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UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

157p.

*Not yet on
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CARIBBEAN REGIONAL
PROJECT PAPER
EMPLOYMENT/INVESTMENT PROMOTION

LAC/DR:78-24

Project Number:538-0013

UNCLASSIFIED

9 SEP 1978

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown

Problem: Authorization of a \$1.676 million grant (\$423,000 in FY 1978) to finance the Employment/Investment Promotion Project in the Caribbean Regional Program.

Discussion: The purpose of the Project is to strengthen the Caribbean Development Bank's (CDB) institutional capacity to identify, examine and promote applied technology to increase the utilization of the physical, natural and human resources of the Caribbean region. This is to be achieved by undertaking two basic activities: (1) the Technology Information Component involving the development of a Technology Information Unit (TIU) and Technology Research Fund (TRF) within the CDB and (2) the Small Business Support Component involving Lending Institution Improvement, Investment Promotion, and Small Industry Surveys,

The TIU, created in the first component, will identify, investigate, and adapt already available technological research to regional problems; disseminate the results to potential users (e.g., local entrepreneurs); and assist CDB management to establish and administer the Technology Research Fund. This fund will finance research and pilot studies that define, adapt, and demonstrate the feasibility of specific technologies appropriate to the needs of the region and that emphasize labor intensive industrial processes and other projects of benefit to lower income groups. Technical assistance, provided under the second component, will (1) assist the CDB, the national Development Finance Corporations, and other institutions to develop a more effective on-lending program for labor intensive industries as well as for existing industrial and agricultural programs; (2) develop a mechanism to attract selected industrial firms to invest or otherwise participate in the industrial expansion of the region; and (3) design a program of technical assistance for the small businesses of the region that is effective and able to recover a significant portion of its costs.

The total Project cost is \$2,035,000 over a period of three years. A.I.D. will contribute \$1,676,000 while the CDB will provide \$359,000. A.I.D. financing will support the establishment of the TRF, as well as fund some operational costs, equipment, technical assistance, and studies and surveys of the small business sector. The CDB contribution will finance the cost of additional staff, training, and limited operational costs and technical assistance,

The Project is included in the FY 1978 Congressional Presentation, It was formerly entitled Appropriate Technology Development; however, the purpose and scope remain the same. Therefore, no further notification is required. An Initial Environmental Examination was prepared and a Negative Threshold Decision was approved on August 24, 1978. The Working Group on Human Rights and Foreign Assistance approved this Project on June 16, 1978. The LAC Bureau's Development Assistance Executive Committee (DAEC) reviewed the Project and recommended it for approval on September 8, 1978 subject to several changes. These changes have been incorporated in the Project Paper (PP).

The authorization permits the financing of a limited amount of procurement from the United Kingdom and Canada. The CDB is seeking untying of procurement among its donors in order to permit standardized procurement regulations, thereby simplifying the administration of CDB resources and minimizing conflicting variations for sub-borrowers scattered in islands and territories throughout the Caribbean. The Bank's role is to mobilize resources from a variety of sources and then administer these resources to many small clients scattered over 2,300 miles of ocean. The Bank relends global credits (industrial and agricultural) to some 10 or 11 financial intermediaries in as many states for relending to small borrowers. The conditions governing these resources must be understood and enforced by the financial intermediary and finally by the end-user. To the extent that these conditions differ they become a source of delay both in initial application and during implementation when changes in the local situation make it impossible to fulfill them as originally contemplated. The Bank estimates that it is managing some 17 funds with differing conditions and it is becoming an administrative impossibility to properly run its program. The Bank has repeatedly pointed out the problem of differing conditions on its resources to A.I.D. and other donors and asked that procedures and requirements be simplified and made consistent. You should be aware that other donors such as the IDB are going out of their way to design their projects to utilize CDB procedures to the maximum extent possible.

As a policy, the LAC Bureau has been untying loans and grants to the CDB as each project was authorized, based on reciprocal action by the United Kingdom and Canada. We propose to continue that policy with this grant and therefore are proposing that you authorize procurement of up to \$500,000 from the U.K. and Canada (the maximum amount that a regional assistant administrator can authorize) to be used upon agreement by the U.K. and Canada to untie a similar amount of their future contributions to the CDB for

United States procurement. We will be submitting for the Administrator's approval a blanket waiver on all future A.I.D. financing to the CDB based on an agreement to be sought with the U.K. and Canada to untie their contributions to that institution. This will eliminate the necessity of submitting waivers at the time of each project approval.

This action is consistent with a DAC agreement reached at the High Level Meeting of October 18 and 19, 1973, wherein the United States and other donors agreed to untie their contributions to multilateral institutions "for procurement in those countries that are members or associate members of those institutions or are recognized by the institutions concerned as significant contributors."

Through Delegation of Authority No. 40, you have been delegated the authority to permit procurement of goods and services for up to \$500,000 in any country included in A.I.D. Geographic Code 899 (Free World). Both the U.K. and Canada are within that Code. In order to assure that both these countries untie a like amount of funding in future grants and/or loans made during the life of the Project, the Mission in Barbados will request that the CDB obtain written assurances to that effect from both the U.K. and Canada. In the event that the U.K. and Canada do not agree to untie their procurement allowing the U.S. to compete on a non-discriminatory basis, no funds provided by this grant shall be available for the purchase of goods or services in the country of such donor.

Recommendation: That you sign the attached Project Authorization for the Employment/Investment Promotion Project thereby authorizing a grant in the amount of \$1,676,000 and a source, origin and nationality waiver allowing for the procurement of goods and services from the U.K. (Code 157) and Canada (Code 703). The interests of the United States are best served by permitting the procurement of goods and services from Free World countries other than the cooperating country and countries in Code 941.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Entity : Caribbean Development Bank
Name of Project: Employment/Investment Promotion
Project Number : 538-0013

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the Caribbean Development Bank ("CDB") of not to exceed Four Hundred Twenty-Three Thousand United States Dollars (\$423,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project consists of technology information, research and technical assistance activities designed to increase investment, employment and output of the industrial, organized cottage and similar small enterprise sectors of the economies of the CDB Member Countries of the English-speaking Caribbean (the "Project"). The entire amount of A.I.D. financing herein authorized for the Project will be obligated when the Project Agreement is executed.

I approve the total level of A.I.D. appropriated funding planned for the Project of not to exceed One Million Six Hundred and Seventy-Six Thousand United States Dollars (\$1,676,000) of Grant funding including the authorized amount during the period FY 1978 through 1981. I approve further increments during that period of Grant funding up to \$1,253,000, subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of a Project Grant Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

A. Source and Origin of Goods and Services

Except for ocean shipping and except as A.I.D. may otherwise agree in writing, goods and services financed by A.I.D. shall have their source and origin in the United States and Member Countries of the CDB other than the United Kingdom and Canada; except that the United Kingdom and Canada shall be considered eligible for purposes of source, origin, and nationality for goods and services up to a total amount of \$500,000 if the Grantee obtains from the respective countries a written commitment, satisfactory to A.I.D., to the effect that during the life of the Project such countries, together, will make available grant or loan funds (for this or other CDB projects) in a similar amount which will be available for expenditure in the United States (in addition to such other nations as may be specified) on a nondiscriminatory basis. Ocean shipping financed under the Grant shall be procured from the United States except as A.I.D. may otherwise agree in writing.

B. Conditions Precedent to Initial Disbursement

Prior to any disbursement or to the issuance of any commitment documents under the Project Agreement, CDB shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (i) a certified statement of the name of the person(s) authorized under the Project Agreement to act as CDB's representative under the Agreement with authenticated specimen signatures of said representatives.

C. Conditions Precedent to Disbursement for Other than Technical Assistance

Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for other than technical assistance the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D.:

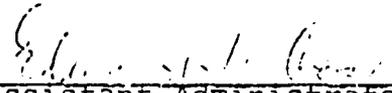
- (i) evidence that the Grantee has in operation an adequately staffed Technology Information Unit (TIU) and has a detailed plan governing the operation of the TIU including appropriate permanent staffing arrangements, criteria for governing the operation of the Technology Research Fund (TRF) and disbursement procedures; and

- (ii) a proposed program of activities to be funded during the first and subsequent years of the TRF. This program will indicate the beneficiaries, amount and schedule for each activity.

D. Covenants

CDB shall covenant to:

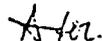
- (i) utilize funds made available under the TRF for financing of technical assistance and/or development research activities which will increase the utilization of the unemployed resources of the region;
- (ii) submit for A.I.D. approval any grant-financed contract which exceeds \$50,000; and
- (iii) use every effort to secure funds from regular budgetary sources to support continuation of core staff and activities of the TIU following termination of the funding made available under the Grant.


 Assistant Administrator
 Bureau for Latin America
 and the Caribbean

9/26/78

Clearance:

GC/LAC, JKEssler	<u> </u>	Date	<u> </u>
LAC/CAR:AFunicello	<u> </u>	Date	<u> </u>
LAC/DR, RGomez	<u> </u>	Date	<u>9/25/78</u>
LAC/DR, JSanbraillo	<u> </u>	Date	<u> </u>
LAC/DR, MBrown	<u> </u>	Date	<u> </u>


 GC/LAC:RCotten:jvc:vc:9/22/78 Ext. 29172

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET	1. TRANSACTION CODE <input type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE <input type="checkbox"/> A	PP 2. DOCUMENT CODE 3
	4. DOCUMENT REVISION NUMBER <input type="text" value="0"/>	

3. COUNTRY/ENTITY CARIBBEAN REGIONAL RDO/C	4. DOCUMENT REVISION NUMBER <input type="text" value="0"/>
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5. PROJECT NUMBER (7 digits) <input type="text" value="538-0013"/>	6. BUREAU/OFFICE A. SYMBOL LA B. CODE <input type="text" value="05"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="text" value="EMPLOYMENT/INVESTMENT PROMOTION"/>
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8. ESTIMATED FY OF PROJECT COMPLETION FY <input type="text" value="8"/> <input type="text" value="0"/>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <input type="text" value="17"/> <input type="text" value="8"/> B. QUARTER <input type="text" value="4"/> C. FINAL FY <input type="text" value="18"/> <input type="text" value="0"/> (Enter 1, 2, 3, or 4)
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A. FUNDING SOURCE	10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 -)			LIFE OF PROJECT		
	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	283	140	423	676	1000	1676
(GRANT)	(283)	(140)	(423)	(676)	(1000)	(1676)
(LOAN)	()	()	()	()	()	()
OTHER U.S.	1.					
	2.					
HOST COUNTRY CDB		53	53		359	359
OTHER DONOR(S)						
TOTALS	283	193	476	676	1359	2035

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY ⁷⁸		H. 2ND FY ⁷⁹		K. 3RD FY ⁸⁰	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
		(1) SD	710-R	700		423		1053	
(2)									
(3)									
(4)									
TOTALS				423		1053		200	

A. APPROPRIATION	N. 4TH FY		Q. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVAL. SCHEDULED MM YY <input type="text" value="12"/> <input type="text" value="78"/>
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
	(1)					1676	
(2)							
(3)							
(4)							
TOTALS					1676		

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 = NO
2 = YES

14. ORIGINATING OFFICE CLEARANCE SIGNATURE WILLIAM B. WHEELER <i>William B. Wheeler</i> TITLE A.I.D. REPRESENTATIVE	15. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W. DOCUMENTS, DATE OF DISTRIBUTION DATE SIGNED MM DD YY <input type="text" value="08"/> <input type="text" value="30"/> <input type="text" value="78"/>	16. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W. DOCUMENTS, DATE OF DISTRIBUTION MM DD YY <input type="text" value="08"/> <input type="text" value="31"/> <input type="text" value="78"/>
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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET <i>To Be Completed By Originating Office</i>	1. TRANSACTION CODE <input checked="" type="checkbox"/> A - Add <input type="checkbox"/> C - Change <input type="checkbox"/> D - Delete	PID
		2. DOCUMENT CODE 1

3. COUNTRY/ENTITY CARIBBEAN REGIONAL RDO/C	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 digits) <input type="checkbox"/> 538-0013 <input type="checkbox"/>	6. BUREAU/OFFICE A. Symbol LA B. Code <input type="checkbox"/> 05 <input type="checkbox"/>	7. PROJECT TITLE (maximum 40 characters) <input type="checkbox"/> EMPLOYMENT/INVESTMENT PROMOTION <input type="checkbox"/>
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8. PROPOSED NEXT DOCUMENT A. <input type="checkbox"/> 2 - PRP <input checked="" type="checkbox"/> 3 - PP B. DATE MM YY <input type="checkbox"/> 09 <input type="checkbox"/> 78	10. ESTIMATED COSTS (\$000 or equivalent, \$1 =) <table border="1"> <tr> <th colspan="2">FUNDING SOURCE</th> <th>Life of Project</th> </tr> <tr> <td>a. AID Appropriated</td> <td></td> <td>1676</td> </tr> <tr> <td>b. OTHER U.S.</td> <td>1. <input type="checkbox"/> 2. <input type="checkbox"/></td> <td></td> </tr> <tr> <td>c. Host Country CDB</td> <td></td> <td>359</td> </tr> <tr> <td>d. Other Donor(s)</td> <td></td> <td></td> </tr> <tr> <td colspan="2">TOTAL</td> <td>2035</td> </tr> </table>	FUNDING SOURCE		Life of Project	a. AID Appropriated		1676	b. OTHER U.S.	1. <input type="checkbox"/> 2. <input type="checkbox"/>		c. Host Country CDB		359	d. Other Donor(s)			TOTAL		2035
FUNDING SOURCE		Life of Project																	
a. AID Appropriated		1676																	
b. OTHER U.S.	1. <input type="checkbox"/> 2. <input type="checkbox"/>																		
c. Host Country CDB		359																	
d. Other Donor(s)																			
TOTAL		2035																	

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY <input type="checkbox"/> 78 <input type="checkbox"/> b. FINAL FY <input type="checkbox"/> 80 <input type="checkbox"/>

II. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)							
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. Grant	D. Loan	F. Grant	G. Loan	H. Grant	I. Loan
(1) SD	710-R	700		423		1676	
(2)							
(3)							
(4)							
TOTAL				423		1676	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each) 874 875 876 730 720

13. SPECIAL CONCERNS CODES (maximum six codes of four positions each)	14. SECONDARY PURPOSE CODE 712
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15. PROJECT GOAL (maximum 240 characters)
 To increase employment and output of the industrial and informal sectors of the MDC's and LDC's of the English-speaking Caribbean (the Region).

16. PROJECT PURPOSE (maximum 480 characters)
 To strengthen the CDB's institutional capacity to identify, examine and promote a greater utilization of the physical, natural and human resources of the Caribbean Region by (a) development of a mechanism to disseminate and promote applied technology; (b) expansion of programs of experimental research and demonstration in adaptive technology; and (c) development of programs for the public and private sector that give support to the implementation of appropriate industrialization.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 N.A.

18. ORIGINATING OFFICE CLEARANCE Signature: WILLIAM B. WHEELER <i>William B. Wheeler</i> Title: A.I.D. REPRESENTATIVE Date Signed: MM DD YY <input type="checkbox"/> 08 <input type="checkbox"/> 30 <input type="checkbox"/> 78	19. Date Document Received in AID/W, or for AID/W Documents, Date of Distribution MM DD YY
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Employment/Investment Promotion
Project Paper
Table of Contents

	<u>Page Number</u>
PART I: Summary and Recommendations	
A. Recommendations	1
B. Grantee	1
C. Project Summary	1
D. Summary Financial Plan	3
E. Summary Rationale	4
F. Conditions and Covenants	5
PART II: Project Background and Rationale	
A. The Economic Setting	7
B. Industrial Sector	10
C. Summary Rationale	15
PART III: Project Description	
A. Goal and Purpose	17
B. Description of Activities	18
1. Technology Information Component	18
(a) Technology Information Unit	18
(b) Technology Research Fund	20
2. Small Business Support Component	26
(a) Lending Institution Improvement	26
(b) Investment Promotion	27
(c) Small Industry Assistance Survey	28

	<u>Page Number</u>
	30
C. Financial Plan	
PART IV: Project Analysis	
A. Institutional	32
1. CDB	32
2. Organization	33
3. Project Coordination	34
B. Social	
1. Social Organization	35
2. Project Beneficiaries	35
3. Constraints	36
4. Role of Women	37
5. Environmental Statement	38
C. Economic	
1. Project Impact	38
2. Relationship with other Donors	41
D. Financial	
1. Viability	42
2. Availability of Funds	44
PART V: Project Implementation	
A. Summary Plan	45
B. Procurement Procedure	46
C. Disbursement Procedure	47
D. Reports	48
E. Evaluation	49

ANNEXES

ANNEX I - LEGAL EXHIBITS

1. 611 (e) Certification
2. Grant Application
3. Statutory Checklist
4. Draft Grant Authorization
5. Environmental Statement
6. DAEC PRP Review_e

ANNEX II - PROJECT EXHIBITS

1. Logical Framework
2. Development Finance Corporation
Evaluation and Viability
3. Caribbean Investment Corporation
Evaluation
4. Implementation Plans
 - a) Technology Information Unit
 - b) Lending Institution Improvement
 - c) Investment Promotion
 - d) Small Industry Assistance Survey
5. Review of Funding Available to CDB
6. CDB's 1978 Budget
7. Selected Support Data
8. Equipment List
9. Macroeconomic Study

PROJECT COMMITTEE

Stephen Ryner - Project Officer - Capital Project Development
Officer RDO/C

Gerald Wein - Program Economist RDO/C

Robin Gomez - Project Coordinator AID/W - LAC/DR

EXPERTS WHO ASSISTED IN PROJECT DEVELOPMENT

Business Analysis and Systems Information Corporation (BASIC)

AID Contract LAC-C-1268

Frank Skowronski - President, Consultant in Business and Banking
Analysis

Wood Tate - Consultant - Information Systems

Harold Pierce - Consultant - Banking Specialist

John Wall - Basic Staff Analyst, Small Business
Advisor

Social Analysis

AID Contract LAC-C-1283

Robert Rhoades - Social Scientist

Principal Liaison Persons in the Caribbean Development Bank

Dr. Kurleigh King, Director Industrial Division

John Rudder, Loan Officer

Jerome Singh, Technical Advisor

Approved by:

William B. Wheeler
A.I.D. Representative
Regional Development Office
Caribbean

PART I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The AID Regional Development Office, Caribbean (RDO/C) recommends that a grant be authorized to the Caribbean Development Bank (CDB) in the amount of \$1,676,000 for assistance to develop programs to increase employment and output in the English-speaking Caribbean. 1/ The grant will be funded over a period of three years as follows: FY 78 - \$423,000; FY 79 \$1,053,000; and FY 80 - \$200,000. The grant will be funded under Section 106, Special Development Problems.

B. Grantee

The grantee and executing agency will be the Caribbean Development Bank (CDB). The CDB is a regional development finance institution, established in 1970, and composed of 16 member countries in and around the Caribbean Region. Its purpose is to promote the development and integration of its borrowing member governments with special emphasis on its less developed members.

C. Project Summary

The purpose of the project is to strengthen the Caribbean Development Bank's institutional capacity to identify, examine and promote a greater utilization of the physical, natural and human resources of the Caribbean Region by:

- (a) development of a mechanism to disseminate and promote applied technology;
- (b) expansion of programs of experimental research and demonstration in adaptive technology; and
- (c) development of programs for the public and private sector that give support to the implementation of appropriate industrialization.

1/ For purposes of this paper the Region consists of the following:

Lesser Developed Countries (LDC's) - Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, British Virgin Islands, Cayman Islands and the Turks and Caicos Islands.

More Developed Countries (MDC's) - Bahamas, Barbados, Jamaica, Trinidad and Tobago and Guyana.

To achieve this purpose the project is composed of two components (1) the Technology Information Component and (2) Small Business Support. These components are inter-related activities which will provide informational resources, funds and the improved systems development required for the support of a regional employment generation.

1. Technology Information Component: This component will establish a Technology Information Unit (TIU) in the CDB. The purpose of the TIU is to identify, investigate and adapt research to specific regional problems, to disseminate the results to potential users and to assist CDB management in the establishment and administration of a Technology Research Fund (TRF).

The TIU will be the focal point within the CDB for locating, gathering, storing, and disseminating technological information. Technological information in this context will cover materials, processing and equipment for manufacturing (at all appropriate scales from cottage industries to industrial plants), agriculture, agro-industry, aquaculture, construction, energy and usage of natural resources. A library will be maintained by the TIU for basic technological information and technological information sources. By the Project Activity Completion Date (PACD) the TIU will be disseminating technological information by Newsletter and direct contact throughout the Region and have provided a review of appropriate technologies of an estimated 300 CDB and institutional projects. To the extent resources are available, the TIU will also disseminate information to non-Caribbean development and information organizations, especially where the assistance is reciprocated. CDB is expected to continue the TIU after the project is terminated.

The TRF's purpose is to be supportive to CDB's normal project development work in resources development and to establish a fund to finance applied research. Certain projects have been identified where relatively small expenditures for research, development or demonstration seem likely to provide substantial benefits to the region in terms of better utilization of available resources and usage of applied technology. To take advantage of these opportunities, the TRF will finance research and pilot projects to define, demonstrate and adapt specific technologies appropriate to the needs of the Region. Emphasis will be placed on labor intensive industrial processes and other projects of identified benefit to lower income groups. With the assistance of the TIU and the TRF, some 13 technological research and pilot projects will be developed.

2. **Small Business Support:** The Small Business Support component will provide technical assistance (T.A.) to development programs in three specific areas considered as essential to timely lending program development. By providing technical assistance to the LDC's for (a) lending institution improvement, (b) promotion of export industry and (c) identification of small business technical assistance needs, the Bank can proceed in a more effective manner to formulate and implement existing and future small industry loan and assistance projects. The purpose of the Small Business Support technical assistance will be to: (a) provide technical assistance to CDB, DFC's and other institutions to develop a more effective on-lending program for labor intensive industries as well as for existing industrial and agricultural programs; (b) develop a mechanism to attract selected industrial firms to invest or otherwise participate in the industrial expansion of the Region; and (c) design a program of technical assistance service for the small businesses of the Region that is effective and to the extent feasible, able to recover its costs. The T.A. will assist the CDB to explore institutional alternatives for the on-lending mechanisms and will enable the participating Governments to understand the policies and organizational constraints to generation of growth in investment and employment opportunities. The T.A. will provide some 58 person months of specialized surveys, program development and improvement to the on-lending services of the CDB and other institutions.

C. Summary Financial Plan

The total cost of the Project is \$2,035,000. The estimated breakdown of level of effort, costs and financing of the Project is shown in the following table. AID is providing \$1,676,000. The CDB is providing \$359,000. The project activities will be implemented over three years from the date of satisfying initial conditions precedent. The PACD will be three years from the date of signature of the Project Agreement.

(U.S. \$000's)

	<u>Level of Effort</u>	<u>AID</u>	<u>CDB</u>	<u>TOTAL</u>
Technology Research Fund		1,000	-	1,000
Staff Support	216 pm	-	286	286
Operations		199	53	252
Training	7 pm	-	7	7
Equipment		17	-	17
Technical Assistance	37 pm	259	13	272
Studies and Surveys	<u>30 pm</u>	<u>201</u>	<u>-</u>	<u>201</u>
	<u>290 pm</u>	<u>1,676</u>	<u>359</u>	<u>2,035</u>

E. Summary Rationale

In development of this project five constraints to effective employment/investment promotion have been identified:

1. The limited entrepreneurial and industrialization options now perceived in the business community.
2. The scarcity of (quantity and quality) managerial competence.
3. The highly restrictive natural resource base in the MDC's and LDC's.
4. The absence of applicable technological information available to firms, existing or potential.
5. The inadequacy of financial institutions to meet the needs of small businesses in terms of the quantity of funds available, the response time, and availability of technical assistance.

It is also possible that macroeconomic and other policies in the region militate against employment expansion and thereby constitute a sixth constraint.*

The magnitude and nature of these constraints suggests that a comprehensive program is required. This project is the first phase of such an employment/investment promotion program. As such, it will support the institutional programs necessary for further program development. The second phase is the implementation of the plans, reforms, and projects studied under the grant. The second phase is expected to be completed by the CDB, the member governments and the DFC's. In the third phase, loan funds will be utilized by the DFC's and other institutions employing applied technology, improved credit mechanisms, and revised organizational procedures to finance the expansion of the industrial and small business and industrial sector.

This project provides for identification and development of pilot interventions for promoting greater utilization of the resources of the Region and responds to the emerging concerns in the MDC's and LDC's for industrial expansion and employment generation. It gives substance to the desire to redress biases towards capital intensity by providing the instruments and resources required to effectively develop labor intensive investment opportunities. The project has been designed to facilitate the flow of information to the entrepreneurs and/or small businessman and to increase their options for the mobilization, direction and employment of those resources.

* A special study will be conducted to verify the existence of this constraint and gauge its effects. If necessary, policy prescriptions will be formulated. This study is discussed in greater detail in Section II and Annex II-9 of this paper.

The project responds to the recognized importance and timeliness of technical assistance interventions to the development and expansion of an applied technology resource base. The project specifically addresses the lack of information on applied industrial technology by providing a source and funds to support pilot applications and research in the Region. The T.A. will be responsive by identifying possible solutions to the other constraints, which will require additional time for closer coordination and analysis. The technical assistance will establish a working information base to develop practical solutions and provide linkages between existing institutions already working toward constraint resolution.

