



**Arab Authority for Agricultural
Investment and Development**

Strategy

For the years

2002 – 2012

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Foreword

This strategy was developed for the period 2002-2012 to enable the Arab Authority for Agricultural Investment and Development (AAAID) to keep up with the economic, technological and environmental developments in the Arab region and worldwide. The strategy was drawn on the basis of evaluating the investment experience of AAAID, which spans a quarter of a century, and recognizing the global developments and the new initiatives of AAAID for the current period and the future, aiming at enhancing its performance and developing its means for achieving the objectives for which it was established.

Preparation for the strategy was started by assigning its drafting to a selected group of Arab experts who have accumulated experience and involvement with the programs of Arab joint action. The draft strategy underwent comprehensive discussions by a committee composed of AAAID experts to identify the conceptual framework and directives of the strategy. Accordingly, the committee's efforts resulted in reclassification and rewriting of the strategy document, bringing it to its present form. Undoubtedly, the fruitful collaboration between experts from outside as well as from inside AAAID have had a substantial and essential contribution to bringing this strategy document to existence.

On this occasion, I would like to express my sincere thanks and gratitude to the team of experts from outside AAAID for their invaluable efforts and wise views, and extend my thanks to the internal committee which undertook reclassification and rewriting of the strategy document to its present form and content to serve as directives and guidelines for the activities and programs of AAAID for the upcoming period.

Abdul Kareem Mohammad AL-Amri, President

Arab Authority for Agricultural Investment and Development

1. Introduction:

- A quarter of a century has passed since the agreement of establishment of the Arab Authority for Agricultural Investment and Development (AAAID) came into force on March 22nd 1977. Since then, AAAID has been striving to attain its objectives, achieving considerable success.
- Throughout the course of its progress AAAID has witnessed numerous and successive developments in the Arab world and worldwide. The developments in the Arab world included the disengagement of the state in the production process and the expansion of privatization of production, while the developments worldwide included the emergence of globalization and its repercussions on the performance of the agricultural sector in the Arab region.
- In order to empower AAAID to cope with the aforementioned developments, which coincided with the end of the current strategy, the management of AAAID recognized the significance of adopting a new strategy which builds on insights into the history of AAAID and review of a group of fundamental considerations including:
 - Bearing in mind the establishment objectives.
 - Viewing the accomplishments of the past 25 years.
 - Reacting with reason to the problems faced and lessons learnt.
 - Understanding the developments related to the agricultural sector, in both the Arab region and worldwide.
 - Identifying the role AAAID has to play in the next stage, in preparation for drafting a 10-year strategy.
 - Drawing plans and programs with visions and mechanisms which build on past experience and future outlook.
- To accomplish this task with the highest level of objectivity, the Board of Directors of AAAID requested AAAID's management to select a group of external experts to analyze and assess the performance of AAAID for the past period, bearing in mind the current initiatives, as a preparation for drafting a strategy for the years 2002 – 2012. Accordingly, a team of seven experts, with accumulated expertise and/or involvement with similar Arab and international institutions, was selected. The team of experts held three meetings during January, March and September 2001, in the main office of AAAID where it met with H. E. the President of AAAID in each visit with the purpose of specifying the main guidelines. The experts team also held a number of meetings with AAAID's experts. The team was provided with all relevant documents and studies. The draft preliminary reports were discussed and the final strategy report was submitted in mid October 2001.

- The final strategy report underwent comprehensive discussions in the Committee for Coordination with Arab, Regional and International Organizations. This strategy document was accordingly written to include the strategic guidelines for the years 2002 – 2012. The document is built on the visions, views and directives contained in the report of the experts team, and classified and constructed in accordance with the present and future programs and activities of AAAID.
- The implementation mechanisms will be determined after the strategy guidelines are approved by the Board of Directors of AAAID. The management of AAAID would undertake designing the annual plans and programs and specifying the time frames for the programs and activities.

2. Establishment and Development of AAAID:

- The reasons behind and objectives of establishing the Arab Authority are still valid. However, the Authority is required, during the current and future stages, to adopt and activate new programs and mechanisms to enable it to move closer to its establishment objectives, taking advantage of the flexibility that was given to AAAID, in its statute and regulations, to diversify its investment, developmental and lending activities.
- The number of member states in AAAID has reached 16, as at the end of 2001, and they are: Kingdom of Saudi Arabia, State of Kuwait, United Arab Emirates, Republic of Sudan, Republic of Iraq, State of Qatar, Arab Republic of Egypt, People's Democratic Republic of Algeria, Kingdom of Morocco, Islamic Republic of Mauritania, Syrian Arab Republic, Republic of Somalia, Republic of Tunisia, Sultanate of Oman, Hashemite Kingdom of Jordan, and Republic of Lebanon. The door is open for any Arab country to join AAAID.
- AAAID was established with an authorized capital of 150 million Kuwaiti Dinars, equivalent to US\$ 492 million. The paid-up capital, as at 31.12.2001, amounted to KD 100.06 million, equivalent to US\$ 328 million.
- AAAID has its main office in Khartoum and a regional office in Dubai.

