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REPORT ON WORKSHOP 1

Subject: Financial and Institutional Support

The Workshop considered presentations by representatives of the CRC, CDB, CAIC, CARDI and IICA and the discussions focussed primarily on the following areas:

- (a) the operational effectiveness of the CFC principally in respect of funding considerations;
- (b) the role and participation of the private sector in the transformation process;
- (c) the level of inter-institutional cooperation and coordination in regional projects and activities; and
- (d) technology, entrepreneurship and management in the agricultural sector.

The CFC and Equity Funding

It was clearly pointed out that while the CFC had an impressive array of approved projects awaiting implementation, it was severely hampered by its ability to fund these activities.

The CFC classifies its projects as pilot, developmental and commercial. Between January 1981 and March 1982 the CFC has decided to invest in 17 projects - 4 pilot, 10 developmental and 3 commercial - totalling TT\$25.5 million. To date, only TT\$3.0 million has in fact been invested. Further, its 1982-84 investment programme calls for the investment of TT\$89 million of which some TT\$53 million or 59 percent is already assumed.

The critical problem, however, is that while the assurances of funding cover 100 percent of the pilot projects, 98 percent of the production developmental projects and 71 percent of regional support developmental projects, such assurances cover only 25 percent of the commercial project funding, and this in a portfolio in which 48 percent of the funds are to be allocated to commercial projects.

The critical gap here is that of equity funding, inadequate because:

- (a) after the initial share capital call of TT\$10 million, regional governments have been unable to invest new funds in the CFC. The TT\$10 million is invested in short term deposits to help finance operating costs;
- (b) donor and lending agencies, including the CDB normally do not provide funds for equity investment while they would more readily support developmental and pilot projects as well as feasibility studies;
- (c) in addition, the pace of development of the Corporation's investment programme is highly affected by the programmes and timetables of the donor agencies themselves, particularly in regard to the manner in which fund draw downs are handled.

The Workshop recognised the difficulties facing the potential operation of the CFC and raised the issue of whether or not the CFC, in the light of actual experience, is structured to be effective in the short run. In

particular, it was suggested that the potential for developmental projects should, perhaps, be emphasized in the short term - attention being paid to making them operational and profitable within the framework of the CFC itself, and not by way of subsidiaries which would require equity funding.

The Role of the Private Sector

Two excellent examples of how the private sector may participate in regional and national agricultural development activities were discussed in the Workshop. The first was CATCO in which the CFC and the private sector have entered into a joint venture; and the second is the case of Barbados where agricultural production and marketing activities are shared between the private sector - production by farmers, marketing by agri-businesses owned by associations of farmers and the public sector which concentrates on regulatory and support services including the critical software support for an agricultural information service.

The Workshop was satisfied that private sector participation along the lines of these two models was absolutely necessary if development and transformation efforts were to be successful. It was acknowledged, however, that for the most part the private sector may in the short run be most interested in the processing and distribution aspects of the development efforts.

Institutional Cooperation and Coordination.

The Workshop recognized that there was some difficulty in the communications process between institutions involved in the regional development effort i.e. the international, regional and national institutions.

The issue was first posed as evidence of rapidly decreasing levels of cooperation and coordination as compared to earlier years, but interestingly, it turned out that the perceptions of institutional leaders differed from those of the relatively junior staff of these institutions. It appears that at the planning stages there is a considerable amount of cooperation and coordination at the highest levels.

There were perhaps two problems at work in this report. The first may be one of internal communications within the institutions themselves. The second, and perhaps more important, may well be that coordinating mechanisms at the implementation level are not as well developed as at the planning level and that it is here that the perceptions of breakdown are most apponent.

Technology, Entrepreneurship and Management

The Workshop dealt briefly with these aspects of the development process. It was felt that while strong arguments existed for the application of sophisticated technology to agriculture in the Region, everyone was not yet convinced that such technology was either crucial at this point or in any case properly adapted to the local environment.

As regards entrepreneurship and management, the Workshop felt that both of those essential qualities were sadly missing in the Region. In general, it was pointed out that very little new enterprise and risk taking was applied to the agricultural sector. Moreover, agricultural management seemed to be considered as a natural gift rather than an acquired and learnt skill. Most of the institutions were short on trained management.