In summary, the Employment/Investment Promotion Project addresses and is responsive to the short term constraints of employment generation and establishes an information base for easing the long term unemployment problem. The Employment/Investment Promotion Grant is feasible, needed and ready for implementation. The project was developed in close coordination with CDB's management, on-lending institutions and with advice of various Governments of the Region. As demonstrated in the paper, the project is economically, technically, financially, environmentally and socially sound. The project represents a unified regional effort to be implemented by a regional institution capable of administering the program.

F. Conditions and Covenants

The conditions precedent and covenants below are proposed in addition to the standard conditions associated with AID Grants.

1. Conditions Precedent to Disbursement Other Than for Technical Assistance

Prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made, for activities in the TIU, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID evidence:

- i) that the Bank has established an adequately staffed TIU in operation and has a detailed plan governing the operation of the TIU including appropriate

permanent staffing arrangements, criteria for governing the operation of the Technology Research Fund (TRF) and disbursement procedures; and

- ii) of a proposed program of activities to be funded during the first and subsequent years of the TRF. These plans will indicate the beneficiaries, amount, and schedule for each activity.

(a) Project Evaluation The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (1) evaluation of progress toward attainment of the objectives of the Project;
- (2) identification and evaluation of problem areas and of constraints which may inhibit attainment;
- (3) assessment of how information may be used to help overcome problems; and
- (4) evaluation, to the degree feasible, of the overall development impact of the Project.

(b) Special Covenants Grantee, except as AID shall otherwise agree in writing, shall covenant to:

- (1) utilize funds made available under the TRF for financing of technical assistance and/or developmental research activities which are of benefit to utilization of the unemployed resources of the Region;
- (2) submit for AID approval any grant-financed contract which exceeds \$50,000;
- (3) use every effort to secure funds from regular budgetary sources to support continuation of staff and activities of the TIU following termination of the AID contribution.

PART II. PROJECT BACKGROUND AND RATIONALE

A. The Economic Setting

The Commonwealth Caribbean consists of sixteen (16) dispersed states with a total population of about five million. To facilitate analysis of the economic problems and potential of the English-speaking Caribbean, the countries of the area are usually grouped primarily on the basis of income levels into categories of More Developed Countries (MDCs) and Less Developed Countries (LDCs). This project will focus mainly on the needs of three MDCs - Jamaica, Barbados and Guyana - and eight LDCs - St. Vincent, St. Lucia, Dominica, Antigua, St. Kitts-Nevis-Anguilla, Grenada, Belize and Montserrat.

These eleven countries have a combined population of 3.8 million and a total GNP of about \$400 million. Of these totals the three MDCs account for 83% of the population and 91% of the income generated. Population, national income and per capita income data are presented in Annex II - 7.

The economic structure of the islands is typified by a dualism common to most developing countries. The modern sector (mining, manufacturing, tourism) is export oriented utilizing fairly sophisticated technology; the traditional sector is oriented to the domestic market employing low level technology with low productivity per worker. Unfortunately neither sector generates sufficient employment to take up the growth in the labor force. The result is large numbers of workers are either unemployed or forced to hold low productivity jobs in agriculture and the informal business and services sector.

The islands all have vulnerable open economies, depending heavily on a few export products and a broad range of imports. For the LDCs, 1975 imports represented some 74% of GDP and exports represented 53%; for the MDCs imports amounted to 50% and exports some 40% of GDP. In the last few years all of the countries, except Trinidad and Tobago, have undergone an economic crisis as a result of the escalation of food and energy prices and the recession in the industrialized countries. As demand fell for Caribbean exports (including tourism) and prices of energy and other imports rose, the three MDCs experienced severe balance of payments difficulties and a deterioration in their central government finances. Eventually the three had to institute austerity measures to protect their balance of payments and budgets.

To understand the current economic decline in these economies and the underlying causes requires an appreciation of their structural constraints. The small size of the countries as measured by population or the natural resource base is an important limiting factor. With very small domestic markets, self-sufficiency in a broad range of products could only be achieved at highly inefficient levels of production and correspondingly low levels of national income. Small countries, like small areas of large countries, are forced to specialize in the production of a few goods and services and to depend heavily on foreign trade. The

MDCs have been fortunate to have had some valuable natural resources and the ability to exploit them. These include bauxite (Jamaica and Guyana), a climate and soils conducive to the sugar industry (Guyana, Barbados and Jamaica), and a sea-sun-sand combination which attracts tourists (Jamaica and Barbados).

The exploitation of these resources has traditionally made an important contribution on the growth of the area. However, a high level of dependence on these resources has made the economies unusually vulnerable to changes in demand for a small number of goods or services. To reduce this export vulnerability, lessen the dependency on imports, and put the economies on a more stable, broad-based footing, the Governments sought to expand their industrial sectors. Diversification of production was also expected to contribute to growth in income and employment. A regional trade group was formed to create a protected market of over five million people, and various incentive policies were established to encourage investment in manufacturing.

Although the manufacturing sector in the MDCs has grown at respectable rates, much of the technology employed, particularly in firms oriented toward the domestic and Caribbean regional market, has been quite capital intensive. In Jamaica, for example, the IBRD reports that the average fixed capital per worker in firms producing for the protected domestic and regional markets is 20 times that of firms producing for extra-regional markets.

As a result of the technology utilized, the employment benefits have been disappointing. In Barbados, for example, manufacturing output increased between 1970 and 1976 by 57% in real terms while employment in the sector rose by only 12%. Moreover, the import content of many Caribbean manufacturing enterprises is also very high, which means fewer employment and income benefits for related industries, a smaller balance of payments effect and considerable vulnerability to declines in foreign exchange earnings.

This vulnerability has recently been highlighted in Jamaica where foreign exchange availabilities have declined sharply as a result of increased world prices for petroleum and other imports, a fall-off in tourism and an unwillingness of domestic or foreign investors to keep and invest their funds in Jamaica. The austerity measures which have been required, including a sharp curtailment of imports, have made it extremely difficult for manufacturing firms to acquire essential inputs. Some import-dependent firms have had to reduce output and employment, further contributing to the downward economic spiral.

Unemployment is generally considered the most serious economic and social problem facing the MDCs. Unemployment rates are estimated to be about 24% in Jamaica and 15% in Barbados. Recent World Bank studies which analyzed the decline in output and employment in the MDCs highlighted the need for increased investments employing more

appropriate labor intensive technologies. Such investment is the key to redressing immediate employment and income problems and to establishing a solid base for increased equity and long term growth.

Although by most standards the MDCs are small developing countries with severe economic difficulties, they are large and have considerable resources in comparison to the LDCs. The eight LDCs identified above have a combined population of about 665,000 people, and a combined GDP of about U.S.\$345 million. The average island population is thus only about 83,000 people and has a GDP of about U.S.\$43 million.

Quite obviously, economies of this size must be highly dependent on foreign trade. Not only capital and intermediate, but most consumer goods as well must be imported. Since most commodities that people eat, wear, use to build and furnish their homes, etc., must be purchased on the world market and transported over long distances, the cost of living tends to be very high. If one were to take into account variations in the cost of living not reflected in international exchange rates, the LDC real per capita income would be considerably below the \$518 (see Annex II - 7) level reported in official figures and used for international comparisons.

Although the opportunity to trade allows the LDCs to avoid inefficiently producing most consumer goods, every country, no matter how small, must itself provide some essential goods and services. Many of these essential items are government services, e.g. drinking water, sanitation facilities, education, police protection, immigration services, health services, weather forecasts, agricultural information, and markets and transportation infrastructure. Despite the fact that LDC tax revenues are almost 20% of GDP, on average each LDC has a total of only \$10 million to utilize for recurrent expenditures. Providing quality public services under these conditions is clearly a problem without easy solution.

The extremely open economies of the LDCs have made them particularly vulnerable to the international inflation and recession of the 1970's. The real value of output in all major sectors, except agriculture, declined in recent years causing similar declines in income, employment and import capacity. Additionally, because reduced foreign exchange earnings in the LDCs have a braking effect on the domestic money supply under the monetary arrangements of the Eastern Caribbean Common Market (ECCM), the direct reduction in real income has been exacerbated by monetary considerations. As a result, real GDP is estimated to have fallen on average about one percent per annum between 1971 and 1976. This decline in real output coupled with a population growth of about two percent per annum has resulted in a marked decline in real income per capita.

Employment data in the LDCs is collected only at the time of the decennial census, the last of which was conducted in 1970. At that

time total employment in the seven ECCM LDCs totalled 138,000. It has probably risen only slightly in the past eight years. Unemployment data of that vintage is not worth reporting. Although recent data on LDC unemployment is believed to have closely paralleled the decline in real income. Unofficial World Bank estimates place unemployment in the LDCs around 17-19%. This high level of underutilized labor resources again suggests the need to give increased attention to the capital-labor mix in new investment projects.

B. Industrial Sector

1. General Structure

The industrial/manufacturing sector in the Region consists largely of lighter industries which typify countries at an early stage of industrialisation. Trinidad and Tobago have the oldest manufacturing sectors. They have moved into a narrow range of intermediate goods such as cement and textiles as well as the assembly of consumer durables. They also have some modest heavy industry based upon petroleum and bauxite resources.

Guyana, Barbados and Belize have developed semi-mass production consumer goods such as biscuits, cigarettes, garments as well as industry of a mixing or packaging nature such as paints and pharmaceuticals. Guyana's resource base has led to a substantial proportion of agriculture processing, while Barbados --- lacking a similar base --- is specializing in export-oriented assembly. Belize, less developed than both, has gone both ways.

The other seven LDCs are the least industrially developed having achieved some import substitution in technologically simple, small scale activities as well as some limited processing of agricultural raw materials. Small size and protection provided by high transport costs have determined the pattern of production. Local production largely comprises high weight-to-value ratio goods (i.e. semi-nontradeables), such as cement blocks, low-cost furniture and bottled drinks, rather than the more labor-intensive low weight-to-value goods, such as clothing. These undertakings are typically very small scale (5-20 employees). There are some establishments engaged in the processing of agricultural raw materials. Since the late 1960's a small number of enclave exporting firms have been established in some of the islands.

The major aims ascribable to industrialization in the Region are primarily employment generation, but also growth in output and contribution to foreign exchange. In addition there is strong belief that industrialization of the right kind has an important dynamic role in economic development; industrialization which creates sectoral linkages --- national or regional and brings into use unemployed resources and a reduction of dependence on the outside world.

Given these aims there are three general options for expanding industry which are being pursued in the Region.

(a) **Import substitution.** There are two distinct trends being pursued. The first is import substitution on the basis of regional specialization. CARICOM, as mandated in the Treaty of Chaguramas, is actively promoting industries which will provide greater utilization of raw materials of the Region and create sectoral linkages. These are generally intermediate industries of larger scale and of relative capital intensity. Typical goods are textile, fibre and fabrics, iron and steel, plastics, paper, rubber, cement etc. The governments are actively attempting to develop a regional programming scheme and the CDB is preparing feasibility studies for several regional projects. The second trend is processed agricultural products for domestic and regional markets. Examples are dairy, vegetable and fruit products. The CDB is currently initiating an agro-industry program designed to focus on this area,

(b) **Small scale and service enterprises.** The CDB and other institutions are actively promoting small scale enterprises comprising (i) small modern manufacturing, (ii) organized services such as constructing, transportation and trading, and (iii) traditional or informal activities such as workshop and household industries. These are labor intensive, provide an outlet for independent people who don't fill their potential in large organizations and provide a seedbed for entrepreneurial talent and new industries.

(c) **Exports expansion.** The size of local markets places a severe limitation on efficient import substitution and makes exporting an imperative. This would include goods based on processing Regional raw materials and enclave type products. Particularly in Barbados and the LDCs exports are likely to be enclave industry products.

The latter two of these options are particularly supported by this project through applied research and technical assistance.

2. Small Scale and Service Enterprises

The definition of small industry used by the Barbados Institute of Management and Productivity (BIMAP) is generally accepted, for programming purposes, throughout the Eastern Caribbean. According to BIMAP, a small enterprise is one which has at least two of the following characteristics: less than 25 employees, less than US\$25,000 in fixed capital, less than US\$25,000 in annual sales. The definition was formulated as a guide to eligibility of firms for subsidized technical assistance. The DFCs on the other hand, in determining eligibility for soft small industry loans, define eligible individuals as those with a net worth which does not exceed US\$55,600. The bulk of industrial establishments in the LDCs fall under the BIMAP definition. Similarly, of the identified service industries, more than 92% would be classified as small industry. As noted in the Industrial Production Statistics Workshop held in Barbados in June of 1978, "The Statistics of small scale enterprise is perhaps the most deficient area of

industrial production statistics in the Caribbean". The statistics used herein are estimates derived from National Provident Fund records and occasional reports produced by LDC Governments and other agents. These indicate that approximately 89% of all commercial and manufacturing enterprises can be classified as small enterprises in the eight states. In St. Lucia, for which more precise and detailed data has been gathered for this project, there are 265 small enterprises of which 73 are manufacturers and 192 are commercial.

For the LDCs with their limited market, small enterprise is of special importance as an import substitution producer, especially for agro-based industries which lend themselves readily to small scale operation. In addition, small scale enterprise possesses locational flexibility and may be readily adapted to unique local conditions. Moreover, such enterprise is usually locally owned. This is a distinct advantage in a geographic area where foreign ownership of industry is substantial since it facilitates a more equitable ownership pattern and provides a vehicle for the development of entrepreneurial and management skills.

Of growing importance will be the role of small scale enterprise as direct producers for the external export market. Small scale producers and organized cottage industries, if properly programmed may contribute substantially to employment generation through production for already identified special markets. It may well be expected that such enterprise may also establish linkages with large scale firms as sub-contractors, and as providers of maintenance and repairs. Approximately 1500 services and manufacturing firms make up the resource pool from which it is expected that, with adequate assistance, export production will be increasingly generated.

3. Exports Expansion

Labor intensive export production, presently carried out mainly by "enclave" industries, presents excellent opportunities for small enterprise in the Region. Many products depend upon small specialized production facilities, or conversely on widespread organized cottage industry. Initial investigation, during the four month development of this paper of potential small enterprise production possibilities for extra-regional sales resulted in proposed offers from buyers for goods valued at over US\$2. million. These include items presently capable of being produced by existing small firms in St. Lucia and Dominica, as well as items for cottage industry fabrication in the majority of the LDC states. The job creation effect of the proposed production is estimated to exceed 600 new positions. It is evident that the possibilities for introduction of labor intensive operations for small industry are probably in excess of the LDC's capacity to respond, but even a partially effective response would absorb a considerable number of workers and make substantial contributions to their current account positions.

Labor intensive export industries, if developed in response to specific market requirements would provide an array of direct and indirect benefits. Foreign buyers frequently are able to provide training in production and management techniques. This source of technical assistance to small producers is unexcelled. It is production and cost oriented and involves technology transfer of a nature specifically adapted to the production at hand. Substantial portions of the fixed capital may also be provided by the buyers. Of greatest importance is the provision of ready, well defined and committed marketing channels.

The major problem preventing small firms from entering into this form of production is lack of knowledge of potential buyers and of arrangements which can be made with them. The investment promotion efforts in the Region, through regionally coordinated efforts will be able to establish the information channels required.

4. The Assistance Provided to Industry by CDB's Industry Division

The CDB Industry Division is charged with preparation

and evaluation of the Bank's industrial projects. The division is staffed by specialists in small industry loans, industrial projects and technical areas. These are assisted or supplemented by consultants provided by international donor agencies. Division staff plays a wide range of roles in project development. These may include initiation of project ideas, preparation of feasibility studies, advisory participation in management of firms financed by the CDB.

The CDB channels credit from Ordinary Capital, the Special Development Fund, and other special funds to institutions in member states. The Industry Division evaluates specific projects which would involve the use of such funds and assesses the potential effective demand for lines of credit being considered for disbursement to the DFCs. The Small Industry Officers monitor progress of such loans, and assist where appropriate in resolving financing problems.

From 1971 to 1977 the Bank approved a total of US\$26.0 million in loans to the industrial sector and disbursed US\$22.3 million. The momentum of lending has increased annually. New loan approvals in 1971 were only .9 million, then rising at an average annual rate of 12% per year to US\$11.10 million in 1977. Total industrial lending over the seven year period was in excess of US\$26.0 million. Of this total, industrial sector lending through intermediaries on governmental entities was in excess of US\$10 million, Industrial Estates absorbed more than US\$7 million, small industry loans for DFC sub-lending totalled US\$4.4 million and US\$3.9 million was loaned directly to private firms. Practically all Small Industrial Credit (SIC) and Industrial Estates lending utilized Special Development Funds, while general industrial credit drew upon US\$4.6 million of Ordinary Capital Resources, US\$1.4 million in Special Development Funds and US\$4.6 million from Other Special Funds. Projections made by the Industry Division anticipated that as much as US\$95.0 million may be approved over the next five years.

The Industry Division has limited scope for directly affecting the level of lending through the DFCs and its assistance to Industrial Loan Officers has been tactful and low-key. The independence of the DFCs insulates them from direct influence of outside agencies, and the Industry Division must play the role of an available resource which the Industry Officer in the DFCs may call upon as needed.

One of the most successful programs of assistance being carried out by the Industry Division, with characteristic competency, is the provision of advice on technology and assistance to DFC Industry Officers and to private concerns throughout the Region. Utilizing limited resources, the Technical Assistant of the Division has become a de facto clearing house for technical information. This function will be included in the Technology Information Unit to be established under the project, provides a solid base upon which appropriate technology functions may be rapidly expanded.

5. Conflicting Policies

The social and economic policies of a country set the general framework within which business decisions are made. Such policies, while conceived to meet a given objective in one field, also impact on other fields, often in unintended ways. Thus, a minimum wage policy designed to advance the earnings of urban wage employees may have that effect, but it may also limit severely the number of people employed. In any undertaking, the policy framework merits a preliminary examination to determine whether it is likely that policies in another sphere are likely to deminish or magnify project efforts.

In the Caribbean region, there is evidence that production for protected local and regional markets has been accomplished with very capital-intensive techniques, which use prodigious amounts of scarce capital and sparing amounts of abundant labor. At the same time, production for extra-regional export markets has been accomplished with labor-intensive techniques. This suggests, in quite stark terms, that employment generation policies are being counteracted by other policies. It is therefore, necessary to examine which social or economic policies now existing in the region militate against more intensive or extensive use of labor in the production process.

Therefore, a special study will be undertaken in complement to this project to review existing social and economic policies as they affect the viability of future efforts to expand labor intensive investment in the region. Special emphasis will be placed on identifying those critical policy changes needed to assure (or maximize the chances of) success of a follow-on project to provide lending capital.

C. Summary Rationale

In summary the employment/investment project addresses three categories of problems facing small business in the LDC's. The first is the non-responsiveness of banks to the financial needs of small businessmen. The second is derived from the nature of the markets to be serviced and the productive processes used to respond to market possibilities. The third is derived from the lack of business skills and applied technology of such enterprises.

(1) Demand for credit by small enterprise is, according to industry spokesman, high although effective demand as reflected in DFC and commercial bank lending is low. The DFC's report loans to industry over the past years at US\$2 million of which US\$1.2 million was allocated to manufacturing. Commercial banks' records do not differentiate between small and large industries, but it is estimated by some members of its banking community that about 10% of the total industrial portfolio of US\$13.8 million is in small industry loans and slightly more than 10% of its commercial portfolio of US\$36.4 million is in small enterprise loans. Thus, commercial banks credit to small enterprise is estimated at approximately US\$3.6 million. Commercial bank credit emissions to small business is largely for working capital and well secured loans for other purposes, and is made available primarily to established bank customers. Venture capital is seldom available. The conservative policies of the banks make it virtually impossible to lend for new projects or expansion plans of small business. Expansion projects, for example, are often seen as bearing unacceptable risks since the loan may result in a doubling or tripling of the businesses liabilities and exceed its current worth. The DFCs have not to date, been able to tap the unfulfilled demand because of cumbersome procedures which combine the worst features of development and commercial banking.

(2) The second problem is marketing small business shares with larger firms in the Caribbean and may be alleviated to some degree by providing better marketing information and regional industrial promotion through technical assistance. A wide range of technology remains unavailable to the small producer, and existing technology adaptations are required to optimally adjust production to the small local and regional markets. Foreign Investment may be attracted to the region by more efficient resource utilization.

(3) The problem arising from a lack of business skills is not susceptible to mechanistic solution. In part, it is an inheritance of an education system which has stressed academic attainment, while relegating business and vocational training to minor roles in the education system. Nevertheless, the presence of a reasonably well educated work force facilitates the training of managers and workers. Usually no provision is made for linking industrial assistance to the local requirement for technology. Technical Assistance provided without regard to this consideration frequently is without positive results.

It appears that technical assistance is focused on firms in trouble rather than those with success probabilities. Given the relatively high cost of technical assistance to small business, it is essential that it be targeted more precisely, and provided with greater skill. Further, given the range of business/technical requirements for effective aid to small enterprise, it is doubtful that any LDC can afford the maintenance of a pool of T/A personnel possessing the wide range skills necessary. A regional approach to small enterprise assistance is one instance where through economies of scale, certain forms of technical assistance services can be delivered at lower costs.

PART III. PROJECT DESCRIPTION

A. Goal and Purpose

The goal is to increase investment, employment and output of the industrial and informal sectors of the LDC's and MDC's of the English-speaking Caribbean Region (the Region). The project responds to emerging policies of the MDC's and LDC's for industrial expansion and employment generation. It is intended to give substance to these policies by providing a program, instruments and the resources required to advance their achievement. The Project supports the development of a regional employment investment program to stimulate industrial growth in the Region that will create additional jobs consistent with the market competition and economic objectives. The project will assist in the design of programs to increase employment and output in the MDC's and LDC's.

The purpose of the project is to strengthen the Caribbean Development Bank's institutional capacity to identify, examine and promote a greater utilization of the physical, natural and human resources of the Caribbean Region by:

- a) development of a mechanism to disseminate and promote applied technology;
- b) execution of programs of experimental research and demonstration in adaptive technology; and
- c) development of programs that give support to the implementation of appropriate industrialization for the public and private sector.

This will be accomplished by implementation of a series of interventions under which the Caribbean Development Bank (CDB) will use the specific assistance provided to:

- (1) establish a capacity within the CDB to collect and disseminate information on technological processes and assistance applicable to projects in the Region.
- (2) establish in the CDB a fund to finance applied research to enable efficient utilization of the resources of the Region.
- (3) provide technical assistance to CDB, DFC's and other institutions to develop a more effective on-lending program for labor intensive industries as well as for existing industrial and agricultural lending programs.

- (4) develop a mechanism to attract selected industrial firms to invest or otherwise participate in the industrial expansion of the Region.
- (5) design a program of technical assistance service for the small businesses of the Region that is effective and to the extent feasible, able to recover its costs.

Upon completion of the above activities (3), (4) and (5), the Bank will consider implementation of the program developed and their integration with existing institutions and lending programs. The final operation will be to establish a fund within the CDB, utilizing the DFC's or other institutions to implement an on-lending program, through the improved credit mechanisms, to the industrial sector and small business.

B. Description of Activities

The CDB will be responsible for implementation of the Grant through the following sub-activities:

- 1. The Technology Information Component
- (a) Technology Information Unit

Summary

The Project provides for the establishment of a technology information unit within the Bank to evaluate and promote the development and utilization of technologies appropriate to the Caribbean. It will advise on equipment selection and technical production problems, evaluate and recommend alternative technologies for projects, and promote the development and adaption of technologies to the Region. The CDB would contribute \$293,000 to finance personnel operating costs and training. The AID funding would be provided on a gradually diminishing basis while CDB would proportionately increase its allocation over the life of the of the project. It is expected that the CDB will continue the TIU after the Project is terminated.

Purpose of the Technology Information Unit

One of the major constraints to the adoption of employment of generating technologies is the lack of knowledge of their availability and lack of experience in use. In addition, the capacity to analyze and select technology for the achievement of multi-purpose objectives has become of growing concern in the Bank. This activity will establish a unit with the following functions:

- the systematic collection, collating and updating of information on technologies applicable to the circumstances and needs of the region;
- the provision of advice and support to the users of technologies developed, in relation both to plant and equipment and systems and processes;
- the identification of needs to adapt existing technologies to meet local requirements or to fill gaps in the range of available technologies by research and development;
- the identification, specification, monitoring and evaluation of R & D projects as designed to adapt technologies to the Caribbean situation;
- evaluation of technologies and recommendation of alternatives for CDB projects;
- the dissemination of technology information to the institutions private and public of the Region.

The Functional Responsibilities of the TIU

(1) Information Library

Technological data will be collected in books, catalogs, brochures, periodicals, reports, and correspondence. Time and effort will be only spent in collecting and cataloging technological data when there is a medium to high probability that they can be used. Technological source data will be collected on a broader base, so that the TIU will be able to locate and acquire data from outside sources as required. Information requests will come to the TIU from a variety of sources, including CDB and DFC loan officers, who are formulating or analyzing projects, e.g. businessmen, development corporations, research organizations, government departments, and voluntary service organizations.

(2) Project Review

On all projects, the TIU will be available to assist CDB loan officers to obtain and evaluate needed technological information. On projects involving a fixed capital per worker ratio exceeding \$5,000 the Head of the TIU will participate in the Project Team's "technical study, including consideration of alternatives". 1/

1/ Source: CDB's Loan Procedures Manual.

(3) Coordination and Dissemination

The TIU will coordinate closely with other Caribbean institutions especially CARDI and CARIRI, to avoid unnecessary duplication and to make the best use of specialized skills. For certain categories of information, it will be jointly decided which organization will specialize on behalf of all the organizations. To assist in dissemination of information the TIU will publish a newsletter describing selected technical items of specific interest to Caribbean development.

