commodities.

It is likely that the primary demand for these services will be related to vegetable production (peppers, cucumbers, melons). However, soil and water management practices such as contours, terraces, and other erosion control practices are widely applicable throughout the region for improving yields of both tree and root crops.

1. Training and Workshops. These activities will be developed in collaboration with producer organizations to focus on client felt needs. The role of Coordination Unit is to organize appropriate training modules and provide technical support, drawing upon expertise in regional institutions such as CARDI, UWI, IICA as required. Approximately two training workshops will be undertaken each year.

2. Technical Support. Direct technical support to farmers and farm groups using or planning to use irrigation for the production of non-traditional export commodities will also be available. Such support may include system design, water management, system maintenance, water management practices, establishment of water tariffs and collection and use measurement techniques. The role of the technical assistance advisors will be significant in this activity.

3. Demonstration Trials. As indicated above, there is little regional knowledge regarding crop-soil-water relationships, fertilizing regimes, water management practices, and irrigation technology alternatives. Support will be provided to regional institutions such as CARDI and UWI to conduct appropriate applied research on these issues.

The institutional outputs of the Irrigation Technology and Water Management activity include (1) increased capacity of producer organizations, farmers, and public sector extension services to provide technical support to irrigated production areas, (2) increased capacity of producer organizations, farmers, and public sector extension services to systematically organize on-farm soil conservation/water management efforts, and (3) increased access and availability of technical knowledge of irrigation technologies and water

management practices applicable to non-traditional export commodities in the regional context.

The production outputs of the Irrigation and Water Management activity are difficult to quantify. While current plans indicate an increase of some 300 acres under irrigation in the next two years, it is typical for these plans to fall short of expectations. First, because of budget constraints and rising costs, the area "under irrigation" is less than that planned. Second, usually due to design failures, the area actually irrigated is less than what the system could theoretically support. Finally, because of inefficient water use on those areas actually under irrigation, the production increase is less than anticipated. This activity will support improved design and water management. Thus it may be reasonable to expect improved design and water use efficiency on some 150 to 200 acres over the life of the Project. An additional equal amount of land under improved, but non-irrigated, soil and water management practices (e.g. contours, terraces) is also expected.

The Project will provide $284,000 to this program. Project inputs include technical assistance, logistical and operational cost support, support for training costs, operational cost support for agronomic trials, and procurement of irrigation equipment for water monitoring and demonstration purposes.

D. Technical Assistance. Technical Assistance to the Production Support module will be provided under the AID-Israel Cooperative Development Program (930-0135). There will be three long term advisors for a period of 36 months each. The advisors will be specialized in the areas of tree crops (mangos), irrigation and water management, and horticulture. Under the agreement, and additional three person months per year of short term technical assistance will also be made available. The value of the technical assistance is estimated at $1.575 million. However, it is provided at no direct cost to the Project. The technical assistance will be coordinated by the OECS Diversification Program Coordination Unit.

Module 2. Post Harvest Handling. The most significant reduction in post harvest losses comes from prior use of correct agronomic practices and proper handling immediately after harvest, assuming reliable downstream transportation. Thus considerable emphasis is given to getting the produce out of the sun, reducing field heat, adequate packaging, and rapid transport. Again, the specific commodity requirements and local practices will determine in each case the specific

technological intervention. Three specific interventions are proposed: training and information, technical support, infrastructural support.

A. Training and Information Dissemination. The development unit of CATCO will work producers organizations, farmers groups, and exporters in the following areas:

* Training and dissemination of the need to conduct post harvest operations (sorting, grading, packing) in shaded, cool facilities. Depending on the volume of operations and the farmer's resources, such facilities can be relatively rustic. The development unit of CATCO will work with producers organizations to disseminate information on the utility and means to construct such facilities.

* Training and dissemination of alternative technologies for packhouses. Improved packhouse systems such as grading tables, washing and drying systems, and ventilation can improve efficiency and reliability of product quality. Travel of packhouse operators to facilities in other countries along with technical support can improve these operations. The development unit of CATCO will work with producer organizations and packhouse operators to increase their awareness and understanding of alternative packhouse systems and technologies.

* Training and dissemination of market required sorting and grading standards. As most sorting and grading is done in the field, the development unit of CATCO will work through producer organizations to increase farmer's knowledge of sorting and grading standards.

B. Technical Support. The development unit of CATCO will work provide direct technical support to exporters, growers, or associations to overcome the constraints associated with packaging quality and availability and the use of containerized sea shipments.

1. Box and Packing Technology. To improve the timely availability of sufficient and appropriate packing boxes, the development unit of CATCO will work with box manufacturers on improved box construction and design and with producers organizations to systematically consolidate and forecast expected requirements.

2. Refrigerated Containers. Through the development unit of CATCO, the Project will provide assistance to producers organizations in organizing the timing and consolidation of volumes to increase use of containerized sea shipping. The development of refrigerated container systems (reefers) has revolutionized produce transport. Essentially, the problems of post harvest handling are pushed back to the farm and/or packing house: sorting, grading, packing. The boxed produce is placed in a reefer container where it remains, under controlled climate, until its destination. It is attached to a truck and can rolled on and off ships. Handling is reduced to a minimum. Storage life is extended through ambient controls. However, while reefer containers are brought into the region, they are little used. First, Geest Lines, the only regular service to the major UK market does not offer reliable reefer service, because of their priority to marketing bananas. The shippers which do offer reefer service go to the minor US market. Secondly, the capacity of reefer containers is approximately 18,000 lbs. Breakeven point for reefer utilization is about 9,000 lbs. Average exporters shipments from the region are on the order of 5,000 lbs. Thus increased utilization of reefer shipment implies looking to the US market and consolidating volumes for shipment. It should also be noted the ocean freight rates are negotiated rates. Thus the ability to consolidate shipments also tends to result in lower shipping rates. Finally given the opportunity cost of an empty reefer, there is a considerable leasing/trading market in reefers during the winter season to ensure utilization rates. Forward planning for consolidation and timing of shipments is essential. With adequate planning, there should be no shortage of container availability. However reefers are not a taxi service and plans must be worked out several months in advance of harvest season.

C. Infrastructure Development. As shown in attached Annex D, facilities for handling fresh produce at both sea and air ports is generally limited. The infrastructure development support to be provided under the Project, however, is limited to specific interventions that are crucial to the training and development thrusts of the Project as well as to the resolution of specific bottlenecks to the export of agricultural produce. Because infrastructure requirements are site specific, basic characteristics for each country are described below.

* Grenada. The port of St. George's is inadequate to handle the current volume of ships. The port is congested, with limited room for the handling of containers or cargo. Cargo handling equipment is limited. No container cranes are available and ships

use their on-board capacity to load and unload cargo. Airport facilities, on the other hand, are in excess of current volume. There are refrigerated storage compartments at the airport: six walk-in units, two chillers, and four freezers. The access doors, however, do not permit the handling of palletized or containerized shipments. Area is available for for expansion.

* St. Vincent. The port of Kingston has adequate facilities to handle container shipments. Storage space for containers is limited, however there is a paved yard large enough to handle additional containers. Yard equipment is available, but aging. A generator has been installed to handle refrigerated containers. No dock crane for loading/unloading is available. Produce for export is shipped from the Kingston airport to Barbados for transshipment to external markets.

* Dominica. While small, the port of Roseau handles containers and has a small container yard. The lack of a crane requires ships to use their on-board equipment for loading and unloading. Refrigeraged containers must use internal power supplies as there are no electrical power hookups in the port. There is no refrigerated space at the port. Air freight is moved from two airfields, Canefield, just outside of Roseau, and Melville Hall, on the other side of the island. Canefield is quite limited in size and capacity, and most produce moves from Melville Hall.

* St. Lucia. The port of Castries is the best port in the islands. Dock space is sufficient, a RO-RO ramp available, and port cranes, yard equipment, and forklifts are available. Storage facilities are adequate and electrical outlets for refrigerated containers are provided. The Hewanorra International Airport is large, with warehouses available. There are no cold storage facilities available. In addition, there is a minor seaport (Vieux Fort) and a minor airport (Vigie) both with limited facilities.

The limited and focussed infrastructural support to be provided under the Project is improved access to cool storage facilities and storage sheds at selected airports. The two activities will be implemented through the OECS Agricultural Diversification Program Coordination Unit.

1. Cool Storage Facilities. The critical infrastructural constraint that the Project will directly alleviate is the shortage of cool storage facilities. These are an essential continuation of the post harvest handling practices initiated at the farm site. The proposed technology is a portable refrigeration unit, as described in Unattached Annex F. This sort of unit is ideal for the current situation because it has its own power supply and can operate on 220 Volt, three phase electricity. It has variable temperature control, from -20 degrees Fahrenheit upwards to any desired pre-cooling temperature. This capability is extremely important because of the different temperature requirements of different crops. It is, in short, an engineering "turnkey" solution to the alternative of a complex cooling facility. Its portability helps ensure efficient utilization. To demonstrate the utility and feasibility of pre-cooling as well as to provide for hands on experience with this technology, one facility will be purchased for installation in St. Lucia. The St. Lucia airport will be the hub airport for the transport system and has international connections. The Grenada airport has cooling facilities and the volume of produce in Antigua is too small to justify the cooling facility, at present. The Project will provide technical support for its installation and set-up. It will be located at the airport, and leased to a private sector entity or CATCO itself. The airport authorities will not manage the the use of the cooling facility. A bilateral MOU with the respective host government will include a covenant stipulating that the unit is to be leased to a private sector entity and describe the general terms of the lease agreement.

2. Storage Sheds. The lack of appropriate storage facilities at airports contributes significantly to post harvest losses. Produce needs to be protected from the elements. The relatively simple and low cost alternative of well ventilated storage sheds provides such basic protection. Construction of eight storage sheds will be supported under the Project. Again, the storage sheds will not be operated by the public sector, but will be leased to private sector entities or to CATCO. A bilateral MOU with the respective host governments will include a covenant stipulating that the unit is to be leased to a private sector entity and describe the general terms of the lease arrangement.

D. Technical Assistance. The Project will provide long term and short term technical assistance in post harvest technologies. A long term advisor in Post Harvest Technologies will be provided for a period of 36 months. An additional 25 person months of short term technical assistance will be

provided in the following areas: packing design and materials, refrigerated transportation, grading and quality standards, pesticide requirements, packhouse technologies, and refrigeration technologies.

Other Project inputs include operational support for training and workshops and studies. The Project will provide $1,803,750. for the Post Harvest Handling module.

Module 3. Transportation. The quality, regularity, and reliability of air transport service is the constraint to increased agricultural exports most often named by exporters and producers. The objective of this module is to facilitate the development of a dedicated freight cargo service, primarily oriented towards agricultural produce. This module will be implemented through the OECS Agricultural Diversification Program Coordination Unit.

The intra-island transport system is characterized by a small number of aircraft, limited flights, old aircraft with reduced loading capacity, and no commonality in maintenance, equipment and spares. LIAT is the only carrier that operates on a dedicated daily schedule. It's cargo loading capacity varies between 500-1800 kgs. and the capacity is unknown until flight time, after the passengers are loaded. It is a passenger carrier with very limited, though regular, cargo capacity. Caricargo, a non-scheduled operator, has a limited number of aircraft, and has gained a reputation for unreliability among users. At the same time, with some justification, Caricargo has had poor experiences when they have scheduled a dedicated aircraft service for agricultural produce. At present, only Caricargo and LIAT have landing rights in all the countries to be served under the Project.

International connections to markets in the UK, Canada, and the US are available from St. Lucia, Grenada, Antigua, and Barbados. While there is some seasonality in freight capacity, with lower volumes available in the off tourist season, this is well known in advance. Because of tourist and import flows, there is larger capacity available to the US, a minor produce market, than to the UK, the major market. International service is provided by British Airways, BWIA, Air Canada, Pan Am, and American. In addition, Caricargo has a B-707 used for international flights and Ward Airways has an Airbus that flies weekly to Toronto. In general, produce cargo is ancillary to the passenger trade, but the combination of passenger traffic and cargo hauling keeps freight rates competitive.

The primary constraints to improved cargo space availability and reliability can be characterized as supply constraints and demand constraints.

The supply constraints are the following:

* Only Caricargo has landing rights in all the countries. Additionally, only Caricargo has landing rights in Barbados, a primary hub for connection to the UK. British Airways has six flights per week from Barbados to the UK. Given the relatively small volumes in each country, a dedicated cargo service requires landing rights in all countries, including Barbados.

* Low utilization of backhauling capacity. For example, Caricargo attempts to provide five flights per week to St. Vincent from Barbados. Two of these flights go fully loaded both ways. Three of the flights go empty from Barbados to St. Vincent, resulting in an estimated loss of $500-$600 per flight.

* Cargo scheduling is erratic. Current air cargo schedules do not interface with international carriers relative to time and location. Produce waits in airports at hubs from four to fourteen hours.

* Currently there are no intra-island aircraft that can handle pallets or containers. All cargo is handled by hand or forklift. Exporters prefer pallets or containers because of the lack of proper storage facilities at hub airports and the delays due to the poor interface with outgoing carriers.

* The variability and unreliability of supply, both in terms of quantity and timeliness. Producers and exporters make arrangements for shipping late and often ship less than anticipated.

On the demand side, the primary constraints include:

* The inability to ensure timely and adequate cargo service discourages producers and exporters from taking on the risk of using air service for the export market. The largest exporter from St. Vincent, for example, ships 6000 kgs. per week to Barbados by boat for transshipment to Canada because of the unreliability of air service. Thus shipping lots are kept small to utilize existing reliable services and reduce risk.

* Organizational inability of producers and exporters to plan and orchestrate the timing and consolidation of shipments to provide cargo service suppliers with a realistic effective demand for cargo space.

The Project strategy is twofold. On the supply side, to facilitate and promote the establishment of a dedicated air cargo service, responsive to the needs of the agricultural producers and, on the demand side, assist producers associations, growers, and exporters in planning and consolidating shipments to develop an effective demand for air cargo space that will make the dedicated service profitable and sustainable.

For the establishment of a dedicated air cargo service, there are basically three alternatives: charter service, enabling an existing carrier to provide the service, or enabling a new carrier to provide the required service. The criteria are cost and adequacy of service (capacity, flexibility over time, efficiency of operations). The use of a charter service is an expensive, stop gap alternative, with little prospect of being sustainable. Caricargo is the main existing service and while its C-123 is an adequate and low cost aircraft, its reputation for efficiency and reliability is questionable. There are three private carriers with interest in expanding cargo freight service: Hellenair, Regal Air Freight Service, and Eagle Wing Air Service. The three private carriers are limited by the landing rights constraint indicated above.

A. Establishment of a Dedicated Air Cargo Service.

1. Financial Support. Under the Project a bid will be let, specifying routing requirements, aircraft variables, cargo variables, financial requirements, and company qualification requirements. (These variables and characteristics are more fully described in Unattached Annex B1). The Project will work with the carrier competitively selected to achieve a profitable operation within three years of operation. It is expected that, due to supply variability in the initial two years, losses will occur. Not because the volume of produce is not there, but because of organizational incapacity to plan, organize, and consolidate shipments in an effective manner. A combined subsidy-bonus system will be developed to (a) partially compensate for the losses in the early years and (b) provide incentives for efficient use of capacity and reliability of service.

Assuming a dedicated service flying two routes, hubbed at St. Lucia, the estimated annual operational costs and revenues for two alternative capacity utilization rates (ACL) for the aircraft most likely to be utilized are shown in below. (The current rate of Caricargo, $0.15/lb. was used to estimate revenues).

Aircraft	Cost/hr.	Hrs. Flown	Annual Cost	100% ACL	75% ACL
C-123	510.	676	344,760.	624,000.	468,000.
DC-6	1500.	494	741,000.	998,000.	748,800.
DC-3	400.	734	295,360.	312,000.	234,000.

