

AID AGRIBUSINESS PROJECTS IN LATIN AMERICA

1970 - 1984

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LAC AGRIBUSINESS
COUNTRY PROFILE

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**This format is used for all of the country profiles

***Agribusiness projects for these countries are not covered by this report

I. INTRODUCTION

A. PURPOSE

The objective of this report is to provide an overview of past, present, and future agribusiness activities in the Latin American and Caribbean (LAC) region. It was prepared under the guidance of Christopher Mock, the agribusiness advisor in ST/RD/ESE, and the project manager of the Agro-Industrial Development Project. This project, originally titled the Commercial Seed Industry Development Project (CSIDP), was renamed in early 1984 and its research focus was broadened to include the strengthening of all types of agro-industries.

Background information on agribusiness activities in the regional missions may prove useful not only to S&T but also to the regional bureaus and missions in the planning of their own agribusiness strategies and projects. While this report is by no means exhaustive, it does attempt to present the trends in AID's assistance to the agribusiness sector in the LAC region since 1963. A listing of projects with agribusiness components can also serve as an inventory of what has previously been done by AID. It is expected that a similar study of agribusiness projects in the other regions covered by AID will be conducted at a later date by ST/RD/ESE.

B. METHODOLOGY

Agribusiness, as defined by James E. Austin (Agroindustrial Project Analysis, The World Bank, 1981) is an all inclusive term referring to the system that involves individuals and institutions in the production, processing, transport, storage, financing, marketing, and regulatory policy making of food and fiber products. This definition covers the operators (farmers, transporters, warehouses, processors, and distributors); the supporting institutions (farm suppliers, research centers and financial institutions); and the coordinators (government, contractors, futures markets and industrial associations).

Because this definition is so inclusive of all agricultural activities it was imperative that the definition be more focused. The DIU database system was used to conduct a search of all AID agribusiness projects. Agribusiness, as defined by DIU, is the "combination of the producing operations of a farm, the manufacture and distribution of farm equipment and supplies, and the processing, storage and distribution of farm commodities."

Out of a total of 1818 LAC projects recorded in the DIU database, 666 or 36% are agriculture projects. Four percent or twenty-four projects of these LAC agriculture projects were listed as agribusiness projects by the DIU system. Despite the small number of agribusiness projects in relation to LAC's total agriculture portfolio, the LAC region, nevertheless, represents more than 65% of total AID agribusiness projects.

Since this definition did not include agricultural projects that had an agribusiness component another DIU search was made using the following key words: ag processing, food processing, ag credit, marketing, coop marketing, rural business, and agricultural storage. Projects were chosen that had a component which focused on enterprises which procured, processed, stored, and/or marketed crops, livestock, forest, or fish products, OR provided inputs to this sector. These enterprises could be private, parastatal, or governmental, OR projects which treated the small farmer as a commercial operation. These have been noted in this report as "Projects with an Agribusiness Component."

This definition excluded projects which focused solely on road construction, construction of physical facilities and infrastructure, ag production or input credit, production coops, manufacture and sale of large farm equipment or fertilizer production, and solely marketing studies and price stabilization programs. A check for thoroughness was made by calling up all agricultural projects in one country, Bolivia, and comparing them to the listing of projects called up by the key words. Unfortunately, some agribusiness related projects had been missed. Therefore, a majority of the agribusiness projects indicative of the LAC Bureau are listed, though it is not entirely complete. It is predominately livestock, fisheries, and agro-forestry projects that are lacking.

The DIU printout served as the focal point of this report. It provided a useful summary of PPs, Mid and End-of Project Evaluations, Special Studies and Evaluations, Audit Reports, and Final Reports. The LAC Agriculture Office provided PIDs currently being developed, some Strategy Statements, Sector Assessments, agribusiness-related memos and general guidance. Finally, CDSSs and ABSs were reviewed to determine the Missions' agribusiness strategies. If these documents did not specifically address agribusiness, then relevant aspects of the agriculture strategy were mentioned.

For each country profile, an attempt was made to provide the following information: (1) a background section on the country's agriculture sector and, if available, its agribusiness subsector; (2) past agribusiness projects; (3) relevant evaluations; (4) the Missions' current agribusiness or agriculture strategy; (5) current projects; (6) planned projects; and (7) a short description of agribusiness related projects. The inclusion of all of these sections in the country profiles was dependent upon the availability of the specific information. In those cases where the information was either unavailable or inapplicable (e.g. AID's program in the country had been terminated, evaluations had not been conducted or could not be found), the relevant sections were omitted. A lack of end of project evaluations made a general synopsis of successes and failures impossible.

C. GENERAL OBSERVATIONS

In the past, most of AID's assistance for the development of agribusiness in the LAC region has been focused primarily on credit needs. The credit has usually been lent to the country's Central Bank for onlending to intermediate credit institutions (ICIs). Technical assistance was usually provided for the training of ICI personnel in the analysis and administration of loans. In some cases, technical assistance was also available to provide assistance to sub-borrowers for project preparation and to promote the use of the Central Bank's refinancing facility.

As noted in a recent cable to USAID Missions in the LAC region, the provision of credit is insufficient to sustain continued agribusiness development. In view of the potential importance of agribusiness, especially within the context of the CBI, the LAC Bureau has suggested that the Missions take the following factors into consideration when designing or expanding efforts in this area: (1) identification of new foreign and domestic markets for fresh and processed agricultural commodities, including a definition of the quality standards and norms appropriate to those markets; (2) determination of the feasibility of local production and processing for those markets; (3) provision of credit to producers; (4) technical assistance to producers; (5) resolution of institutional and physical infrastructure obstacles; and (6) maintenance and dissemination of world-wide market data to the agricultural and business community. The recent AID-financed projects in Bolivia and the Eastern Caribbean, as well as the centrally funded JACC and FMME projects, were cited as possible variations in project design. All of these projects, as well as proposal for a regional development model, are discussed in the body of this report.

A. BELIZE

1. Background

Agricultural output increased slightly over the past five years, but export earnings have not kept pace with production. Sugar production has been steady since 1980, although earnings have dropped sharply in the past two years. Citrus and banana acreage have shown small increases and the prospects are good for a further rise. The cattle industry is in the most difficulty, with production, exports, and earnings all in decline. Despite the small population, ample fertile land, and favorable climate, Belize is not self-sufficient in food production. Food imports make up about one quarter of the total import bill.

The second most important sector, manufacturing, accounts for about 8 percent of GDP and is based primarily on agricultural output. Manufacturing growth has been affected by saturation of the relatively small domestic market, uncertainties associated with independence, and government price controls on some domestically produced goods.

While new public sector investment has virtually ceased, the private sector has also entered a decline, as the consequences of falling agricultural export sales are compounded by diminishing production volumes while the domestic credit market, squeezed by Government borrowings, cannot finance the new productive investment needed to break the downward trend. This new investment is needed for the creation, expansion, or modernization of relatively large production units; to quote the IBRD Economic Memorandum on Belize dated April 5, 1982: "while recognizing the importance of existing small farmer production to the economy, it appears essential to base future expansion of agriculture on medium to large commercially viable farms."

2. Current Strategy

The current development strategy for Belize is to provide credit to cover the country's foreign exchange shortfall and buttress the country's foreign exchange reserves, thereby assuring over the short run the external and internal creditworthiness of the country. Over the longer term, the proposed program will help the GOB improve its financial situation and will assure adequate funding of the GOB's public sector investment program.

According to the FY1986 CDSS, the agricultural sector holds the greatest potential for long-term economic growth in Belize. Sugar can no longer be relied upon as the main pillar for export earnings. Citrus will grow in importance as a result of the Caribbean Basin Initiative. However, in order for the sector to reach its full potential, other important segments must be tapped. High on the list of potential contributors are livestock products -- beef, pork and dairy; oilseed crops; and specialty crops such as fruits, vegetables and cocoa.

3. Current Projects

In an effort to stimulate Belize's declining agricultural sector, the Commercial Bank Discount Fund Project(505-0005) will create a \$5 million Discount Fund in the Central Bank for use by local commercial banks in

providing credit for productive investment by the private sector in agriculture and related industries. Projects involving the production, processing or export cycle of any agricultural product grown in Belize will be eligible for financing. Illustrative subprojects include grain markets, mangos, shrimp fishing, bananas, edible oils, agricultural credit, logging operations, timber farming, refractory materials, export packaging manufacturing, canned goods, agricultural and forest waste, agricultural waste for animal feeds, and hydro-electric projects.

Another relevant scheme is the Livestock Development Project (505-0006) (FY 83-85), which is designed to improve the methods by which small and medium farmers rear and market livestock. This systematic approach includes productivity improvement, credit, new products, market development, and policy changes.

4. Planned Projects

An additional infusion of \$4.95 million is proposed for the Livestock Development Project to be tranced over two phases during the period 1984-89. The first phase will develop appropriate cultural practices and indigenous feed rations for swine; improve native pastures for beef and dairy animals; develop milk marketing information; provide a pilot modern dairy processing facility; improve the meat cutting and processing capability of local butchers; install a meat testing capability responsive to USDA import requirements; and assist the Ministry of Natural Resources in developing a long-term agricultural sector plan and a rational agricultural policy. Phase II will expand these activities along with additional efforts to improve the national beef herd and develop a dairy industry.

To address the lack of readily available production credit and effective marketing infrastructure, the Mission has proposed a \$4.3 million DA Agricultural Production, Credit and Marketing Project tranced over two years during 1987-89. The program is designed to meet the need of the small commercial farmer and the milpa farm (slash and burn shifting cultivation) families who are on the way to becoming commercial farmers. A supervised credit program will be established in which lending will be secured by the farmers' crops, rather than physical assets. Interest will be charged at commercial rates. The development of assembly markets in the rural areas, with linkages to urban centers, will be provided to create an outlet for increased production.

Another relevant project is the proposed \$6.5 million DA Agricultural Production and Diversification Project which is designed to address the lack of an effective adaptive research program. The project will be tranced over two phases during the period 1985-89. The first phase will focus on strengthening the Ministry of Natural Resources' capacity for adaptive research coordinated with extension. Potential alternate crops for domestic consumption and export will be investigated. High priority will be given to oilseed crops in view of the current \$3.5 million worth of lard imports. Soybeans will be imported under the PL 480 program in sufficient quantities to operate a private sector crushing plant. As domestic production increases, PL 480 imports will be phased out. Specialty crops of fruits and vegetables, for which there are off-season demands in the U.S. and European markets, will be screened for potential exports. Cacao will be in the forefront, since the Hershey Food Corporation guarantees the market. Phase II will be more heavily

focused on field trials and extension of crops developed under Phase I.

While limited assistance in the promotion of non-traditional exports has been provided through the regionally-funded Project Development Assistance Program administered by Coopers & Lybrand, additional technical assistance is proposed under the \$1.7 million DA Export Promotion Project tranced over the period 1986-88. The focus of the project will be on financing searches for new markets, promoting Belizean products in the marketplace, locating joint-venture partners, and carrying out feasibility studies. The program will be housed in the small business development bank and will provide these services in support of the bank's lending activities.

Belize is presently being considered as a cooperating country for the Joint Agricultural Consultative Corporation Project, which is currently funded by the PRE bureau. In addition to Belize, visits have been made to Costa Rica, the Dominican Republic, Honduras and Panama to organize local committees. Jamaica, Haiti and the Windward Islands were eliminated from medium-term involvement after an initial evaluation. With respect to Belize, JACC/Washington is presently rethinking its strategy. Efforts to date in Belize have failed to generate much interest with only 6 people attending a meeting for agribusiness leaders.

B. BOLIVIA

1. Background

Although Bolivia's private sector is small (estimates of the portion of GDP attributable to the private sector range from 20% to 30%), its role in helping to stabilize the economy and lay the groundwork for more balanced growth is indispensable. Bolivia's overburdened public sector enterprises are politicized and grossly inefficient, whereas the private sector has demonstrated that it is capable of managing efficient, productive agribusiness enterprises which provide an engine for growth within the agricultural sector.

There is a demonstrable need now for more resources to help meet the projected demand for agribusiness credit during the next three year recovery period. It is estimated that over one billion dollars will be required during the next three years for agribusiness and artisanry investments nationwide.

2. Past Projects

The Agribusiness and Artisanry (A&A) Project (511-0472) was initiated in January 1978. It established a \$9 million refinancing facility within the Bolivian Central Bank (BCB), of which the AID contribution was \$6 million, for the partial financing of credits from commercial banks and other financial institutions to private sector agribusiness and artisanry projects of benefit to the poor majority. A Technical Assistance Fund (TAF) was also created under the project to (a) provide assistance to sub-borrowers in subproject preparation, (b) finance the training of intermediate credit institution (ICI) personnel, and (c) promote use of BCB's refinancing facilities. As of April 1983, almost \$25 million in credit had been approved for 875 projects under the A&A refinancing facility.

Agribusiness projects financed under the A&A loan include small and medium sized agribusiness ventures such as produce marketing, tanneries, grain mills, and dairies. Credit ranging from \$10,000 to \$25,000 was required to finance the purchase of equipment and machinery. More recently, a few larger agro-industrial firms involved in food processing for local consumption and export have had investment and operational credits approved for several hundred thousand dollars.

3. Relevant Evaluations

Two evaluations of the A&A project have been performed. A mid-project evaluation was conducted in April 1980, followed by a second evaluation in late 1983. The first evaluation found that the number of subloans and total disbursements compared favorably with projections in the Project Paper, notwithstanding delays in project initiation. Much of the early financing provided under the project went into working capital and expansion or modernization of production facilities. This initial evaluation pointed to the uncertain political and economic situation as the reason why few ventures were financed at first.

The 1983 evaluation confirmed the success the project has had in establishing a workable system for supporting agribusiness and artisanry projects, in financing several hundred investments, and in providing economic

benefits to the rural poor. It pointed out the significant impact the project has had on its direct beneficiaries, the borrowers, in terms of increased incomes and expanded markets for their products. The evaluation also found that the project's ultimate beneficiaries, small farmers and other rural poor, have received benefits from the project in terms of significantly increased employment opportunities (average increases of 32% in the participating enterprises surveyed) and the provision of markets for their expanded agricultural production.

Both evaluations also highlighted project implementation problems that the Mission has been bringing to the Bolivian Central Bank (BCB)'s attention during the life of the project. Some of the key problems include:

- o GOB policy constraints to greater private sector agribusiness investment (e.g. price controls and subsidies, disincentives to exportation, interest rate policies).
- o Unduly restrictive criteria for determining refinancing eligibility.
- o Inadequate incentives for fuller ICI participation, and poor performance by ICIs in loan processing, analysis and monitoring.
- o Over-centralization of decision-making within the Central Bank, overinvolvement of BCB personnel in subloan analysis and approval, and delays in loan processing.
- o Failure of the TAF to finance a significant number of feasibility studies, training programs and promotional activities.
- o Excessively complex loan application forms and procedures.
- o A passive attitude on the part of most ICIs and BCB personnel.

In preparation for the possible extension of the project and increase in AID funding, the Mission spent several months in negotiations with BCB officials and ICI representatives working out mutually acceptable plans to resolve the A&A Project's most important implementation problems.

4. Current Agribusiness Strategy

AID's development strategy for Bolivia is to assist the Government with its economic stabilization program and its efforts to respond to recent natural disasters, to support private sector solutions to the country's development problems, and to focus assistance in the country's most promising growth pole, the La Paz-Cochabamba-Santa Cruz Corridor. The revised A&A is a key element in AID's assistance strategy. It will provide vitally needed investment capital for private sector ventures which will contribute to the recovery. The quick disbursement of additional foreign exchange will also provide Bolivia with much needed balance-of-payments support. The revised project will also strengthen Bolivia's private commercial banking and help to improve the operation of the A&A refinancing facility and, ultimately, the capacity of the country's commercial banking sector for meeting agribusiness financing requirements internally.

It is expected that most of the additional financing provided under the A&A line will be directed to the La Paz-Cochabamba-Santa Cruz Corridor, the primary target area of the USAID/Bolivia CDSS strategy. Eighty-eight percent of the refinancing provided to date under the A&A line has been in this target area. To develop the Corridor's growth potential and a productive private sector, the strategy will utilize a demand-pull approach through which enhanced marketing of agricultural commodities will stimulate increases in production, and, by extension, improve the income level and standard of living for farmers. Efforts will concentrate on creating an increased demand for existing Corridor commodities. This demand will be further enhanced through a series of activities that emphasize the development of agroindustries. To meet the demand, farm level activities will reinforce farmer actions to improve the quantity and quality of their production. Furthermore, it is anticipated that increased market transactions will trigger ancillary "demand-pulls" within the region. For example, increased farm production will heighten the demand for agricultural inputs (e.g. chemical fertilizers, improved seed varieties) as well as increase the demand for production credit and skilled technical assistance. The synergism of these factors will bring increased income and heightened expectations to Corridor residents, raising the demand for consumer goods and basic social services, which, when provided, will contribute to the overall development of the region.

5. Current Projects

An amendment to the A&A Project was approved in August 1983 to increase AID's contribution to the A&A refinancing facility within the Bolivian Central Bank, to increase technical assistance to improve the capabilities of Central Bank and ICI personnel involved in the project, and to extend the PACD 32 months through August 31, 1986. Two changes were made in the project's strategy. First, both the Mission and the BCB agreed that it was important to provide financing for Bolivia's relatively larger agribusiness concerns in addition to small and medium size firms. Such enterprises, which are large for Bolivia but still relatively small in relation to companies in other countries, have a very important role to play in the recovery and in providing benefits to Bolivia's poor. Therefore, larger Bolivian firms are also eligible for A&A refinancing.

Another modification in the project's strategy concerned the eligibility criteria for A&A financing established in 1977. The latest project evaluation found that the current criteria were too restrictive. The GOB agreed that these criteria should be simplified and that projects which benefit farmers with both small and medium sized farms should be eligible for financing.

The new thrust of the modified A&A project involves intense Mission interaction with the business community and with marketing and technical assistance sources. Emphasis has been placed on promoting new investment by existing Bolivian agribusiness firms. This approach produced, prior to the completion of the draft amendment, a sufficient number of sub-project feasibility studies, which at once justified the expanded AID credit line and provided the basis for a realistic implementation schedule. A continuous process of intense and detailed searches for feasible projects will be maintained so that planned credit inputs can respond to known needs rather than to tenuous theoretical assumptions.

