Background paper for the
Competitive Commercial Agriculture in Sub–Saharan Africa (CCAA) Study

All-Africa Review of Experiences with Commercial Agriculture

The Fall and Rise of the Colonial Development Corporation

Geoff Tyler
Consultant

Disclaimer:

This background report is being made available to communicate the results of Bank-funded work to the development community with the least possible delay. The manuscript therefore has not been prepared in accordance with the procedures appropriate to formally edited texts. Some sources cited in this report may be informal documents that are not readily available.

The findings and interpretations expressed in this report are those of the author(s) and do not necessarily reflect the views of the Board of Executive Directors of the World Bank or the governments they represent, or those of the Food and Agriculture Organization of the United Nations (FAO).

The World Bank and FAO do not guarantee the accuracy of the data included in this work. The designations employed and the presentation of the material in this work, including the boundaries, colors, denominations, and other information shown on any map do not imply any judgment on the part of the World Bank or FAO concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Promoting Commercial Agriculture in Africa – The Fall and Rise of the Colonial Development Corporation[1]

Background

This case study aims to identify aspects of colonial agricultural development experience that are of relevance today and which illustrate some of the practical advantages and drawbacks when governments and government agencies take on a leading role.

There is a long tradition in the history of economic development of Governments taking the initiative, even those with a broadly capitalist outlook.

The least controversial aspect has been planning and organisation by Government of basic economic infrastructure, e.g. transport facilities, energy supplies, water supply. Implementation and operation may also be undertaken by state bodies or by the private sector.

One step further for Government intervention has been the "infant industry" concept, the view that free-markets alone will not achieve an optimum economic development path. For some economic activities a certain critical mass in terms of size and experience is necessary before international competitiveness can be achieved and it is argued therefore that Governments need to nurture, subsidise and protect private sector industries for a period.

An even more controversial role for Governments in essentially capitalist countries has been to directly promote and operate commercial enterprises in the belief that private entrepreneurship alone either cannot (e.g. does not have access to the capital and technology required) or will not (e.g. risks seen as too high) achieve the speed or type of economic transformation desired. France, Tsarist Russia and Japan have been leading historical examples. Even as recently as 2005 the President of France proposed to stimulate economic growth in the European Union through a series of "Grands Projets" aimed at capturing the public imagination and restoring confidence after years of high unemployment and minimal economic growth.

During the nineteenth century Britain followed a relatively free-market, "laissez-faire" approach to economic development with an open economy, minimal tariff barriers and reliance on the private sector wherever possible (e.g. for the railways).

During the course of the second world war the British Government took direct control of many sectors of the economy and subsequently perceived that this had been successful and essential in meeting basic needs while maximising munitions production. There evolved therefore a spirit of confidence in the practical capacity of government organisations to implement and operate major commercial undertakings. The overwhelming victory of the Labour Party in the 1945 general election added a political dimension of mistrust of the private sector and its perceived "exploitation" of the

[1] The author was a CDC employee 1983-2000, and a retained consultant 2000-2004.

working class. These two major changes had a direct impact on the approach to economic development in the colonies, with the creation of the Colonial Development Corporation.

Establishment of the Colonial Development Corporation (CDC) [2]

As is usually the case, initiatives do not just stem from a single motivation, but a number of influences come together to create the necessary consensus and momentum for action. In the immediate aftermath of the second world war Britain was short of food and raw materials and was short of US Dollars to pay for imports. The Ministry of Food was therefore keen to promote increased production from within the Sterling currency zone, i.e. mainly the remaining colonies. Within the Colonial Office there was a view that the pace of economic development in the colonies was too slow and that in part this was down to the inertia of local administrations. There was a view that a central body was needed to conceive and carry out major projects independently of existing colonial authorities.

In the end two separate statutory bodies were created in 1947/8.

The **Overseas Food Corporation** came under the Ministry of Food. Its first and last major initiative was the East African Groundnuts scheme in Tanganyika. This was an almost complete agronomic and commercial failure. Unrealistic targets were set and large areas of land were cleared, at high cost, without having established appropriate technology for land development and subsequent cultivation. The scheme was abandoned once it was realised that the groundnut yields achievable were unable to cover even the running costs of the scheme, let alone contribute to the repayment of the heavy debts incurred for its establishment. The term "Groundnut Scheme" became a byword in Britain for grandiose, ill-conceived, and poorly implemented government projects.

The **Colonial Development Corporation** came under the Colonial Office and had a more broadly based purpose. Its mandate was to improve "the standard of living of the Colonial peoples by increasing their productivity and wealth".

Sir Stafford Cripps, the Minister for Economic Affairs, addressing a conference of sceptical colonial governors in 1947, stressed the urgency of the situation and the central importance of Africa:

"it is essential that we should increase out of all recognition the tempo of African economic development. We must be prepared to change our outlook and our habits of colonial development and force the pace… An occasional failure is the necessary price of adventurous development and we must not allow safety first to be the key note of our work….the whole future of the Sterling Group and its ability to survive depends in my view on a quick and extensive development of our African resources."

---

[2] For a detailed account see: The Development Business. A History of the Commonwealth Development Corporation, by Michael McWilliam (2001)

CDC was not envisaged as an "aid" agency. As a statutory corporation it had no equity capital, and relied entirely on long term loans from the UK Treasury, advanced at commercial rates of interest, to fund its activities. A borrowing facility of £100m was made available – equivalent to around £2b today. CDC's statutory financial obligation was to break-even taking one year with another, i.e. it was not required to make a profit beyond that needed to service its borrowings.

CDC had no intention of simply being a banker, on-lending to public or private ventures at a higher rate of interest and with good security. It saw itself directly tackling the kinds of countries and projects that the private sector would be wary of. The first annual report in 1948 noted:

'it is already clear that it is in the least developed, rather than the most highly developed territories that the Corporation's main work will be done…The tasks of development are too large, and the financial return too distant or the risks too great, to attract sufficient private capital."

The Corporation would therefore "prefer venture to caution" and decided that the bulk of its investments would be made in the form of equity. Indeed CDC sometimes undertook projects "directly", that is without incorporating a separate legal entity for the project, so that all of the liabilities and risks fell directly onto CDC's own balance sheet. CDC organised itself administratively into production divisions: agriculture, fisheries, forestry, transport, power, hotels etc. each with an intended capability to plan, implement and manage commercial projects in the colonies.

<u>False Start in Africa 1948-51</u>

From the beginning Africa and agriculture were expected to play a major part in CDC's activities:

"Africa, the Board believe, is the most promising field for large-scale development …. In the sphere of agriculture much worth-while work can be done immediately by larger production of crops for the local market and by using such schemes to popularise more productive methods of peasant farming … the Agricultural Division is regarded as potentially the largest sphere of the Corporation's activities."

In fact during its first three years of existence, over 50% of CDC's investment and financial commitments were for agribusiness ventures.

CDC's agricultural and renewable resource investments in Africa during the 1948-51 period are listed in appendix 1. All but one were implemented and managed by CDC directly. Many were intended to be very large-scale ventures. Some thrived, some survived and others were complete ecological and financial failures. The main examples are:

Sustainable Businesses Created	
Tanzania	Tanwat: wattle extract for the leather industry
Swaziland	Swaziland Irrigation Scheme (rice, citrus, sugar)
	Usutu Forest (pines for pulp industry)
Botswana	Molopo Ranch
	Lobatsi Abattoir
Malawi	Kasungu Tobacco Scheme

Failed Ventures	
Gambia	Poultry Scheme
Gambia	Rice Farm
Malawi	Tung Oil Plantation
	Limpasa Dambo Farm (food crops)
Nigeria	West African Fisheries
	Agricultural Settlement Project (food crops)
Botswana	Bechuanaland Cattle Ranch
Seychelles	Seychelles Fisheries

Some failures were similar in nature to the groundnut scheme – grandiose vision, large-scale land clearing but no proven agricultural basis for commercially successful production, and it quickly became apparent that the schemes were going to operate at a loss.

The Gambia Poultry Scheme, for example, was a personal initiative of CDC's chairman in response to a request from the colonial governor that Gambia should have a project. Having seen a poultry farm in the Bahamas in January 1948, the chairman believed it should be possible to establish an export-oriented poultry industry in the Gambia. The concept was to clear and develop 10,000 acres of land to produce cheap cereals, to feed to 200,000 birds, to produce 20 million eggs and one million pounds of poultry meat per year. There were no trials to establish the viability of the concept. The project was approved by the CDC board in June 1948 . Land clearing provided difficult and costly, the cereals did not yield well, the poultry did not achieve the required productivity rates and suffered from fowl pest. It was difficult to maintain a cold chain through to the UK and many eggs were rejected by the British market. Eventually egg exports were abandoned, and the project was closed in 1951.[3]

In some cases CDC persevered for several years before finally admitting failure. The Bechuanaland Cattle Ranch was another grandiose concept – intended to include 350,000 head of cattle and 300,000 acres of crops – which quickly proved to be technically unfeasible under local climatic and soil conditions (and was probably managerially

[3] see Michael McWilliam (2001)

impossible as well). The venture was converted into a more modest ranching businesses but consistently lost money and was eventually given to the Government of Botswana.

