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DFC EVALUATION

IN

SELECTED CARIBBEAN LDCs

Contract C - BRG-538-78-004

P.O. Box 147
Washington, VA 22747

February 2, 1979

Mr. Steven Ryner
USAID Regional Office
Bridgetown, Barbados

Dear Mr. Ryner:

The following report was prepared in compliance with the provisions of contract C-BRG-538-78-004. Although, as expected, data available at the DFCs visited were incomplete, The overall information was sufficient to form justifiable judgments with respect to the operations of the DFCs and their suitability for SIC and other developmental lending.

Frank S. Skowronski

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FINAL REPORT

REVIEW OF SELECTED CARIBBEAN DFCs

Introduction

The objective of the work carried out by the contractor was an evaluation of sub-loans emitted under the Small Industrial Credit Program through Development Finance Corporations in Antigua, St. Vincent, Dominica, St. Lucia, Grenada, Belize, British Virgin Islands, Montserrat, St. Kitts-Nevis-Anguilla, the Turks and Caicos Islands, and Cayman Islands.

The contractor was instructed to assess the loans and the lending process, and the economic, administrative, and governmental ambience in which the process occurs. Specifically, the contractor reviewed and assessed the financial intermediaries of each LDC, noting the effect of environmental variables on demand for SIC funds; assessed the lending performance of each financial intermediary; reviewed and assessed the selected sub-projects financed under the SIC; and reviewed approximately 20% of the projects in terms of their results.

Data Limitations

The contractor relied entirely on records assumed to be readily available at each financial institution to be visited; and which would be regularly compiled for, and used by, management. Where such information was not available, attempts to derive the data from other sources, in or out of the institution, were made. In some instances, e.g., foreign exchange components of loan outlays, foreign exchange effects of projects, and actual employment effects of the projects financed, data were not available. It was also clear that the DFCs had not been made aware of the importance of such data and their value as a measurement of lending benefits.

Relationships between data in loan files and in DFC accounts were frequently at variance, and audits did not specify or evaluate discrepencies in accounts or questionable lending practices. The relatively limited information available in audit reports leads to the suggestion that standardized audits be requested in the future, and that they be carried out as in "Bank Examination Reporting Procedures."

Generally, the lack of management information was taken into account in staff evaluation.

The report consists of three sections: the first, a distillation of observations of DFC performances, and recommendations in response to those observations; the second, a capsulated review of each DFC, its ambience, organization, and loan performance, and comments on specific loans; the last, additional comments on the DFCs as institutions.

The degree of cooperation rendered to the contractor, varied form state to state. In general, however, it was quite good, especially on the technical level. Unfortunately, the relatively high turnover of personnel led to the denial of knowledge of, or responsibility for, procedures, records, etc. It was frequently the case that the contractor's inquiries brought about interest in existing loans, details of which were previously unknown to the officers in charge. With the exception of Belize, Dominica, and Antigua, it was clear that management was not aware of the value of much of the data as an essential management tool.

I. OBSERVATIONS AND RECOMMENDATIONS FOR IMPROVEMENT OF SIC LENDING

A. Project Identification

There is, generally, a lack of consistent promotional activity in all the LDCs, and the role of the DFCs in generating loan projects is essentially passive. Word of mouth, party networks, and occasional announcements, are the main channels for generation of loan requests. No specific policies appear to be operative in respect of sub-loan promotion, nor does it appear that the government is able to provide guidance for relating lending to national priorities.

Personnel are seldom available in sufficient quantity, nor of appropriate background, to develop project concepts in accordance with national needs, to maintain close contact with the small-enterprise community, and to solicit loan applications actively. Little or no use is made of "outreach" mechanisms to assist in the project and sub-loan generation.

The following suggestions should help to increase the flow and quality of projects which qualify for SIC lending:

1. The support of appropriate governmental agencies should be enlisted in developing an overall industrial development strategy and a detailed plan. The identification of specific industrial needs in the industrial plan should enable planners and the DFCs to bring together talent and other resources to respond to project possibilities.

2. Lists of persons with special qualifications should be prepared, as a source of valuable participants in new projects.

3. A wide range of "outreach" mechanisms should be used on a regular basis. These should include radio, television, newspapers, and posters. In addition, organizations, churches, co-ops, etc. should be actively enlisted as information desseminators and project generators.

4. A routine "call program" should be initiated. Officers at all levels of the DFC would be assigned to

call upon a given number of small enterprises each month, to discuss small business problems and project possibilities.

E. Sub-Loan Applications

The sub-loan applications received by the DFCs are almost invariably incomplete. It is usual for a DFC officer to assist an applicant in re-doing his application and in the preparation of supporting documentation. The applicant becomes almost passive in this process. The finished application becomes the creation of the DFC officer. Important information and objectivity are lost in this process.

The application should be the initial evaluation instrument for the loan officer. Its completeness, content, and the care with which it is prepared, should provide the loan officer with indications of the experience, competence, and degree of intensity of purpose of its applicant.

The greater the degree of loan officer involvement in the loan application preparation, the greater the loss of objectivity that is likely, and the greater the reliance that is placed on the loan officer as a critical factor in the project success. In a number of instances, principals in unsuccessful projects placed the blame for their failures on the loan officer, who, in their opinion, led them to believe that they had competence, and implied in the application that the borrowers would take on activities which they, in fact, had no intention of doing.

There is no doubt that the bulk of small enterprise borrowers need technical assistance in preparing loan applications and project descriptions. Yet, the intervention of the loan officers into the process is counter-productive, and infringes on the time of the loan officer, whose time might be more appropriately spent on effective loan appraisal and loan management.

1. It is recommended that, wherever possible, applicants be referred to technical assistance resources outside the DFC, for assistance with project preparation and loan application.

2. Where such assistance is not available, it is recommended that the DFC provide monthly seminars in

project preparation, and provide general assistance to prospective borrowers in those seminars.

C. Project Appraisal

The appraisal system is generally weak. Five factors tend to limit its effectiveness: (1) lack of technical knowledge of the productive processes involved; (2) untrained loan officers; (3) faulty technical procedures; (4) inappropriate marketing assumptions, and (5) lack of accountability on the part of the loan officers.

Projects frequently involve techniques which are new to the borrower and unfamiliar to the loan officer. The loan officer must, under present constraints, accept the borrower's plan and evaluation of the technical components of his project. Projects thus begin with production assumptions which are not established and frequently erroneous. All subsequent analysis becomes invalid, and the projects are programmed for failure from the outset.

The more blatant errors in project preparation as presented to the loan officer, could be eliminated to a large degree if they were subject to the scrutiny of appropriately trained loan officers. At present, the loan officers are only partially qualified and no provision has been made for training them, either by their own organization or by regional organizations. Without exception, industry loan officers expressed concern about the inadequacies of their preparation.

Faulty technical procedures characterize the appraisal system and contribute to project failure. Among the most serious deficiencies is the lack of dependable and reasonable market share assumptions. Only rarely have DFC officials or SILOs questioned, tested, or reviewed market projections provided by the applicant, although such projections were sometimes patently absurd.

The sales projections reviewed were almost invariably predicated on hope alone; no information on wholesale and retail prices was investigated. Marketing channels were unexplored; the volume of sales at various price levels was not considered; and, usually, no attempts were made by the applicant to get conditional commitments from expected sales outlets.

Most serious were the consistent underestimations of project development time. It appeared from all documentation, that the DFCs and the SILOs assumed that the project was to function fully from the time of the first disbursement. Cash flow, break-even, and rate-of-return analysis, made no provision for prolonged start-up periods and the effect of shipping delay, raw material procurement, training, "break-in time", and other factors which delay full functioning of a production and sales project. The result of these omissions renders the formal appraisal calculations unrealistic. Further, failure to take those factors into account has led to gross underestimation of the resource and credit needs of the borrower. Under-capitalization of the projects, throughout the LDCs, was generally the case, due primarily to this faulty aspect of the lending process.

As a consequence of the under-capitalization, it is frequently necessary for the borrower to neglect his project, and to secure income from other sources, further delaying and endangering the project.

While documentation in the DFCs was insufficient to establish clearly that sub-borrowers' actual in-puts were as described in the appraisal reports, there is reason to believe that in many instances applicants overstate the resources they have available; and failure to produce such resources during the early life of the project, leads to damaging financial situations.

In evaluating proposed projects no attempt has been evidenced of "vulnerability analysis". In the appraisal documentation, reference is frequently made to "safety margins". These are defined as the degree to which project revenues exceed project break-even revenues. Although this concept is useful, it does not isolate those factors which can critically vary costs. For example, the soap production in St. Vincent was predicated upon the use of palm oil as a major ingredient and a major cost factor. A small fluctuation in the cost of the oil has a disproportionate effect on total costs. A sharp rise in palm oil prices dissolved the profitability margin of the St. Vincent soap project. Although that project was marred by other factors, the shift in one commodity price was sufficient to undermine the viability of the project.

As noted earlier, internal project analyses carried out with inadequate substantiating data are unrealistic. Economic analyses requiring even more data would, under present circumstances, be even more fruitless. In fact, on the basis of ex-ante and ex-post project information, they are impossible to do. The appraisal process does not provide for development of the information required for economic analysis. Foreign exchange requirements are not set out, nor does subsequent reporting indicate actual foreign exchange expended. Only in Belize is a foreign exchange expenditure tabulation maintained, and this reports only such expenditures made directly from loan funds to foreign sources. Goods purchased from local sources, even though originating abroad, are treated as local currency outlays.

A further handicap to economic analysis is the lack of shadow price data. No agency of the government appears to have generated such data, nor is such data recognized as valuable to the loan appraisal process.

Serious difficulties have arisen as a result of the sharing of responsibility for project appraisal by the DFCs and the CDB. As borrowers become more passive, and as DFC loan officers take on greater responsibilities for project preparation, so do the DFCs or CDB officials take on appraisal functions. Not infrequently, borrowers held the DFC responsible for project failure, and the DFCs, in their turn, held the CDB responsible. Discussions with DFC officials revealed a widespread belief that if the SILO recommended the approval of a project, no further responsibility could be ascribed to the DFC.

The SILOs have, under present ground rules or lack thereof, an almost impossible task. They are expected, during relatively short visits to the DFCs, to investigate, advise, assess and recommend on a wide range of lending problems. The information available to them is limited and frequently inaccurate; the time they have available in any one DFC is insufficient to carry out in-depth investigations; yet the system is so devised that they appear to be the ultimate decision maker in the appraisal procedures. Further, the role played by the SILOs has obscured the need for up-grading the DFC loan officers. Problems of substance are passed to the SILOs by the DFC officers, who, in the process, become more dependent on the SILOs. The SILOs were intended to bolster the DFCs while staff competence could be built up. They have, in fact, become an obstacle to the development of such competence. The fault rests not with the SILOs, but with a system that makes them responsible for decisions which are not properly theirs.

It is suggested that several changes be made in the appraisal system:

1. Responsibility for appraisal and for ultimate recommendations should be clearly assigned to the DFC loan officer. It would be especially useful to require that the loan officer who recommends a loan should be responsible for collection of that loan.

2. DFC loan officers should receive complete training, and should undertake those elements of loan appraisal now carried out by the SILOs.

3. The role of the SILO should be redefined and made clear. SILOs may be used effectively as a resource to DFC loan officers, to deal with particularly difficult lending problems, as trainers, and as channels for desemination of appropriate technology.

To the degree that SILOs are required to represent the CDB's interest in loan appraisal, they should play a "cautionary role", i.e. to set procedures, and review to assertain if the procedures were followed.

SILOs could also be useful in assisting the DFCs to restructure projects which are in difficulty. In all cases, however, SILOs should operate in such a manner as to insure that responsibility for all loans rests clearly with the DFCs.

4. A standard sub-loan project manual should be produced by the Industry Division of the CDB in conjunction with the DFCs. The manual should serve as an operational guide and as the base text for the training of DFC personnel. The manual presently being prepared by the Belize DFC could be readily adapted for this purpose.

5. Present appraisal techniques should be supplemented by a simple implementation schedule for all projects. The use of such a schedule would facilitate more accurate projections of cash flow, internal rates of return, etc., and would provide better guidance for loan requirements.

6. Greater technical knowledge must be made available to DFC loan officers. Two activities could contribute to the achievement of this end:

(a) intensive use of the Technical Information Unit of the CDB. The DFCs should have a formalized and effective means of drawing on the resources of the TIU as an integral part of the appraisal process,

(b) training of individual DFC loan officers in one or two specializations. Thus throughout the region there would exist a corps of lending specialists which could assist each other in important projects requiring specialized knowledge.

7. Special forms should be devised to isolate those features of each project which are susceptible to quantitative business and economic analysis. These should be prepared and analysis conducted as part of the appraisal system. The forms should be made part of the loan implementation files, and be adaptable to ex-post analysis when the project is fully operating.