Also related to agribusiness is the Chapare Regional Development Project (511-0543) (FY83-88). The purpose of this project is to modify and improve the agricultural and forestry(A&F) production system of farmers in the Chapare to be more responsive to diverse, profitable marketing opportunities, provided under sustained, environmentally compatible, medium technology production models. Since the project is based upon a demand pull strategy, the objective of the marketing and agroindustry component is (1) to develop the potential regional, national and export demand by improving the present inefficient marketing system and (2) to expand or create agroindustry activities, thus creating concrete marketing options for the Chapare farmers. The intent is to encourage agricultural activities other than the production of coca.

Four large private agro-industries will be expanded under this project. The Fabrica Nacional de Conservas Dillman S.A. will expand its annual fruit processing capacity to 6,000 MT to process and both export and distribute nationally citrus products and byproducts. The Industria Maderera de Prensaje y Afines S.A. will expand an existing plant to process raw material from slash-and-burn secondary growth forests into particle board to help meet housing construction material demands. Agropecuaria Copacabana will supply 6,000 piglets a year to farmers for fattening and will itself fatten 8,000 hogs per year, all to be processed and marketed by Dillman. Equipo Chapare will help 268 farmers cultivate, process, market 12,000 MT of kudzu (high protein legume) and 5,345 MT of bananas annually to produce animal feeds. ICI's will help finance these initiatives. The project will also develop, in conjunction with the Departmental Development Corporation of Cochabamba, at least 10 smaller agro-industrial activities, such as beekeeping, rice milling, and tea and fish production.

PROJECTS WITH AGRIBUSINESS COMPONENT IN BOLIVIA

Coca Crop Substitution 511-7271 75 - 80 3,790

A three activity project: experimental crop research and extension; small farmer credit; and processing and marketing of new crops.

Sheep, Llama, Alpaca Prod. & Marketing 511-0364 71 - 81 27,262

Subproject 2 of a 10 part project that provides technical and economic assistance for systematic marketing of meat, wool, and pelts to replace wool imports.

Cereals Development 511-0364

Subproject 5 of a 10 part project that includes a component to establish a seed processing plant, increase in-country milling, and establish a market for mill by-products.

Small Farmer Organizations 511-0452 76 - 84 11,647

Project Purpose: To develop viable zonal cooperative small farmer organizations and rural community groups that establish small enterprises in rural areas.

Outputs include: 1) revolving credit fund to provide seed capital and other economic assistance to small farmer organizations; 2) grant fund to subsidize the hiring of professional coop management; 3) national community development service's training capability strengthened; and 4) participants trained in business management, accounting and finance

Consolidation in the Bolivian Subtropics 511-0514 79 - 84 1,482
San Julian and Chane-Pirai

A local private voluntary organization will develop and test model systems for the introduction of diversified family farms, home and farm retail operation, credit marketing, new technologies and community organizations.

Departmental Development Corporations 511-0511 79 - 85 10,000

Project Purpose: To enhance outreach capability of DDCs to plan, identify and implement subprojects that focus on income generation and employment for rural poor. These subprojects include storage facilities, small-scale agro-industry and marketing facilities.

C. COLOMBIA*

1. Background

Major constraints to the development of small and medium-sized industrial firms include scarce working capital; operational discrimination within the national financial system against these firms, particularly those outside Colombia's largest cities; and inefficiency and managerial weaknesses within the Colombian credit institutions.

2. Past Agribusiness Strategy

The Mission proposed to remove constraints to small and medium-sized industrial development by transferring successful managerial and production technology techniques supported by greatly increased credit availability to institutions supplying the credit needs of small, labor-intensive industries.

3. Past Projects

The Small Industry Development Project(514-0181) (FY75-78) provided \$5 million in AID loan funds for credit and technical assistance to small manufacturing, mining and agro-industry activities in order to stimulate increased productivity and generate employment opportunities. Labor-intensive, geographically isolated coops and new industries were designated as the target borrowers.

4. Relevant Evaluations

According to the final evaluation, the aforementioned project, implemented by the CFP, achieved its purpose. The TA program, however, was not as successful as the credit component.

The expected amounts of confidence, community, professional, and production marketing credit were lent, but the exact distribution among the four credit lines varied somewhat from targets. Regionally, Bogota accounted for 25% of all credit, while Cartagena received only 2%; the overall distribution of loans reflected the pattern of Colombia's industrial development. Analysis of loan portfolio information shows that the 9.4% default rate was normal; that community credit to cooperatives was the most difficult to recoup; that Cartagena had the highest default rate (48.8%); and that the high default rate for confidence credit (9.3%) was closely related to borrowers' lack of adequate collateral. In the future, the administrative and technical ability of small entrepreneurs should be judged and TA supplied before loans are made. Contributing to the default rate were fluctuating prices, occasionally weak CFP financial analyses and borrower administrative abilities, insufficient or weak collateral, and lack of continuous credit follow-up by the CFP.

Under the TA program, the CFP conducted 207 training and motivation short courses, seminars, and training sessions for 3,441 managers; provided consultant services to 499 firms and accounting assistance to 463 firms; distributed 6,000 pamphlets monthly; and answered 512 requests for technical information. The TA program was hindered, however, by a 6 month start-up delay, high turnover of personnel, a lack of post-seminar follow-up, the

*AID no longer maintains a Mission in Colombia.

absence of a long-range TA plan, and the CFP's use of funds for salaries rather than TA activities. The evaluation concluded that the TA needs of small entrepreneurs were so great that dispersing the TA effort produced little impact; TA should have been made available to industrialists outside the loan; and CFP loan supervision should have been complemented by TA.

Compared to the magnitude of the demand for small industry credit in Colombia, the \$5 million provided by this loan was insignificant. Consequently, the project did not have a strong, positive impact upon the problem. In retrospect, the Mission believed that the project should have been designed differently with emphasis upon policy changes within the Government of Colombia which would have increased the total supply of credit to small industry.

D. COSTA RICA

1. Current Agribusiness Strategy

The Mission proposes to assist in the reorientation of the Costa Rican economy from its present industrial import substitution bias to one in which the industrial sector contributes to export growth. Taking advantage of more appropriate pricing policies for agricultural products, to be partially effected through self help measures contained in PL 480 programs, and a more rational interest rate structure, to be achieved through stabilization programs, USAID expects to design projects to assist in the diversification and possible intensification of certain lines of production which will contribute to extraregional export-led growth. These could include such products as beef, oils, fresh and frozen fruits and fruit concentrates, vegetables, macadamia, cocoa, spices, ornamental plants, etc. USAID also expects to assist Costa Rica meet its food and fiber requirements in those areas where it could have either a comparative advantage or appropriate external prices. Assistance will be aimed at both increasing the production and productivity of such items as milk and vegetables and substituting imported food grains with domestically produced grains such as sorghum and soybeans.

2. Current Projects

The \$10 million loan for the Private Sector Productivity Project will provide \$9.7 million in investment capital and \$300,000 in technical assistance to establish a new privately owned agro-industrial and export bank, BANEX. The bank will provide short and medium term credit, export management assistance, and a full range of export oriented banking services to producers of nontraditional exports.

The Private Sector Export Credit Project, which will be implemented by the Costa Rican Industrial Finance Corporation (COFISA), includes a \$10 million (US dollar) and \$5 million (local currency) loan. The \$10 million loan will be lent as dollar denominated credit to expand export marketing. The local currency loan will provide working capital to producers for domestic and Central American markets in order to help them survive the current economic crisis. The project will help improve the financial viability of Costa Rica's private sector and reestablish COFISA as a development-oriented, financial institution.

3. Planned Projects

AID is presently engaged in determining the feasibility of a new investment financing facility in Costa Rica, whose major objective will be the expansion of the export oriented private sector in Costa Rica. This objective will be achieved through the attraction of foreign investment and technology, coupled with local investor participation where possible. The proposed level of funding for the Private Investment Corporation is \$20 million.

Costa Rica, along with several other countries in the Caribbean Region, was recommended the opportunity to affiliate with the U.S. JACC. To date, the National Agricultural Chamber of Commerce of Costa Rica has begun to organize a local JAC Committee. JACC/Washington, which receives grant funds

from the PRE bureau, is positive about the progress to date in Costa Rica.

Under S&T/AGR's Agricultural Policy Analysis Project, a team recently helped Costa Rica formulate the terms of reference for a series of agricultural policy studies in four areas:

- 1) food security;
- 2) generation and transfer of agricultural technology for production, storage, processing and marketing of basic food products;
- 3) integration of efforts between the public agricultural sector and the private sector in promoting exports; and
- 4) integration of agroindustry in the rural development process.

PROJECTS WITH AGRIBUSINESS COMPONENT IN COSTA RICA

<u>Ag Development Program</u>	515-0117	70 - 78	15,927
Project Purpose: Increase crop production of Costa Rican small farmers by introducing modern farming practices.			
Outputs include the establishment of cooperatives and new market facilities.			
Project includes seven subprojects, one of which focuses on marketing.			
<u>Rural Development Program</u>	515-0120	75 - 79	7,900
Project Purpose: Provide small farmers with access to more efficient farmer organizations and government infrastructure.			
Outputs include the expansion and improvement of farmer coop organizations including coops that offer marketing/processing credit; improvement of county government and rural community services; and improvement of Ministry of Ag planning and management.			
One component of project includes the strengthening of the municipal development institute to finance high benefit projects including agribusiness.			
Comments: Recommendations from Special Eval. Report 1980 are:			
1) negotiate with borrower and implementing agency at project design stage on exact methods of disbursing funds; 2) define aims precisely and program sufficient resources; and 3) ensure existence of host country political and technical will.			
<u>Costa Rica - Ag Development</u>	515-0038	63 - 80	3,232
Project Purpose: Better access to credit, tech assistance and efficient competitive markets for small farmers.			
Project includes specialist training in farming and marketing at secondary school level. Rural coops and credit unions are strengthened with priorities for basic food and non-traditional export crops.			
<u>Soybean Production and Food Mix Processing</u>	515-0127	76 - 81	499
Project Purpose: Provide locally manufactured blended foods and protein supplements to replace Title 2 commodities.			
Outputs include plant capable of manufacturing blended foods.			
<u>Costa Rica - Commodity Systems</u>	515-0134	77 - 83	5,500
Project Purpose: An integrated commodity systems approach installed in the Ministry of Ag's Development Program.			
Outputs include: 1) marketing technology unit formed within MOA and system designed focussing on resolution of marketing and processing constraints to small farmer crop development; 2) pilot activities in solving specific market problems of small farmers; and 3) local level development projects in production and marketing improved.			
<u>Integrated Rural Development 2</u>	515-0158	79 - 83	490
Project Purpose: Support efforts of IRD 1 to improve production and marketing patterns of small farmers and rural enterprises.			

E. DOMINICAN REPUBLIC

1. Background

The importance of the agricultural sector as a source of employment, output for domestic consumption, and export earnings is substantial. Some 2.8 million people live in rural areas on 340,000 farms. Agriculture directly employs more than 60% of the nation's employed labor force. In recent years, the production of all agricultural commodities has tended to stagnate. During the period 1976-80, output of non-export agricultural commodities increased by 2.8% annually, while production of sugar, coffee, cacao, and tobacco actually declined by about 1.5% per annum. Within the agricultural sector, the sugar industry is by far the key component.

2. Past Projects

In May, 1968, USAID provided a loan to the newly established Financiera Dominicana, S.A., for use as lending capital. As a private development finance company, the Financiera was allowed to engage in activities such as project promotion, equity investment, and other capital market activities. In 1972, an additional loan was provided to the Financiera Dominicana under the Private Development Finance Company II Project(517-0106) to sustain its sublending and equity investment activities in the private sector and to expand its development banking role. In addition to providing credit for the creation, expansion and modernization of private enterprises, the loan allowed the Financiera to undertake two new activities: specialized capital market operations and agribusiness development.

In the agribusiness area, the Financiera was to promote the establishment of two types of enterprises. The first type was the larger, more sophisticated projects which required the participation of experienced businessmen. Firms which distributed and marketed Dominican agricultural products for domestic and foreign markets were eligible for financing. The second type was the smaller, untried projects which could be implemented by younger, technically trained entrepreneurs possessing only limited business experience and financial resources. Financiera planned to meld technical knowledge with entrepreneurship through the agribusiness program at the Institute Superior De Agricultura(ISA). The Financiera also planned to sponsor a research program in agribusiness, starting with an inventory and review of all past studies and surveys undertaken. New subsector studies such as food processing, along with specific preinvestment and feasibility studies were to be undertaken. The loan also provided for short-term consultants to assist in agribusiness activities.

Under the Private Enterprise Sector Development Project(517-K039), a cash transfer was made to the GODR to provide immediate balance of payments support. Cash transfer funds were to pay for imports of U.S. goods and services for the private sector. Equivalent counterpart funding were targeted for private sector development in three areas: (1) promotion of exports and agribusiness; (2) institutional development and training; and (3) GODR investment in productive infrastructure necessary for private sector expansion.

3. Relevant Evaluations

According to the final report on the Private Development Finance Company II Project dated August 1977, the principal goal of the loan was met, as indicated by a 105% increase in the number of loans and 111% increase in the lending amount. The evaluation noted a continued emphasis on small agricultural loans, with 90% being less than RD \$200,000. Of these, 48% were for agribusiness projects. Furthermore, a new specialized department was created in the DFC to handle dairy business loans.

4. Current Agribusiness Strategy

The Mission's agricultural strategy is based on the principle of comparative advantage of Dominican agricultural production in the context of an open economy. USAID/DR plans to concentrate on the development of export markets for farm products that have relative advantage in terms of price and quality in the world market. These products include fruits and vegetables, such as melon, pineapple, pepper, cucumber, garlic, tomatoes, etc; basic food grains, such as rice, beans, plantains, root crops, etc.; and import substitution crops, such as sorghum, peanuts, soybeans, and corn. A three-pronged approach will be followed in pursuit of export market development: market feasibility studies, applied research through variety trials and commodity testing, and technical assistance to agribusiness firms. In addition, USAID/DR will provide financial support to agribusiness organizations, both domestic and foreign, which are engaged in the promotion of business ventures to produce and market the aforementioned products, and will directly assist agribusiness firms through the provision of credit for investment.

3. Current Projects

A \$2 million PRE loan was authorized for the FINADE Investment/Development Bank in the Dominican Republic on April 5, 1984. The purpose of the loan is to develop the export capability of growers and manufacturers of small and medium sized enterprises. PRE/PPR is arranging a grant for COMEDON(?) in conjunction with this loan.

5. Planned Projects

A \$9.8 million Agribusiness Promotion Project aimed at creating a favorable investment climate for export oriented industries has been proposed for FY 1984. Critical issues which hamper the development and growth of agribusiness will be addressed through the implementation of a variety of activities, including the provision of: (a) credit for investments in plant and equipment, production, and marketing; (b) technical assistance to conduct pre-feasibility and/or feasibility studies aimed at identifying new markets and investment opportunities; (c) pilot activities to identify and develop non-traditional products for exports; and (d) training, seminars, demonstrations to introduce new varieties and farming techniques to small growers through the expertise of agribusiness.

In addition to the \$9.8 million agribusiness project anticipated to be initiated in FY 1984 discussed above, approximately RD\$19 million in local currency counterpart will be made available under the FY 1984 ESF loan program. Its purpose will be to increase the capitalization of the credit

facility (FIDE) within the Central Bank, thus increasing the volume of credit to the private sector for expansion of agribusiness and export activities.

Dominican Republic has been offered the opportunity to affiliate with the U.S. JACC. According to a recent memo on JACC activities, a steering committee was formed in the D.R. to establish a JAC Committee. This steering committee appears to have good support from both agribusiness and banking concerns.

PROJECTS WITH AGRIBUSINESS COMPONENT IN DOMINICAN REPUBLIC

Agriculture 517-0110 74 - 80 11,999

Project Purpose: Support major policy changes in the ag sector, particularly with regard to allocation of budgetary, financial, and human resources.

Comments: Component of project focuses on creation of market research/farm management service division and increasing employment in agriculture in the rural areas.

Community Development Foundation 517-0115 76 - 80 293

Project Purpose: Establish fully integrated community development program in the district of Loma de Cabrera.

Comments: This is an integrated development project with a component to establish a marketing and consumer coop network, to provide a market outlet, and construction of corn processing facilities.

Dominican Development Foundation 517-0124 79 - 82 325

Project Purpose: Increase capability and capacity of DDF to extend production and marketing credit to associations of small farmers.

Comments: According to Special Eval. Report 1982, loan recovery rate was poor due to inadequate marketing of crops and lack of negotiating power of marketing committees as well as lack of DDF follow up and lack of internal controls in groups receiving credit.

Ag Marketing and Credit Administration 517-0136 79 - 82 320

Project Purpose: Expand variety and volume of services to small farm members of affiliates of FENAC (Federacion Nacional Agraria Campesina).

Comments: Component includes an expansion of the crop marketing system and training in agribusiness management.

Small Industry Development 517-0150 82 - 87 5,580

Project Purpose: Establish an institutional mechanism capable of providing a continuous source of credit, technical assistance, and training to small entrepreneurs.

Comments: Credit component consists of a \$7 million small industry revolving credit fund operated through participating financial institutions.

F. ECUADOR

i. Background

During the past decade agricultural sector production grew slowly, while other sectors, particularly petroleum and services, expanded rapidly. As a result, the contribution of the agricultural sector to the GDP of Ecuador declined in relative terms from 23.9 percent in 1970 to 12 percent in 1982. In real terms, the overall value of agricultural production rose at an annual average rate of 2.2 percent per year between 1972 and 1980, while the population grew at an estimated 3.4 percent per year. The sector nevertheless provides the largest source of employment (48 percent of the economically active population).

In 1981, 1.6 million hectares were devoted to crops. The breakdown by principal products was as follows: (a) permanent crops--321,000 hectares of coffee and 270,000 hectares of cocoa; (b) cereals--maize on over 245,000 hectares and rice on 131,000 hectares; (c) fruit trees--plantains and bananas predominate with 67,000 and 64,000 hectares planted, respectively; (d) legumes--beans with 53,000 hectares; and finally (e) sugar cane with 105,000 hectares.