With forestry projects there is an inevitable time lag before commercial performance can be realistically assessed since it is many years before there is a product to sell. In the case of the Malawian 20,000 acre tung oil plantations, a forestry plantation was established and brought to maturity (albeit a smaller area, at higher cost, that envisaged), but by the time production came on stream the market for tung oil had collapsed due to the introduction of cheaper substitutes. The venture was essentially a long-term economic/market gamble that failed.

Some important sustainable businesses were created e.g. Usutu pulp wood plantations in Swaziland, the wattle plantations in Tanganyika, the tobacco estates in Malawi (which evolved into the successful Kasungu Flue-cured Tobacco Authority, privatised in 2001), and the Lobatsi Abattoir in Botswana. However whereas Usutu was a successful investment for CDC, as well as a sustainable business for the Swaziland economy, Tanwat was never able to provide CDC with a return on its capital. A comparison of the historical experience of the two venture is presented later in this case study.

The Swaziland Irrigation Scheme (SIS) was an initial commercial failure. A 105,000 acre block of privately owned but uncultivated, low-rainfall "low-veld" land was bought by CDC and a technically sound large-scale irrigation system (Mhlume Water) was developed to supply both CDC's land and neighbouring farmers. However CDC struggled to find profitable crops to utilise the water. Rice was intended to be the main crop, but it proved impossible to overcome problems with weeds and drainage. Commercial success was eventually achieved thanks to the establishment nearby of a sugar factory, by CDC and a South African partner, which created a market for SIS to grow sugar cane. A moderately successful citrus estate was also established.

The outright failures (not restricted to Africa) and the long payback period of even the successful ventures (e.g. forestry) combined with CDC's lack of equity capital led quickly to CDC becoming insolvent. The first Chairman, Lord Trefgarne, was sacked and Lord Reith was brought in to salvage what he could.

CDC's 1951 Annual Report summed up the lessons learned, and these still have resonance today:

- over capitalisation of the projects relative to turnover/income potential
- employment of too many expensive expatriates
- overheads out of proportion to turnover/income
- too much emphasis on "direct projects" rather than working with experienced, private sector partners
- the less remunerative aspects of development need to be subsidised by the Colonial Governments

As early as in the 1948 Annual Report CDC was complaining that the cost of developing projects in the Colonies was double that of the UK, because CDC had to provide infrastructure – land clearing, housing, public services, communications – that would have been provided by the government at home.

It was not surprising that many aspects of agricultural development required subsidy. In many parts of the world the basic infrastructure for agriculture development was, and is still, provided either free of charge or at sub-economic costs by governments. This includes road and other transport systems, irrigation and drainage networks, agricultural research and extension services.

Consolidation and Recovery, 1952-62

Under CDC's new chairman, projects with no future were wound up and the Corporation placed more emphasis on "finance house" business (i.e. loans) to develop a cash flow and on joint ventures with private sector partners.

Overall the share of agribusiness in the portfolio gradually shrank, falling to 30% by 1956. As shown in Appendix 1, CDC continued to invest in African agriculture, but of the 12 new investments, 1952-62, four were loans to colonial governments (and so virtually risk free), five were joint ventures with experienced, private sector partners, one was a joint venture with a government agency and one was a loan to a private business. There was only one, new, wholly CDC project, and that was the development of a settlement scheme for sugar cane growers (Vuvulane Irrigated Farms) attached to CDC's existing Swaziland Irrigation Scheme.

None of the projects initiated in this period was a complete failure, most did reasonably well and some were outstanding successes, e.g. Mhlume Sugar Co in Swaziland and the Special Crops Development Authority (the forerunner of the Kenya Tea Development Authority.

Contrasting Experiences – Tanwat and Usutu

It is interesting to compare the histories of two forestry based projects initiated during CDC's first three years, one in Tanzania and one in Swaziland. Both have survived but their fortunes have been very different.

Tanwat – A Constant Search for Commercial Success in a Difficult Environment

In 1946 a UK company which dominated the world market for vegetable tanning extracts, FORESTAL, initiated a project to grow wattle in Tanganyika in the remote Southern Highlands, fearing that there was going to be a shortage of traditional Argentinian supply. Tannin is extracted from the bark of the wattle tree and is the traditional, "natural", way

of curing leather, especially for use in the soles of shoes. The Southern Highlands area had been identified as having ideal growing conditions for the tree.

In 1948 FORESTAL abandoned the project, claiming a shortage of funds following the nationalisation of their business in Argentina. The Colonial Government appealed to the newly created Colonial Development Corporation to take over. CDC was developing two other long-term tree crop projects in Africa at the time – the tung oil estates in Malawi and the Usutu pine forest in Swaziland - and so considered that it had core expertise in this area.

CDC's Forestry Division appraised the project and CDC decided that it would proceed provided FORESTAL agreed to act as technical advisers, which they did. CDC had staff on the ground by the end of 1949.

Tanganyika Wattles Estates was initially an unincorporated division of CDC. Eight years were spent developing 13,500 ha of wattle plantations within a total land allocation of 18,000 ha. The land was acquired through compulsory acquisition and there was initially local opposition until it was clarified that compensation would be paid in cash. Tanwat also supplied seeds, inputs and training for a 4,000 ha out-grower scheme financed by the Tanganyika Government.

Work on the processing factory started in 1956 and it was commissioned in 1959. Tanganyika Wattle Company Ltd was incorporated in 1958. FORESTAL took a 10% stake and provided the engineering and management for the factory. However due to policy disagreements CDC bought out FORESTAL in 1959 and took over factory management responsibility, but with continuing FORESTAL technical and marketing advice.

By the time the factory came on stream the world market for tannin extract had stagnated and the shortage that FORESTAL had anticipated failed to materialise. Prices were low and there was insufficient demand for the factory to operate at full capacity (it never has). Tanwat was unable to keep up-to-date on interest payments due to CDC.

After independence the Government of Tanzania followed a classic policy of squeezing the export sector (controlled by foreigners) and subsidising imports via the mechanism of an over-valued currency and exchange controls.

Tanwat found that it could not cover all of its local costs based on converting its dollar earnings into local currency at the artificial exchange rate. It therefore decided to diversify into producing products for the local market in order to earn local currency directly. Around 1970, although the site is remote from urban markets and was not very suitable for rainfed arable crops (it is high at over 5,000 ft), Tanwat developed an arable farm, including hybrid maize and wheat, as well as a more suitable dairy herd and a sawn timber business (4,000 ha of pine and 1,000 ha of eucalyptus plantations plus saw mill). It also promoted a seed production operation (Tanseed) in 1973, which was eventually acquired by the Government. These activities were initially profitable in local currency

terms because of food shortages and helped Tanwat to survive the 1970's and 1980's. Tanwat used to barter its food products with other national food producers (e.g. sugar) in order to stock the company shop where its workers were able to use their wages to buy essentials that were otherwise hard to find on the open market.

The perverse shortage of local currency due to the overvalued exchange rate also led Tanwat to begin the development of a new 2,000ha arable project 150km further south at Ndolela in the mid 1980's. However there had not been adequate soil surveys of the area, and once cleared the land proved to be extremely fragile and unsuitable for annual cropping. The project was quickly abandoned on environmental grounds.

With economic reform and the liberalisation of the foreign exchange market in the 1980's exporting once again became a profitable activity and the need to generate local currency directly (as opposed to selling foreign exchange earnings) fell away. However the market for wattle extract was in steady decline (due to competition from synthetics) and was regulated by informal quotas which kept the price reasonably stable, but did not permit Tanwat to expand.

In 1988 the company therefore decided to develop a 600 ha irrigated tea estate and factory as a second, major foreign exchange earner. It also developed a pioneering 2.5 MW dendro-thermal power station, using the wood residues from the wattle and saw milling ventures, selling power to TANESCO. Meanwhile the financial viability of the arable crops declined rapidly once imported foods became more readily available, (and I believe that arable farming was eventually abandoned).

The tea was a technical and operational success (high yields in the field and good quality in the factory) producing reasonable operating cash flow surpluses, in spite of the long distance from export markets. However the cost of the tea development was high and saddled Tanwat with more debt which it was unable to fully service. (Eventually the tea division was legally separated from Tanwat and incorporated into a CDC-controlled integrated tea production, processing, packaging and distributing business, Tanzania Tea Packers Ltd. (Tatepa)).