T.I.U. Organization

The TIU operations will be carried out by its staff, assisted by an Advisory Committee. The TIU when fully staffed is expected to consist of a Head and three Information Specialists, assisted by a Secretary, and two (2) Library Assistants.

A TIU Advisory Committee will be formed to help the TIU establish the objectives and content of its operating program. This committee will not "Direct" the TIU operations, but will assist it to extend its view of development information needs, particularly outside the CDB. Committee members will be selected to establish a wide range of organizational representation, technical backgrounds, and regional distribution. The initial composition of the Committee will include representatives of the CDB, the Head of the TIU, and other additional representatives selected by the above from among various Caribbean regional institutions.

(b) Technology Research Fund Summary

An integral element of the TIU will be a fund which will enable the CDB to commission existing institutions to undertake technological research. AID grant funds in the amount of \$1 million will finance the technological research, pilot and demonstration projects. For the first year of TRF operations the CDB has identified some 13 research studies totalling approximately \$1 million for which it does not have financing from other sources.

Purpose of the Technology Research Fund

As discussed previously one of the major constraints to adoption of employment generating technologies is lack of experience. The purpose of the TRF is to provide funds to adapt and test various technologies for possible industrial application and expansion of programs of experimental research and demonstration in adaptive technology.

The TRF will finance research and pilot projects to adapt, define and/or demonstrate specific technologies appropriate to the needs of the Region. Emphasis will be placed on labor intensive industrial processes and other projects of identified benefit to lower income groups.

Operation of the TRF

The TRF will be administered by the TIU with funding authorization under the direction of the CDB management. The TIU staff will prepare various project proposals for funding by the TRF. The projects will be submitted to CDB's Management Team for review and contractual authorization. The projects will be expected to promote greater utilization of the physical, natural and human resources of the Caribbean Region in such areas as materials, processing equipment for manufacturing (at all appropriate scales from cottage industries to industrial plants), agriculture, agro-industry, aquaculture, construction and energy systems.

These projects in most cases will be executed by selected outside research institutions. A proposed project costing over \$50,000 will be submitted to AID for review and concurrence. The following criteria will be used in selecting, reviewing, and approving projects for the TRF. To the maximum extent practical, projects will:

- focus on past research and adaptive technology to identify specific industrial development potential;
- contribute to development projects that increase employment and/or income, reduce costs, or improve housing or other aspects of living conditions, with particular focus on benefits to lower income groups and increased usage of the natural resources of the Region.
- result in near term useful solutions; and
- utilize and support existing Caribbean research and development institutions.

The following are brief descriptions of some of the identified research projects that:

- meet the previous criteria,
- are not contemplated for development with existing CDB funds, and
- are under active consideration by the CDB.

Lime-Laterite Building Blocks - \$40,000

It appears technically possible to make building blocks using only simple processes and low-cost materials (lime and laterite), which are readily available in certain Caribbean LDC's. The blocks can have appearance and strength superior to concrete blocks at half the cost. This block-making technique could reduce building costs, be adaptable to self-help housing construction, and form the basis for local small enterprises making lime and blocks.

The research project would include surveying and analyzing various known material sources in the Region, and accelerated testing of blocks prepared from these materials with different mixes, curing times, pressures, and block forming techniques. The research will be coordinated by CARIRI.

Building Demonstration Project - \$90,000 (requires a project analysis)

If the research on lime-laterite blocks is successful, the next step toward acceptance and implementation would be a demonstration home building project. Research funds would be needed for establishing pilot operations for production, machinery evaluation, and alternate usage of the blocks. These tests would spot and correct any field problems not covered in the previous laboratory research. Tests and surveys would also evaluate the social acceptance of the new materials and confirm long-term material stability.

Climatic Resources Examination - \$230,000 (requires a project analysis)

There is notable interest in several Caribbean countries in using natural resources of wind and sunlight to a better advantage for heating, cooling, crop drying, water pumping, and electricity generation. The potential production of reliable, low-cost energy supplied from renewable resources could have considerable beneficial impact on production and employment in agriculture and small-scale industry, and on the balance of payments. The production of this energy would itself generate income and employment.

The proposed project would focus on wind energy, but also include data collection and equipment evaluation for solar radiation. The research would be divided into several parts. First would be an analysis of existing equipment and recording methods. Next, based on these preliminary analyses, and on determination of test locations where wind power could usefully provide irrigation water, or other appropriate electro/mechanical service, small wind recording stations would be installed. These stations would produce wind speed data directly convertible to potential wind power. Finally, equipment would be evaluated for support to the system based upon local construction, assembly and installation procedures.

The Caribbean Meteorological Institute would supply the existing climatic information and supervise the installation and data collecting from the new recording stations. The equipment studies, data analysis and cost studies could be done as a research project in the University of the West Indies School of Engineering. The TIU would provide data on windmill and pump characteristics and costs. The principal research funds required would be for the twenty (20) wind and radiation recording stations, at an estimated installed costs of \$10,000 each.

Methane Production - \$35,000

Agricultural wastes can be decomposed anaerobically to produce a methane gas with a calorific value similar to coal gas, plus producing a useful fertilizer byproduct. The process is well understood, but local construction and equipment applications need to be studied to optimize and demonstrate specific techniques of handling local materials.

The initial proposed project would be based on a small chicken farm utilizing the droppings plus any other suitable organic wastes. The output gas would be used for heating water for cleaning and plucking and possibly for powering a stationary generator.

Agricultural Byproducts - \$100,000 (requires a project analysis)

The soils and weather conditions in many of the Caribbean LDC's are more suited to growing sugar than almost any other agricultural product.

However, the sugar produced is largely an export product, subject to the variations of the export market and producing seasonal unemployment.

The proposed regional study under the direction of the TIU would investigate world literature on the products, processes, and costs involved in transforming the products of sugar culture (sugar, molasses, bagasse, etc.) into other products with economic potential. These would include alcohol, yeasts for animal feed, particle board and other byproducts. Experimental and test runs of these byproducts would be made in existing factories inside and outside the Caribbean, using Caribbean material. The resulting University/CDB study would identify products with economic potential, describe and test the inputs required, define the expected economic impact of production, and establish the reasonableness pilot project for further study.

Local Production of Mulching Materials - \$30,000

Farmers spend up to half of their time weeding crops. The use of plastic mulches in the United States has drastically reduced the weeding problems and, at the same time, reduced evapo/transpiration losses. Trials of these materials in the Caribbean have produced mixed results because of heat damage to the crop.

Experimentation is needed on the use of different mulching techniques on different crops. The goal is to find an economical material, preferably of local fabrication, that will suppress weeds and evaporation, while not promoting overheating, funguses, and other harmful side effects. Due to the need for constant, trained observation and multiple testing, the project would be carried out on the University of the West Indies experimental farm in Trinidad. The two-year project costs would cover the purchase and/or special fabrication of mulch materials and pilot equipment.

**Production of Fisheries Equipment - \$120,000
(requires a project analysis)**

The CDB is lending about \$2 million for a fisheries project that is scheduled to start operations in 1980. This loan project is aimed toward improving the catches of pelagic species (tuna, kingfish, dolphin, wahoo, flying fish, etc.) as well as deep slope snappers and groupers. A research component is needed in the project to evaluate the costs of associated experimental fishing gear, the local production capabilities of fishing equipment, and pilot manufacturing and support industries.

Local Production of Solar Crop Dryers - \$45,000

Several types of solar crop dryers have been developed for use outside the Caribbean. An effort needs to be made to test and adapt these concepts for use by small farmers in drying peanuts, rice, corn, peas, beans and other crops.

This project would begin with background research on existing solar drying configurations, followed by construction of two prototype designs, using locally-available materials to the maximum extent. These prototypes would be used over a two-year period to test-dry various agricultural products. These tests would simulate typical small farm conditions, except that detailed measurements would be kept of the temperature/humidity conditions in the dryers and the resulting drying effect on the crops.

At the conclusion of the test, a report on the use and effectiveness of the two systems would be made and distributed to the Departments of Agriculture of each Caribbean country.

Use of Local Materials for Crop Storage Facilities - \$30,000

A high percentage of harvested crops is lost to pests and to spoilage due to the lack of suitable storage. This project would focus on development and demonstration of inexpensive (local material) storage facilities for small farmers. Information on the prototype structures and their use would be distributed to farm extension workers and to local organizations that could influence a general acceptance.

Construction of Improved Water Storage and
Irrigation Equipment - \$60,000 (requires a project analysis)

On some Caribbean LDC's, such as Antigua, the availability of water is a major limiting factor in agriculture. Almost all supplies are from surface ponds. A large percentage of this water is lost through evaporation.

This project would be conducted in two stages. The first would be a world-wide literature and materials survey of current water conservation technology, with estimates of costs of application of locally made materials and resulting water savings for each of four leading systems. The second stage would be a test and demonstration of the four systems, possibly on Antigua, at four farm ponds, plus a fifth pond for control. The demonstration sites would develop calculated and measured water balance and over feasibility of usage of local construction technology.

Production of Low-Powered Farm Machinery - \$170,000
(requires a project analysis)

There is a substantial need for development of inexpensive farm equipment for use by small farmers (generally up to five-acre plots). Some development work has been done in Japan, India, and the United Kingdom, but some of the equipment, especially for tillage, does not work well in heavy Caribbean soils. In general, equipment manufacturers are not interested in developing equipment of this type because of expected small profit margins.

This project would involve four phases: First would be a world-wide survey of available designs and equipment suitable for small farm tillage, transport, coconut husking, and water pumping. Second, trial units would be constructed or acquired and field tested. Third, as equipment is found suitable, equipment adaptations would be fabricated and tested. Finally, the equipment would be placed on operating small farms for field demonstration under the supervision of CARDI.

Production of Clay Products - \$40,000

Belize is interested in developing a factory for ceramic construction products (bricks, tiles, pipe, etc.). However, no adequate survey has been made to determine the location and characteristics of suitable clay deposits, the equipment required, and the demand for such materials.

This project would locate, define, and evaluate one or more deposits suitable for a proposed pilot factory. An analysis would be made of the equipment required and its suitability for local conditions and possible fabrication.

~~Swine Rearing Systems~~ < \$30,000

Most swine rearing systems in the Caribbean tend to duplicate temperate climate systems and are expensive for small farmers. There is a need for more appropriate and less expensive systems.

The project would consist of a TIU world literature search for information on inexpensive systems for use in tropical climates. Two prototype swine penning systems would be constructed on an actual farm, using inexpensive local materials and applied construction methods.

2. Small Business Support

The CDB staff will use outside financial and management experts to assist in conducting evaluations and preparing plans to support program improvement in the following three areas:

(a) Lending Institution Improvement

Summary

The efficiency of the on-lending institutions ^{1/}is critical to viable credit emission to small enterprise. The recommended program calls for strengthening these institutions through reorganization, standardization of lending criteria, administrative procedures, the improvement of staff and staffing patterns. This T.A. would assist in that effort. AID grant funding in the amount of \$112,000 is proposed for surveys and procedures development. In addition the CDB will provide \$20,000 for direct operational assistance to the lending institution improvement program.

Purpose of Lending Institution Improvement

The DFC's are key linkages in the loan and project identification process; especially for small enterprise projects.

^{1/} Includes the Caribbean Development Bank, Development Finance Corporations (DFC's) and Caribbean Investment Corporation (CIC).

The DFCs constituting a network of financial institutions which are located throughout the Region, have potential for intimate and fruitful participation with small enterprise and development in general. For the most part, this potential has not been realized. As part of the development of this project, each of the lending institutions was reviewed and preliminary recommendations made to improve the viability of the credit program. The CDB now faces several difficult policy and implementation decisions over the next eight months, e.g. how should the DFC's be organized, particularly those which at the moment do not appear to be potentially viable? What can be done to minimize political interference in the DFC lending process?, should lending portfolios be expanded?, etc. It is the purpose of this activity to assist in the needed improvement effort.

T.A. Activities for Improvement of Lending Institution

Under this project the CDB will work jointly with the DFC's and other institutions such as CIC to carry out studies of the feasibility of restructuring and modifying on-lending and investment activities. This program of studies is expected to include, (a) a survey of the small industry loan market, (b) an evaluation of the potential of expanding to other forms of lending, (c) the proposal of improved procedures, for five DFC's and the CIC, (d) development of viability criteria for lending institutions under differing political and economic situations, (e) a determination of personnel and training requirements for those organizations and (f) an evaluation of different organizational options.

It is planned that various systems of operations, specific to the area and Region, would be examined and evaluated. These T.A. activities will result in a program that is mutually acceptable to the DFC's and the CDB. It is understood that the final on-lending program with each institution will depend upon the technical studies evaluation and the political/institutional situation.

(b) Investment Promotion

Summary

The investment promotion activity will seek to identify specific buyers/producers/industries in North and South America and World markets who are prepared to purchase

new products from the LDC's and willing to assist through technical assistance and investment in new industrial operations. The AID Grant will fund 30 person months of technical assistance to support efforts to attract industry to the Region and undertake studies to determine what should be offered to the potential Caribbean investors within a "package" including finance and other supporting features.

Purpose of Investment Promotion

The purpose of the activity is to link the Caribbean economies to markets in which they, by virtue of cost structure, location, resource base and other factors, may be reasonably expected to compete. The production entities formed will be largely owned and staffed by Caribbean citizens, thus helping to alleviate the unemployment problem and establishing a talent pool for further industrialization.

Activities in Investment Promotion

The Technical Assistance will establish criteria and operating procedures for assistance in the selection and testing of a mechanism which would identify the foreign firms most likely to invest in plants and facilities in the LDC's. In order to continue the timely development of the program, the promotion activities and T/A in this project will include functioning investment promotion entities in St. Lucia, St. Vincent and Antigua as well as other organizations which may be developed.

During the investigation period, the Industry Division of the CDB would function as a channel through which the T/A would be provided to the various LDCs for investment promotion. During the development of activities with the existing Agencies, evaluations will be conducted as to the economies and feasibility of permanent regionalization of the industrial promotion program.

(c) Small Industry Assistance Survey

Summary

This activity will determine if there is a viable base for small business technical assistance and suggest the instruments for providing assistance to small industry

and the informal sector. The survey will identify the size and potential of the small business community in the LDC's and evaluate the future needs for technical assistance. The application of this survey will be partially determined by the eventual role, financial self-sufficiency and functions of the existing on-lending institutions. The 12 person months of Technical Assistance will also determine the type of implementation mechanisms that can be used by the small businesses of the Region.

Purpose

The paucity of small enterprise projects is at least partially attributable to the inability of such enterprise to recognize investment opportunities, to adapt business skills required for response to such opportunities and to be prepared technically and psychologically for dealing with financial institutions. Further, entrepreneurial vision is limited by lack of knowledge of market possibilities and supply linkages. At the present time there is no identified regional institution that is supplying technical assistance to small businesses on a financially viable basis; this T.A. effort will identify if such an operation or facility is feasible.

Activities

A survey of the LDC's will be made to determine the magnitude of T.A. required by the sector. Studies will be in sufficient detail to establish not only small industry T.A. requirements, but also to establish credit market data, skill availability, and the degree of readiness of existing small enterprises to participate in employment/investment promotion effort.

C. Financial Plan

The project would run three years with a disbursement plan as shown in the following Table:

Funding Requirements by Project Year (US \$000)

PROJECT YEAR	AID		GRANT	CDB	TOTAL		GRAND TOTAL
	F/X	L/C	L/C	F/X	L/C		
1st	529	600	166	529	766	1295	
2nd	117	200	93	117	293	410	
3rd	30	200	100	30	300	330	
TOTAL	676 ^{1/}	1000	359	676	1359	2035	

^{1/} An allotment of funds for contingencies and inflation of \$50,000 is included.

During the first operational year of the project the contracts for the technical assistance and four of the research projects will begin implementation. As a result of the F/Y system of AID the required disbursement plan would be as follows:

Funding Requirements by Fiscal Year (US\$000)

F/Y	AID		GRANT	CDB	TOTAL		GRAND TOTAL
	F/X	L/C	L/C	F/X	L/C		
1978	383 ^{1/}	140	53	383	193	576	
1979	293	660	113	293	773	1066	
1980	-	200	193	-	393	393	
	676	1000	359	676	1359	2035	

^{1/} Technical Assistance 3 pm TIU, 16 pm lending institution reform, 10 pm investment promotion, 3 pm small business and the TRF \$140,000.

Due to the concentration of technical assistance and research activities in F/Y 1979/80, no new obligations are planned for F/Y 1981.

The summary project activities, level of effort and funding is estimated as follows:

<u>Source and Use of Funds</u>				
(US \$000's)				
	<u>Level of Effort</u>	<u>AID</u>	<u>CDB</u>	<u>TOTAL</u>
<u>T.I.U.</u>		<u>173</u>	<u>293</u>	<u>466</u>
Technical Assistance	9 pm	63		63
Staff	216 pm		286	286
Operations <u>1/</u>		93		93
Training	7 pm		7	7
Equipment		17		17
<u>Technology Research Fund</u>		<u>1000</u>		<u>1000</u>
<u>Lending Institution Reform</u>		<u>102</u>	<u>20</u>	<u>122</u>
Studies and Surveys and Model Development	12 pm	74		74
Procedures	4 pm	28		28
Operations <u>1/</u>			20	20
<u>Investment Promotion</u>		<u>177</u>	<u>46</u>	<u>223</u>
Technical Assistance	24 pm	148	13	161
Studies	6 pm	29		29
Travel C. Nationals Per Diem			33	33
<u>Small Industry Assistance Survey</u>		<u>174</u>		<u>174</u>
Studies and Surveys	12 pm	88		88
Operations <u>1/</u>		86		86
<u>Contingencies & Inflation</u>		<u>50</u>	<u>-</u>	<u>50</u>
TOTAL PROJECT		<u>1676</u>	<u>359</u>	<u>2035</u>

1/Operations includes travel, per diem, reproduction, printing, subscriptions, postage, meetings, and conferences.

PART IV: PROJECT ANALYSIS

A. Institutional Analysis

1. Caribbean Development Bank

The CDB, as Grantee and administering agency, will have primary responsibilities for overall administration and coordination of the Employment/Investment Promotion Project. The CDB will coordinate the efforts of other local and regional institutions involved in the implementation of individual sub-projects. In addition, the CDB will be responsible for coordinating technical assistance to participating enterprises.

The CDB, which is recognized as an associate institution of CARICOM, was established in 1970 by sixteen regional member countries and the U.K. and Canada. The United States is not a member of the Bank but has contributed a total of US\$46.9 million to the CDB in the form of concessionary loans, the earliest of which was for US\$10 million in 1971. Venezuela and Columbia became members of the Bank in 1973 and 1974 respectively. The Bank's Charter states that the main objective of the Bank is to contribute to the economic growth and development of its member countries in the Caribbean and to promote economic cooperation and integration within the region. The Charter places emphasis on the Bank's role in meeting the needs of its LDC member countries.

The Board of Governors is the highest policy-making body of CDB and is constituted of representatives from each member country (except for Montserrat, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands who collectively elect one governor). The Board of Governors meets annually. Voting power is roughly proportionate to shares subscribed with a slight weighting in favour of the LDC's.

The Board of Directors is composed of eleven (11) members appointed for renewable two-year periods. The non-regional members are represented by two of the eleven directors. The Board of Directors meets at least every two months and is responsible for general policy and the direction of Bank operations, approval of Bank administrative budget, and submission of financial statements for Board of Governors' approval. All loans, guarantees and other long-term investments by the CDB require Board of Directors' approval.

2. Organization

The current President of the Bank is Mr. William Demas, formerly the Secretary General of both CARIFTA and CARICOM. As of April 1977, the Bank staff totalled 114, of which 58 were professionals drawn from 19 countries. Of the professionals, 6 were recruited under a UNDP financed scheme formerly executed by IBRD, but now being executed by the CDB. AID has provided two technical assistance advisors (housing), Canada, two (fisheries) and New Zealand, three (agricultural engineering, livestock, agri-business). The Bank has an on-going program for the training of its professional staff through attachments to the World Bank, the Inter-American Development Bank, and other relevant institutions.

The CDB is organized under three project and four support divisions all of which report directly to the President. The largest project division in terms of staff and lending volume is the Agricultural Division which presently has 15 professionals located at the Bank and 7 Farm Improvement Officers permanently assigned to LDC institutions. The two other divisions are the Industry Division and the Technical Division each with a staff of 10 professionals. The latter Division is responsible for infrastructure, transportation and housing projects and also assists the other divisions in technical matters.

The project divisions are complemented by four support divisions: Economics and Project Analysis, Finance, Administration and Legal. The Economic and Project Analysis Division, with staff of 10 is responsible for the economic appraisal of projects. In addition, the Bank is contemplating that the Project Analysis Division will undertake detailed analyses of the economies of its member countries sector studies and identification of regional integration projects with the objective of formulating a more effective lending strategy.

The Loan Supervision Unit, staffed by two professionals, is responsible for monitoring bank lending operations, providing advice and recommendations to Bank management in respect of these operations and from its generation of data and analysis upon which such advice is based.

A DFC Officer is specifically charged with monitoring DFC affairs, recommending policy and administrative changes and assisting the DFC's with technical and procedural matters. The present Officer is highly experienced and competent. He is expected to play a major role in implementing the DFC's reforms contemplated in this project.

3. Project Coordination

Overall project coordination will rest with CDB management, and the precise form and responsibility for such coordination will be determined by management as experience is gained. It is expected that major responsibility for project implementation will rest with the Industry Division which, together with the Loan Supervision Unit is most directly involved with the project elements.

It is important to stress that the CDB has little coercive powers and in any event would not be likely to utilize it. The success of the project will depend upon the perceptions of investors and Governments of the area, and their willingness and ability to respond to the opportunities presented and the resources offered by the project. It will be incumbent upon the CDB to be able to insure that such resources are forthcoming at the appropriate time, that the other participating agencies are made fully aware of the implication of their commitment, and that those commitments are indeed carried out.

The Industry Division has the capacity to carry out its coordination role. The Division is exceptionally well led, and has a very well qualified staff of professionals with experience in industry, small business assistance, technology transfer, and industrial lending. Prior to the initiation of the project the Division would assist management in preparation for negotiations with the agencies expected to participate in the project and assist in arranging for appropriate agreements with those agencies. It will then assist CDB management in channeling appropriate assistance to the project participants.

During the course of the project the Industry Division working in conjunction with the Loan Supervision Unit, will monitor progress, recommend adjustments in the nature of assistance as required and maintain contact with key personnel of the various agencies.

The existing staff of the Industry Division is believed to be adequate to implement the project, however, the Division would acquire appropriate additional personnel on a short term basis if needed.

The Loan Supervision Unit will undertake a similar role with respect to project elements affecting the DFC's. The burdens of this on-going operation will be beyond present staff capacity, and it is expected that prior to termination of the AID assistance the unit will acquire two additional staff members, a banking advisor and a bank training specialist.

B. Social Analysis

1. Social Organization - An Overview

The countries constituting the Commonwealth Caribbean are presently experiencing a state of rapid social change. Today's conditions reflect a curious blend of a fading colonial plantation system and an emerging society which increasingly is becoming drawn into the modern world economy. Continuity of the old and arrival of the new finds expression at all levels of society from the family to the nation. The manner in which social classes relate to each other perhaps best reflect the full significance of recent Caribbean social development. Since independence, the power of the European planter class has declined, although their economic control in all sectors is still significant. Simultaneously, there has been an upward advancement of non-white professionals, businessmen, politicians, and an expansion of the middle class. Ethnically Caribbean Society reflects a complex patterning of parallel social hierarchies of African, Asian, and European heritage, each with their own upper, middle, and lower class. However, the bulk of the Caribbean population is still composed of a large segment (50% of the total population) of native small "peasant" farmers, landless agrarian laborers, urban workers, and the unemployed. Compared to the rest of society, they are characterized by low per capita incomes, poor health, inadequate housing; and high rates of unemployment and underemployment. Without question, the lack of job-opportunities for this group constitutes the region's major social problem.

2. Project Beneficiaries

Although all levels of Caribbean society stand to benefit from an employment/investment promotion project, two special target groups can be identified: (1) emerging small-scale entrepreneurs, and (2) the laboring class, especially recent migrants to urban areas. Given possible differences in vested interests and values of these two socio-economic groups, planning and implementation of the program will proceed with a sensitivity as to how the two groups relate to each other and the wider Caribbean social milieu.

Small-Scale Entrepreneurs - Given the wide range of industrial labor-intensive enterprises conceivably eligible for support, it is difficult to generalize about the characteristics of potential small entrepreneurs. In general, however,

they will be drawn from all ethnic groups with a disproportionate percentage from the emerging non-white middle class and the less affluent of West Indian Europeans. These various middle class ethnic-racial groups share relatively high levels of "scholastic" journal education, aggressiveness in terms of upward mobility, and an attraction to the consumer benefits of a western-oriented economy. However, their management skills and business training remain limited.

Laborers - The majority of laborers, on the other hand, will be lower class West Indians of African descent. The rates of unemployment among this group, especially young adults (14-24 years of age), are extremely high, although there is significant regional variation. In the LDC's, the lower class is characterized by high birth rates, high morbidity and mortality, inadequate nutritional intakes, and substandard housing. Although an estimated 90 percent have completed primary school, many have regressed through lack of continued exposure into functional illiteracy. Moreover, a gap exists between educational preparation and the realities of employment opportunities which, in the secondary and tertiary sectors are extremely limited. A psychological aversion to rural life and low agricultural pay have stimulated migratory flows from rural to urban areas as well as overseas. Blue collar employment is especially attractive to rural youth.