With the exception of a few commodities (bananas, rubber, oil palm, and some soybean/hard corn and dairy operations), Ecuadorean agriculture is currently characterized by low production technology levels and inadequate marketing, storage and transportation arrangements.

Agro-industries, of which there are approximately 1,000, produce a wide variety of products including processed foods and beverages, wood products, tobacco products, animal feeds, alcoholic beverages and leather goods, paper and paper products. Agro-industries in Ecuador were responsible for 44 percent of the value added in the industrial sector in 1980. Agro-industries provide direct employment to more than 50,000 people, or 17 percent of the manufacturing labor force. They provide indirect employment for many more people through backward linkages to the agricultural sector.

Various branches of the agroindustrial subsector grew more quickly than the industrial sector as a whole. In the period 1974-1978, when average annual growth for the sector was 19 percent, milk products, vegetable oils and fats, cocoa, chocolate and sweets, alcoholic and carbonated beverages and miscellaneous paper articles all achieved growth rates significantly higher than the sectoral average.

Between 1965 and 1982 industrial value added consistently grew at a faster rate (9.7 percent) than the rate of growth of GDP (6.8 percent). However, this growth has been accompanied by a very rapid growth in imports of processed raw materials and equipment. Agro-industries, however, imported a smaller than average percentage of raw materials and have accounted for a large portion of all industrial exports.

Concerned with improving its balance of payments position, the GCE recognizes the need to both diversify exports through the promotion of "non-traditional" agricultural/agro-industrial exports and efficiently substitute for imports by stimulating agro-industries that use locally

produced raw materials .substitute imports. The following agricultural products have been identified as having excellent export prospects: flowers, strawberries, melons, pineapples, ginger, artichokes, broccoli, pepper, frozen yuca, honey, aromatic spices, juices, jellies, asparagus, palm hearts and mushrooms among others.

2. Current Agribusiness Strategy

USAID's strategy in Ecuador is to stimulate the private productive sector and to assist it to expand and diversify into more competitive activities, thereby strengthening Ecuador's base for long-term growth. As part of this strategy, the Mission is developing a private sector outreach capacity for new programs in agribusiness and in non-traditional export promotion. As part of the agricultural strategy proposed in the CDSS, the Mission plans to support the expansion of agricultural production and exports by providing critical capital and technical assistance to eliminate technical bottlenecks and provide necessary support to agribusiness.

3. Planned Projects

The Agribusiness Development PID(518-0019) was reviewed by the LAC Bureau in March 1984. The purpose of the project is to more effectively mobilize private sector initiatives for investment in agribusiness by expanding production and improving the productivity of specific enterprises and by strengthening the institutional support mechanisms for agribusiness development. The proposed project components include 1)an \$8 million investment credit fund, of which \$4 million will be A.I.D. loan funds, 2)a pre-investment fund, 3)an agribusiness technical and managerial fund, and 4)training for the Agro-Industrial Development Unit in the management and operation of the program.

The Mission was advised to revise the PID after further examination of the constraints to agribusiness development in Ecuador. The revised PID will be submitted to Washington at the end of May.

PROJECTS WITH AGRIBUSINESS COMPONENT IN ECUADOR

Ag Production 518-0051 61 - 77 3,867

Project Purpose: A diversified and more productive agriculture.

Outputs include providing 10,000 tons of exportable castor oil, a rehabilitated cacao industry including establishment of 2 cacao nurseries, training in production and marketing, 5 cacao marketing associations, and development of an ag marketing info service and ag grades and standards service.

Institutional Dev. - Ag Marketing Coops 518-0096 67 - 77 4,840

Subproject 4 Purpose: Establish an on-going program of developing self-sufficient ag marketing coops in Azuay, Canar, and Santiago Region.

Comments: Redesigned in 1971 to establish 21 coops with 2,000 members, establish regional marketing associations, and create a department that would continue marketing coop development.

Recommendations from PES 1972 are that sufficient time should be allowed for the establishment of viable organizations, and that new marketing organizations must have some leverage against established middlemen to succeed.

Ecuador - Ag Development and Diversification 518-0097 71 - 77 7,123

Project Purpose: Produce enough vegetable oil crops to be a major source of supply for the Ecuadorian oil industry and domestic consumption, and thus reduce the amount of imports.

Outputs include developing linkages between the domestic vegetable oil industry and the Ecuadorian ag sector; upgrading extension services to promote oil crop development; and establishment of seed multiplication facilities and of several marketing associations of oil crop producers.

Integrated Rural Development 518-0012 80 - 84 5,754

An integrated rural development project with one subproject in input supply services and marketing assistance.

G. EL SALVADOR

i. Current Projects

The Agrarian Reform Sector Support Project(519-0265) (FY83-86) provides support for the Government of El Salvador's(GOES) agrarian reform(AR) program by hastening the land transfer process, increasing GOES support to AR beneficiaries, upgrading the management of AR coops, and expanding private sector investments related to AR. Concerned GOES agencies will implement the project with budgetary, technical, and commodity assistance from A.I.D.

To promote technology transfer, A.I.D. will support the Ministry of Agriculture(MAG) programs in extension (especially formation of farmer "grupos solidarios" and commodity associations), small farm and agro-industrial crop research and seed technology. Furthermore, the project will also encourage private sector provision of services to Phase III beneficiaries and other small farmers.

A pilot Rural Enterprises Development Office will be established within the Salvadorean Association of Industrialists to promote private sector investment directly benefitting AR and a fund will be created to contract for pre-investment analyses.

2. Planned Projects

A \$50 million Industrial Rehabilitation Project is planned for FY 1984 which will rehabilitate and recapitalize small and medium-sized enterprises by providing working and investment capital for projects which are labor intensive and which generate export earnings.

PROJECTS WITH AGRIBUSINESS COMPONENT IN EL SALVADOR

Ag Development 519-0012 63 - 79 5,506

Project Purpose: Institutional capability to direct ag sector into an expanded and deversified role.

Outputs include production of fruits and vegetables for domestic use and export; 10% - 15% shift in land used for coffee to other crops; and improved market/research services. USAID provides technical assistance in food processing and small ag industry.

Central Marketing Coops PVO-OPG 519-0216 79 - 81 75

Project Purpose: Operational program grant to the National Small Business Federation to offer assistance in management, tech production, marketing and promotion to member firms.

Small Enterprise Development PVO-OPG 519-0197 78 - 82 800

Project Purpose: Establish or expand small enterprises.

Outputs include feasibility studies; development of business and marketing plans and management training; development of 6 - 9 new enterprises; and improvement of several existing industries.

Comments: Specific activities included construction of 3 cattle fattening feed lots and 2 feed concentrate plants, and assistance to coops involved in rice milling and ag credit distribution.

League of Women Voters OPG 519-0223 79 - 84 648

Project Purpose: Participation in income generating activities increased among poor women in 3 rural communities.

Outputs include a community owned and operated food processing center in each of the 3 communities.

H. GUATEMALA

i. Background

Agriculture has long been the mainstay of the Guatemalan economy. In 1982 agricultural activities accounted for approximately 25% of the country's GDP, and agricultural exports totalled some \$850 million. Guatemala's traditional products of coffee, cotton, sugar, beef and bananas comprise about 90% of agricultural exports.

Agribusiness in non-traditional export crops (especially fruits and vegetables) is relatively new in Guatemala. Nonetheless, cultivation of such crops as cauliflower, broccoli and snowpeas is growing in response to the high prices for such products in export markets. Yet, despite the growing volume of non-traditional export crops, only a few processors serve the fruit and vegetable export sector. Additional processors are needed, both to fill unmet export demand and to give the small farmer a greater price choice in marketing his product. There is also room for diversifying food processing for the local market beyond the current narrow range of products e.g. preserves, tortilla mix, refried beans. By the same token, more producers of agricultural inputs are required to lower the small farmer's and processor's cost of production.

2. Past Projects

The Regional Office of Central America and Panama (ROCAP) has been involved in financing agribusinesses in Guatemala since 1971. The first two projects by the Latin American Agribusiness Development Corporation (LAAD) received US\$11 million between 1971-1978, and financed some 16 agribusiness ventures in Guatemala. During 1977-83 the CABEI Regional Rural Agribusiness Development Project provided US\$4.9 million of AID loan funds for agribusiness sub-projects in Guatemala.

3. Relevant Evaluations

In July 1981 AID financed a special evaluation study of ALCOSA, a LAAD-financed food processing plant near Guatemala City to address the question of whether the growth of large agribusiness enterprises helps or hinders the development of the rural poor, those most in need of the benefits of socioeconomic development. ALCOSA was established in 1971. By 1979, the plant was purchasing 11 million pounds per year of cauliflower, broccoli, brussels sprouts, snow peas and okra from 2,000 farmers, 95 percent of them very small. The firm also employed approximately 300 people at the processing plant or at buying stations throughout the Highlands.

The AID evaluation detected a number of positive effects of ALCOSA's operations on small farmers studied in three sites: Chimachoy, Patzicia, and Santiago Sacatepequez. Agricultural credit, in part provided by ALCOSA, became more plentiful in these areas, and small farmers' average investment in draught animals and small equipment (e.g. sprayers, containers) increased from between 200 to 400 percent. All participating farmers also gained increased agricultural know-how: knowledge of export processing requirements; greater sophistication regarding contractual, legal and economic aspects of farmer-processor relations; familiarity with new crops and new varieties of

previous crops; more sophisticated consumption of fertilizers, insecticides, and other chemical inputs. The ALCOSA general manager has estimated that farmers' yields have increased 200-300% over the seven year growing period for ALCOSA.

Farm incomes in all sites increased substantially prior to 1980 (over-production by small farmers relative to ALCOSA's processing capacity produced no growth in income or a net loss for that one year). Such increases in income have freed the poorest families in all three sites from dependence on farm labor jobs for their incomes; at the same time, daily wages paid for farm labor have increased due to a reduced supply of farm laborers. The poorest families have used increased income to meet basic needs (better food, clothing, housing improvement, etc.) and to permit children to attend school instead of seeking paid employment.

Employees, mostly women, at the ALCOSA plant site also benefited from their new jobs. Take-home pay of ALCOSA employees ranged from 150 to 300 percent of the rate of pay available in the two principal alternative occupations, domestic service and market sales. Employment also afforded women other advantages such as work satisfaction, independence, and a generally higher standard of living.

4. Current Agribusiness Strategy

The Mission's 1985-89 CDSS underlines the important role that private agribusiness can play in forging developmental linkages between underdeveloped rural areas and urban sources of capital and marketing expertise. It also cites the need to increase and diversify agricultural productivity as a key element in USAID's country development strategy. This approach is aided by recent developments in GOG policy favoring agribusiness, especially as it relates to the export of non-traditional products. Since many areas with the greatest potential for diversifying agricultural production and exports are rural and are populated by small farmers (e.g. the Western Highlands), this target group will be key participants in and beneficiaries of this strategy.

5. Current Projects

USAID's current portfolio of agricultural projects provides a wide array of investment credit and services to the small farmer. Three current projects are closely related to agribusiness promotion. The Rural Enterprises Project (520-0245) was recently amended to provide a \$3.4 million discount facility through the Central Bank and the private banking system to finance small businesses in rural areas. This facility, which is expected to begin operations in May 1984, will channel loans in amounts up to \$100,000 for small industrial, commercial and service firms in a wide variety of sectors. Another reprogrammed project, Small Farmer Marketing (520-0238), will make available \$2.3 million for the improvement of packing and processing facilities of at least four fresh fruit and vegetable cooperatives, and US \$1.1 million will finance private entrepreneurs in the processing and freezing of vegetables coming from these small farmer producers. The third project, the current LAAD Agribusiness Project, has so far invested a total of US \$1.3 million in AID loan funds in three agribusiness ventures in Guatemala.

6. Planned Projects

A new project is currently being developed which will build upon both components of the Small Farmer Marketing Project by expanding provision of long-term agribusiness credit through the private banking system, while linking up with and supporting smaller agribusiness activities of cooperatives under its National Agricultural Development Bank (BANDESA) activity. The purpose of the Guatemala Agribusiness Development Project (520-0276) is to provide markets for small farmer production and to increase rural employment by increasing private investments in agribusinesses in rural areas. This \$12.5 million project has three components. Under the first component, \$7.2 million in loan funds will be channeled through a Central Bank discount facility to four private financieras for onlending to private entrepreneurs on commercial terms (\$7 million) and for financing loan feasibility studies (\$200 thousand). The same component will also supply a \$2 million credit line to the National Agricultural Development Bank (BANDESA) to provide loans to rural cooperatives for small-scale agricultural processing projects. Components two and three will provide \$3 million in grant funds for: (a) technical assistance and training for financial institution staffs, agribusiness entrepreneurs, and cooperative sub-borrowers; and (b) purchase of media time for credit promotion, establishment of a market information system, promotion of Guatemalan/US entrepreneurial links, and performance of audits and evaluations. While the project will draw upon the experience of past ROCAP agribusiness projects in the channelling of credit and technical assistance to the Guatemalan agribusiness sector, it will also provide grant-funded technical assistance to strengthen the credit analytical capability of the country's four private financieras and the management capabilities of cooperative enterprises.

PROJECTS WITH AGRIBUSINESS COMPONENT IN GUATEMALA

<u>Rubber Production</u>	520-0167	59 - 73	3,000
Project Purpose: Make funds available to rubber planters for increasing and improving rubber production and processing.			
Outputs include loan to Bank of Guatemala that is made available to rubber planters through intermediate banking institutions. Courses are provided on management, rubber tapping and processing.			
<u>Surveys and Feasibility Studies</u>	520-0195	71 - 77	1,237
Feasibility studies and surveys conducted in export markets and agri-marketing amongst many others.			
<u>Development Planning and Investment</u>	520-0185	67 - 76	1,100
Subproject 2 Purpose: Integrated national program of export development.			
Outputs include creation of a public/private export development institution, establishment of channels for non-traditional products, and formation of a private export trading corporation.			
<u>Ag Development - Marketing</u>	520-0197	70 - 78	2,387
Subproject 3 Purpose: INDECA (Instituto Nacional de Comercializacion Agricola) trains personnel and facilitates implementation of commodity marketing programs and fosters development of competitive, private marketing system.			
Outputs include commodity marketing program, increase in grain storage capacity, credit, market news reports, and domestic sales promotion.			
<u>Training School for Promoters</u>	520-0267	79 - 82	232
Project to train 684 rural promoters to extend services in health, education, ag production and marketing, and cottage industries and finance. Project is implemented through a local PVO.			
<u>Small Farmer Marketing</u>	520-0238	78 - 84	4,200
Project Purpose: Increase production; of temperate climate fruits and vegetables.			
Outputs are the creation of a coop marketing association with A) management expertise and marketing outlets (national and external) for large volumes, and B) capacity and physical facilities for assembly, packaging, and distribution of fruits and vegetables, and C) outreach relationship with small farmer producers and their local cooperatives.			

I. HAITI

1. Background

Agriculture in Haiti employs 1.3 million, or 51% of the labor force and accounts for almost one-third of the GDP. It generates half to two-thirds of merchandise exports, while imports of food, fats and oils amounts to about 30% of CIF value of imported goods. The average annual decline in agricultural output of 2.4% is likely to continue unless massive action is taken to control soil erosion.

The agricultural sector remains the Achilles' heel of the Haitian economy. Its lagging output has adversely affected growth in other sectors and caused serious imbalances in the economy and social life of the country. The 5 year Plan for 1982-86 established broad goals for the improvement of: (a) infrastructure for irrigation, drainage, feeder roads; (b) soil conservation, reforestation, agricultural research and services to farmers; (c) production of food crops (corn, millet, sorghum, rice, beans, fruits), export crops (coffee, cocoa), industrial crops (oilseeds and sugar cane) and livestock; (d) eradication of animal diseases, and (e) support for integrated regional development schemes.

Government interventions have generally had an unfavorable impact on private agriculture: heavy taxation of coffee exports, fixing of farmgate prices for sugar and cotton purchasing and ginning, and marketing of essential oils at low prices paid to growers contributed to a further decline in already low rural incomes. Farmers responded by either shifting production to more lucrative food crops or by reducing labor and other inputs to cash crops. As a result, total output and quality declined.

Government intervention in selected agro-industrial activities has taken the form of direct participation in relatively large, capital intensive enterprises: a wholly state-owned flour mill, fishing, SODEOL edible oil plant which is one third state-owned and a sugar mill, for which private shareholding was uncertain.

Recent analysis suggests that there is a latent Haitian agro-industrial potential simply waiting to explode. New areas of investment include tomato processing, canning (fruits, fruit juices, vegetables), vinegar production, and edible oil production. The tobacco and tomato processors have been successful in expanding peasant production. The meat, poultry, and dairy industries are underdeveloped with significant potential for expansion. If low coffee prices are corrected through internal reforms, expanded coffee production and processing could become a growth enterprise. The same holds true for cacao. Larger landowners seem to want to expand output and are more actively exploring products and markets. The expanding road network in agricultural regions, including new feeder roads, should speed agro-industrial investment in outlying areas. Thus, many of the ingredients for more rapid agro-industrial growth are coming into place.

2. Current Strategy

The Mission's objectives in the agricultural sector are (1) to increase the agricultural production of commodities that maximize Haiti's comparative

advantage and improve access of the poor to a reliable and adequate food supply; and (2) to reduce and ultimately reverse the process of deforestation and soil erosion. In order to achieve these objectives, the Mission's strategy includes the following elements:

- o Commodity Studies: Undertaking a series of commodity studies, in the context of developing a Title III program, to identify pricing, marketing, taxing and other constraints to increased production of tree and other cash crops.
- o Non-Government Organizations: Expanding the involvement of non-governmental organizations (cooperatives, precoops, credit associations, PVOs and private investors) in agricultural and livestock production, processing, marketing and technology transfer to small farmers.
- o Tree Crops: Promoting both research and production of tree crops to meet income, food, conservation and energy needs. Such crops include tropical fruits and nuts, cacao, coffee and a variety of fast-growing species suitable for lumber and fuel uses.