The achievement of a breakeven operation for a DC-6 requires an average capacity utilization rate of approximately 75 per cent. This implies carrying approximately 2500 tons of produce. At a rate of $0.20, the breakeven quantity falls to 1900 tons, approximately 37 per cent of extra-regional exports.

These quantities are clearly within the bounds of the feasible over a two year time period, given a reliable service and efforts to coordinate and consolidate shipments.

The design of a subsidy system to demonstrate the easibility of a profitable and sustainable air cargo service ust provide the appropriate structure of incentives to achieve hat end: the establishment of a profitable service within hree years of operation. The above data suggests that a arrier must achieve a capacity utilization rate of pproximately 75 per cent to breakeven. This would suggest inimum business planning goals of 40 per cent utilization the irst year and 65 percent the second year. The second major ojective is reliability of service, measured against scheduled light routes. While both objectives are important, the former hould be given more weight to ensure sustainability of the ervice. A further consideration in designing the system is hat the carrier remain at some risk, to ensure efficiency of peration and management responsibility. Finally, the system ist have limits on maximum amounts and minimum performance olerance levels: it should not reward or compensate management rrors or inefficiencies. The characteristics of the system are escribed below, using the example of the DC-6 as the point of eference.

* In the first year, the Project will assure 90 per cent of breakeven costs for achievement of an efficient service, defined in terms of capacity utilization and reliability. Specifically, if the

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carrier achieves 40 per cent capacity utilization and exceeds 80 per cent reliability in scheduling, he can receive the maximum subsidy. The maximum subsidy is calculated as ninety per cent of breakeven costs less the revenue total provided by operating at 40 percent capacity utilization. In the case of the DC-6, breakeven costs are $741,00. Ninety per cent of breakeven is $667,000. If operated at 40 per cent capacity, the business plan goal for year one, revenues will be $399,000. The Project will provide the difference between revenues and ninety per cent of the breakeven cost point, a total of $268,000. (This is equivalent to a guaranteed purchase of 27 per cent of capacity).

* For performance that is less than expected in terms of capacity utilization and reliability, the amount of the fixed performance fee is decreased. The total value of the performance fee is $268,000.

The capacity utilization objective is given a weight of 60 percent and the reliability objective a weight of 40 percent. If, for example, capacity utilization was only 30 percent for the first year, but reliability was over 80 percent, the performance fee would be reduced by six percent.

* No performance fee is provided for services deemed less than adequate. Specifically, a capacity utilization rate of less than 30 percent and a reliability index of less than 60 percent would be deemed inadequate.

* For the second year the process is the same, but the performance indicators increase. The business plan target for capacity utilization rises to 65 percent and reliability to 85 percent. Capacity utilization of less than 50 percent and reliability less than 70 percent would be deemed inadequate.

Failure to achieve these levels in the second year simply makes questionable the long term sustainability of the venture.

The system structures the incentives towards the achievement of the Project objectives, maintains management responsibility and accountability incentives, and defines and limits the amount of resources available to support the development of a dedicated air cargo service.

2. Technical Support for Improved Organization and Consolidation of Shipments.

As a necessary complement to the establishment of a supply of cargo services, the Project, through the development unit of CATCO will assist producers organizations, growers, exporters, and shippers in the planning and organization of the timing and consolidation of shipments to ensure the expression of an effective demand for shipping services. This is basically a technical assistance activity, assisting the relevant groups to coordinate and consolidate shipments to maximize efficiencies in shipment. This is necessary both for air and sea shipping.

One of the major problems in working with many small farm units, producing small quantities of diverse commodities at different times, is to demonstrate an effective demand for marketing and transport services. Low, variable, and diverse production volumes do not generate an effective demand for the quality of marketing and transport services required for efficient export marketing. The achievement of an effective demand places a premium on the planning and organization of production schedules.

Through the Coordination Unit, the Project will provide technical assistance and training to producers associations, farmer groups, exporters, and shippers to enable improved planning and organization of production volumes to achieve the consolidation of volumes required to provide an effective demand for improved marketing and transportation service.

B. Technical Assistance. The Project will provide 24 months of a long term transportation specialist and nine person months of short term technical assistance in the areas of transport economics, sea freight, and air cargo management. The total allocation for the transport module is $1.09 million which will provide for the performance fee, technical assistance, and operational and logistical support to the OECS Coordination Unit for implementing this module.

Module 4. Market Information Systems (MKIS)

A recent survey of exporters in the region indicates that after airport facilities, the lack of market information is the most significant constraint to export development. This reflects, in large part, the recent entry and limited experience of most exporters. The lack of information on the US market is particularly significant. The significance of this constraint varies among countries, however. Countries

with experience, such as St. Lucia, and the larger exporters are generally familiar with market requirements and processes. However, the diversification of exports to new markets, such as the US, and/or to markets outside the traditional ethnic market of established trading partners, is constrained by a lack of market knowledge.

The objective of this module is to increase market knowledge through access to computerized commercial data bases and through improved market contacts.

A. Access to Technical Information. Computerized information on prices, quantities, market flows, broker ratings, and shipping information is available through commercial data base systems. While the use of such systems represents a low cost means of acquiring useful information, utilization of such systems in the region is scant. Knowledge of the availability of such systems, the information contained in them, and the ability to manipulate the systems is limited.

Additionally, there is a dearth of technical information on export commodity marketing--the costs of alternative post harvest handling technologies, historical price analysis, seasonal price movements and "windows", analysis of the costs of alternative transport modes, are a few of the marketing issues where economic analysis would be helpful.

Through the development unit of CATCO, training and technical support will be provided to producers, producer associations, and exporters in the following areas:

1. Computerized Data Base Information. Use of computerized commercial data bases to obtain relevant information on prices, quantities, market changes, broker ratings, and shipping services. Two workshops per year will be conducted to familiarize clients with the potential of this service.

2. Technical Analyses. Technical information and analyses of marketing and transport alternatives, including detailed marketing studies of crops with export potential. These will be in the nature of marketing extension publication, providing economic and financial analyses of alternative marketing and transport technologies, systems, and opportunities. Basic descriptive information on export market processes, functions and roles of the different elements in the marketing chain will also be developed and disseminated. Analysis of port charges and costs will also be undertaken.

3. Market Contacts. Seminars, training, and invited experts simply do not have the impact that direct contact with traders, importers, distributors, and observation of market systems has. The limited experience of exporters and grower-shippers with non-traditional markets increases their perceived risk of entering new markets and expanding existing markets. Further, the development of market relationships requires confidence and trust between persons separated by distance and experience.

The objective of this activity is to increase the market knowledge of local exporters and grower-shippers through the development of direct contacts with importers, distributors, and market systems in the importing countries.

The Project will support the development of direct contacts through:

* Travel to and participation in trade fairs.

* Organized visits to port facilities, market terminals, importers, and distributors.

B. Technical Assistance. The Project will provide a long term Agricultural Marketing Expert for a period of 30 months. In addition, 12 person months of short-term technical assistance in the areas of marketing economics, produce import trade, international trade, and commercial policy are provided.

Other inputs to this module include operational and logistical cost support for training and communication. The Project allocates $1,027,250 to this module.

Other Project Support

A. CATCO Institutional Development.

The Caribbean Agricultural Trading Company (CATCO), was incorporated in 1981, through the auspices of the Caribbean Food Corporation (CFC), and operational unit within the Caribbean Common Market (CARICOM). CATCO is a unique, public and private, for profit enterprise owned by the CFC (70 percent) and nine private sector firms dealing in agricultural commodities (30 percent). RDO/C assistance to CATCO began in 1982, with a $4.0 million loan at terms of four percent during the five year grace period and eleven percent thereafter. In 1985, $2.75 million of the loan was deobligated due to low disbursement rates. While CATCO has developed into one of the principal export traders in the region, it has been unable to realize a net profit on its operations to date. This is due largely to two factors:

(1) The resolution of supply constraints to increased trade required that CATCO dedicate significant staff resources to development activities. In a sense, CATCO was forced to run a small extension service for export commodities: production technology, identification of appropriate varieties, and post harvest handling were major constraints to trade. All observers indicate that CATCO has played a significant role in these areas. However, these activities required increased staff and took resources away from the trading function. CATCO estimates that more than 70 percent of staff and administrative time is spent on development activities. In part due to its quasi-public nature and in response to donor requirements, CATCO has provided services of a public good nature but is unable to capture all the benefits from those services. Most unfortunately for CATCO's financial situation, these development services were funded through loans. CATCO has proven to be a relatively low cost and effective extension cum development organization, but a relatively high cost trading company.

(2) The inability to attract knowledgeable and experienced managers from within the region with the appropriate agricultural trading skills, negatively affected the early years of operation. In 1985, the CATCO Board accepted an EEC offer to provide expatriate management through a British firm, Fintrac Consulting, which will continue to manage the company and train staff until April 1990 when the EEC funding terminates.

CATCO has reduced operating expenses and greatly increased sales volumes and revenues since 1985. Revenues, for example, increased by 156 percent over this period operating costs have fallen from 90 percent of sales revenue to 35 percent of sales revenue. Gross margins on sales have increased slightly, from 11 percent to 13.5 percent. The 13.5 percent gross margin on sales obviously does not cover the relatively high operating expenses, resulting in the accumulation of negative net profits. CATCO's accumulated deficit through 1989 totals $1.5 million. In addition, the grace period on the initial AID Loan to CATCO ends in November 1989, at which time CATCO will be required to make interest plus principal in the amount of approximately $37,000 semiannually. While it is clear that CATCO's new management has made significant strides towards placing the organization on a sound track, much remains to be done.

To achieve a positive return on investment by 1995, the following is required:

(1) Growth in sales of revenue of 50 percent

annually for the next three years and of 30 percent annually for the two years after that. Maintenance of a gross margin on sales of approximately 13.5 percent. Reduction of operating costs to approximately 8 percent of revenues.

(2) Deferral of the payment of interest and principal of the AID Loan for a period of five years and an extension of the loan term by five years.

(3) Funding of all developmental activities from donor supplied grant funds. The ability to do this is linked directly to the ability to reduce operating expenses.

(4) Continued, strong, business management.

(5) An increase in working capital of approximately $500,000.

A long term loan from the EEC for the increase in working capital has been approved. RDO/C has requested approval from the AID Administrator to extend the grace period for payment of principal and interest of the AID loan for an additional five years. Approval is expected before November. Sales revenues have increased by 305 percent over the past four years, approximately in line with projected growth.

The institutional development support to be provided CATCO under the Project will assist the financial management capacity of CATCO and facilitate the reduction of operational costs by assuming a significant portion of the ongoing developmental costs incurred by CATCO which are essential for achieving the objectives of this Project.

(1) Financial Management Support. Under the Project, support will be provided to CATCO in business management, through the provision of salary support for a Financial Manager/Controller and through funding a bookkeeper for the purposes of this Project, as described in the other modules of the Project.

(2) Developmental Activities Support. Within CATCO, four positions are basically related to developmental activities and required for the implementation of the Project: the EEC funded advisor in post harvest technology, the Field Manager for Dominica and the Leewards, and the Field Manager and assistant for Antigua. The Project will provide salary support on a

declining basis for the Field Managers, and operational cost support for their activities during the life of the Project.

(3) Technical Assistance. Under this module, seven person months of short term technical assistance in the areas of financial management and accounting systems will be made available to CATCO. It should also be noted that as a principal implementing agency for the production, post harvest handling, and marketing components of the Project, CATCO will also have available technical assistance in the appropriate technical areas. A total of $425,000 is provided for the implementation of this module.

B. Support to Monitoring and Evaluation

The OECS Agricultural Diversification Program represents an important new activity for the OECS. Cross country issues such as landing rights, tariff and non-tariff barriers, taxes, and exchange rates significantly affect the competitiveness of regional exports in international markets. The impact of the likely reduction in the U.K. subsidy to local banana production will have repercussions throughout the islands. Yet little work has been done to analyze and evaluate these issues. The statistical information on regional exports is inconsistent, making it difficult to monitor progress and identify bottlenecks and opportunities.

The objective of this module is to assist the OECS Economic Affairs Secretariat in organizing a sound statistical base for the purpose of monitoring progress towards agricultural export diversification and in analyzing and evaluating constraints to export diversification. Support from this Project to the OECS will finance the monitoring and evaluation of the Agricultural Diversification Program. Funds budgeted for these activities will be used by both the Trade, Economic Policy and Statistics unit and the Policy and Planning unit to gather and analyze baseline agricultural export data. The work will be carried out by existing staff in the OECS's Secretariats. They will participate in the midterm and final evaluation of the TROPRO Project as well as in the Project's Annual Evaluation and Planning Workshop.

The activities of this module are as follows:

(1) Construction of a Consistent Baseline Data Base. While there ae problems with data collection, relatively simple improvements of formats and commodity categories can be made. The major problem is in consolidating a consistent data set on a timely basis. The Project will provide technical assistance and improved computer facilities for the construction of the baseline data base.

(2) Evaluation and Studies. On an annual basis, the ECS/EAS will prepare an analytical report on the export ompetitiveness of regional exports. The analysis will dentify the principal constraints to improved export ompetitiveness, such as productivity, exchange rate, tariffs nd non-tariff barriers, labor market rigidities, etc. The eport will make recommendations to improve regional ompetitiveness in international markets. The second major rea for analysis to be supported under the Project is related o the impact of a likely reduction of the U.K. preferential reatment of bananas. Two studies are contemplated:

* Economic Evaluation of the Foreign Exchange Employment, and Income Impacts of a Reduction in Preferential Treatment of Banana Exports.

* Policy Alternatives for Phasing Out the Preferential Treatment of Banana Exports.

inally, funding is provided for the OECS/EAS to conduct one valuation per year of a project within the Agricultural iversification Program.

(3) Technical Assistance. Local and international echnical assistance is provided on a short term basis to ollaborate and assist with these studies and to strengthen the apacity to evaluate projects and policies related to iversified agricultural exports. A total of 27 person months f short term local and international technical assistance is rovided. A total of $301,250 is allocated for this module.

C. CARDI will provide project accounting services as ell as other services in the area of research as identified uring project implementation. CARDI has demonstrated that it an provide fiscally sound financial management to the Project nd has developed Mission-reviewed accounting procedures that ill be used in this Project.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LAC-IEE-89-44

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	Caribbean Regional
Project Title	:	West Indies Tropical Produce Support
Project Number	:	538-0163
Funding	:	$6,200,000 (G)
Life of Project	:	Four years
IEE Prepared by	:	Paul Andre DeGeorges RDO/C Bridgetown
Recommended Threshold Decision	:	Negative Determination
Bureau Threshold Decision	:	Concur with Recommendation
Comments	:	Subject to IEE recommendations being incorporated into project
Copy to	:	Larry T. Armstrong, Director RDO/C
Copy to	:	Douglas Chiriboga, RDO/C
Copy to	:	Andre DeGeorges, RDO/C
Copy to	:	Winston McPhie, LAC/DR/CAR
Copy to	:	IEE File

James S. Hester Date JUN - 7 989

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

INITIAL ENVIRONMENTAL EXAMINATION

I. PROJECT DATA

Project Location	:	Eastern Caribbean
Project Title and Number	:	West Indies Tropical Produce Support (538-0163)
Funding (LOP)	:	$6,200,000 Grant
Life of Project	:	Four Years
IEE Prepared By	:	Paul Andre DeGeorges Regional Environmental Management Specialist
Environmental Action	:	Negative Determination
Concurrence	:	Larry T. Armstrong Acting Director, USAID Regional Development Office/Caribbean
Date	:	May 23, 1989

Clearances:

Larry K. Laird, Chief ARDO	(Cleared)	Date: 05/17/89
Jack Sleeper, Deputy Chief ARDO	(Cleared)	Date: 05/17/89
Rebecca Niec, Mission Environmental Officer	Cleared	Date: 05/16/89
Douglas A. Chiriboga, A/C/PDO	(Cleared)	Date: 05/18/89
Roy J. Grohs, A/C/PRM	(Cleared)	Date: 05/19/89

II. PROJECT PURPOSE AND GOAL

The project's primary goal is to save or increase earnings of hard currency foreign exchange via exports of non-traditional agricultural products to regional or extra-regional markets. A secondary goal, which is linked directly to the first one, is the generation of higher levels of farm income in the region. In order to attain these goals, the project has the more immediate purpose of improving the marketing of OECS tropical products by:

- o Increasing regional and local capacity to market non-traditional agricultural products, including the phase of post-harvest handling;
- o Increasing regional capacity to transport these produce to markets;
- o Increasing production of these items in exportable quality.
- o Addressing policy constraints to marketing of tropical products in the OECS countries.