3. Constraints - Real or Potential

The Political Environment, Inter-Island Isolation, and Localism - The isolation and geographical smallness of many LDC's foster patterns of local elite possessiveness, inter-island hostility, and powerful localist prejudice. Historically, cooperation between leaders of the various countries has been far from successful, as the failure of the Federation demonstrates. Political actions are frequently based on short-run and locally oriented goals which are counterproductive to development. Moreover, competition between islands is affected by a relatively high degree of similarity in human and natural resources.

Entrepreneurs - Motivation and aggressiveness among small entrepreneurs pose fewer problems than lack of operating capital and inexperience in small business management. Businessmen - as all West Indians - are often caught in a web of kinship obligations which may place demands on reinvestment capital

and pressure them into nepotism thus hampering wise hiring practices. Access to investment capital is restrained by their lack of collateral in loan procurement. However, most businessmen seem adequately familiar with the work styles of industrial economies - at least in theory - and difficulties in work scheduling and daily operational tasks should not prove insurmountable barriers to success.

Laborers - The effective integration of rural populations into industrially related activities must precede from the realization that such workers are largely inexperienced in the daily routines of urban-industrial life. The year-round 40 hour week, with its five day intensity and shift patterning will require new adaptations and habits. Moreover, the required social transition from the small, intimate circle of kin to the demands of an impersonal, regulated lifestyle will require some adjustment. Family pressures will remain intense and management must be sensitive to such obligations facing workers. However, inexperience in industrial work and the socio-psychological orientation of laborers need not pose productivity problems. Given real incentives to regular work habits (i.e. decent pay, regular advancement, employment benefits), other behavior patterns will be no more than minor obstacles. Given a lack of empirical knowledge about small enterprises, entrepreneurs, and the attributes of workers, it is necessary to conduct a systematic study to produce data upon which policy factors (e.g. credit needs, enterprise-specific problems, employment incentives, selective employment, etc.) can be determined. At all stages, technical information will be appropriate and adapted to special Caribbean conditions.

This project addresses the above constraints by providing:

- (a) development of a mechanism to disseminate and promote applied technology;
- (b) execution of programs of experimental research and demonstration in adaptive technology that are expected to expand the job market; and
- (c) development of programs for the public and private sector that give support to the implementation of appropriate industrialization and on-lending programs.

4. Role of Women - Work rates among females in the region are much lower than for working age males (the ratio of males employed in 1970 was 2.6 times greater than females). Reasons for the

low female participation are directly related to the female - centered family and its pattern of early teenage pregnancy and marriage. Moreover, women working in urban establishments and as domestics have continuously received low wages. They remain poorly represented in managerial positions, white collar jobs, public service, and the teaching profession. However, modernizing influences are beginning to redefine the woman's role in Caribbean society. Women are especially important to the employment generation program since they tend to define their children's future educational and career goals. The project is supportive to expansion of employment opportunities of women. As has been proven in the region's enclave industries, women are particularly adept in refined assembly line work (e.g. food processing, electronics, packaging, garment works). It is expected that women will be employed in the newly created industrial firms at both supervisory and worker levels.

5. Environmental Statement - A Negative Determination has been recommended in the initial Environmental Examination (See Annex I Exhibit 6). The factors leading to this recommendation are the small size of each project, their extensive dispersal and the requirement of sound technical design. The small research and development activity supported by this grant is evaluated to have no significant impact on the environment. The CDB recognizes the importance of environmental considerations. As standard practice CDB reviews the environmental impact of various projects. Each research proposal of the TRF will be analyzed as a part of the feasibility study for any special requirements regarding its potential impact on the environment.

C. Economic Analysis

This grant project is a preliminary step to a future loan program which would be aimed at providing lending capital to entrepreneurs interested in investing in enterprises which have either direct or strong indirect impact on employment generation. Besides strengthening the CDB and DFCs, this project will develop and partially test various mechanisms and procedures (technical assistance to small businesses, the TRF, and Investment Promotion Agencies, etc.) for addressing various regional constraints: the lack of knowledge of potentially profitable projects, the lack of information about technological alternatives, inadequate service from financial intermediaries, and the lack of technical assistance available to small business,

Technology Choice - The TIU and the TRF

Efforts to improve the choice of technology will be centered in the Technical Information Unit of the CDB. The success of the TIU's efforts to make more effective use of unemployed and underemployed Caribbean resources depends on the extent to which technical alternatives exist and the extent to which more labor intensive technologies can be applied profitably in the Caribbean in a financial as well as an economic sense. With regard to the existence of technical alternatives, this obviously varies with the manufacturing process. However, studies in other regions have shown that when manufacturing industries are broken down into their component parts, numerous alternatives usually do exist. Studies have also shown that entrepreneurs and managers are often unaware of these alternatives or incorrectly assumed them to be inefficient. One such study conducted on the shoe and sugar processing industries in two African countries concluded that a lack of knowledge or failure to consider labor intensive technologies had lessened financial as well as economic returns.

Although the extent to which the TIU will discover similar potential in the Caribbean cannot be assessed accurately at this time, some evidence does suggest that its efforts may be highly rewarding. Recent World Bank studies found, for example, that the investment in fixed capital per worker in Jamaica and Haiti is far lower in industries producing for the export markets than in those producing for protected local markets. The data seems to suggest that these Caribbean countries can indeed find and employ labor intensive technologies and still compete successfully in the unprotected world market.

The effect of the TIU's activities on employment generation and growth obviously depends on the number of projects it influences and the extent of the technological changes made. Given the size of CDB operations, the TIU is likely to have the opportunity to choose for review from among projects totalling about \$25 million annually. If the TIU were able to lower the average fixed capital invested per worker on these CDB financed projects from \$7,000 to \$6,500, almost 300 additional jobs might result annually.

Although knowledge of alternative technologies is essential to improved investment patterns, it will not always be sufficient. In some cases, influencing investment patterns will require adaptation of technologies to the Caribbean environment and demonstration of effectiveness to potential investors. These functions will be undertaken by the Technology Research Fund (TRF).

In an economic sense, neither of these two project activities can be considered investments which will directly generate significant amounts of revenue or employment. They are more appropriately viewed as investments to improve the flow of information, assumed to be "perfect" in classical economic analysis, upon which investment decisions are made. The indirect effect on investment, employment and growth could be very substantial.

The CDB's knowledge of Caribbean and foreign markets, its close ties with investors and its complementary role as development banker and investment promoter suggest it is capable of carrying out these activities in a cost-effective manner. Alternative ways of improving the flow of information on alternative technologies have also been considered. For example, an effort to attract foreign firms, which are often repositories of technological information, is being undertaken and will complement TIU and TRF activities. A conceivable alternative to the TIU and the TRF would be to provide subsidies to private firms to study and experiment with appropriate technologies. This alternative has the advantage that firms might be more willing to incorporate the results into their investment plans if the research and pilot studies are conducted in-house. However, subsidy programs also generate difficult questions about whom to subsidize, for which activities, and at what level of funding. Honest, unbiased administration is difficult to achieve and virtually impossible to demonstrate to critics. Moreover, the results of research and experimentation conducted by one firm are often withheld from competitors. In view of these considerations, implementing the project activities as indicated in the project description is believed to be the most cost-effective approach.

Financial Intermediaries

Various recent studies have noted that development finance companies in most of the LDCs are not able to effectively mobilize financial resources or allocate them to potential investors. Nor do they act as aggressive investment promoters. As a result, these institutions have little effect on investment, growth or employment, and their own financial viability is threatened.

The technical assistance provided to the financial intermediaries, particularly to the CIC and the DFC's, is designed to identify the steps required to permit an increase in their volume of investment and efficiency of operation. These institutions are also expected to develop an increased ability to locate and assist potential entrepreneurs and to help existing firms expand production and employment.

It is anticipated that the financial intermediaries are capable of a considerable increase in the size of their loan and equity portfolios. The income and employment benefits accruing from these investments are likely to be particularly large because of the propensity of the CIC and DFC's to finance small labor-intensive enterprises. These benefits, again, must be attributed to the total cost of inputs and not simply to this modest technical assistance element in this project.

Investment Promotion

Given their extraordinary dependency on international trade, one might expect the LDCs to have an excellent knowledge of external prospects to develop and market LDC products and to be in close contact with potential foreign investors. This is not the case. Information on foreign markets is usually limited to the traditional LDC exports. This means that domestic and foreign investors often overlook financially sound, export-oriented production possibilities.

The lack of awareness of potentially viable projects is not an unusual characteristic in developing countries. It is particularly likely to occur with respect to production for export markets when, as in the Caribbean, the countries suffer from a geographic isolation that inhibits the flow of information and when recent development has been inward looking.

Although the DFCs could greatly increase their role as investment promoters, it would be highly inefficient for each DFC to develop and maintain the necessary contacts with overseas markets and potential foreign investors. Centralizing this activity in the CDB will be considerably more cost-effective.

Strengthening Small Business

Studies in a considerable number of developing and developed countries have confirmed a significant correlation between firm size and investment per worker. The evidence shows that small manufacturing firms normally generate more direct and probably more indirect jobs per dollar of invested capital than larger firms.

Although there is little hard data on the small business sector in the LDCs, most observers agree that it suffers under constraints common to small businesses and the so-called "informal sector" of most developing countries. These constraints include poor access to credit and technical assistance. The proposed study will investigate the nature and severity of these problems and will consider alternative solutions. The economic impact of the study clearly depends on its findings and the subsequent actions taken.

2. Relationship With Other Donors

The project is responsive to other international donors as is reviewed in Annex II 5, and will provide alternatives to the World Bank's conclusions that the DFC's "are unable to play an effective role in financial development in industry and other sectors within their respective economies".

More recently this project lends specific support to the following Donors:

IDB Loan

The project's technical assistance is particularly timely, in view of the recent IDB loan to the CDB of \$12 million. The proceeds of the loan will be partially relent through the DFC's for medium and long term credits to various private and governmental sectors. It is understood the IDB loan does not provide any funds for technical assistance to the DFC's for operations improvement or organizational analysis.

IBRD Study on Industry in the Caribbean

The thrust of the study is that future industrialization will have to be directed at extra-regional market. The Employment/Investment Promotion Project does not conflict with that premise but expands the scope to include the informal sector of small scale and service enterprises. This project fully supports the IBRD recommendation for a united approach in studies and systems for implementation of improvements in the DFC's.

D. Financial Analysis/Plan

1. Viability

Because the project consists of information gathering and dissemination of research and institution building activities there will be no direct revenue producing results. The project should be seen as the first phase in development of an overall employment/investment promotion program for the Region. The strengthening of the mechanisms which deliver technologies and available funds as outputs of the project will result in increased investment and employment opportunities in the Region.

It is believed that the GDP in the industrial sector could conservatively be increased by 3% annually in the LDC's by appropriate industrial investment, improved methodology and timely funding. Even if the labor:output ratio did not change, a 3% growth rate would mean that some 300-400 direct jobs would be generated and some \$1.2 million would be added to GDP's. The project reinforces efforts to lowering the capital/labor ratio on projects by establishment of TIU review procedures on all CDB projects with a ratio of over \$5,000.

In the CDB's administration of the TIU, during review of the research projects a capital/labor ratio will be estimated. The cost/benefit ratio will be examined not only as related to the creation of employment but also utilization or development of unused national resources - for example, low powered farm machinery will be evaluated according to the size, function and power required against the potential return for improved

crop yields and time saved. In all cases, the research will be geared to the Caribbean conditions and labor resources. The population of the Region would benefit substantially through access to less expensive locally produced items such as building blocks, solar crops dryers, low powered machinery and clay products.

The input/output relationship is reasonable and viable as is represented by the following table:

Costing of Project Outputs/Inputs

(In \$000 or equivalent)

Project Inputs	Project Outputs					Total
	TIU	TRF	T.A.			
	#1	#2	#3	#4	#5	
AID Appropriate Grant	183	1000	112	197	184	1676 ₁
Caribbean Development Bank	293	-	20	46	-	359
Total	476	1000	132	243	184	2035

1/Includes \$50,000 for contingency and inflation.

- #1 Establishment and operation of the Technology Unit
- #2 Completion of Technology Research Fund applied research projects and applications to small industries.
- #3 Improve the on-lending program
- #4 Promote Foreign Investment
- #5 Develop T.A. program identification for small businesses

2. Availability of Funds

Based upon an intensive review of funds available to the CDB, no funds have been identified that could be used for establishing the TIU and to supply the needed technical assistance. (See Annex II 5).

This project is supportive of the AID on-going loan programs in the Caribbean Region. A major bottle-neck to sub-loan development under the small industry credit program in Loans 538-L-001 and 538-L-003 has been the inefficiencies of the sub-loan program within the DFC's.

The Regional Agribusiness Development Project, 538-L-007, was responsive to the need of regional technology development by committing \$450,000 of grant funds for technical assistance and research studies in development of sub-loans for basic food processing and application. The funds are fully programed as the CDB has identified some nine projects it is presently considering for development. The TRF is designed to incorporate and expand on the technology development initiated under the agribusiness project.

During the 4th quarter of FY 78 and FY 79 AID has planned to gradually expand its technical assistance role with CDB in selected areas. This project is the second of those support elements. The first was the Institutional Development Grant (538-0016) which provides for the funding of a multilateral Technical Assistance Fund for advisory services, training and studies. Due to the specialized nature of the T.A. required for the employment and investment promotion program, a separate project was deemed necessary. In both projects the Technical Assistance will support and complement the Bank's lending activities and permit a coordinated technical and capital assistance approach to the developmental problems of its borrowing members.

PART V. PROJECT IMPLEMENTATION

A. Summary Plan

T.I.U.

Creating and operating the proposed TIU and TRF will involve:-

- recruitment
- establishing the Advisory Committee
- training
- technical assistance
- operations, and
- research projects

The plan is designed as a set of flexible guideposts, to be modified as circumstances and future judgements dictate. The plan is detailed with a flow chart in Annex II - 4a.

Prior to disbursement of the Grant, the CDB Management will decide where to locate the TIU and the TRF within the Bank organization. Until the TIU Head is recruited and the Advisory Committee selected and convened, the CDB's management team will submit the plans for development.

T.R.F.

Implementors for individual research sub-projects will likely include other government agencies - the University of the West Indies and the private sector. On the basis of research activities carried out over the past two years, these agencies are known to have the technical expertise needed to carry out elements of the proposed program.

CDB's listing of planned research projects to be considered or initiated by the TRF is shown in Part III- B1. project proposals for the development of non-conventional resources are submitted to the TIU/TRF for evaluation and, subsequently for funding. Guidelines for the submission of proposals are to be prepared by the CDB. The proposal will fully describe the work plan, the capability of the proponent and the reasonableness of budget, environmental effects, expected cost/benefit ratio utilization of resources and future plans for the project.

T.A.

During initial development and project implementation stage of the project the T.A. support will work directly with the Industrial Division of the CDB. A staff member of the Industrial Division will act as project co-ordinator with the primary responsibility for generating scopes of work (See Annex II 4) for implementation of the T.A. program. At such a time as a plan for improvement or implementation has been developed, the project co-ordinator serves as a liason with CDB's management team for further negotiations with Government institutions.

B. Procurement Procedures

The CDB's normal procurement procedures for goods and services are patterned after the IBRD and are not in conflict with AID guidelines. CDB's procedures require procurement on a competitive basis. Commodities and equipment required are expected to be minor (under \$17,000) and will be procured off-the-shelf to permit timely implementation. This procedure will be explained in the initial implementation letter. For services some modification of the CDB's normal procurement guidelines is required (short form) for this project because of the relatively large amount of personal services procurement expected from individual experts. The basis for selection is the qualification of the consultant and the quality of his proposal. At the present time for projects involving advisory services requiring a personal service contract(s) with an individual(s) or advisory services with a firm totalling less than \$20,000.00 a choice will be made from a list of at least three qualified consultants. For advisory services provided by a firm and studies over \$20,000.00, the CDB's guidelines for Choice of Consultants will be followed and advertising will be required.

Source and origin for services under the Project will be limited to the United States and members of the Bank, including the United Kingdom and Canada. A source waiver has been requested to include the United Kingdom and Canada for professional services.

Ocean shipping is to be on U.S. flag vessels unless on a case by case basis it can be determined that U.S. flag vessels are not available.

C. Disbursement Procedures

Disbursements are planned using the existing established procedures for previous CDB/USAID loans and grants as follows:-

Disbursement for Foreign Exchange Costs

(a) After satisfaction of conditions precedent, the Bank may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project, by such of the following methods as may be mutually agreed upon:-

- (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests for reimbursement for such goods or services, or (a) requests for A.I.D. to procure commodities or services in (b) Grantee's behalf for the Project; or
- (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by CDB in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless CDB instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Disbursement for Local Currency Costs

(a) After satisfaction of conditions precedent, the Bank may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project by submitting to A.I.D., with necessary supporting documents as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:-

- (1) by acquisition by A.I.D. with U.S. Dollars by purchase (or from local currency already owned by the U.S. Government); or
- (2) by A.I.D. (A) requesting the Bank to make available the local currency for such costs, and (B) thereafter making available to the Bank, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the CDB or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the CDB, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

Other Forms of Disbursement

Disbursements of the Bank may also be made through such means as CDB and AID may agree in writing.

D. Reports

Reports will be submitted to AID on a semi-annual basis. The first report will be submitted six (6) months after conditions precedent are met.

The semi-annual reports will consist of the following basic information and may be expanded to provide clarification.

T.I.U.

- Staffing Level
- Frequency of usage
- Quantity of documents disseminated

T.R.F.

- Status reports on research sub-projects including a brief project description, cost benefit ratios, total funding expended, status of research, achievement and variances from expected benefits.

T.A.

- Copies of all reports submitted by Consultants funded by the project will be submitted in duplicate to RDO/C.

E. Evaluation

The project impact on the region will be jointly evaluated by AID and the CDB on an annual basis during the project's three year life. The first evaluation will be performed one year after the meeting of the conditions precedent. Although all of the evaluations will examine the appropriateness and effectiveness of the project relative to project objectives, the first evaluation will focus on the administrative aspects of the program (TIU organization, TRF disbursements and technical assistance achievements) to permit early identification and resolution of any implementation problems.

At the time of the second evaluation it is expected that research projects and technical assistance support will have generated significant results to begin evaluation of the project outputs and purpose achievement. The second evaluation will be based on the following:

Baseline Data

The contribution to the project's goal will be examined in terms of specific contributions which each individual activity is making towards overcoming the constraints to industrial development and employment generation. For this purpose the CDB project reports will provide the necessary baseline data on possible research results and its application to the region. Current on-lending reports will give a base to analysis of increased on-lending activity due to institutional reforms.

Overall economic and social data on the target groups are available from the World Bank and CDB reports. However, given the nature of the project, i.e. creation of a TIU/TRF Fund and technical assistance, before and after macro-comparisons of the region's gross and net incomes will likely yield little, if any, useful measure of project success. Only after the established programs are developed and replicated is it likely that any measurable macro-level benefits will be realized. This will probably not occur within the project period.

Target Levels

The target levels of individual research project benefits in terms of income and employment, will be provided by the Analysis which the CDB will prepare for each TRF project.

Progress Data

As part of the annual review a representative sample of research projects financed under the TRF will be surveyed to determine estimated target group impact. This will be compared to the projections of the project analyses contained in the CDB project appraisals. Evaluation data to be collected on each project selected for examination include:

- The efficacy of CDB efforts under the project;
- Adequacy of the planned research to effectively expand the usage of regional resources;
- participation of other public and private entities in testing, expanding and integrating successful technologies;
- the problems or efficiencies generated by information dissemination;
- the probability on activity of the industrial sector utilizing the technologies developed;
- success in producing prototypes on pilot operations which meet the appropriate criteria, i.e. can be reproduced easily and quickly, are socially, economically and environmentally feasible, use local materials, are labor-intensive to maximum extent possible, provide alternative sources of fuel or a reduction in fuel requirements, improve the usage of natural resources;
- success in developing projects as scheduled;
- competence and effectiveness of management and technical personnel provided;
- success in transferring technical and administrative skills to the region.

Under the small business support activities, particular attention will be given to changes in DFC organization and procedures, mechanisms of on-lending, identification of bottlenecks, revisions and suggested implementation of the operational changes agreed upon.

The third or end of project evaluation requires consideration of factors which are both quantitative and qualitative:

- the plans for expansion of the TIU and TRF activities;
- the degree of success which the new technologies have achieved, as shown by acceptance and continuing use (where known) of the prototypes;
- the degree to which the region is receptive to new ideas, methods, and devices;
- the adequacy of CDB/DFC institutional arrangements;
- the status of implementation of the various recommended improvements to the on-lending programs of the region.



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

P. O. BOX 302
BRIDGE TOWN
BARBADOS

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE

FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, William B. Wheeler, as Representative of the Agency for International Development Regional Development Office, Caribbean, having taken into account, among other things, the maintenance and utilization of projects in the Caribbean Region previously financed or assisted by the United States, do hereby certify that in my judgement the Caribbean Development Bank has both the financial capacity and the human resources capability to effectively utilize and maintain the proposed Employment/Investment Promotion Grant.

This judgement is based upon the implementation record of AID-financed projects with the Caribbean Development Bank and the quality of the planning which has gone into this new project.

(signed) William B. Wheeler

(date) 30 August 1978



CARIBBEAN DEVELOPMENT BANK

P.O. Box 408 Wilbey
 St. Michael Barbados W.I.
 Telephone: 61152 - Cable Address: "Caribank," - Telex WB 287.

August 8, 1978

AUG - 9 1978 *Project*

Mr. Dwight B. Johnson
 Acting AID Representative
 USAID Regional Development Office
 Trident House
 Broad Street
BRIDGETOWN.

ACTION	<i>SD</i>
DUE DATE	<i>8/17/78</i>
ACTION TAKEN	
DATE	
SIGNATURE	

Dear Mr. Johnson:

As you know, my staff and yours have been carrying out detailed discussions on an Employment Investment Promotion Programme for the Region. This letter is to formally request a grant of US\$1,676,000 to support the establishment of the Programme in the Bank.

The Programme is designed to increase investment, employment and output of the industrial and infrastructure sectors of the economies of the countries of the English-speaking Caribbean.

We look forward to a favourable reply and to a successful establishment of the Programme.

Yours sincerely,

William G. Demas

William G. Demas
 President

- WGD:ct

5C(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Security Supporting Assistance funds.

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in consistent pattern of gross violations of internationally recognized human rights? Yes
2. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? No
3. FAA Sec. 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba? No
4. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? There is no evidence that the Caribbean governments are controlled by the international communist movement.
5. FAA Sec. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? There is no evidence of any such debt owed to a U.S. citizen by a contributing member government.
6. FAA Sec. 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? There is no evidence that any such action has been taken by a contributing Caribbean government.

A

7. FAA Sec. 620(f); App. Sec. 108. Is recipient country a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos? No
8. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No
9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
10. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? Not Applicable
11. FAA Sec. 620(o); Fishermen's Protective Act, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, Not Applicable
- a. has any deduction required by Fishermen's Protective Act been made?
- b. has complete denial of assistance been considered by AID Administrator?
12. FAA Sec. 620(q); App. Sec. 504. (a) Is the government of the recipient country in default on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds, unless debt was earlier disputed, or appropriate steps taken to cure default? The Caribbean Development Bank (CDB) is not in default on interest on principal on any AID Loan covered by this Act.
- *13. FAA Sec. 620(s). "If contemplated assistance is development loan (including Alliance loan) or security supporting assistance, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems?" (An affirmative answer may refer to the record of the taking into account, e.g.: "Yes as reported in annual report on implementation of Sec. 620(s).") This report is prepared at the time of approval by the Administrator of the Operational Year Budget.* Not Applicable

* Revised

* Upward changes in the Sec. 620(s) factors occurring in the course of the year, of sufficient significance to indicate that an affirmative answer might need review should still be reported, but the statutory checklist will not normally be the preferred vehicle to do so.) *

14. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
15. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?
16. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?
17. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?
18. FAA Sec. 669. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.?
19. FAA Sec. 901. Has the country denied its citizens the right or opportunity to emigrate?

No such action has been taken by a contributing Caribbean government.

No contributing Caribbean government is in arrears on its U.N. obligations.

No contributing Caribbean government granted sanctuary to an international terrorist.

No. CDB does not discriminate on the basis of race, religion, national origin or sex.

No contributing Caribbean Government engaged in such activities.

No Caribbean government has taken such action.

B. FUNDING CRITERIA FOR COUNTRY

1. Development Assistance Country Criteria
 - a. FAA Sec. 102(c), (d). Have criteria been established, and taken into account, to assess commitment and progress of country in effectively involving the poor in development, on such indexes as: (1) small-farm labor intensive agriculture, (2) reduced infant mortality, (3) population growth, (4) equality of income distribution, and (5) unemployment.

CDB and contributing countries have established criteria to involve the poor in development activities.

- b. FAA Sec. 201(b)(5), (7) & (8); Sec. 208; 211(a)(4), (7). Describe extent to which country is:

- (1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

A number of Caribbean governments and regional institutions (e.g. the University of the West Indies, CARDI and the Caribbean Development Bank) are supporting and carrying out programs to increase food production, processing and storage.

- (2) Creating a favorable climate for foreign and domestic private enterprise and investment.
- (3) Increasing the public's role in the developmental process.
- (4) (a) Allocating available budgetary resources to development.
(b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations.
- (5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.
- (6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

c. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made?

d. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, is assistance for population programs, humanitarian aid through international organizations, or regional programs?