By 2000 CDC had invested a total of £23.4m in Tanwat since its inception. However, this ignores the effect of inflation since the 1950's. The real cost of the investment in terms of today's pounds is much greater.

Generally Tanwat has achieved financial break-even, in terms of cash flow to sustain existing operations. For the most part it has not generated cash flow surpluses with which to finance its continuing development, to fully service the CDC loans or to pay dividends to shareholders. As a result CDC has over the years implemented several balance sheet restructurings and has regularly injected fresh capital to support expansion/diversification.

On the broader economic side, hundreds of new jobs were created and then sustained along with all of the necessary housing, schooling, clinics etc. Tanwat is a classic

"enclave" development. There had been isolated European settlement in the region prior to Tanwat's start-up, but there was very little economic or social infrastructure when CDC began work in the area.

Usutu Pulp Co. – Successful core business in a stable environment

CDC's experience of the Usutu pulp wood forestry and factory venture in Swaziland was the opposite of Tanwat in many respects.

The concept was the same. CDC was invited by the colonial government to implement a major pine plantation development for which a feasibility study had already been prepared. It was believed that no private sector investor would be willing to take on the long-term financial commitment and economic and political risks of forestry planting.

Planting started in 1950, and over a 10 year period 45,000 ha of pines were established. The site proved to be excellent, achieving some of the highest growth rates in the world[4] and within 10 years there were trees sufficiently mature to plan for pulp production.

In 1959 CDC entered into a 50:50 joint venture with an experienced UK partner, Courtaulds, to build and operate a 90,000 tonnes per annum capacity, unbleached kraft pulp factory which came on stream in 1961.

The resulting venture was commercially successful after allowing for the ups and downs of commodity prices. Unbleached kraft wood pulp is not a high value commodity but Usutu has been a relatively large-scale, export-oriented venture, benefiting from:

- excellent growing conditions (soils, temperature, rainfall)
- compact plantation layout, reducing cost of transport to the mill
- a short rail link to the port at Maputu in Mozambique

It was able to survive at times of low world pulp prices (with the help of some flexible loan rescheduling by CDC) and to generate substantial profits during periods of high prices.

As a sound, "world-class" commercial venture (accounting for approximately 12% of world output) Usutu was a potential acquisition target for a specialist pulp and paper company. In 1990 Courtaulds decided that pulp was not its core business (it was mainly in textiles), and sold its 50% stake to SAPPI of South Africa, a global specialist in the pulp and paper business. Since SAPPI wanted majority ownership it was agreed that CDC would also sell about half of its stake to SAPPI. (The Swazi Government was reluctant to see 100% ownership fall into the hands of a South African company at the time and as part of the negotiations the land title was converted from freehold to long-term leasehold). In 2000 CDC sold its remaining stake to SAPPI.

[4] Integrated Industrial Forestry: The Case of the Usutu Pulp Company Ltd. P Whitfield (1996)

The venture has had a major developmental impact. By the mid-1990's it was employing around 2,000 people directly and, through sub-contractors, it was estimated that 20,000 people were dependent on Usutu's existence. It has developed a township with medical facilities and schools. It accounted for 15% of Swaziland's GDP.

As a result of a series of expansions, by 2004 the area of the pine plantation had reached 66,000 ha and pulp production had risen to 181,000 tonnes, generating export earnings of over US$70m p.a.

As well as a developmental success, Usutu represents one of CDC's best commercial investments. In total CDC committed nearly £18m to the venture (much more in today's values). All loans were eventually repaid, with interest, and CDC achieve a compound return of approximate 13% p.a. in Sterling terms on its equity over the very long life of the investment.

Usutu benefited from a strong, long-term market for its product. While the pulp market during the 1970's and 1980's was cyclical, it did not suffer from the overall long-term trend of decline that adversely affect many agricultural commodities.

Swaziland was relatively stable, both in economic and political terms, throughout the development and operation of Usutu. There was a mostly peaceful transition to independence. As a small nation the currency was first tied to Sterling and then to the South African Rand, thus avoiding the high inflation and currency overvaluation that characterised much of the rest of Africa during the 1970's and 1980's. Swaziland was also part of the Southern African Customs Union and therefore had full access to services, inputs and specialist management and technical staff from South Africa, despite international sanctions. Government policy favoured increasing Swazi participation in the economy, but not nationalisation.

Usutu's owners and management were therefore able to focus on making a success of its core, export oriented business, and unlike Tanwat did not have to resort to diversification as a survival strategy. The contrasting experience is summarised below:

	Tanwat	Usutu
management	CDC	CDC, then private
agro-business model	sound wattle, unsound diversifications	world-class, stuck to core business
logistics	Very long distance from export port and main markets (over 500km) . Isolated "enclave" development.	Good rail and road links to nearby port. Well linked to economic infrastructure of South Africa.
market growth	export market in decline, domestic markets distorted by controls	steady market growth, price fluctuations

government facilitation	politically supportive (i.e. not nationalised) but anti-business bias in economic policies	supportive
macro-economics	horrendous economic distortions due to overvalued exchange rate at times of extreme forex shortages	broadly sound monetary policies
subsidies	none	none
finance	almost 100% CDC	CDC, private partner, commercial banks
land policies	initial local objections, but able to acquire and retain large land holdings. Good relations with local chiefs important. Outgrower scheme supported	able to acquire and retain large land holdings, In 1989 freehold converted to long term lease to address political sensitivities.

Principal Conclusions based on the Colonial Development Corporation Experience

CDC's experience during the colonial era is in itself one of positive turnaround from initial failure to moderate success, mainly but not entirely related to the poor performance of its agricultural investment portfolio.

The initial burst of enthusiasm and confidence, 1948-1951, led to a project identification, implementation and operation strategy that was simply too risky. Sir Stafford Cripps view that: *"An occasional failure is the necessary price of adventurous development and we must not allow safety first to be the key note of our work…"* was naïve, since over-eager acceptance of the need to act urgently and at high risk led to a series of failures and insolvency for CDC as a whole. Project failures are not mere statistical downsides, they create personal crises for hundreds or thousands of families and can leave behind permanent environmental damage.

It is important in business development to avoid too many "news". New countries of operation; new products; new markets; new management, new technologies. When one "new" is piled on top of another, failure becomes almost inevitable. The obvious answer is pilot schemes to establish suitable technologies, to test markets and to prove commercial viability. However in practice many Governments, state-enterprises, development institutions and private entrepreneurs have been reluctant to invest the time and money needed for adequate pilot phases before embarking on commercial scale operations.

It is also important not to compound project/business risk with financial risk. CDC raised 100% of its capital in the form of loans with fixed interest and repayment obligations, and mainly used the proceeds to make equity investments that carried no equivalent obligation to return proceeds to CDC. To manage financial risk, revenue streams should

be reliable while keeping cost streams as flexible as possible. CDC tried to reverse this important relationship.

Thus CDC demonstrated that pioneering agricultural development is both expensive and risky and then compounded this with high financing risk.

CDC was operating in an essentially supportive macro-economic and political environment – i.e. the Sterling zone and under colonial rule. This stability and confidence was helpful where successful, long-term ventures were created, e.g. Usutu Pulp, but it was clearly not sufficient to ensure success.

In the 1952-62 period CDC adopted a more cautious approach. On the project side it worked more frequently with experienced, private sector partners and it became more involved with: expansions and rehabilitations of existing ventures; with replicating crops already familiar to a country; and with extending established estate crops to smallholders.

CDC re-enforced this lower risk approach to project development with a cautious funding strategy The loans it had obtained from the UK Treasury were rescheduled with long, interest free grace periods, and many if its own investments were made in the form of secured or guaranteed loans.

This sounder platform of solid performance which CDC achieved created the confidence for the British Government to retain CDC after decolonisation and utilise the renamed Commonwealth Development Corporation as its main instrument for promoting commercial economic development within the low-income Commonwealth (and later non-Commonwealth countries as well) with the highest priority given to agriculture.

It would be wrong however, to interpret CDC's fall and rise as an injunction to avoid pioneering altogether. The modern economy of Swaziland has been largely built on the success of export-oriented sugar and forest industries, sectors which CDC pioneered at high cost and with high risk, but which in the end provided good commercial returns.

Vision and "Grands Projets" are important aspects of business, economic development and practical politics. The correct lesson is perhaps that, because pioneering is inherently high risk, it should be undertaken after thorough research and with all possible, practical steps undertaken to mitigate that inherent risk. CDC started life preferring "venture to caution", but this became an excuse for a cavalier and costly approach to the serious and difficult business of agriculture development.

Postscript: Moving with the Times

The Colonial Development Corporation subsequently demonstrated a remarkable capacity to move with the times, reinventing itself when necessary to maintain both economic and political relevance. As a result, 60 years after its creation, it still exists as the 'CDC Group plc'. This section summarises the process of evolution since the colonial era, and the impact this had on CDC's agribusiness activities in Africa.