III. PROJECT PROBLEM:

Constraints to Diversification into Non-traditional Agricultural Products for Export

Economic analyses demonstrate that the two sectors in the Eastern Caribbean with potential for substantial economic growth are agriculture and tourism. In the case of agriculture, many island economies depend largely on sugar cane or bananas monoculture. The sugar-cane-dependent economies are floundering because of diminishing US and European markets for raw natural sugar and United States' protectionism of domestic sugar growers. Likewise, West Indian bananas are currently purchased at subsidized prices by the European Economic Community. However, this preferential trade treatment is expected to end in 1992 with greater integration of the U.K. into the EEC markets. The OECS states are not among the most economically competitive producers of their two main exports (bananas and sugar) anyway, so diversification of crops is essential.

This concern is stimulating most countries in the Eastern Caribbean to examine alternative crops to replace sugar and bananas. Success with alternative crops will maintain agriculture as a way of life and as a major source of foreign exchange. Economic analyses indicate that the Eastern Caribbean can compete on regional and international markets, to efficiently produce and sell non-traditional crops, for example, to:

*Extra-Regional Ethnic Markets (Consumers in the US, Canada and Europe of Caribbean, African and Asian heritage) for crops such as breadfruit, plantain, arrowroot, dasheen and eddoes.

*Extra-Regional Non-ethnic Market in the same countries as above for crops such as mangoes, papaya, pineapple, cucumbers, melons, sweet potatoes pumpkins, and their processed derivatives.

*Domestic and Regional Markets for fruits and vegetables.

For these markets to be exploited to their maximum by the OECS countries there are a number of constraints which must be addressed, including:

*Overall quality of produce

*Sorting, grading and packing for international standards

*Improved pre-shipment cold storage

*Inter-island and international transport

*Policy changes to economic incentives that will stimulate production of non-traditional agricultural crops.

IV. PROJECT OUTLINE AND STRATEGY

The project will address the above-mentioned constraints through the following activities:

Module 1: CATCO. Activities will be undertaken to strengthen CATCO in the area of North American marketing expertise, post-harvest technologies and financial management with extension of this information directly to farmers.

Module 2: Improving Product Handling Infrastructure. The objective of this module is to provide facilities that can serve for both cool storage and cool transportation of products. It consists of procuring 20-foot reefer containers with wheels and AC/DC electrical connections for use at airports and ports.

Module 3: Private Exporters. Improving extra-regional marketers' knowledge of foreign markets, technologies of production and post harvesting of products.

Module 4: Transportation. Constraints on inter-island air and sea freight transportation will be addressed.

Module 5: Production. Production of non-traditional export crops will be increased following indications from the marketers regarding which crops are most marketable outside the region. There will be three kinds of inputs including irrigation infrastructure, on-farm technical assistance, and a special supervised program for management of mango trees.

Module 6: Economic Policy. An improved policy environment of incentives to stimulate increases of non-traditional agricultural crops will be developed.

V. ENVIRONMENTAL CONSIDERATIONS

No pesticides will be purchased with USAID monies in this project. No adverse long/short term or irreversible/reversible impacts are foreseen from this project. However, this project will indirectly promote increased use of pesticides in the Eastern Caribbean through the stimulation of increased agricultural production and diversification by its market oriented strategy. It will also promote more intensive agriculture through crop diversification. This could result in increased soil erosion if proper conservation measures are not introduced. RDO/C is becoming increasingly sensitive to the misuse of pesticides in the Eastern Caribbean and the effect this is having on long term sustainable agriculture, on the health of the natural resource base, and on the health and productivity of the agricultural worker. The misuse of pesticides and soil erosion associated with agriculture are considered to be two of the major contributing factors to the degradation of the coastal zone's coral reefs and fisheries, so important to the sustainability of tourism. Mitigative actions in the form of technical support and monitoring initiated in TROPRO through Modules 1,3 and 5 will not only assure that the Eastern Caribbean maximizes its chances to be competetive in the United States import market, but will help to assure long term sustainability in the agricultural sector, minimize impacts from landbased pollution on tourism, provide safer conditions for agricultural workers, safer produce for local consumers and a healthier natural resource base.

Technical Support. CATCO and farmers who sell produce to CATCO will be provided with information on an island by island basis as to which crops can currently be exported to the United States with and without permits based upon lists from the Animal and Plant Health Inspection Service of the US Department of Agriculture. This will avoid the adverse economic possibility of a producer gearing up for an export crop that has proven marketable to the US only to find that his/her island is restricted because of crop pest problems from entry of this product into the US.

Once crops have been selected for export on any given island, the producers will be advised by the project's technical assistants as to allowable pesticides for use on their crops if they wish to export to the United States based upon residue standards established by the USEPA/FDA. This will help to assure that produce quality falls within import standards for pesticide residues as established by the United States, thus avoiding the chance of the produce being rejected at the port of entry into the United States. In the long run this should also help to produce fruits and vegetables for the local market that are safe for island consumers.

Technical Assistance provided by the project will train farmers in the proper, environmentally, safe handling, application and disposal of farm chemicals. This will be linked to information on improved crop varieties and Integrated Pest Management Practices coming out of CARDI from the USAID sponsored Agricultural Research and Extension Project. This will maximize production with a minimal number of financial inputs, thus maximizing profits to producers.

Where required, in order to insure long term sustainable production, technical assistance will train producers in soil conservation/agroforestry techniques to preserve soil cover and to sustain long-term production from land resources.

Pesticide Monitoring A pesticide monitoring program will also be established to measure pesticide residues on produce to assure it meets United States and/or European import standards. Periodical environmental monitoring will also take place to determine the effects of farm chemicals on the natural resource base.

The University of Miami School of Medicine, Department of Epidemiology, Division of Chemical Epidemiology has a sub-contract with the Consortium for International Crop Protection (CICP) for training in analyzing and in analyzing pesticides. This center will work with institutions such as the Caribbean Environmental Health Institute or ministries of agriculture with analytical capabilities to develop a pesticide residue monitoring program, with a strong quality control component. As the project progresses, CATCO and West Indian governments, in collaboration with such laboratories will gradually assume responsibility for ensuring that exported fresh produce is healthy and has not been produced in ways that threaten the natural resource base of the region.

As a condition precedent CATCO must agree to random spot monitoring of its produce for pesticide residues. CATCO will also have farmers sign such an agreement and if their produce has continually high residue levels or they are using inappropriate pesticides, their product will not be purchased by CATCO until they can prove that they fall within the standards of excellence that have been established.

Farmers participating in this program will also have to agree to periodical spot checks on the storage, handling, application and disposal of pesticides. Their produce may be monitored for pesticide residue levels without prior notice. Also certain farms will be selected as controls in order to assure that the natural resource base is minimally impacted from pesticide use. The environmental fate of pesticides will

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be measured, at a predetermined frequency of monitoring in the following areas:

*Fruits and Vegetables
*Soil and Ground Water
*Birds and Mammals
*Surface Waters including freshwater streams and coastal waters
*Fish and Aquatic Invertebrates

Soils and Ground Water will be analyzed chemically and quantitatively at the outset of all irrigation projects to assure that the potential for soil salinization, groundwater drawndown, and salinization of the groundwater aquifer from the sea will be minimized.

VI. ENVIRONMENTAL ACTION RECOMMENDED

It is believed that the mitigative measures developed in this project go well beyond that which is required, because it is purchasing no pesticides and monitoring measures are being introduced, to protect public health and the natural resource base, and to assure that products in the Eastern Caribbean meet stringent United States import standards.

Furthermore, this project follows the spirit of the RDSS by integrating natural resources management and environmentally sound development into its design in order to promote long term sustainable growth of the agricultural sector in the Eastern Caribbean. This project is given a negative declaration and needs no additional environmental review.

WANG 2287:Pg. 31-36:DeGeorges:May 16, 1989.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

The answers in this Country Checklist refer to the following OECS countries: Antigua and Barbuda, Dominica, Grenada St. Kitts, and Nevis, St. Luci and St. Vincent and the Grenadines.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1989 Appropriations Act Sec. 578(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

   No.

2. FAA Sec. 481(h); FY 1989 Appropriations Act Sec. 578; 1988 Drug Act Secs. 4405-07. (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are

   N/A.

laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

3. 1986 Drug Act Sec. 2013; 1988 Drug Act Sec. 4404. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the

No.

government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? No.

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.

6. FAA Secs. 620(a), 620(f), 620D; FY 1989 Appropriations Act Secs. 512, 550, 592. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided No.

either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? — No.

8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? — No.

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? — No.

10. FAA Sec. 620(q); FY 1989 Appropriations Act Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1989 Appropriations Act appropriates funds? — No.

11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of — N/A.

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Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? — No.

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) — OECS countries are in arrears on U.N. obligations. Yes.

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? — No.

15. FY 1989 Appropriations Act Sec. 568. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)? — No.

16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? — No.

17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? — No.

18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) — No.

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? — No.

20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) — No.

21. FY 1989 Appropriations Act Sec. 527. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? — No.

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22. FY 1989 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No.

23. FY 1989 Appropriations Act Sec. 540. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

No.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?	No.
FY 1989 Appropriations Act Sec. 536. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No.

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?	No.
FY 1989 Appropriations Act Sec. 578(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?	N/A

WEST INDIES TROPICAL PRODUCE SUPPORT - PROJECT NO. 538-0163

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?	STATE 258306 states that "CN No. 460 for project 538-0163, West Indies Tropical Produce Support Project, notifying dols 1,100,000 ARDN funds expired without objection August 10, and obligation may be incurred August 11."
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes, both (a) and (b).
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?	No action required.

4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	N/A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	This is a regional project and is strongly supportive of regional exporting and agricultural production efforts.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) Project will support increased agricultural exports; (b) Project will support efforts of private producers and exporters; (c) No; (d) Project will encourage countries to end exclusive export rights granted to marketing boards for certain crops; (e) Project will increase agricultural and export efficiency through a variety of assistance; (f) N/A.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Public and private U.S. sources will be utilized for the procurement of goods and services.

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9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

No, U.S. - owned currencies will be used. The OECS and other project participants will contribute to the project costs in cash and in-kind.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No, Agricultural products to be produced for export are not in surplus nor expected to be. The products are either not produced by U.S. farmers or are produced in small quantities, and no injury to U.S. producers is anticipated.

12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other

(a) Producers will be trained [illegible] environmentally sustainable [illegible] tural development, to encour[illegible] proper use of existing agricul[illegible] lands and to discourage utili[illegible] of non-appropriate lands;
(b) No;
(c) No;
(d) No;

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wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

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

15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A.

16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A.

17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A.

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A.

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3. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

(a) No, the products expected to be exported are not known to be produced for export in the U.S.;
(b) No.

b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

(a) The project is desined to encourage small farmers to participate in the production of export-oriented crops, through the provision of technical and other assistance;
(b) The project will provide assistance to small farmers through farmers' groups, some of which are expected to be cooperatives;
(c) The project will support the efforts of the six OECS countries to broaden agricultural production and exports;
(d) The project will assure the participation of women, who often are the main producer of fruits and vegetables;
(e) The project is a regional effort, promoting increased inter-country cooperation.

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institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used?

Yes, 103

d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes, Technologies utilized will be geared to small-to-medium producers and exporters.

e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

This is a regional project, exempt from the 25% requirement. Regional institutions and host governments will share approximately 18% of the total project costs.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	The project responds to the needs of the target countries to access new sources of foreign exchange, essential to their well being. It will train and expose hundreds of individuals in new technologies, enabling them to better complete in world markets.
h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?	No.
Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No.
Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No.
i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?	No.
If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?	N/A.

j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

No amount has been specified. For technical assistance services and for goods, 8(a) firms will be encouraged to compete.

l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase

Yes, the assistance complies with the environmental procedures set forth in AID Regulation 16. Because this project does not include forestry activities and is not expected to affect forests, and because the Environmental Threshold Decision was a Negative Determination, Section (a) through (k) are not applicable. The project proposes to assist agriculture only on lands traditionally utilized for same, using sustainable technologies.

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production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k)/utilize the resources and abilities of all relevant U.S. government agencies?

m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b)/take full account of the environmental impacts of the proposed activities on biological diversity? N/A.

n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

No.

o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No.

p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA;

N/A.

(c) being provided, when conistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

q. <u>FY 1989 Appropriations Act Sec. 515</u>. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

Exercise of deob/reob authority is not anticipated.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

SEP 29 1989

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Jeffrey Evans (Acting Director)

SUBJECT: Caribbean Agricultural Trading Company - Loan Rescheduling (Grant 538-0080/Loan 538-T-021)

PROBLEM: The private Caribbean Agricultural Trading Company (CATCO) is in imminent default of making payments on a 1982 A.I.D. loan. You are requested to approve rescheduling of the A.I.D. loan.

BACKGROUND: The Caribbean Agricultural Trading Company (CATCO) is a private, limited liability company which was established in 1982 under the Barbados Companies Act to market non-traditional agricultural produce. As an innovative, private sector-led approach to stimulating the production, marketing and export of non-traditional agricultural products from the Caribbean region, the CATCO project was authorized on August 26, 1982. Under the project, CATCO has received grant support totalling $445,000 for advisory services and a $4.0 million loan to invest in production and marketing development. The loan agreement, executed between A.I.D. and CATCO on September 28, 1982, stipulates its repayment over 15 years, with interest at four percent per annum during a five-year grace period, seven percent during the next five years and 11 percent for the last five years. The interest rates were based on the anticipated rapid growth of CATCO's trading volumes and income.

As a result of serious implementation problems, the project authorization was amended on September 29, 1987 to decrease the authorized loan amount to $1,250,000. To date loan disbursements have totalled $1,032,857.08. The grant has been fully disbursed.

DISCUSSION: It was clear from the early stages of implementation that generating a large trading volume would be more difficult than anticipated in the design of the project. In fact, CATCO has had to concentrate much more attention on agricultural extension support to farmers to assure produce quality and quantity than on actual inter- and extra-regional marketing of fresh produce. In short, today CATCO enjoys a solid reputation as a reliable agricultural producer, but cannot become financially viable without modifications in the

terms of the A.I.D. loan. CATCO has made all scheduled interest payments during the initial five-year grace period. CATCO is, however, in imminent default of making the higher principal and interest payments due over the next five-year period (May 1990-November 1994). In light of this financial situation, CATCO has requested debt relief. Its request has been supported by Congressman George W. Crockett.

In present circumstances, three options are possible: (a) maintain the current amortization schedule; (b) attempt to collect on the guaranty of repayment to A.I.D. by the Caribbean Food Corporation; and (c) reschedule the A.I.D. loan. A detailed analysis (summarized in Tab A) demonstrates that the most prudent course of action for A.I.D. is option (c).

