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AGRICULTURAL INVESTMENT AND SUSTAINABLE AGRICULTURAL DEVELOPMENT

A. Chesney

Managing Director
Caribbean Food Corporation
Trinidad, WI

ABSTRACT

For agricultural investments to facilitate sustainable (agriculture) development, they must be prudently made and with an above-average chance of being successful from both technical and financial perspectives.

INTRODUCTION

When I was asked to present a paper on Agricultural Investments and Sustainable Agricultural Development, I suddenly realized that, although I had become accustomed to everyone talking (within recent times) of "sustainable" agriculture or agricultural development, it was not clear what aspects and/or units were to be sustainable. Was it economic, financial, environmental, or standard of living of the rural (or maybe even urban) population? In addition, in what time frame must "sustainable" be "sustainable": five years--the life of a normal commercial bank project; 10 years--the life of a production project that is financed by development financing institutions such as mine; 15-20 years, the life of development or infrastructure projects financed by institutions such as the World Bank?

After some considerable search I found a written definition for the term as used by the World Food Program (WFP) as follows: "To allow for future generations, requires that we preserve our remaining resources and that we heal or rehabilitate resources that have been treated carelessly in the past. To do these things systematically is to follow a path of environmentally sustainable development."

However this definition is, in itself, deficient. Althoug it defines the time frame ad infinitum, the only measurable unit implied is the environment. My contention will be that given the frailty of the human race, especially those people located in Third World countries, such as ours, without abundant resources, concern for maintaining or sustaining the environment will not be a major area of emphasis.

To my mind, sustainable development must include, in addition to the environment, financial, economic, and human resources as units of measure. I am suggesting, therefore, that sustainable development depends on the investment in and implementation of projects that are financially viable over a long-term basis. The collective profits from these projects (once properly channelled and administered) would be available for the education and specific skills of the indigenous people. Better educated, trained people whose basic requirements are met will be more inclined to invest in the maintenance of the environment. In other words, the WFP definition can only materialize in a practical sense if local people are intimately involved and their standard of life is improved, with the driving force being financially viable projects.

PRINCIPLES OF SUSTAINABLE AGRICULTURE

In the 1991 F.A.O publication, Ceres, Bonita Brindley reported on a series of past projects which supported this multifaceted approach towards successfully arriving at sustainable (agricultural) development. Indeed, she lists a set of principles which may be grouped as follows:

People Oriented.

Consultation with the major doers and beneficiaries.
Train and educate the people involved.
Allow the beneficiaries to be involved in the decision-making process.
Maintain or improve the participants' standard of living.

Project Oriented.

Projects should be manageable and flexible.
Project should not have a major dependence on external inputs, including people and government concessions.
Projects should build on existing technologies, practices, and arrangements.

Impact Oriented.

Impact of the actions and/or solutions should be readily replicable.
The impact (social, cultural, economic, etc.) of the proposed actions and/or solutions must be assessed beforehand.

APPLICATION TO THE CARIBBEAN

The requirements for sustainable agricultural development have thus been indicatively established on a global basis. How do we adapt these to suit our Caribbean (CARICOM) situation? To do this, we need to examine our physical, social, and economic characteristics today and how they may change in the foreseeable future.

Firstly, the Region has a small market base of approximately 5.5 million people (4.8M in the MDCs and 0.7M in the LDCs). In addition, it is a market that to date is not always available. The Gross Domestic Product (GDP) per capita (as of 1988) ranges from US$404 in Guyana to US$6,154 in Barbados. The contribution of agriculture to the GDP varies by territory, being a major contributor of about 20 per cent for Guyana, Belize, Dominica, Grenada, and St. Vincent; between 10-20 per cent for St. Kitts and St. Lucia; and less than ten per cent for Barbados, Jamaica, and Trinidad and Tobago.

Within the 1980s the fortunes of member states varied between the LDCs and the MDCs. The MDCs during the first half of the 1980, experienced performance ranging from -1 per cent in Barbados to -6.9 per cent in Guyana. By the end of the 1980s and 1990, the decline had slowed or some growth was experienced. This contrasted with the LDCs who showed sustained growth ranging from 3-6 per cent per annum. The economics are all open ones with exports representing about 60 per cent of the GDP.

Unemployment rate is officially listed at about 20 per cent for all member states. However, there is the phenomenon in some member states of shortage of agricultural labor, particularly skilled labor as in St. Kitts.

The economists suggest that this diverse and variable economic growth pattern could be attributed to the following factors **inter alia**: international economic developments which wreak havoc on small economies such as ours; availability of external funds; volatility in the key commodity markets; and natural disasters and inadequate resources to effect repairs once they occur.

I wish to suggest that these factors remain important and are likely to continue to be so for the greater portion of this decade. They would therefore impact on the success of investments. For example, we are all aware of the convulsions in Eastern Europe and the apparent demise of closed economies, the introduction of a single market in Western Europe, and the uncertainty that this has imposed on the future of CARICOM's two major agricultural exports. There has also been the establishment of other major trading blocks such as those in North America.

With the removal of ideological differences, the region's strategic importance has become limited and the richer countries have become outwardly arrogant in informing us as to how their funds shall be used while at the same time announcing that they have fewer funds available for us. That is, the inflow of funds that the region depends on will be substantially reduced and these funds are unlikely to be concessionary.

What does all of this have to do with agricultural investments and sustainable agricultural development? You will recall that my earlier premise was that sustainable agricultural development as defined by the WFP can only be achieved if the quality of life is maintained or improved. Further, it is clear that within CARICOM this quality of life could be under threat. Accordingly, investments must be utilized, without exception, to assist in the maintenance of this quality of life, or at worst, not put a burden on it.

MAJOR CHARACTERISTICS OF INVESTMENTS TO PROMOTE SUSTAINABILITY

Firstly, these investments should be aimed at (a) improving the productivity of the traditional export crops either through higher yields for existing products or diversifying the range of products obtained, and (b) increase the production of non-traditional commodities for both exports and local use. That is, these commodities must earn and save foreign exchange.

Secondly, investments in the production areas must be done by the private sector. However, since the traditional private sector appears generally to be still concerned primarily with trading activities, assistance will be required.

Thirdly, government investments must be in areas that would facilitate production. These include infrastructure (both physical and institutional), education, and research. However, I would caution that these activities must be severely prioritized, with emphasis being given to these which would result in short- and medium-term benefits.

Fourthly, investments in production activities should be primarily in small- and medium-scale projects with efficient, flexible organizations and decision-making procedures but adequate internal controls. The exceptions would be some processing and marketing activities whose profitability may be enhanced by scale.

Fifthly, the investments must be in projects that are, at worst, self-sustaining and preferably showing a rate of return in excess of acceptable interest rates. In some cases, e.g., marketing infrastructure, grant or concessionary capital may be initially required but thereafter they must be self-financing.

Sixthly, the investments should build on technologies and/or practices that have been commercially proven or almost proven within the region or under similar economic and edaphic conditions. This implies that investment preference will be given to projects that require expansion and/or modernization.

Seventhly, the investments should be in projects that do not require considerable external support for their financial success. In the case of government concessions, the investment must not be made until these are legislated, if necessary.

Finally, the investments must be in projects that are needed by the people concerned and the objectives must be well understood. A good gauge of involvement is the level of physical and financial commitment, although recently physical or "sweat" commitment is becoming less acceptable.