2. Security Supporting Assistance Country Criteria

a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? Is program in accordance with policy of this Section?

b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country, organization, or body eligible to receive assistance?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

- (2) In general while governments in the region are seeking control over their own natural resources, the climate for foreign and domestic enterprises and investment is favourable in the region.
- (3) Development programs in the region at both the national and regional level are generally aimed at increasing the public's role in the development procedures.
- (4) (a) The Caribbean governments have been allocating considerable available budgetary resources to both national and regional development.
(b) Military expenditure by the governments of the region are minimal.
- (5) Caribbean governments are making progress toward improved tax collection and land tenure arrangements, recognition of the importance of individual freedom, initiative and private enterprise, and respect for the rule of law freedom of expression and of the press.
- (6) The Caribbean governments are currently making efforts towards economic cooperation and integration as a measure of self-help.

c. The Caribbean region is among the 40 countries in which development assistance grants may be made.

d. No.

The Caribbean governments have not engaged in gross violations of internationally recognized human rights.

Yes.

Not Applicable.

5C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans); and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)
 - (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;
 - (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)?

The project was included in the FY 1978 congressional presentation.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

Not Applicable
4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

Not Applicable.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Yes. The 611(e) certification is included in the Project Paper.

A.

6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?

Project is regional in nature and will be executed on a regional basis.

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project will conduct adaptive technological research geared to increasing the industrial and production capacity of small businesses. This increased potential will encourage the flow of trade and improve the technical efficiency of industry.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Private U.S. individuals or firms will be invited to submit proposals for providing consulting technical assistance to be financed under the grant.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

CDB will incur some 21% of the Project cost.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

The project will stimulate labor-intensive production and investment in rural and urban areas through its research programs for small business enterprises.

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [Include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
 - (a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
 - (b) to help alleviate energy problem;
 - (c) research into, and evaluation of, economic development processes and techniques;
 - (d) reconstruction after natural or manmade disaster;
 - (e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
 - (f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

The project is designed specifically to increase employment and incomes of rural and urban poor by establishing or expanding industries and small businesses which are labor-intensive.

81

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Since this is grant funds to a regional institution providing service to member countries section 110 (a) does not apply.

No.

Project will strengthen the Caribbean Development Bank, as a regional development finance institution, and the national development finance corporations in the Region by improving the mechanisms of identification, development, financing and implementation, and will assist urban and rural enterprises in developing technologically appropriate and efficient operations.

Reduction of the unemployment levels is in response to the rural and urban poor's needs and desires. The project permits the utilization of the Region's natural and applied resources in the encouragement of institutional development. It will assist development finance corporations and subborrowers in labor intensive project development.

g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

Yes.

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

The proposed grant will have a negligible effect on the U.S. economy.

2. Development Assistance Project Criteria (Loans only)

Not Applicable

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

e. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

f. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Security Supporting Assistance

Not Applicable

FAA Sec. 531. How will this assistance support promote economic or political stability?

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.]

a. FAA Sec. 251(b)(1), -(8). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

Not Applicable

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

Not Applicable

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain uses of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?
U.S. small businesses will be afforded the opportunity to participate in the furnishing of goods and services under this grant.
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him?
Yes.
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed?
Yes.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?
Not Applicable
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?
Yes.
6. MMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.
The grant agreement will require usage of U.S. flag vessels to the extent that such vessels are available.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized,
Yes.

A

are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes.

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

Not Applicable

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Not Applicable

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

Not Applicable

C. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

Not Applicable

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Yes

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.?

Yes

4. FAA Sec. 636(1). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?

Yes

5. Will arrangements preclude use of financing:
- a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions? **Yes**
 - b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property? **Yes**
 - c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs? **Yes**
 - d. FAA Sec. 662. for CIA activities? **Yes**
 - e. App. Sec. 103. to pay pensions, etc., for military personnel? **Yes**
 - f. App. Sec. 106. to pay U.N. assessments? **Yes**
 - g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). **Yes**
 - h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes**

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Entity: Caribbean Development Bank
Name of Project: Employment/Investment Promotion
Project Number: 538-0013

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan and a Grant to the Caribbean Development Bank ("CDB") of not to exceed three hundred twenty thousand United States Dollars (\$320,000) the "Authorized Amount" to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project consists of an Employment/Investment Program designed to increase investment, employment and output of the industrial and informal sectors of the economies of the countries of the English-speaking Caribbean ^{1/} (hereinafter referred to as the "Project"). Two specific activities will be conducted under the administration of the Caribbean Development Bank (CDB).

1. A program for technology information services and applications research for the Region; and
2. A program to provide technical assistance for evaluation and planning in restructuring of lending institutions, investment/promotion and small business technical assistance for the LDC's of the Region.

^{1/} The English-speaking Caribbean (the Region) except as AID may otherwise agree in writing consists of: Less Developed Countries (LDC's) - Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, British Virgin Islands, Cayman Islands and the Turks and Caicos Islands and the More Developed Countries (MDC's) - Bahamas, Barbados, Jamaica, Trinidad and Tobago and Guyana.

I approve the total level of A.I.D. appropriated funding planned for the project of not to exceed one million six hundred and seventy-six thousand United States dollars (\$1,676,000), Grant funded including the authorized amount during the period FY 1978 through 1981, I approve further increments during that period of Grant funding up to \$1,356,000 subject to the availability of funds in accordance with AID allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with AID regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as AID may deem appropriate:

I. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D shall have their source and origin in the United States and member countries of the CDB, except as AID may otherwise agree in writing. In the event that Grants from other CDB donors of similar monetary amounts are not available for expenditure in the United States on a non-discriminatory, competitive basis, no funds provided by this Grant shall be available for the purchase of goods or services in the country of such donor. Ocean shipping financed under the Grant shall be procured from countries included in AID Geographic Code 935.

II. Conditions Precedent to Initial Disbursement

Prior to any disbursement or to the issuance of any commitment documents under the Project Agreement, CDB shall furnish to AID, in form and substance satisfactory to AID:

- (i) a legal opinion of the General Counsel of CDB or other legal counsel acceptable to AID to the effect that the Project Agreement has been duly authorized and/or ratified by the Board of Directors of CDB and executed on its behalf and that it constitutes a valid and legally binding obligation of the Caribbean Development Bank in accordance with all its terms; and
- (ii) a certified statement of the name of the person(s) authorized under the Project Agreement to act as CDB's representative under the Agreement with authenticated specimen signatures of said representatives.

III. Conditions Precedent to Disbursement (Other Than for Technical Assistance)

Prior to disbursement under the Grant, or to issuance by AID of documentation pursuant to which disbursement will be made, for activities in the Technology Information Unit (TIU), the Grantee will, except as AID may otherwise agree in writing, furnish AID evidence:

- (i) that the Grantee has established an adequately staffed TIU in operation and has a detailed plan governing the operation of the TIU including appropriate permanent staffing arrangements, criteria for governing the operation of the Technology Research Fund (TRF) and disbursement procedures; and
- (ii) of a proposed program of activities to be funded during the first and subsequent years of the TRF. These plans will indicate the beneficiaries, amount and scheduled for each activity.

IV. Covenants

CDB, except as AID shall otherwise agree in writing, shall covenant to:

- (i) utilize funds made available under the TRF for financing of technical assistance and/or developmental research activities which are of benefit to the utilization of the unemployed resources of the region;
- (ii) submit for AID approval any grant-financed contract which exceeds \$50,000
- (iii) use every effort to secure funds from regular budgetary sources to support continuation of core staff and activities of the TIU following termination of the AID contribution.

V. Waivers

The following waivers of AID regulations are hereby approved

- (i) authorization of AID financing of shipping costs on other AID Geographic Code 935 carriers when U.S. carriers are not available;
- (ii) waiver of AID procurement regulation except for advertising to permit usage of CDB's procurement procedures.

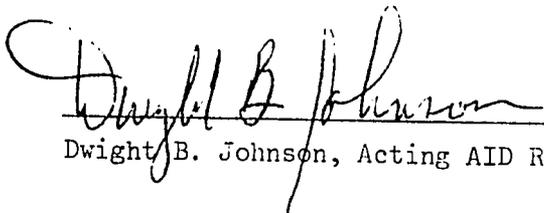
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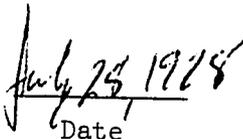
INITIAL ENVIRONMENTAL EXAMINATION (IEE)

A. Facesheet

Project Location: Caribbean Regional
Project Title: Employment/Investment Promotion
Funding:
Life of Project: Three years, starting FY 1978 after signing of Grant Agreement
IEE Prepared by: S. C. Ryner, Capital Project Development Officer
Date: July 20, 1978
Recommended: A Negative Determination. (No Environmental Assessment or Environmental Impact Statement Necessary.)

Concurrence:


Dwight B. Johnson, Acting AID Representative


Date

Assistant Administrator's Decision: AA/LAC

Approval of Environmental Action
Recommended

Date

Disapproval of Environmental Action
Recommended

Date

B. IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Areas and Sub-areas 1/

Impact
 Identification
 and
 Evaluation 2/

A. LAND USE

- | | |
|--|---|
| 1. Changing the character of the land through: | |
| a. Increasing the population _____ | L |
| b. Extracting natural resources _____ | L |
| c. Land clearing _____ | L |
| d. Changing soil character _____ | N |
| 2. Altering natural defenses _____ | N |
| 3. Foreclosing important uses _____ | N |
| 4. Jeopardizing man or his works _____ | N |
| 5. Other factors | |
| _____ | |
| _____ | |

B. WATER QUALITY

- | | |
|---|---|
| 1. Physical state of water _____ | N |
| 2. Chemical and biological states _____ | N |
| 3. Ecological balance _____ | N |
| 4. Other factors | |
| _____ | |
| _____ | |

1/ See Explanatory Notes for this form.

2/ Use the following symbols: N - No environmental impact
 L - Little environmental impact
 M - Moderate environmental impact
 H - High environmental impact
 U - Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- | | |
|--------------------------|---|
| 1. Air additives _____ | N |
| 2. Air pollution _____ | N |
| 3. Noise pollution _____ | N |
| 4. Other factors _____ | |

D. NATURAL RESOURCES

- | | |
|--|---|
| 1. Diversion, altered use of water _____ | N |
| 2. Irreversible, inefficient commitments _____ | N |
| 3. Other factors _____ | |

E. CULTURAL

- | | |
|--|---|
| 1. Altering physical symbols _____ | N |
| 2. Dilution of cultural traditions _____ | N |
| 3. Other factors _____ | |

F. SOCIOECONOMIC

- | | |
|--|---|
| 1. Changes in economic/employment patterns _____ | L |
| 2. Changes in population _____ | N |
| 3. Changes in cultural patterns _____ | L |
| 4. Other factors _____ | |

IMPACT IDENTIFICATION AND EVALUATION FORM

G. HEALTH

- | | |
|---|----------------------|
| 1. Changing a natural environment _____ | <u> N </u> |
| 2. Eliminating an ecosystem element _____ | <u> N </u> |
| 3. Other factors _____ | _____ |
| _____ | _____ |
| _____ | _____ |

H. GENERAL

- | | |
|---------------------------------|----------------------|
| 1. International impacts _____ | _____ |
| 2. Controversial impacts _____ | <u> N </u> |
| 3. Larger program impacts _____ | <u> N </u> |
| 4. Other factors _____ | _____ |
| _____ | _____ |
| _____ | _____ |

I. OTHER POSSIBLE IMPACTS (not listed above)

_____	_____
_____	_____
_____	_____

See attached Discussion of Impacts.

C. Discussion of Impacts: Nature, Scope and Magnitude

Based upon the Initial Environmental Examination for this project, the recommended Threshold Decision is a Negative Determination.

The Employment Investment Promotion Program is planned to enable establishment or expansion of up to 150 small and medium sized Industrial and Commercial businesses with average investment of \$70,000. In this category will be small scale assembly industry and other industry with more traditional labor-intensive technologies. The program will establish new employment opportunities for rural and urban poor and carry out institutional reforms in the on-lending institutions. The CDB feasibility analyses of sub-projects of this type include thorough analyses of technical features of proposed designs, operations and management. Its standards on engineering specifications and performance are consistent with standard engineering practice. The Bank's appraisal criteria ensures good environmental husbandry.

The specific sub-project activities under this Grant will be selected by the CDB and thus have not been assigned, but because of the nature of the program are expected to have the following characteristics:

- (1) The environmental effects will be very limited and localized due to the small to medium size of the enterprises and the wide dispersal of enterprises throughout the CDB territory of work.

- 2 -

- (2) The process will involve well-known techniques for which engineering practices and available hardware limit adverse environmental effects from by-products, waste, etc. to acceptable tolerance levels.
- (3) The project activities will be regularly monitored in terms of operating performance. The monitoring by the CDB is not limited to the narrow scope of financial performance, but under the Bank's responsibility for development includes observation of social, environmental and other impacts.
- (4) If the need should arise the, CDB has the capacity to revise a project to achieve desirable environmental and social performance.

Our review of the type of activities foreseen under this loan reveal no evidence that the environmental effects would:

- (1) have a serious negative impact on the human environment;
- (2) have impacts which are likely to be irrevocable or highly controversial;
- (3) which might have a tendency for a cumulative ill-effect; or
- (4) which might establish a precedent for adverse future action.

Consequently, a Negative Determination has been recommended in respect to further Environmental Assessment.

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ACTION AID

JUN - 5 1978

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E.O. 11652: N/A

TAGS:

SUBJECT: DAEC REVIEW - CARIBBEAN REGIONAL - EMPLOYMENT INVESTMENT PROMOTION (INTERIM REPORT)

ACTION	3	REVIEW
DATE	01/09/78	
SIGN		

1. THE DAEC REVIEWED SUBJECT INTERIM REPORT AND APPROVED INTENSIVE REVIEW OF THE PROJECT. THE DAEC REQUESTED THAT THE FOLLOWING ISSUES BE ADDRESSED IN DEVELOPING THE PROJECT IN ADDITION TO THOSE RAISED IN THE IR:

COMMENTS

-----A. PROBLEM STATEMENT - ECONOMIC ENVIRONMENT. THE INTERIM REPORT USES 1970 FIGURES TO DEFINE THE REGION'S UNEMPLOYMENT PROBLEM. THE DAEC REQUESTED THAT THE PP PROBLEM STATEMENT BE BASED ON MORE CURRENT DATA IF AVAILABLE. (G. WEIN WILL BE AVAILABLE TO ASSIST IN UPDATING EMPLOYMENT STATISTICS.) FURTHERMORE, THE DAEC REQUESTED THAT THE PP DEFINE THE NATURE AND EXTENT OF ECONOMIC POLICY OBSTACLES TO EXPANDING LABOR INTENSIVE INVESTMENTS. WHAT MINIMUM POLICY CHANGES ARE NECESSARY FOR PROJECT SUCCESS?

See Part II - A and Annex II - 2

-----B. CDB CAPACITY. THE PROJECT'S SIX ACTIVITIES REQUIRE ADDITIONAL CDB STAFF AND MANAGEMENT RESPONSIBILITIES AND PLACE CONDITIONS ON USE OF THE NEW RESOURCES. GIVEN THE CDB'S PREFERENCE FOR SIMPLE REPLENISHMENT OF SPECIAL FUNDS RESOURCES, TOP-LEVEL CDB AGREEMENT SHOULD BE OBTAINED

DURING INTENSIVE REVIEW ON THE CONDITIONS TO BE PLACED ON PROJECT FUNDS AND ON THE NEED FOR THESE TO ATTAIN PROJECT OBJECTIVES. CDB INVOLVEMENT AT THIS EARLY STAGE COULD ALSO INCLUDE ANTICIPATING AND ADDRESSING POTENTIAL CONDITIONS PRECEDENT.

See Part IV - A

-----C. GEOGRAPHICAL FOCUS. THE INTERIM REPORT FOCUSES ON BARBADOS AND THE LDCS, ALTHOUGH ALL NON-CONTRIBUTING CDB MEMBERS ARE ELIGIBLE UNDER THE PROJECT. THE DAEC SUGGESTED PROJECT LENDING CRITERIA BE DEVELOPED DURING INTENSIVE REVIEW BASED ON NATURAL SMALL INDUSTRY CREDIT DISTRIBUTION PATTERNS -- E.G., PAST AND PROJECTED CDB LENDING AND DEMAND FOR SMALL INDUSTRY CREDIT FOR ALL ELIGIBLE SPECIAL FUNDS BORROWERS (MDCS AND LDCS). FURTHERMORE, THE PP SHOULD INCLUDE A RATIONALE FOR INITIALLY LIMITING EXPORT ACTIVITIES AND SMALL ENTERPRISE ASSISTANCE TO ONE MDC (BARBADOS) AND ONE LDC AND SHOULD DESCRIBE THE PROJECT'S SCHEME TO INCLUDE ADDITIONAL LDCS AND MDCS.

All of the Eastern Caribbean and Belize is eligible to participate.

-----D. SMALL INDUSTRY ASSISTANCE.

COMMENTS

(1) TECHNICAL ASSISTANCE AND TRAINING. THE PP SHOULD DISCUSS WHETHER BIMAP IS THE SOLE SOURCE OF EXPERTISE IN THE REGION FOR ASSISTING SMALL ENTERPRISES IN ACQUIRING AND APPLYING BUSINESS SKILLS AND JUSTIFYING THE SELECTION OF BIMAP OVER OTHER INSTITUTIONS, E.G., TRINIDAD, JAMAICA, THE CDB, OR THE DFCS. ARE THE PROPOSED INSTITUTION AND METHOD THE MOST COST-EFFECTIVE? WHAT IS THE LONG-TERM ROLE AND RELATIONSHIP OF BIMAP IN PROVIDING TA ON THE REGION? IN ADDITION, THE FINANCIAL FEASIBILITY OF PROVIDING SMALL BUSINESS TA AND TRAINING BY BIMAP SHOULD BE CAREFULLY REVIEWED IN THE PP. WHAT WILL HAPPEN WHEN AID GRANT FUNDS ARE NO LONGER AVAILABLE?

This evaluation to be developed under the grant. No institution has been selected at the present time.

(2) STRENGTHENING THE DFCS. THE INTERIM REPORT PROPOSES A BOLS. 700,000 GRANT TO THE CDB FOR NO-INTEREST ON LENDING TO THE DFCS TO ASSIST IN THEIR CAPITALIZATION. THE DAEC REQUESTED THAT THE CDB EXAMINE THE PROPER ROLE AND DISTRIBUTION OF THE DFCS IN TERMS OF INDIVIDUAL DFCS' FINANCIAL VIABILITY AND ABILITY TO DEVELOP PROJECTS AND MAKE LOANS. GIVEN THAT AID PROVIDES RESOURCES ONLY TO REASONABLY SELF-SUFFICIENT ENTITIES, HOW DOES THE CDB PROPOSE TO HANDLE ANY DFCS NOT VIABLE BY AID STANDARDS UNDER THIS PROJECT? THE PP SHOULD DEMONSTRATE HOW AND IN WHAT AREAS THE DFCS ARE IN A BETTER POSITION THAN THE CDB AND ARE THEREFORE NECESSARY TO PROVIDE SMALL INDUSTRY CREDIT. WHAT ALTERNATIVE AID MECHANISMS COULD BE USED TO CAPITALIZE THE DFCS?

Restructuring of the DFCS is an integral of this projects. See Part III-B-2(a)

(3) CREDIT DEMAND. IN PROVIDING JUSTIFICATION FOR THE LEVEL OF DEMAND UNDER THE SMALL ENTERPRISE COMPONENT, THE PP SHOULD SHOW THE INCREMENTAL DEMAND OVER AND ABOVE THE SMALL INDUSTRY DIVISION'S REGULAR PROJECTIONS. INTENSIVE REVIEW SHOULD ADDRESS POTENTIAL SIMILARITY BETWEEN SOME OF THIS PROJECT'S SMALL ENTERPRISE ACTIVITIES AND THE SMALL INDUSTRIES ELIGIBLE UNDER THE AGRIBUSINESS LOAN NO. 538-T-007.

There is potential similarity but not in actuality due to the agricultural (food processing) influence under 007.

-----E. EXPORT INVESTMENT PROMOTION.

(1) PRODUCT IDENTIFICATION. THE DAEC RECOMMENDED THAT THE PP DISCUSS THIS PROJECT ACTIVITY'S ADVANTAGES IN TERMS OF EXPANDING EMPLOYMENT OPPORTUNITIES IN THE REGION (E.G., COUNTERACTING EMIGRATION FROM THE REGION). THE DAEC ALSO RECOMMENDED THAT THE EXPORT PROMOTION UNIT BE LOCATED IN THE REGION WITH BUSINESS REPRESENTATIVES FOR THE U.S., VENEZUELA AND OTHER MARKETS, E.G., THE EEC.

It is expected that the export promotion unit will be located in the Region. See Part III - B-2(b).

(2) EXPORT PRODUCTION RESPONSE. THE INTERIM REPORT PROPOSES THIS ACTIVITY INITIALLY ONLY IN BARRADOS AND AN LDC. THE DAEC REQUESTED THAT INTENSIVE REVIEW INCLUDE AN INVESTIGATION OF HOW THIS ACTIVITY COULD BE MADE REGIONAL:

As now proposed this effort will be on a regional basis.

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COMMENTS

COULD A MECHANISM SIMILAR TO THE BIDC AND ST. LUCIA INDUSTRIAL DEVELOPMENT UNIT BE CREATED IN OTHER ISLANDS DURING THE LIFE OF THE PROJECT?

Yes, where appropriate

(3) CREDIT DEMAND. THE DAEC REQUESTED THAT INTENSIVE REVIEW INCLUDE AN ANALYSIS OF LOCAL LABOR COSTS AND OTHER FACTORS AFFECTING EXPORT INDUSTRY COMPETITIVENESS TO ENSURE THE FEASIBILITY OF THE LABOR INTENSIVE EXPORT ACTIVITY.

Such a survey is planned See Part III-B-2-(c).

-----F. CREDIT FUND ELIGIBILITY CRITERIA. THE DAEC REQUESTED THAT THE LIMIT ON CAPITAL OUTLAY PER JOB BE KEPT AS LOW AS POSSIBLE FOR AID FINANCING. SPECIFICALLY, THE DAEC EXPRESSED STRONG RESERVATIONS CONCERNING THE DOLS. 15,000 UPPER LIMIT. THIS LIMIT SHOULD PROBABLY NOT EXCEED DOLS. 10,000 WITH THE BULK OF THE PROGRAM'S FINANCING AIMED AT AROUND THE DOLS. 4-5,000 PER JOB RANGE. IT IS EXPECTED, HOWEVER, THAT THE FINAL CAPITAL/LABOR RATIO USED FOR THE CREDIT FUND WILL BE FULLY JUSTIFIED IN THE PP, INCLUDING AN HISTORICAL REVIEW OF CDB SMALL INDUSTRY LENDING, EXPERIENCE IN OTHER COUNTRIES OUTSIDE THE REGION, AND THE NEED TO MAXIMIZE THE EMPLOYMENT EFFECT. (DAEC RECOMMENDED THAT AN ECONOMIST ASSIST IN DETERMINING THESE FIGURES). THE PP SHOULD ESTABLISH THAT PROJECTS EXCEEDING THE UPPER LIMIT WOULD BE ELIGIBLE ONLY IF IT CAN BE DEMONSTRATED THAT THE PROJECT WILL GENERATE DOWN-STREAM EMPLOYMENT WITH A CAPITAL

Under the Grant the TIU will impose a review on all CDB projects exceeding a \$5000 capital/labor ratio.

LABOR RATIO CONSISTENT WITH THE REGULAR PROJECT LIMIT. THE DAEC ALSO REQUESTED THAT THE PP ADDRESS THE ISSUE OF ELIGIBILITY OF VARIOUS INDUSTRY CATEGORIES AND OF A LIMITATION ON GOVERNMENT-OWNED ENTERPRISES.

Criteria is addressed in Part III-B-1.

-----G. TECHNICAL INFORMATION UNIT (TIU). INTENSIVE REVIEW SHOULD INCLUDE AN ANALYSIS OF THE DEMAND FOR THE T,U AND TIU OUTPUT. DETERMINATION OF THE FUNDING LEVEL FOR THIS COMPONENT SHOULD REFLECT THE APPROPRIATE TECHNOLOGY FUND TO BE ESTABLISHED UNDER THE AGRIBUSINESS LOAN 538-T-007. THE DAEC FURTHERMORE SUGGESTED THAT A MORE PRECISE DEFINITION OF "AP,POPRIATE TECHNOLOGY" IS NEEDED, IN PARTICULAR, WHETHER IT IS LABOR-INTENSIVE OR LIGHT CAPITAL. IN ADDITION, THE FINANCIAL VIABILITY OF THE TIU SHOULD BE CLOSELY REVIEWED IN THE PP.

"Appropriate" is not desired by the CDB; the project focuses on applied technology to utilize under developed resources of the Region.