3. Analysis and Evaluation of AAAID's Performance:

3.1. Investment Activity:

- AAAID started its investment activity in 1978 and was initially directed to Sudan where substantial agricultural resources are available. As of 1986 the investment activity started to expand to other member countries. By the end of 2001, the investments directed to Sudan

represented 71% of the total AAAID investments, whereas those directed to other member states represented 29%.

- The investment activity includes capital subscription in companies, loans to companies, as well as investing surplus funds in financial markets. As at the end of 2001, there were 20 existing companies, 8 companies under implementation, 4 projects with completed feasibility studies, and 28 projects under study, 11 of which were in feasibility study stage, 6 for which the feasibility study was being updated, and 11 in the pre-feasibility study stage.
- As at the end of 2001, the investment activity of AAAID covered five main sectors, namely: plant production (38%) animal production (21%), agricultural processing (37%), inter-Arab trade development (2%), and agricultural services (2%).
- Till the year 2001, direct investments of AAAID amounted to about KD 108 million, equivalent to about US\$ 352 million. Capital subscriptions in existing companies and companies under implementation represented about KD 62 million, equivalent to about US\$ 202 million, while loans to companies amounted to about KD 44 million, equivalent to about US\$ 143 million.
- During the 1980s, the AAAID investment partners were mainly government sectors, whereas during the 1990s AAAID investment partnership shifted towards the private and cooperative sectors.
- The size of AAAID shareholding in companies ranged between a minimum of 5% (with the exception of the Inter-Arab Trade Financing Program) and a maximum of 51%.
- The investments of AAAID are distributed among 13 Arab countries, with the largest share directed to Sudan.
- The project cycle is composed of a number of stages starting with the concept, and including preparation of the terms of reference, feasibility study, appraisal, establishment, implementation, and ending with follow up. AAAID has acquired accumulated experience in managing the investment activity, and has adopted new directives and mechanisms which secure success and sustainability of investments.
- The nature and size of AAAID's participation in investment projects is determined by the following criteria:
 - Existence of an appropriate investment climate.
 - Conformity with the objectives and programs of AAAID activity.
 - Technical and financial viability of the project.

- Existence of a promoter who commits to subscribe in the project.
- The amount of the investment cost being within the range of US\$ 5 million – as a minimum, and US\$ 350 million – as a maximum.
- The capital financing is not less than 50% of the total investment cost.
- The debt financing is not more than 50% of the total investment cost.
- The promoter's share is, preferably, not less than 25% of the total investment cost.

3.2. Developmental Activity:

- AAAID's establishment agreement provided for the adoption of developmental activity, with due consideration of the principles and criteria which ensure reasonable commercial returns. However, this activity did not receive sufficient attention and was confined to developing the infrastructure of some of the existing projects within a limited scope. This necessitates the selection of the appropriate directives to support the developmental activities in the Arab agricultural sector during the coming period, to cover a wider range of beneficiaries and in accordance with AAAID's business rules and regulations.

3.3. Lending Activity:

- The lending experience of AAAID indicates that most of the loans granted by AAAID were limited to poorly performing affiliated companies, where such loans were used for rehabilitation, and the majority of them were in the form of loan guarantees to financial institutions. It seems that limiting the lending activity to affiliated companies has hindered rendering loans to other investment activities. This situation necessitates the adoption of a new directed lending policy.

3.4. The role of AAAID in Supporting Food Security Programs:

- As the primary objective of the establishment of AAAID is to effectively contribute to food security in the Arab region, food security programs will remain at the forefront of AAAID's business, especially that the food gap in the Arab region is continuously widening. In the past years since its establishment, AAAID was expected to invest in strategic projects for food security to fulfill its primary objective. Despite their significance, the implemented projects so far are not of the anticipated scale and strategic dimension. AAAID shall remain confronted with the great challenge of establishing projects with

strategic depth and direct contribution to food security, as well as establishing pilot models of advanced agricultural production systems to be followed by other agricultural investors. This approach has now started in AAAID's current programs and future initiatives.

3.5. Supporting Inter-Arab Trade in Agricultural Products:

- The role of AAAID in supporting inter-Arab trade during the past period was somewhat limited. It was confined to its contribution to the Inter- Arab Trade Financing Program by an amount of KD 1.52 million (equivalent to about US\$ 5.0 million), which is a preliminary step towards achieving the objective of boosting inter-Arab trade in agricultural products.
- The inability of AAAID to adequately move into this field of activity might be attributed to the existence of other sources to finance the activities of inter-Arab trade, as well as to the need for legislative reforms to the policies which regulate inter-Arab trade.