In order to carry out the economic analysis, shadow price data should be devised by the planning ministry, and, hopefully, such data would be linked to stated overall economic policies which would facilitate the DFC response to those policies. (In the interim it is probable that shadow price data currently in use by the IBRD could be made available to the DFCs).

8. The inadequacy of present marketing measurement methods needs to be remedied as soon as possible. Guidelines should be issued by the CDB and explained and desseminated by the SILOs.

D. Sub-Loan Approval

Sub-loan approvals are in large part pre-determined by the appraisal process. Yet that process, with rare exceptions, does not specify criteria which must be met by the project. For example, although internal rate of return calculations are routinely made, no minimum rate is specified as a requirement for approval. Throughout the LDCs, loans have been approved with rates of return varying from 1 1/2% to the high thirties. Only in Belize has a standard rate of 12% been adopted as a minimum requirement.

Similarily, no specific criteria have been established for desirable balance of payments, employment, or linkage effects, or for economic rate of return or other special considerations, which would provide justification and priority ranking for sub-loans. The absence of these criteria limits the effectiveness of the DFCs as developmental instruments, and reduces their ability to respond to developmental priorities.

Beyond the direct developmental concerns, the absence of standard approval criteria promotes the injection of a high degree of subjectivity into the approval process, and such subjectivity is not always benign. In one instance, quite fully documented, the chairman of one DFC authorized advances to a project prior to completion of a loan appraisal. He cited compelling interests as the reason for so doing. Although such actions, in any event, would be construed as inappropriate, it illustrates the subjectivity of approval criteria, which, in varying degree, pervades the DFCs.

The close relationships between the DFCs and governmental departments, facilitate governmental influence in the approval process. The lack of approval criteria makes all such influence, even the most benign, suspect.

The individual board members of the DFCs are linked in various ways to government, political parties, business interests, etc. These linkages can be a positive value. However, they also carry with them the possibility of undue influence on the loan approval process. Again, that possibility of abuse as perceived by the public, is given greater credence if specific criteria for loan approval are absent. In several LDCs, the functioning of the DFCs has become a political issue. Increased objectivity in the approval process is clearly required if public confidence in the institution is to increase.

The establishment of clear and widely known criteria is to some degree inhibited by the absence of well formulated developmental goals on the part of government. It is ironic that governments, which should most properly regard the DFCs as instruments of developmental policy, do not; and that those governments, which should not properly intervene in the lending process, do so.

Lending criteria may also vary in accordance with developmental priorities. For example, where a project promises to provide a high employment generation effect, it might well be justifiable to approve the project even if it did not meet the optimum approval criteria in other respects.

In a substantial number of LDCs, DFC staff members were disturbed by the "capricious" actions of the boards; and expressed reluctance to carry out rigorous analysis when such analysis could be expected to be ignored by the boards. They suggested that board approval authority be exercised only in assuring that the loans recommended were in compliance with provoiously enunciated DFC policy. Although there is an attractive element in this suggestion, it nevertheless would deprive the DFCs of the extremely valuable services of a balanced and properly functioning board.

The boards of the various DFCs reviewed could seldom be considered as "balanced and properly functioning". Their membership generally failed to reflect the diverse productive elements of the community. Their members were seldom technically competent in loan analysis procedures, nor did they bring developmental competence to their deliberations. In general, they did not lay down firm standard procedures for the analysis done by the staff, nor did they specify priorities to the staff. Only rarely did they demand that loan recommendations be delivered to them in advance of the board meetings at which lending decisions were to be made. Absenteeism at board meetings is frequent, and board minutes are sketchy and seldom available.

In some instances, the lending function of the DFCs is subordinated to other functions, e.g. marketing and industrial park management. In these cases, the loan approval process appears to lack rigor and to receive only the occasional detailed attention of the board. There was no evidence that the board divided themselves into executive committees, or otherwise took measures to insure that specific functions in multi-function organizations were treated systematically and competently.

The board sometimes took on themselves the responsibility for reducing the amounts of loans recommended by their staffs. While such actions are certainly in conformity with the powers of the boards, the specific cases reviewed indicated that the cuts were made without reference to detailed analysis. Most analysis (as indicated earlier) tends to understate the funds required. The results were generally disastrous to the project.

It is recommended that:

1. The composition of the governing boards of the DFCs be reviewed and revised to have wider community representation.

2. The board membership be enlarged, and that executive committees be assigned to deal with approvals of different loan categories.

3. Board members be automatically removed after missing a specified number of meetings.

4. Specific approval criteria be established, and procedures be established to document loan approvals which depart from compliance with such criteria.

5. Training courses be established for directors.

6. Executive committees be established to deal with the specific functions of DFCs which have non-banking functions.

E. Disbursements

Disbursements were generally slow and subject to unforeseen delays. Much of this was attributable to incomplete project analysis and the notable ommission of an implementation plan. It appeared that neither the borrower nor the loan officer concerned was able to anticipate the time elements involved in procurement. The borrower was generally uninformed of the procurement procedures, and little or no effort was made to anticipate the procurement problems. Most unfortunate for the success possibilities of the project, the borrowers continued to use up scarce operating capital during their procurement delays.

The disbursement schedule is also affected by the need for documentation. The borrowers interviewed expressed the view that they were seldom made aware of the documentation required, until the disbursement procedures were underway. DFC personnel have tended to attribute delays to the documentation requirements of the CDB or AID.

However, except for some instances early in the SIC program, where unseemly delays occurred in obtaining exceptions to AID procurement regulations, the delays were clearly attributable to failure to anticipate requirements. Recently appointed loan officers interviewed during the trip were unfamiliar with documentation requirements. They explained that no training (formal or informal) had been given to them.

Actual disbursement records revealed a wide range of variations in procedures, seldom consistent with good practice. In at least one instance, already cited, disbursements have been made prior to the completion of a loan agreement. Of the loans examined, disbursements were made, most frequently, at the request of the borrower; sometimes accompanied by receipts or contractors' estimates. The disbursements made, even when properly documented, were not necessarily appropriate. There was seldom provision for the certification by the loan officer, that all pre-conditions set forth in the loan agreement had been complied with. Thus the disbursements gave credence to the assumption that pre-conditions were not to be taken seriously. Further, the disbursements of the DFC, as understood in the project analysis, were to be supplemental to outlays to be made by the borrower. In a number of instances it appeared that the funds, presumably at the disposal of the borrower, were inadequate or non-existant. Thus disbursements by the DFC were simply contributing to the initiation of an under-financed and hence unsuccessful project.

The timing of the disbursements also affect the total cost of the project. If there are substantial delays, the analyses and projections may be rendered invalid. This is especially the case where operating capital is being expended while key equipment is not yet in place. The total cost of the project would, in such cases, be considerably higher than anticipated in the analyses, and the project would be plagued by working capital shortages when most needed.

It is recommended that:

1. Disbursement be clearly linked to satisfaction of the pre-conditions of the sub-loan. In practice, this should entail certification by the loan officer that the pre-conditions were met. The most blatant disregard of pre-conditions has been the failure of the

borrower to maintain proper records. In as much as the decision to begin detailed project analysis indicates serious consideration being given to the borrower application, it would seem that an appropriate response from the borrower would be the establishment of an appropriate accounts system. The system should be in effect prior to the first disbursement, and should be current prior to each subsequent disbursement.

2. The borrower's projected cash contribution to the project be verified, and measures be taken to insure that it is expended as previously agreed. The system initiated in Belize may prove useful elsewhere: the DFC encourages the borrowers to establish an imprest account at a commercial bank, from which project payments are made.

3. Loan officers maintain almost constant contact with the borrower during the disbursement period.

4. Documentation required for disbursement be described in detail at the time of signing a loan agreement.

5. Reporting of disbursements include the origin of goods purchased. This will provide a basis for part of the balance of payments effect calculations.

F. Supervision of Implementation

Generally, the DFCs appear to regard the final disbursement as the point at which the project is in full operation. This is clearly not the case. In no instance did DFC records indicate a point at which the start-up period was considered complete. In fact, in no case reviewed, was it possible to determine, from the records, that a full operation status point was anticipated by the DFC or identified by their staffs.

Serious attention to the implementation process appears to be taken by the DFCs, when a project encounters difficulties revealed by the borrower's inability to meet loan repayment schedules. Only then, in most cases, do the DFCs begin intensive reviews of the project assumptions, make provision for technical assessments, and take other actions designed to rescue the operation. Reviews of projects receiving such attention indicate that the actions being taken are identical to those which should have been taken in the project analysis stage. In fact, from the data reviewed, it appears that rigorous analysis has taken place only if the project is in trouble; and that it comes too late to be able to materially alter the deteriorating state of the project.

There is little evidence that the DFC staff attempts to evaluate the project during the implementation stage. Project assumptions are not validated, nor is there any indication that critical features of the project are reviewed to determine changes in conditions affecting the loan, or to anticipate such changes.

It is reasonably clear that some projects which seem likely to fail, could be revived and rendered successful. However, these must be identified at early stages, for appropriate action to be taken.

Essential to the supervisory role is the maintenance of adequate records by the borrower. No DFC to date has been successful in its attempts to obtain borrower compliance with record keeping requirements.

It is recommended that:

1. Loan terms be adjusted to provide for the imposition of commercial rates of interest if the borrower does not maintain specified and accurate records.

2. Loan officers be required to file specified implementation reports.

3. The Board of Directors review implementation reports.

4. Assistance in preparing accounts be provided on a formal and periodic basis to borrowers.

5. Implementation reports record the sales by market and the raw materials by country or origin.

G. Collections

The collection records of the majority of the DFCs are poor. In part this stems from a reluctance on the part of the government-controlled DFCs to risk alienation of the borrowers; in part from a pervasive belief among borrowers that their obligations are conditional; and from lack of systematic and timely collection procedures.

In the event that a collections process was initiated against certain borrowers, it might well prove that collateral or the co-signers' net worth would be insufficient to meet the repayment obligations. It was evident in a number of DFCs that no attempt was made to substantiate collateral value or co-signers' net worth. In some instances, legal requirements to establish collateral obligations were not fulfilled, and in others, collateral documents were not maintained in a safe and secure place.

It is ironic that the collateral requirements of SIC lending in the various DFCs, are higher than commercial bank requirements, tending to reduce loan eligibility; while the effectiveness of such collateral is limited when in the collection process.

Although the various LDCs may reflect differing social/political conditions which may influence the desirability of certain kinds of collateral, it would appear generally undesirable to rely heavily on pledges of homesteads as the main collateral for SIC loans.

The high incidence of arrears also inhibits aggressive collection procedures. When the majority of borrowers are in arrears, they constitute a "lobby", against which no countervailing "interest group" is arrayed. The borrowers are able to argue with some credibility that they were misled into borrowing, by the DFC. In interviews with borrowers in arrears, one stated quite frankly that their lack of success was directly attributable to the DFC; "...They know us well enough to know that we are not businessmen." Another stated, "The losses of the DFC will be made up by the government; why should I pay?"

It is recommended that:

The appraisal and approval process be strengthened by making the loan officer who recommends a loan, also be responsible for its collection. This should result in more careful appraisal, closer supervision, and fewer projects falling into arrears.

2. Every effort be made to insulate the DFCs from inordinate political influence, by making them fully autonomous.

3. A systematic collection procedure be instituted that will be triggered automatically.

4. Provision be included for such a triggering mechanism in loan agreements between the CDB and the DFCs.

5. Standard procedures be set for evaluation of collateral offerings, to insure that collateral is legally callable, and that collateral documents are properly safeguarded.

H. Other Concerns Relating to SIC Lending

Terms and conditions of lending affect the borrowers' response to credit availability and their ability to service their debts. The viability of the DFCs is also affected.

Interest rates were generally regarded by the borrowers interviewed, as relatively unimportant in their borrowing decisions. Of considerable importance, however, was speed in the processing of loans. The delays encountered frequently added to the cost of projects, and/or affected the viability of the project.

Grace periods frequently proved inadequate, and repayments were required before the project was in full operation. Even the interest payments became burdensome, as protracted loan delays and start-up problems absorbed the limited operating capital available to the borrowers. The borrowers frequently had partially to abandon the project, to seek other sources of income during the critical start-up phase.

The low income derived from SIC lending, and the extraordinarily high cost of administration of such lending, makes it impossible to recover administrative costs. This cost/revenue situation is further weakened by the large losses which are occurring as project failures mount. All DFC officials, with one exception, expressed the opinion that their DFCs were not viable. The exception felt that, as decapitalization occurred, the government would make good the losses, thus insuring continued viability. The majority of the officials were seeking to restructure the DFCs so as to achieve financial viability.

Counterpart funds have been made available on a piece-meal basis by most of the governments. These are not provided in any scheduled manner, nor (in some cases) in assets of sufficient liquidity to permit their use in a systematic manner. In some cases the counterpart funding has been made available from long-term Canadian loans or British grants. Only in Dominica, where the DFC has become a subsidiary of the national commercial bank, does it appear likely that local resources are being tapped for use as counterpart funds.