3. Current Projects

Under the \$5 million Development Finance Corporation (DFC) Project (521-0154), the said corporation was established in 1982 to provide medium and long-term credit as well as technical and financial support services to investors in agro-industrial projects in Haiti. The DFC, initiated by a group of Haitian business associations and incorporated in 10/82, is responsible for project implementation.

According to the PP, the DFC plans to provide loans averaging \$150,000 and client support services to some 50 industrial subprojects, generating approximately 3,000 jobs. The types of firms to receive loans and the expected loan sizes are as follows: agro-industrial firms (\$200,000); manufacturing firms (\$175,000); and assembly firms (\$145,000). Subproject selection criteria include economic viability and impact, availability of skilled management, return on investment, employment impact, and foreign exchange earnings. The DFC plans to initially emphasize short-term loans, shifting to longer-term loans as management gained experience. Loans to any one company are limited to 15% of the DFC's equity base. Similarly, no individual shareholder may own more than 10% of DFC common stock. The DFC also plans to provide a limited number of loan guarantees; play a major role in attracting foreign investment capital; and, after the first three years, take equity positions (i.e. offer venture capital) in Haitian enterprises.

The DFC will receive technical assistance in day-to-day start-up and management; analysis of subprojects and services to be provided to clients; and supervision and monitoring of loans and investments. Training will take the form of on-the-job work under the guidance of technical advisors as well as short course work in project appraisal, credit analysis, and international finance. The DFC, in turn, plans to provide limited training for borrowers.

Finally, a trust fund will be opened at a local commercial bank in which the interest and principal corresponding to the amount of the A.I.D. grant will be deposited over a 20-year period. Monies in the trust fund will

be used to finance private sector development programs agreed upon by A.I.D.
and the DFC.

PROJECTS WITH AGRIBUSINESS COMPONENT IN HAITI

Small Farmer Marketing

521-0083 77 - 83 1,200

Project Purpose: Development of a parallel marketing network of local ag marketing cooperatives and a national coffee processing center.

Outputs include establishment of an institute for the promotion of coffee and other exportable commodities, construction of 3 small coffee plants and 9 more cooperatives, and training in policy making and techniques.

J. HONDURAS

1. Background

Honduras' limited domestic market and near term poor prospects for increasing exports to the Central American Common Market (CACM) require that an improvement in living conditions be largely based on an acceleration of the trend toward diversification and increased non-traditional exports to outside the CACM area. Honduras' traditional exports are bananas, coffee, lumber, meat, sugar, shrimp, lobster, which accounted for 80% of total exports and 19% of GDP, and earned \$527 million in foreign exchange in 1982. Nontraditional exports were 20% of the total in the same year of which half consisted of agricultural products, such as fresh fruits, plants, canned juices, and pastes.

2. Past Projects

AID has had a very limited role in assisting private, export-oriented enterprises in Honduras. There are, however, some recent successes in exporting specific agricultural products which involved AID financing. Under the Agro-Export Development Project (522-0120) (FY76-81), AID financed a pilot vegetable export activity in the Comayagua valley. While the vegetable processing component failed because AID/H did not hire a tomato specialist and because the low prices paid to the farmers caused them to incur heavy losses and to cease production after one year, the fresh vegetable component was more successful. Two of the seven targetted crops--cucumbers and tomatoes-- were field and market tested extensively. After several years of minimal production, cucumber exports in refrigerated trailers were initiated in 1981. AID-financed assistance from the Standard Fruit Company in Honduras was the key factor in getting the exports going. Commercial quantities of cucumbers have been exported the last two years, the growers have now formed a cooperative, and additional jobbers are being contacted to ensure continuity and diversification of marketing arrangements. To date, the cost and time spent on this project have been large, and the effort is beginning to pay off.

3. Current Strategy

Honduras' 1986 CDSS was not available at the time of this report. However, a recently submitted PID stated that the agriculture and rural development strategy of the present CDSS places an emphasis upon employment generation through the development of nontraditional exports and production for domestic consumption.

4. Current Projects

Over the last two years, a USAID/H contractor, working with beneficiaries of the Rural Technologies Project (522-0157), has been successful in helping small farmers to grow chile peppers which are being exported to make Tabasco sauce. Using low cost technology, cacao has been processed to meet export quality, and the first order from Hershey's has been received. Other efforts are being made to develop honey, vegetables, sea shrimp, and essential oil extracts under the Rural Technologies and other projects.

5. Planned Projects

A project paper is currently being developed for the Honduras' Export Development and Services Project(522-0207). The purpose of the project is to increase non-traditional exports by simultaneously developing 1) an environment conducive to export development, 2) the private sector's institutional capability to provide needed services to exporters, 3) the production and marketing of specific export products, and 4) necessary support services.

Relevant agribusiness activities under this project include assistance to Agribusiness Exporters Organizations, technical assistance for export production and training for agribusiness ventures. The first activity will involve assistance to a Confederation of Agricultural Producers and, through the Confederation, to existing and nascent private producer organizations and specific agribusiness firms in the selected commodity systems. The assistance to the Confederation will enable it to serve as an intermediary for channeling outside assistance to individual producers and producer organizations. It will also serve as a channel for private agribusiness sector-GOH policy negotiation on issues such as developing a healthy climate for agribusiness development, transportation and financing, all of which require national level attention. It will also serve as a channel for assisting individual agribusinesses and product-specific producer organizations to plan, organize, implement, and monitor training and technical assistance for their members.

In its key role as contact for U.S. importers and investors, the Confederation will serve as the counterpart Honduran institution to the Joint Agricultural Consultative Corporation(JACC). Under a project partially financed by PRE, JACC has selected Honduras as one of the countries on which it will concentrate, and the Confederation will serve as the local counterpart institution that JACC needs in order to begin operations here. JACC is expected to be the principal channel for providing technology transfer and production and marketing assistance to Honduran agribusiness firms. The Confederation will also attempt to develop productive relationships between Honduran and U.S. producers through other channels, such as the Fund for Multilateral Management Education(FMME) which is funded by PRE and the LAC Bureau.

Other project activities related to agribusiness include technical assistance for organizing an integrated commodity specific export system. The core staff will consist of an agribusiness organization and policy specialist and an agribusiness production and marketing specialist, who will be stationed in Honduras for up to three years. The core staff will be responsible for assisting Honduran producers to identify viable commodity systems having export potential, organize viable production structures and producers organizations, make marketing arrangements, obtain and efficiently use technological and financial resources to produce export products, and coordinate resources from centrally-funded projects as well as from other donors.

The project will provide training in basic agricultural techniques to a small number of relatively capable farmers who can respond quickly to market opportunities and collectively produce the minimum volumes needed for efficient marketing, thus enhancing the viability of the agribusiness

ventures. The farmers will be trained in such skills as vegetable cultural practices, field packing, and quality control.

PROJECTS WITH AGRIBUSINESS COMPONENT IN HONDURAS

Ag Sector Loan - CAP Presentation

Subproject 8 focused on analysis of storage, processing, transportation, and marketing techniques, and laid goals for ag coops.

Ag Sector Program

522-0200 73 - 76 12,000

Project Purpose: Improve ag sector by promoting agrarian reform.

Outputs include the development of cooperatives and improved markets for export crops including rice, corn, beans, milk, meats, cotton, sugarcane, fruits, and grain sorghum, along with small farmer resettlement activities.

Comments: Special Eval. Report 1976 states that credit unions and their federations, in contrast to coop federations, have been more successful of AID institution building and at getting credit to small farmers.

Pespire Valley Integrated Development Project

522-0128 76 - 80 200

Community Development project with small component that establishes a sorghum financing and marketing cooperative, and improves marketing and storage facilities.

Ag Sector 2

522-0150 79 - 84 25,000

Subproject 2 includes a component to establish a market research/analysis unit in the Honduran Ag Marketing Institute, and to conduct marketing studies that lead to a marketing policy master plan.

Subproject 4 Purpose: 1) Establish efficient and cost-effective institutional structures and delivery systems to serve the needs of small farmers, and 2) expand the credit and marketing opportunities available to small farmers.

Outputs include establishment of a unit within the Direccion de Fomento Cooperativo to administer 8 new ag services cooperatives.

Rural Technologies

522-0157 79 - 84 2,750

Project Purpose: 1) Increase small farm utilization of land/labor; - 2) increase small-scale rural industrial productivity and employment; and 3) increased utilization of low-cost appropriate technologies.

Outputs include a delivery system for management and tech services, training for small enterprises, small enterprise development fund, and establishment of a small enterprise investment advisory service.

Rural Enterprise Credit Fund

522-0195 81 - 83 236

Project to strengthen local PVO to provide credit to small rural businesses. (79 loans).

Coop Development

522-0177 81 - 84 341

Project to assist Honduran Federation of Savings and Credit Coops (FACACH) to serve as more effective channel of resources for ag and agro-industrial activities.

ANACH Regional Coop Development

522-0203 82 - 85 300

Project to strengthen administrative and tech capability of ANACH to advise on production and marketing procedures and to organize and teach accounting systems. Project is implemented by AIFLD.

K. JAMAICA

I. Background

Agriculture is an important pillar of the Jamaican economy. It is the fifth largest contributor to the Gross Domestic Product (about 9 percent in 1979), provides the largest source of employment (23 percent of the labor force) and contributed about 15 percent of the country's foreign exchange earnings. Traditionally, Jamaica's agriculture has been an export-oriented monoculture of sugar with lesser amounts of banana, other tropical fruits, coffee, cocoa and pimento. While the production of these crops has fallen due to declining commodity prices, local factors such as bad weather and exorbitant costs for essential inputs, production of non-traditional domestic foods such as peas, beans, tomatoes, sweet potatoes, yams and pumpkins has grown in response to government programs and incentives designed to reduce dependence on imported foods.

Much of the processing of traditional agricultural crops such as sugar, banana, coconut, coffee, citrus, pimento and tobacco is carried out by statutory bodies which enjoy state monopolies. Likewise, the state has entered into the processing of a number of non-traditional products such as dairies, carrots, tomatoes, and cassava. In general those processing plants which have been operated with government control or participation have been criticized as being poorly planned and managed.

2. Current Agribusiness Strategy

In order to enhance agriculture's contribution to economic growth, the Mission proposes to strengthen private agribusiness firms and to improve the capacity of public sector institutions to facilitate private agro-industrial growth. The agro-industrial strategy focuses on both of these constraints which require long term and comprehensive assistance.

A key element in the Mission's strategy is the provision of hard currency support which will enable private agro-industrial firms to increase their capacity utilization over the short term until the foreign exchange crisis of the country can be overcome in the medium term. The agribusiness strategy also consists of helping agro-industries identify non-credit constraints such as managerial weaknesses, process technology deficiencies and inadequate pre-investment business planning and then promoting a coordinated program designed to address them simultaneously. Because business confidence in Jamaica is rather low, the Mission considers it necessary to provide an incentive to foreign firms willing to seriously study specific investment opportunities in order to benefit from the managerial skills, technology, and market contacts they possess. Finally, institution building is considered an integral element of the agribusiness program with the focus upon strengthening the capacity of public entities to assist private agro-industries both in identifying their needs and in developing relationships with the commercial banking system and other private firms capable of addressing those needs.

3. Current Projects

An \$8.5 million loan was approved for Component I of the Agro-Industrial Development Project (532-0081) in September, 1982 with the purpose of promoting Jamaican agribusiness enterprises by restoring their productivity as well as by developing new ones. The three year program provides (1) foreign exchange and credit for immediate financing for new and existing agribusiness operations; (2) pre-investment funds for the identification of new agro-industrial projects; (3) consultant services to private agribusinesses from foreign sources to assist them in carrying out the installation and start-up of new operations and the trouble shooting of process technology and management problems of on-going operations; and, (4) training for public sector agribusiness staff of selected Jamaican financial institutions in agribusiness investment development and promotion.

In July 1983, a project amendment was approved for an additional loan of US\$1,989,000 to assist in the funding of Component II of the Agro-Industrial Development Project. This five year program provides (1) a strategic planning program to develop hard data on those commodity groups and related subsector profiles, where Jamaica can develop an international competitive position; (2) a foreign industry targeting program to identify and attract foreign investors who alone or together in joint ventures with appropriate Jamaican firms, have the capacity to invest in opportunities identified through the strategic planning program; and (3) prefeasibility funds to reimburse, up to \$10,000 per study, potential investors for their costs of prefeasibility studies related to these investment opportunities.

According to Amendment No. 1, Component I of the Project primarily provides for loans to existing local medium-sized agribusinesses to expand production of traditional crops for the domestic market. Component II primarily provides funding for strategic planning, promotional activities, and prefeasibility studies intended to greatly accelerate the investment by large private sector agribusinesses, both foreign and domestic, in agricultural activities which measurably increase the production of non-traditional crops for export. The rationale for the inclusion of Component II, which was deleted from the original PP, is that the credit advanced to second tier firms in Component I would mostly be taken up by expansion of scale and output of existing firms whose present interests are mainly in supplying the domestic market. Support of large scale, new ventures is a necessary element to round out a global approach to strengthening the whole performance of what exists and what might exist (especially with respect to exports of agribusiness products) in Jamaican agribusiness.

Several other projects in the USAID/J portfolio are related to agribusiness. Assistance is provided to the Agro 21 Secretariat (532-0079) which is part of the GOJ's Agro 21 program for revitalizing the Agricultural Sector in order to increase its contribution to foreign exchange earnings. The Agro 21 program entails the selection of crops and agricultural activities with significant development potential, the organization of the requisite resources and infrastructure for their development (i.e. land, capital, manpower, technology and markets), and the removal of existing and potential bottlenecks in the way of their development. The U.S. assistance consists of US\$1.2 Million of grant funds, J\$62.5 Million of counterpart funds generated through U.S. balance of payments assistance loans, and US\$1.7 Million for sub-sector profiles, prefeasibility studies (\$925,000), foreign industry

targeting (\$107,000), and Strategic Planning Program (\$720,000).

Other relevant projects include a \$13.8 million loan under the Agricultural Marketing Development Project (532-0060) to develop improved agricultural marketing practices and upgrade the marketing system and a \$450,000 grant under the Small Farmer Production/Marketing(OPG) (532-0097) to increase the production of non-traditional crops for the export and domestic markets among small farmers. The latter project is complementary to the Agricultural Marketing Project which is working with farmers in the project areas.

4. Planned Projects

A \$20 million loan is planned for the Private Sector Investment Fund which would provide investment funds needed by medium-size private sector enterprises for equity and debt financing. The project will provide (1) credit and equity investment for medium-size enterprises for improving productivity, and (2) technical assistance and training for upgrading the skills of the institution and establishing an investment program. Agribusinesses are among the medium-size enterprises eligible for this financing.

PROJECTS WITH AGRIBUSINESS COMPONENT IN JAMAICA

Small Business Association of Jamaica

532-0076 82 - 85 350

Project to help SBA promote small business development through study of government policies; developing committees for marketing, finance, and raw materials; and increasing membership.

L. PANAMA

1. Background

Two of the major constraints to a modern commercial agricultural sector in Panama are marketing and processing. With the completion of storage facilities under AID's 1975 \$6.0 million marketing loan, basic grain marketing should significantly improve. However, marketing channels for non-traditional commodities including fruits and vegetables are woefully inadequate. Also, there are few linkages to potential markets outside of Panama for non-traditional commodities.

The potential in this area is exemplified by one major transnational firm working with industrial tomatoes in the central provinces. In just over a decade, this company built a major processing and canning business employing thousands of farmers and laborers in tomato production and in two major canning plants. A similar effort by a multinational enterprise in shrimp farming is beginning to pay off. Other such opportunities exist in fruits and vegetables. The GOP is anxious for the private sector to replicate these experiences with other commodities; however, the effort is constrained by a lack of capital and basic information on post-harvest technology, storing, processing, and canning, as well as by other sector policies.

2. Past Projects

The Private Enterprise Development Project (525-0069) aimed to improve the capability of Panama to increase the involvement of the private sector in accelerated growth of developmental industries such as commercial agriculture, livestock production, forestry and fisheries. Technical assistance and training was proposed to assist in the reorganization and consolidation of institutions dealing with private enterprise. Productive investments, especially in agribusiness and non-traditional exports were to be identified and promoted. The small industry credit program was to be expanded and a model was to be developed for the establishment of prepared industrial sites in the interior of Panama.

3. Current Agribusiness Strategy

The Mission is negotiating a cooperative marketing project which will not only strengthen the private sector cooperative movement but also improve marketing channels through new processing, packing and transportation facilities for non-traditional crops. At the same time the Mission has opened a dialogue with a powerful private sector group, United Producers of Chiriqui, for the purpose of exploring possible financing for new agribusiness operations for non-traditional crops and enterprises. Successful experiments have already been initiated by this group in the export of plantains to the U.S. Another group is successfully exporting melons and plans a significant expansion of this operation. Other opportunities exist given appropriate capital, entrepreneurial activity and development work. According to the 1985 CDSS, the Mission planned to initiate a review to determine the potential and needs for expanding the agro-industrial subsector.

4. Current Projects

A \$10 million loan was provided to the GOP under the Rural Growth and Service Centers Project (525-0185) to increase the employment, income generating and rural service capacity of the growth and service centers in the central and western regions. The project components include: 1) strengthening the GOP's capacity to plan and develop the centers; 2) developing viable productive and supporting enterprises; and 3) providing housing and town infrastructure.

Agro-industries were among the productive and supporting enterprises eligible as subborrowers under the project. Subloans would also provide skills training for actual and potential employees of agro-industries.

According to a recent audit report, the project is 1-2 years behind schedule and only 52% of the agro-industrial enterprise loans have been made due to slow processing procedures. No borrowers or their employees have received training.

5. Planned Projects

According to the 1985 ABS, a \$6.5 million Agribusiness Project and a \$5.8 million Export Services Project are planned for FY 1985. The latter project will include \$500,000 grant to both assist the Ministry of Commerce in market identification and access and provide technical assistance to trade associations in producing export goods to international specifications.

Panama was recommended the opportunity to affiliate with the U.S. JACC. At present, JACC/Washington is reconsidering Panama as a cooperating country because of a slow start. The meeting with agribusiness concerns in Panama was well attended, but an organizational structure has yet to emerge. JACC/Washington, however, does expect a Panama group to be formed in the near future.