3.6. Evaluation of AAAID's Financial Position:

- AAAID's final accounts reflect that the authority has achieved a good financial performance during the past period. By the year 2001, annually distributed dividends amounted to the equivalent of 66% of paid-up capital. As at the end of 2001, shareholders' equity amounted to about 210.5% of paid-up capital.
- This shows AAAID's solid financial position.

3.7. Organizational Structure:

- The organizational structure of AAAID which is comprised of directorates and departments has remained stable for long periods, since the establishment of AAAID and until the year 2000. In 2001 AAAID introduced new organizational units and enhanced the existing structure in accordance with the new initiatives and activities of AAAID. This included re-organizing the Projects Directorate into two geographical departments responsible for following AAAID activities in member countries, a technical department, and a lending and financing department. In addition, four new departments were introduced, namely: Applied Agricultural Research Department, Information Technology Department, International Cooperation Department, and Studies, Information, and Statistics Department. This is in addition to enhancing the efficiency of the internal auditor's office, as well as the other departments. This new organizational structure is anticipated to enhance the efficiency of the existing business programs and facilitate

the adoption of new programs including the directives and mechanisms of AAAID's strategy for the years 2002 -2012.

3.8. Obstacles Facing the Investment Activity:

Based on a comprehensive review of the history of AAAID's investment activity, a number of obstacles which impeded the performance of this activity can be pinpointed and summarized as follows:

3.8.1. External Obstacles:

- Inappropriate investment environment in many member states, due to high rates of inflation, deterioration of exchange rates of national currencies, and under-development of financial and money markets.
- Inadequate law and regulations which encourage agricultural investment, or unsatisfactory execution of such laws.
- Insufficient infrastructure in some of the member countries.

3.8.2. Internal Obstacles:

- Insufficient efforts exerted in exploring potentially promising projects in member states.
- Poor feasibility studies for some projects. This can be attributed to poor preparation of the terms of reference; unavailability of necessary data; failure to provide qualified cadres for feasibility study preparation and appraisal or reliance on consultant firms lacking the necessary expertise.
- Lengthy implementation time periods of some projects resulted in deviation from the feasibility study and thus impeded performance of those companies and led to financing gaps during various stages of the project cycle.
- Deficiency in the evaluation of the assets of existing agricultural projects, which resulted in high fixed costs and inflated capital of some projects.
- Lack of skills and competency on the part of the executive managements of some of the companies, or deviation of some managements from the contents of feasibility studies, and this contributed to the poor performance of such companies.
- Poor on-site follow-up by AAAID of its companies throughout the project life-cycle has also contributed to the impeded performance of some companies and resulted in continuous losses.

3.9. The Program for Monitoring Companies Performance:

Due to the poor financial, management, marketing and production performance of some of the companies in which AAAID holds equity shares, the AAAID management has adopted a new intensified program for monitoring such companies in order to assess the causes of their impeded performance and find the appropriate solutions.

3.9.1. Monitoring of Companies in the Host Country:

Application of this program was started in 1999 on AAAID's affiliated companies located in the host country (Sudan). The program was progressively applied during 2000 and 2001, supported by acquired on-site experience and new insights in companies monitoring approaches which contributed to narrowing impediment circles and led to enhanced performance.

3.9.1.1. Monitoring Approach:

Specialized technical and financial follow-up teams were formed from AAAID experts for each company or a production unit of a company. These teams conduct frequent visits to the companies' production sites. Then they submit monthly reports on the companies' performance and suggest rehabilitation programs to enhance performance. The reports are then discussed by a central committee under the supervision of AAAID's senior management and in the presence of the relevant management personnel from the company under review. The necessary corrective measures are then taken.

3.9.1.2. On-site Assessment:

The program of on-site close monitoring achieved the following:

- Assessment and diagnosis of the causes of commercial losses.
- Determining of the nature and types of problems, whether they are production, marketing, financial, or management related.
- Close assessment of management inefficiency.
- Measuring the actual production, financial, or marketing performance against the planned rates.
- Determining the required rehabilitation components.

3.9.1.3. Reform Mechanisms:

The monitoring program adopted a number of mechanisms to enhance the performance of companies, as follows:

- Designing the necessary rehabilitation or enhancement programs and supervising their implementation.
- Introducing major modifications to the adopted plans.
- Enforcing more accounting and financial controls.
- Emphasizing careful selection of efficient agricultural management.
- Adoption of applied agricultural research programs for solving problems.

3.9.2. Monitoring of Companies Outside the Host Country:

- During the years 2000-2001, AAAID continued the program of intensive monitoring of its affiliated companies outside the host country, through site visits, by AAAID experts as well as external experts, to assess and identify the types and magnitudes of problems and obstacles facing those companies.
- Those visits helped in identifying the problems and obstacles which those companies are going through, and in designing technical, financial and accounting reform programs.