Decolonisation and Emergence of the Commonwealth Development Corporation

By the late 1950's, with advancing decolonisation it was presumed that the Colonial Development Corporation itself would be wound up. However there was a growing recognition that independent ex-colonies would still need economic assistance, and so in 1962 the UK Government decided that CDC would be allowed to invest in former colonies and would be renamed as the Commonwealth Development Corporation.

The Colonial Office itself was disbanded soon after and in 1964 Government responsibility for supervising CDC was transferred to the new Ministry of Overseas Development[5], created by the recently elected Labour government.

The Development Bank (1964-1983)

In 1963 the World Bank announced that it would place more emphasis on agricultural development in future and for much of the 1960's and 1970's there was an international consensus that rural development should be the main focus of international development efforts aimed at combating poverty.

This view was shared by the UK's Ministry of Overseas Development (ODM), which gradually increased its control over CDC's activities to ensure conformity with the Government's broad policy goals.

There was an acceptance by the Ministry that investing in long term agricultural development, especially smallholder agriculture, was not going to yield commercial returns. From 1965 onwards therefore, CDC was given subsidies (in the form of low interest loans with long, interest-free, grace periods) to facilitate agricultural investments.

CDC welcomed this support and in its 1972 annual report noted:

"many agricultural projects, particularly involving smallholders…have had to be ruled out in the past because … the overall rate of return is well below that necessary to cover the service of the capital invested."

[5] now called the Department for International Development, DfID.

In 1975 the Ministry and CDC undertook a joint policy review and agreed that CDC would "predominantly" invest in the 'Renewable Natural Resources' sector in poor countries.

As well as a belief that agricultural development, and smallholder development in particular, was inherently expensive, relative to the potential revenues, there was also a view that it was socially and politically unacceptable to make a profit out of poor farmers. CDC became predominantly a lender, rather than an equity investor, and the UK Government placed restrictions on the interest rates at which CDC could on-lend to smallholder schemes to ensure that as much as possible of the UK Government's subsidy to CDC was passed on to the rural poor.

Spurred on by UK Government priorities and subsidies, CDC renewed its early Colonial-era focus on agriculture. The share of agribusiness/RNR in CDC's portfolio, which had reached a low point of 16% (excluding agro-processing) in 1972, grew rapidly to reach a peak of 53% in 1986.

Another significant view prevailing at the time was that the private sector could not be expected to solve the problems of underdevelopment – on the contrary private business, especially multinational corporations, was seen as part of the problem. The State would therefore have to play the leading role both to end exploitation by foreign interests and promote a more "nationalistic" concept of development (including such measures as nationalisation of foreign-owned businesses, protection of domestic industry against imports, taxation of exports, regulation of domestic prices and marketing and in some countries the collectivisation of agriculture).

Consistent with this view, CDC made loans directly to Third World Governments to support development projects and also to statutory authorities, corporations and state-owned companies, often with a Government Guarantee. Some of the major agricultural schemes supported during this period include the smallholder tea, sugar and coffee Authorities in Malawi, the government-owned Mumias sugar factory and outgrower scheme in Kenya, state and smallholder rubber and oil palm plantations in the Ivory Coast and Cameroun, the Government-owned Southern Paper Mills venture in Tanzania and the Kaleya Smallholders sugar settlement scheme in Zambia.

Successive CDC Annual reports emphasised CDC's commitment to sell its equity holdings to national governments and to localise management positions:

- Several of the projects and businesses promoted by CDC in the 1950's were nationalised, sometimes with loans from CDC itself, e.g. Kilombero Sugar in Tanzania. In 1977 CDC sold half of its equity in Mhlume to Tibiyo (the King of Swaziland's investment foundation) in return for a loan that would, in practice, be serviced out of future dividends.

- In 1971 CDC established the Mananga Agricultural Management Centre (MAMC) in Swaziland to provide training for African nationals.

The vast majority of this new investment was in the form of loans rather than equity. CDC was perceived as the lending arm of the ODM, in many cases co-financing projects with the World Bank.

The predominance of public sector partnerships, with relatively little room for working with the private sector, is shown in the table below:

% of CDC Investments cofinanced with:	1975-79
the World Bank	46
Government or State Agency	93
private sector participation	29

Appendix 2 lists the 40 new African agribusiness projects supported by CDC during 1964-83. Up to 1979 only 3 of the ventures were controlled by private sector partners (excluding CDC itself) of which one, Zambia Sugar, was subsequently nationalised. The main "successes" and "failures" are summarised below. Naturally there are some projects that are on the borderline, and the classification is highly subjective.

Sustainable Businesses / Projects

Cameroun	Hevecam -rubber plantations
	CAMDEV – rubber, oil palm, tea, bananas
Ivory Coast	SAPH – rubber development
	Palmindustrie – palm oil development
	Rubber Outgrowers Project
	SODEFOR – teak forestry development
Kenya	Smallholder Tea Factories
	Smallholder Coffee Improvement Project
	Mumias Sugar Co
Malawi	Smallholder Tea Authority
	Dwangwa Sugar Company
	Smallholder Sugar Authority
	National Seed Company of Malawi
Swaziland	Shiselweni Forestry (Eucalyptus)
	Royal Swaziland Sugar Co.
Uganda	Tamteco (tea estates and factories)
Zambia	Zambia Sugar Co
	Industrial Plantations (Forestry)
	Kaleya Smallholders Company (sugar)

Project Failures / Unsustainable Businesses	
Ghana	TWIFO – palm oil development
Liberia	Liberian Rubber Development Project
	Decoris Oil Palm Co
Nigeria	Savanah Sugar
Malawi	Smallholder Coffee Authority
Uganda	Uganda Tea Growers Corp.
	Sugar Corporation of Uganda
Zambia	Mukonchi Tobacco Scheme

The Smallholder Coffee Authority in Malawi did not perform well because its target area of northern Malawi was agronomically marginal for coffee production. Promoting coffee as a cash crop was a political imperative rather than an agribusiness opportunity. Similarly oil palms were only marginally suitable for cultivation in Ghana and production costs were high compared with imported palm oil. The goal had been import substitution rather than international competitiveness. CDC tried and failed to replicate its successful Malawian smallholder tobacco scheme in neighbouring Zambia. Wages and income expectations were much higher in Zambia due to the influence of the mining industry. Liberia and Uganda were devastated by civil war.

Since so many projects were in the form of smallholder schemes and statutory Authorities with finance provided by CDC in the forms of loans made to, or guaranteed by, national governments, it is difficult to establish the financial and economic viability of the projects themselves. In most cases sustainable agricultural activities were created but often at an unreasonably high financial cost for the governments concerned, which in turn contributed to the growing crisis of Third World debt. In practice CDC had been helping to financing the unsustainable growth of the African public sector bureaucracy.

The Development Finance Institution (1984-1994)

The perceived failure of state-led development in the Third World and the pro-private sector climate in 1980's Britain following the election of the Thatcher-led Conservative Government led to major changes in CDC's mandate in the mid-1980's. CDC's model became the International Finance Corporation (IFC) rather than the World Bank.

In 1985/86 an ODM/CDC policy review explicitly proposed, for the first time, that CDC should increase its support for projects with private sector partners[6]. However British Government policy also favoured concentrating aid on the 'poorest' and so it was agreed that 60% of all CDC's new investments would be in 'poor' countries. To give CDC greater investment flexibility it was agreed to reduce the Renewable Natural Resources

[6] Although the Government set no figure, CDC adopted a target that 60% of new investments should involve a private sector partner

investment target to 40% and that all new loans to CDC from the British Government were to be at the low interest rate of 3.5% p.a. irrespective of whether the funds were to be invested in RNR or other sectors.

In 1993 a further ODM/CDC policy review dropped the RNR target altogether, while increasing the poor country target to 70% and introducing a formal target for at least 80% of all new investment to be in private sector projects. It was also agreed for the first time that CDC would be set a profit target - to earn a three-year rolling average return of 8% on total capital employed. An equity investment target was also set for the first time, at 25% of all new investment by 1996.

CDC was now seen as the principal means by which the ODM supported private sector development in the Third World. Since the recipients of CDC's investments were no longer poor Third World governments but private businesses, CDC was expected to invest - a mixture of minority equity stakes and long-term loans - on near commercial terms.

World-wide many ventures were co-financed with the IFC which had been created by the World bank to support private sector investment in the Third World. African agribusiness examples included Mpongwe Development Co and Masstock (Zambia) Ltd

During this period CDC promoted (or acquired) and managed several major agribusiness enterprises in Africa itself arguing that this degree of initiative was necessary to achieve the poor country target, since few private investors were willing to take the risk of promoting agricultural businesses in poor Africa, examples include the Rusitu Valley dairy company in Zimbabwe and the Rwenzori Highlands Tea Company in Uganda.