-----H. OTHER DONORS. THE PP SHOULD DESCRIBE WHAT OTHER DONORS PLAN TO DO FOR SMALL INDUSTRY DEVELOPMENT AND TO ASSIST BIMAP AND THE DFCS - WITH SPECIFIC PREFERENCE TO CIDA AND TO THE PROPOSED IDB PROJECT. CHRISTOPHER

See Part IV-C-2 and Annex II-5

BT
#1088

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 78 to FY 81
Total U. S. Funding \$ 576
Date Prepared: 01/24/78

Project Title & Number: EMPLOYMENT/INVESTMENT PROMOTION - 538-0013

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																												
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To increase employment and output of the industrial and informal sectors of the MDC's and LDC's of the English-speaking Caribbean (the Region).</p>	<p>Measures of Goal Achievement:</p> <p>Increased employment output and income generated by the project benefiting the poorer segment of the population in the Region.</p>	<p>Caribbean Development Bank (CDB) project reports records of the Governments of the Region Project Reports and Evaluations Field trips and inspections</p>	<p>Assumptions for achieving goal targets:</p> <p>The development and growth of industrial outputs continues to be a high priority of the Governments of the Region.</p>																																																												
<p>Project Purpose:</p> <p>To strengthen the CDB's institutional capacity to identify, examine and promote a greater utilization of the physical, natural and human resources of the Caribbean Region by (a) development of a mechanism to disseminate and promote applied technology- (b) execution of programs of experimental research and demonstration in adaptive technology- and (c) development of programs for the public and private sector that give support to the implementation of appropriate industrialization.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>a) A CDB Technology Information Unit is staffed and disseminating information to the Region on a continuous basis. b) Technology Research Funds are being utilized for applied research and development in small industries. c) Appropriate improvements have been investigated and implemented for the Region's on-lending programs. d) An organization and mechanism has been selected to attract and assist in development of foreign investment in the Region. e) An institution is identified to provide appropriate T.A. to small businesses on a financially viable basis.</p>	<p>Field trips and inspections Appraisal of the Technical Information Units operations. Reports of the Technology Research Fund. Evaluations.</p>	<p>Assumptions for achieving purpose:</p> <p>That appropriate technologies exist and can be identified for application to the Region. The development of appropriate technology, small business technical assistance, lending institution improvement and industrial investment promotion will be supported by the Region's Governments and effectively utilized by the target population.</p>																																																												
<p>Outputs:</p> <p>Establishment and operation of the Technology Information Unit</p> <p>Completion of Technology Research Fund applied research projects.</p> <p>Person months of technical assistance to:</p> <ul style="list-style-type: none"> - Improve the on-lending program - Promote Foreign Investment - Develop T.A. program identification for small business 	<p>Magnitude of Outputs:</p> <table border="1"> <thead> <tr> <th></th> <th colspan="3">Yea.'s</th> <th>Total</th> </tr> <tr> <th></th> <th>30%</th> <th>80%</th> <th>100%</th> <th></th> </tr> </thead> <tbody> <tr> <td>Operational</td> <td>30%</td> <td>80%</td> <td>100%</td> <td></td> </tr> <tr> <td>Projects of Applied Technology</td> <td>4</td> <td>6</td> <td>3</td> <td>13</td> </tr> <tr> <td>Person months of T.A.</td> <td>16</td> <td>-</td> <td>-</td> <td>16</td> </tr> <tr> <td></td> <td>18</td> <td>12</td> <td>-</td> <td>30</td> </tr> <tr> <td></td> <td>8</td> <td>4</td> <td>-</td> <td>12</td> </tr> </tbody> </table>		Yea.'s			Total		30%	80%	100%		Operational	30%	80%	100%		Projects of Applied Technology	4	6	3	13	Person months of T.A.	16	-	-	16		18	12	-	30		8	4	-	12	<p>Project reports and evaluations CDB reports Field visits and inspections Evaluations</p>	<p>Assumptions for achieving outputs:</p> <p>Project inputs are made available in a timely manner. Capable CDB and contract T.A. personnel are assigned and maintained to implement the various components during the life of the project.</p>																									
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<p>Inputs:</p> <p>AID Development Grant</p> <p>Technology Information Unit</p> <p>Technology Research Fund</p> <p>Lending Institution Reform</p> <p>Investment Promotion</p> <p>Small Industry T.A. Survey</p> <p>CDB Resources</p> <p>Technology Information Unit</p> <p>Lending Institution Reform</p> <p>Investment Promotion</p> <p>TOTAL</p>	<p>Implementation Target Years</p> <table border="1"> <thead> <tr> <th></th> <th>TOTAL</th> <th>1ST</th> <th>2ND</th> <th>3RD</th> </tr> </thead> <tbody> <tr> <td>AID Development Grant</td> <td>1,676</td> <td>1129</td> <td>317</td> <td>220</td> </tr> <tr> <td>Technology Information Unit</td> <td>183</td> <td>80</td> <td>73</td> <td>30</td> </tr> <tr> <td>Technology Research Fund</td> <td>1,000</td> <td>600</td> <td>200</td> <td>200</td> </tr> <tr> <td>Lending Institution Reform</td> <td>112</td> <td>112</td> <td>-</td> <td>-</td> </tr> <tr> <td>Investment Promotion</td> <td>197</td> <td>177</td> <td>20</td> <td>-</td> </tr> <tr> <td>Small Industry T.A. Survey</td> <td>184</td> <td>160</td> <td>24</td> <td>-</td> </tr> <tr> <td>CDB Resources</td> <td>359</td> <td>166</td> <td>93</td> <td>100</td> </tr> <tr> <td>Technology Information Unit</td> <td>293</td> <td>100</td> <td>93</td> <td>100</td> </tr> <tr> <td>Lending Institution Reform</td> <td>20</td> <td>20</td> <td>-</td> <td>-</td> </tr> <tr> <td>Investment Promotion</td> <td>46</td> <td>46</td> <td>-</td> <td>-</td> </tr> <tr> <td>TOTAL</td> <td>2,035</td> <td>1,225</td> <td>410</td> <td>330</td> </tr> </tbody> </table>		TOTAL	1ST	2ND	3RD	AID Development Grant	1,676	1129	317	220	Technology Information Unit	183	80	73	30	Technology Research Fund	1,000	600	200	200	Lending Institution Reform	112	112	-	-	Investment Promotion	197	177	20	-	Small Industry T.A. Survey	184	160	24	-	CDB Resources	359	166	93	100	Technology Information Unit	293	100	93	100	Lending Institution Reform	20	20	-	-	Investment Promotion	46	46	-	-	TOTAL	2,035	1,225	410	330	<p>Disbursement records CDB budget Audit Reports</p>	<p>Assumptions for providing inputs:</p>
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Development Finance Corporation

General Performance of the DFCs

Ten Development Finance Corporations operate in the Eastern Caribbean and Belize. Latest available data reveal that over the past five (5) years they collectively have approved US\$7.8million in sub loans, accrued a net operating loss of US\$202,000, and it is known that at least 630 loans valued at US\$2.0 million are currently in arrears. The DFC system is staffed by 145 persons, has an annual salary bill of about US\$360,000 and approximate annual operating costs of US\$855,000. Thus operating cost are on average 8% of sub-loan portfolio value.

The system has equity (or near equity) valued at US\$4.6 million a debt equity ratio of 2.5:1 and total Banking assets of about US\$13.4 million. Nearly half of the assets, and more than half of the equity is attributable to the one DFC in Belize. (Additional support data and charts are in the RDO/C files)

Factors Effecting Performance

The generally poor performance of the DFC's is partially attributable to the tiny markets served. In no case is their evidence that the constraints imposed by such markets were taken into account by the governments of the LDC states; nor it seems, by the CDB, which apparently accepted the opinion of the governments that after a few years of deficit (off-set by sub-vention), that the institutions would be viable. In fact only four LDCs (Belize, Antigua, St. Lucia and Grenada), appear capable of supporting well run independent financial institutions devoted primarily, to the provision of fixed capital.

Even in these the development of markets would appear to proceed at a pace insufficient to generate income at rates required for financial soundness (except for Belize).

The market for the Region is estimated at about US\$20.0 million, of which the DFC's have acquired less than US\$8.0 million. The relatively low acquisition and low annual acquisition rates spring from the relative novelty of the institutions lack of experience and the difficulties in acquiring staff. However, the problems have been exacerbated by operating characteristics which have impaired efficiency while simultaneously building administrative costs to a level, which as percentage of total portfolio, exceeds 8%. Generally, reported percentages for DFCs in Asia and Latin America show average below 2%.

Of particular concern in the litany of operative problems is the appraisal system; its criteria and application. Serious defect appear in project appraisals, and in the appraisal of collateral. The first has contributed to a huge degree of exposure to bad debts, the second raises grave doubts as to the salvageability of those exposed loans. Spot reviews of collateral documents indicate that the recorded collateral value is not of sufficient to meet stated criteria and that collateral evaluation is rarely confirmed. This situation, serious in any case, is made more so by the fact that approximately 26% of total DFC sub-loan portfolio is reported to be currently in arrears.

Examination of a mix of AIC, FIC and SIC loans valued at US\$2.8 million and involving 632 loans reveal 50% of the loans in arrears, and 50% of the portfolio value affected.

Staffing difficulties are endemic, these stem primarily from low salary levels, which frequently are as low as US\$250.00 per month for professionals. Given the extremely

small pool of experienced financial personnel to draw upon, the salary policy has effectively precluded access to that pool. The governments' involvement in the DFCs has further re-inforced the belief that DFC salaries should be pegged to the Civil Service rates.

In those few cases where talented and experienced managers have been recruited they are handicapped by untrained and poorly qualified staff assistants. The lack of qualified personnel has led to expansion of staff in the hopes that larger numbers of personnel can compensate for quality defects. Thus, administrative costs are increased without commensurate increases in the staff. Weaknesses, show in a variety of ways; commonly internal audits are infrequent and incomplete, reports for management use and for use in DFC analysis are rarely forthcoming. In some instances, operating reports are two years behind schedule, and criterial information is not available at the DFCs themselves; There is casual control of collateral documents, loan recoveries are not segregated, delinquencies are sometimes not aged, and no clear and definite procedures exist for collections.

While it might be expected that staffing and other administrative costs would decline as a percentage of total portfolio. This has always been the case. For example, Belize in 1975 had Bz\$5.6 million, with staff costs at Bz\$152,000. In 1976 portfolio to Bz\$8.3 million, while administrative costs grew to Bz\$257,000 a rise from 2.7% to 3.1%.

The DFCs frequently operate as though arms of the government. In some instances final loan approval rests with the Minister of Finance. The statues under which they were established made no provision for insulating them from political powers and in fact facilitated such interference. It is note worthy that national commercial banks, formed with substantial government participation, but under the "Companies Acts" are relatively free from undue government influence.

The most glaring examples of improvident governmental policy is the duplication of lending facilities in the small markets. Two or more DFC type institutions have been established for housing, agriculture and industry. Various states thus segment markets which in their totality were already marginal.

The inadequacy of operating margins is partially attributable to high administrative on the expenditure side, on the income side it is attributable to interest rate limitations of the DFCs. Loans made with soft funds are held to an 8% interest rate to sub-borrowers, while 10% is permitted for hard funds. The limitations defeat the purpose of the soft lending internal agencies, which is to provide a greater spread to nascent institutions. It also flies in the face of good loan appraisal principles which recognize that if a project is calculated to succeed or fail on the basis of a few interest points, the project is unacceptable, - except, perhaps, for utilities. It also flies in the face of the interests of the small borrowers, who are rarely concerned with small variations in interest, but instead are concerned with obtaining funds not otherwise obtainable. More serious is the probability that those who seek to provide low cost funds to the small businessman in the Caribbean will create a situation where no funds will be available. The Institutions charged with delivery of unrealistically low cost credit will be increasingly weakened by success of such deliveries.

As noted above, the DFCs suffer from a wide range of deficiencies. However, the underlying weakness of the institutions stem from two factors.

- (1) The limited capital
of the markets served, and
- (2) The relatively high costs of serving such
markets.

The market already small have been rendered smaller for the DFCs by the limitations placed on their industrial loan ceilings and conditions. The DFCs can lend up to US\$37,000, with the approval of CDB up to \$100,000, and only to borrowers with net a worth less than US\$55,600, thus the successful can not qualify, and the others can not meet security requirements. The DFCs were in fact established to deal with the highest cost, highest risk lending in markets where no advantage of scale could offset the inherent disadvantages of such lending. The average SIC/FIC loan made by DFCs was US\$6,000 and a total of only about 400 loans were authorized during the period.

To further detract from market opportunities, the DFCs are in direct competition with established commercial banks, which, in 1977 carried industrial, and agricultural loans portfolios of US\$38.2 million. While it is true that the bulk of commercial bank credit is for short-term working capital, land acquisition, etc., the banks report that approximately 35% of their total portfolios are long-term (i.e. five years or more). The commercial banks, due to their flexibility are in a position to siphon off the soundest long-term fixed capital loans, leaving to the DFCs those which do not meet their appraisal criteria.

The DFCs were established without any evidence of market analysis. The governments agreed to provide subventions to cover losses, but these were predicated upon the assumption that such losses would occur during the early years of operation and eventually be unnecessary. In practice, the blank check subvention agreements have probably been, in part at least, counter-productive. With no financial constraints placed on DFC Management performance criteria were not established. As losses mounted, governments were increasingly reluctant to make full subventions, in the hope that such withholdings would introduce a greater degree of good financial management and cost reduction. Further, the degree of government involvement in the DFCs was given even greater impetus by the arrange-

ment, and with greater government involvement management was further weakened.

CARIBBEAN INVESTMENT CORPORATION

The Caribbean Investment Corporation (CIC) was established in 1973 by inter-governmental charter as a special financial institution, for the purpose of promoting industrial development, including agro-industry, tourism and integrated agricultural and industrial complexes. The CIC headquarters was established in Castries, St. Lucia in March, 1974, and continues to reside there. The activities of CIC are designed to facilitate the flow of financial resources from the MDCs of the region of the LDCs.

It is empowered to: make equity investments in industrial enterprises in the LDCs; guarantee suppliers credit; provide technical assistance in the preparation and analysis of projects; and under a blanket clause, perform all functions which it deems compatible with the objectives of the institution.

The CIC is primarily a source of venture capital for those projects and enterprises deemed, by CIC Management, to contribute to the economic and industrial growth of the LDCs. The CIC provides a complement to the debt financing functions of the Caribbean Development Bank and its affiliated DFCs.

Since its inception in 1973, the role of the CIC has changed from that of a receiver of proposed projects to an active agent for creating investment opportunities, by seeking out feasible projects, evaluating them and promoting their implementation.

The share capital is authorized to the value of US\$5,770,000, with an initial issue of US\$1.9 million, with 82% (US\$1.55 million) paid up by the end of 1977, to be fully subscribed by year end 1983. The private sector has subscribed up to 54% of its projected allotment as of the end of year 1977.

Later that year equity capital was supplemented with borrowings from two sources. The Caribbean Development Bank opened a Line of Credit for US\$1,260,000 in favour of CIC, for which approximately one half ($\frac{1}{2}$) had been drawn down by the end of the year. The agreement contained the following restrictions; no individual sub-loan can total more than US\$150,000; adequate provision must be made for bad debts; a reserve fund will be established when net income turns positive. The loan is to be repaid in forty (40) years on a semi-annual basis at a one half of 1% interest service charge with the first payment due in 1980.

In November, the Corporation also signed a loan agreement with the European Investment Bank for one (1) million European Units of Account to be drawn upon as required to make equity and quasi-equity investments. The repayment scheduled is conditional upon the profitability of projects, the investments in using this fund. With a maximum period of twenty-five (25) years, interest charges are 2% per annum with a four (4) year grace period.

Management Structure

The shareholders are represented in the management of CIC by a Board of Governors composed of, a government minister nominated by each of the Member States, and four (4) governors representing the private sector appointed by the Caribbean Association of Industry and Commerce (CAIC), of which two (2) must be residents of the LDCs.

All the powers and functions of the Corporation, except those relating to financial operations are vested in the Board of Governors. The Board may delegate functions to the Board of Directors, except: matters relating to membership, Capital Stock, Charter Amendments, remuneration for Directors, disposition of profits from operation, and approval of the Statement of Accounts.

The operation of the Corporation is controlled by a Board of Directors, consisting of: Four (4) Directors, appointed by each of the governments of the MDCs, two (2) Directors appointed by the governments of the LDCs, and four (4) Directors selected by the CIC, with the proviso that at least two (2) be residents of the LDCs. Each of the Directors will hold office for three (3) years and may be reappointed upon expiration of his term. The Chairman is selected from among the representatives of the LDCs. The Board of Directors which meets a minimum four times a year, has the final authority to: make operating decisions as regards the disposition of CIC resources in investment loans and technical assistance, control the financial operations of the Corporation in regard to borrowing, budgeting and of accounting and appointment of professional and administrative staff.

As an Associate member of CARICOM, CIC participates actively in the work of CARICOM, by staff representation on various CARICOM institutions; standing committees, technical study groups, missions and special meetings. The Corporation was represented at meetings of the West Indies Associated States (WISA) and East Caribbean Common Market (ECCM). At the local level the Corporation works with the DFCs of Member States in project identification, evaluation and financing. With this extended network of outside contacts, the Corporation is made sensitive to local

- 4 -

economic policies and developments. It cooperates with ECCM "Industrial Allocation Scheme" of assigning responsibility for the establishment of certain types of industries to a specific country by targeting its investment funds for industries assigned to those States.

The duties of chief operating officer are performed by a General Manager, located in the CIC main office of St. Lucia. He supervises a full time staff of thirteen (13), exclusive of foreign advisors. The staff includes Finance Officer, Accounting Officer 1, Accounting Officer 11, Librarian/ Research Assistant, Senior Secretary, Secretarial Staff (5) and Support Staff (3).

Operations

Generally, all administrative support work is carried out by CARICOM national staff, while all of the investment analysis, project monitoring and evaluation and technical assistance work of the Corporation is performed by short-term consultants recruited and paid for by international organisations.

CIC has utilized the services of two (2) UNDP/UNIDO experts as Financial Management Advisors whose principal duties are to assist companies who have previously received CIC investment funds. The advisors assist in implementing financial and accounting systems, monitor the firm's performance, identify problem areas and introduce appropriate corrections as necessary. The Corporation also has available, the services of an industrial engineer for technical appraisal of new projects and production systems and control procedures necessary for efficient operation of selected firms. Several important advisory posts are currently vacant, but support has been obtained from various international organizations and should shortly be filled. These include: A Project Analyst, who will prepare and analyze investment loan applications and assist in the promo-

tion and negotiation of new industries, including joint venture schemes with foreign partners; and An Economic/Marketing Studies Advisor who will collect and compile data relevant to the economic and marketing conditions (employment, production, etc.) in the LDCs, leading to decisions on the direction and timing of investments by CIC.

Corporate investments in projects are based upon appraisals of the financial viability of the project; the ability of the project to contribute to industrial and economic development of the LDC, and the creation of employment opportunities.

Before committing funds in any particular project, the Corporation requires that the conditions enumerated below are fulfilled:

- (1) The owners of the (Proposed) enterprise must assume a fair share of the risk by investing a significant portion of their resources;
- (2) The (proposed) management must satisfy CIC that it is capable of directing all the functions of the enterprise;
- (3) Analysis must show that adequate markets and marketing arrangements exist;
- (4) Adequate proof of collateral exist, if required;
- (5) The (proposed) enterprises be owned by nationals or of the LDCs, or be joint ventures of the LDCs and MDCs of the CARICOM Region (if the partner in non-CARICOM control preferably rests in the hands of CARICOM nationals).
- (6) The enterprise is incorporated in an LDC.

CIC financing may be used for any of the following singly, or in combination: Working Capital; Machinery and equipment acquisition; Building, construction and Expansion of existing operations or acquisition of existing enterprises.

CIC will not as a normal policy make (non-convertible) loans. The size of CIC permissible investment ranges from a low of US\$7,500 to a high of US\$150,000 in any single enterprise and no more than 10% of its own (CIC's) equity. It is not allowed to acquire more than one third of the enterprise's total share capital. The main focus for CIC's investment operations has been to support productive enterprises. To this end an investment limit of 25% of CIC's total outstanding commitments has been placed on Tourism Projects. The repayment period will vary according to the use to which the loan is to be put and cash flow projections for the enterprise, but will usually not exceed ten (10) years. Interest rates charged are variable and based on such factors as the degree of risk, form of financing, loan size and current cost of capital. CIC seeks adequate security through debentures, promissory notes and mortgages for its loan.

As a further safeguard, CIC normally reserves the right to nominate one or more individuals for the Board of Directors of the enterprise concerned. Refinancing is a service not normally extended.

All decisions as to the provision of investment loans or guarantee funds by CIC in any enterprise must be submitted and approved by the Corporation's Board of Directors. A formal application in writing containing the information on the following points is required: market survey results; cost estimates; technical feasibility analysis; sales projects; cash flows, and other information bearing on the anticipated profitability of

the enterprise. The Board then weighs the application first on the basis of sound investment criteria and only after the project has proven its viability will it be judged in terms of its economic development effect.

When assistance is required for the proper presentation of the above material CIC will provide assistance for a small fee (prior to 1977 this service was free of charge). CIC's formal letter of offer giving the conditions under which CIC will participate in the enterprise must be accepted within thirty (30) days. Upon approval of the application CIC normally requires the right to nominate one or more directors for the enterprise's board. Upon acceptance CIC maintains a close relationship with the enterprise by requiring it to maintain records and accounts and to submit periodic reports to CIC on its operations as well as allowing visits by CIC personnel.

The CIC views its role as encouraging entrepreneurship in the LDC's by supplying what is currently a scarce resource in the area, Venture Capital. The primary concern of CIC is to provide those individuals offering viable business proposals with a source of start-up funds in the form of share capital. Once the new enterprise (or expansion) has established its ongoing profitability and when market for sale of its shares is sufficiently strong, CIC will attempt to turn over its investment to provide funds for new projects. As of this date none of CIC's equity investments have presented an opportunity for sale on the open market as only one company has reached a point where it has paid dividends (total value US\$5,300 in the year 1976). In 1977 CIC authorized twenty separate equity investments totalling US\$895,000 and averaging US\$45,000 per investment. Twelve convertible loan commitments were made, valued at US\$303,000. Disbursements averaged 69.5% of authorizations

with equity at 75%, and convertible loans at 65%. Ten out of the total of twenty-seven enterprises receiving CIC funding utilized more than one type of investment instrument; the majority being combinations of equity and convertible loan financing. This represents an average authorization per firm of US\$46,800. By industrial activity, this enterprise average breaks down as follows:- Industry - US\$35,000, Agro-Industry - US\$71,000 and Tourism - US\$52,000.

Of total net investments authorized, the concentration of CIC resources in 1976 are as follows:-

<u>Sector</u>	<u>% of Total Investment. of Projects</u>	<u>% of No. of Projects</u>
Industry	49%	63%
Agro-Industry	39%	26%
Tourism	12%	11%
	<u>100%</u>	<u>100%</u>

The CIC resources by value are fairly evenly distributed among the Leeward and Winward Islands. St. Lucia, however, has received almost double the investments of any other LDC. An examination of US dollar investment per capita by CIC, the Leeward Islands received from three to six times more financing than the other LDCs. There is no relationship in either of the above measures of CIC investment flow with the per capita GNP of the CARICOM LDCs.

Performance and Prospects

The CIC has reported losses for all years since it began operations, with the exception in 1975 when it registered a small profit as the result of a foreign exchange gain. The plan for attainment of self-sufficiency called for the investment of its equity in fixed income securities, while using soft funds from CDB loans to purchase equity in Caribbean Industry.

- 9 -

Projections of earnings from both uses of funds have been seriously overestimated; return on fixed investments was lower than expected due to the lower return prevalent in the Caribbean vis-a-vis world markets. The return of equity investments and loans was far below expectations due to disappointing performance of the companies in which it had purchased equity positions. Income expenditure figures for 1976-1978 are as follows:-

	<u>Income</u>		<u>Expenditure</u>	
	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>
	\$	\$	\$	\$
1976	246,000	206,000	245,000 (33,000)	291,000 (40,000)
1977	383,000	226,000	268,000 (53,000)	552,000 (210,000)
1978	503,000	445,000	338,000 (75,000)	366,000 (22,000)

	<u>Net Income</u>		
	<u>Projected</u>	<u>Actual</u>	<u>Shortfall</u>
	\$	\$	\$
1976	1	85,000 loss	86,000
1977	115,000	326,000 loss	441,000
1978	165,000	79,000 profit	86,000

The performance of the Corporation has raised serious doubts in respect to its viability and the adequacy of its management, management structure, and operations procedures. Of particular concern is the apparent lack of an effective project appraisal system. The future of the Corporation is now being assessed by appropriate authorities.

The imposition of additional responsibilities on an agency which is already having operating difficulties would normally seem unwarranted. However, in this case the additional responsibilities would not involve additional outlays, thus imposing no new financial burdens on the Corporation. The nature of the new responsibilities (a) Coordination of investment promotion

- 10 -

and (b) Coordination of Technical Assistance to small enterprise, will provide a new source of investment possibilities for the Corporation. In general, these possibilities which will arise in part from the promotion of joint-ventures between the CIC., foreign investors and local investors should provide more secure and more profitable avenues for CIC, than was formerly the case.

In as much as the CIC's future is clouded the activities should be so designed as to permit transfer to other regional entities, should that become necessary.

Implementation Plan - Technology Information Unit

Creating and operating the proposed TIU and TRF will involve: recruitment, establishing the Advisory Committee, training, technical assistance, operations and research projects.

The following plan is designed as a set of flexible guideposts, to be modified as circumstances and future judgements dictate. The plan is summarized in a flow chart at the end of this section.

When the TIU and TRF are approved, the CDB management should decide where to locate the TIU in the Bank organization. Until the TIU Head is recruited and the Advisory Committee selected and convened, the TIU's Division Director would be required to initiate the first steps.

Recruitment

The most important first step will be to recruit a suitable TIU Head.

If it appears that the recruitment process will take a long time, plans should be made to substitute a short-term appointment of an Interim Head from within the Bank, or from another Caribbean organization, or from an outside technical assistant organization.