Although forgiveness of any portion of the disbursed loan and outstanding interest is prohibited by Section 620(r) of the Foreign Assistance Act of 1961, as amended, rescheduling payments is allowed pursuant to the loan implementation authorities in Section 635(g). Permissible rescheduling options include (a) extending the grace period, (b) extending the repayment period, (c) postponing interest payments and (d) a combination of these options.

It is in the interest of all parties to assist CATCO to survive and achieve financial viability. It has become an essential marketing channel for the export of produce from the small island states of the Eastern Caribbean. The Regional Development Office/Caribbean (RDO/C) and external auditors have examined CATCO's financial records and reviewed cash-flow projections presented by CATCO (Tab B). These more realistic estimates of sales volume are based on three years of steadily increasing trade conducted by a reorganized and better-managed CATCO.

Given the present situation and optimism regarding its near-term future, the most appropriate option for providing debt relief is authorization of an additional five-year grace period to extend from November 1989 to November 1994. In addition, it is proposed that this grace period include a moratorium on interest payments; the applicable seven percent interest would be capitalized as principal and then repaid at the 11 percent per annum rate. This arrangement would also effectively extend the period of the loan from 15 to 20 years. The next loan payment would then be due on May 14, 1995.

JUSTIFICATION: With the additional grace period, including a moratorium or postponement of interest payments, CATCO will have the cash-flow "breathing space" to allow revenue growth to catch up with debt service requirements. Not only will CATCO's financial capability be strengthened, but also the likelihood of loan repayment to A.I.D. will be enhanced significantly.

We recognize that rescheduling the debt of a private sector firm is relatively unique for A.I.D. Although CATCO's financial records and cash-flow projections are impressive, there remains concern about its prospects for financial viability. In the interests of financial sustainability and private sector integrity, we do not expect that, under current legislation, additional adjustments will need to be made to this loan in the future.

Because of the uniqueness and policy implications of rescheduling the debt of a private sector firm, you earlier referred a decision on this matter to the Acting Administrator. However, the Office of the Administrator, by note from the Chief of Staff and in a phone call to me from Frank Kenefick, Special Assistant to the Counselor, has indicated that you should make the decision.

AUTHORITY: FAA Section 635(g) provides in pertinent part that:

"(g) In making loans under this Act, the President...(2) may...compromise any obligations assigned to, or held by, and any legal or equitable rights accruing to him...[and] (4) may determine the character of, and necessity for, obligations and expenditures of funds used in making such loans and the manner in which they shall be incurred, allowed, and paid..."

Generally, this authority, redelegated from the President to the A.I.D. Administrator, is exercised only in cases of imminent loan default and to maximize the likelihood of repayment of the full amount of the loan to the U.S. Government. We believe that these two conditions exist in the case of the loan to CATCO and that the terms of the A.I.D. loan should be modified. Under Delegation of Authority No. 401, the Administrator has in turn delegated to all regional AA's broad authority to administer loan agreements in their respective regions, including authority to approve the rescheduling of loans to private entities, such as CATCO. Attached is a memorandum from GC/LAC confirming your authority.

RECOMMENDATION: That you approve modifying the terms of Loan Agreement No. 538-T-021 with the Caribbean Agricultural Trading Company to provide an additional five-year grace period with a moratorium on interest payments which will be capitalized.

APPROVED: Frederick W. Schieck

DISAPPROVED: _____

DATE: September 29, 1989

Attachments:

Tab A: Detailed Analysis of Options Regarding the A.I.D. Loan to the Caribbean Agricultural Trading Company
Tab B: CATCO Cash Flow Statement, 1987 2000
Tab C: Authority to Approve the CATCO Rescheduling

LAC/DR:JEvans:jmm:9/29/89:3559N

Clearance:

GC/LAC:TGeiger (draft)
SA/LAC:LWood MKW

TAB A

DETAILED ANALYSIS OF OPTIONS REGARDING THE A.I.D. LOAN WITH THE CARIBBEAN AGRICULTURAL TRADING COMPANY

PROBLEM: The private Caribbean Agricultural Trading Company (CATCO) is in imminent default of making payments on a 1982 A.I.D. loan (538-T-021).

LOAN AMOUNT: $1,032,857.08

LOAN TERMS:
- Repayment semi-annually over 15 years
- Five-year grace period (May 1985-November 1989) at four percent interest rate
- May 1990-November 1994 at seven percent interest rate
- May 1995-May 2000 at 11 percent interest rate
- Number of installments: 31

DISCUSSION: In light of CATCO's imminent default of the loan, A.I.D. has three possible courses of action: (1) maintain the current amortization schedule; (2) attempt to collect on the guaranty of repayment to A.I.D. by the Caribbean Food Corporation; and (3) reschedule the A.I.D. loan. Circumstances relevant to each of these options is discussed in detail below:

OPTION: MAINTAIN THE CURRENT AMORTIZATION SCHEDULE

Under this option, A.I.D. would take no action to relieve CATCO's debt burden. To avoid defaulting on the loan, CATCO would have to draw funds from its commercial overdraft facility at the Canadian Imperial Bank of Commerce in Bridgetown. Because CATCO has been operating at a loss (see table below), its use of the overdraft facility has been necessary. According to its March 1989 financial statement, CATCO has overdrawn its limit at the facility ($350,000) by about $10,000. CATCO has no known access to other sources of credit. For this reason, if A.I.D. maintains the current amortization schedule, CATCO will default on the loan.

SUMMARY TABLE OF CATCO'S PROFIT AND LOSS STATEMENT OVER THE PERIOD 1983-1989
($000)

	1983/84	84/85	85/86	86/87	87/88	88/89
Tons traded	175	500	372	548	1,006	1,572
Revenue	145	593	372	443	953	1,500
Expenses	552	1,075	532	622	1,020	1,750
Net (loss)	(407)	(482)	(160)	(179)	(67)	(250)

OPTION: COLLECT ON THE LOAN GUARANTY BY THE CARIBBEAN FOOD CORPORATION

The CATCO loan is guaranteed by the Caribbean Food Corporation (CFC) through CFC's issuance of callable shares. The CFC guaranty is not, however, a guaranty of the member states since the member states' liability to either CFC or its activities cannot exceed their subscription to membership shares. CFC's guaranty of the A.I.D. loan, therefore, is its own.

The Regional Development Office/Caribbean (RDO/C) has reviewed the quality of CFC's guaranty on the basis of a recent financial study of CFC (The Caribbean Food Corporation: A Financial Analysis by S. Hamilton Hinds, October 18, 1988). According to the study, CFC's entire portfolio is in both financial and technical difficulty. RDO/C has also discussed CFC's financial viability with the European Economic Community (EC). The EC has provided a direct line of credit to CFC but now considers CFC to be insolvent. It is highly questionable if the EC will continue to provide credit financing to CFC.

The quality of CFC's guaranty of the A.I.D. loan to CATCO is therefore low. It is highly likely that, if A.I.D. collects on the guaranty, CFC will collapse.

OPTION: RESCHEDULE THE A.I.D. LOAN

For the first time since its establishment in 1982, CATCO is in a position to make a significant contribution to alleviating the marketing constraints in the region. By linking production contracts with overseas buyers, CATCO can now offer attractive marketing arrangements to growers, especially for non-traditional crops which do not compete with U.S. produce.

From a relatively small base, CATCO's volume traded of fruits and vegetables and export earnings have increased about ten times since 1984, and its net operating loss has been substantially reduced (see table above). The increase in the volume and value of its export shipments represents an annual growth rate of about 61 percent for three years (1986-89). In 1988 about 88 percent of its sales were to markets outside the region. Important new trade to Miami and London is contributing to this improved performance. Nearly 50 products have been traded from ten Eastern Caribbean states this year.

It is important to note also that CATCO does much more than buy and sell agricultural produce. CATCO has made significant investments in technical assistance to farmers, farmers' organizations and other exporters. On the technical side, CATCO has been responsible in the region for (a) testing and

disseminating higher-yielding varieties of hot peppers, (b) introducing a new melon variety of more marketable size, (c) test-marketing and financing the production costs of a new IICA-developed strain of papaya, (d) upgrading the genetic quality of ginger, (e) test-marketing a variety of mangoes for the supermarket trade abroad, (f) introducing a new eggplant variety, (g) working with cardboard box companies to design improved models for produce transport, etc.

A cash flow statement indicating CATCO's performance from 1987 and projected to 2000 is attached as Tab B. CATCO's operating loss is forecast to drop sharply in 1990 and turn to profit by 1992 if the A.I.D. loan terms are modified to provide relief. On the other hand, it must be recognized that any cash flow forecasting must necessarily be based on projections of trading volumes and resultant revenues. It is not possible to be totally confident of the accuracy of projections since there is simply not enough of a trading record. CATCO's management organization has been restructured, however, and the volume of trade has tripled in the last three years. It is therefore reasonable to assume that modifying the terms of the A.I.D. loan will not only strengthen CATCO's financial capability, but also enhance the likelihood of loan repayment to A.I.D.

#3558N

CARIBBEAN AGRICULTURAL TRADING COMPANY LIMITED
CASH FLOW STATEMENT

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
LES	892,000	1,920,000	3,143,000	5,154,500	7,213,500	10,393,150	13,773,480	17,558,448	19,680,001	21,060,429	23,261,204	25,719,302	28,468,167	31,545,570
ST OF SALES	(708,000)	(1,687,000)	(2,674,500)	(4,107,750)	(6,079,700)	(9,010,410)	(11,751,680)	(15,038,615)	(16,530,574)	(18,217,569)	(20,048,591)	(22,191,509)	(24,529,511)	(27,141,674)
OSS PROFIT	184,000	233,000	468,500	1,046,750	1,134,300	1,382,740	2,021,801	2,519,833	2,557,427	2,842,861	3,164,614	3,527,873	3,938,656	4,403,954
MINISTRATIVE EXPENSES	(462,000)	(367,000)	(968,835)	(939,359)	(993,874)	(1,029,849)	(1,133,353)	(1,219,935)	(1,630,256)	(1,715,046)	(1,807,104)	(1,907,303)	(2,015,610)	(2,134,075)
OFIT/(LOSS)	(358,000)	(134,000)	(500,335)	107,391	140,476	352,891	888,447	1,299,898	927,171	1,127,814	1,357,510	1,620,568	1,923,046	2,269,879
HER INCOME/(EXPENSES)														
T PROFIT/(LOSS)	(358,000)	(134,000)	(500,335)	107,391	140,476	352,891	888,447	1,299,898	927,171	1,127,814	1,357,510	1,620,568	1,923,046	2,269,879
TRA-ORDINARY ITEM		(363,000)												
T PROFIT/(LOSS)	(358,000)	(497,000)	(500,335)	107,391	140,476	352,891	888,447	1,299,898	927,171	1,127,814	1,357,510	1,620,568	1,923,046	2,269,879
orgns/(credits) not														
effecting cash	(94,000)	(6,000)	38,000	30,000	30,000	30,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
xed assets purchases	(9,000)	(204,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
pital grant rec'd	9,000	122,000												
ng term loans rec'd	613,000	563,000												
cr. in deferred grants	108,000	(35,000)												
ss repayments									(150,000)	(176,000)	(196,000)	(218,000)	(244,000)	(270,000)
	268,000	(257,000)	(520,335)	87,391	120,476	332,891	892,447	1,303,898	775,171	955,814	1,165,510	1,406,568	1,683,046	2,003,879
SH-beginning of year	(52,000)	217,000	(40,000)	(560,335)	(472,944)	(352,469)	180,423	1,072,870	2,376,768	3,149,939	4,105,753	5,271,263	6,677,831	8,360,877
SH-end of year	217,000	(40,000)	(560,335)	(472,944)	(352,469)	180,423	1,072,870	2,376,768	3,149,939	4,105,753	5,271,263	6,677,831	8,360,877	10,364,755

dot 3: A 5 year moratorium is assumed on all interest and repayments of the USAID loan. The 7% interest due from 05/19/90 will be capitalized and the repayment term extended by 5 years

Agency for International Development
Washington, D.C. 20523

Office of the
General Counsel

September 29, 1989

TO: Frederick Scheick, Acting AA/LAC

FROM: Thomas L. Geiger, GC/LAC

SUBJECT: Authority to Approve the CATCO Rescheduling

The proposal to reschedule the CATCO loan is the first proposal in recent years for rescheduling an AID loan to a private entity. Unfortunately, there is no Agency guidance establishing procedures and standards for rescheduling such loans. The CATCO loan will, thus, set a precedent for the Agency in terms of both procedure and policy for future reschedulings.

Under Delegation of Authority No. 401, the Administrator has delegated to you, as the acting Assistant Administrator for LAC, authority to "negotiate, execute and implement" all loan agreements for countries in the region and any amendments you deem necessary or desirable. In the absence of any Agency or other guidance to the contrary, I conclude that this broad authority to administer loans includes authority to review and approve the rescheduling of loans made to private entities, such as CATCO. Naturally, any reschedulings must be cleared with FM and PPC; the CATCO package has been so cleared.

cc. HMFry, GC
JEMullen, DGC
RLester, GC/LP
RJohnson, RLA/Bridgetown
DCohen, LAC/CAR

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

EXECUTIVE SUMMARY

SUBJECT: Caribbean Agricultural Trading Company - Loan Rescheduling

ISSUE: The private Caribbean Agricultural Trading Company (CATCO) is in imminent default of making payments on a 1982 A.I.D. loan.

CONCLUSION AND RECOMMENDATION: CATCO has become an essential marketing channel for the export of produce from the small island states of the Eastern Caribbean. Given CATCO's present financial situation, balanced positively by optimism regarding its near-term future, the most appropriate among three options for providing debt relief is authorization of an additional five-year grace period to extend from November 1989 to November 1994. It is therefore recommended that you approve rescheduling of the A.I.D. loan.

SUMMARY OF ANALYSIS: It is in the interest of all parties to assist CATCO to survive and achieve financial viability. Although the project will continue to operate in a high-risk environment, the rescheduling will provide CATCO with the cash-flow "breathing space" to allow revenue growth to catch up with debt service requirements.

ACTION MEMORANDUM IS ATTACHED.

ST. LUCIA TRANSPORT CHARACTERISTICS

MODE	TRANSPORT INFRASTRUCTURE	STORAGE INFRASTRUCTURE	SHIPPING SERVICES	CONSTRAINTS-OBSERVATIONS
AIR FREIGHT	Hewanorra International	Numerous warehouses of significant capacity. CARICARGO base. No cold storage facilities	Direct international flights BWIA: 2 flts/wk. to UK and NA Capacity: 3-5 tons/flight BA: 2 flts/wk. to UK Capacity: 30-50 tons/wk. Air Canada: 1-2 flts/wk, seas. Capacity: 10 tons/flight	No direct to US. BWIA loads in Trinidad, often no cargo space Cargo space reduced in non-tourist season
	Vigie Airport, near Port of Castries, for smaller aircraft	Very limited	LIAT: charter cargo, as needed. St. Lucia Airways, tourist charter.	
SEA FREIGHT	Port of Castries, best of Windwards	RO-RO service, port cranes, forklifts. Adequate storage area Electrical system for reefers	Geest regional hdqtrs. Weekly service to UK, 10 day transit TMT regional hdqtrs. TMT: weekly service to US, 13 days to Gulf, 15 days to NYC. Rate range: $0.53-0.72/lb. Tropical Shipping regional headquarters. Weekly service to West Palm Beach and NYC. Transit time to WPB of 6 days; to NYC of 12 days.	Best port facilities, efficiently operated.
	Vieux Fort, other side of island.	One pier, no crane, limited storage. No container capacity. 15 minutes from airport.	Geest weekly to load bananas, prior to docking at Castries.	Port charges high.