3.9.3. Outcomes of the Companies' Close Monitoring Programs:

The programs of intensive on-site monitoring of impeded companies represent a positive and bright spot in the progress of AAAID's investment activity. It resulted in many new insights and initiatives which started to have a positive impact on reforming impeded companies and enhancing the management of current and future investment programs. The outcomes can be summarized as follows:

- Identification of the causes of the prolonged impediment of companies. As a result, the suggested rehabilitation programs were able to put these companies on the right track in a relatively short period of time.
- Acquiring accumulated technical, financial and organizational experience that will have an effective impact on monitoring the performance of existing companies as well as in managing new investments.
- Developing and adopting new concepts in managing agricultural investments during the different phases of the project cycle,

which include identification of the project concept, shareholders selection criteria, determination of AAAID's share, specification of the contents of the feasibility study, and the implementation and follow-up approaches.

- Strengthening the relationship between applied agricultural research and directed investment programs by applying and directing research programs to serve agricultural investments and to ensure their appropriateness, success and sustainability.
- Emphasizing the importance of the proper selection of agricultural management and its role in ensuring continued success of agricultural investments.
- Acquiring more on-site experience in addressing practical investment issues, and thus adding to AAAID's expertise.
- Encouraging competition, among companies' managements, in enhancing performance, raising investment efficiency, and adopting new concepts in management.
- Increasing the companies' capabilities to meet their financial obligations.
- And finally, strengthening the confidence in the objectives and contents of joint Arab action and in the capabilities of Arab expertise in managing agricultural investments.

4. Developments in the Arab Region and Worldwide:

4.1. Global Developments:

- The emergence of globalization phenomenon has caused a shift in concepts and policies affecting all aspects of life. In the field of agriculture and food, fundamental developments have occurred necessitating appropriate reaction to and the study of the extent of their impact on the progress of the agricultural sector in the Arab world. Perhaps some of the most important of such developments are international trade liberalization, the advance in production technologies, and the information and communication technology (ICT) revolution, in addition to the developments in the world food outlook and the challenge of environmental resource preservation.

4.1.1. World Trade Liberalization:

- The establishment of the World Trade Organization in the 1990s led to fundamental changes in legislations and regulations towards abolishing tariff and non-tariff trade barriers, reduction of subsidies on food commodities, and adherence to food products quality and safety standards. This

resulted in increased competition in the markets of agricultural products and inputs worldwide.

- In order to cope with such developments, those who are concerned with the progress of agricultural investment and development in the Arab region are required to emphasize selection of produced commodities on the basis of comparative and competitive advantages, and adopt the best modern production technologies in order to raise productivity, improve quality and reduce production costs.
- As at the beginning of 2002, 11 Arab countries became members of the World Trade Organization, namely: Kingdom of Bahrain, State of Kuwait, Kingdom of Morocco, Republic of Tunisia, Islamic Republic of Mauritania, Republic of Djibouti, Arab Republic of Egypt, State of Qatar, United Arab Emirates, Hashemite Kingdom of Jordan, and Sultanate of Oman. This is in addition to 5 Arab countries which obtained observer status, namely: People's Democratic Republic of Algeria, Kingdom of Saudi Arabia, Republic of the Sudan, Republic of Yemen, and Republic of Lebanon.

4.1.2. Information and Communication Technology (ICT) Revolution:

- The breakthrough in telecommunication and information technology opened the market for a wide range of services and contributed to the development in financial markets, facilitated capital movement, and enhanced investment and project management programs.
- AAAID has recognized the vitality of this factor and has accordingly started developing and updating its existing systems for investment management, accounting and projects through the adoption of an integrated information technology strategy, together with creating an integrated base to secure success of these modern systems.

4.1.3. Development in Production Technologies:

- To keep abreast with the tremendous developments in the agricultural sector, represented in the adoption of integrated technology packages in agricultural production and processing, those who are concerned with agricultural investment in the Arab region are required to introduce advanced technologies which are appropriate for local climatic and environmental conditions with the purpose of increasing productivity,

improving product quality, reducing production costs, and raising competitive advantage in markets.

- One of the most promising technologies for effecting a quantitative and qualitative forward shift in agriculture worldwide during the third millennium is, perhaps, the application of genetic engineering and biotechnology in agricultural investments. This necessitates openness, responsiveness and interaction with such vital developments.