Another feature of this period was that several countries defaulted on their sovereign debt obligations to CDC (e.g. Tanzania, Zambia, Malawi, Ivory Coast and Cameroun).

One solution developed by CDC was to accept debt service payments in local currency for re-investment in agricultural projects that could utilise local currency for much of their development costs (e.g. Euteco tea and Kilombero Valley Teak in Tanzania, Nanga Farms in Zambia, Sable and Kawalazi in Malawi). Once again CDC took on the role of a direct promoter of major agricultural enterprises.

In the case of the Ivory Coast, the "deal" was that CDC would use its best endeavours to make new investments in the country (e.g. the acquisition and further development of the Cavally rubber estate and factory) greater than the amounts received in debt service payments.

Thirty new African agribusiness investments were made between 1984 and 1994, but in spite of this intense activity, the share of agribusiness in CDC's investment portfolio fell, reaching 30% by the mid-1990's - in part due to the sale of major agribusiness assets in Malaysia. However, agribusiness was particularly important in Africa – representing 54% of CDC's total African investment portfolio in 1996.

Major examples from this period include:

Sustainable Businesses	
Ivory Coast	Eglin (pineapples)
Kenya	South Nyanza Sugar Co.
Malawi	Sable / Kawalazi (coffee and macadamia aspects)
Namibia	Aussenkehr Farms (grapes)
Tanzania	EUTECO (tea)
	Tanwat Tea
	Kilombero Valley Teak
Uganda	Rwenzori Highlands Tea
Zambia	Mpongwe Dev. Co. – coffee and arable farming project
	Nanga Farms (wheat/soya/coffee/sugar cane)
Zimbabwe	Rusitu Valley Development Co. (coffee, tobacco)
	South Downs Tea
	Cold Storage Commission
	Hippo Valley / Triangle (sugar estate rehabilitation)

Failures and Unsustainable Businesses	
Gambia	Makumbaya Farms (flowers)
Ghana	Forest Resources Industries (pineapples)
	Divine Seafoods
Ivory Coast	Plantations Dam (pineapples)
	Sebovia (livestock rearing)
	Serebou Seeds
Kenya	Oil Crop Development
Nigeria	Heleena Farms (roses)
Swaziland	Swaziland Meat Industries
Tanzania	Ndolela (arable farming)
	Karimjee Agriculture Ltd (sisal aspects)
	Chrismill Farms (pineapples)
Zambia	Masstock Zambia (cotton/wheat)
	Zambia Cashew Co.
Zimbabwe	Rusitu (dairy aspects)

Generally, investing as a minority partner alongside private entrepreneurs was not a success. In some case the private sponsors had relatively little capital of their own invested, and viewed the projects as low-stakes gambles. Some sponsors had little relevant sector or country experience, while some were expert fraudsters. It was difficult to find experienced and reputable private sector sponsors willing to invest substantial

sums in agribusiness in high-risk Africa, and in its desire to support private sector development CDC undoubtedly made some unwise investment decisions.

Some of the sustainable business that were created, where CDC itself took on the role of promoter and manager, took much longer to develop and cost much more than originally anticipated – Sable/Kawalazi, Eutco, RHTC, Nanga Farms and Mpongwe are examples.

Overall CDC made a substantial financial loss on the African agribusiness investments that it made during this period, writing-off over half of the capital invested.

The Emerging Private Equity Investor(1994-2000)

By the early 1990's most state-owned businesses in Britain had been privatised and CDC began to prepare itself for the possibility of its own privatisation, although this was not yet official Government policy .

An internal strategy review undertaken in 1994 had as an implicit objective to develop a business strategy for CDC that would make CDC "privatisable" in the event that such a decision were made by the Government. Policy measures adopted included:

- 50% of new investments should be in the form of equity
- improve the "liquidity" of equity holdings (i.e. the practical capacity to eventually sell them)
- seek market rates of return on loan and equity investments, taking full account of risk
- minimise the world-wide tax paid by CDC

It was also agreed that CDC needed to specialise if it was to have a chance of achieving commercial levels of profitability. It was believed that many earlier investments had been unprofitable because CDC had been influenced more by 'development' criteria (e.g. import substitution) rather than the commercial requirement to create internationally competitive businesses. It was decided to focus on:

- a small number of agricultural and industrial sectors where CDC would be a majority shareholder and manager, aiming to develop 'world-class', internationally competitive, multinational businesses,(e.g. palm oil, sugar, horticulture, cement, electricity generation), and
- direct, large, venture capital style investments (e.g. Management Buy-Outs of consumer goods producers, high-tech start-ups in the telecoms and IT sectors),
- indirect investment via separately incorporated venture capital funds, normally with a geographical focus, e.g. funds for Kenya, Tanzania, Zambia, South Africa, Commonwealth Africa, and which would attract investment partners

Following the 1997 announcement by the new Labour Government that CDC was to be turned into a public private partnership CDC began to emphasise equity investment to the point where it almost stopped lending completely.

CDC's investments in agribusiness were largely driven by this desire to create 'world class' multinational ventures. Consultants were hired to identify strategic investment plans for target sectors. A palm oil group was developed in the Far East and a citrus group in central America. In Africa an attempt was made to develop sugar, tea, rubber, horticulture, arable farming and aquaculture groups, sectors where it was believed Africa could have a global or regional competitive advantage.

As part of this strategic approach CDC acquired the Cavally rubber estate in Ivory Coast; York Farms flowers and fresh vegetables business in Zambia and the SULMAC cut flowers business in Kenya; the KAL tea estates in Tanzania; and the Munkumpu arable project in Zambia. Several existing CDC-owned businesses initiated major expansion projects (e.g. Mpongwe arable and Mpongwe Milling). In addition, CDC competed for (but lost) several other major privatisation opportunities in Africa – Hevecam rubber in Cameroun, Ferkessedougou sugar in Ivory Coast; Kilombero Sugar and Sao Hill pine plantations and sawmill in Tanzania; tea estates in Ethiopia.

Examples from this period include:

Ivory Coast	privatisation of Cavally (rubber)
Kenya	acquisition of SULMAC (horticulture)
Mozambique	Mocita (cashew processing)
Tanzania	acquisition of KAL tea estates
Zambia	privatisation of Munkumpu (arable)
	Mpongwe Milling (wheat flour)
	acquisition of York Farms (horticulture)
Zimbabwe	Lake Harvest (fish farming/processing)
RSA	New Farmers (agricultural venture capital)
Namibia	Cadilu (fish processing)

Most of the above ventures were unprofitable during the late 1990's and the same was true of some large agribusiness ventures promoted in other parts of the world, e.g. citrus in Belize and Costa Rica. This poor financial performance raised concerns about the investment judgement and management capabilities of CDC's agribusiness specialists.

The share of agribusiness in CDC's investment portfolio rose temporarily in 1996 to 34% as a result of some of these major acquisitions. However by 2000 it had fallen to 20%,

even after including fast moving consumer goods within the same category for reporting purposes.

The Fund of Funds (2000-)

In 1999 an Act was passed in the British parliament to transform the Commonwealth Development Corporation from a statutory body into a limited liability company, renamed CDC Group plc. Initially all the shares were owned by the British Government, but the intention was to sell a majority stake to long-term private sector partners.

The vision was for CDC to become a "private equity investor operating in emerging markets". To attract private investors it was believed necessary to focus on sectors, countries and types of investment that could produce fully commercial levels of profitability and equally more importantly to develop a focus that potential investors believed was capable of attractive levels of profits.

CDC's investment portfolio was notionally split into two, 'CDC Capital Partners' representing the new-style 'private equity investor' business and 'CDC Assets' representing the old-style development corporation activities. The investments in the CDC Assets portfolio were to be steadily realised via the servicing of loans and sales of equity stakes and the cash flow generated was to be used to finance new, fully commercial, equity investments by CDC Capital Partners.

As part of the transformation CDC created a new joint venture 'Aureos Capital' in 2001, owned by CDC, Norfund, FMO and its management team to run existing and promote new national and regional venture capital funds for Africa and elsewhere. The venture operates on a strictly commercial basis and has invested successfully in agribusiness and the food industry as part of its broadly based portfolio. Examples have included cut flower exports and dairy processing in Kenya and integrated poultry production and flowers exports in Tanzania, as well as fast moving consumer good production such as breakfast cereals and porridges, soft drinks and packaged tea and coffee.

However within CDC, the new senior management team brought in to spearhead privatisation saw agribusiness as a sector with both inherently low levels of profitability and a poor reputation amongst the potential private investors in CDC. They also were unimpressed by CDC's poor recent track record as a promoter and developer of 'world-class' agribusiness ventures. A strategic decision was taken to place most of the agribusiness portfolio under the CDC Assets umbrella and to sell it off as quickly as possible.