GRENADA TRANSPORT CHARACTERISTICS

MODE	TRANSPORT INFRASTRUCTURE	STORAGE INFRASTRUCTURE	SHIPPING SERVICES	CONSTRAINTS-OBSERVATIONS
AIR FREIGHT	Pt. Salinas International No aircraft size limits	Refrig compartments: six walk-in units, two chillers, four freezers. Size: 18'X20'X15', but cannot handle pallets or containers	BA one flight/week Capacity: 10-15,000 lbs. Cost=$0.29/lb. BWIA weekly to NYC Capacity: 1000 lbs. LIAT four flights/week (local) Capacity: 5 tons/week Regal Airfreight Capacity: 30,000 lbs./week	Best facilities in OECS BA plans to initiate dai flights to US BA capacity shared with Barbados
SEA FREIGHT	St. George's Port Overcrowded	Limited cargo area Limited cargo handling No container cranes	Geest, weekly to UK Limited reefer usage, tho has capacity to expand TMT, weekly to US RO/RO container service Rate range:$0.53-0.72/lb. Bermuth, variable routing No reefers Direct to Miami, near airport	Overcrowding main proble space and equipment to handle reefers. No cool storage

DOMINICA TRANSPORT CHARACTERISTICS

MODE	TRANSPORT INFRASTRUCTURE	STORAGE INFRASTRUCTURE	SHIPPING SERVICES	CONSTRAINTS-OBSERVATIONS
AIR FREIGHT	Canefield Airport, near seaport of Roseau, but site-size greatly limit flights. Melville Hall Airport, on other side of island. Larger, but jets can't land.	NO INFO	CARICARGO: 3-5 flights/week, as needed or available. Capacity: 15,000 lbs/wk., To Barbados for transhipment LIAT: space available of 3000 lbs/wk. No regularly scheduled cargo service.	Most freight shipped spot charter with the two carriers.
SEA FREIGHT	Port of Roseau, small but handles regular flow of containers.	Containers must use own power supply. Yard equipment adequate. Crane available, 15 ton. No refrigerated space.	Geest: weekly to UK, 9 day transit TMT: weekly service to US, 13 days to Gulf, 15 days to NYC. Rate range: $0.53-0.72/lb.	NEED INFO ON FACILITIES

ST. VINCENT TRANSPORT CHARACTERISTICS

MODE	TRANSPORT INFRASTRUCTURE	STORAGE INFRASTRUCTURE	SHIPPING SERVICES	CONSTRAINTS-OBSERVATIO
AIR FREIGHT	No international service: short runway, limited support facilities	Limited--need detail	CARICARGO: 3-5 flights/week, as needed or available. Capacity: 15,000 lbs/wk., To Barbados for transhipment LIAT: space available of 3000 lbs/wk. MUSTIQUE: charter, 3 times/wk. Capacity: 5400 lbs./wk. To Barbados for transhipment	The largest exporter i region, ECA, uses char Important producer of export produce, constr by transport limitatio
SEA FREIGHT	Port of Kingston	Paved container yard, can handle container shipments. Yard equipment adequate Electrical system ok for reefers.	Geest: weekly service to UK, break-bulk and containers. 11 day transit to UK TMT: weekly service to US, 13 days to Gulf, 15 days to NYC. Rate range:$0.53-0.72/lb.	

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PROJECT DESIGN SUMMARY
From FY 89 to FY 93

Life of Project
From FY89 to FY93
Total U.S. Funding: $6.2 million
Date Prepared: 03/13/89

Project Title & Number: West Indies Tropical Produce Support (TROPRO) 538-0163

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
GOAL: (Primary) To contribute to long-term economic growth by increasing hard currency foreign exchange earnings via exports of non-traditional agricultural products to extra-regional markets (Secondary) To generate higher levels of farm income in the region	Individual country export statistics for non-traditional agricultural commodities show steady upward trends	Individual country statistics	Foreign exchange rates do not strengthen appreciably International economic conditions do not weaken OECS country economic and political conditions do not worsen Input availability grows in response to demand Weather conditions do not worsen significantly
PROJECT PURPOSE: To increase the regional and local capacity to market non-traditional agricultural products, including post-harvest handling, transport and quality control of exportable production from OECS member states	Conditions that will indicate purpose has been achieved: End of Project Status In the marketing and post-harvest handling area 1. Increased knowledge by CATCO and other exporters of how to export to the North American market. 2. Increased familiarity with European markets, on the part of all major exporters in the region. 3. Improved knowledge of grading, packing and handling techiques, on the part of of the major exporters, farmers and farmers' organizations in the region. 4. Availability of cooling facilities at ports and airports for products awaiting shipment, with portable coolers (reefer containers) that can receive products at upstream locations. In the transportation area 1. A reliable, frequent inter-island air freight service. 2. Effective transshipment procedures in Barbados, Antigua and Trinidad for fresh produce arriving by air from other islands. 3. Increased use of on-deck container space abroad boats bound for external markets.	1-4) CATCO and Project Reports 1, 3) Project reports and CDB reports 2) OECS countries and project reports, evaluations	CATCO and other traders continue to be effective extra regional exporters. Farmers are receptive and implement improved techniques. Adequate supply of non-traditional exports Countries effectively implement revised procedures.

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PROJECT PURPOSE: (Cont'd)

	In the production area 1. Increased production under irrigation of products suitable for the extra-regional export markets. 2. Improved quality and timeliness of the production of non-traditional export products.	1-2) Project reports evaluations	Commodity prices do not decrease below production costs on a sustained basis.
	In the economic policy area 1. Elimination of the import duties on packing materials 2. Divestiture of additional CATCO shares.	1-3) Project reports	OECS receives cooperation from decision makers in member countries.

OUTPUTS:

1. CATCO will be a successful trading company which is financially self-sustaining.	CATCO will be able to cover operating expenses, service loans and yield positive cash flows.	Company Annual Reports	Additional shares of CATCO will be privatized. AID reschedules terms of old loan.
2. Non-traditional agricutural exports will increase by 100%	The OECS countries will export at least 11 million per annum by FY94.	Official export data	Demand for non-traditional exports from U.S. and Europe will increase. Production of same in OECS countries will increase.
3. Infrastructure for non-traditional agricultural exports improved in OECS countries.	8 airport holding sheds; Inter-island air freight service improved; Additional sea freight space available.	Site visits. Interviews with exporters	Governments provide full counterpart requirements. Financing available from Caribbean Development Bank.
4. Economic Environment for non-traditional agicultural exports improved in OECS countries	4 Studies completed	OECS reports	Qualified T.A. identified and available. OECS countries support policy changes.

INPUTS:

PROJECT ACTIVITY	METHOD OF FINANCING	AMOUNT ($000)			
1. Project operations	Direct Reimbursement	1,885	Technical Assistance in place.	Signed contracts.	Qualified TA can be identified.
2. Technical Assistance			Counterpart personnel in place.	Procurement documents	Counterpart funding is available.
A. Production, Post-harvest Handling MKIS	Host Country Contract	1,380	Commodities purchased.	Site visits Evaluation reports	Counterpart funding is available.
B. Transportation	AID Direct Contract	435			
3. Commodities	Host Country Contract	568	Financial Statements.		
4. Transportation (Air)	AID Direct Contract	655			
5. Training	Direct Reimbursement	635	Financial Statements		
6. Construction	Host Country Contract	160			
7. Project Liaison Officer	AID Direct Contract	120			
8. Evaluation and Audit	AID Direct Contract	102			
		5,836			
Inflation and Contingency		262			
	GRAND TOTAL:	6,200			

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ILLUSTRATIVE DETAILED BUDGET DESCRIPTION

MODULE/ACTIVITY/INPUT (IMPLEMENTOR)	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	TOTAL
I. PRODUCTION SUPPORT						
A. QUALITY IMPROVEMENT PROGRAM (CATCO)						
1. TRAINING & WORKSHOPS						
a. Participant travel, local	12,000	12,000	12,000	12,000	12,000	60,000
b. Participant travel, int'l.	9,000	9,000	9,000	9,000	9,000	45,000
c. Local experts travel, local	1,500	1,500	1,500	1,500	1,500	7,500
d. per diem	16,500	16,500	16,500	16,500	16,500	82,500
e. Materials & supplies	3,000	3,000	3,000	3,000	3,000	15,000
f. Publications	3,000	3,000	3,000	3,000	3,000	15,000
* SUB-TOTAL	45,000	45,000	45,000	45,000	45,000	225,000
2. TECHNICAL SUPPORT						
a. Production technology data base	10,000	0	0	0	0	10,000
b. Operation cost support	4,000	4,000	4,000	4,000	4,000	20,000
* SUB-TOTAL	14,000	4,000	4,000	4,000	4,000	30,000
3. AGRONOMIC TRIALS						
a. Production inputs	9,000	9,000	9,000	9,000	9,000	45,000
b. Operational cost support	7,500	7,500	7,500	7,500	7,500	37,500
* SUB-TOTAL	16,500	16,500	16,500	16,500	16,500	82,500
B. MANGO IMPROVEMENT PROGRAM (OECS CU)						
1. TRAINING AND WORKSHOPS						
a. Participant travel, local	8,000	8,000	8,000	8,000	8,000	40,000
b. Participant travel, int'l.	6,000	6,000	6,000	6,000	6,000	30,000
c. Local experts travel, local	1,000	1,000	1,000	1,000	1,000	5,000
d. per diem	11,000	11,000	11,000	11,000	11,000	55,000
e. Materials & supplies	2,000	2,000	2,000	2,000	2,000	10,000
f. Publications	2,000	2,000	2,000	2,000	2,000	10,000
* SUB-TOTAL	30,000	30,000	30,000	30,000	30,000	150,000
2. TECHNICAL SUPPORT						
a. Operational cost support	5,000	5,000	5,000	5,000	5,000	25,000
* SUB-TOTAL	5,000	5,000	5,000	5,000	5,000	25,000
3. AGRONOMIC & MARKETING TRIALS						
a. Field equipment	5,000	0	0	0	0	5,000
b. Hot water unit	20,000	0	0	0	0	20,000
c. Plant materials	16,500	16,500	16,500	0	0	49,500
d. Operational cost support	10,000	10,000	10,000	10,000	10,000	50,000
* SUB-TOTAL	51,500	26,500	26,500	10,000	10,000	124,500

C. IRRIGATION & WATER MANAGEMENT (OECS CU)						
1. TRAINING AND WORKSHOPS						
a. Participant travel, local	8,000	8,000	8,000	8,000	4,000	36,000
b. Participant travel, int'l.	6,000	6,000	6,000	6,000	3,000	27,000
c. Local experts travel, local	1,000	1,000	1,000	1,000	500	4,500
d. per diem	11,000	11,000	11,000	11,000	5,500	49,500
e. Materials & supplies	2,000	2,000	2,000	2,000	1,000	9,000
f. Publications	2,000	2,000	2,000	2,000	1,000	9,000
* SUB-TOTAL	30,000	30,000	30,000	30,000	15,000	135,000
2. TECHNICAL SUPPORT						
a. Operational cost support	5,000	5,000	5,000	5,000	5,000	25,000
* SUB-TOTAL	5,000	5,000	5,000	5,000	5,000	25,000
3. DEMONSTRATION TRIALS						
a. Water monitoring equipment	2,000	0	0	0	0	2,000
b. Irrigation equipment	5,000	0	0	0	0	5,000
c. Farm implements	5,000	0	0	0	0	5,000
d. Production inputs	18,000	18,000	18,000	18,000	0	72,000
e. Operational cost support	10,000	10,000	10,000	10,000	0	40,000
* SUB-TOTAL	40,000	28,000	28,000	28,000	0	124,000
PRODUCTION SUPPORT SUB-TOTAL (1)	237,000	190,000	190,000	173,500	130,500	921,000
II. POST HARVEST HANDLING						
A. TRAINING & INFORMATION (CATCO)						
1. SEMINARS & WORKSHOPS						
a. Participant travel, local	12,000	12,000	12,000	12,000	12,000	60,000
b. Participant travel, int'l.	9,000	9,000	9,000	9,000	9,000	45,000
c. Local experts travel, local	1,500	1,500	1,500	1,500	1,500	7,500
d. per diem	16,500	16,500	16,500	16,500	16,500	82,500
e. Materials & supplies	3,000	3,000	3,000	3,000	3,000	15,000
f. Publications	3,000	3,000	3,000	3,000	3,000	15,000
* SUB-TOTAL	45,000	45,000	45,000	45,000	45,000	225,000
2. SITE VISITS						
a. International travel	9,000	9,000	9,000	9,000	9,000	45,000
b. per diem	6,750	6,750	6,750	6,750	6,750	33,750
* SUB-TOTAL	15,750	15,750	15,750	15,750	15,750	78,750
B. TECHNICAL SUPPORT (CATCO)						
1. BOX & PACKING TECHNOLOGY						
a. Materials & supplies	10,000	10,000	5,000	0	0	25,000
b. Experimental trials	10,000	10,000	5,000	5,000	5,000	35,000
c. Local studies	10,000	10,000	5,000	0	0	25,000
d. Publications	2,000	2,000	1,000	0	0	5,000
e. Operational cost support	10,000	10,000	10,000	10,000	10,000	50,000
* SUB-TOTAL	42,000	42,000	26,000	15,000	15,000	140,000

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2. REFERGERATED CONTAINERS						
a. Travel (for negotiations)	4,000	4,000	4,000	4,000	4,000	20,000
b. Local studies	5,000	5,000	5,000	0	0	15,000
c. Experimental trials	10,000	10,000	10,000	10,000	5,000	45,000
d. Publications	1,000	1,000	1,000	1,000	1,000	5,000
e. Operational cost support	7,000	7,000	7,000	7,000	7,000	35,000
* SUB-TOTAL	27,000	27,000	27,000	22,000	17,000	120,000
C. INFRASTRUCTURE DEVELOPMENT (OECS CU)						
1. COOL STORAGE FACILITIES						
a. Equipment	0	0	250,000	0	0	250,000
b. Installation	0	0	5,000	0	0	5,000
* SUB-TOTAL	0	0	255,000	0	0	255,000
2. STORAGE SHEDS						
a. Construction	40,000	40,000	40,000	40,000	0	160,000
* SUB-TOTAL	40,000	40,000	40,000	40,000	0	160,000
D. TECHNICAL ASSISTANCE (CONTRACTOR)						
1. LONG-TERM						
a. Post-harvest technologist	150,000	150,000	150,000	0	0	450,000
* SUB-TOTAL	150,000	150,000	150,000	0	0	450,000
2. SHORT-TERM						
a. Packing design & material	15,000	22,500	15,000	7,500	7,500	67,500
b. Refrigerated transportation	15,000	15,000	15,000	7,500	7,500	60,000
c. Grading & quality standards	15,000	22,500	15,000	7,500	7,500	67,500
d. Pesticide requirements	15,000	15,000	15,000	7,500	7,500	60,000
e. Packinghouse technologies	15,000	22,500	15,000	7,500	0	60,000
f. Refrigeration technology	15,000	15,000	15,000	7,500	7,500	60,000
* SUB-TOTAL	90,000	112,500	90,000	45,000	37,500	375,000
*POST-HARVESTING HANDLING SUB-TOTAL	409,750	432,250	648,750	182,750	130,250	1,803,750
III. TRANSPORTATION						
A. IMPROVE AIR CARGO SERVICE (OECS CU)						
1. FINANCIAL SUPPORT						
a. Performance fee	0	270,000	270,000	0	0	540,000
* SUB-TOTAL	0	270,000	270,000	0	0	540,000
2. TECHNICAL SUPPORT						
a. Local travel	5,000	5,000	5,000	5,000	5,000	25,000
b. Studies	10,000	10,000	10,000	10,000	10,000	50,000
c. Computer equipment	10,000	0	0	0	0	10,000
d. Communications equipment	5,000	0	0	0	0	5,000
e. Operational cost support	5,000	5,000	5,000	5,000	5,000	25,000
* SUB-TOTAL	35,000	20,000	20,000	20,000	20,000	115,000