4.1.4. World Food Outlook:

- The world demand for food is expected to increase as a result of population growth. The demand for cereals, for human consumption and animal feed, is projected to rise by 40% by the year 2020, to amount to 2500 million tons. The demand for meat is projected to rise by 50% to amount to 320 million tons.
- In developing countries, among which are Arab countries, the demand for food is expected to grow at a higher rate than the world average. For instance, the demand for chicken broiler is projected to increase by more than 85% by the year 2020, while the demand for beef would increase by 50% by that year. The demand for feed grains would double during the period 2001–2020 to amount to 450 million tons. The demand for grains for human consumption is projected to increase by 40% to amount to 1000 million tons by 2020.
- To meet the growing demand for cereals, it is imperative to increase the world agricultural product by 40% by 2020. That has to be achieved by raising productivity. The productivity of grains in developing countries is very low, and accordingly demand for wheat will continue to rise in developing countries to more than 50%. Sorghum share will rise to 33% in 2020.

4.2. The State of Food and Agriculture in the Arab World:

- Arab countries have undergone positive developments in policies towards the privatization of agricultural activities, liberalization of trade and marketing of agricultural products and inputs, investment encouragement, and development of agricultural support services.
- The progress in the adoption of modern technologies, however, is still limited. In most of the Arab countries the agricultural sector still follows traditional farming methods with low rates of productivity, specially in rain-fed agriculture. The technology gap in the Arab region as a whole will remain wide in agricultural production, with its both sides - plant and animal production.

- In the Arab region, the consumption of food commodities still exceeds food production. Accordingly, the Arab region faces a food gap in a number of the main food products, as shown in the following table, with a total value estimated at US\$ 13.5 billion as in 2001.

**The Food Gap in Some of the Main Food Commodities
in the Arab Region during 2001**

| Product | Gap (million tons) |
|-------------------------|--------------------|
| Cereals (total): | 39.9 |
| Wheat and flour | 18.2 |
| Maize | 10.9 |
| Barley | 8.1 |
| Rice | 2.0 |
| Milk and Dairy Products | 7.9 |
| Refined Sugar | 3.8 |
| Oils and Fats | 1.7 |
| Fruits | 1.2 |
| Red Meat | 0.5 |
| White Meat | 0.5 |
| Vegetables | 0.5 |
| Fish | 0.1 |

- The agricultural investment and development sectors in the Arab region face considerable external as well as domestic challenges at the start of the third millennium. Proper reaction to those challenges requires the adoption of a strategic investment approach combining and balancing between local conditions and global developments. In the context of these concepts, it is imperative that objective and practical directives are to be set for the strategy of AAAID for the years 2002 – 2012.

5. The Strategy:

Evaluation of AAAID's past experience, together with the recognition of present situations and indicators for the future, led to the development of AAAID's strategy for the years 2002-2012 with its concepts and directives as follows:

5.1. Concepts:

5.1.1. AAAID's Objectives:

The establishment objectives of AAAID are still valid, and AAAID is obliged to implement the projects which will bring it closer to achieving those objectives during the strategy's implementation period.

5.1.2. Modern Concept of Food Security:

Food security in the Arab region will remain on top of AAAID's program priorities during the present and future stages. Nevertheless, the concept of achieving self-sufficiency, which was dominant in the past, must be updated and thus replaced by the concept of food gap bridging, with sufficient consideration for the quality and safety of food products. This necessitates the adoption of new concepts in allocating agricultural investments in line with these concepts.

5.1.3. Emphasizing Comparative and Competitive Advantages of Investments:

The allocation of agricultural investments to various production environments on the basis of comparative and competitive advantages has become an imperative, which forces itself during the present and future stages, in order to produce commodities with desired quality and low costs and the capability to compete with international production of such commodities.

5.1.4. Utilizing Learnt Lessons and Insights:

AAAID has accumulated a unique diversified practical agricultural experience through its long investment history in the Arab region. This long experience has brought about significant lessons and insights which have to be understood and borne in mind when drawing the programs and mechanisms which govern the performance of AAAID throughout the period of the strategy.

5.1.5. Recognizing Developments in the Arab Region and Worldwide:

It is imperative that the developments and emergent changes in the Arab region, as well as globally, which will accompany the progress of the investment and development sector in the Arab region in the third millennium shall have to be recognized, and appropriate programs and mechanisms shall have to be sought to balance and cope with those developments.

5.1.6. Diversifying AAAID's Activities:

During the strategy period, AAAID's attention shall have to focus on raising the efficiency of the tools of the investment programs, in addition to the adoption of specific development programs and directed financing and lending programs. This would result in a diversified activity base, and in turn necessitates developing a harmonized and balanced package of directives to guide and run the programs.

5.1.7. Emphasizing Strategic Projects:

To minimize the gap between AAAID's objectives and the progress of its investment activity, it is imperative to place adequate emphasis in the coming period on establishing strategic projects of direct impact towards supporting Arab food security, in its new concept, and establishing advanced pilot agricultural models to be followed by those concerned with Arab agricultural investment.

5.1.8. Enhancing Inter-Arab Trade in Food Commodities:

Priority shall have to be given to projects which are capable of enhancing inter-Arab trade in food commodities, for the effective role of such activity in expanding and developing Arab agriculture.