In the 2000 Annual Report the Chairman of CDC, Lord Cairns, wrote:

> "It was with considerable reluctance that the board concluded that many of our agribusiness investments, with which CDC has been proudly associated throughout its history, are unlikely to meet our minimum financial return

requirements. We have therefore substantially written down the values attributed to them, to reflect a 'for sale' rather than 'going concern' status."

Thus the valuation of CDC's agribusiness portfolio, which had been £278m in 1999, fell to at £213m in 2000. Professional advisers were hired to help with the sale, and over the next three years most of the saleable agricultural assets were disposed of, including:

- Nanga Farms (sugar cane), York Farms (horticulture) and Lake Harvest (aquaculture) were sold to their management
- Sulmac (horticulture), Sable/Kawalazi (mixed farming), Eutco (tea), RHTC (tea), Rusitu (dairy, coffee), Shiselweni (forestry/sawmilling) were sold to sector specialist investors
- CDC's main sugar investment - Mhlume – was merged with the Royal Swazi Sugar Co and listed on the Johannesburg Stock Market.

The share of agribusiness in CDC's total investment portfolio fell from 20% in the year 2000 to 5% by 2005.

However by this time CDC's privatisation strategy had changed. The 'CDC Capital Partners' concept had failed to find private sector backers on terms acceptable to the British Government. A sell-off of CDC at a heavy discount to the value of its underlying assets was politically unacceptable and would probably have led to an 'asset stripping' of CDC, rather than its continuation as a private equity investor in emerging markets.

In 2002 the Government cancelled the planned privatisation of CDC as a whole, and announced instead that it would privatise the management function. This was achieved in 2004 with the creation of Actis, as fund management company, owned by the bulk of the former senior management and staff of CDC.

Actis – now as a private sector emerging markets fund manager - manages a number of separate 'funds', each focussing on a specific geographical area or economic sector. CDC (still 100% owned by the British Government, and with a much reduced number of staff) invests its capital in these funds and monitors the performance of Actis as the fund manager. Actis is free to invite third parties to invest in its funds and CDC is free (with some temporary restrictions) to invest in emerging market funds promoted by fund managers other than Actis.

This structure of a number of separate funds effectively 'unbundled' CDC. It allows third parties to invest in those aspects of CDC business which they find most attractive (e.g. in a power fund, a mining fund or a China fund), and it allows each fund to establish different investment objectives and criteria as agreed with the investors in that particular fund.

Thus CDC/Actis was once again free to promote agribusiness and African investments in the context of separate funds without the fear that their bad reputations in terms of

commercial profitability would in some way damage perceptions of CDC as a whole or harm the reputation of Actis as a fully commercial fund manager. The British Government was explicitly concerned that CDC should continue to direct money to Africa and to agribusiness and accepted that this could lead to lower average financial returns.

In 2006 Actis launched the 'Actis Africa Agribusiness Fund', with a management team based in Nairobi. It was capitalised at US$100m, consisting of CDC's remaining majority-owned agricultural investments in Africa, and a balance in cash:

Tanzania Tea Packers Ltd
Kilombero Valley Teak
Nanga Farms[7]
Mpongwe Development Co
Cavally (rubber)

CDC's new chief executive, Richard Laing, noted that "Scaling up and professionalising agribusiness is a fundamental element of sustainable economic development in Africa" and stated his confidence that attractive financial returns could be achieved[8]. The priorities for new investments were stated to be value-added processing, forestry, horticulture, aquaculture and bio-power, with an intention to "focus on expansion capital, change of control and buy-and-build transactions…between US$5m and US$15m".

While CDC is the only investor in this first Agribusiness Fund, the stated intention is to promote a number of agribusiness funds for Africa in future and to attract private co-investors. (CDC and Actis' credibility in this regard had been enhanced by the profitable sale of CDC's 56,000ha of palm oil plantations in the Far East to Cargill at the end of 2005.)

Conclusions

CDC's changing investment policies, reflected in its African agribusiness portfolio, reflect the twists and turns of international development policy and fashion.

In the early 1960's CDC aimed to invest in fully commercial, (if rather long-term and pioneering) private ventures that it equated with 'development'. After decolonisation private investment and profit were equated with a process of underdeveloping Africa, and CDC provided finance to African governments for the nationalisation of agricultural estates and for the promotion of smallholder schemes and Authorities. Many of the smallholder schemes were successful in raising production and farm incomes, but contributed to the growing crisis in the public finances of many African countries.

---

[7] CDC re-acquired Nanga in 2004 to settle a dispute with the Zambian Government over the process of its sale to management in 2000.
[8] European Development Finance Institutions Newsletter, Issue 3 July 2006

The policy environment changed. By the early 1980's some private investment once again became politically acceptable in Africa. Eventually CDC's mandate was to work exclusively with the private sector and ultimately it was instructed to aim to achieve private sector levels of profitability itself to avoid accusations of 'distorting' the market place. CDC experimented with different ways, as a public sector body itself, of working with the private sector – lender, minority shareholder, joint-venture partner, independent project promoter, venture capitalist.

CDC's performance was mixed, and many poor agribusiness investments were made in Africa. There was an inherent weakness in a public sector body, with 'developmental' goals and bureaucratic tendencies, trying to both work with, and compete with, private enterprises. CDC could afford to fail to a greater extent than most private businesses and many of its investments were over ambitious and high risk. It was not clear what the public policy justification was for CDC (mandated to promote the private sector in developing countries) outbidding genuine private companies during the privatisation some African agricultural ventures, e.g. Munkumpu, RHTC, Cavally.

Ultimately the view was taken that CDC could only realistically be expected to achieve private sector levels of commercial performance in developing countries, and to compete fairly, if it was itself controlled by private investors. In the event it was the management of CDC's investment portfolio that was privatised – firstly Aureos for the smaller venture capital funds and then Actis for the bulk of CDC's portfolio - rather than CDC itself.

The recent commercial performance of Aureos, Actis and CDC Group plc has been good, but it is too early to assess the long-term viability either of CDC's latest incarnation or of its new African Agribusiness Fund.

Appendix 1 – The Colonial Period

CDC'S INVESTMENTS IN AGRIBUSINESS IN AFRICA 1948-1962					
	Country	Description	Invest (£m)	public /private	Outcome
1948	Gambia	Poultry and Farming *target 10,000 acres forest clearing and 200,000 layers*	0.92	CDC	failure; liquidated 1951
1948	Malawi	Tung Oil Plantation *target 20,000 acres plantation scaled back due to higher than expected costs*	1.56	CDC	technical OK; market failure; closed 1968
1948	Malawi	Limpasa Dambo Farm *target 10,000 acre farm to produce food for tung oil plantation*		CDC	technical failure
1948	Malawi	Nyasaland Fisheries *joint venture with South African company*	0.10	private	technical and market failure; liquidated 1951
1948	Swaziland	Usutu Forest/Usutu Pulp Co *planned 85,000 acres of pines, followed by pulp mill*	17.76	CDC, then JV with Cour-taulds	equity and loans; success; sold to SAPPI 1989 and 2000
1949	Nigeria	Agricultural Project *target 65,000 acre settlement scheme*	0.25	CDC (+Govt)	technical failure CDC withdrew
1950	Nigeria	West African Fisheries *Trawler fleet and processing*	0.34	CDC	failure liquidated
1950	Gambia	Rice Farm target 23,400 acre rice and other crops	1.12	CDC	failure liquidated
1950	Tanzania	T. Wattle Estates *33,000 acres of wattle. Diversified into arable, pines, dairy, power and tea*	13.55	CDC + technical adviser	technical success but wattle market weak; sustainable business; investment failure
1950	Botswana	Lobatsi Abattoir *monopoly exporter of beef. CDC returns capped at 6%. "surplus" profits retuned to livestock industry*	1.20	CDC	technical success; sustainable business sold (by way of loan) in 1966 to Government at cost.
1950	Botswana	Molopo Ranch large scale cattle ranch	0.75	CDC	moderate success sale held up by legal dispute
1950	Botswana	Bechuanaland Cattle Ranch target 350,000 head of cattle and 300,000 acres of crops	1.23	CDC	technical failure; much reduced ranch business eventually handed over to Government in 1963
1950	Nigeria	Omo Sawmills	0.17	CDC (+pvte)	na
1950	Swaziland	Swaziland Irrigation Scheme *105,000 acres bought for arable and livestock. 50% stake sold for £10m to Tibiyo in 1982*	5.30	CDC	eventual success as a sugar/citrus venture.
1951	Seychelles	Seychelles Fisheries	0.35	CDC	technical failure; liquidated