In many instances, "counterpart" funds are used as a substitute for SIC (AID) funds, so as to eliminate the necessity for compliance with AID and CDB suggested procedures.

It is recommended that:

1. Terms and conditions be reviewed to permit greater flexibility in the use of SIC funds; and to remove financial pressures on the borrower during the start-up phase of projects. For example, grace periods could be extended to conform with realistic start-up schedules. It might also prove useful to write loans so that interest payments due during the start-up period, be prepaid and included in the loan proceeds.

Interest rates should also be made and adjusted to project requirements and to viability requirements of the DFCs.

2. Counterpart funding be increased and related directly to SIC (AID) lending. In as much as almost all projects reviewed were underfunded in terms of working capital requirements, the counterpart funds could be earmarked to supplement working capital made available from AID sources.

II. DFC PROFILES AND OBSERVATIONS

A. Antigua and Barbuda

DFC Environmental Characteristics

The State of Antigua and Barbuda comprises two coral based islands of about 108 square miles. Its resource endowments are primarily climate, the sea, and some cultivatable land. It is a State, in association with Britain, enjoying self-government exercised through a bicameral legislature. Elections are held every five years; the next is scheduled for 1981.

The Antigua Labor Party is presently in control of the legislature, while two smaller parties constitute the opposition. While the parties differ in approach to perceived national problems, it is generally recognized that the most pressing problem is economic stagnation, with unemployment now approaching 20% of the labor force.

The population numbers about 71,000, and is supported by a labor force of approximately 18,000, employed in some 1400 enterprises. Literacy is estimated at 93%, but only 8.5% of the work force possess technical skills, and 6.3% have administrative or managerial credentials.

The manpower supply is conditioned by a compulsory education system which at present is educating 12,900 primary students in 49 schools, staffed by 332 teachers; and 5,100 secondary students in 18 schools, staffed by 181 teachers. Only one school, however, provides training in technical skills.

The health care system of the Island is centered around one hospital with 600 beds and a resident population of about 20 doctors.

GDP, in US 1973 dollars, is estimated at about US $45 million, with industrial product contributing about US$8 million to that total. Manufactured imports top US $9 million, with food imports adding another US$6 million to the total import bill. Excepting oil refining, carried out on the island, the total value of exports is about US $2 million. The imbalance on current account is offset by tourism, remittances, and foreign grants.

The authorities, in their attempt to increase employment and to redress foreign trade imbalances, have embarked on a program to promote enclave industry, to increase tourism, and to stimulate the growth of off-shore tax-haven enterprise.

The enclave industry program has had some success. Eleven firms are presently occupying about 173,000 square feet of factory space in two government sponsored industrial parks at subsidized rentals of EC$2.70 per sq.ft. per annum. An additional 40,000 sq.ft. of factory space is planned or under construction.

Inflationary pressures approximating those in the U.S. are erroding real income, which, on a per capita GDP basis, is the equivalent of about US$630 per year. Thus wages maintain an upward pressure and are reflected in the price of locally produced goods and services.

The electricity supply, which is produced by diesel generators, produces about 19 megawatts at about US$0.10 per kilowatt.

The water supply, subject to seasonal fluctuation, is capable of delivering about 1.3 million gallons at a cost of about US$0.60 per cubic meter.

The internal transport system is made up of 243 kilometers of roads, of which 145 kilometers are paved. About 40 kilometers of major improvements are planned for the near future. External linkages are through a deep water port capable of berthing three ships, and with about 100,000 ft^2 of warehouse space. An airport capable of handling large jets is in operation.

A 2,000 phone telephone system links the country with limited service outside of the major urban areas. International telephone and telex facilities are operating.

A well developed banking community exists, which has EC$89.3 million in loans outstanding in the Island.

The country, thus endowed, presents a limited market for fixed capital developmental lending by the DFCs. Major governmental developmental thrust is toward export industry not eligible for SIC lending; the limited resource endowment makes local industry only marginally viable; commercial banks serve the established enterprises; leaving a residual market to the DFCs, which is small, high risk, and costly to serve.

DFC Institutional Characteristics

The Antigua and Barbuda Development Bank (DFC) is empowered to lend and take equity position in local enterprise. It may also take on other developmental activities as permitted and directed by the Ministry of Development. It is under the control of that ministry, which appoints the directors, managers, and staff, and approves salary changes.

The Government guarantees the liabilities of the DFC and, through the Ministry of Development, provides policy guidance.

As may be noted in the attached organization chart, Exhibit Al, the DFC is designed to serve as lender to agriculture, industry, housing, and to students. Not explicit in the organization chart is the role of the Manager in administering an Industrial Estates Fund and in acting as agent for the industrial estates. This function requires about 50% of the Manager's time, and an unspecified but significant portion of the time of other staff members.

The Manager may approve loans not exceeding EC$5,000. All others are referred to the Board of Directors for approval. The SIC loan processing sequence is identical to that current in the LDCs, but no specific policies other than liability requirements govern lending approvals. Heavy reliance is put on SILO appraisals and responsibility generally appears to be placed on the SILO for the loans made.

In part, the reliance on the SILO is the result of the weakness of the DFC industry officer, a young and inexperienced woman who has received little or no training. To the degree that the SILO is not involved in the loan appraisal and administration, the burdens fall on an already overburdened manager.

Of the staff, which numbers eleven, two are reasonably well qualified and carry the major responsibilities of the institution - the manager and the accountant. The remainder are generally limited by inappropriate or incomplete training.

Accounting records have undergone substantial improvement, and are, in the opinion of the auditor, acceptable. Individual loan files, however, vary from inadequate to acceptable. Key documentation is missing in the older files, and it appeared that in some cases documentation was not prepared. The absence of such documentation is indicative of both a lack of supervision during earlier periods, and a rather casual approach to SIC lending by the responsible staff member. Efforts were underway to reorganize files and to deal with their inadequacies.

Lending Performance

The overall operation of the DFC as a lending institution is impaired by past errors and by its involvement in non-banking activities. Its operating statement for 1977, the last available (1978 was being completed by the auditors at the time of visit,) showed an operating deficit of EC$311,687. See Exhibit A2.

Its income from interest and advances was inadequate to meet its interest obligations to the CDB and other lenders. Even without provision for bad debts, the total income was inadequate to meet administrative expenses and cost of money.

The provision for bad debts, EC$184,936, appears low in view of the arrears records, which on September, 1978 are as follows:

Amount Outstanding		Arrears Principal	Arrears Interest	Value of Loans in Arrears
Housing-	EC$379,629	19,008	4,085	226,521
Student-	$207,260	1,240	1,890	46,387
	57,122			
SIC -	197,819	21,084	11,553	107,776
AIC -	297,832	10,822		
[illegible]	204,533	533	11,407	313,130
FIC -	68,504	11,075	9,543	68,504
	543,733	47,265	23,701	455,209
	$1,956,432	$111,047	$62,179	$ 1,217,527

Present arrears thus comprise nearly 9% of total portfolio, while the total value of loans in arrears comprises 62% of all loans outstanding.

There is little doubt that, even with the accelerated collections program now being carried out, the financial position of the DFC is precarious. Any injection of new credits would have to be accompanied by guaranties of improved performance, and with some form of subsidy to absorb the inevitable large bad debt losses.

Examination of Sub-Projects

As noted in the attached Exhibits A3 and A4, the DFC has made eight SIC loans, three of which were for tourism and five for manufacturing. From sample examination, the average time between application and final disbursement was twenty-two months, with disbursement periods averaging about 18 months. This contrasts with the usual grace period of about 6 months for the loans in question. The four loans examined in detail involved total lending of EC$130,000. These individual loans are numbered from 1 to 4 in the attached Exhibit A5.

Loan #1 was made to C. Piggot, who had been a furniture manufacturer since 1968. The loan was to purchase equipment and for building. The original loan was for EC$75,000, then raised to EC$90,000, due to increased building costs and an additional EC$9,900 for start-up costs. No record of application was available. The loan was approved on 10/74; disbursements began on 6/75; and the last disbursement was made on 9/76. The loan carried a term of 9 years @8%, with a six month grace period.

The borrower was not registered as a company, and the accounts presented were mixed with his personal accounts so that no useful financial information could be obtained from his records.

No evidence of appraisal or security taken was found in the records. No market studies were carried out.

By June of 1976, the borrower was in arrears with total indebtedness to the DFC now at EC$97,101, and additional indebtedness to banks of $75,000.

A 1977 statement, belatedly prepared by the borrower, showed a gross profit of EC$65,300, yet no payment made.

The borrower's equity in the project was EC$81,000. Working capital of EC$30,000 was supplied by the DFC and the Bank of Nova Scotia. Collection procedures are now underway.

The project violated every reasonable banking precept.

e second project was a EC$13,000 loan for a guesthouse to A. Edwards. The borrower invested EC$56,400 in the project and provided working capital of EC$2,400. The owner, who had 20 years experience as a vendor, chose an uninviting location for the guesthouse, and was unable to obtain a competent manager. The project carries indebtedness of EC$19,000, of which EC$6,000 is due a commercial bank. The project has ceased operation, and the indebtedness is being serviced by the borrower from the proceeds of other business.

The project was poorly conceived and inadequately analysed. Security was not properly taken, nor were insurance payments made. The character of the borrower is the only factor permitting the DFC to recover its loan.

Loan #3 in the amount of EC$12,500, was recently approved but has not yet been disbursed. There is no evidence of marketing analysis or adequate costing of production. The borrower, in an attempt to upgrade the technology, placed orders for new machinery which is probably inadequate and dangerous. No technical review of production problems was made.

At the time that this project was approved, the DFC was in the process of making a loan for identical production at another plant. No analysis of the effect of one producer on the other was made.

In this instance, as in many others, the need for technical information was essential and was not available.

Loan #4 in the amount of EC$15,200, was made to C. George for baking equipment. The borrower, a baker with an established clientele, was in arrears to a commercial bank at the time of the loan approval. The Board, faced with inadequate security, reduced the amount of the loan, despite appraisal recommendations.

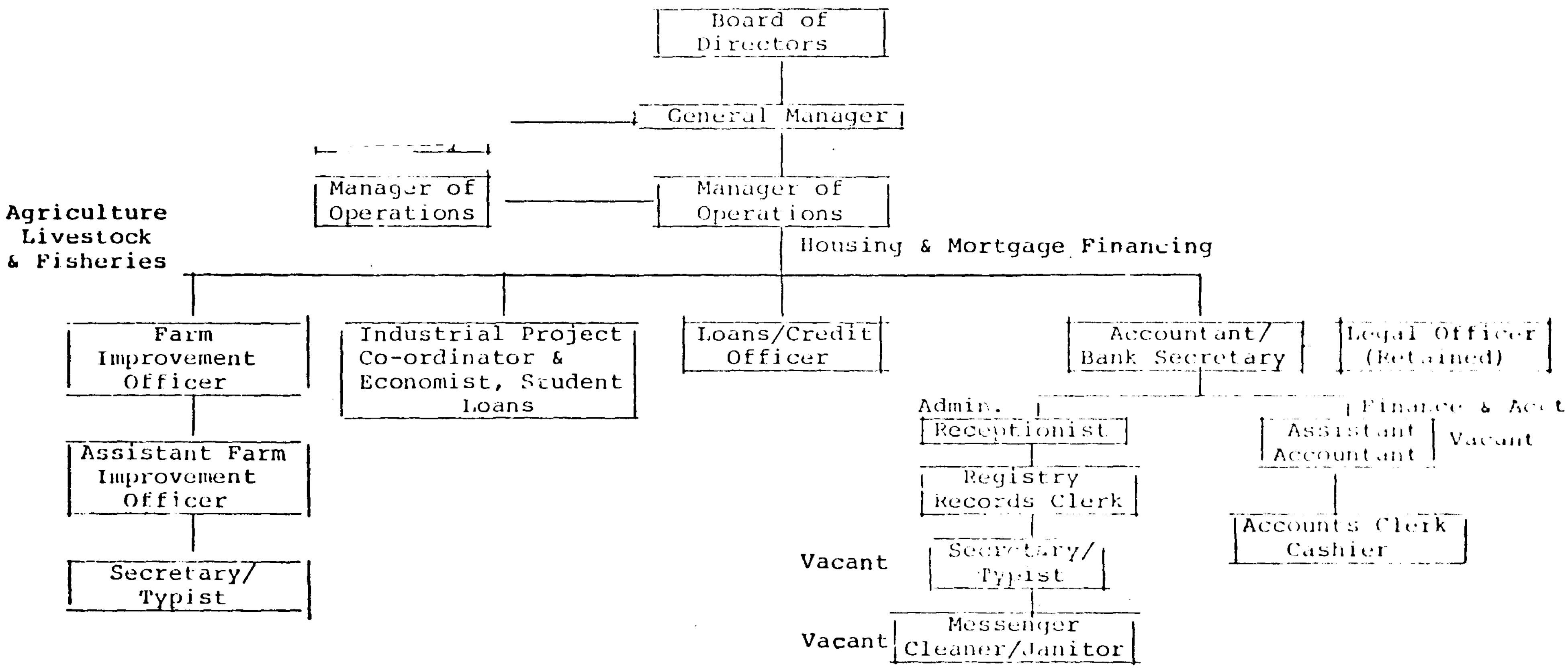
Disbursements were delayed because of violation of procurement regulations, which were apparently unknown to DFC personnel. Technical assistance was arranged through British development agencies, when the borrower had trouble using the equipment.