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B. TECHNICAL ASSISTANCE (CONTRACTOR)						
1. LONG-TERM						
a. Transportation specialist	75,000	150,000	75,000	0	0	300,000
* SUB-TOTAL	75,000	150,000	75,000	0	0	300,000
2. SHORT-TERM						
a. Transportation economist	15,000	15,000	7,500	7,500	0	45,000
b. Sea transport specialist	15,000	15,000	7,500	7,500	0	45,000
c. Air cargo management specialist	15,000	15,000	7,500	7,500	0	45,000
* SUB-TOTAL	45,000	45,000	22,500	22,500	0	135,000
*TANSPORTATION SUB-TOTAL	155,000	485,000	387,500	42,500	20,000	1,090,000
IV. MARKETING INFORMATION SYSTEM (MKIS)						
A. TECHNICAL INFORMATION (CATCO)						
1. COMPUTERIZED DATA BASE						
a. Computer equipment	0	10,000	0	0	0	10,000
b. Communications equipment	0	5,000	0	0	0	5,000
c. Computer software	0	2,000	0	0	0	2,000
d. Training workshops	0	15,000	30,000	30,000	30,000	105,000
e. Publications	0	1,000	2,000	2,000	2,000	7,000
* SUB-TOTAL	0	33,000	32,000	32,000	32,000	129,000
2. MARKETING TECHNICAL ANALYSIS						
a. Studies	5,000	10,000	15,000	15,000	15,000	60,000
b. Local experts	6,000	6,000	9,000	9,000	9,000	39,000
c. Training workshops	15,000	15,000	30,000	30,000	30,000	120,000
d. Publications	1,000	1,000	2,000	2,000	2,000	8,000
e. Operational cost support	5,000	5,000	5,000	5,000	5,000	25,000
* SUB-TOTAL	32,000	37,000	61,000	61,000	61,000	252,000
3. MARKET CONTACTS						
a. International travel	9,000	9,000	9,000	9,000	9,000	45,000
b. per diem	6,750	6,750	6,750	6,750	6,750	33,750
c. Organization & preparation	2,500	2,500	2,500	2,500	2,500	12,500
* SUB-TOTAL	18,250	18,250	18,250	18,250	18,250	91,250
C. TECHNICAL ASSISTANCE (CONTRACTOR)						
1. LONG-TERM						
a. Agriculture marketing expert	0	150,000	150,000	75,000	0	375,000
* SUB-TOTAL	0	150,000	150,000	75,000	0	375,000
1. SHORT-TERM						
a. Market economist	0	15,000	30,000	30,000	15,000	90,000
b. Product import trade specialist	15,000	15,000	30,000	30,000	0	90,000
* SUB-TOTAL	15,000	30,000	60,000	60,000	15,000	180,000
*MKIS SUB-TOTAL	65,250	268,250	321,250	246,250	126,250	1,027,250

PROJECT SUPPORT

I. INSTITUTIONAL DEVELOPMENT (CATCO)						
A. FINANCIAL MANAGEMENT SUPPORT						
1. FINANCIAL MANAGER/CONTROLER	30000	22500	15000	7500	0	75,000
2. BOOKKEEPER	10000	10000	10000	10000	10000	50,000
B. DEVELOPMENT ACTIVITIES SUPPORT						
1. FIELD MANAGERS	30000	30000	30000	30000	30000	150,000
2. OPERATIONAL COST SUPPORT	9000	9000	9000	9000	9000	45,000
C. SHORT-TERM TECHNICAL ASSISTANCE						
1. FIANICAL MANAGEMENT	30000	15000	7500	0	0	52,500
2. ACCOUNTING SYSTEMS	30000	15000	7500	0	0	52,500
* INSTITUTIONAL DEVELOPMENT SUB-TOTAL	139,000	101,500	79,000	56,500	49,000	425,000
II. EVALUATION & MONITORING SUPPORT						
A. DATA BASE CONSTRUCTION (OECS)						
1. COMPUTER EQUIPMENT	7,500	0	0	0	0	7,500
2. COMPUTER SOFTWARE	2,000	0	0	0	0	2,000
3. OPERATIONAL COST SUPPORT	7,500	7,500	7,500	5,625	3,750	31,875
4. PUBLICATIONS	5,000	5,000	5,000	3,750	2,500	21,250
B. EVALUATIONS & STUDIES (OECS)						
1. OPERATIONAL COSTS	7,500	7,500	7,500	5,625	3,750	31,875
2. PUBLICATIONS	5,000	5,000	5,000	3,750	2,500	21,250
3. SEMINARS & WORKSHOPS	0	10,000	10,000	7,500	5,000	32,500
C. TECHNICAL ASSISTANCE (CONTRACTOR)						
1. LOCAL EXPERTS						
a. Production economist	3,000	6,000	6,000	3,000	3,000	21,000
b. Marketing economist	3,000	6,000	6,000	3,000	3,000	21,000
c. Trade economist	3,000	6,000	6,000	3,000	3,000	21,000
2. EXTERNAL EXPERTS						
a. International trade economist	0	15,000	15,000	15,000	0	45,000
b. Marketing economist	0	15,000	15,000	15,000	0	45,000
* MONITORING & EVALUATION SUB-TOTAL	43,500	83,000	83,000	65,250	26,500	301,250
III. AID PROJECT LIASON						
A. LOCAL HIRE FSN	35,000	35,000	35,000	0	0	105,000
a. Travel & per diem	5,000	5,000	5,000	0	0	15,000
* AID PROJECT LIASON SUB-TOTAL	40,000	40,000	40,000	0	0	120,000
IV. ACCOUNTING ADMINISTRATION COSTS (CARDI)	24,000	34000	46,000	24,000	19,000	147,000
* ACCOUNTING ADMINISTRATION SUB TOTAL	222,500	224,500	202,000	121,750	75,500	147,000

ILLUSTRATIVE DETAILED BUDGET DESCRIPTION (Cont'd)

PROJECT COSTS SUB-TOTAL	1,312,000	1,824,500	1,951,500	888,500	558,000	5,835,250
EVALUATION & AUDIT	0	0	46,500	0	56,250	102,750
CONTINGENCY & INFLATION						262,000
TOTAL GRANT PROJECT COST	1,312,000	1,824,500	1,998,000	888,500	614,250	6,200,000

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Our Ref: 301.02.06

September 28 1989

Mr. Aaron Williams
Director
United States Agency for
International Development
P.O. Box 302
Bridgetown
Barbados

Dear Mr. Williams

The Secretariat of the Organisation of Eastern Caribbean States is pleased, on behalf of the Member Governments of the Organisation to request assistance from USAID in support of the OECS Agricultural Diversification Program agreed by OECS Ministers responsible for Agriculture and the Authority (Heads of Government) of the Organisation.

As previously discussed between officials of the Secretariat and of USAID, it is discussed that the assistance now requested is to be derived from the West Indies Tropical Produce Support Project designed by USAID and endorsed by the Standing Committee of Ministers of Agriculture of the Caribbean Community.

The specific assistance required is to support countries in the areas of production of 'non-traditional' agricultural produce, in marketing, post-harvest handling, and in infrastructural improvements including intra-regional and extra-regional transportation systems. The Secretariat is aware of assistance already being provided through CARDI for research and assistance in training which it considers to be in direct support of our current request.

The assistance which we are requesting is intended to support activities in the private and public sectors in respect of production and export of agricultural produce, to create new opportunities for these and to increase the foreign exchange earnings of the Member Countries of the OECS.

As we have previously indicated, the Agricultural Diversification Program will be managed by a team which has been selected by the OECS to form an Agricultural Diversification Unit under the

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ANTIGUA & BARBUDA, DOMINICA, GRENADA, MONTSERRAT, ST. CHRISTOPHER & NEVIS, ST. LUCIA,
ST. VINCENT AND THE GRENADINES, BRITISH VIRGIN ISLANDS (ASSOCIATE MEMBER)

leadership, as Coordinator, Mr. Colin Bully, currently Chief Technical Officer, Ministry of Agriculture, Commonwealth of Dominica. The Unit is expected to commence its activities on 1st October 1989 and will be headquartered in Dominica. It is expected to work closely with national governments, the private sector and regional and international agencies concerned with agricultural development in the region and will have an Advisory Board constituted of representatives from the Caribbean Development Bank, CARDI and IICA, and donor agencies as appropriate.

As you will know the Secretariat has suggested to USAID officials certain amendments to the Project Document circulated in respect of this project which are mainly concerned with operational procedures. These are now appended to this letter for your information and guidance. Your officials should feel free to contact Dr. Carlyle Mitchell, Director, EAS or Mr. Colin Bully by telephone for any discussion required of those comments.

The Secretariat will be prepared to sign an agreement with USAID in respect of the requested assistance as soon as is convenient and looks forward to your continued cooperation in this matter.

Yours sincerely

Vaughan Lewis
Director General

cc. Ministers of Agriculture, OECS

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PROJECT DESIGN TEAM

This Project Paper was developed by the following RDO/C staff:

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TAGS:
SUBJECT: REVIEW OF USAID RDO/C FY 1989/1990 ACTION PLAN

1. THE REVIEW OF RDO/C'S FY 1989/90 ACTION PLAN WAS CHAIRED BY THE ACTING ASSISTANT ADMINISTRATOR, LAC, ON MARCH 15 AND 16. THE REVIEW DISCUSSION AND PRINCIPLE DECISIONS ARE PROVIDED BELOW.

2. GENERAL:

THE BUREAU COMMENDS THE MISSION ON THE QUALITY OF THE ACTION PLAN. THE CTP PLAN, PRESENTATION OF PERFORMANCE INDICATORS, AND NEW PROJECT DESCRIPTIONS WERE PARTICULARLY WELL DONE. ALSO, THE MISSION'S EFFORTS IN EVALUATION OVER THE PAST YEAR ARE EXEMPLARY IN DESIGN, SCOPE, AND USE OF FINDINGS TO ADJUST AND FINE TUNE THE PORTFOLIO FOR PURPOSES OF ACHIEVING PROGRAM OBJECTIVES. THE REVIEW FURTHER NOTED THAT THE MISSION HAS DEMONSTRATED STRONG PROGRAM MANAGEMENT, WHICH WAS REFLECTED IN THE PIPELINE LIQUIDATION RATE, USE OF THE DE-OB/RE-OB AUTHORITY, AND REDUCTION OF STAFF.

3. THE MISSION WILL BE GUIDED IN PREPARING THE FY 1990 APS BY THE FOLLOWING PLANNING LEVELS (DOLS. 000) FOR FY 1989 AND FY 1990:

--	FY 89	FY 90
ARDN	8,045	8,400
POP	1,500	1,000
HN	2,020	1,600
CSF	--	---
PHRD	5,828	5,800
SDA	3,237	5,000
TOTAL DA	20,630	21,800
ESF	15,000	15,000

OF THE AMOUNT PROGRAMMED FROM THE HEALTH/NUTRITION ACCOUNT, DOLS 800,000 WILL BE USED FOR AIDS IN FY 1989 AND DOLS 800,000 WILL BE USED FOR THIS PURPOSE IN FY 1990.

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FY 1989 LEVELS FOR THE ARDN ACCOUNT ARE HIGHER THAN FY 1989 CP LEVELS, REFLECTING THE BUREAU'S DECISION TO INCREASE THIS ACCOUNT LEVEL BY DOLS 400,000 TO COVER THE BONT TICK PROJECT REQUIREMENTS. THE FY 1990 LEVEL FOR THE ARDN ACCOUNT IS INCREASED BY DOLS 800,000 FOR THE BONT TICK PROJECT. FY 1990 FIGURES ARE LAC PLANNING LEVELS SUBJECT TO AVAILABILITY OF FUNDS, AND DO NOT HAVE INTERAGENCY AGREEMENT. PLEASE NOTE THAT FY 1989 CP REQUESTS ARE FOR GRANT FUNDS. NO LOAN FUNDING IS INCLUDED FOR THE LAC BUREAU FOR FY 1989.

4. SUMMARY OF PROJECT DECISIONS:

FY 1988

538-0163 - WINDWARD ISLAND PRODUCTION (PP) (LOP-DOLS 6 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT AUTHORIZATION.

538-0138.08 - REGIONAL UTILITY MAINTENANCE (PP SUPP) (LOP-DO 5 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT PAPER SUPPLEMENT AUTHORIZATION.

538-0161 AIDS COMMUNICATIONS/TECHNICAL SUPPORT (BUY-IN) (LOP-DOLS. 3.28 M. GRANT) - THE BUREAU CONCURS WITH PROJECT DEVELOPMENT AND APPROVAL.

538-0096 PUBLIC MANAGEMENT AND POLICY (PP AMENDMENT) (LOP-DOLS. 11 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT PAPER AMENDMENT AUTHORIZATION AND EXTENSION OF THE PACD TO SEPTEMBER 30, 199

538-0165 - CARIBBEAN LAW INSTITUTE (PP) (INCREMENT OF DOLS 3 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT AUTHORIZATION.

598-0645.17 - CARIBBEAN JUSTICE IMPROVEMENT (PP AMENDMENT) (INCREMENT OF DOLS 2.6 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR AUTHORIZATION OF THE PROJECT PAPER AMENDMENT, SUBJECT TO THE GUIDANCE PROVIDED BE

538-0103 - BASIC NEEDS TRUST FUND (PP AMENDMENT) (LOP-DOL 5 GRANT) THE BASIC NEEDS TRUST FUND IS APPROVED FOR SUPPLEMENT FUNDING, PROVIDED FUNDING IS AVAILABLE FROM DE-OBS. IF DEOB FUNDS ARE NOT AVAILABLE, THE MISSION MAY CONSIDER THIS PROJE FOR FY89.THE PRIORITY WILL BE CLARIFIED IN THE FY 89/90 ACTI PLAN.

FY 1989

538-0162 CARIBBEAN DEVELOPMENT TRAINING (PP)(LOP-DOLS.10 MM
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GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT AUTHORIZATION, SUBJECT TO THE GUIDANCE THIS PROJECT ACTIVITY PROVIDED BELOW.

538-0164 - AGRICULTURAL RESEARCH (PP)(LOP-DOLS.2.5 M GRANT) THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY FOR PROJECT AUTHORIZATION.

538-0138.12 - DOMINICAN FEEDER ROADS (PP SUPPLEMENT)(LOP-DOLL 3.0 M. GRANT) THE PROPOSED PROJECT IS NOT APPROVED AT THIS TIME.

538-0138.09 - GRENADA INFRASTRUCTURE (PP SUPPLEMENT)(LOP-DOL-4.0 M. GRANT) - THE BUREAU CONCURS WITH MISSION DELEGATION AUTHORITY FOR PROJECT PAPER SUPPLEMENT APPROVAL.

538-0168 ECIPS INVESTMENT DEVELOPMENT (PP)(LOP-DOLS. 2.0 M GRANT) - THE BUREAU DEFERS DECISION ON CONCURRENCE WITH THE MISSION DELEGATION OF AUTHORITY TO APPROVE THE PROJECT UNTIL REVIEW OF THE RDSS.

538-0167 - ACCELERATED BUSINESS FORMATION (PP)(LOP-DOLS. 1.9 GRANT) - THE BUREAU DEFERS DECISION ON CONCURRENCE WITH THE

MISSION DELEGATION OF AUTHORITY TO APPROVE THE PROJECT UNTIL REVIEW OF THE RDSS.

FY 1990

538-0148 " REGIONAL MANAGEMENT TRAINING (PP AMENDMENT) (LOP-DOLS. 12.7 M. GRANT) - APPROVED TO BE INCLUDED IN THE F 1990 ABS.