PROJECTS WITH AGRIBUSINESS COMPONENT IN PANAMA

Panama - Capital Assistance

525-0094

Project Purpose: Adoption of modern ag techniques by small subsistence level farmers.

Outputs of 1 component include standarization of crop grading, market and price news, crop forecasts, and crop production cost studies.

Small Farm Improvement

525-0152 69 - 75 3,500

Subproject 3 Purpose: Improve marketing opportunities for small farmers.

Outputs are price and market news; grades and standards program; crop forecasting; construction of 5 new markets; and installation of vegetable processing equipment in the Ministry of Ag.

Ag Development

525-0070 63 - 78 3,144

Project Purpose: Stengthen development of federation of local farmer coops whose activities include marketing services, bulk purchasing of farm supplies, innovative production/management techniques, and farm credit.

Outputs include evaluation and revision of price policies, establishment of marketing/advisory/equipment/design/research service.

Grains and Perishables Marketing System

525-0178 75 - 83 6,200

Project Purpose: Increase efficiency and effectiveness of ag marketing system and expand its outreach to small farmers.

Outputs include construction of handling/storage facilities for grain, fruits and perishables; construction of dock facilities; establishment of shipping crate manufacturing plant; and development of sound marketing policies in government.

Investment Council of Panama

525-0239 83 - 87 3,973

Project Purpose: Develop operational capacity of Investment Council of Panama to promote and service new export oriented foreign and domestic investment.

Outputs include the establishment of an overseas investment promotion system by private firms, and evaluations in investment promotion policies and strategies.

M. PARAGUAY*

1. Background

At the time of project preparation(1975/76), low agricultural production by small farmers was resulting in low farm income in Paraguay. A variety of constraints at both the institutional and farm level discouraged agricultural production by small farmers. At the farm level, there was a lack of stable and remunerative prices for labor intensive, high value crops. The lack of processing and marketing facilities contributed to this situation. Furthermore, the technological level of production was low since farmers generally lacked access to machinery and inputs suited for an intermediate level of mechanization most appropriate for their farm operation.

In the areas in which new farms were being started, the so-called "colonies", there was a need to develop higher levels of production as an incentive for farmers moving into these areas. Finally, there was a need for off-farm job opportunities for farm labor during slack periods as well as for rurally based individuals who had few employment opportunities in agricultural production itself, without migrating to the urban centers.

Agribusinesses that were seen as a key factor in alleviating these farm level constraints were storage facilities to serve marketing and distribution functions; food processing facilities to help stabilize and increase the market for labor-intensive, high value crops as well as contribute to off-farm employment opportunities; and farm input and service firms to help increase the technological level of farm operations.

At the institutional level, it was determined that the principal constraint to agribusiness development was the lack of availability of long term credit. This was due to a variety of factors such as high liquidity requirements, since most of the loanable funds of commercial banks were demand and sight deposits.

2. Past Agribusiness Strategy

To address this constraint, the Mission proposed to establish an integrated program to provide credit through a rediscount fund for financing agro-industrial subprojects. Participating banks would provide 40% of the funds for each approved subproject, while participating businessmen would provide at least 30%, thus involving two private financial sources in each subproject.

3. Past Projects

The Paraguay Rural Enterprise Project(526-0107) was developed by the USAID Mission and the Central Bank of Paraguay in 1975-76. Its purpose was to fund agribusiness development in activities which would remove constraints faced by small farmers in expanding their agricultural production and family incomes. In order to address the constraints mentioned in the previous section, a rediscount mechanism between the Central Bank and local commercial banks in order to funnel long-term investment funds into those types of agribusiness activities which remove constraints to small farmer development. The two major objectives of the project were to increase the incomes of small

*AID is currently phasing out its operations in Paraguay.

farmers and establish an effective rediscount mechanism for agro-industrial financing between the Central Bank and local commercial banks.

Between the end of 1977 and the middle of 1980, about \$US 6.5 million were lent to 56 agribusiness firms, with AID and the commercial banks contributing about 40% each of the loan funds, and the Central Bank the balance. The loans tended to be either relatively small or quite large. Seventeen loans were for \$US 50,000 or less and twenty-two loans were for amounts between \$US 150,000 and \$US 200,000. The average loan size was almost \$US 110,000.

Loans financed the type of agribusiness activities which had been anticipated as priority areas: 15 loans in food storage facilities, 19 loans in farm input and services activities, and 22 loans in agricultural processing facilities. The geographic distribution of the loans was quite diverse, with many of the agribusinesses being located in small towns or rural areas.

The capital costs of direct employment in the firms themselves was of a medium level of capital intensity--about \$US 12,500 per job place. Based on borrower estimates, the project would have potentially impacted about 84,000 people or about 13,000 small farm operations.

Data show that the average borrower was a small to medium sized firm with an average of 8 employees making a substantial expansion of its operation. A rough estimate indicates that the average firm increased its capital stock from about \$US 103,750 before the loan to about \$US 321,250 after its investments. The firms themselves financed a large portion of their total investments, an average of 48% of the total capital invested in the sub-projects.

According to the data, small farmers linked with agribusiness borrowers were poor by the standards of Paraguay. A profile of the average small farmer and his operation shows the following characteristics. His farm is about 15 hectares of which he cultivated 10 to 11 hectares. The average per capita income was about \$US 425--with an average family household of 6.5 individuals, the average farm household income was approximately \$US 2,763.

Farming practices were simple but primitive. Ninety percent of the farmers received no technical assistance, although they did use insecticides and fertilizers on major cash crops. The majority had access to formal or informal credit. Animal power was often used for farm work, but almost no farmer had a tractor or other sophisticated, mechanized equipment.

To ensure that the benefits of the project flowed through to small farmers, the Central Bank and AID evolved a requirement that agribusiness borrowers do at least 50% of their business with small farmers. Processing firms, for example, had to purchase 50% of the value of agricultural raw materials they processed from small farmers. The firms were required to provide lists of such small farmers with whom they would link when making loan applications.

3. Relevant Evaluations

In June 1981 an evaluation of the Paraguay Rural Enterprises Project was conducted for the Rural Enterprise and Employment Division of the Bureau for Development Services of AID. As part of a series which would allow

intercountry comparisons of projects in the area of rural enterprise and agribusiness development, the evaluation was to contribute to the Agency's understanding with regard to the planning, execution and impact evaluation of projects which focused on small and medium agribusiness development.

The project was considered a success in terms of achieving the objectives originally contemplated. An institutional/financial mechanism was established which funnelled long term credit to agribusiness development in activities identified as important to relieve production constraints faced by small farmers in Paraguay. Likewise, where it was possible to trace linkages between small farmers and participant agribusinesses, the evaluation team found that the farmers did better economically than their non-participant neighbors. The data supported the conclusion that these income differences were reasonably attributable to the Rural Enterprises Project.

The success of the institutional/financial mechanism can be attributed to a number of factors. First was the fact that the Central Bank and the commercial banks already had experience in rediscounting procedures among themselves. Secondly, the commercial banks could replace less productive loans which were previously required by the Central Bank with project subloans which were more profitable for them. They, therefore, had an incentive to participate quite apart from the interest that could be earned directly on project subloans. Thirdly, there was a strong loan demand for the project funds which was in large part due to a strong economic surge in the overall economy. Finally, an important factor appears to have been a high level of effort and performance on the part of the Central Bank and USAID personnel involved in the project to work out problems as they rose.

As with any project, there were problems and weaknesses. One of the more obvious ones was the lack of adequate administration of loan applications and project monitoring by the commercial banks. This was seen in the lack of proper loan appraisal by commercial banks of subloan applications as well as inadequate follow-up after loan funds were disbursed. To some degree the burden of administration of loan appraisal was shifted to consultants and the Central Bank, which raises the question as to whether the loan program would have been as profitable if the commercial banks had borne the full costs of proper loan administration.

A more fundamental question, however, was whether the project allowed adequate time for permanent institution building to occur in the commercial banking sector. The evaluation concluded that as AID increases its support for private sector institution building, it will have to make long term commitments to such programs and accept the fact that it takes time before private sector investment will be induced as a consequence of them.

Another problem which caused considerable difficulties was the lack of an adequate definition of the social criteria which were to help achieve the social goals of the project. An acceptable monitoring system with regards to benefits flowing to small farmers was never developed. This was in part due to the lack of specific social criteria and also to the inherent difficulty of monitoring the flow of benefits from agribusinesses to small farmers. As a general rule, it was concluded that it would be preferable to formally fix requirements which limit loan funds to geographic locations where small farmers are concentrated if new lands are not available to them, and/or to the type of agribusiness activities which intensively involve activities in which

small farmers are naturally linked. This was, in fact, what appears to have happened in this project and proved to be quite successful.

One unanticipated but potentially fundamental benefit of the project was the change in attitude of the political and economic decision makers regarding non-traditional agribusiness investors and small farmers was

Data on the economic impact of the project suggested that the participant farmers did benefit from the project--sufficiently to affect the way in which they operated their farms and to entice them to make long-term changes, such as expanding the size of their operations. Farm size expansion was not based on increasing the amount of land they rented, but rather on increasing the amount of land they "possessed". In addition, the evaluation team found that the household size of participant farms increased, off-farm employment decreased, area cultivated increased, and production increased; trends which were consistent with the hypothesis that the participant farmers were benefitting along with agribusiness borrowers. Thus, the economic impact analysis suggested that the model pursued in the project of benefitting small farmers through the development of agribusinesses which link with them was a viable one.

PROJECTS WITH AGRIBUSINESS COMPONENT IN PARAGUAY

Institutional Dev. - Small Farmer Mktg. Service 526-0050 68 - 78 4,845

Subproject 7 Purpose: Provide capability within the Division of Marketing and Ag Economics to provide marketing/extension information to the small producer.

Outputs include a marketing research unit, 12 marketing studies, courses on marketing for extension agents with emphasis on livestock marketing.

Marketing Services Coops 526-0102 72 - 78 747

Project Purpose: A strong self-sustaining coop system to group and assist small farmers in farm supply and marketing.

Farm Management Service Small Farms 526-0105 75 - 79 482

Project Purpose: Program of improved farm management with production and marketing technologies geared to the small farmer.

Outputs include farm management unit at the Ministry of Ag, training of extension agents in management/marketing concepts, and an increase in management/marketing publications.

Credit Unions 526-0101 69 - 81 1,928

Project Purpose: Establish a self-sufficient rural credit union system with a central organization capable of providing effective technical and financial services.

Outputs include an institutional framework for production/marketing credit.

Comments: CREDICOOP, a viable central coop institution was established along with associated credit unions to provide savings and credit facilities.

Minifundia Crop Intensification 526-0118 79 - 84 2,2250

Project Purpose: Establish within CREDICOOP an agribusiness complex to promote and finance input supply, production, processing, and distribution/export of labor intensive food crops.

Outputs include training seminars in marketing, credit, promotion of precoops, handling and processing of fruits and vegetables; research studies in marketing analysis; credit; extension; and construction of cold storage and processing plants.

N. PERU

1. Background

Agroindustry is struggling to survive Peru's worst economic depression in modern history. Domestic demand for agroindustrial products and services has declined because of a reduction in consumers' real income, product price increases due to high inflation and devaluation, and heightened competition resulting from a radical drop in import tariffs. The worldwide recession has also cut demand for Peruvian exports. Although the Belaunde government's economic liberalization policies contributed to a healthy increase in agricultural production in 1981 and 1982 and began to spark new investment in agroindustry, drought and flooding in early 1983 dashed hopes for the speedy revitalization of this sector.

Policies adopted by the military government during the 1970s caused a dramatic drop in agricultural production, a decline of private investment in medium and large industries, and the stagnation of food-processing activities. Subsidized credit, tax breaks for profit reinvestment in fixed assets, and mandatory labor benefits that substantially increase labor costs continue to spur larger Peruvian industries to adopt capital-intensive technologies. Although tax incentives have begun to stimulate the decentralization of agroindustry, 73 percent of plant sites and 82 percent of total employment are concentrated in Peru's coastal departments. Furthermore, certain more capital-intensive agroindustrial subsectors -- tobacco, milk product, and pulp and paper processing -- appear to be controlled by a small number of large firms.

The constraints restricting agroindustrial growth include:

- o Weak demand;
- o Insufficient working capital and equity investment in productive enterprises;
- o Inefficient product marketing systems;
- o Unreliable quantity and quality of raw material inputs; and
- o Poor infrastructure and lack of trained managerial and technical personnel in the selva and sierra regions.

Despite current conditions, Peruvian agroindustry still offers many profitable private investment opportunities. Import substitution and non-traditional export activities are in their nascent stage. The burgeoning agricultural development in the selva region, combined with infrastructure improvements, is creating new opportunities for agroindustrial growth. Thus, even though past agroindustry development projects may not have realized all of their objectives, this sector deserves and needs further donor support.

2. Past Projects

The Private Investment Fund (PIF) (527-0139) (1968-1976) was capitalized with an AID \$7.5 million soft loan to provide medium and long-term

financing to priority agroindustry activities (particularly the export sector), to stimulate U.S. equipment exports, to improve Peru's balance of payments, and to encourage private Peruvian financial institutions to serve as intermediaries. Emphasis was to be placed on those industries outside the Lima-Callao area, the most developed part of Peru.

Despite the poor performance of this project, AID continued its support to agribusiness by establishing the FRAI fund in 1978. This discount facility was structured to provide a more flexible response to the financial needs of the agroindustrial sector, increased incentives for intermediary credit institution (ICI) participation, and benefited from the inauguration of a government committed to private sector development.

Under the Rural Development Agribusiness Fund (FRAI) (527-0159) (FY78-82), a \$19.6 million Banco Central de Reserva del Peru (Central Bank) discount facility (\$15 million from an AID soft loan) was to provide loans through ICIs to agribusinesses that maximized benefits to the rural poor. Agribusinesses were viewed as a means to alleviate key constraints on agricultural development: poor marketing facilities, insufficient processing facilities, inadequate goods and services input industries, and incomplete agribusiness system linkages.

A third relevant project was the Rural Enterprises II Project (527-0176) (FY 79-83). Under the Rural Enterprises I project, a Rural Development Fund (RDF) was established within the Industrial Bank of Peru (BIP) for sub-lending to new and existing small enterprises in the highland regions of Peru. This \$8 million follow-on project increased the capitalization of the revolving credit fund and provided technical assistance to small industrial, service and commercial enterprises.

2. Relevant Evaluations

An impact evaluation of the Industrial Bank of Peru's Rural Development Fund was conducted in February 1982. According to the evaluation, small enterprise lending by BIP grew from 3.4% to 50% of all new loans since project initiation in 1975 and was institutionalized within BIP. Survey results of 85 randomly sampled entrepreneurs from 4 of the 19 participating BIP branches now enjoying greater autonomy, indicated success in creating income generation, employment opportunities, and economic development in the Peruvian high sierra. BIP loans generated on an annual basis; \$60 million in net profits and salaries to owners; \$19 million in income to new employees; and \$50 million in sales to Peruvian suppliers, a return of three to one. Approximately 15,700 jobs were created or sustained. Suggestions for improving the small enterprise lending program further were included in the impact evaluation and addressed the following categories: bank customer relations, bank management policy, and management information system.

In November 1983, the PIF and FRAI were evaluated as part of the Peruvian Agroindustry: Performance and Prospects for Future Action study conducted by DAI for the USAID mission in Peru and S&T's Office for Multisectoral Development. According to the study, the PIF fell far short of its objectives, and AID ultimately deobligated 80 percent of project funds. The project failed because:

- o The government inaugurated in 1968 was hostile toward private sector development;
- o The interest rate "spread" was not sufficient to induce commercial financial institutions to intermediate PIF funds; and
- o Excessive restrictions were placed on the use of funds.

Despite the poor performance of the PIF, assistance to agribusinesses was continued by establishing the FRAI fund. The terms and conditions offered to ICIs and subborrowers were so favorable under the FRAI project that all AID funds were disbursed by June 1981 -- 1.5 years prior to the project's terminal disbursement date. The high 7 percent spread enjoyed by ICIs until March 1981 induced 32 financial institutions, representing almost the entire Peruvian lending community (excluding savings and loans associations and insurance companies), to participate in the program. Since sub-borrowers paid real negative rates of interest for these subsidized loans, demand for them was high until the economic recession began. Between December 1978 and September 1983 \$43 million, representing 183 loans to 146 enterprises, were disbursed.

Delinquency rates for the four largest commercial banks using the fund were almost zero, since, when necessary, loans were rescheduled and, on rare occasion, legal action was taken to foreclose on guarantees when a project seemed unsalvageable. All ICIs met their payment obligations to COFIDE on time.

Over 60 percent of the FRAI funds, representing \$13 million, were lying idle in the Central Bank in June 1983. The high fund liquidity stems from the lack of demand for investment loan funds during this recessionary period as well as insufficient publicity about the fund. COFIDE staff have cautiously maintained FRAI as a development fund rather than transforming it into a bail-out for firms in trouble.

The evaluation team expected that the demand for FRAI loan funds would grow within the next two years in response to worldwide economic revival and the effect of the Government of Peru's policies. The FRAI loan fund would begin to decapitalize, however, if real interest rates remained negative and the Central Bank ceased its maintenance of value contributions. The Central Bank contributed \$6.05 million to the FRAI fund to comply with the bank's obligation to maintain the fund's real value. FRAI was protected from the ravages of Peru's double and triple digit inflation only until 1985, when this provision ended.

The management of both the PIF and FRAI projects was transferred from the Central Bank to COFIDE during project implementation. However, whereas the PIF project was inefficiently managed, the FRAI project was well administered by a new unit within COFIDE. This difference not only resulted from the high caliber staff administering the FRAI loan fund, but also reflected the pro-private sector stance adopted by the Peruvian government since 1980.

While COFIDE's administration of the FRAI fund was exemplary, several areas for improvement remained:

- o Clarifying COFIDE's role with regard to the private sector and improving communications between COFIDE's divisions;
- o Improving the quality of the financial and economic analyses conducted to analyze loan requests; and
- o Increasing publicity of the FRAI loan fund, particularly in the sierra and selva regions.