In this instance, the loan was made without reference to the effect on other bakeries. It appears that increased sales by this bakery, if any, will be at the expense of competitors, with no net change in income and employment.

In the above projects, the job creation effect was estimated at 12 new positions. In fact, three have been created to date. No records of actual job creation are maintained at the DFC.

ANTIGUA & BARBUDA DEVELOPMENT BANK **Exhibit A 1**

ORGANIZATIONAL CHART



ANTIGUA AND BARBUDA DEVELOPMENT BANK

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1977

	1977	1976
Income		
Interest - on loans and advances	165,154	116,368
- on fixed deposits and treasury bills	77,583	78,073
Sundry income	7,756	200
	250,493	194,641
Expenses		
Salaries, wages and allowances	98,654	64,245
Social Security	4,049	2,544
Interest and bank charges - C.D.B.	138,727	68,797
- Local	19,043	19,675
Travelling	7,772	3,490
Entertainment	2,565	1,053
Directors fees	19,580	11,340
Legal and professional fees	5,304	4,140
Audit fees	6,000	3,500
Printing and stationery	1,321	5,108
Postage, telephone and cables	2,822	2,656
Miscellaneous and office expenses	6,123	4,814
Advertising	8,038	866
Depreciation	2,018	750
Provision for bad and doubtful debts	184,936	75,000
	506,952	267,978
Loss for the year	(256,459)	(73,337)
Deficit brought forward	(55,228)	18,109
Accumulated Deficit	$(311,687)	$(55,228)

EXHIBIT A3

DOMESTIC LOANS

NAME	ADDRESS	LOAN AMT.	PURPOSE	TERMS	SECURITY TAKEN
CHATHAM, Charles	Freetown Village	11,954	Bakery	6½ yrs	unknown
EDWARDS, Albertine	Wilkinson Cross & Newgate Street	12,832	Guest House & Restaurant	5½ yrs	Household policy, Mortgage
EDWARDS, David	All Saints Road	10,000	Bakery	7 yrs	Bill of Sale on Equipment
GEORGE, Clyde	Jennings Village	10,421	Bakery	5 1/6 yrs	Mortgage & Conveyance
GIBSON, Kenrick	Old Parham Road	55,000	Guest House	11 yrs	(Mortgage on Certificate (of Title. [illegible] for (Insurance (not [illegible] (to [illegible]).
GIBSON, Kenrick	Old Parham Road	154,000	Guest House	10 yrs	
PIGGOT WOODWORKING	Old Parham Road	90,000	Furniture Manufacturing	9 yrs	Insurance Policy, Loan Agreement, Memo. of Mortgage, Bill of Sale on machinery & equipment C.F. mortgage.
IRISH, George		12,500	Woodworking		
		$ 356,707			

EXHIBIT A3 continued

CDB SEC. LOANS

NAME	DATE OF APPLICATION	DATE OF APPROVAL	DATE OF FIRST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE
CHATHAM, Charles					
EDWARDS, Albertine	31. 5. 76	7. 76	2. 7. 76	23. 6. 77	12,980.85
PETERS, David	17.10. 77	30. 11. 77	27. 2. 78	–	1,12[illegible].95
GEORGE, Clyde		7. 76	3. 3. 77	20. 2. 78	10,[illegible].93
GIBSON, Kenrick	14. 1. 74		7.11. 75	2. 2. 76	55,535.00
GIBSON, Kenrick	1[illegible]. 8. 78	5. 9. 78	26. 9. 78	–	27.234.12
PIGGOT WOODWORKING		10. 74	9. 6. 75	25. 9. 76	83.4[illegible]3.10
IRISH, George	1. 78	2. 78			

EXHIBIT A4

S I C L O A N S

ANTIGUA

Sept.1978 EC $

Total # of Loans	Classifications		Total Value	Present Arrears			Value-Loans in Arrear
	Sector	Sub-Sector		Principal	Interest	Prin. & Int.	
8	Manufacturing Tourism Manufacturing Manufacturing	(3) Bakery (3) Hostelry (1) Furniture (1) Games	$ 197,819	$ 21,084	$ 11,553	$20,997	$ 167,776

Time Between Application and Approval #1/			Time Between Approval and Final Disbursement #2/		
Average	Shortest	Longest	Average	Shortest	Longest
4 mos.	3/4 mos.	1-1/2 years	18 mos.	12 mos.	23 mos.

Note #1/ Data based on 4 of 8 loans.

#2/ Data based on 3 of 8 loans.

EXHIBIT A5

S I C L O A N S R E V I E W E D

ANTIGUA

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Proj. Equity	Sub Proj. Cap. Cost
G. Piggot #1	Furniture Mtg. Building	originally 75 increased to 90	-	90	Owner/Operator of Furniture making operation since 1966	9 years @ 8% 6 months grace	81.0	Excluding Land (20.0) 105.0
Albertine Edwards #2	Guesthouse & Restaurant Also purchase of furnishings Fence, walks & Parking	13.0	-	13.0	8 years as Boutique owner 20 years as Vendor (age 62)	5 1/2 yrs. @ 8% 6 months grace	56.4	[illegible]5.0
John Irish #3	Expand small shop & purchase equipment	12.5	-	12.5	5 yrs. as Joiner Woodcarver w/3 fulltime & 2 parttime employees	8 years @ 8% 6 months grace	?	?
Clyde George #4	Equipment for Bakery & Working Capital	15.15	-	15.15	Baker with established clientel	5 1/6 years	33.0	39.0

B. Dominica

DFC Environmental Characteristics

Dominica, recently independent, is an island of 290 square miles, with a population approaching 78,000. It is volcanic in origin, mountainous, with a heavily wooded interior. Despite fertile soils, agriculture is impeded by the precipitous nature of the terrain.

It has a parliamentary form of government, and elections are held every five years. The next one is scheduled for 1980. The current party in power, the Labour Party, has held power for twenty years. Two opposition parties, the Freedom Party and the Peoples' Democratic Party, hold about 25% of the seats in the legislature. It is generally recognized that unemployment and balance of payments problems constitute the greatest concern of the government.

The work force numbers about 20,000, of which about 1,600 are employed in manufacturing. The unemployment rate is estimated to be almost 15%. 7% of the workforce possess technical skills, while less than 1% have managerial or administrative skills.

Estimates of literacy vary from 65% to 76%. About 80% of the population over 15 years of age have completed primary school; about 3%, secondary; and 0.5% have university degrees. Fifty-seven primary and 5 secondary schools and 1 technical school comprise the State's educational facilities.

Health care is provided by one 240 bed hospital, and three clinics, served by 15 doctors.

GDP, in 1976 prices, totals about US$23 million of which industrial products contribute slightly more than US$3 million. (Average per capita GDP is approximately US$300.) Exports, mainly bananas, coconut oil, and citrus, average nearly US$8 million per annum. Manufactured exports total about US$0.4 million.

Annual purchases of manufactured goods total about US$8.5 million of which US$7.6 million is imported. An additional US$5 million in food imports contributes to the existing imbalance on current account.

Infrastructure is skeletal. Electricity supply is primarily from hydro stations, which produce 1.2 million kilowatts. This is supplemented by diesel stations with a capacity of 0.18 million kilowatts. Present costs are approximately US$.04/kwh. Service is relatively reliable. Water is plentiful and is delivered at about US$.08 per cubic meter to the capital and to 27 villages. About 640 kilometers of roads exist, of which 372 are paved but poorly maintained. One deepwater port capable of berthing one large ship, is supplemented by two smaller ports capable of handling small inter-island vessels. Warehouse space at the major port is about 40,000 sq.ft. The Dominica airport is small and can handle only medium sized aircraft. Local telephone service is availabe in the capital and to some villages. This is supplemented by international telephone and telex service.

Three commercial banks are in operation, and a new French bank is expected to open. Total lending by the commercial banks is US$8.4 million of which US$0.5 million is allocated to the manufacturing sector.

One government-owned industrial estate with 6000 sq. ft. of space is located about 1 km. from the main port. An additional 6000 sq.ft. is under construction. A local firm has an additional 40,000 sq.ft. of space available in an industrial park.

Its undeveloped forests and low electricity costs offer some advantages which might be exploited for the industrial markets. The small internal markets do not seem to offer a substantial market for fixed capital industrial lending.

DFC Institutional Characteristics

The DFC has become a subsidiary of the National Commercial and Development Bank of Dominica. The objectives of the Bank are to promote, direct, and influence the development of agriculture and industry in the Commonwealth of Dominica, and to mobilize funds for the purpose of such development. The Bank has the power to hold land and other property of whatever kind, real or personal, for the purpose of fostering its stated objectives.

The Government owns 51% of the parent Bank and has majority representation on the Board. Meetings are held as required. The Board is assisted by an advisory committee which includes the Manager, representatives of the public and private sectors, and legal counsel.

As shown in Exhibit B1, the Bank is organized into industrial and farm loan divisions and an operations group, all three of which report to the manager. Accounting and cashier service is supplied by the parent Bank.

All loans which have met the basic qualifying tests of security and viability are submitted to an Advisory Committee (with the recommendation of FIA and FIO in the case of agriculture; the Project Officer, CDB, in the case of industry) with the Manager's evaluation and recommendation.

The Board of Directors is the sole policy-maker, with the assistance of the General Manager and the Manager, AIDB; though it may take advice from the Advisory Committee with respect to lending. However, certain on-lending policies have been established by the CDB in their loan agreements with AID Bank.

The following are among the basic policies in effect:

Security:	Tangible assets are generally the only recognizable form of security the Bank accepts for loans.
Term:	Up to 10 years, (short, medium, long-term).
Interest rate:	6% for agriculture; 5½% for cooperatives, 8% for industry, 7½% for cooperatives 10% for borrowers with a net worth in excess of $150,000 EC.
Loan limit:	Unlimited except with respect to funds of the Caribbean Development Bank, where a limit of US$100,000 exists.

Counterpart funds are made available from the following sources:

(1) Government of Dominica balance - $285,000 non-interest bearing.

(2) Trinidad & Tobago funds - $41,570 at 4% per annum. The Trinidad & Tobago funds are almost fully committed: (these were made available through an SIC (Small Industry Credit) loan granted by the CDB to the Bank, dated 25th October, 1978.

The field staff identifies, in the field, projects which are viable and relatively secure, and projects which will bring substantial economic or other benefits to the area of activity.

Individuals or groups apply personally, and the field staff selects the viable ones for financing.

Application forms are filled out, during which a thorough information-collecting interview is conducted, and topics such as current activity, if any, debt information, the scope of the project, the contribution of the borrower, and the adequacy of the security are discussed. After the field staff, (including the FIO and the Project Officer, Industry) and Manager are satisfied with the feasibility and financial viability and security aspects of the project, it is submitted to the Advisory Committee for recommendation.

The field staff selects certain areas for post-loan inspection on a weekly basis. Particular emphasis is placed on loans in arrears, although newly approved loans are monitored more closely during the funding stage.

Monthly reports are submitted on customers visited, and any current or anticipated problems are brought to the attention of the Manager, for action which sometimes requires Board decisions.

Present promotional activities include the following:

(a) Advertising through leaflets distributed personally or through outlets.

(b) Advertising through Seminars for Small Businesses.

(c) Advertising by radio together with the parent bank.

(d) Independence Booklet, currently being printed.

(e) Radio interview with parent Bank.

The bank uses its support services to further promote SIC lending. These include:

(a) Participation in radio talk-shows on agriculture, sponsored by the Ministry of Agriculture.

(b) Seminars for Small Businesses, given by Mr. Samuel Singh.

(c) Continuous rapport between borrowers and the Bank to sort out operational problems.

The staff and their qualifications are as follows:

(1) Vans T. Leblanc, B.B.A., M.A. (Econ.) - Manager
At General Electric Credit Corporation (New York)
Credit Analyst 1971-1972;
Loan Officer 1972-1974 (1 month seminar - Management Skills, General Electric Institute-N.Y.
Manager - Operations 1974-1976;
Manager, AID Bank Subsidiary - December 19, 1977;
CDB Seminar for DFC Officers - Barbados, 1978.