1952	Swaziland	Ubombo Irrigation Scheme *irrigation for sugar cane*	0.08	pvte	success CDC provided loan; fully repaid
1955	Kenya	Meat Commission	0.25	Govt	CDC provided loan; repaid on schedule
1957	Swaziland	Mhlume Sugar *new sugar estate and factory* Originally maj. owned and managed by Huletts. CDC took control in 1965	14.4	pvte then CDC then govt JV	Success. 50% stake sold to Tibiyo for £4.1m in 1977
1957	Nigeria	Ilushin Estates *target 5,000 acres of rubber*	0.27	pvte/pub JV	Moderate success; Sold to govt in 1981
1958	Tanzania	Bird & Co *finance for expansion of tea &sisal production*	0.45	pvte then govt	loan nationalised in 1967; loan repaid
1959	Kenya	Nyambeni Tea Co *nucleus estate and outgrower scheme. Eastern Produce as managers*	0.14	pvte/JV	50/50JV
1959	Tanzania	Maramba Estate cocoa and coffee. HTC as managers.	0.35	pvte/JV then CDC	technically weak; sold to govt in 1974
1959	Cameroun	Cameroun Development Corp *rehabilitation of statutory corporation – rubber, bananas, oil palm, tea. Intended to convert to Ltd Co with CDC 50% stake but not done. Co-financing with World Bank.*	12.00	govt, CDC mgd	technical OK; commercially weak; loan arrears transferred to DFID
1960	Kenya	Special Crops Development Auth Promotion of smallholder tea. Concept developed by Sir Roger Swynnerton of Min of Agric with support from CDC. Evolved into Kenya Tea Development Authority	15.50	public	series of loans guaranteed by govt. a success. Over 130,000 growers.
1960	Tanzania	Kilombero Sugar Co *new sugar estate and factory. Dutch managing partner. IFC & FMO co-finance*	1.77	pvte/JV	equity and loan. CDC largest single investor. Nationalised 1969. CDC received Govt debt.
1961	Kenya	Land Devel. & Settlement Board *To settle Africans on former white-owned farms. Co-finance with IBRD.*	0.90	govt	CDC provided loan. 5,000 smallholders settled. Loan serviced on schedule
1962	Swaziland	Vuvulane Irrigated Farms *African and European farmer sugar settlement scheme.*	0.89	CDC	technical and commercial success; handed to Govt at cost in 1982

Appendix 2 – The Development Bank

CDC'S INVESTMENTS IN AGRIBUSINESS IN AFRICA 1963-1983					
	Country	Description	Invest (£m)	public /private	Outcome
1963	Nigeria	Eastern Nigeria Nucleus Estate and Smallholder Scheme *Rubber dev. Managed by CDC*	1.20	CDC/ govt JV	Affected by civil war
1963	Kenya	Smallholder Tea Factories to process smallholder tea. private managers, CDC minority stake.	2.68	govt/JV	technical and commercial success; investment modest
1964	Uganda	Bugamba and Mwenge Tea *finance for new tea factories*	0.46	govt	CDC provided loans Collapsed due to war.
1965	Uganda	Uganda Tea Growers Corp *development of smallholder tea. Co-financed with IDA.*	1.26	govt	CDC provided loans. Collapsed due to war.
1967	Zambia	Mukonchi Tobacco Settlement Scheme & Family Farming Tobacco Project *CDC managed until 1974*	1.46	govt	CDC Loan. technically reasonable but commercial failure. Govt repaid the loans.
1967	Malawi	Smallholder Tea Authority CDC initiative	2.47	govt	CDC loan with govt guarantee
1967	Swaziland	Shiselweni Forestry *New Eucalyptus and pine plantation and processing for oil and timber*	3.20	CDC	technical success; sustainable business; investment failure;
1967	Zambia	Zambia Sugar Co *CDC initially subscribed to convertible loans while ZSC owned by Tate and Lyle. Used to develop the Nakambala Estate and factory. Subsequently nationalised, privatised, listed on stack-market then sold to Illovo..*	8.30	pvte then Govt then pvte again	CDC loans; converted to equity on privatisation in 1994; Equity sold in 2001; technical success; sustainable business; investment failure
1970	Nigeria	Oke-Afa Farms *Poultry Farm*	0.10	pvte	CDC Loan Repaid
1970	Nigeria	Savanah Sugar *sugar estate and factory* *CDC developed and managed*	3.00	govt/ CDC JV	failure CDC withdrew 1982
1970	Nigeria	South Chad Irrigation Project *400 acres pilot scheme. CDC managed with funds from DFID*	0.09	govt	transferred to Basin Authority
1971	Kenya	Oserian Estate Ltd *Export horticulture*	0.12	pvte/JV	poor results. Sold to private buyer and loan repaid.
1971	Swaziland	Mananga Agricultural Management Centre	0.50	CDC	Closed in late 1990's
1972	Kenya	Kurai Estate *export horticulture project with private management*	0.10	/pvte/ govt/ CDC JV	poor results CDC sold stake in 1977
1973	Kenya	Mumias Sugar Co & Outgrowers Co *sugar factory and outgrower scheme. Managed by Bookers.*	6.10	govt/JV	equity and loan; success over 15,000 outgrowers

1973	Tanzania	Tanzania Seed Co *Evolved out of arable unit at Tanwat.*	0.65	govt/ CDC JV	technical success
1974	Ethiopia	Gumaro Tea Plantation CDC Managed	0.35	CDC	Abandoned due to revolution
1974	Ivory Coast	SAPH *Plantation Rubber Development* *Private management*	3.66	Govt/ pvte JV	CDC Loan; Reasonable technical and commercial performance; Privatised, currently in poor shape
1975	Zambia	Family Farming Project *smallholder tobacco scheme*	0.70	Govt	CDC Loan Failure
1977	Ivory Coast	Palmindustrie *Estate and smallholder oil palm schemes* *Co-financed with World Bank*	13.70	Govt	Loan; Technical success; Privatised; Loan transferred to DFID
1977	Zambia	Changanda Farms *Pilot smallholder tobacco scheme*	0.12	CDC/ govt JV	Voluntary liquidation in 1981
1977	Malawi	Dwangwa Sugar Co *new sugar estate and factory*	6.56	Govt	Loans to Govt for on-lending
1978	Swaziland	Royal Swaziland Sugar Co *New sugar estate and factory.* *Managed by Booker-Tate*	8.54	Govt/ pvte JV	Loan and equity; technical success; sustainable business; merged with Mhlume and listed on JSE
1978	Mauritius	Irrigation Authority *irrigation for smallholders* *CDC seconded the general manager*	2.00	Govt	CDC Loan to Govt on-lent to the Authority.
1978	Liberia	Liberian Rubber Development Project *Smallholder rubber development. Co-financed with World Bank*	3.85	Govt	Loan to Govt Disrupted by civil war
1978	Zambia	Industrial Plantations *Expansion of Forestry plantations*	3.64	Govt	Loan to Govt for on-lending; Poor performance; sustainable business; privatised 2001
1978	Ghana	TWIFO Oil Palm Plantation *CDC managed*	3.00	Govt	Loan to Govt for on-lending. Moderate performance. Requires protection from imports.
1978	Malawi	National Seed Co of Malawi *Commercialisation of Min of Agric seeds divisions. CDC managed until. Cargill acquired majority stake in 1988.*	1.61	Govt/ CDC JV	technical success; sustainable business; investment failure; CDC stake sold in 2000
1978	Malawi	Smallholder Coffee Authority *promoted and managed by CDC with DFID support*	3.2	Govt	loan to Govt; poor results relative to costs incurred
1978	Malawi	Smallholder Sugar Authority *Promoted and managed by CDC*	1.96	govt	loan to Govt for on-lending poor results relative to costs incurred

1978	Ivory Coast	Rubber Outgrowers Project *Nucleus estate plus outgrowers* *Co-financed with the World Bank*	9.06	govt	loan; technical success; Privatised Loan transferred to DFID
1979	Ivory Coast	SODEFOR *Teak Plantations* *Co-financed with World Bank*	13.80	Govt	Loan; technical success; Loan transferred to DFID
1979	Kenya	Smallholder Coffee Improvement Project	7.20	Govt	CDC Loan to Govt on-lent to Co-ops.
1979	Tanzania	Southern Paper Mills *integrated pulp and paper mill*	9.90	Govt	Loan to Govt for on-lending. Failure
1980	Botswana	Ngwaketse Ranch *Pilot project for group ranching*	0.15	Govt	
1980	Liberia	Decoris Oil Palm Co *Co-financed with World Bank*	7.00	Govt	Loan to Govt for on-lending; Disrupted by civil war
1980	Cameroun	Hevecam *Rubber Plantation* *Co-financed with World Bank.*	20.00	Govt	Loan to Govt. Technical and commercial success; Privatised. Govt loan arrears; Loan transferred to DFID
1980	Zambia	Kaleya Smallholders Co *smallholder sugar settlement scheme. Promoted and managed by CDC with DFID support*	3.55	CDC /govt JV	Mainly loan finance. success.
1980	Malawi	Mandala Ltd *Expansion of Vizara Rubber Plantation*	4.10	Pvte	CDC loan poor commercial performance. Loan repaid out of other group resources
1983	Uganda	Tamteco *Tea Estate rehabilitation*	0.82	private	loan moderate success. Difficult security.
1983	Liberia	Rubber Corporation of Liberia *Processing of smallholder rubber*	0.90	Govt	Loan to Govt for on-lending. Disrupted by civil war
1983	Uganda	Sugar Corporation of Uganda *Sugar estate and factory rehabilitation*	4.65	private	loan poor performance. Loan serviced out of other sources of income.