5.1.9. Preserving Environmental Resources:

A balance shall have to be maintained between the efficiency of investment in projects and preservation of environmental resource base, in order to achieve sustainable development.

5.1.10. Keeping Abreast of Technological Advances:

The rapid advance in production technology and equipment has made the efficiency of investment a moving target. This requires updating, keeping abreast of, and interaction with technology and applying it to secure continuous advancement in competitiveness of quantitative as well as qualitative production of AAAID's projects.

5.1.11. Utilizing Applied Agricultural Research:

The ideal solutions to the problems facing existing investments, and the effective preparation for future projects in various production environments, requires the utilization of on-site applied agricultural research that cannot be compensated for by mere technology transfer. In order to achieve this, it is imperative to have an organ for applied scientific research within AAAID, to

operate in accordance with a specified philosophy and mechanisms and close integrated association with the mechanisms of national, regional and international research institutions.

5.1.12. Directed Development:

The adoption of projects which enforce integration between the contents of directed development and commercially sound investments in order to expand the production base and create subsequent investment opportunities. This is in addition to establishing advanced production models in AAAID's investments to form developmental growth poles to be followed by other production sectors.

5.1.13. Priority to Strategic Products:

It is imperative to enter into investment projects which aim at emphasizing and concentrating efforts in producing strategic commodities to accelerate the elimination of the food gap in the main commodities, such as wheat, through optimal utilization of resources in the Arab region and in accordance with available competitive advantages.

5.2. Guidelines for the Investment Activity:

5.2.1. Investment Projects Selection Priorities:

- Projects which are based on the concept of large-scale production, and have direct impact on boosting quantitative and qualitative food security.
- Projects which have the potential of achieving integration between agricultural production and agricultural processing within the country or between member countries.
- Projects which apply appropriate integrated technology packages in all farming and processing operations.
- Projects which build on the principle of comparative advantage towards achieving agricultural integration between member countries.
- Pilot projects which would serve as models in applying advanced agricultural techniques, to be followed by other agricultural investors.

5.2.2. Food Products Priorities:

Priority shall have to be given to projects which contribute to the production of the following strategic commodities according to the size of the food gap and comparative advantage:

- Cereals, specially wheat.
- Vegetable oil, specially sunflower, sesame, peanuts, cotton seed, and olive oilsetc.
- Green forages and fodder grains, specially alfalfa (jet), sorghum and barley.
- Sugar
- Milk and Milk Products.
- Red Meat.
- Poultry.
- Fish.
- Vegetables and Fruits.
- Agricultural inputs, specially fertilizers, veterinary medicines ...etc.

5.2.3. Mechanisms for Enhancing the Investment Activity:

In the light of the lessons learnt and insights acquired from the experience of AAAID in agricultural investment, new concepts and mechanisms shall have to be adopted in order to strengthen and enhance the agricultural investment activity to ensure success and sustainability of current and future investments, as follows.

- Updating and developing the policies and procedures for preparing the terms of reference, selecting consulting firms, and the methodology of preparing and appraising feasibility studies.
- Emphasizing applied agricultural research prior to project implementation, to ensure selection of appropriate farming systems and determination of production methods, and after project implementation to identify and resolve problems and research appropriate methods of rehabilitation and development.
(Large-scale Research Programs → Pilot Agricultural Projects → Commercial Production).
- Emphasizing the contents of integration, modernization, appropriateness and sustainability in selecting project technology.
- Soliciting different opinions in all the project cycle phases (idea, study, appraisal, implementation, and follow-up).
- AAAID's participation in and supervision of the project establishment and implementation phases.
- Shortening the project cycle period to avoid adverse changes.

- Participation of AAAID in the selection of executive managements which are capable of managing projects and sustaining their success.
- Employing foreign expertise in the implementation and management of some of the projects which depend on modern technologies.
- Employing Arab expertise that combines academic qualification and practical experience in the preparation and evaluation of studies, and in implementation and follow up of projects.
- Emphasizing the development of efficient marketing programs to ensure investment sustainability and success.

5.2.4. Selection of AAAID Partners:

The selection of AAAID partners in agricultural investments is regarded as a determining factor in the success or failure of such investments. It is imperative to benefit from past experience and to avoid entering into partnerships with individuals, or small private sector firms, with limited administrative, technical, and financial capabilities, or a public sector that lacks interest in following up its investments or addressing the problems facing such investments. Instead, partners should be selected on the basis of their accumulated experience, their administrative, technical and financial capabilities, and their commitment to institutional work practices, such as Arab or regional corporations and institutions, or large private sector companies.