(2) Patricia Charles - Loan Administration Officer (LAO)
General Certificate of Education;
Diploma/Administrative Secretary - New York
AID Bank Subsidiary;
Clerk Typist 1972;
Senior Clerk/Typist 1973;
Loan Administration Officer 1975;
Currently pursuing Diploma in Business Management;
Acting as Office Manager in the absence of Manager.

(3) Kerwin Ferreira - Farm Improvement Assistant (FIA)
General Certificate of Education;
Diploma (Hons.) in Agriculture;
Melville Hall Estate - Dominica;
Agricultural Trainee - 1970 - 1971;
Dominica Youth Camp: Agricultural Instructor 1973-1974;
Aid Bank Subsidiary;
Farm Imporvement Assistant 1974-1978;
FAO Fellowship - Guyana/Trinidad - 6month - Agricultural Banking.

(4) Patrick Delauney - Farm Improvement Assistant (FIA)
General Certificate of Education;
Credit Diploma in Agriculture;
Winban - Research Assistant/Assistant Field Officer 1968-1972;
Ministry of Agriculture - Dominica;
Local Banana Officer - 1972-1973;
Manager, Belmont Estate - Dominica 1975-1978;
Farm Improvement Assistant - AID Bank Subsidiary 1978.

(5) Bernice Matthew - Manager's Secretary
General Certificate of Education (8 passes);
AID Bank - Clerk/Typist 1974;
Manager's Secretary 1978;
Acted Accountant Assistant and Loan Adminstration Officer 1978.

(6) Josephine Browne - Bank Clerk
General Certificate of Education (6 passes plus shorthand & typing);
Teacher - Portsmouth Government School 1976;
AID Bank - Bank Clerk 1978;
Currently studying Economics & Accountancy at Advanced Level.

(7) Edison James, B.Sc., M.Sc., - Farm Improvement Officer (FIO)
Mr. James is on secondment from the Ministry of Agriculture - Dominica, to the Caribbean Development Bank in Barbados.
Mr. James reports to the Division of Agriculture of the CDB but is assigned to the AID Bank staff as FIO.

The Manager is exceptionally well qualified and, in the absence of an industry loan officer, carries both managerial and technical responsibilities for the SIC program. The staff requires training in most aspects of development lending.

The accounts of the bank are well maintained, and the auditors are satisfied with the accuracy of these. No internal audits have been held, but these are planned. Individual loan records are reasonably complete. The absence of an industry loan officer makes it difficult to carry out loan appraisal with despatch and with sufficient detail. There is heavy dependence upon the SILO.

It is useful to note that the presence of Mr. Iyer of CDB at the bank for a fairly prolonged period, contributed substantially to the improvement in records and in procedures. The absorption of the DFC by the Bank also relieved accounting problems and reduced costs.

Lending Performance

A trial operating statement for 1978 (see Exhibit B2) indicates a revenue of EC$27,415 after a government grant of EC$66,000. A net loss of EC$36,005 was posted for the preceeding year. The 1978 operating results are, however, deceptive. The position is affected by the write-off of government grants and by an accumulated deficit being taken over by the government. Capital erosion continues, and provision for bad loans is inadequate.

The total value of 110 loans in arrears is nearly US$250,000. Of SIC industrial credits totaling EC$190,500, arrears on principal are nearly EC$33,000, and/or interest about EC$17,700. (See Exhibits B3 and B4.) The value of loans affected by arrears totals EC$161,400, or 85% of the SIC portfolio.

A loan collection program is under consideration. A cash flow estimate, based in large part on a successful collection effort, is shown in Exhibit B5.

There is little doubt that the intention to institute an intensive collection effort is a serious commitment of the Bank's management. Circumstances are, however, likely to produce results less optimistic than present projections.

Examination of Sub-Projects

Four loans were examined in detail. Their terms and conditions and selected data for these are shown in Exhibit B6.

Loan #1 to P. George for expansion of a metal fabrication plant, was in arrears before final disbursement. Appraisal was weak and events required upward revision of the loan amount and extension of the grace period. No financial records were kept, nor did the project ever reach the operational point. Collections were finally undertaken with seizure threat.

Loan #2 to Glenworth Dubique for silk screen printing equipment, was stongly recommended by the SILO, and carried an EC$16,000 guarantee by the CIC. The borrower had a small silk screen shop which grossed about EC$858 per month, and had three employees. Market analysis was inadequate, and the borrower's commitment to expansion appears questionable. No financial records were available. No new jobs were created. The loan is 26 months in arrears.

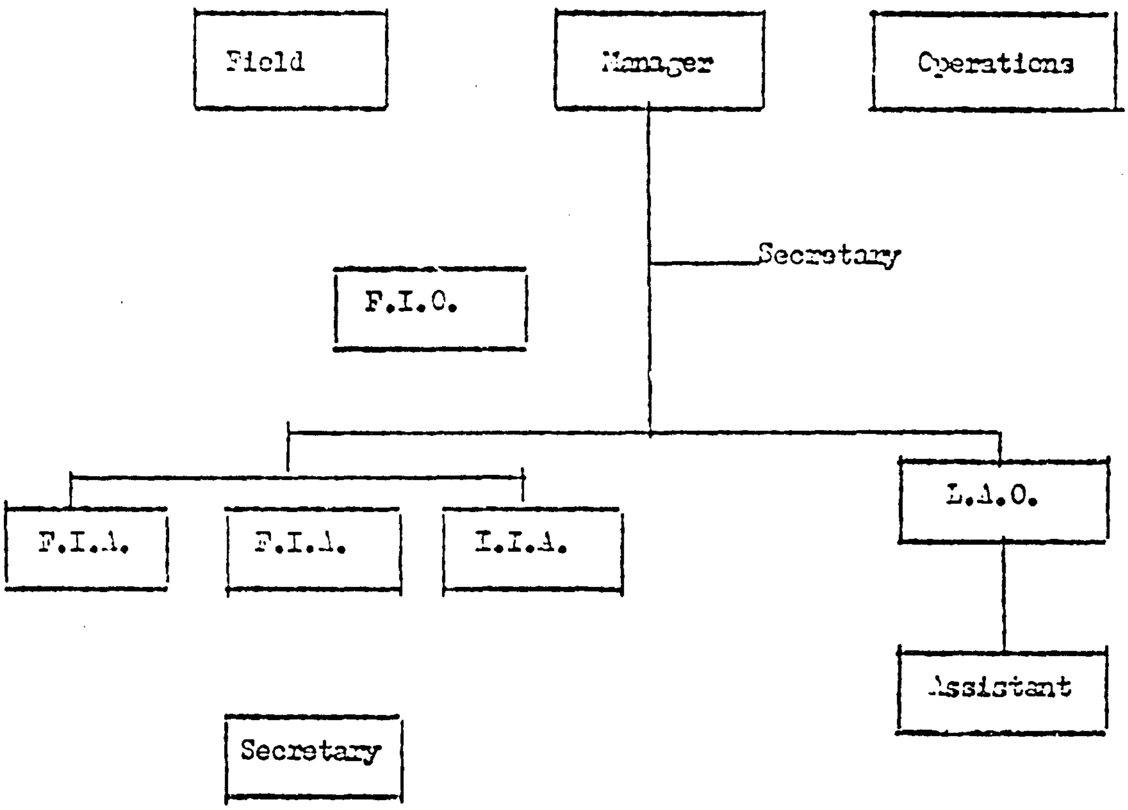
Loan #3 to Rudolph Thomas for block-making equipment, is 18 months in arrears. The project was plagued by technical problems and received only the part-time attention of the borrower. No financial records are available. The borrower is engaged in construction, and has a relative monopoly in the sale of blocks in one area of Dominica. The manager of the DFC and the SILO are working with the borrower to resurrect the project, and there are indications that success is likely.

Loan #4 to Dawn Creations for the purpose of improving and expanding garment making facilities, is now 11 months in arrears. The original request was for EC$30,000. The borrower was to supply substantial funds from his own resources. Inadequate credit checks failed to reveal that the borrower had a delinquent overdraft of EC$15,000 at the time of application, and a term loan of EC$25,000, which required monthly payments of EC$600. The DFC loan was supplemented by an EC$50,000 loan from Barclay's Finance Corporation.

The project represented an attempt to move to a higher level of mass production, without proper managerial and technical knowledge. Materiel flow problems, marketing difficulties, and relatively high labor turnover, affects the project. Assistance from a CIDA expert was made available-in the opinion of the expert, too late. The project might yet be salvaged, but would require a highly professional manager to take charge, and a limitation on products.

The above projects were expected to produce 36 new jobs. As far as can be determined, there is a net loss of jobs as a result of retrenchments brought about by financial problems in all projects.

ORGANISATION OF DOMINICA DFC



F.I.O. - Farm Improvement Officer

L.A.O. - Loan Administration Officer

F.I.A. - Farm Improvement Assistant

I.I.A. - Industry Improvement Assistant (vacant)

DRAFT

EXHIBIT B2

DRAFT FOR DISCUSSION PURPOSES ONLY

NATIONAL COMMERCIAL AND DEVELOPMENT BANK OF DOMINICA

(AID BANK SUBSIDIARY)

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 30TH JUNE 1978

	1978	Six months to 30th June 1977
REVENUE:		
Interest Received:		
Loans to customers	$ 97,049	$ 48,253
Interest from parent bank deposits	44,720	21,002
Fixed deposit receipts	10,032	-
	151,801	69,255
OTHER REVENUE:		
Legal and appraisal fee income	2,821	663
Sundry income	113	2
Gain on disposal of fixed assets	3,525	-
	158,260	69,920
EXPENDITURE:		
Interest on long term loans	79,876	37,057
Salaries and social security	75,345	35,152
Directors' fees and advisory committee's fees	3,055	-
Audit fee	4,000	1,750
Rent	8,801	3,600
Telephone, electricity and cables	6,602	2,219
Stationery and supplies	2,047	2,312
Travelling and subsistence	4,951	3,674
Vehicle expenses	2,480	2,433
Bank charges	93	116
Depreciation - furniture and equipment	1,480	800
- motor vehicle	977	535
- buildings	4,375	-
Repairs and maintenance - Goodwill Industrial Shed	-	555
Increase in provision for loan losses	-	48,200
Advertising and public relations	722	-
Other expenses	2,041	522
	196,845	138,925
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE BEFORE GOVERNMENT GRANT	(38,585)	(69,005)
LESS: GOVERNMENT OF DOMINICA GRANT	66,000	33,000
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ 27,415	$(36,005)

DOMINICA

SMALL INDUSTRY CREDIT SUB-LOANS

EXHIBIT B3

Name and Address	Loan Amount Approved	Purpose	Terms	Security	Date of Application	Date of Approval	Date of 1st Disbursement	Date of Final Disbursement	Total Disbursed To Date	[illegible]	[illegible]	[illegible]
F.O.D. Charles	43,394.	Extens.of furniture fact. + purch.of new equip.Working capital	Int.8% Grace:18 mos. Repay: 9 yrs.	Ins. of equipm. + Mtg.on land + equipm.	21.6.72	23.3.73	25.4.73	25.4.73	43,394.	CDB	[illegible]	National
Glenworth Dubique Fields Lane, Roseau	30,000.	Machinery for printing establishment	Int.8% Grace: 12 mos. Repay: 48 mos	B/S on equipment Ins.of equipm. Guarantee CIC $15,000	?	26.2.75	13.8.75	20.8.76	29,8[illegible]4.	CDB	[illegible]	National
Rudolph Thomas Portsmouth	14,000.	Construction, equipment + raw materials for Block Making Plant	Int.8% Grace: 6 mos. Repay: 66 mos.	Cert.of Title for 1.25 ac. B/S on Bl Mak.mach.	27.4.76	5.8.76	11.8.76	12.11.76	13,046.	CDB	[illegible]	National
Emile De Pooter	38,500.	Equipment for Photo-Colour Lab.	Int.8% Grace: 12 mos. Repay: 108 mos.		20.7.76	10.8.76	15.9.76	-	29,513.	CDB	[illegible]	National
Dawn Creations Ltd., Hanover Street Roseau	58,000.	Machinery + equipm.for garment fact.	Int.8% Grace: 12 mos. Repay: 108 mos.	(mortg.of prop.on a pari passu basis with Barclays B.C.) Cert.of Title for 25,349 sq.ft.of land	19.1.76	3.8.76	27.9.76	17.6.77	53,468.	CDB	[illegible]	National Regional Extra-Regional
Farbel Enterprises, Great George Street, Roseau.	14,000.	Equipment for printing establishment	Int.8% Grace: 6 mos. Repay: 90 mos.	Guarantee of Mr. Stanley Boyd	16.2.78	-	1.9.78	-	3,100.	CDB	[illegible]	National [illegible] Extra-Regional
Total	197,894.								168,[illegible]			

EXHIBIT B4

S I C L O A N S

DOMINICA

Sept.78 EC $

Total # of Loans	Classifications		Total Value	Present Arrears			Value-Loans in Arrear
	Sector	Sub-sector		Principal	Interest	Prin.& Int.	
		--					
6	Manufacturing	Furniture	$ 190,500	$ 33,000	$ 17,700	$ 50,700	$ 161,500
	(2) Manufacturing	Printing					
	Construction	Block Making					
	Service	Photography					
	Manufacturing	Garments					

Time Between Application and Approval			Time Between Approval and Final Disbursement		
Average	Shortest	Longest	Average	Shortest	Longest
6-2/3 mos.	2/3 mo.	35 mos.	5-2/5 mos.	1/5 mo.	18 mos.