Appendix 3 – The Development Finance Institution

CDC'S INVESTMENTS IN AGRIBUSINESS IN AFRICA 1984-1994					
1984	Zimbabwe	Rusitu Valley Development Co. *Dairy, coffee & tobacco farm.* Take-over of former white-owned farm. *CDC acquired majority via dilution of Govt.*	3.97	CDC/ govt JV	50:50 JV plus loan; technical success; sustainable business; investment failure. CDC sold to APC in 2000 at a loss.
1984	Zambia	Mpongwe Development Corp *Arable and coffee farm. CDC started as minority shareholder, but took control after disappointing financial results. Over 8,000 ha under crops. Subsequently merged with Munkumpu Farms and Mpongwe Milling*	26.00	CDC /govt JV	technical success; sustainable business; investment failure.
1984	Malawi	Kawalazi/Kavuzi Estates *Tea and Macadamia* *Part financed with debt roll-over* *(See Sable/Impala)*	5.16	CDC/ govt JV	technical difficulties sustainable business; investment failure. Sold in 2001.
1984	Kenya	Kulalu Ranch *development of govt cattle ranch*	1.20	Govt	Loan
1985	Kenya	Oil Crop Development Co *promoting outgrower oilseed production. JV with Unilever*	9.15	pvte	equity and loan; failure
1985	Tanzania	Ndolela *New arable farm promoted by CDC.*	1.60	CDC	technical failure; abandoned
1986	Zimbabwe	Southdown Holdings *Tea estate and factory expansion.*	2.71	pvte	CDC loan, converted to equity; moderate success; merged with Ariston
1987	Tanzania	East Usumbara Tea Co *privatisation and rehabilitation of tea estates.* *Part financed with debt roll-over*	10.00	CDC/ govt JV	technical success; sustainable business; investment failure; sold in 2001
1987	Zimbabwe	Cold Storage Commission *Modernisation of abattoirs and meat processing.*	8.37	govt	CDC loan. moderate success; privatised
1987	Ivory Coast	Serebou Seeds *Conversion of sugar estate to seed production. Managed by CDC with DFID support. Planned privatisation did not happen.*	5.45	Govt	loan to Govt; failure; loan transferred to DFID
1987	Malawi	Sable and Impala Farming *Acquired from receiver of Spearhead Enterprises. Arable, coffee, dairy, tobacco. Part financed with debt rollover. Investment of £36.5m part-used for Kawalazi/Kavuzi*	36.5	CDC	failure; poor operational results compared with investment made. Sold in 2001
1988	Zambia	Zambia Cashew Company *estates/processing, managed by Landell Mills. Financed with debt roll-over*	0.26	govt/ pvte JV	CDC equity; failure
1988	Swaziland	Swaziland Meat Industries *Abattoir. Managed by CDC*	1.00	CDC/ govt JV	CDC equity and loan; failure

1989	Zambia	Masstock Zambia Ltd *Cotton/wheat farm. Part financed with debt roll-over*	1.33	pvte	CDC equity and loan; failure; put into receivership
1989	Zambia	Nanga Farms *Rehabilitation and expansion of two state-farms. Arable, coffee, sugar. Part financed with debt roll-over*	10.45	CDC/ govt JV	technical success; sustainable business; investment failure; MBO in 2000
1989	Kenya	South Nyanza Sugar Co *Managed by Booker Tate*	3.56	Govt	CDC loan; moderate success
1989	Tanzania	Chrismill Farms *Pineapples for export*	1.10	pvte	CDC Equity and loan; failure
1990	Ivory Coast	Plantations Dam *Pineapples for export*	1.00	pvte	CDC equity and loan; failure; misuse of funds
1990	Gambia	Makumbaya Farms *Flowers for export. CDC took over management after bankruptcy of sponsor*	1.78	CDC	CDC equity and loan; failure; abandoned
1991	Ivory Coast	Eglin *Pineapples for export*	1.25?	pvte	technical success; sustainable business; investment failure
1991	Ivory Coast	Sebovia *Privatisation of livestock complex. Managed by CDC*	2.17	CDC/ pvte JV	failure. Could not compete with imported beef.
1991	Ghana	Divine Seafoods *Fish Processing*	0.10	pvte	failure
1992	Namibia	Aussenkehr Farms *grape production for export*	1.76	pvte	equity and loan; technical success; financial failure; loan refinanced by sponsor
1992	Ghana	Forest Resource Industries Ltd Pineapple and mango for export	0.50	pvte	CDC loan; failure; liquidated
1992	Tanzania	Karimjee Agriculture Ltd *rehabilitation of tea (managed by CDC) and sisal estates.* *Eventually tea merged with Eutco.*	3.50	CDC/ pvte JV	equity and loan; poor technical and financial results. Receivership. CDC purchased the tea assets
1992	Tanzania	Kilombero Valley Teak *New teak plantation* *Part financed with debt roll-over*	7.57	CDC	technical success; still under development; probable investment failure
1993	Zimbabwe	Hippo Valley Estates *Rehabilitation of sugar after drought*	3.50	pvte	CDC loan; success
1993	Zimbabwe	Triangle Ltd *Rehabilitation of sugar after drought*	5.00	pvte	CDC loan; success
1993	Nigeria	Heleena Farms *Roses for export*	0.50	pvte	CDC loan; failure
1993	Uganda	Rwenzori Highlands Tea *tea estates and factories privatisation and rehabilitation. James Finlay minority partner*	11.83	CDC/ pvte JV	technical success; sustainable business; investment failure. Sold to Finlays.

Appendix 4 – The Emerging Private Equity House

CDC'S INVESTMENTS IN AGRIBUSINESS IN AFRICA 1994-1999					
1995	Zambia	Munkumpu Farms *privatisation and rehabilitation of irrigated soya and wheat. Merged with Mpongwe*	see MDC	CDC	technical success; sustainable business; moderate investment;
1995	Zambia	Mpongwe Milling *new flour mill, to process Mpongwe wheat*	see MDC	CDC	technical success; marginal on-going viability; investment failure. Sold to rival milling company, 2003
1995	Zimbabwe	Agricultural Trust *Line of credit for commercial farming*	20.00	CDC	CDC loan; success
1996	Mozambique	MOCITA *Cashew Processing*	1.80	pvte	CDC loan; poor results. Loan repaid by sponsor out of other resources
1996	Namibia	Cadilu Fishing *Fish Processing*	1.89	pvte	equity and loan; failure
1996	Zambia	York Farm *Roses and vegetables for export*	3.22	CDC	technical success; sustainable business; investment failure. MBO, 2002
1996	Zimbabwe	Lake Harvest *Fish Farming and Processing*	4.30	CDC	moderate technical results; margins below expectations; sustainable business; investment failure. MBO, 2002
1996	Ivory Coast	Cavally Privatisation and expansion of rubber estate and construction of new rubber factory	16.20	CDC	technical success; low rubber prices; sustainable business; investment failure
1997	South Africa	New Farmers *Agricultural Investment Fund*	1.40	pvte	CDC equity stake; poor results from investment to-date
1997	Mozambique	AGRIMO *Development of cotton production and ginning*	1.15	pvte	CDC loan. poor technical results; loan serviced out of other income of the sponsor
1998	Kenya	Sulmac *Acquisition from Unilever. Modernise floriculture and develop vegetable enterprise for export*	3.98	CDC	poor technical results and weak marketing; investment failure. Sold to Flamingo, 2003
1998	Zimbabwe	Ariston *Diversified agribusiness holding co*	no new inv.	pvte	shares acquired in swap for Southdown shares. Sustainable business; Investment failure

1999	Tanzania	Southern Highlands Tea *Privatisation of smallholder tea factories*	2.0	CDC	equity merged into Tatepa

notes: The figure shown for "investment" is an estimate of the total amount committed by CDC. In some cases a smaller amount was actually disbursed. In some cases the total commitment was made over several years for different project phases.

The schedules exclude stand-alone food manufacturing and beverage industry investments and investments in agribusiness made via separately incorporated venture capital funds

JV = joint venture