The initial Information Specialist would probably come from the existing CDB staff.

The timing of these events will depend to a large extent on where and when the desired talents can be found. One Information Specialist, one Librarian, and one Secretary could be recruited early in the first year and that the two other Information Specialists and the second Librarian would start at the end of the first year or the beginning of the second.

Advisory Committee

Another early step in establishing the TIU would be to select and convene the Advisory Committee.

Training

Staff training would be focused on two main areas:

- the operation of information systems, including hardware and procedures; and
- the substantive technical information itself - where to locate it and how to apply it.

This training is best acquired, for a variety of reasons, at the sources of information. Although some of these are located in the Caribbean, many are outside.

Technical Assistance

Over the initial three years of TIU operations, an estimated nine man-months of technical assistance may be required. This assistance would be heaviest in the early month and would focus on initial problems of organization and management. In addition, during this critical formative period, there will be problems of staff selection and training (including some training outside of the region), that will increase management problems, while reducing staff availability to do productive work.

If substantial delays are encountered in obtaining the services of a suitable TIU Manager, additional technical assistance may be required to cover this gap. On the other hand, if a first-rate manager is available, and depending on the nature of further CDB loan and research projects, short term specialists may be required to assist Bank staff in providing technical information and evaluation.

Operations

The TIU Head should take care to see that the existing services are not disrupted for more than a brief period as the expanded TIU program is put into action.

The most critical first step will be to decide the method of cataloging data and handling requests. Once this is done, there will be a period of reorganizing the present system into the new system.

Space and equipment will be required from the beginning of the TIU's operation.

Another early requirement will be to prepare a concise, one-or-two page description of the proposed TIU operation.

This description should be reviewed by the Advisory Committee every six months for the first year of operation and annually thereafter.

Contracts with outside information resources should be made as soon as possible after the TIU is approved and the above description prepared.

Following these initial steps, the normal TIU operations would include: operating the information system, reviewing projects, coordinating information with outside organizations, publishing newsletter, arranging meetings and conferences and preparing research projects.

Information System

The responsibility to select, acquire, retrieve, interpret and disseminate technical information.

Project Review

On all CDB projects, the TIU would be available to assist the loan Officers to obtain and evaluate needed technical information. On those projects involving and expected investment exceeding \$5000 per job created, the head of the TIU would participate in the Project Team's "technical study, including consideration of alternatives" specified in the CDB Policies and Procedures Manual paragraph 327.2.II.5 (b). If the Project Team did not concur with the TIU on a proposed alternative technical approach, the TIU alternative suggestions and supporting arguments could be raised with the Loan Committee concurrently with the loan proposal.

Newsletter

To assist in coordinating and disseminating technical information, the TIU should publish a small newsletter on a monthly basis, describing selected technical items of specific interest to Caribbean development, including:

- research projects, both in and outside the region,
- new product developments, particularly those suitable for small-scale applications,
- publications,
- profiles of Caribbean information and research organizations, and
- regional meetings and conferences.

The newsletter would exchange information among cooperating institutions, inform outside organizations of relevant developments, reduce duplication of effort, and focus on areas needing further work. Other organizations, such as CARDI, would be invited to make regular contributions in their areas of interest.

The newsletter would contain address information so that interested readers could order listed publications or new product details directly from the source.

The newsletter would be distributed to DFC's, educational institutions, engineering firms, agricultural organizations, research centers, and professional organizations, among others. Interested organizations outside the Caribbean would be furnished copies on a reciprocal basis for a fee. Within the Caribbean, and within the newsletter's budget, designated development organization would receive free copies, and others would pay a nominal fee.

Meetings and Conferences

In his role as information coordinator and action stimulator, the head of the TIU should confer periodically with various development research and information organizations in the Caribbean. If it appears from these contacts that a meeting of selected specialists would help clarify and define specific development research needs, the TIU could assist in organizing such meetings.

(As illustration, TIU might work with the U.S. National Academy of Sciences to organize a meeting of tropical hardwood specialists, the U.S. Forest Products Laboratory, woodworking machinery experts, and wood marketing specialists to define the research needed to permit a wider demand for utilization of the plentiful Dominican gommier tree).

Research

A Technology Research Fund (TRF) will be established in the CDB with an estimated funding requirement of \$1,000,000 for the first three years of operation. The TIU would prepare project proposals for funding by the TRF and for execution by selected outside research institutions.

The TIU would prepare project proposals for funding by the TRF and for execution by selected outside research institutions. These proposals would be coordinated and reviewed with the appropriate operating division (industry, Agriculture or Technical), and with CDB Management.

For each of these proposed projects, the TIU would conduct a preliminary literature search to establish what is already known and available. In cooperation with the appropriate CDB project division (Industry, Agriculture, or Technical), the TIU would prepare a detailed research program, defining institutions to be involved, project goals, a project research plan, a schedule, and a budget.

INFORMATION SOURCES

Following is a partial list of information sources that should be contacted by the TIU. Some of these sources supply information generated by themselves. In most cases they publish bibliographies, reprints, or other references to information that originated elsewhere. Thus, the listed sources are connected by referral to many thousands of original information sources.

The TIU should be on the mailing lists of all of these organizations and should selectively receive the publications of many of them. The TIU should make personal contact with some of these organizations to insure the most productive mutual information exchanges. In addition to the organizations listed, most of which are international, governmental, or voluntary organizations, the TIU should be on the mailing lists of publishers specializing in relevant technical information, including both private publishers and university presses.

The CDB is already in regular contact with some of these sources, occasional contact with some, and has had no contact with some. Those organizations contacted in the course of this study are indicated by an asterisk (*).

There are over a hundred other organizations that could be involved. However, many of these are linked, in one way or another, with one of the organizations listed. For example, the Small Enterprises National Documentation Centre (SENDOC) in India, which is listed, collects information from a broad range of Indian sources, many of which are not listed. On the other hand, there are many organizations that are

basically consumers and distributors of technical information, but have little or no usefulness as sources of information. These have been generally omitted.

The list below should be periodically reviewed by the TIU to add new names and drop those that do not prove useful. In some cases, TIU's contact should be transferred to another specialized organization, such as CARIRI.

The order of listing below does not necessarily relate to the order of importance to the TIU.

General

International Development Research Centre - Canada

* National Technical Information Service - United States

INFOTEC - Mexico

* World Bank - United States

United Nations Development Program - United States

Centre for Research and Development in Housing, Planning and
Building - Ghana

* Society for International Development, Development Reference
Service - France

* Board on Science and Technology for International Development -
United States

- * Agency for International Development, Office of Science and Technology - United States

International Labour Organization - Switzerland (studies on labor-intensive construction, especially roads)

Institute for Development & Research - Denmark

Commonwealth Science Council - Great Britain

Swedish Agency for Research Corporation with Developing Countries - Sweden

North-South Center for Technical and Cultural Exchange - Puerto Rico)

National Scientific Advisory Council - Trinidad

Scientific Research Council - Jamaica (and similar councils in other countries)

COLCIENCAS - Colombia

Industrial Information

- * Caribbean Industrial Research Institute - Trinidad

INPADOC - Austria (patent information)

International Ferrocement Information Center - Bangkok

United Nations Industrial Development Organization - Austria

Georgia Institute of Technology - United States (aid to small industry)

Japan Consulting Institute - Japan (small scale industry profiles, equipment and processes)

International Associates of Crafts and Small and Medium-sized Enterprises - Switzerland

National Research Council, Technical Information Service - Canada

Pakistan Council of Scientific and Industrial Research Laboratories - Pakistan

Small Enterprises National Documentation Centre - India

Applied Scientific Research Corporation - Thailand

Technology Consultancy Centre - Ghana

University of the West Indies, Department of Engineering - Trinidad

Energy

Smithsonian Science Information Exchange - United States

Geothermal Resources Council - United States

U.S. Department of Energy - United States

Agriculture and Agro-Industry

- * Caribbean Agricultural Research and Development Institute - Trinidad
- * WINBAN Research Centre - St. Lucia
- * Produce Chemists Laboratories - various Caribbean countries
- * University of the West Indies, Department of Agriculture - Trinidad

Tropical Products Institute - Great Britain

International Crops Research Institute for the Semi-Arid Tropics -
India

International Rice Research Institute - Philippines

Compagnie Internationale de Developpement Rural - France
(information on small-scale agro-industry)

Instituto Interamericano de Ciencias Agricolas - Costa Rica

Jamaica Banana Board - Jamaica

National College of Agricultural Engineering - Great Britain

International Plant Protection Center - United States

International Center for Tropical Agriculture - Colombia

International Institute of Tropical Agriculture - Nigeria

Foreign Agriculture Service - United States

Food and Agriculture Organizations - Italy

Action for Food Production - India

Centre d'Etudes et d'Experimentation du Machinisme Agricole
Tropical - France

National Institute of Agricultural Engineering - Great Britain

Tanzania Agricultural Machinery Testing Unit - Tanzania

Centre International pour le Developpement Agricole - France

Appropriate (Intermediate) Technology

* Volunteers in Technical Assistance - United States

* Intermediate Technology Development Group - Great Britain

Brace Research Institute - Canada

* Technische Ontwikkeling Ontwikkelings Landen - Netherlands

Minimum Cost Housing Group - Canada

Volunteers in Asia - United States

* Appropriate Technology International - United States

Groupe de Recherches sur les Technologies Appropriees - France

Indian Institute of Science - India

- Centro de Estudios Meso Americanos para la Tecnologia Appropriada -
Guatemala
- Schweizersche Vereinigung fur Mittlere Technologie - Switzerland
- Schweizersche Arbeitsgemeinschaft fur Alternative Technologie -
Switzerland
- * National Center for Appropriate Technology - United States
- Indian Institute of Technology, Appropriate Technology Unit - India
- Auma Research and Development Facility - India
- Gandhian Institute of Studies - India
- Technology and Development Institute, East-West Center - United States
- Instituto de Investigaciones Technologicas - Colombia
- Asian Institute of Technology - Thailand
- Regional Adaptive Technology Center - Philippines
- Appropriate Technology Development Organization - Pakistan
- Development Technology Center - Indonesia
- Planning Research and Action Institute - India
- Commonwealth Scientific and Industrial Research Organization -
Australia

IMPLEMENTATION PLAN: Lending Institution Improvement**The DFC Program****Complete arrangements with participating DFC's for initial planning (1 month)**

1. CDB management and staff propose general program to DFC management and Government authorities in St. Lucia, St. Vincent and other LDC's and secure their agreement to analyze restructuring possibilities.

2. **Preliminary restructuring and operational design (4 months)**

DFC, Government and CDB personnel with AID technical assistance will prepare analysis and restructuring design of the DFC's in St. Lucia and St. Vincent. Reports and recommendations submitted to DFC's and to CDB.

3. **Negotiations conducted between CDB management, Government and DFC authorities for program formulation and nature of commitments to be fixed (1 month)**

The parties would make detailed arrangements for assistance to the DFC's and agree to the terms and conditions under which such assistance will be given. Resources would be allocated to the effort by the CDB and DFC.

4. **Recruitment of additional personnel for Loan Supervision Unit (1 month)**

Two specialists, a bank training officer and a bank administration officer. These will be assigned to carry out major elements of assistance to DFC's.

5. **Restructuring Process carried out (10 months)**

Organizational adjustments would be completed, procedure changes instituted, legal requirements met, personnel qualifications and performance levels set. Initiation of new lending practices and policies would commence and DFC's would divest their non-banking functions.

Implementation Plan: Investment Promotion Activity

1. The investment promotion activity will be divided into two program elements. (1) identification of foreign firms which would have interest in establishing LDC operation; and identification of foreign buyers of products competitively producible in the LDCs; and (2) the elaboration of responsiveness of the LDCs. The first will be carried out primarily by consultants while training C.I.C. and LDC personnel. The second will be carried out primarily by C.I.C. and LDC personnel with the involvement of consultants. The following is illustrative of the possible program.

1. To be carried out abroad - Identification of Far Eastern Products subject to sharp price rises over past few years (month one and two four and six, eight and ten and twelve and fourteen.)

This will be carried out by consulting a market economist periodically over a period of a year and a half for a total of about eight person months. A wide range of import statistics will be reviewed along with customs reports, trade publications and periodicals will furnish supplemental information.

2. Identification of Foreign Owned Firms Producing Articles Singled out in preceding activity (month one to month eighteen)

Data will be examined from foreign registeries, trade journals, government reporting agencies, trade associations. Interviews will be held with leaders in the appropriate industrial fields and with accounting and consulting firms operating in appropriate fields of speciality.

3. Evaluation of the Firms Identified (month two to month eighteen)

Consultants will procure data from appropriate official and non-official sources, on company operations, problems, key personnel, markets overseas experience etc. The data will be analyzed and utilized to prepare an effective approach to the company.

4. Contact with Potential Investors (month two to month eighteen)

Upon completion of activities described in activity 4. the representative of the CIC and LDC investment promotion agencies will, by mail and phone and personal visits make contact with and present the advantages of location in the LDC. Information will be presented in detail, and offers to assist in feasibility work will be made. Costs profiles will be utilized and dialogue established. This will be followed up with a series of renewed contacts, new

information and assistance to the key officers of the firm in presenting the possibility of a move to an LDC to the Board of Directors and others. Invitations should be extended to the chief operating officers and to key technical personnel to assist the LDCs under consideration.

5. Identification and Contact with Foreign Buyers of Products which could be prepared in the LDCs

This exercise will parallel the preceding activity. However, approaches will be made to buyers immediately after identification is made; and information derived from the contact will be communicated to the CIC for dissemination.

6. Training Outside the Caribbean

Early in the first six months of the project two CIC Officers will receive training in the following: analyses of U.S. import data, familiarization with and use of trade statistics, trade publications etc., Far Eastern source data, company analyses techniques, and data sources for such analyses. In addition, the officers will participate in actual product analysis, company analyses, preparation for and participation in company contacts, discussions, evaluations, and subsequent negotiations with management of "identified" firms. Training will be given in reporting to the "home" investment promotion units, and in preparing both the "home" IPU and managers of potential investment entities for continued negotiations on the LDCs.

7. Technical Assistance Abroad

Technical assistance abroad will consist of direction and participation in identification of potential "migrant" firms operating in the Far East through product and production analysis. The TCA team will include a Market Economist, two contact officers, and an industrial promotion specialist. During the course of carrying out the program the team will train CIC and LDC personnel in all techniques and procedures. This will be done in informal seminars and on-the-job training. The LDC personnel will "manage" a source from point of identification to assistance in their country of origin.

8. To be carried out in the LDCs - Development of LDC Data Base (month one to month five)

Concurrently with the activities being undertaken abroad, investment promotion agencies assisted by CIC personnel and consultant will prepare economic, business, fiscal, governmental and administrative information of relevance to prospective foreign investors.

9. Operating Understanding Between the Investment Promotion Agencies and all Appropriate Agencies of Government (3 months).

The Director of the participating investment promotion agencies will in order to insure the appropriate compliance with all legal and administrative practices of the LDC Governmental agencies, enter into agreement with each agency. These agreements would detail the formal and informal methods of compliance and would serve as a reliable guideline for potential investors.

10. Assistance to Investors (month three to month eighteen)

The investment promotion agency with the assistance of the CIC and consultants prepare a standard system of investor assistance. The system would cover all informational and guidance needs of investors from the day they are first approached by LDC representatives until they are fully operational for an extended period.

11. Training in LDCs (month one to month twelve)

Training will be provided by a CIC provided consultant. It will consist of on-job-training in data collecting, analysis and presentation.

Industrial Development Agency staff will be exposed to the theory and practice of locational analysis, business philosophy and practice. These will be the basis for specific components of the development of a response mechanism, which will provide persuasive information to potential investors and an assistance package to those investors who decide to locate on one of the LDCs.

12. Technical Assistance in LDCs (month one to month twelve)

A consultant will spend one year working with the industrial promotion agencies in St. Lucia, St. Vincent and Antigua. He will advise and participate in data collection and analysis, development of presentation documents, investor assistance packages and governmental procedural adjustments.

During his term he will train specialists in preparation for these activities and in carrying them out. He is expected to leave behind a standard response mechanism.

Investor Location Procedures and Export Operation Procedures

Investor location procedures are predicated upon the now established knowledge that subsidiaries of U.S. firms located in the Far East, notably Japan, Taiwan, Formosa, Malayasia and Indonesia are undergoing cost pressures of sufficient magnitude to cause them to seek new operational locations. Similarly, suppliers to the U.S., European and Latin American markets, domiciled in the Far East are losing their competitive advantage and new sources of supplies are being sought. The communist nations of Eastern Europe are beginning to replace Far Eastern suppliers, but there is considerable scope for new entrants.

Investor identification is carried out by (a) identifying products imported from the Far East which are undergoing strong upward price movement; (b) identifying the firms producing those items in the Far East and out major buyers of those products in the U.S., Venezuela and Europe.

This is done by analyzing U.S. Government import statistics, primarily published documents of the U.S. Bureau of the Census including FT-135 U.S. Foreign Trade, Importers, Commodity by Country, month and year, and FT-246 U.S. reports for consumption and General Imports and Commodities by Country of Origin. From this, lists of major product lines which are undergoing upward price shifts and for which shifts in supply sources are in evidence will be selected.

The lists provide the basic data for further analysis. This would include, at various levels of intensity, review and analysis of selected customs forms, when available. Trade directories and trade association data will be utilized in this phase to narrow down the lists of importers/buyers to those appearing to be most likely to be interested in securing new sources of supply in the Caribbean. Also lists of U.S. firms producing in the Far East will be compiled and related to the products identified.

From this procedure specific "highly likely" buyers will be found for products suitable for products in the LDCs. Also "highly likely" firms will be identified for possible migration to the LDCs.

A response mechanism will be initiated with the C.I.C. and participating LDCs to enable them to present the concrete advantage of a Caribbean location as a solution to the problems of the firms identified. This involves the preparation of detailed economic, business, tax, transportation, fiscal and manpower data. Equally essential will be the specific and detailed arrangement made with all government bodies to assure effective, rapid and complete accommodation of the reasonable needs of the firms identified.

The mechanism will provide for methods of determining the quality of its firm, its problems and perspectives. After which initial approaches will be made by C.I.C. personnel or their representatives to the "highly likely" firms.

Standard procedures for step by step, namely of the firm will be established to familiarize them with the LDCs possibilities, to carry out studies and evaluations, to assist them in incorporation in the LDCs applying for incentive benefits, obtaining credit and equity partners, and providing "good offices" during the start-up and operational phases.

The bulk of the actual identification will be carried out through T.A. which will also be utilized to assist the LDCs in developing and implementing the response mechanism. C.I.C. and LDC personnel will assist with all phases and will receive indoctrination, training and supervision expansion by technical assistance personnel.

IMPLEMENTATION PLAN: Small Industry Assistance**A. Personnel Recruitment**

The first activity of the Director, CDB's Industry Division will be to establish the scopes of work and begin advertisement for technical consultants familiar with business management generally and industry and commerce within the region in particular. The Peace Corps will be requested to assist by providing business administration volunteers with sufficient lead time to allow them to arrive shortly after the 3.5 months recruitment period.

B. Survey

The CDB will use their established contacts within the various LDC Governments to solicit permission and support for an establishment survey of small enterprise. The survey will produce, determine the magnitude and characteristics of the small enterprise communities in each of the eight (8) LDC's. This information will be used by the CDB in policy and procedure formulation and training program development and by other institutions participating in the project it will be made available to regional institutions and governments.

The Technical Consultant will prepare the preliminary survey package with interview manual and draft questionnaire. This material will be used during the survey training session, lasting approximately one (1) month. The Technical Consultant, CDB staff member, PCV "Team" will then leave for their assigned survey site to organize the resources necessary to perform the survey. The Technical Consultant will travel almost continually between the LDC's to assist in the survey. Upon completion, he will organize the raw data, and together with the Director, analyze and advise concerning the indicated administrative and operational procedures. The surveys themselves will last approximately (6) months in total, with report preparation time of one (1) month for a total survey related time, including design and planning of ten (10) months.

Technical Assistance - (Month 2 to Month 14)

The consultant will assist the Director in the preparation of a short term Program Development Plan designed to initiate Technical Assistance service in all eight (8) LDC's. The Plan will include a schedule of methods of obtaining information required to design the program and a framework for the operational and adminis-

trative structure. It will include preparatory steps for obtaining permission to open field offices, and a schedule for establishing formal relationship with participating institutions, and associations and a system for collecting and disseminating information of concern to the program and participating institutions.

The consultant will be responsible for the design and implementation of an establishment survey of industry in the eight (8) LDC's.

1. Name, activity location, age etc. of establishment;
2. Ownership pattern;
3. Capital investment, amount, source, end use etc.;
4. Working Capital, amount adequacy etc.;
5. Fixed assets, value, age etc.;
6. Use of credit facilities, value of liabilities, source perceived access to credit, need, etc.;
7. Employment: skills inventory wage and salary profile, turnover etc.;
8. Production, capacity utilization, technology level, processes used, etc.;
9. Raw materials, source, linkage, costs, etc.;
10. Sales, value, market etc.;
11. Use of Technical Assistance, source date, characteristics;
12. Plans, expansion, marketing, etc.;
13. Perception of small enterprise problems;
14. For informal industry, household skill inventory, time available for cottage industry.

The Consultant will research available data to set the parameters for the scope of the survey and financial and personnel resource needs and resource allocations required to conduct the survey. He will prepare a draft questionnaire to be submitted to the institutions who will be using the data obtained. The Consultant will then prepare a tabulation Plan for collecting the raw data.

As the surveys conclude, the consultant will receive the raw data for tabulation. He will analyze the data and in collaboration with the Director, will reach conclusions concerning the structure, operations and resources appropriate for a program of small enterprise technical assistance in the LDC's. The raw data will be made available to other institutions such as the CDB for their own use. This information will be used to allocate resources and develop program policies and procedures, and as input for the design of a program of small enterprise counselling accurately reflecting the conditions in the small enterprise community. The Peace Corp Volunteer will work closely with the training contractor to develop the methodology and curriculum for the training program.

The PCV will remain with the Program for two years to assist in any modifications which need to be made in the administration or operations of the program, as problem areas develop.

Existing Technical Assistance Programs

1. Caribbean Development Bank

a. Current Program

The Bank has been providing technical assistance to its member countries on a limited basis as staff time permits. It is estimated that about 30% of staff time is spent on project preparation with additional time spent on other forms of technical assistance. The following activities were undertaken in CY 77.

The Bank provided ad hoc assistance in national and sectoral planning to both its LDC and MDC members. An officer from the Bank assisted the Government of St. Lucia in the compilation of National Accounts for that Country. In addition, the Bank devoted considerable time to reviewing the structure and functioning of the DFCs in the LDCs, with the aim of making recommendations to enhance the viability of these institutions. The Bank undertook a field study with technical assistance from the Commonwealth Fund for Technical Cooperation and participated in a seminar organized by the East Caribbean Common Market Secretariat to determine the feasibility of establishing Export Credit Insurance and Export Finance Guarantee Facilities, especially for the LDC members of the Bank. In addition, the Bank seconded its Export Credit Insurance Consultant to the Central Bank of Barbados to help establish export credit insurance and guarantee facilities for Barbados.

An Agronomist was provided to the Government of St. Kitts to advise on a program of cacao, coffee and other tree crops. An officer was made available to the Guyana Agricultural Cooperative Development Bank to deliver a course on project preparation and supervision. A study and advice was provided to the Government of St. Lucia on the re-development of valley lands, as well as a study of national agricultural marketing requirements. Assistance is being given to the national agricultural extension services and agricultural banks of borrowing member countries in staff training to promote the use of short-term production credit. In this regard, two workshops were held in St. Lucia and Antigua, and the program is scheduled to continue in other Member States.

Assistance was given to the FAO to study tanning operations in Montserrat and to advise on sites in the Lesser Antilles for small scale fisheries. Help was provided to a USAID Mission appointed to examine possible increased US involvement in agricultural development in the Region. Technical assistance in curriculum development, extension training courses and external examinations was given to the Faculty of Agriculture of the U.W.I. Two officers of the Bank served on the Board of the Caribbean Agricultural Research and Development Institute. The Director of the Agriculture Division served as a member of the National Council on Science and Technology in Barbados, and was appointed on a Commonwealth Advisory Group on Food Production and Rural Development.

An officer of the Industry Division served on a CARICOM Working Party of Officials on Export Promotion Strategy. Industry officers worked with a team of World Bank experts which visited Jamaica in connection with the preparation of an extensive small industry program. The Bank hosted a meeting of a Committee of Regional Officials to draft the operating principles for a Regional Industrial Programming Scheme. The Director of the Industry Division participated in several meetings during the year in connection with the proposed industrial programming scheme and served as a member of the National Council on Science and Technology in Barbados and on the Group of Commonwealth Experts on Industrial Development.

An officer in the Technical Division continued to serve on the Committee working on the Environmental Health Strategy for the Caribbean Community. A Workshop was organised by the Division. A meeting was held with Regional Consultants engaged on CDB financed projects, and agreement was reached on guidelines for project inspection by consultants. The Director of the Technical Division continued to serve as Secretary-General of the Caribbean Council of Engineering Organizations (CCEO), as Chairman of the Engineers' Registration Board in Barbados, and as a member of the Advisory Board of the Institute of Development Studies, University of Guyana, principally concerned with a program on the Development and Adaptation of Technology for the Caribbean Region.