3. Current Agribusiness Strategy

Strengthening the role of the private sector is central to the USAID strategy, especially in developing agricultural factor and product markets. The Mission plans to promote the expansion of private sector participation in input market development (for seeds, fertilizer, farm machinery, supply and custom services, and breeding livestock production) and integrate these with other services such as credit and technology transfer. Product market development will be encouraged in food processing and other agribusinesses, especially diversified export opportunities. Finally, the Mission will assist Peruvian efforts to promote investment in the sector, through support to publicizing information on investment opportunities and market conditions, and through export trade promotion (including international joint ventures and other linkages to markets, management skills and technology).

PROJECTS WITH AGRIBUSINESS COMPONENT IN PERU

Food Marketing

527-0135 68 - 75 385

Project Purpose: Modernized urban and rural marketing system with reduced marketing risk at the producer level.

Outputs include a research and marketing information service established in GOP; uniform grades and standards; expanded supermarket, bodegas, and superette chains; and financing of a non-profit market research corporation.

Ag Economics

527-0141 74 - 80 10,000

Project Purpose: Institutionalize an integrated program of credit and tech assistance required to develop, finance, and manage rural enterprises in industry, commerce and service.

Comments: According to PES 1979 subloans have been made to coops and individuals to finance ag projects; mainly expansion of dairy farms.

Private Sector Ag Investment Promotion

527-0265 82 - 88 100,000

Project to increase capacity of Peruvian private sector financial institutions to provide medium term ag loans to commercial farmers.

Outputs include establishment of an ag investment fund in the Corporacion Financiera de Desarrollo (COFLDE) for disbursement thru intermediate credit institutions.

0. RDO/C

1. Background

A variety of technical and socioeconomic factors impede the development of agribusiness in the Caribbean region. The small populations of the Caribbean LDC's severely limit the size of domestic markets, the availability of labor and the economic advantages of scale in production and distribution. Insufficient marketing information and inadequate transportation facilities further restrict the development of new markets. As a result, agricultural production and rural incomes remain quite low.

2. Past Projects

Under the Regional Agribusiness Development Project (538-0010), \$6.5 million in loan and \$450,000 in grant funds were provided to the Caribbean Development Bank from FY 1976 to FY 1983 to establish an Agribusiness Development Fund which was to provide loans and equity investments to agribusiness and other labor intensive enterprises in the Caribbean region. Selection criteria were to be based upon the recipient enterprise's potential for benefiting small farmers and the rural poor of Barbados and the other LDC's in the region--Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis, Anguilla, St. Lucia and St. Vincent.. Three types of enterprises were to be eligible under the program: 1) those that expand and/or stabilize the market for small farmer production; 2) those that reduce the cost of small farmer production; and 3) those which increase employment for rural workers. Food processing enterprises were expected to account for the majority of investments. Other possibilities included fertilizer mixing enterprises and manufacturing of farm implements.

To complement its Agribusiness Fund, the CDB planned to finance adaptive research to develop agribusiness technologies appropriate to the region's resource base and markets. Research sub-grants were to involve packaging technology, crop systems, processing equipment, multipurpose processing facilities and grower-processor contracts.

Under the Regional Agribusiness Development Project(538-0011), a \$6 million loan was made to LAAD for FY 1976-78 to allow its subsidiary LAAD/CARIBE to make equity investments and term loans with maturities of no less than 3 years to agribusiness projects in the Caribbean and Colombia. These activities were to produce increases in value added and foreign exchange earnings, benefit rural poor through purchases of small farmer produce and other rural employment schemes and emphasize elimination of bottlenecks in the integrated farm to market system.

LAAD/CARIBE's projects aimed to strengthen the market outlet for the products of small farmers and encourage farmers to move from traditional to cash crops. LAAD/CARIBE planned to invest in the development of rural agroindustries such as seeds and floral products.

In addition to funding, LAAD/CARIBE proposed to provide technical, marketing, promotional and management assistance. LAAD/CARIBE planned to provide in management assistance to the companies it funded and to report on all activities to the LAC Bureau which was responsible for all AID and

non-AID financial LAAD/CARIBE projects.

3. Current Projects

The Agribusiness Expansion Project (536-0057) provides a \$6 million loan to LAAD to initiate and expand Eastern Caribbean private agribusiness investment during FY 1980 to 1985. The loan funds have been provided to LAAD on the condition that they are matched by borrowings from private sources. Two-thirds of loan funds will be targeted for sub-projects in English-speaking LDC's.

Sub-projects will be subject to the following criteria: (1) they must contribute to the welfare of small farmers or landless laborers, e.g. by increasing employment, income, productivity, or inducing a change from lower to higher value crops; (2) they must contribute to agribusiness sector development in terms of increased production, employment, commodity price stability; or value added; or (3) they must contribute to national or regional economic improvement by increasing foreign exchange earnings, adding to raw or semi-processed commodities, and the like. Capital-intensive projects will be eligible only if no labor-intensive alternatives exist. Sub-projects that increase inter-island trade and export earnings will also be considered eligible, even if based per se outside the country.

Loan funds also aim to strengthen LAAD's balance sheet and to improve its liquidity. This will enable LAAD to obtain co-financing from private capital markets for subprojects meeting AID criteria. LAAD will also make efforts to obtain additional equity. Investment profits will enable LAAD to hire additional staff, open a new office in Barbados, and provide more comprehensive financing packages such as export and extended marketing services. It is expected that through the project 10,000 new jobs will be created for rural small farmers and unskilled or semi-skilled landless laborers.

Under the Project Development Assistance Program (PDAP), Coopers and Lybrand, Development Associates and Berger Associates have been contracted by RDO/C to undertake an investment promotion effort with substantial emphasis on agribusiness. A permanent advisor/liaison officer is stationed in each of the participating island nations of the Eastern Caribbean, a project leader is stationed in Barbados and a back-up team, supplemented by specialized consultants, is stationed in Washington, D.C. The role of the island advisors is 1) to inform and stimulate local government agencies and private sector interests; 2) to respond to specific inquiries, ideas and project proposals; 3) to collect, evaluate and present data which would bear upon investment decisions of potential foreign and domestic investors; and 4) to assist in the evaluation of infrastructural assets and obstacles and identify critical infrastructural projects.

The project manager acts as a liaison to USAID Barbados, to the Caribbean Development Bank, CIDA, CARICOM and other regional bodies, coordinates PDAP activities with those of the other agencies, directs and coordinates the activities of island-based officers and arranges for specialized technical assistance to project proposers or implementors as dictated by analysis of need and of priority.

The U.S. based members of the team undertake a constant search for

U.S. and other potential investors who may be expected to find the investment climate and business opportunities, in one or more of the islands, attractive. The team also recruits specialized technical personnel for short term assignment to the islands, in response to approved requests.

The team configuration and operational policies permit (1) a rational response to local, regional and international market possibilities; (2) participation of government and/or private sector in all aspects of project generation and implementation; (3) utilization of resources of other agencies; (4) ready access to credit facilities, and (5) precise targeting of technical assistance.

Since its inception in 1979-1980, the PDAP has initiated agricultural based industrial studies focused on specific high potential prospect for production of aloe vera, rum, pineapple, copra, evaporated milk, peanut butter, macaroni, bee pollen, logwood dye, leather making, banana chips, small livestock, wooden bobbins, cotton, bamboo and others. In addition, it is carrying out a number of sectoral studies and investigations along with feasibility studies of an integrated wood industry, tomato processing, and dairy and poultry products. Of the studies initiated, four have progressed to the implementation stage. Aloe vera is now being produced and processed in Dominica. Rose production for export has been initiated in St. Kitts. The same island has begun a shrimp farm and Belize is producing lobster traps for Maine fisherman. Others are moving toward implementation. The production projects are complemented in the PDAP effort by concurrent identification of infrastructural constraints and preparation of public projects to respond to those constraints. These include roads, airstrips, factory space and port facilities. In some instances it has been possible to induce other donor agencies to undertake the financing of the public project.

Given the small total and volume of the islands involved and the poor endowments of the land, the rate of project generation is impressive. The intensity of resource application is necessarily high, yet it may be indicative of the intensity necessary to develop agribusiness in other areas.

Emphasis is placed on joint venture projects as a means of bringing to local investors three essential elements, some or all of which may be absent in purely local projects--markets, technology and management. The generation of such projects requires painstaking preparation and entails a substantial gestation period. The "handholding" of both private sector participants and public sector officials appears to be invariably necessary.

As noted in an October 1983 cable from the LAC Bureau to the LAC Missions, the success of this program suggests a regional development model under which a member of a contract team would be placed in the major market city of each agricultural region of a country. Duties of the team members would be to identify agribusiness (as well as non-agribusiness) and agricultural projects and to promote them with national firms already in business; the team would also have an agribusiness promotion arm in the U.S. to search out experienced U.S. agribusiness investors where national investors are not available. An additional responsibility of the team would be to identify public sector projects which would relieve major constraints to development and present them to government, IBRD, IDB, USAID and other donors for financing.

Other relevant RDO/C projects include the \$4.25 million loan/grant to the Caribbean Agricultural Trading Company (CATCO) and the \$12 million loan to the Caribbean Financial Services Corporation (CFSC). The former project will assist in establishing a regional trading company for agricultural commodities. CATCO is expected to play a major leadership role in transforming a high cost and poorly coordinated production marketing system for fruit and vegetables in the Eastern Caribbean.

The CFSC is a private development bank located in Barbados. Its shareholders include the members of the industrial, commercial and banking community in the Caribbean region. Incorporated in the summer of 1983 with equity totaling \$2 million, the CFSC was established to provide medium and long-term capital, in the form of equity or debt to agricultural, industrial and other productive businesses based in the Caribbean. The bank will operate on a regional basis with authority to invest in Barbados, the small islands of the Eastern Caribbean, Jamaica, Guyana and Belize. The bank is designed to complement the lending operations of the region's commercial banks, which do not currently provide term credits to the smaller and medium sized industries.

4. Planned Projects

According to the FY 86 ABS, a \$6.5 million Commercial Agriculture Development Project has been proposed to stimulate small enterprise development in support of the agriculture sector. To promote increased modernization and new technology in this sector, the project would:

- o Establish a viable regional financing mechanism to provide the capital required to create or expand agriculture sector enterprises, particularly in the pilot phase; and
- o Establish agribusiness development services exclusively committed to agricultural enterprise development. This would include services and financing required by private sector clients to implement innovative, pilot agricultural business subprojects which foster the forward and backward linkage of agricultural production, processing and marketing.

A \$14 million loan is proposed for the Private Sector Industrial Infrastructure Project. The project will finance factory shells, industrial estates; marketing and transportation infrastructure, and export promotion.

PROJECTS WITH AGRIBUSINESS COMPONENT IN RDO/C

Banana Industry Rehabilitation 538-0083 82 - 85 1,750

Multi donor project to restructure Dominica's banana industry on a financially sound basis in the wake of 1979 and 1980 hurricanes. Project involves establishing 2 new entities - the Dominica Banana Co. and the Dominica Banana Producers Association - and increasing the use of private firms for banana industry functions.

Caribbean Ag Trading Co. (CATCO) 538-0080 82 - 87 4,800

Project Purpose: Create a commercial trading company which can remove key constraints, stimulate and develop new marketable products, and sustain itself as a financially viable operation.

Outputs include increased production, consumption and export of local fruits and vegetables; opening of new market channels and reduced extra regional food imports; standard procedures for measuring, packing, and grading produce and for forward contracting production.

P. ROCAP

1. Background

The lack of capital is considered an important constraint to the promotion, development and expansion of agribusinesses in Central America.

2. Past Projects

In 1971, a \$6 million loan was provided to the Latin American Agribusiness Development (LAAD) Corporation (596-0039) to promote, finance, and implement agroindustrial enterprises and provide technical assistance to the projects it finances. The major feature of the loan was the provision of equity capital. LAAD aimed to use AID funds to finance the costs of goods and services of new and expanding agricultural or service industries.

In 1975, a follow-on loan of \$5 million was provided to LAAD under the LAAD Agribusiness Development Project (596-0068). Business enterprises, modest in size, which produced, processed, transported, distributed and marketed agricultural products were eligible to receive the subloans.

In 1977, a \$15 million loan was provided to the Central American Bank for Economic Integration (CABEI) under the Regional Rural Agribusiness Development Project (596-0069) to develop non-traditional agribusiness activities in Central America which benefited the rural poor and improved the institutional capacity of CABEI and participating intermediate credit institutions (ICIs) to finance agribusiness activities. Eligible for sub-project financing were activities which contributed to small farm agricultural production; which processed raw materials purchased from small producers; or which assisted in the marketing of small farmer agricultural products.

3. Relevant Evaluations

An evaluation of the first LAAD loan stated that LAAD had achieved a number, if not all, of its purposes. However, LAAD loans and investments were directed primarily to projects already conceived, launched and developed by investors in the region. It selected those projects which best met its criteria rather than acting as the promoting force for projects in areas pre-selected by LAAD. As a result, there was considerable unevenness among the projects in terms of their impact on agribusiness development as well as on the development of broad investor interest.

Evaluation findings from the second LAAD loan indicated that greater economic impact was generated thru raw material purchases than thru employment opportunities at the somewhat capital-intensive processing plants. Small farmers benefitted most when the processing plants offered contracts assuring them of a market for a specific acreage. Participation was increased when the plants provided transportation for the farmer's products. With regard to technical assistance, the best utilized was that provided by representatives of the processing plants. The assistance provided by bank or government advisors tended to be less product-specific and was not as readily available. Although the overall viability of the loan sub-projects had yet to be demonstrated, their prospects appeared good.

The evaluation recommended continued financing of processors who provided technical representatives, credit (especially in kind) and transportation to stimulate production. Furthermore, it was recommended that LAAD, whenever possible, should make its loans directly to the processing plants rather than through intermediate credit institutions. LAAD was also advised seek additional loans and outside equity to build up its earnings base.

The evaluation of the Regional Rural Agribusiness Development Project indicated that both project purposes were achieved. Regarding the first, a total of 120 agribusiness subprojects were funded through 19 ICI's, against respective targets of 50 and 10. As to the second purpose, CABEI established a \$20 million revolving agribusiness fund for channeling medium-term, fixed interest capital to agribusinesses throughout the region. In so doing, the CABEI partially reoriented its philosophy, and through continued and improved promotion practices helped ICI's, whose participation was a key element of the project's success, overcome their inexperience in agribusiness lending.

Although CABEI functioned credibly amidst major regional political and economic uncertainties, the evaluation team proposed that to increase its capability for agribusiness lending CABEI should: streamline loan approval and disbursement procedures; increase TA to sub-borrowers; integrate and upgrade subloan monitoring and evaluation; adjust loan terms to reflect market rates; and promote the program more effectively with ICI's.

Lessons learned were that ICI interest in agribusiness lending can be successfully generated and that project design must allow adequate time for the participating institutions to become familiar and comfortable with new areas.

4. Current Projects

In 1981, a \$6 million loan was provided to LAAD for the Agribusiness Employment/Investment Promotion Project (596-0097). This three year project focuses on supporting private, labor intensive, processing enterprises in order to provide guaranteed markets for non-traditional small farmer crops, thereby increasing employment and income among small farmers and landless laborers.

LAAD will make funds available on a loan or equity basis and will provide technical assistance through 23 subprojects in the areas of food production, agricultural inputs, processing, packaging, storage and transportation in order to expand production, develop new products and marketign opportunities, and increase foreign exchange earnings in the region.

Other relevant ROCAP projects include the Central American School of Business (INCAE) Project and the Export Promotion Fund (BLADEX). INCAE provides undergraduate and graduate business education as well as specialized management training seminars. AID's \$3 million grant program allows INCAE to expand onto a new campus in Costa Rica and to revitalize its curricula in the area of export marketing and distribution. Special seminars will also be provided on these topics throughout Central America. As noted in a recent memo, INCAE could possibly provide training for agribusiness managers.

The \$25 million loan to the Latin American Export Bank (BLADEX), a privately owned regional bank, is designed to stimulate non-traditional

exports by providing pre-export and export financing in the form of short-term advances, banker's acceptances and medium term loans.

PROJECTS WITH AGRIBUSINESS COMPONENT IN ROCAP

Regional Export Expansion 596-0033 70 - 76 2,650

Project to improve the capacity of the Central American Bank for Economic Integration, PROMECA (export promotion organization), and ICAITI to evaluate, promote, and participate in non-traditional export opportunities.

Ag Planning 596-0026 68 - 79 869

Subproject 1 Purpose: Develop in the general secretariat of the Central American Common Market (SIECA) the capacity for regional ag planning and policy.

Outputs include studies to identify crops with the potential for domestic/export market; studies to develop ag policy; and design of a crop forecasting system.

Comments: There was a limited distribution and use of many of the studies.

Agric Info Systems 596-0048 79 - 83 3,329

Inter-American Institute for Ag Sciences implemented project designed to upgrade the quality of research and create a region wide system for more effective information management. A market news/crop forecasting system will be designed and adapted for mass media.

Q. URUGUAY*

1. Background

At the time of project preparation, 1975, it was noted that small farmers were not producing up to their potential due to inadequate incentives for increasing production, lack of capital and lack of an organized marketing capacity.

2. Agribusiness Strategy

The Mission proposed to provide a package of technical and financial services directly to the agro-industrial entrepreneur in order to permit the development of an export-oriented food processing industry.

3. Past Projects

Of the US\$5 million Agro-industry Development Loan (528-0103) (FY 75-82), \$4.5 million were to finance foreign exchange costs for imports of capital goods and essential processed materials for export-oriented agro-industries. Up to an additional US\$350,000 was available for technical assistance to assist private entrepreneurs or cooperatives in conducting feasibility studies as well as in establishing or expanding an agro-industry. Sub-borrowers were permitted to purchase equipment, machinery and spare parts for all agro-industries and related service industries essential to the production and export of agro-industrial products, especially those industries which processed fruits or vegetables.