DOMINICA DFC

EXHIBIT B5

Cash Flow Estimates June 30, 1978 – 1982

Revenue:	1978 Estimate	1979	Present Structure 1980	Proposed Structure 1980	1981	1982
Loans: FIC(1)	$ 70,000	$ 84,000	$120,000	$175,000	$224,000	$290,000
SIC(2)	27,000	33,600	72,000	90,000	111,000	152,000
APC(3)	– 0 –	24,000	48,000	48,000	78,000	102,000
Investments	55,000	35,000	20,000	10,000	10,000	10,000
Other Revenue (4)	6,000	14,000	56,000	56,000	56,000	56,000
Total Revenue	$158,000	$190,600	$316,000	$379,000	$479,000	$610,000
Expenditure						
Interest	80,000	117,385	218,248	218,248	250,000	300,000
Administrative	109,000	112,000	132,000	132,000	150,000	175,000
Depreciation	8,000	13,000	28,000	28,000	28,000	43,000
Total Expenditure	$197,000	$242,385	$378,248	$378,248	$428,000	$518,000
Operating Surplus(Deficit)	(39,000)	(51,785)	(62,248)	754	51,000	92,000
Add: Govt. Subventions	66,000	62,300	62,300	–0–	–0–	–0–
Surplus (Deficit)	27,000	10,515	52	754	51,000	92,000
Add: Loan Recoveries (5)	56,632	82,187	133,853	133,853	154,763	154,763
Total Funds Available	83,632	92,702	133,905	134,607	205,763	246,763
Less: Loan Recoveries	56,632	82,187	133,853	133,853	154,763	154,763
Surplus (Deficit)	27,000	10,515	52	754	51,000	92,000
Cumulative	$ 27,000	$ 37,515	$ 37,567	$ 38,321	$ 94,321	$186,321

EXHIBIT B6

S I C L O A N S R E V I E W E D

DOMINICA

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Project Equity	Sub Project Capital costs
Phillip George Iron Work # 1	Expansion Metal Fabrication Operation	57.0	9.0	48.0	Existing small enterprise	10 yrs. @ 8% 2 yrs. grace	68.4 +15.0	?
Glen Graphics Silk Screen Printing # 2	Additional equipment	30.0	2.0 3.5	27.0	Small silk screen operation w/ 3 employees grossing $850/month	10 yrs. @ 8% 2 yrs. grace	2.8	?
Rudolph Thomas Block Making # 3	Constr. Equip. & Raw Materials Block Making Plant	14.0	-	14.0	Builder	10 yrs. @ 8% 2 yrs. grace	11.0	25.00
Dawn Creations Garments # 4	Additional equipment	58.0	-	58.0	.... small scale dress maker since 1967	10 yrs. @ 8% 2 yrs. grace	27.2	?

C. Belize

DFC Environmental Characteristics

The DFC serves a population estimated in 1977 to number approximately 130 thousand, in a land area totaling 8,866 square miles. Located in Central America, south of Mexico, with a long coastline on the Caribbean, it is the most amply endowed of the Caribbean LDCs, producing a wide range of agricultural products and sea food.

It is a colony of the United Kingdom, enjoying internal self-government exercised through a parliamentary form based on the Westminster model. Elections are held every 5 years, the next to be held in 1979.

The Peoples United Party is currently in power, and has held power for 28 years. The minority party is relatively strong and constitutes a real opposition.

The major problem confronting the nation, is a territorial dispute with Guatemala, the resolution of which would permit the nation to exercise its right to become an independent state. It is widely held that resolution of the problem with Guatemala would trigger a substantial increase in investment in the Country.

The workforce numbers nearly 63,500, employed in about 1,600 enterprises, with unemployment estimated at around 5%. Substantial under-employment exists, however, accompanied by severe shortages of technically qualified personnel.

The literacy rate is estimated at about 95% of the population. About 65% of the population have completed primary school; about 8%, secondary; and about 0.5 of 1% have university training. The school system includes 189 primary schools, with an enrollment of 33,817 students; 22 secondary schools with 5,946 students; and 4 technical schools with an enrollment of 763. The Belize Institute of Management provides periodic training for government employees.

GDP for 1976 is estimated at US$81.6 million, with industrial product accounting for US$9.3 million of the total. (Average per capita GDP is US$628.) Exports are valued at above US$46 million, the bulk of which are agricultural in nature. In a domestic market for manufactured goods of about US$22 million, US$16 million is supplied from foreign sources. Despite the high agricultural potential, the country imports about US$15 million in foodstuffs annually.

Infrastucture adequacy varies for different parts of the country, a situation which receives a high degree of government attention. The nation as a whole has an electricity generation capacity of 44.8 million kilowatts, with 34.7 million being utilized. The cost, recently @ US $0.08 to 0.12, is scheduled to rise. Water is supplied to only 4107 connections in urban areas, and costs approximately US$0.20 per cubic meter. 1615 kilometers of roads have been built, of which 302 kilometers have been paved. A deep water port is planned near Belize City; in the meantime lighterage is used to load ships which anchor in Belize harbor and in four other ports further south. Sea train service, however, is available to the United States. The Belize Airport is capable of handling all but the largest jets; but it has limited warehouse space. The warehousing available at Belize Port is largely confined to relatively small customs sheds. International telex and telephone service is available, and the domestic system has 3,352 subscribers and serves all urban centers in the country.

Industrial estates have been started as part of an eventual eight acre development. About 6,000 sq.ft. is complete but not occupied. Rentals are expected to be about US$1.00 per square foot.

The major obstacle to industrial development, substantiated by a detailed review of sub-projects, is the dearth of managerial talent and skilled workers. Heavy increases in investment would, given these constraints, place extreme strains on new activities.

DFC Institutional Characteristics

The Belize DFC was established to supply finance, and promote development, of Belize through facilitating investment. It functions as a DFC, as an IDC, as an executing agency for industrial estate operation, and, through a subsidiary, it takes equity positions in new enterprises.

It is under the ultimate control of the Ministry of Finance, and the Minister appoints the board of directors and the manager. He also reserves the right to review all operations.

It has a staff of 54, organized in operating divisions as shown in Exhibit C1. Lending policies were formalized in August of 1978. These are as follows:

As a general rule, the Corporation will lend for the establishment and expansion of new activities and any scheme associated with increasing productivity and efficiency. Only in exceptional cases would loans for limited refinancing, as part of a larger project, be approved. All projects financed must be economically and financially viable.

It is essential that suitable management and adequate market arrangements exist.

Direction of lending

The main areas of lending include:-

(1) Agriculture

Priority is given for projects of livestock, bananas, rice, grains, sugar, citrus, tobacco and vegetables, farm machinery and equipment.

(2) Manufacturing

Emphasis is given to those projects which are a positive net benefit to the economy and preference to those which improve foreign exchange earnings and have a potential for export market development.

(3) Tourism

Initially, small hotel development and related tourism services.

(4) Services

To complement lending in agriculture, manufacturing, tourism, construction and engineering services and general services, including improved catering facilities, laundremats, bakeries, etc.

(5) Commerce

Not for trading activities but as for the construction of shopping centres in development areas, where external or domestic financing can be secured.

(6) Housing and Construction

Including mortgage financing and housing development schemes.

(7) Land Development

For tourism, housing, commercial and industrial development where external or domestic financing can be secured.

(8) Forestry

Including sawmilling, extraction and processing forest produce.

(9) Fisheries

Including processing plant, fishing vessels, equipment and gear.

(10) Financing and Development of Industrial Estates

(11) Student Loans

For pursuing professional and technical courses of study in Caricom countries and preferably in the Caribbean Region. Courses on Government's priority list are considered first. Students, whose parents earn $15,000 per annum or more, are not eligible for loans. No loans can be granted for courses in Law (unless students registered before 15th December, 1972) the humanities or social sciences (other than teacher training or specialized management or commercial studies). Candidates must be 15 years old. No preparatory courses are allowed. Student must prove he has gained admittance to the institution of study concerned. Loans are limited to $4,000 per annum plus cost of transport, but only the last 3 years of a training course in excess of 3 years will be financed. After studies, student must work in one of the less developed regional member countries of the CDB for one year for every $4,000 of amount loaned. Interest is at 6% per annum

(12) On a limited basis, from a special fund, the Corporation offers guarantees to its borrowers only, of up to $15,000 to secure working capital financing on a very selective basis.

Interest Rates

Small and medium Industry Credit	8%	per	annum
Small and medium Agricultural Credit	8%	"	"
Agricultural Production Credit Scheme (Crop Loan)	12%	"	"

Ordinary Resources:

Agriculture Large scale commerce	8%/9%/10% per annum
Industry Large scale commerce	9%/10% " "

Development Finance Corporation Loans:

Working Capital and Refinancing	10% " "
Development Finance Corporation counterpart funds at the same rate as the original loan	
Student Loans	6% " "
Housing Loans	(9% " " (10% for interim financing)

The outstanding balance method, on amounts withdrawn, is used for the computation of interest. The repayment schedule would be monthly, quarterly, half-yearly or dependent on the particular project.

Recovery of Loans

The Corporation normally expects all borrowers, where the services are readily available, to maintain an account with a commercial bank, Credit Union or farming organization, and make firm arrangements to remit payments through these bodies to the Corporation, in repayment of loans. In outlying areas, borrowers are expected to remit payments to DFC through the District Officers and this is supplemented by visits by DFC Collection Officers.

Commitment Fee

A commitment fee of one percentum on the undrawn portion (i.e. the portion scheduled for withdrawal) of the loan is chargeable. This fee would be waived where delays in utilization of the funds have been proven to the General Manager to be beyond the borrower's control.

Amortization

This period is based on the cash-flow analysis of the project and will not normally exceed the life of the assets financed. This period should normally not exceed ten years in the case of industry, and fifteen years in the case of livestock and tree-crop agricultural projects.

Grace Period

On principal repayments, grace period is related to the requirements of the particular project and generally up to the time the enterprise begins to earn income. There is no grace period on interest payments.

Security - General

Normally, 1.3 security coverage is required for commercial projects and less security for rural development projects and small scale industrial projects, where no other security is available. Security in the following form is normally acceptable:-

(1) First charge or mortgage on fixed assets, land and building, adequately insured.

(2) Bill of Sale on goods, machinery and chattel, etc., accompanied by adequate insurance.

(3) Financial assets as bonds, shares, bank savings deposits (repayment in favour of the Corporation).

(4) Government guarantee - especially for farmers' groups.

(5) Third party guarantee with deposit of collateral only.

(6) Insurance policy - cash surrender value.

In the case of small industrial loans up to $15,000 for financing of equipment, and where no other security or assets are available to pledge as security, coverage can be accepted for 100% on DFC valuation basis, except for specialized equipment. All such loans must be covered by loan cancellation insurance.

As regard small agricultural commercial loans up to $15,000 and in the absence of other security or assets, a long term lease can be accepted, provided that such a lease is transferred to DFC or that power of attorney is given to the Corporation by the borrower concerned. The lease must also state development conditions under which it was granted originally and quote the purchase price of the land.

Where the Secruity offered by a Company for a loan is marginal, the Corporation will require that the principal shareholders offer joint and severally personal guarantee.

Security for Rural Development Loans

With respect to small farmers loans, acceptable security will include:-

(a) First legal mortgage or interest in lands, building including freehold title, lease fiat, firm lease with option to purchase and location ticket;

(b) Crop lien; deduction authority to purchase of output;

(c) Bill of Sale on plant, equipment and machinery;

(d) Guarantee from acceptable agency, e.g. Farmers Statutory Organizations in good standing.

Cases of undue hardships, e.g. hurricanes, floods, etc. will be considered.

However, for the small crop loan, farmers project valuation, supervision and management are also taken into account, since the concept of the small farmers loan scheme requires that security be not the major determining factor for the approval of a loan. In any case, this type of farmer will be expected to transfer or assign interest in the land he is developing, together with all developments thereon.

As a general rule, and to determine the value of securities, their force-sale, or written-down value will be used, whichever is lower. A competent valuator's certificate may be required.

Contribution by Borrower

Normally, the borrower should provide at least 30% contribution towards the project, but the Corporation may use its discretion in projects of sufficient economic and social importance. The borrowers, except small farmers, will be expected to meet all legal fees, closing out costs, etc. in connection with loans. The Corporation must have satisfactory evidence of the availability of all borrowers' contribution.