Pre-investment studies for various projects were undertaken in the LDCs and MDCs. In Antigua, the Bank financed a soil survey of an area to determine suitability for cropping; in Belize, a study for a convention hotel and for expansion of electrical service; in Dominica an engineering study of road

bridges; in St. Kitts-Nevis-Anguilla, a study on salt production; in Guyana, a clinker grinding and cement bagging feasibility study; in St. Vincent, a feasibility study of an extension of a wharf and of a pilot plant for the production of coconut coir fibre products.

b. Funding Sources

The CDB has the following sources of funding for technical assistance, apart from Bank staff, currently being provided under various assistance agreements.

The Government of Colombia has permitted up to 5% of its contribution to the SDF (\$500,000) for the financing on a reimbursible or non-reimbursible basis appropriate training, research programs and scholarships which tend to promote technical and economic cooperation between English and Spanish-speaking people in the Caribbean Region. This latter restriction, however, has effectively limited the amount of funding which can in fact be utilized. Approximately \$482,000 remains uncommitted as of May 31, 1978. The program also provides technical assistance on a contingently recoverable basis to the Regional Member States and Territories of the Bank which are not contributors to the Special Development Fund. The Agreement was signed in 1975 for a period of twenty-five (25) years.

The Government of New Zealand has provided a grant of NZ\$600,000 for the undertaking and commissioning of Pre-investment Studies and Project Preparation and Appraisal. Fifty per cent of goods and services financed must be procured in New Zealand. At present two experts are on the staff of the CDB doing project preparation and appraisal work in agriculture. The Project commenced in 1976 and some \$153,000 remains uncommitted as of May 31, 1978.

The Government of Venezuela has permitted up to 10% of its contribution to the SDF (\$1,000,000) to finance, on a contingently recoverable basis, technical assistance to the Regional Member States and Territories of the Bank which are not contributors to the Special Funds Resources of the CDB. Approximately \$572,000 remains uncommitted as of May 31.

Under the CDB/IDB Loan Contract for a Pre-investment Program, the IDB has provided the CDB with a loan of \$500,000 and a grant of \$1,000,000. The principal objective of the Program is to improve the efficiency of the investment process in members of CDB by increasing the supply of viable investment alternatives. The Program provides financing for high priority general and specific pre-investment studies in the public and private sectors in accordance with the development priorities established by the CDB and its members. This loan was recently signed. Conditions precedent have been met and disbursements initiated. The Bank has preliminarily programmed studies for the full amount and two studies are being submitted for Board approval in August.

2. Other Donor Technical Assistance

There are three major donors with relatively large technical assistance programs in the Region, and several donors with smaller but important programs. In addition, there are a variety of governments and international agencies providing small amounts of miscellaneous assistance. The largest technical assistance program in the Region is that of the U.K., operating through the British Development Division (BDD) in Barbados. The BDD provides assistance on both a regional and national basis. On a regional basis the BDD has been providing a relatively large number of advisors in : (a) the fiscal and

budget area, including income tax, customs, social security, property tax, etc. (b) agriculture, including crop production, reaserch, crop processing, economics, livestock development, etc. (c) public works including roads, buildings, water, quarrying, and more limited assistance in education and health. In addition, the BDD administers a large scholarship program for studies at the U.W.I. and in the U.K. On a national basis the BDD is providing long and short term advisors in a relatively wide range of fields such as: tourism, public works, electrical systems, water systems, roads, coast protection, agriculture, livestock, crop production, public order, public administration, customs, tax administration and cadasters.

The Canadian Government, working through CIDA, has a substantial development assistance program in the Commonwealth Caribbean. The program focuses on four priority areas of air transport, potable water, primary and secondary education and agriculture. A sizable technical assistance component, both advisory services and training, is included in each of the areas. Under the air transport sector, consulting engineering services for the airport construction in the program is being provided along with a variety of short term assistance in such items as airport planning, airport management, airline management, weather, etc. Under water supply, consulting engineering services for the construction program and advisory services and training to improve the operations and financial capacity of the island water authorities are being provided. In education, the program includes engineering consulting services and advisors in teacher training, vocational education, curriculum development, and school administration. In addition, scholarships for teacher upgrading in Canada and the University of the West Indies and of Guyana are being provided. In agriculture, a variety of advisors are being provided in such areas as sugar technology, coffee, animal sanitation, livestock, meat cutting,

poultry and fisheries. Fellowships in agricultural subjects are also being provided in Canada and the University of the West Indies. In addition to the above four areas of concentration, miscellaneous technical assistance is also being provided such as upgrading port authorities, telephone system management, etc. Finally, CIDA funds a relatively large scholarship program for LDC students in agriculture, education, public works and business, hotel training, etc., to study in the University of the West Indies and Canada.

The UNDP provides a significant technical assistance program (\$15.0 million from 1972-1976) to the Region on a sub-regional, national, (Windward and Leewards) and regional (CARICOM) basis. On a sub-regional basis, assistance is being provided for industrial promotion (3 advisors to ECCM), agricultural development related to the Regional Food Plan (1 advisor initially), project appraisal (2 advisors to CIC), animal sanitation (2 teams), social security (1), agricultural exports (2 advisors), and statistical services (3 advisors). Individual island programs include advisors in social security administration (2), industrial promotion (2), physical planning (7), agriculture (4), and miscellaneous (5). In addition, a limited number of scholarships are being provided in statistics, health, planning, agriculture education and other agricultural subjects, and public administration. The regional programs include paramedical training, fisheries training, meteorology, civil aviation, postal service development, animal health, CARICOM planning and statistics and CDB staff development.

Two of the smaller donors are PAHO and the CFTC. PAHO has a significant technical assistance program in health and nutrition in the Region including a relatively large advisory staff stationed in Barbados and Trinidad and scholarship aid. The Commonwealth Fund for Technical Cooperation, an entity

of the Commonwealth Secretariat, also provides general technical assistance, education and training and export market development. Apart from the above donors, there are a variety of multilateral, government, and private agencies providing experts and training in the Region, such as, the European Development Fund, the OAS, the World Bank, individual governments with interests in the Region, the Caribbean Conference of Churches etc.

REVIEW OF FUNDING AVAILABLE TO CDB

1. Ordinary Capital Resources:

(a) Borrowings: Of the \$40,087 million in borrowings from external sources, the CDB drew upon the following amounts from the corresponding institutions at the indicated interest rates:-

IBRD	-	\$17	million
IBRD 4½% loan	-	\$ 3	million
Export - Import Bank of Japan at 8%)	-	\$ 8.333	million
Short-term borrowings) 6½% bonds)	-	\$10	million
Bank Loans	-	\$ 1.754	million

IBRD loans carry a commitment fee of 3/4 of 1% on the undisbursed balance per annum. The \$17 million is repayable by February 1, 1995, and the \$3 million is repayable by January 15, 2001.

The EXIMBANK of Japan loan is to be repaid in twenty-two (22) fixed semi-annual installments commencing on September 20, 1980.

(b) Capital Stock.....\$34.453 million

(c) Ordinary Reserves:...this fund is set aside as a reserve for losses arising on loans and from currency devaluations.

Total Reserves as of December 31, 1977.....\$4.266 million

2. Special Fund Resources.....Special Development Fund

Purpose: The SDF was established to receive contributions or loans to be used to finance or guarantee projects of high development priority,

with longer maturities, longer deferred commencement dates of repayment and lower interest rates than those determined by the Bank for its Ordinary Operations. Page 2 of 5

Contributions to The Fund

- (a) USAID loans (two (2) in number) totalling \$22 million, subject to interest at a rate of 2% per annum on the amounts used for the first ten (10) years, and thereafter, at 3 per cent per annum. Loans Are Repayable Within forty (40) years of the first disbursement.
- (b) Federal Republic of Germany loan of \$7,838,480 subject to an interest rate of 2% per annum on the amount utilized and a commitment fee of 1/4% of 1% on unutilized amounts. Loan is repayable in twenty (20) years in forty (40) equal semi-annual installments commencing December 31st, 1985.
- (c) Government of Canada loans (2) of \$21,724,548 interest-free with no definite date of repayment.
- (d) Government of Colombia contribution of \$5 million, interest-free and not repayable before November 9th, 2000. Not less than 5% and not more than 10% of this contribution may be used for technical assistance.
- (e) Government of New Zealand loans of \$602,894, interest-free with no definite date of repayment. The entire contribution may be used for technical assistance.
- (f) United Kingdom contribution of \$12,998,468 interest-free with no definite date of repayment.
- (g) Venezuela Government contribution of \$10 million interest-free and not repayable before December 20th, 1978.

3. SFR...Other Special Funds

Purpose: The Other Special Funds pool was established to finance selected functional development areas. These include agriculture, housing, commercial livestock production, and IDC counterpart contributions. The contributions to this fund by functional area are listed belows:

- (a) Agricultural Fund.....The fund was established to assist financing of loans for the development of agriculture in the IDCs.
- (1) Canadian Government contribution of \$7,858,182, interest-free with no fixed repayment date.
 - (2) USAID loan of \$10 million subject to an interest charge of 2% per annum on the amounts used for the first ten (10) years, and 3% per annum on the amounts thereafter. Repayable in forty (40) years after the first disbursement.
- (b) Housing Fund.....The Fund includes a Primary Market Fund for making loans to public agencies and non-profit institutions in member countries to finance the construction of low-income housing; and a Secondary Market Fund for the purchase of eligible home first mortgages.
- (1) USAID contribution of \$5.1 million for the Primary Market operations; \$2.8 million for the Secondary Market operations. \$500,000 maximum for financing technical assistance. The loan is subject to a 2% interest on the amounts used during the first (10) years; and 3% thereafter. The loan is repayable within forty (40) years of the first disbursement.
- (c) Commercial Livestock Production Fund....The Fund was established to finance loans for the development of commercial meat production in IDCs using sugar cane based feed technologies.
- Government of Canada contribution of \$2 million interest-free, with no definite date of repayment.

(d) Trinidad and Tobago Counterpart Contribution Fund

Purpose: The Fund is used to finance the cost of LDC Counterpart contributions as is required of specific, the Bank approved project loans.

Government of Trinidad and Tobago loan of \$4,166,667 subject to a 2½% interest per annum and repayable within thirty-five (35) years.

Venezuela Trust Fund

Purpose: The purpose of the Fund is to contribute to the financing of projects and programs that may have a significant effect on development of the regional member countries of the Bank. The Fund is less restrictive on the use of its monies than either the OCR or the SFR...although it carries hard loan terms (8% per annum to the borrower across the board).

Venezuela Investment Fund loan of \$12.5 million and Venezuelan bolivars 53,750,000 administered by the Bank on behalf of the VIF.

CARIBBEAN DEVELOPMENT BANK
RETURN OF DISBURSEMENT AS AT MARCH 31, 1978
EXPRESSED IN '000'S U.S. DOLLARS
SUMMARY 1

BD 34/78

NAME OF FUND	AMOUNT OF FUND	LOANS APPROVED		SIGNED AGREEMENTS		DISBURSEMENTS			
		NO	VALUE	NO.	VALUE	CUMULATIVE		YEAR TO DATE 1978	DATE 1976
						NO.	AMOUNT		
A. ORDINARY CAPITAL RESOURCES									
(i) MEMBERS' SUBSCRIPTION									
Secondary Market Fund	3,000	**	1,532	-	-	**	1,344	-	87
Other	31,453+	38	24,299	37	21,999	36	21,124	155	624
(ii) WORLD BANK - ORDINARY	17,000	8	13,050	7	12,550	1	2,352	-	-
(iii) WORLD BANK - THIRD WINDOW	3,000	1	255	1	255	-	-	-	-
(iv) EXPORT IMPORT BANK OF JAPAN	8,993	-	-	-	-	-	-	-	-
(v) REGIONAL CENTRAL BANK BONDS	10,000	-	-	-	-	-	-	-	-
	73,446	47	39,136	45	34,804	37	24,820	155	711
B. SPECIAL FUNDS RESOURCES (HARD)									
VENEZUELA TRUST FUND	25,022	11	12,662	9	10,514	7	6,799	73	719
TOTAL HARD FUNDS (A & B)	94,468	58	51,798	54	45,318	44	31,619	228	1,430
C. SPECIAL FUNDS RESOURCES (SOFT)									
(i) SPECIAL DEVELOPMENT FUND:									
Canada	20,424	12	10,196	12	10,196	11	9,086	1,060	158
Colombia - a) Loan	4,500	2	607	2	607	2	528	-	-
- b) Tech. Asst.	500	-	18	-	-	-	15	-	-
Federal Republic of Germany	8,156	3	927	3	927	2	676	17	51
New Zealand - a) Tech. Asst.	612	-	221	-	-	-	221	34	-
b) Contingent Loans	-	1	52	-	-	-	-	-	-
United Kingdom	12,661	20	7,475	20	7,475	17	5,760	(7) 2/	362
USA Loan No. 1	10,000	18	10,000	18	10,000	18	10,000	-	160
USA Loan No. 3	12,000	24	13,445	21	12,485	16	3,227	240	936
Venezuela - a) Loans	9,000	4	5,911	4	5,911	3	4,670	957	152
- b) Contingent Loans	1,000	4	270	3	225	2	85	26	-
Pool	-	18	17,144	14	14,605	-	-	-	-
SUB-TOTAL	78,853	106	66,266	97	62,431	71	34,268	2,263	1,819
(ii) OTHER SPECIAL FUNDS:									
Agric. Fund - Canada	7,596	22	6,738	21	5,738	17	3,430	147	26
- USA Loan No. 6	10,000	4	2,015	3	1,834	-	-	-	-
- USA Loan No. 7	6,500	-	-	-	-	-	-	-	-
- Com. Livestock Loan	2,000	-	942	-	942	-	615	615	-
- Com. Livestock Grant	246	-	-	-	-	-	246	-	1
C/Part Contri. - Trinidad & Tobago	4,167	29+	2,189	29+	2,189	18+	1,771	91	38
USA Loan No. 2 - Primary Market	5,100	12	5,319	12	5,319	11	4,393	536	236
- Secondary Market	2,800	**	1,494	-	-	**	1,261	-	-
- Technical Asst.	500	-	-	-	-	-	348	31	-
Pool	-	2	1,890	3	1,890	-	-	-	-
AIDB - Loan	500	-	-	-	-	-	-	-	-
- Grant	1,000	-	-	-	-	-	-	-	-
SUB-TOTAL	40,409	41	20,587	39	17,913	28	12,064	1,420	301
TOTAL	119,262	147	86,853	136	80,343	99	46,332	3,683	2,120
GRAND TOTAL	217,730	205	138,651	190	125,661	143	77,951	3,911	3,550

**See Summary Sheet No.4 for number of mortgages
+Not numerically included

1/Includes Promissory Notes totalling \$3,296

2/Loan transferred from SDF-UK to SDF-CAN

CARIBBEAN DEVELOPMENT BANK
ADMINISTRATIVE BUDGET FOR THE
YEAR ENDING DECEMBER 31, 1978
(US.\$000)

Board of Govenors	20,000
Board of Directors	<u>38,000</u>
Staff	
(a) Salaries	986,000
(b) House Allowance	98,000
(c) Other Allowances	14,000
(d) Exp. on 1st Appt.	76,000
(e) Exp. on termination	39,000
(f) Pension & Med.	151,750
TOTAL	<u>1,364,750</u>
Other Admin. Exp.	
(a) Travel	250,000
(b) Communication	91,750
(c) Library	15,000
(d) Printing	36,000
(e) Office Cleaning	42,000
(f) Insurance	4,500
(g) Entertaining	6,000
(h) Utilities	75,000
(i) Office Equip.	45,000
(j) Professional fees	58,000
(k) Consumables	52,000
(l) Miscellaneous	47,000
TOTAL	<u>722,250</u>
TOTAL ADMIN. EXPENDITURES	2,145,000
LESS RECOVERABLES	1,660,000
NET ADMIN. EXPENDITURES	485,000

Population and Income in the
English-Speaking Caribbean, 1976

	<u>Population</u>	<u>GNP at Market Prices (US\$ millions)</u>	<u>GNP per Capita (US\$)</u>
Antigua	71,420	47.3	663
Belize	130,000	98.0	762
Dominica	77,400	26.9	347
Grenada	109,700	43.7	370
St. Kitts-Nevis-Anguilla	49,100	30.2	614
Montserrat	12,162	7.8	641
St. Lucia	111,500	57.0	511
St. Vincent	103,060	33.5	316
Sub-Totals	<u>664,342 (17%)</u>	<u>344.4 (9%) av.</u>	<u>= 518</u>
Barbados	247,000	387.7	1,260
Jamaica	2,096,000	2,880.7	1,070
Guyana	805,500 ^{a/}	418.4 ^{a/}	540
Sub-Totals	<u>3,148,500 (83%)</u>	<u>3,686.8 (91%)</u>	<u>1,170</u>
Totals	<u>3,812,842</u> =====	<u>4,031.2</u> =====	<u>1,057</u> =====

Sources: Various IBRD country studies completed in 1978.
Prepared by: RDO/C: G. Wein, 8/78

a/ 1977 figure

BUSINESS ENTERPRISES AND MANUFACTURERSIN THE LDCs

<u>Country</u>	<u>Year</u>	<u>No. of Enterprises</u>	<u>No. of Manufacturers</u>
St. Kitts	1976	750	NA
St. Lucia	1975	1,312	83 (1978)
Belize	1974 (1967)	NA 1676	80 110
St. Vincent	1976	901	109 (1977)
Antigua	1976	1,351	51
Dominica	1972	934	NA
Grenada	-	NA	NA
Montserrat	1977	150	NA
	Total	7074	323 (253)

Sources: No. of Enterprises

All totals except St. Vincent are drawn from most recently, available National Provident Fund (Social Security System) figures on No. of employers contributing, including agricultural and domestic employees but excluding self-employed. St. Vincent is drawn from company and individual taxes on the assumption that taxpayers classified in occupational classes other than employed operate proprietorship or partnership business enterprises. Professions, Investment and Agriculture are excluded from this total and corporations paying taxes are included.

Sources: No. of Manufacturers

St. Lucia: National Provident Fund (1978)
 Belize : Annual Report of the Labour Department for the year 1974. Table VIII Registered Factories. Result of 1967 Business Survey are shown below in brackets
 St. Vincent Estimations on value Added in the Industrial Sector of St. Vincent in 1976 Tetsu Yamada. UNIDO.
 Antigua Antigua Statistical Year book 1977. Statistical Division. Ministry of Finance. Table 11.1.

MANUFACTURING EMPLOYMENT IN
SELECTED EASTERN CARIBBEAN COUNTRIES
(For Various Years)

Years	Barbados (1975)	Belize (1974)	Antigua (1977)	St. Vincent (1976)
0 - 4	23	53	23	56
5 - 9			13	20
10 - 25	36	10	8	24
25 +	90	17	7	9
	149	80	51	109
Total Manufacturing Employment	NA	N/a	1,510	1,252
Average Employment per Industrial Enterprise	NA	N/a	30	11
BIMAP Definition of Small Business as % of Total Industries	40%	19%	56%	32%

Sources:

- Belize - Annual Report of the Labour Department for the year 1974.
- Antigua - Antigua Statistical Year Book 1977, Statistical Division Ministry of Finance.
- St. Vincent - Estimates on Value Added in the Industrial Sector of St. Vincent in 1976. Tetsuo Yoneda UNIDO, September 1977.
- Barbados - Preliminary (unpublished) result of 1975 Establishment Survey, Statistical Services.

ESTIMATED

NUMBER OF BUSINESS ENTERPRISES
BY CATEGORY IN SELECTED LDC's

Country	Number of Employees	Number of Manufacturers	Number of Commercial Establishments	Number of Manu. & Comm. Establishments Employing Less Than 25	Number of Manu. & Comm. Enterprises Employing Less Than 50	Total Number of Employees
1. St. Kitts	750	N/a	N/a	N/a	N/a	21,000
2. St. Lucia	1,312	83	223	265	26	39,610
3. Belize	1,676	139	200	322	10	N/a
4. St. Vincent	901	109	629	N/a	N/a	22,700
5. Antigua	1,351	51	N/a	N/a	N/a	18,389
6. Dominica	934	N/a	N/a	N/a	N/a	14,000
7. Grenada	N/a	N/a	N/a	N/a	N/a	26,000
8. Montserrat	150	N/a	N/a	N/a	N/a	1,406
	7,074 ² / _{**}	382 ⁴ / _{**}	1,162 ² / _{**}	587 ² / _{**}	362 ² / _{**}	143,195 ⁷ / _{**}

Sources:

²/_{**}

Information obtained from variety of sources; National Provident Fund, Establishment Surveys, and UNIDO and World Bank economic studies.

MANUFACTURING/TOTAL LABOR FORCE COMPARISONS
IN SELECTED LDC's

Country	Manufacturing Employment		Total Employment	
	1970	Latest Available Data	1970	Latest Available Data
Antigua	2,139	1,510	18,575	19,254
Belize	4,596	N/a	31,465	N/a
St. Lucia	2,153	N/a	26,583	39,610
Grenada	2,068	N/a	25,980	N/a
St. Vincent	1,632	1,374	20,990	N/a
Dominica	1,545	N/a	19,677	14,000
St. Kitts	1,286	1,600	12,369	21,000
Montserrat	203	N/a	3,769	1,406
TOTAL:	15,622	4,484	159,408	56,016

Sources: 1970 figures from 1970 of the Caribbean Census.

Latest Total Employment figures from respective National Provident Fund employee registrations, except Antigua from Statistics Division, Ministry of Planning, Development & External Affairs, (latest available).

Manufacturing employment: (latest available data).

Antigua: Statistics Division - Ministry of Planning, 1974.

St. Vincent: Estimates from UNIDO Report on St. Vincent, 1976.

St. Kitts: Annual Report of the Department of Labour, 1976.

INVESTMENT AND EMPLOYMENT UNDER
BARBADOS INVESTMENT PROMOTION

Annex II 7 e
Page 6 of 8

SCHEME
(US \$000)

Year	New Enter- prises Operating	Invest- ment In New En- terprises	Employ- ment In New En- terprises	Avg. In- vestment Per Job New Investment	Expansion Of Exist- ing Enter.	Invest- ment In Expansion:	Expanded Employ- ment	Invest- Expan- sion
1973/74	6	4,066	399	10.2	NA	1,162	823	1.4
1974/75	NA	NA	NA	NA	NA	NA	NA	NA
1975/76	6	882	170	5.2	6	304	528	.6
1976/77	13	7,448	991	7.5	3	200	140	1.4

	Total Investment For The year	Total Employment Generated	Avg. Invest- ment per Job
1973/74	5,228	1,222	4.3
1974/75	973	290	3.4
1975/76	1,186	698	1.7
1976/77	7,648	1,191	6.4

Note: Investment figures include working capital. Source: Barbados Investment Development Corporation.

INVESTMENT AND EMPLOYMENT UNDER
BARBADOS INVESTMENT PROMOTION SCHEME

Year ^{1/}	New Enterprises Operating	New Investment (US\$'000s)	New Employment	Average Investment Per Job (US\$)
1973/74	9	5,227,500	1,262	4,150
1974/75	6	973,250	345	2,800
1975/76	5	1,185,500	698	1,700
1976/77	13	7,642,750	1,131	6,762
1977/78	12	N/a	1,544	N/a
Total 1976/77:	33	15,034,000	3,436	4,375

NOTE: ^{1/} Fiscal Year, April 1 - March 31.

Investment and Employment figures include expansion of operations in existing industries previously admitted under the Investment Incentive Scheme.

BARBADOS INVESTMENT PER EMPLOYEE
UNDER INCENTIVES SCHEME
(US\$'000)

<u>Year</u>	<u>Investment Per Employee</u>
1966	1.9
1967	.9
1968	.1
1969	1.1
1970	.5
1971	2.1
1972	.6
1973	4.3
1974	3.4
1975	1.7
1976	6.4

Note: Exchange rate of EC\$2.0 = US\$1
(Used in this table)

EQUIPMENTLIST

(US \$000)

<u>Item</u>	<u>Year</u>			<u>Total</u>
	<u>I</u>	<u>II</u>	<u>III</u>	
<u>TIU</u>				
Office Equipment	10.5	3	-	
Data Terminal	-	-	3.5	17

Equipment costs include office desks and chairs, three library tables, filing and shelving systems, three typewriters, two small microform readers, and a small offset press and platemaker. The TIU would also share the use of the CDB's microfiche reader/printer and the existing copying and printing equipment. In the third year, \$35000 is budgeted for purchase and installation of a data terminal.

MACROECONOMIC STUDY

As discussed in Section II of this paper, it is likely that social and economic policies of the region and governments are effecting attempts to increase the adoption of more labor-intensive production techniques in the Caribbean. A.I.D., in the interest of assuming that any follow-on capital assistance is justified, proposes to examine the policies that impact on the use of labor. Such policies could have effects at the micro or macro level and could operate either on the demand for labor or the supply of labor.

The following list of policy areas that should be assessed is meant only to indicate the breadth of such areas and aid in the preparation of a scope of work. It is not meant to limit the scope of the study.

1. Exchange Rate - actual level
 - expected changes
 - degree of over or under valuation
2. Foreign Trade Taxes
 - raw materials for industry
 - intermediate and capital goods
 - consumer goods
3. Credit Policies and Programs
4. Real Interest Rates
5. Fiscal Policies
 - income taxes
 - factor taxes (esp. on labor)
 - industrial incentives (including non-fiscal incentives)
6. Incomes Policy
7. Labor Supply Policies
 - skills training programs
 - other education policies

A study of this sort could be a major undertaking requiring more time and financial resources than are available. The study would be scoped down, therefore, to concentrate on those countries expected to receive the most follow-on assistance.

Funding for this study will be provided by RDO/C from project development and support funds.