538C138.13 - ST.VINCENT INFRASTRUCTURE (PP SUPPLEMENT) (LOP-DOLS 3.0 M.GRANT) - THE PROPOSED PROJECT IS NOT APPROVE AT THIS TIME.

538-0166 , INTEGRATED CREDIT (PP)(LOP-DOLS. 3.0 M. LOAN/GRAN THE BUREAU DEFERS DECISION ON APPROVAL FOR INCLUSION IN THE 1990 ABS UNTIL REVIEW OF THE RDSS.

538C039 - POPULATION DEVELOPMENT (PP AMENDMENT)(LOP-DOLS. 10.56 M. GRANT) APPROVED TO BE INCLUDED IN THE FY 1990 ABS

5. CROSS-CUTTING ISSUES

A. ISSUE: STRATEGY

IS THE MISSION'S PROGRAM STRATEGY STILL VALID IN VIEW OF SUBSTANTIALLY SHRINKING RESOURCES?

SHOULD THE LEVEL AND SCOPE OF MISSION ACTIVITIES BE REDUCED LIMITED TO FEWER OBJECTIVES AND PRIORITY AREAS?

DISCUSSION:

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DUE TO SIGNIFICANTLY REDUCED RESOURCE LEVELS FROM PRIOR YEAR THIS ACTION PLAN SHOULD BE VIEWED AS A TRANSITIONAL DOCUMENT WHICH DEPICTS THE PROCESS LEADING TO A REVISED RDSS, INCORPORATING SPECIFIC SECTOR STRATEGIES SUCH AS PRIVATE SEC AND INFRASTRUCTURAL DEVELOPMENT AND POLICY DIALOGUE.

DECISIONS:

(1) THE MISSION SHOULD ACCELERATE TO JANUARY 1989 ITS PRESENTATION OF THE NEW RDSS NOW PLANNED FOR SUBMISSION IN T SPRING OF 1989. THIS TARGET DATE TAKES INTO ACCOUNT MISSION WORKLOAD AND PROGRAMMING PREFERENCES. SUBMISSION OF THE 1990/91 ACTION PLAN WILL BE SCHEDULED FOR THE LATTER PART OF THE ACTION PLAN PROCESS.

(2) BUREAU GUIDANCE FOR PREPARATION OF THE RDSS WILL BE PROVIDED IN SEPTEL. THE RDSS MUST IDENTIFY THE POLICIES AND INTERVENTIONS THAT ARE MOST CRITICAL TO SUSTAINED ECONOMIC GROWTH AND MORE EFFICIENT DELIVERY OF SOCIAL SERVICES RATHER THAN CONTINUED DEPENDENCE ON DONOR ASSISTANCE. THE STRATEGY SHOULD REFLECT THE LOWER FUNDING AND STAFFING LEVELS SINCE T PRIOR RDSS WAS PREPARED. SPECIFICALLY, THE NUMBER OF OBJECTIVES SHOULD BE REDUCED AND THE NUMBER AND SCOPE OF NEW PROJECT STARTS REDUCED ACCORDINGLY.

(3) GIVEN THE SEVERE BUDGET CUTS ABSORBED BY THE CARIBBEAN REGION, THERE IS AN URGENT REQUIREMENT TO BRIEF THE ADMINISTRATOR ON GRENADA'S NEEDS AND THE BUREAU'S APPROACH T ADDRESSING THOSE NEEDS. AID'S ON-GOING STRATEGY WITH RESPEC TO GRENADA AND THE RATIONALE FOR THAT STRATEGIC APPROACH WIL BE SET FORTH IN A DOCUMENT PREPARED BY LAC/CAR FOR SUBMISSIO TO THE ADMINISTRATOR NO LATER THAN APRIL 1, 1988.

B. ISSUE: BUDGET

IS THE PROPOSED PROJECT MIX CONSISTENT WITH PROGRAM PRIORITI AND CONGRESSIONALLY MANDATED PROJECTS?

WHAT ARE THE IMPLICATIONS OF LOWER FUNDING LEVELS ON THE MISSION'S MORTGAGE REQUIREMENTS?
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DISCUSSION:

THE REDUCED LEVELS PLANNED FOR FY 1989 AND ANTICIPATED IN FY 1990 WOULD NOT ACCOMMODATE ALL OF THE PLANNED NEW PROJECT SSARTS. NOR WILL EXPECTED LEVELS OF SDA AND ESF SUPPORT ACCOMMODATE BOTH NEW PROJECT STARTS AND MORTGAGES AT THE PLANNED LEVELS. THERE IS ALSO A QUESTION ABOUT FUNDING SOUR FOR EARMARKED ACTIVITIES.

DECISIONS:

GIVEN THE UNCERTAIN FUNDING LEVELS (INCLUDING AVAILABILITY O OTHER MISSION DEOPS), IT WAS NOT POSSIBLE TO COME TO CLOSURE PROJECT FUNDING PRIORITIES. THE MISSION WILL SUBMIT A LIST, PRIORITY, OF THE PROPOSED PROJECTS IN ITS FY89/90 ABS. THE BUREAU WILL REVIEW THE ABS WITH THE FOLLOWING CONCERNS IN MI

(1) THE ACTION PLAN LEVELS FOR FY 1988, FY 1989, AND FY 199 SHOULD BE IN LINE WITH LAC FUNCTIONAL ACCOUNT CONTROL LEVELS AND TOTAL BUDGET LEVELS.

(2) THE BUDGET SHOULD INCLUDE FUNDING FOR AIDS IN FY 1988

(DOLS 300,000), FY 1989 (DOLS 800,000) AND FY 1990 (DOLS 900,00).

(3) THE BONT TICK PROJECT SHOULD BE FUNDED FROM MISSION RESOURCES AT A LEVEL OF DOLS 875,000, FY 1989 AND DOLS 900,0 IN FY 1990.

(4) THE CARIBBEAN LAW INSTITUTE IS AN EARMARK ACTIVITY IN T EHRD ACCOUNT AT DOLS 1.5 MILLION IN FY 1988. IT SHOULD BE CARRIED IN THE SAME FUNCTIONAL ACCOUNT IN FY 1989, AND NOT A SHOWN IN THE ACTION PLAN AS FUNDED FROM ESF RESOURCES.

(5) THE DOLS 2.3 MILLION CARIBBEAN JUSTICE IMPROVEMENT PROJ MUST BE FUNDED IN FY 1989 FROM THE PROPOSED DOLS 15 MILLION LEVEL.

6. ISSUES BY OBJECTIVE

A. OBJECTIVE 2 - STRENGTHEN THE PRIVATE SECTOR

PERFORMANCE:

PERFORMANCE WAS GENERALLY AT OR ABOVE PROJECTED LEVELS FOR MM INDICATORS, INCLUDING PRIVATE INVESTMENT AS A PERCENT OF GDP CREDIT TO THE PRIVATE SECTOR, EMPLOYMENT CREATION, DEVELOPME OF IDC'S, AND COUNTRY ACTION PLANS. SIGNIFICANT SHORTFALLS PERFORMANCE INCLUDED PROBLEMS WITH THE CREATION OF THE NATIO COORDINATING COMMITTEES (TWO VS. SIX) FOR THE SMALL ENTERPRI ASSISTANCE PROJECT, AND ASSISTANCE TO NEW OR EXPANDING BUSINESSES (12 VS. 20). THE MISSION WAS COMMENDED FOR ITS OBJECTIVE AND COMPREHENSIVE EVALUATION OF PRIVATE SECTOR

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ACTIVITIES.

ISSUE:

SHOULD THE MISSION DEFER INITIATION OF THE THREE PROPOSED NFE PROJECT INITIATIVES IN THE PRIVATE SECTOR UNTIL AFTER COMPLETING THE PRIVATE SECTOR PORTFOLIO PERFORMANCE ASSESSMEE AND PRIVATE SECTOR STRATEGY?

DISCUSSION:

GIVEN THE RESULTS OF THE RECENT EVALUATION AND THE EXPERIENCC GAINED BY MISSION STAFF IN MANAGING PRIVATE SECTOR PROJECTS, REVISED AND UPDATED PRIVATE SECTOR STRATEGY NEEDS TO BE

PREPARED. UNTIL THE STRATEGY IS REVISED) THERE IS NO BASI) DETERMINING HOW THE PROPOSED PROJECTS SUPPORT MISSION OBJECTIVES.

DECISIONS:

(1) A REVISED PRIVATE SECTOR STRATEGY WILL BE INCORPORATED INTO THE NEW RDSS, WHICH IS TO BE SUBMITTED BY JANUARY 1989.

(2) THE BUREAU DEFERS DECISIONS ON MISSION DELEGATION OF AUTHORITY TO AUTHORIZE THE ECIPS INVESTMENT DEVELOPMENT ASSISTANCE PROJECT (538-0168) (FY 1989); THE ACCELERATED BUSINESS FORMATION PROJECT (538-0167) (FY 1989); AND THE INTEGRATED CREDIT PROJECT (538-0166) (FY 1990) UNTIL AFTER REVIEW OF THE REVISED RDSS.

(3) PROJECTS IN SUPPORT OF STRENGTHENING THE PRIVATE SECTOR OBJECTIVE SHOULD BE DESIGNED AFTER THE NEW STRATEGY HAS CONFIRMED THEIR RELEVANCE. THE CREDIT STUDY PROPOSED UNDER INTEGRATED CREDIT PROJECT SHOULD BE CARRIED OUT PRIOR TO PROJECT DESIGN.

(4) THE MISSION SHOULD CONTINUE POLICY DIALOGUE EFFORTS THROUGH THE AMENDED PMPP PROJECT AND USE PROJECT CONDITIONALL WHEN APPROPRIATE.
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(5) BASED ON THE RESULTS OF THE RDSS REVIEW, REVISED NPDS SHOULD BE SUBMITTED FOR BUREAU REVIEW.

B. OBJECTIVE 3 - STABILIZE FINANCIAL STRUCTURES

PERFORMANCE:

WHILE PERFORMANCE IN TERMS OF PUBLIC SECTOR DEFICITS AND POP DEFICITS WERE GE ERALLY MET OR EXCEEDED, EXCEPT FOR ANTIGUA GRENADA, THE CURRENT ACCOUNT DEFICITS ARE RELATIVELY HIGH ANI UNSUSSAINABLE WITHOUT SIZABLE FOREIGN ASSISTANCE FLOWS. PUBL SECTOR SAVINGS INCREASED AS PROJECTED, WITH THE EXCEPTION OF GRENADA. POLICY DIALOGUE PERFORMANCE, INCLUDING DEVELOPMENT ADJUSSMENT STRATEGIES AND FISCAL REFORMS, WAS GENERALLY SUCCESSFUL IN ALL COUNTRIES, EXCEPT FOR ANTIGUA AND GRENADA. REVENUE ADMINISTRATION, DEBT MANAGEMENT, CIVIL SERVICE STREAMLINING, AND PRIVATIZATION REMAIN PROBLEM AREAS.

ISSUE:

SHOULD THE MISSION RESTRICT SUPPORT OF THE STABILIZE FINANCII

STRUCSURES OBJECTIVE TO COMPLETION OF TCG COMMITMENTS IN DOMINICA AND GRENADA AND TECHNICAL ASSISTANCE UNDER PMPP?

DISCUSSION:

THE MISSION HAS SUPPORTED THE STABILIZATION OBJECTIVE IN TWO COUNTRIES WITH ESF BUDGETARY SUPPORT AND BY PROVIDING PUBLIC MANAGEMENT AND POLICY PLANNING ASSISTANCE TO ALL OECS MEMBER AT THE REDUCED SUPPORT LEVEL, THE MISSION PROPOSES TO DELETE THE STABILIZATION OBJECTIVE.

DECISIONS:

(1) THE MISSION WILL CONTINUE POLICY DIALOGUE TO FOSTER ECONOMIC STABILIZATION AND SUSTAINABLE GROWTH USING OUR INFLUENCE IN THE CGCED AS WELL AS AVAILABLE RESOURCES, INCLUDING TECHNICAL ASSISTANCE AND PROJECT CONDITIONALITY, A APPROPRIATE. THE BUREAU UNDERSTANDS THE MISSION WILL CONTINU TO WORK TOWARDS REDUCTION OF PUBLIC SECTOR CURRENT ACCOUNT DEFICITS THROUGH IMPROVED REVENUE ADMINISTRATION, DEBT MANAGEMENT, CIVIL SERVICE STREAMLINING AND PRIVATIZATION, AS APPROPRIATE, IN INDIVIDUAL COUNTRY SITUATIONS. THE MISSION'' REQUEST NOT TO INCLUDE STABILIZATION AS A SEPARATE OBJECTIVE NEXT YEAR'S ACTION PLAN PRESENTATION WILL BE ADDRESSED IN SEPTEL.

(2) IF ESF RESOURCES ARE AVAILABLE, THE MISSION WILL GIVE HIGHEST PRIORITY TO FULFILLING ITS COMMITMENT TO DOMINICA UNN THE TCG PROGRAM AND GRENADA IF CIRCUMSTANCES PERMIT INITIATI OF A TCG-SUPPORTED MACRO PROGRAM.

C. OBJECTIVE 5: PROMOTE EXPORTS

PERFORMANCE:

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WHILE THE VALUE OF SELECTED NON-TRADITIONAL EXPORTS IN 1987, WAS SOMEWHAT ABOVE EARLIER YEARS' EXPORTS, INDICATORS FOR AGRICULTURAL EXPORTS SUPPORTED BY A.I.D. PROGRAMS GENERALL SHOW NO GROWTH AND IN A NUMBER OF CASES SHOW CONTINUED DECLINE. DROUGHT WAS A SIGNIFICANT FACTOR. PROGRAM AND POLL ACCOMPLISHMENTS WERE GENERALLY AS PLANNED. EXCEPTIONS INCLUU PROBLEMS WITH WINPRO NEGOTIATIONS, GRANT/EQUITY AGREEMENTS WI AGRICULTURAL PRODUCERS, GOVERNMENT OF ST. KITTS/NEVIS LAND LEASING, AND GOVERNMENT OF ST. VINCENT ENDORSEMENT OF THE COO PROGRAM.

PROJECT DECISIONS:

(1) IN DEVELOPING THE AGRICULTURAL RESEARCH PROJECT (ARED)(538-0164), THE MISSION WILL INVESTIGATE THE POSSIBILI OF ADDITIONAL FUNDING FOR ITS ARED CONCEPT FROM OTHER DONORS

(2) THE MISSION IS AMENDING THE HIGH IMPACT AGRICULTURAL MARKETING AND PRODUCTION PROJECT TO DOCUMENT CHANGES THAT HA TAKEN PLACE DURING THE FIRST EIGHTEEN MONTHS OF PROJECT IMPLEMENTATION. THE BUREAU REVIEW TEAM EXAMINED THE PROJECT JANUARY, 1988 AND CONCURRED WITH THE PROPOSED CHANGES. THE AMENDIENT WILL CONTAIN BUREAU APPROVED PERFORMANCE INDICATOR THAT ARE TO BE USED IN DETERMINING IF THE VENTURE TRUST COMPONENT OF THE PROJECT SHOULD BE PERMITTED TO CONTINUE BEY FEBRUARY, 1989. THE MISSION IS AUTHORIZED TO APPROVE THE PP AMENDLENT ONCE FINAL AGREEMENT IS REACHED ON THE PERFORMANCE INDICATORS. THE BUREAU WILL ADVISE THE MISSION OF BUREAU CONCURRENCE WITH PROPOSED PERFORMANCE INDICATORS BY A CABLE SENT NO LATER THAN JULY 25, 1988. IF THE PP AMENDMENT REQUI AN AMENDED AUTHORIZATION, RDO/C WILL CONSULT WITH THE BUREAU THE CHANGES PRIOR TO EXECUTING THE AMENDMENT. THE APPROVED AMENDMENT SHOULD BE FORWARDED TO AID/W WITHIN TEN DAYS OF APPROVAL.