4. Relevant Evaluations

Despite long implementation delays, the Agro-industry Development Loan succeeded in creating new production and marketing activities. Subloans were provided to 11 food processing firms (four dairies, three fruit processors, a poultry processor, a food dehydrator, a bottling plant and a meat processor) and to a new rural machinery pool service center. Ten of the sub-borrowers have already either developed or expanded nontraditional exports (including cheeses, processed fruits, poultry, dried onions, fruit concentrates and corned beef). By the end of 1981, all sub-borrowers were producing at full capacity and exporting over 60% of their production.

Moreover, the project expanded and strengthened the financial appraisal capacity of the Government of Uruguay's (GOU's) Unidad Asesora de Promocion Industrial; created a Development Investment Financing Fund for agricultural and other industries; and established an industrial credit guaranty scheme which reduced commercial banks' collateral requirements.

Because of GOU procedures in setting up the project, private industry's lack of experience in submitting projects for credit, and commercial banks' initial reluctance to lend on project terms, however, it took nearly 30 months to fully establish the project. Once these problems were resolved, credit and technical assistance were provided to sub-borrowers in an efficient manner and both bankers and businesses responded enthusiastically.

*AID no longer maintains a Mission in Uruguay.

The project directly benefitted transportation firms and the rural inhabitants who obtained jobs from sub-borrowers. It indirectly benefited small and medium sized farmers who sold crops to sub-borrowers.

Project experience showed the considerable time involved in initiating and making operational new lines of credit.

PROJECTS WITH AGRIBUSINESS COMPONENT IN URUGUAY

Ag Production and Marketing

528-0041 65 - 79 2,807

Project to improve production and marketing processes with emphasis on research and associated delivery systems.

Comments: According to Special Eval. Report 1974 project became a research effort to stimulate production and improve marketing emphasizing fruit and vegetables for export.

Uruguay - Ag Coops - CALFORU

528-0102 75 - 79 2,000

Project Purpose: Strengthen farm supply distribution, marketing operations, and management capabilities of CALFORU.

Outputs include increased marketing of nontraditional ag exports, and installation of deciduous fruit packing and cold storage plants.

Coop Development (PVO)

528-0105 77 - 79 100

Uruguayan Council of Coop Action will conduct program of training courses and tech assistance to promote development of coops including marketing coops.

R. AID/W

1. Current Projects

a. Latin American Agribusiness Development Corporation (LAAD)

b. Caribbean Project Development Facility (CPDF)

The CPDF is a project appraisal unit which assists Caribbean businessmen in examining the feasibility of their projects. CPDF is an experimental activity funded by several donors under the auspices of the Caribbean Group; it is designed to increase the number of private investments undertaken in the Caribbean and to assist in arranging financing for these investments. CPDF operates out of the International Finance Corporation and services the Eastern Caribbean Islands as well as Trinidad and Tobago, Guyana, Haiti, Dominican Republic, Jamaica and the Bahamas. AID contributes \$1 million to the facility.

c. Fund For Multinational Management Education (FMME)

With funding from PRE and the LAC Bureau, the FMME has initiated a number of farmer/agribusiness workshops with promising results. In the workshops, FMME acts as intermediary, making a linkage between farmer and agribusinessmen. The national level workshops are predicated on the identification by FMME personnel of a number of agribusiness opportunities for the country in question. Workshops held in Jamaica, Costa Rica and the Dominican Republic were attended by more than 100 participants, including Canadian and U.S. agribusinessmen. The workshops identified 18 projects in various steps of completion, including dairies, export of fresh vegetables, pickled vegetables, potato production, ethanol, sugar refinery, aqua farms, tobacco production, chilled fruits, cocoa and an agro-impliment factory. Like JACC, FMME investigates potential joint venture partners and sources of technical assistance and financial services. An evaluation of FMME by PRE was conducted at the beginning of FY 1984.

d. Latin and Caribbean Investments, Inc. (LCI)

PRE approved a loan of \$2.5 million to LCI in September 1983. LCI will use these funds and its own capital to finance agribusiness ventures in the Caribbean Basin countries and South America. Joint ventures, term loans and equity investments will all be considered by LCI.

e. The Joint Agriculture Consultation Corporation (JACC)

The JACC is sponsored by PRE. This organization, a non-profit association of agro-industry companies, was established to help promote investments by U.S. agribusiness firms in developing countries. At the same time, it helps identify U.S. partners for LDC enterprises. A small staff in Washington and a committee structure in the countries where it operates allow it to perform a brokering function between potential business partners.

Belize, Costa Rica, the Dominican Republic, Honduras and Panama are presently being considered by PRE for possible affiliation with the JACC.

PROJECTS WITH AGRIBUSINESS COMPONENT IN LATIN AMERICAN REGIONAL OFFICE

Ag Marketing Systems Development 598-0440 65 - 73 946

Project Purpose: Strengthen national institutional capacity to develop and improve programs in research, planning, and implementation of marketing systems and to expand marketing opportunities for farmers.

Outputs include the establishment of ag marketing training programs, a market information resource center, marketing workshops, and the improvement of market transportation and distribution systems.

Coop League of the USA 598-0098 63 - 77 2,988

Project to form a viable system of strong coop federations in Latin America with specific attention to ag supply, marketing, and urban retail food distribution coops.

Ag Marketing Systems 598-0548 74 - 77 85

Project Purpose: Hemispheric Ag Marketing Program initiated by Interamerican Institute of Ag Science (IICA) is developed into a Latin American Center of Marketing Expertise.

Sector Analysis Support 598-0554 73 - 82 4,493

Project to improve techniques for export marketing systems for ag commodities; development of models of international markets; and evaluations of Colombian export marketing systems.

PROJECTS WITH AGRIBUSINESS COMPONENT IN BRAZIL

Food for Peace - Planning and Supervision 512-0174 63 - 74 3,295

Subproject 5 of a 9 part project has the purpose of strengthening the poultry and livestock industry of Brazil.

Outputs include the improvement of feed and poultry/livestock storage and processing facilities and equipment; and the training of agricultural and cooperative technicians in operation (management, feed processing and marketing) of U.S. poultry and livestock cooperatives.

Comments: Project terminated early due to scarcity of PL480 Title 2 grains for animal feeding.

Fish Production, Processing, and Marketing 512-0247 64 - 76 3,191

Subproject 4 has the goal of not only increasing production of animal protein from fish through increased yields but also to improve fish processing and marketing practices.

Although subproject focuses on production techniques, demonstrations of fish preservation and marketing surveys were made.

Comments: Evaluation through 1971 shows that although progress was made poor fresh water fish marketing has remained unchanged.

Seed Industry Development 512-0247

Subproject 5 Purpose: To increase the participation of the private sector in the Brazilian Seed Industry.

Outputs include training programs in seed technology; establishment of laboratories, processing plants and storage units; establishment of seed legislation; establishment of seed multiplication/distribution systems; research; and seed sales transferred from the government to the private sector.

Comments: Project only partly successful due to government's failure to pursue goals, seed processing equipment not used, and lack of seed industry infrastructure. However, 564 private seed companies were registered.

Northeast Ag Marketing 512-0308 71 - 77 892

Project Purpose: To increase the efficiency of the marketing system being constructed in the NE of Brazil.

Outputs include a market news system; establishment of a grades and standards program and wholesale centers; construction of wholesale markets; establishment of assembly markets providing processing services; and training of wholesale market administrators.

Comments: \$108,251 deobligated.

Brazil, Northeast Ag Marketing 512-0311 71 - 77 12,728

Project Purpose: To provide assistance in creating a viable ag marketing system to improve marketing and food distribution in N and NE Brazil.

Outputs include a market news service; grades and standards for produce; training in wholesale operations, retail food marketing, and rural marketing organizations; and construction of facilities.

Comments: \$1,272,152 deobligated.

PROJECTS WITH AGRIBUSINESS COMPONENT IN CHILE

Small Scale Regional Development

513-0282 76 - 78 110

Project Purpose: Support the growth of 4 regional PVOs (CIDERES) that help groups of poor persons establish small scale enterprises by using untapped natural resources and industrial by-products.

Comments: CIDERES became self-sustaining and provided employment for 9,000 people.

Rural Coop Upgrading

513-0296 76 - 80 250

Project Purpose: Improve efficiency of managerial and service capability of rural coops composed of low income farmers or artisan fisherman.

Comments: Services include a package of production and marketing services provided by the coop. According to 4/78 PES (Project Evaluation Summary) loans to remote areas and those for honey production, rose hip gathering, and dairies have especially benefitted the poor while others (fruit storage, juice processing) have had only an indirect impact

Chile - Ag Coop Development Fund

513-0277 75 - 80 15,000

Project Purpose: Develop a financing and technical assistance system for creation of improved marketing opportunities for small farmer members.

Outputs include sub-loan projects to coop-owned agribusinesses for the financing of storage, processing, packaging, and/or domestic marketing.

Technical Support

513-0000 79 - 80 12,191

Project Purpose: Technical support provided to Chilean government in rural and urban development planning.

Outputs include personnel trained in modern produce marketing practices and updating of produce marketing technologies.

PROJECTS WITH AGRIBUSINESS COMPONENT IN COLOMBIA

<u>Ag Regional Sector Loan</u>	514-0164	71 - 75	26,548
Project Purpose: Upgrade capability of ag sector to expand employment opportunities.			
Outputs include private firms becoming involved in the marketing system.			
Project has a component that focuses on price stabilization, organized markets, and processing of ag produce to upgrade market technology and labor-intensity.			
<u>Care/Colombia</u>	514-0202	75 - 76	141
Project Purpose: Provide credit for introduction of new ag methods.			
Outputs include the organization of 25 agro-industrial or marketing groups.			
Project includes a national federation of coffee growers revolving fund that extends credit to groups of interested farmers in marginal coffee areas to process and market diversified food items such as sugar cane and cashews.			
<u>Rural Savings and Loan Coops</u>	514-0193	76 - 80	5,480
Project Purpose: A viable cooperative system assisting small farmers with credit and marketing services.			
Outputs include \$7 million of production and \$3 million of marketing loans.			
Recommendations from 1979 PES include: 1) not to attempt project without strong support from implementing agency and host-country; 2) establish a realistic rate of interest as well as a stringent subloan criteria; and 3) require a budgetary supplement of project support from host country as a condition precedent.			
<u>Vegetable Protein Mix</u>	514-0197	76 - 81	6,000
Subproject 4 Purpose: Meet the needs of a subsidized feeding program with locally produced vegetable mix.			
Outputs include 3 full line Bienestarina production plants; formation of combined GOC and private corporation to operate plants; and development of production quality and distribution monitoring systems.			

PROJECTS WITH AGRIBUSINESS COMPONENT IN GUYANA

Rice Modernization 2

504-0072 78 - 84 16,500

Project Purpose: Post-harvest losses reduced and rice marketing system improved for efficient domestic marketing and export of rice.

Outputs are establishment of new drying and storage centers; mult-stage rice mills; expansion of existing storage and drying centers; rehabilitation of rice export center; and training of personnel.

Small Farm Development - Black Bush Region

504-0075 78 - 85 8,900

Project Purpose: Increase production of rice and other food crops by 6000 small farmers.

Outputs include an improved seed delivery system, construction of rice storage/drying facility, and an upgrading of processing and marketing linkages.

PROJECTS WITH AGRIBUSINESS COMPONENT IN NICARAGUA

Institutional Coop Development - (Coops) 524-0092 71 - 74 1,336

Subproject 1 to create an ag coops sector in the National Bank of Nicaragua with marketing assistance capability.

Private Development Bank 2 524-0065 66 - 75 4,984

Project Purpose: Increase private sector economic activity.
Outputs include 3 - 15 year loans extended to industrial, agricultural, transportation, and other private sector enterprises at 10% interest.

Ag Production and Diversification 524-0073 70 - 76 900

Project Purpose: Establish basis for expanding market in food and feed crops and livestock products through studies/surveys and initiation of a market news service.

Outputs include price stabilization and sound marketing policy, and improvement of livestock processing and marketing

Rural Market Women Coop 524-0108 75 - 78 142

Project Purpose: Establish rural organizations serving market women and other small tradespeople with credit and coop purchasing facilities. Interest rates will be much lower than offered by street lenders.

Rural Small Merchant Credit Unions 524-0141 77 - 79 135

Project Purpose: Establish 15 rural organizations providing low cost credit to small merchants and small industry.

Comments: Especially benefits women in industry.

Agribusiness Work Plan - 1984

I. Introduction

This work plan outlines the activities of the Agribusiness component of the LAC Bureaus' Divisions of Private Sector and Rural Development. It is designed to support these two divisions' portion of the Bureaus regional strategy statement as well as the food production, trade, investment and employment objectives of the CBI. These goals, objectives and strategy are outlined below in order to establish the context of the Agribusiness components work plan.

Before summarizing these goals, objectives and strategies, it might be useful to state some basic precepts. In the agricultural sector, there are certain infrastructural aspects that have to be taken into account before developmental progress can proceed and economic growth of the agricultural sector can take place. Economic development in most of the LDC's in the region is an agriculturally led process in which farm prosperity leads to more investment and agro-industrial expansion. While most of this economic development takes place in the private sector, certain functions have to be performed by the public sector. The role of the public sector should be one of assuring that the appropriate infrastructure should be in place in order to allow the efficient and economic functioning of the private agribusiness sector. For example, agricultural education and research, extension services, farm to market roads, market news services, regulatory policy are the types of services most economically performed by the State. Projects in these areas are important as they are crucial for the functioning of the private agricultural sector and in improving the overall standard of living in the rural areas. Assistance to the LDC public sector in these areas has traditionally been given by AID and this will continue as part of the Mission Agricultural programs. What concerns this work plan, however, are those projects and programs that are (or should be) in the realm of the private sector. The strategy will focus on such things as agribusiness, agro-industries and agro-services with their forward and backward linkages to and from the agricultural production sector into the domestic and export markets. This will not preclude assistance to Missions to improve the services of public institutions responsible for trade and commerce, banking and export credit services and regulatory policy that affect agribusiness.

II. Goals

- Increased production of basic foodstuffs

- Rural economic growth with equity
- Increased employment in rural areas and market towns
- Increase rural incomes

III. Agribusiness Related Objectives

- Increase investments in agribusiness by the indigenous and foreign private sectors
- Expand Agricultural exports
- Increase value added component to food and fiber production

IV. Constraints to Reaching Goals and Objectives

- Lack of timely Trade Credit
- Lack of market information and knowledge of international market requirements for non-traditional agricultural products on the part of LAC exporters and AID Missions
- Lack of knowledge of Latin American and Caribbean markets on the part of U.S. importers
- Lack of foreign exchange
- Lack of brokering or intermediary facilities and vehicles to bridge the export marketing gap
- Lack of timely credit into agribusiness sector
- Lack of grades and standards system for export of fresh produce from Latin America and Caribbean with U.S markets
- Lack of an agribusiness policy and strategy on the part of LAC/CBI governments, both for domestic needs as well as export
- Lack of agricultural export promotion strategies on the part of LAC government.

V. Strategy

The strategy to achieve the objectives in section III and to overcome the constraints outlined in section IV will be one of

working with and through the public and private agricultural sectors, both in the LAC/CBI countries and in the U.S. The work plan outlines an overall strategy which creates a policy environment that favors agricultural development both for domestic consumption and export of value-added, or processed, agricultural raw materials. The purpose is to assure that the U.S. and indigenous private agribusiness sector is able to take advantage of this environment in order to achieve the aforementioned objectives. One of the quickest ways to achieve these goals and objectives is to assure that emphasis is placed on food processing and food technology enterprises. The justification for these types of agro-industries are: 1) Employment generation; 2) Backward linkage to small and medium farmers; 3) Product can serve domestic and export markets; 4) Economically interesting to U.S. investment; 5) Rapid conduits for technical assistance to farmers; 6) Beneficial effect on rest of agricultural and rural sector i.e., satellite jobs and industries, stimulation of agricultural in-put industries such as seeds, fertilization, etc. The general agribusiness strategy consists of a number of key elements including, but not limited to, the following:

A. Strengthening the role of the private agribusiness sector in the CBI countries by:

1. Supporting the ~~in~~formation of private agribusiness infrastructure through project design and development assistance to Missions.
2. Dissemination of marketing and export market information through development and support of an international market news organization for the region.
3. Training (Academic and non-degree) of key personnel in the LDC public and private sectors. Areas will be market and policy analysis as well as operations oriented i.e., grades and standards, product transformation and other export sectors.

B. Improve the services and policies of public institutions responsible for trade and commerce of agribusiness products and services by:

1. Identifying major regulatory and policy constraints and assure that these are addressed in regional and Mission programs and projects during design and review process.
2. Identifying and providing TDY technical assistance to LAC Missions that will address item 1.

C. Collaborate with other Agency offices (PRE, S&T, TDP), U.S. Government Agencies (OPIC, Commerce, USDA, others) Private Sector Associations, Universities, and Chambers of Commerce so as to mobilize their resources on behalf of the public and private agribusiness sectors of the LAC region by:

1. Maintaining close relationship with on-going programs and projects of the above organizations and institutions. In terms of AID, this means capitalizing on projects and programs such as: JACC, ICD, SUSTAIN, PDAP, Keen-Monk, FMME, AG-21, SFMA, TDP, EMTAB and others.

insert (see attached)
* 2. ~~Coordinating and facilitating~~ access to appropriate Mission and country personnel for the development and implementation of projects designed to carry out agribusiness projects and joint ventures.

3. Maintaining a private sector outreach. Direct contact will be maintained with individuals and institutions involved in agribusiness, both in U.S. and throughout LAC and CBI regions. This will be done as follows:

a) Participation in agribusiness workshops, seminars and trade fairs in the U.S. and overseas, which provide information to potential investors and exporters about the benefits of the CBI.

b) Design, develop and implement, together with the USDA, a series of joint AID/USDA conferences focused on CBI agribusiness investment and trade promotion in major CBI gateway cities and parts such as New Orleans, Houston, Miami, Atlanta, Dallas-Ft. Worth and Los Angeles.

c) FMME agribusiness workshops. Together with PRE bureau, continues to fund agribusiness workshops and follow-on activities that will inform and promote joint ventures between U.S. and CBI enterprises in the agribusiness and export marketing field.

d) Develop ways to feed CBI agribusiness trade and investment opportunities into the various private and public sector (Commerce, USDA, others) investment newsletters.

4. Assisting in the development and implementation of a CBI market news service for fresh fruit and vegetables for export.