5.2.5. The Size of AAAID's Subscription in Companies:

The sizes of AAAID's subscriptions in projects shall have to be determined to the level which enables its effective participation in making the decisions that are capable of ensuring success and sustainability of such investments, taking into consideration the nature of the project, the investment environment, shareholders structure, and subscription by the maximum possible number of private sector investors.

5.2.6. Supporting Close Monitoring Programs:

The results of the programs of close monitoring of impeded companies, and the various positive outcomes of those programs, indicated the significance of continuing this effective approach during the strategy period in two directions, namely: monitoring of existing companies to avoid poor performance and secure their

continuity in the right investment track, and; enhancing the methods of implementing new projects to secure continuous and sustainable success. In this context, it is necessary to emphasize the effective role of AAAID's representatives in the boards of directors of companies.

5.2.7. Updating the Criteria for Equity Participation in Investment Projects:

The criteria for determining the nature and sizes of AAAID's subscription in investment companies shall have to be updated according to the specifics of the investment environment in member states.

5.3. Guidelines for the Lending and Financing Activity:

The lending and financing activity is considered as one of the main investment approaches for creating a wide developmental base that contributes to the development of the Arab agricultural sector. This necessitates the adoption of a lending and financing activity which complements technically feasible and financially viable subsequent investment activities, in coordination with similar local, regional and international financing institutions which have similar interests, by adopting the following guidelines:

- Contribution in providing necessary financing to agricultural projects or companies in which AAAID does not hold equity shares, in countries within the domain of AAAID's investment activity, and in coordination and collaboration with local, regional and international lending institutions with similar objectives, within the scope of Arab food security.
- Granting of medium and short-term loans against sufficient collateral.
- Cooperation and coordination with local, regional and international financial institutions of similar interests and relevance to the objectives of the investment activity, in financing operations to benefit from their lending experience in developing the lending activity.
- Studying the feasibility of participation in lending and financing programs for small farmers, by cooperation and coordination with international, regional and local lending and financing institutions.

5.4. Guidelines for the Developmental Activity Directed to Serve Investment:

Given the importance of this activity in developing the agricultural sector in member states, it is imperative to consider the introduction of directed

developmental programs with the purpose of establishing production bases to be linked with a financially viable investment activity. This shall have to be carried out in collaboration and partnership with similar local, regional and international financial institutions. To achieve this, it is necessary to work in two directions represented in: AAAID's role as a catalyst for promotion and follow up with relevant financing and governmental institutions, or its role as a co-financier of the developmental program with relevant financing and developmental organizations in accordance with the project particulars when such activity proves feasible and sustainable.

5.5. Support and Development Activity:

5.5.1. A New Strategy for Information Technology:

The current strategy period shall witness the adoption of an integrated strategy for information technology. During the year 2001, the guidelines of this strategy were drawn in three main axes, namely:

- Implementing a suitable Enterprise Resource Planning (ERP) system, to meet the current and future needs of AAAID.
- Completing the IT infrastructure which included establishing an IT maintenance workshop, connecting AAAID network with the Internet, coordinating with a specialized firm to design the AAAID website, and procuring servers and work stations. Specialized firms were approached for re-cabling the local data network, training AAAID employees and experts on relevant programs, and connecting the AAAID regional office (Dubai) with the main office.
- Adopting a new organizational structure for the IT Department and providing it with a qualified cadre.

5.5.2. Cooperation with Arab, Regional and International Organizations:

Due to the expansion in the overall activities of AAAID during the period of the new strategy for the years 2002-2012, it is necessary to continue to enforce the cooperation and coordination with similar Arab, regional and international organizations to serve AAAID programs and activities in the following areas:

- Investment activity.
- Lending and financing activity.
- Developmental activity.
- Research and studies.

- Modern technological programs for developing Arab agriculture.
- Training and development.
- Inter-Arab trade.
- Exchange of experience, consulting and scientific publications.
- Organizing directed scientific and investment workshops.

It is worth noting that the management of AAAID has recognized the importance of open communication and coordination with similar organizations and, accordingly, formed the High Committee for Coordination with Arab, Regional and International Organizations at the end of the year 1999. The committee undertook the responsibility of supervising those activities and has outlined integrated views on the mechanisms of coordination and cooperation with similar institutions. At the end of 2001, the International Cooperation Department was formed to carry out its duties in this area of activity.

5.5.3. Technical and Technological Programs for Modernizing Arab Agriculture:

Emphasis shall have to be placed on the role of the specialist programs which aim at studying and evaluating the outcomes of international technologies in agricultural science with the purpose of utilizing such outcomes in agricultural investment projects in the Arab region in the current and future periods. It is worth noting that these programs were initiated during the years 2000-2001 and that they are currently active achieving their objectives, and are anticipated to contribute in forming new concepts for developing Arab agriculture throughout the period of the AAAID strategy. The programs are as follows:

- The Program for Applying Tissue Culture Technology in Agricultural Projects.
- The Program for Applying the Results of Genetic Engineering and Biotechnology in Investment Projects.
- The Program for Keeping up with the use of Appropriate Mechanization in Agricultural Projects.
- The Program for Organic Farming.
- The Program for the Selection and Application of Modern Irrigation Systems in Agricultural Projects.