D. OBJECTIVE 7 - EXPAND AND IMPROVE INFRASTRUCTURE

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PERFORMANCE:

PERFORMANCE WAS GENERALLY ON TARGET. THE MAIN EXCEPTION WAS SHORTFALL IN FACTORY SPACE CONSTRUCTED (57,000 SQ. FT. VS. 100,000 SQ. FT.)

ISSUE:

WITH REDUCED RESOURCES, SHOULD THE MISSION CONTINUE DOING BILATERAL INFRASTRUCTURE PROJECTS?

SHOULD FINANCING FOR THESE BILATERAL PROJECTS BE SIGNIFICANTT REDUCED AND FUNDING CHANNELED THROUGH THE CDB?

DISCUSSION:

GIVEN THE LEVEL OF RESOURCES FOR THIS YEAR AND LEVELS ANTICIPATED FOR FUTURE ACTION PLAN YEARS, INVESTMENT IN INFRASTRUCTURE MAY BE DRAINING RESOURCES FROM OTHER HIGHER

PRIORITY OBJECTIVES. THE DONOR COMMUNITY MAY HAVE RESOURCES WHICH COULD BE DIRECTED TOWARDS NEW INFRASTRUCTURE INITIATIV WHILE MISSION EFFORTS ARE DIRECTED TO STRENGTHENING MAINTENANCE.CAPABILITY.

DECISIONS:

(1) THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY APPROVE THE REGIONAL UTILITY MAINTENANCE PROJECT (538-0138.0 THE GRENADA INFRASTRUCTURE PROJECT (538-0138.09), AND THE BUREAU AGREES THAT THE MISSION MAY INITIATE THE PLANNED ST. LUCIA INFRASTRUCTURE ACTIVITY, AND COMPLETE ON-GOING INFRASTRUCTURE ACTIVITIES IN ST. KITTS, AND ST. VINCENT, SUBJECT TO THE AVAILABILITY OF ADEQUATE ESF RESOURCES. PROJECTS SHOULD NOT ADD TO THE GOVERNMENT'S RECURRENT COST BURDEN AND TO THE EXTENT POSSIBLE SHOULD BE DESIGNED TO REDU THE BURDEN.

(2) THE PROPOSED FY 1989 DOMINICA FEEDER ROADS PROJECT (538-0138.12) IS NOT APPROVED AT THIS TIME.

(3) THE PROPOSED FY 1990 ST. VINCENT INFRASTRUCTURE PROJECT (5380138.13) IS NOT APPROVED AT THIS TIME.

(4) THE BUREAU AND MISSION AGREE THAT ANY ADDITIONAL INFRARTRUCTURE ACTIVITIES BEYOND THOSE APPROVED HEREIN WILL SUBJECT TO BUREAU REVIEW. THE RATIONALE FOR CONTINUING MUST JUSTIFIED AND APPROVED WITH THE RDSS TO BE SUBMITTED IN JANUARY, 1988.

(5) THE CORE CONTRACT FOR THE INFRASTRUCTURE CLUSTER PROJECC WILL BE AMENDED TO REFLECT THE DIMINISHED ACTIVITY.

(6) THE SOUTHEAST PENINSULA ROAD PROJECT ENVIRONMENTAL ASSESSMENT AMENDMENT WILL IDENTIFY THE CHANGES IN PROJECT DESIGN SINCE PP APPROVAL, EVALUATE PROJECT COMPLIANCE WITH TH

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ORIGINAL ENVIRONMENTAL ASSESSMENT AND LAND USE MANAGEMENT PL-
AND JUSTIFY ENVIRONMENTAL PROTECTION ACTIVITIES PROPOSED TO
ADDRESS SOIL EROSION AND OTHER CONSTRUCTION RELATED PROBLEMSS

E. OBJECTIVE 8: INCREASE ACCESS TO VOLUNSARY FAMILY PLANNINN
SERVICES

PERFORMANCE:

PERFORMANCE IN TERMS OF CONTRACEPTIVE PREVALENCE AND DELIVER
OF FAMILY PLANNING SERVICES WAS AS PROJECTED, BUT THE RATES
IMPROVEMENT ACHIEVED AND PROJECTED ARE MODEST. POLICY AND
PROGRAM ACCOMPLISHMENTS ARE GENERALLY ON TRACK, WITH THE
EXCEPTION OF MANAGEMENT TRAINING AND PILOT TESTING OF PRIVAT
SECTOR FAMILY PLANNING SERVICE DELIVERY.

(NO ISSUES)

F. OBJECTIVE 9. IMPROVE HEALTH AND HEALTH SERVICES

ISSUE:

PROJECT HOPE HAS PROPOSED AN EXTENSION OF ACTIVITIES IN GREN
AND REQUESTS ADDITIONAL FUNDING TO CARRY THEM OUT.

DISCUSSION:

HE A.I.D. PROGRAM PERFORMANCE INDICATORS INCLUDE UNREALISTI
TARGETS FOR GRENADA PROJECT ACTIVITIES DIRECTED TOWARDS
IMPROVED MOH HEALTH ADMINISTRATION SYSTEMS, MENTAL HEALTH
SYSTEM UPGRADING, AND TRANSFERENCE OF MD SERVICES TO WEST
INDIANS. THE ACTIVITIES TO BE ACCOMPLISHED HERE ARE MAJOR
TASKS, AND THE STRIDES WHICH WOULD HAVE TO BE MADE TO ACHIEVV
100 PERCENT OF TARGETS BY FY 89 APPEAR UNLIKELY. IT IS EVIDD
THAT CONTINUED SUPPORT FOR PROJECT HOPE ACTIVITIES IN GRENADD
BEYOND THE PRESENT PACD IS UNLIKELY TO FURTHER PROJECT
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OBJECTIVES.

DECISIONS:

(1) THE MISSION IS REQUESTED TO ADJUST THE TARGETS FOR THE PROJECT HOPE ACTIVITY (IMMEDIATE HEALTH CARE DEVELOPMENT PROJECT) IN GRENADA BASED ON EXPERIENCE TO DATE WITH THE PROJECT.

(2) PROJECT HOPE (IMMEDIATE HEALTH CARE DEVELOPMENT IN GRENADA) SHOULD BE PHASED OUT DURING THE CURRENT FISCAL YEARR MISSION MANAGEMENT OF THE PROJECT SHOULD END AT THE PROJECT'' CURRENT PACD, DECEMBER 1988.

(3) IF ASHA FUNDS ARE MADE AVAILABLE IN SUPPORT OF PROJECT HOPE'S ACTIVITIES IN GRENADA, A SEPARATE AGREEMENT WILL BE ENTERED INTO BETWEEN ASHA AND PROJECT HOPE AND NOT INVOLVE RDO/C IN MANAGEMENT OR OVERSIGHT.

ISSUE:

HOW COULD THE MISSION APPLY EXISTING RESOURCES TO THE PROBLE OF HEALTH CARE FINANCIAL MANAGEMENT IN A MANNER WHICH WOULD STRAIN LIMITED FINANCIAL AND MANAGEMENT RESOURCES?

DECISIONS:

(1) THE MISSION MAY WISH TO CONSIDER AMENDING THE PMPP PROJE TO ADD ADDITIONAL FUNDS FROM THE HEALTH ACCOUNT WHICH COULD USED ON A TARGET OF OPPORTUNITY BASIS TO ADDRESS THIS ISSUE. THE FINDINGS OF SOME ALREADY COMPLETED WORK, INCLUDING THE HOSPITAL COST IN ST. LUCIA STUDY CONDUCTED BY SUNY, COULD FO THE BASIS OF AN INITIATIVE.

(2) AS AN ALTERNATIVE TO THE ABOVE SUGGESTION, THE MISSION COULD USE AVAILABLE HEALTH FUNDS FOR A BUYIN TO THE S AND T HEALTH REACH PROJECT CURRENTLY IN PROGRESS, OR THE PROPOSED LAC BUREAU HEALTH TECHNICAL SERVICES SUPPORT PROJECT.

CLARIFICATION: BECAUSE AIDS INDICATORS HAVE YET TO BE DEVELOPED, THE MISSION IS ASKED TO COLLABORATE CLOSELY WITH AIDSCOM/AIDSTECH TO DEVELOP VERIFIABLE INDICATORS WHICH WILL MEET THE SPECIFIC NEEDS OF INDIVIDUAL EASTERN CARIBBEAN COUNTRIES AND THE REGION AS A WHOLE.

F. OBJECTIVE 13: INCREASE PARTICIPANT TRAINING

PERFORMANCE:

THE MISSION IS COMMENDED FOR SUCCESSFULLY SHIFTING ITS PTIIC STRATEGY FROM AN EMPHASIS ON SHORT TERM TO MORE LONG TERM TRAINING. PERFORMANCE WAS ALMOST UNIFORMLY AT OR ABOVE PROJECTIONS, INCLUDING TRAINING UNDER CLASP AND NON-CLASP PROGRAMS, PARTICIPATION OF FEMALES AND SOCIALLY/ECONOMICALLY DISADVANTAGED STUDENTS, AND HBCU PLACEMENTS.

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ISSUE:

ARE THERE SUFFICIENT EHR FUNDS IN FY 1989 AND FY 1990 TO ACCOMMODATE ONGOING ACTIVITIES, THE CARIBBEAN LAW INSTITUTE EARMARK, AND A NEW START IN DEVELOPMENT TRAINING?

DISCUSSION:

FACTORING IN EARMARKS, A TOTAL OF DOLS 8.08 MILLION WOULD BE REQUIRED IN EHR FUNDS FOR FY 1989; THIS AMOUNTS TO DOLS 2.2 MILLION ABOVE CP LEVELS. IT IS UNLIKELY THAT EITHER IN FY 1 OR FY 1990 EHR LEVELS WILL EXCEED DOLS 5.8 MILLION.

DECISIONS

- THE MISSION AGREES THE PTIIC PROGRAM WILL BE GIVEN PRIOR CONSIDERATION IN MISSION FUNDING DECISIONS, AND THE MISSION WILL EXPLORE TO WHAT EXTENT THE FOLLOWING MEASURES CAN BE TA TO ALLEVIATE THE CONSEQUENCES OF A SHORTAGE OF EHRD FUNDS:

-- WHEN APPROPRIATE, FINANCE TRAINING ACTIVITIES FROM ESF OR RELEVANT TECHNICAL ACCOUNTS (HN, ARDN, ETC.) INSTEAD OF EHRD

- NOT UNDERTAKE THE DEVELOPMENT TRAINING PROJECT IN FY 1989 AND, INSTEAD, INCORPORATE THE TRAINING TO BE CARRIED OUT UND THIS PROJECT UNDER THE PROPOSED CLASP FOLLOW-ON.

CLARIFICATION: THE CTP IS APPROVED AS PRESENTED, ALTHOUGH S MODIFICATION IN THE NUMBER OF SHORT-TERM PARTICIPANTS WILL BE DISCUSSED AT THE UPCOMING CLASP WORKSHOP.

G. OBJECTIVE 14: STRENGTHEN DEMOCRATIC INITIATIVES

PERFORMANCE:

THERE WERE NO COUNTRY DEVELOPMENT TRENDS INDICATORS OR AID PROGRAM PERFORMANCE INDICATORS PROJECTED IN LAST YEAR'S ACTII
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PLAN. POLICY AND PROGRAM ACCOMPLISHMENTS WERE GENERALLY AS PLANNED, WITH THE EXCEPTION OF INITIATION OF A LAW LIBRARY MANAGEMENT SYSTEM.

ISSUE:

SHOULD THE ST. KITTS COURTHOUSE CONSTRUCTION ACTIVITY IN THE CARIBBEAN JUSTICE IMPROVEMENT PROJECT AMENDMENT BE APPROVED?

DISCUSSION:

A PURPOSE OF THE AMENDMENT IS TO PROVIDE DOLS 1.0 MILLION FOO THE CONSTRUCTION OF A COURTHOUSE ON ST. KITTS. THIS WOULD SS

AN INAPPROPRIATE PRECEDENT FOR USE OF PROJECT RESOURCES FOR CONSTRUCTION ACTIVITIES.

DECISION:

- THE BUREAU CONCURS WITH MISSION DELEGATION OF AUTHORITY T APPROVE THE PP AMENDMENT AFTER DOCUMENTING TO THE MISSION'S SATISFACTION THAT THE PROPOSED CONSTRUCTION ACTIVITY IS COSTEFFECTIVE. THE MISSION IS INSTRUCTED TO ASSURE ITSELF THAT THE ST. KITTS FACILITY IS NOT BEING DESIGNED AS A QUOTE MODEL UNQUOTE FACILITY, BUT RATHER, IS THE MOST REASONABLE DESIGN ALTERNATIVE TO THE CONSOLIDATION OF LEGAL SERVICES IN ST. KITTS.

-- THE BUREAU UNDERSTANDS THAT THE USE OF PROJECT FUNDS FOR CONSTOUCTION OF A NEW JUDICIAL AND LEGAL SERVICES COMPLEX IN ST. KITTS AND NEVIS IS AN EXCEPTIONAL USE OF PROJECT FUNDS AA ALL OTHER CONSTRUCTION WILL BE LIMITED TO MINOR RENOVATIONS.

7. RESOURCES AND MANAGEMENT

DECISIONS

(1) THE BUREAU WILL TAKE INTO ACCOUNT ADDITIONAL MANAGEMENT REQUIREMENTS FOR THE GUYANA AND SURINAME PROGRAMS AND MAKE T MAXIMUM EFFORT NOT TO CUT ONE POSITION FROM THE MISSION'S STAFFING PATTERN, AS PRESENTLY CONTEMPLATED.

(2) ONCE ACTUAL WORK REQUIREMENTS ARE KNOWN AND IF THERE IS SUFFICIENT JUSTIFICATION, THE BUREAU WILL SEEK TO RESTORE A SECOND POSITION PRESENTLY PLANNED TO BE CUT FROM THE MISSIONN STAFFING LEVEL.

(3) LAC/DP AND FFP WILL PRESS FOR DCC AGREEMENT TO THE USE LOCAL CURRENCY GENERATED BY TITLE I, PL-480, FOR CONTRACTING FOOD MONITORS FOR GUYANA. UNTIL THE AGREEMENT IS OBTAINED, MISSION MAY USE PD AND S FUNDS FOR CONTRACTING PERSONNEL TO ASSIST WITH MANAGEMENT OF THE GUYANA PROGRAM, AS LONG AS THE CONTRACTS ARE FOR LEGITIMATE PROGRAM AND NOT FOR OF PURPOSESS THE BUREAU WILL SHORTLY FORWARD A NEW PD AND S CONGRESSIONAL NOTIFICATION WHICH WILL REFLECT TRANSITIONAL ARRANGEMENTS

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ALLOWING FOR PD AND S CONTRACT OF PL 480 MONITORING. WHEN THE NOTIFICATION HAS EXPIRED, WE WILL ADVISE THE MISSION.

(4) THE BUREAU AGREES THAT THE MISSION WILL COMPLETE THE CLOSING OF THE GRENADA OFFICE AS SCHEDULED IN JANUARY 1989.

(5) IT WAS AGREED THAT PROJECT MANAGEMENT FOR THE BONT TICK PROJECT WOULD BE PHASED OVER TO RDO/C FROM THE BUREAU. THE MISSION SHOULD ASSURE THAT AN ON-GOING EVALUATION OF THE ACTIVITY IS AS MUCH A PART OF PROJECT PERFORMANCE MONITORING THE ERADICATION OF THE HEARTWATER DISEASE. THE SPECIFIC SITE INVOLVED WILL BE WORKED OUT BY THE OFFICES INVOLVED, BUT SHO OCCUR BEFORE THE END OF FY 1988. SHULTZ
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