D. Regional and Mission Agribusiness Promotion and Support

LAC/DR/RD - Agribusiness will promote and support programs and projects of the Region and Missions and develop new and innovative methods to increase the Bureaus effectiveness. Included will be such tasks as:

1. Trade fairs. Compile and publicize to the Missions and regional offices a list of agribusiness, agro-industrial and agricultural produce trade fair and trade association meetings to which Missions can send participants.
2. Agribusiness Strategy. Develop with and for the Missions a strategy for agribusiness promotion at the regional level. This will include developing local workshops of a product targeted nature, training needs, consultants etc.
3. Development of a ^{in the} ~~CBI~~ agricultural marketing plan.
4. Development of a ^{an} ~~CBI~~ agribusiness handbook for use by Missions and U.S. firms that will be a source of information on trade, markets, investment potential in the agribusiness field.

E. Liaison within A.I.D.

per Kumbakon
Serve as focal points for ^{LAC} ~~CBI~~ Agribusiness matters. Work with PRE, S&T/TD and other Bureaus, and Agencies outside of AID, in coordinating CBI and private sector agribusiness programs. These agencies include the Department of Commerce, Department of Agriculture, the IFC (World Bank), various United Nations Agencies, OPIC. Review Agribusiness PIDs, PPs submitted to the DAEC for overall technical, economic and social soundness and advise the DAEC on the major agribusiness questions and issues affecting the project.

F. Project Development and Management

The foregoing work plan will be carried out by William E. Rodgers. on a RSSA with LAC/DR/RD. He will work with the personnel of both the Rural Development Division and the

LAC/DR Private Sector Division. He will concentrate on a broad array of agribusiness trade and investment promotion activities and will involve himself minimally in the design and implementation of specific projects. Nevertheless, as the workload in this sector increases, he will call on assistance by IDIs (as available) and will utilize consultants from the private sector and academia for specialized skills.

The Agribusiness component of LAC/DR/RD has a responsibility to develop new and innovative techniques for increasing the effectiveness of the Bureaus' agribusiness strategy and portfolio. Examples of work which will be undertaken subject to availability of funds include the following:

- The design and evaluation of an AID funded marketing news service to provide the Latin American and Caribbean countries with market information and services for the expansion of their non-traditional agricultural exports. This would be a regional program. (\$100,000)
- Proposal for an agribusiness program of workshops and follow-up sessions for three CBI countries - Honduras, Costa Rica, and the Dominican Republic. Follow-up workshop involving U.S. agribusiness firms for development of fresh produce export centers in Peru. (\$125,000)
- Agricultural marketing workshop for the CBI countries. This will be done in cooperation with the USDA. Purpose is to provide marketing information to Caribbean Basin country governmental and private sector marketing officials in order to assist them in accessing U.S. and international agricultural produce markets. (\$50,000)
- Compile and publicize to Bureaus' Missions a list of most important agricultural and agro-industrial trade fairs and association meetings to which Missions can send interested people. This would include a description of information and assistance available for exporting to North America those agricultural products having export potential. (\$5,000)

- A design for an agricultural trading company for Central America. (\$5,000)

In addition to these proposed activities, a number of worthwhile proposals for information gathering seminars and workshops present themselves. These proposals will be reviewed and those that appear timely and appropriate will be selected for funding. (\$50,000)

All of the above suggest a future budget of approximately \$335,000. Some of these projects could be partially funded out of presently available funding. Other projects would have to be postponed to future FY funding.

LAC/DR/RD:WRodgers:pf:#0493S:

AGRIBUSINESS PROJECTS: BELIZE

PAST ---

CURRENT ---	505-0005	Commercial Bank Discount Fund	83 - 85	5,000
	505-0006	Livestock Development Project	83 - 89	4,095
FUTURE ---		Agricultural Production, Credit & Mktg.	87 - 89	4,300
		Agric Production and Diversification	85 - 89	6,500
		DA Export Promotion	86 - 88	1,700
		Joint Agricultural Consultative Corp.		

Agribusiness Related Projects:

PAST ---
CURRENT ---
FUTURE ---

AGRIBUSINESS PROJECTS: BOLIVIA

PAST ---

CURRENT ---	511-0472	Agribusiness and Artisanry	78 - 86	6,600
	511-0543	Chapare Regional Development	83 - 88	20,650
FUTURE ---				

Agribusiness Related Projects:

PAST ---	511-0364	Sheep, Llama, Alpaca Prod. & Mktg. sub 2	71 - 81	27,262
	511-0364	Cereals Development sub 5	71 - 81	
	511-7271	Coca Crop Substitution	75 - 80	3,790
CURRENT ---	511-0452	Small Farmer Organizations	76 - 84	11,647
	511-0511	Departmental Development Corporations	79 - 85	10,000
	511-0514	Consolidation in the Bolivian Subtropics	79 - 84	1,482
		San Julian and Chane Pirai		
FUTURE ---				

AGRIBUSINESS PROJECTS: BRAZIL

PAST ---
CURRENT ---
FUTURE ---

Agribusiness Related Projects:

	512-0174	Food for Peace - Planning & Supervision sub 5	63 - 74	3,295
	512-0247	Fish Prod., Processing, & Mktg. sub 4	64 - 76	3,191
PAST ---	512-0247	Seed Industry Development sub 5	64 - 76	
	512-0308	Northeast Ag Marketing	71 - 77	892
	512-0311	Brazil, Northeast Ag Marketing	71 - 77	12,718

CURRENT ---
FUTURE ---

AGRIBUSINESS PROJECTS: CHILE

PAST ---
CURRENT ---
FUTURE ---

Agribusiness Related Projects:

	513-0000	Technical Support	79 - 80	12,191
PAST ---	513-0277	Chile - Ag Coop Dev. Fund	75 - 80	15,000
	513-0282	Small Scale Regional Development	76 - 78	110
	513-0296	Rural Coop Upgrading	76 - 80	250

CURRENT ---
FUTURE ---

AGRIBUSINESS PROJECTS: COLOMBIA

PAST ---	514-0181	Small Industry Development	75 - 78	5,000
CURRENT ---				
FUTURE ---				

Agribusiness Related Projects:

PAST ---	514-0164	Ag Regional Sector Loan	71 - 75	26,548
	514-0193	Rural Savings & Loan Coops	76 - 80	5,480
	514-0197	Vegetable Protein Mix sub 4	76 - 81	6,000
	514-0202	Care/Colombia	75 - 76	141
CURRENT ---				
FUTURE ---				

AGRIBUSINESS PROJECTS: COSTA RICA

PAST ---				
CURRENT ---	515-0176	Private Sector Productivity	81 - 84	9,700
FUTURE ---				

Agribusiness Related Projects:

PAST ---	515-0038	Costa Rica-Ag Development	63 - 80	3,323
	515-0117	Ag Development Program	70 - 78	15,927
	515-0120	Rural Development Program	75 - 79	7,900
	515-0134	Costa Rica - Commodity Systems	77 - 83	5,500
	515-0158	Integrated Rural Development 2	79 - 83	490
	515-0127	Soybean Prod. & Food Mix Processing	76 - 81	499
FUTURE ---		Private Investment Corporation		20,000
		Joint Agricultural Consultative Corp.		

AGRIBUSINESS PROJECTS: DOMINICAN REPUBLIC

PAST ---	517-0106 517-K039	Private Development Finance Co. II Private Enterprise Sector Development	72 - 76	5,002
CURRENT ---		FINADE Investment/Development Bank	84	2,000
FUTURE ---		Agribusiness Promotion Project	84	9,800

Agribusiness Related Projects:

PAST ---	517-0110 517-0115 517-0124 517-0136	Agriculture Community Development Foundation Dominican Development Foundation Ag Marketing & Credit Administration	74 - 80 76 - 80 79 - 82 79 - 82	11,999 293 325 320
CURRENT ---	517-0150	Small Industry Development	82 - 87	5,580
FUTURE ---				

AGRIBUSINESS PROJECTS: ECUADOR

PAST ---
CURRENT ---

FUTURE ---	518-0019	The Agribusiness Development PID		8,000
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Agribusiness Related Projects:

PAST ---	518-0051 518-0096 518-0097	Ag Production Institutional Dev./Ag Mktg. Coops sub 4 Ag Development & Diversification	61 - 77 67 - 77 71 - 77	3,869 3,869 7,123
CURRENT ---	518-0012	Integrated Rural Development	80 - 84	5,754
FUTURE ---				

AGRIBUSINESS PROJECTS: EL SALVADOR

PAST ---

CURRENT ---	519-0265	Agrarian Reform Sector Support	83 - 86	34,930
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FUTURE ---		Industrial Rehabilitation Project	84	50,000
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Agribusiness Related Projects:

PAST ---	519-0012	Ag Development	63 - 79	5,506
	519-0216	Central Marketing Coops PVO-OPG	79 - 81	75
	519-0197	Small Enterprise Development PVO-OPG	78 - 82	648

CURRENT ---	519-0223	League of Women Voters OPG	79 - 84	648
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FUTURE ---

AGRIBUSINESS PROJECTS: GUATEMALA

PAST ---		Latin Am. Ag-business Dev. Corp. (LAAD)	71 - 78	11,000
		CABEI Reg. Rural Ag-business Dev. Proj.	77 - 83	4,900

CURRENT ---	520-0238	Small Farmer Marketing	78 - 84	4,200
	520-0245	Rural Enterprises Development	79 - 84	8,170

FUTURE ---	520-0276	Guatemala Agribusiness Dev. Project		
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Agribusiness Related Projects:

PAST ---	520-0167	Rubber Production	59 - 73	3,000
	520-0185	Development Planning & Investment sub 2	67 - 76	1,100
	520-0195	Surveys and Feasibility Studies	71 - 77	1,237
	520-0197	Ag Development - Marketing sub 3	70 - 78	2,387
	520-0267	Training School for Promoters	79 - 82	232

CURRENT ---		LAAD Agribusiness		1,800
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FUTURE ---

AGRIBUSINESS PROJECTS: GUYANA

PAST ---
CURRENT ---
FUTURE ---

Agribusiness Related Projects:

PAST ---

CURRENT ---	504-0072	Rice Modernization 2	78 - 84	16,500
	504-0075	Small Farm Development - Black Bush Region	78 - 85	8,900

FUTURE ---

AGRIBUSINESS PROJECTS: HAITI

PAST ---

CURRENT ---	521-0154	Development Finance Corporation	82 - 85	10,000
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FUTURE ---

Agribusiness Related Projects:

PAST ---	521-0083	Small Farmer Marketing	77 - 83	1,200
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CURRENT ---

FUTURE ---

AGRIBUSINESS PROJECTS: HONDURAS

PAST ---	522-0120	Agro-Export Development Project	76 - 81	1,700
CURRENT ---	522-0157	Rural Technologies	79 --84	2,750
FUTURE ---	522-0207	Honduras' Export Dev. & Services Proj. Joint Ag Consultative Corp. (JACC) Fund for Multilateral Mngmt. Education		

Agribusiness Related Projects:

PAST ---	522-0000	Ag Sector Loan - CAP Presentation sub 8		
	522-0100	Ag Sector Program Honduras	74 - 80	12,000
	522-0128	Pespire Valley Integrated Development	76 - 80	200
	522-0195	Rural Enterprise Credit Fund	81 - 83	236
	522-0150	Ag Sector 2 Program sub 4	79 - 84	25,000
CURRENT ---	522-0177	Coop Development	81 - 84	341
	522-0203	ANACH Regional Coop Development	82 - 85	300
FUTURE ---				

AGRIBUSINESS PROJECTS: JAMAICA

PAST ---				
CURRENT ---	532-0081	Agro-Industrial Development	82 - 85	13,465
FUTURE ---		Private Sector Investment Fund		20,000

Agribusiness Related Projects:

PAST ---				
CURRENT ---	532-0060	Agricultural Marketing Development	80 - 87	13,800
	532-0076	Small Business Association of Jamaica	82 - 85	350
	532-0097	Small Farmer Production/Marketing (OPG)		450
	532-0079	Agro 21 Secretariat		1,200
FUTURE ---				

AGRIBUSINESS PROJECTS: LAC/REGIONAL

PAST ---
CURRENT ---
FUTURE ---

Agribusiness Related Projects:

	598-0440	Ag Marketing Systems Development	65 - 73	946
	598-0098	Coop League of the USA	63 - 77	2,988
PAST ---	598-0548	Ag Marketing Systems	74 - 77	85
	598-0476	Inter-American Export Promotion Center	68 - 80	15,247
	598-0554	Sector Analysis Support	73 - 82	4,493

CURRENT ---
FUTURE ---

AGRIBUSINESS PROJECTS: NICARAGUA

PAST ---
CURRENT ---
FUTURE ---

Agribusiness Related Projects:

	524-0065	Private Development Bank 2	66 - 75	4,984
	524-0073	Agriculture Production & Diversification	70 - 76	900
PAST ---	524-0092	Institutional Coop Dev. - sub 1	71 - 74	133
	524-0108	Rural Market Women Coop	75 - 78	142
	524-0141	Rural Small Merchant Credit Union	77 - 79	135

CURRENT ---
FUTURE ---

AGRIBUSINESS PROJECTS: PANAMA

PAST ---	525-0069	Private Enterprise Development Project	63 - 74	1,895
	525-0185	Rural Growth and Service Centers	78 - 83	10,000

CURRENT ---

		Agribusiness Project	85	6,500
FUTURE ---		Export Services Project	85	5,800

Agribusiness Related Projects:

PAST ---	525-0070	Ag Development	63 - 78	3,144
	525-0094	Panama - Capital Assistance		
	525-0152	Small Farm Improvement sub 3	69 - 75	3,500
	525-0178	Grains & Perishables Marketing System	75 - 83	6,200
CURRENT ---	525-0237	Investment Council of Panama	83 - 87	3,973

FUTURE ---

AGRIBUSINESS PROJECTS: PARAGUAY

PAST ---	526-0107	Paraguay Rural Enterprise Project	76 - 80	2,538
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CURRENT ---

FUTURE ---

Agribusiness Related Projects:

	526-0050	Institutional Dev. - Sm. Farmer Mktg. Service	69 - 78	4,845
PAST ---	526-0101	Credit Unions	69 - 81	1,928
	526-0102	Marketing Services Coops	72 - 78	747
	526-0105	Farm Management Service Small Farms	75 - 79	482
CURRENT ---	526-0118	Minifundia Crop Intensification	79 - 84	2,250

FUTURE ---

AGRIBUSINESS PROJECTS: PERU

	<u>527-0139</u>	<u>Private Investment Fund</u>	<u>68 - 76</u>	<u>1,500</u>
PAST ---	<u>527-0176</u>	<u>Rural Enterprises II Project</u>	<u>79 - 83</u>	<u>8,000</u>
	<u>527-0159</u>	<u>Rural Development Agribusiness Fund</u>	<u>78 - 82</u>	<u>15,000</u>

CURRENT ---

FUTURE ---

Agribusiness Related Projects:

	<u>527-0135</u>	<u>Food Marketing</u>	<u>68 - 75</u>	<u>385</u>
PAST ---	<u>527-0141</u>	<u>Ag Economics</u>	<u>74 - 80</u>	<u>10,000</u>
CURRENT ---	<u>527-0265</u>	<u>Private Sector Ag Investment Promotion</u>	<u>82 - 88</u>	<u>100,000</u>

FUTURE ---

AGRIBUSINESS PROJECTS: RDO/C

	<u>538-0011</u>	<u>LAAD, Regional Agribusiness Development</u>	<u>76 - 79</u>	<u>7,408</u>
PAST ---	<u>538-0005</u>	<u>Contx-Special Development Activities</u>	<u>72 - 83</u>	<u>1,113</u>
	<u>538-0010</u>	<u>Regional Agri-Business Development</u>	<u>76 - 83</u>	<u>6,950</u>
CURRENT ---	<u>538-0057</u>	<u>Agribusiness Expansion Project</u>	<u>80 - 85</u>	<u>6,000</u>
		<u>Project Development Assistant Program</u>		
		<u>Commercial Agriculture Dev. Project</u>		<u>6,500</u>
FUTURE ---		<u>Private Sec Industrial Infrastructure</u>		<u>14,000</u>

Agribusiness Related Projects:

PAST ---

	<u>538-0080</u>	<u>Caribbean Agricultural Trading Co.</u>	<u>82 - 87</u>	<u>4,800</u>
CURRENT ---	<u>538-0083</u>	<u>Banana Industry Rehabilitation</u>	<u>82 - 85</u>	<u>1,750</u>

FUTURE ---

AGRIBUSINESS PROJECTS: ROCAP

PAST ---	596-0039	Latin American Agribusiness Development	71 - 75	6,000
	596-0069	Regional Rural Agribusiness Development	77 - 83	15,000
	596-0068	LAAD Agribusiness Development	75 - 79	5,000
CURRENT ---	596-0097	Agribusiness Employment/Investment Prom.	81 - 84	6,000
FUTURE ---				

Agribusiness Related Projects:

PAST ---	596-0026	Ag Planning	68 - 79	869
	596-0033	Regional Export Expansion	70 - 76	2,650
		Central Am. School of Business (INCAE)		3,000
CURRENT ---	596-0048	Agriculture Information Systems	79 - 83	3,329
		Export Promotion Fund (BLADEX)		25,000
FUTURE ---				

AGRIBUSINESS PROJECTS: URUGUAY

PAST ---	528-0103	Agro-Industry Development Loan	75 - 82	5,000
CURRENT ---				
FUTURE ---				

Agribusiness Related Projects:

PAST ---	528-0041	Ag Production & Marketing	65 - 79	2,807
	528-0102	Uruguay - Ag Coop - CALFORU	75 - 79	2,000
	528-0105	Coop Development PVO	77 - 79	100
CURRENT ---				
FUTURE ---				

AGRIBUSINESS PROJECTS: AID/Washington

CURRENT ---		Latin America Agribusiness Development Corporation (LAAD)		
		Caribbean Project Development Facility (CPDF)		1,000
		Fund for Multinational Management Education (FMME)		
		Latin and Caribbean Investments, Inc. (LCI)		2,500
		The Jont AGRiculture Consultation Corporation (JAAC)		