Eligibility

All nationals of Belize are eligible for loans from the Corporation.

As a general rule, the Corporation would not lend to Public Officers, except for housing. Save in exceptional circumstances, and with the special approval of Government, no loan would be issued to wives of Public Officers.

As regards non-nationals, loans would be granted in special cases, i.e. linkage and bottleneck activities, export oriented enterprises, as approved by the Board. Linkage activities would, however, first have to be cleared with Government, and non-nationals would be required to waive their right to the repatriation of funds and would in fact repatriate funds on the same basis and allowed to nationals by the Monetory Authority. Loans would be made from their soft funds and the interest rate, at present, would be 10% per annum

Members of the National Assembly and Members of the DFC Board of Directors and the close relatives of these two groups are not eligible for loans from soft funds. However, they are eligible for loans from all other available sources.

In the case of Companies, the Corporation would require the majority of its directors or shareholders to be nationals. The Corporation gives priority to CARICOM nationals over Third Countries' nationals. A national is defined as a person who has lived continuously in Belize for five years, has obtained a permanent residence permit and intends to make Belize his home.

Working Capital

So as not to jeopardize the success of the project, the Corporation would provide permanent working capital at the initial stage and working capital in association with loans for the project and provided such funds are not available from commercial banks.

Purchase of Land

Normally, the Corporation will not lend for the purchase of lands, except to protect its security for a loan and any payment must represent only a small part of the total financing from the Corporation.

Management

The condition regarding capability and availability of Management for an enterprise presumes technical and managerial capability to carry out the project successfully and that, in the case of an individual, the borrower, where required, will devote full time to the enterprise to ensure its success and to demonstrate his commitment and confidence in the project. In the case of a company, the condition is that capable management exists and that the project can bear the cost of acquiring such management.

Refinancing

The Corporation would only lend for refinancing, as a modest part of the total financing; or where the terms, under which a borrower is operating, are unreasonable and where a project fits into the development activities of the Corporation.

For commercial loans to a first borrower for a first project, the refinancing would be 50% of the loan. To former or existing borrowers, 25% refinancing is allowed. Refinancing would apply to overall loan funds secured by the borrower from the Corporation.

Use of Funds

As a general rule, multiple loans for different projects will not be entertained from soft funds, but such restrictions will not apply in the case of hard funds, provided that the total exposure of the Corporation to projects of the borrower does not exceed $1/2 million.

Loan Disbursement

Loan funds are disbursed in accordance with the progress of the project, and the Corporation is empowered by the Ordinance to ensure that loan funds are efficiently used, and used for the purpose for which the loan is made. Cash is normally paid only where other arrangements e.g. Letters of Credit, orders to suppliers, cannot be made, but borrowers are conditioned to follow disbursement procedures controlled by the Corporation. with Donor Sources.

No further loan disbursements will be paid and no new loan will be granted to a borrower, unless all arrears are brought up to date, insurance is renewed or other arrangements, satisfactory to DFC, are made.

Plant Machinery & Equipment

Normally, the Corporation does not allow its funds to be used for the purchase of second hand plant, machinery, and equipment, except where a project's viability would be jeopardized and where adequate services and maintenance facilities exist, and only after inspection and certification by a competent authority.

Eligible Source for Procurement

Limitations exist on the source for the purchase of goods and services financed by the Corporation, dependent on the source of loan funds from which the project is being financed.

Cancellation of Loan

The Corporation will normally cancel any approved loan which has not been concluded within three months or where the project is lagging behind unnecessarily and unlikely to be revitalized.

Insurance on Loans

The Corporation normally requires loan cancellation insurance on small agricultural loans, housing, and in selected cases, on other loans.

Equity Financing

Subject to Government's approval, the Corporation undertakes limited equity investment in projects which are accorded high piority, linkage and bottleneck projects and export oriented acitivities.

Surcharge on Loan Repayment Arrears

A surcharge is levied in respect of debt servicing arrears at 1% for every 30 days debt servicing (principal and interest) is in arrears.

Credit Reference

All borrowers are required to have a good credit record and to have all outstanding loans paid up to date to DFC.

Key staff members are generally well prepared, and extensive training was given to them after employment in the DFC. A list of training undertaken is attached as Exhibit C2.

Nevertheless, it is expected that additional training will be required to increase competency in specific functions.

Project selection, appraisal, approval, and supervision, all follow the standard procedures which are "normal" for all DFC's. However, the absence of an industry officer has led to some slippage in these procedures. The recent recruitment of a qualified industry officer should improve and accelerate the SIC processes.

Support services to borrowers are limited by available resources. The DFC provides assistance in project formulation and appraisal. It provides supervisory services and advice on technical input usage, new technologies, chemical applications, etc. Training programs on farm mamagement, accounting, hotel management, etc. are held from time to time for sub-borrowers.

There is presently with the DFC a small business consultant seconded from the CDB to offer advice on business management, accounting procedures, and production management to sub-borrowers. For projects requiring additional finance or aid, the DFC tries to arrange suitable sources.

The DFC also offers to undertake the legal documentation of loan agreements, assigned mortgages, bills of sale, etc., at a reasonable cost to sub-borrowers. This cost is generally less than that charged by private solicitors.

The DFC is generally well run, but demands on the time of key personnel for non-banking functions has led to swollen staffs and consequent rises in administrative costs. Despite the rise in value of portfolio, administrative costs as a percentage of portfolio have risen even faster.

Lending Performance

The DFC has a total loan portfolio of Bz$10,143,525, with undisbursed bringing the total to nearly Bz$15 million. (See Exhibits C3 and C4.) SIC lending totaled Bz$1.7 million. About 30% of all loans are in arrears and 46% of SIC loans. The value of loans affected by arrears totals Bz$778,000, or 47% of the SIC portfolio.

Personnel inadequacies and demanding processes permitted the DFC to process only 31 of 120 industrial loan applications in 1977. 1973 saw a down-turn in the rate of applications, but, with no industry officer on board, the processing remained slow. There is some evidence that the DFC has absorbed the back log of "ready" projects, and will have to play a greater role in the generation of new projects.

Collections have increasingly been of concern to senior management, and this has led to a change in the allocation of responsibility for collections. This now resides with the loan officer who recommends the loan.

Loan records were generally adequate, but there was very little evidence of supervisory reports, and appraisals suffered from the same inadequacies encountered in all the DFCs. Most notable, and of considerable concern to the management, is the lack of technical information or technical assistance for new projects.

Viability of the DFC in its present form of operation is questionable. Interest on loans provided revenues of Bz$718,236 in 1977. Total operating expenses were Bz$904,795, of which administration accounted for Bz$514,512. (See Exhibit C5.) The revenue gap was made up by government grant and proceeds from the use of other grants, and by recycled funds. In view of the steady rise in administrative costs, the high level of doubtful loans, and the reliance on grant funding, it is doubtful that the institution can be regarded as having reached a state of profitable equilibrium, or as being able to do so in the near future.

Examination of Sub-Projects

Eighteen loans were examined. These are shown in Exhibit C6, by name and number.

Loan #1 provided Bz$56,500 for woodworking machinery, to a borrower who had an already successful loan for block-making. The shop is incomplete and partially in operation. Loan-repayments are current, with repayment being generated from the block-making project. Market analysis is inadequate for this loan, and some of the equipment does not appear to be designed for continuous production. No financial statements are available. The character, energy, and intelligence of the owner is the project's greatest asset.

Loan #2, to provide Bz$130,000 for new printing equipment, is a classic case of under-capitalization and failure of technical judgment. The borrower had a long term contract to supply the Government with printed matter, thus guaranteeing him an adequate basic market. Because of fund limitations, he chose equipment which could not produce at necessary speeds; and thus he is not able to meet his commitments to the Government. He is trying to lease additional equipment to increase his production capacity, while re-negotiating his arrears.

Loan #3. This loan for Bz$13,200 for production of fiberglass boats, is in arrears. The borrower, who operates a disorganized boat yard, attempted to undertake a fabrication process calling for a high degree of cleanliness and precision. If technical information had been available to the loan officer, the project would undoubtedly have been turned down as technically inadequate. The loan is in arrears, and the project abandoned.

Loan #4 was not examined beyond search for documentation, which was not available. Apparently the file had been inadvertantly misplaced.

Loan #5, in the amount of Bz$25,000, provided equipment for an auto repair shop in Belmopan. The borrower was properly trained in auto maintenance and business and made an accurate market appraisal; his business is growing, and he is expanding cautiously. There was no clear relationship between the SILO analysis and the loan agreement.

Loan #6, in the amount of Bz$33,000 was not taken by the borrower. He considered the procedures cumbersome and proceeded on his own.

Loan #7, in the amount of Bz$101,500, was for the expansion of a battery plant in Belize. This project is proceeding satisfactorilv, but job creation projections are not attained. The borrower states that he could expand employment but workers are difficult to recruit. As is the case in many Belizean firms, the owner would like to opt for higher technology to compensate for the lack of availability of common labor and skilled craftsmen.

The borrower was pleased with the loan process. This seemed generally to be the case with borrowers who were experienced and had planned their projects with care. The major concern of this borrower was a shortage of working capital.

Loan #8, in the amount of Bz$193,000, is unique, in that it contributed to the construction of a building to serve as a hotel, and which promises to have major success as an office building. The borrower is in arrears due to a high increase in construction costs during the period of disbursement. He utilized his liquid assets to compensate for additional costs. The building is still incomplete, though partially occupied. The borrower has bona fide offers from institutions to purchase it at very attractive prices. The DFC and the borrowers are in the process of deciding whether to permit the change in utilization, or to maintain the original plan.

The building is of a quality hitherto unknown in Belize, and has had a profound effect on downtown Belize City, prompting other property owners to upgrade their establishments.

Loan #9, in the amount of Bz$43,900, was used to improve baking facilities in San Ignacia. The project is successful and the owner is considering the construction of a new building. However, no financial statements are available. Job creation projected has not been attained.

Loan #10, in the amount of Bz$49,900, was used to enlarge hotel facilities on one of the cays. The project is successful and has contributed to increases in tourism. It illustrates, however, a conceptual concern with respect to the definition of "project equity". In this case, the expansion of the hotel is a discrete activity, entirely financed by loan funds. No funding in any form was provided by the borrower. The value of the existing hotel is treated as an equity contribution in the SILO analysis. It would seem to be more accurately classified as collateral only.

Loan #11, in the amount of Bz$198,900, was used to construct a new hotel near Belize. It was originally set at Bz$144,925, but increased costs and delays brought about an increase in loan funding. Even with new management, the hotel is not successful. It is too small to produce sufficient revenues, and its location, without special facilities, does not offer tourists any attractions. The loan illustrates a concern of the DFC management; that is, the lack of specialized assistance in assessing tourism loans. The project belatedly appears illconceived.

Loan #12, which provided Bz$11,000 for guest house improvement, is apparently successful, though no financial records are available.

Loan #13, in the amount of Bz$16,000, was used to expand a guest house on San Pedro Cay. The project is successful, though no financial records are available.

Loan #14, in the amount of Bz$33,500, was used for acquisition of equipment and stock. Although no financial documentation is available, the borrower states that the business is sound, and that he will be able to repay his arrears and the rest of his obligations. The borrower has changed his marketing approach since loan approval, and appears to be concentrating on retail sales of imported kitchen items. In the absence of superivsory reports, it is impossible to determine how all of the loan funds were used.

Loan #15, in the amount of Bz$4,000, was used to purchase additional equipment. No financial records are available. The borrower appears to be able to pay off the loan.

Loan #16, in the amount of Bz$5,200, was used to purchase welding equipment, thus enabling the borrower to take on additional work. The project is successful and likely to be expanded.

Loan #17, in the amount of Bz$24,800, was used for the purchase of boat yard equipment. The borrower has a contract for maintenance of government-owned ships, which he is unable fully to honor. The project appraisal was especially weak and led to undercapitalization. Management is demonstrably weak, and the boat yard is unable to recruit workers. No financial records are available. Equipment on hand is used frequently for lumber finishing for the construction trades. The owner devotes his time to interests other than his boat yard, and the project, under present management is not likely to succeed.

Loan #18, in the amount of Bz$118,000, was used for the purchase of specially adapted equipment for the brewing of beer. The project was conceived by the owner, who sought a method of producing beer without extensive and expensive equipment. He carried out experiments and sought technical assistance in the United States and Britain for adaptation of his ideas to practical production. He has been more successful than an "incentive protected" brewery established earlier, and has been able to sell at lower cost. The project is not yet completed but already is profitable.

It is illustrative of the use of "appropriate technology" for project success.