5.5.4. Utilizing Applied Agricultural Research for Investment Purposes:

It is imperative to proceed on the development of the Applied Agricultural Research Department in AAAID to play a role in addressing the problems facing existing investments and providing scientific basis for new projects, by supporting and enhancing the efficiency of affiliated research stations.

For developing this facility, it is imperative to interact and coordinate with national, regional and international research centers, for collaboration and exchange of experience and information.

5.5.5. Emphasizing Directed Scientific Publication:

Emphasis shall have to be placed on the importance of encouraging directed scientific publication, and thus reinforcing the role of the departments formed in 2001, namely; the Studies, Information and Statistics Department, and; the Applied Agricultural Research Department, to follow up AAAID's directives for applied scientific publication, through the following:

- Issuing a refereed agricultural investment journal with the title "Journal of Agricultural Investment", which aims at publishing original applied scientific research papers, specialized articles which are applicable for investment, Arab and international economic and marketing studies, and presenting pilot Arab experiments and reviewing the most advanced international production and processing technologies.
- Preparation and distribution of extension bulletins directed to Arab investors and farmers, focusing on applying the best advanced international technologies in agricultural investments and reflecting the accumulated experience of AAAID, as well as others, in these fields.
- Issuing a seasonal newsletter to cover the activities and achievements of AAAID and its companies, in addition to other topics, to contribute in supporting the role of AAAID and introducing AAAID to Arab investors and farmers.
- Issuance of sectoral commodity studies, in accordance with the investment priorities.

5.5.6. Training and Development:

Sufficient emphasis shall have to be placed on the human factor in AAAID's activity in a manner to enhance its openness and keeping up with modernization, especially in the areas of information

technology, financial analysis, projects appraisal and the utilization of applied scientific research. This is beside enhancing the academic and practical capabilities of AAAID experts, through participation in conferences, symposiums, workshops, and international and Arab Agricultural Exhibitions, and exposing them to pioneer international agricultural experiments. This is in addition to expanding the training and capacity building base to include workers in the Arab agricultural sector according to specified guidelines.

5.6. Organizational Structure:

- Enhancing the organizational structure of AAAID which is considered as the main apparatus through the management and organs of which AAAID operates to implement its programs and strives to achieve its objectives.
- AAAID shall have to continue monitoring and assessing the performance of this organizational structure and developing it in order to secure optimal distribution of tasks, improved performance and sustained efficiency.

5.7. AAAID Investments Risk Minimization:

It is imperative to consider adoption of efficient integrated investment packages for AAAID's investments with the intent of achieving the best returns with minimum risks. This requires adopting relevant appropriate international standards.

5.8. Supporting Arab Joint Action:

- Interaction with Arab companies and institutions concerned with the development of the Arab agricultural sector to secure optimal utilization of resources and capabilities in Arab countries.
- Positively responding to the steps, undertaken within the League of Arab States, aiming at the establishment of a form of economic integration capable of responding to the challenges posed by globalization.

5.9. Implementation Mechanisms:

In light of the concepts and guidelines under this strategy, the management of AAAID shall specify and develop the necessary implementation mechanisms, plans and programs for achieving AAAID's objectives throughout the period of the strategy.

Annex I
Experts Committee

| | |
|--|-------------|
| 1. H. E. Dr. Abdalla Ahmed Abdalla | Coordinator |
| 2. H. E. Mr. Abdellatif EL Jouahri | Member |
| 3. H. E. Dr. Abdulrahman Abdulwahab Mohamed | Member |
| 4. H. E. Dr. Salahuddeen Mohamed Kamal Galal | Member |
| 5. H. E. Dr. Mahmoud Mohamed Bashir Alsoh | Member |
| 6. H. E. Mr. Abdelmajid Slama | Member |

Annex II
AAAID Committee for Exchanging Views
with the Experts Committee

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|--------------------------------|--------|
| 1. Dr. Nawfal Hameed Rasheed | Head |
| 2. Mr. AL Arabi Mohamed Hamdi | Member |
| 3. Dr. Mohamed Ahmed AL Karaki | Member |

Annex III
Strategy Reclassification and Rewriting
Committee

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|--------------------------------|--------|
| 1. Dr. Nawfal Hameed Rasheed | Head |
| 2. Dr. Siddig Umbadda Rabih | Member |
| 3. Dr. Mohamed Ahmed AL Karaki | Member |
| 4. Dr. Azher Hassan AL- Haboby | Member |
| 5. Dr. Abbas Hassan Monofali | Member |