DEVELOPMENT FINANCE CORPORATION
ORGANIZATIONAL CHART

Exhibit C1

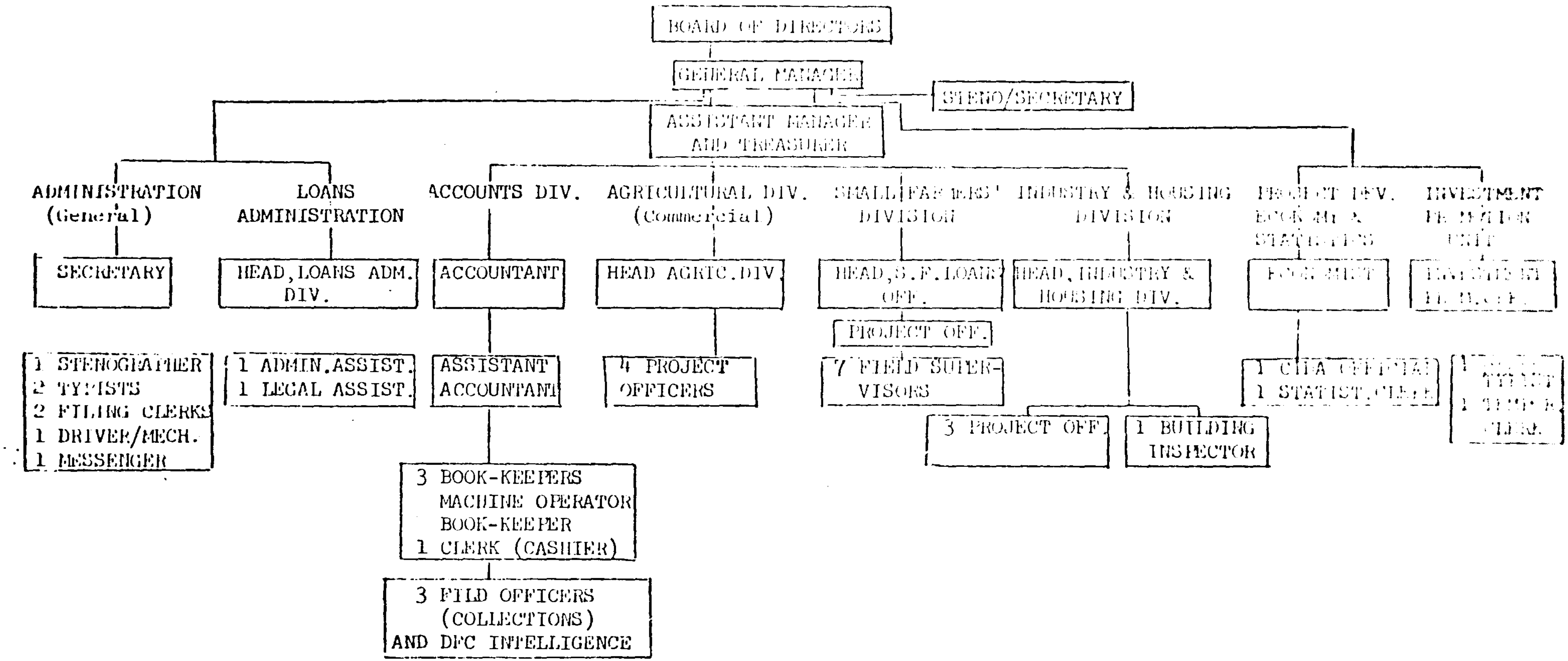


Exhibit C 2

BELIZE

DEVELOPMENT FINANCE CORPORATION

Training of D.F.C. Staff

A. Training Abroad

1974

Name	Course	Place	Period
C.A. Mahung Accountant	Development Banking	Bradford University, U.K.	3 months (1974-75)
G.A. Hulse, Ag. Head of Industrial Division	Industrial Project Appraisal	Bradford University, U.K.	3 months (1974-75)
M. Avila, Farm Improvement Officer	Farm Planning & Management	Mananga, Agric. Management Centre, Tshaneri, Swaziland.	3 months

1975

Name	Course	Place	Period
F. Avila, Field Supervisor	Farm Planning & Management	Mananga Agric. Management Centre, Tshaneri, Switzerland.	3 months
M.J. Gill (Mrs) Book-Keeeper Grade 1	Processing of projects re-accounts Monitoring (attachment)	Jamaica Development Bank, Kingston, Jamaica, W.I.	1 week
L.J. Cueller, Investment Promotion Officer	Investment Promotion (Seminar)	Shannon, Ireland	10 days

Name	se	Place	Period
C.A.Mahung, Accountant and G.A. Hulse, Ag.Head of Industry Division	C D.B. Seminar Accounts Rec., recording and loans monit.	CDB,Bridgetown,Barbados, W.I.	1 week
R.A. Fuller, General Manager	General Management course	Urwick Univ. Centre, London	6 weeks
C.A. Mahung, Accountant G.A. Hulse, Ag. Head of Ind.Div.	Conference for Officials of DFC's/US AID and CDB	CDB,Bridgetown,Barbados, W.I.	2 days

1976

A. Zaiden, Industrial Field Officer	attachment to (1) Jamaica Mortgage Bank and (2)Two Bldg. Societies- housing loans techniques	Kingston, Jamaica, W.I.	3 weeks

1976 - ALIDE Workshop, Pery - External Financing

U.S. Seminar Fellowship - Political Economy and Resources Development (3weeks). Both attended by General Manager.

1976

C.G. Sentos, Head of Agricultural Division	Rural Agricultural Credit Projects	Economic, Dev. Institute (EDI) Washington,D.C., U.S.A.	2 months
M. Avila, Farm Improvement Officer	Agricultural Credit for Small Farmer (Seminar)	Paramaribo, Surinam	1 week
C.A. Mahung Assistant Manager, & F.B. Arana, Farm Improvem.Officer	FIO Conference	CDB, Bridgetown, Barbados, W.I.	1 week

Name	Course	Place	Period
G.A. Hulse, Ag.Head of Industrial Division	Single Family Residential Appraisal	Tulane Univ. New Orleans U.S.A.	1 week
1977			
O.Alonzo Economist	Marketing Management	Dept.of Management Studies, Univ.of the W.I. Kingston, Jamaica, W.I.	1 week
R.A. Bautista, Agricultural Project Officer	Fisheries, and Forestry Projects	Canada	2 months
A. Zaiden, Industrial Housing Project Officer	Small Scale Industrial Supervision	Small Industry Extension Training Instit. Yousufguda, Hyderabad,India	8 weeks
L.J. Cuellar, Investment Promotion Officer	Training Workshop on Policies and negotiations concerning Transnational Corporations	Georgetown, Guyana	8 weeks
H. Tillett	Orientation in common CDB/DFC matters	Caribbean Dev. Bank, Bridgetown, Barbados	1 week
1978			
O. Alonzo, Economist	Agro- Industrial Projects	Barbados (Sponsored by EDI and CDB)	10 weeks
F. Tzul	Rice Production	Entro Internacional De Agricultura Tropical,Cali, Columbia, S.A.	4 weeks

Name	Course	Place	Period
C. Rodriguez, Bldg. Inspector V.Bejos Industrial & Housing Officer	Single Family Residential Appraisal	Memphis Univ. Memphis, Tenn. USA	2 weeks
R.A. Fuller, General Manager L.A. Lue Accountant	Seminar for Key Personnel of DFCs	CDB,Bridge-town, Barba-dos, W.I.	3 days
C.A. Mahung, Assistant Manager	Second Annual Caribbean Con-ference on Trade and Investment	Dept.of Com-merce, Dept.of State, Miami Fla., U.S.A.	3 days

B. Training In Belize

1975 - 2 weeks Seminar for Project Officers on Project Appraisals, Loans Administrations including Accounts and Security.

1976 - Seminar for Top Management Personnel sponsored by Establishment Department - attended by DFC personnel.

- 2 weeks course on DFC Organization, purposes and policies, project appraisal and account for Field Supervisors.

- Composite Correspondence Course purchased for use by DFC Officers, Certified Diploma in Accounting and Finance, at Management Level.

1977 - Basic Library Seminar held by National Library Service for 1 week, - attended by Miss J. Tate, Clerk.

- Course in Maize Production at Central Farm. - attended by R. Moody. Field Supervisor for 4 days.

- Middle Management Course, sponsored by Establishment Department - attended by M. Avila, Senior Project Officer, M. Lopez. Administrative Assistant and V. Bejos, Project Officer, Industry and Housing, - 1 week.

1978 - Seminar on Financial & Economic Analysis of Agricultural Projects for DFC personnel (3days) held by CDB.

- Housing and Urban Development at University Center- C. Rodriguez, V. Bejos attended.

- Course in Financial Cost Control held by Plunkett Foundation of Cooperative Studies - attended by C. Poot, Senior Project Officer, for 2 weeks.

S I C L O A N S

EXHIBIT C3

BELIZE

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
49,750	Purchase machinery	10 yrs. plus 1½ yr grace period at 10% per annum	Mortgage, Bill of Sale Floating charge.
14,201	Fibre glass boat building	5 yrs. plus 6 mos. grace period at 8% per annum	Mortgage, Bill of Sale
50,280	Build workshop and purchase machinery	10 yrs. plus 1 yr. grace period	Mortgage, Bill of Sale
99,000	Expansion of brewery	5yrs. plus 1 yr. grace period at 8% per annum	Mortgage
12,753	Purchase machinery for establishment of furniture factory	8 yrs. plus 6 mos. grace period at 8% per annum	Bill of Sale, Mortgage
10,000	Building & equipment for automobile shop	5 yrs. plus 6 mos. grace period at 8% per annum	Mortgage, Bill of Sale

Exhibit C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL	
					AMT.	AGE
20.6.73	1.8.73	2.4.74	1.10.76	44,749.94	414.59	1 mo
	1.8.73	16.1.74	26.6.77	14,201.22	3,645.56	16 mo
7.8.73	14.8.73	7.11.73	30.11.76	43,287.93	-	-
20.6.73	1.8.73	3.10.73	12.11.75	83,765.78	-	-
19.7.73	24.7.73	19.3.76	7.1.77	12,752.88	1,992.75	15 mo
	25.9.73	17.2.75	31.5.76	8,111.07	1,183.71	8 mo

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME & ADDRESS OF FOR[illegible]
199.94	1mo	25,019.03	-	National	Operating well	1. Russel F. Norris Belize City
763.9[illegible]	9mo	6,461.25	-	National & Regional		2. Denys Bradley Belize City
-	-	14,491.83	-	National	Operating very satisfactorily	3. Hector Thompson Belize City
-	-	60,754.52	-	National	Operating very well	4. Matus Brothers Belize City
1,227.9[illegible]	14mo	12,753.00	-	National	Delay in getting equipment. Late start production	5. Robert [illegible] Stann Creek District
30.56	1mo	3,899.40	-	National	Loan recalled. Sufficient volume of work. Likely surplus recycled	6. Adolfo Oliva Corozal Town

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TERMS
21,000	Relocation & expansion of broom factory	8 yrs. plus 1 yr. grace period at 8% per annum	Mortgage, Bill of Sale
24,600	Expansion of present tourist facilities	7 yrs. plus 6 mos. grace period at 8% per annum	Second Mortgage, Upstamping by $2,000.00
26,000	Expansion of guest house	6 yrs. plus 6 mos. grace period at 8% per annum	Mortgage
17,800	Renovation & expansion of guest house	6 yrs. plus 6 mos. grace period at 8% per annum	Mortgage
36,600	Expansion guest house	6 yrs. plus 6 mos. grace period at 8% per annum	Mortgage, Deed of further charge
16,000	Expansion guest house	5 yrs. plus 6 mos. grace at 8% per annum	Mortgage, Deed of further charge

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL	
					AMT.	AGE
	25.9.73	14.1.74	24.1.75	18,212.65	6,562.50	3yr 3mo
7.7.73	24.7.73	5.9.73	28.11.73	24,600.00	-	-
7.7.73	24.7.73	19.9.73	16.10.74	26,000.00	-	-
3.7.73	25.9.73	3.10.73	16.10.74	17,800.00	-	-
3.7.73	24.7.73	5.9.73	16.10.74	36,600.00	Prepaid	-
3.7.73	24.7.73	12.9.73	16.10.74	16,000.00	-	-

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME & ADDRESS OF BORROWER
5,295.22	1yr 9mo	15,004.20	-	National	Borrower continues to produce but does not make payments. Loan recalled.	7. Vilio Marin Corozal Town
-	-	-	-	National, Regional & extra-regional	Loan repaid.	8. Patrick Longsworth Corozal Town
67.78	1mo	-	-	National, Regional & extra-regional	Operating satisfactorily	9. Felipe Paz San Pedro
-	-	-	-	National, Regional & extra-regional	Loan repaid.	10. Allan Forman San Pedro
312.50	2mo	-	-	National, Regional & extra-regional	Under foreclosure. Operating satisfactorily but not paying	11. Gilberto Gomez San Pedro
-	-	-	-	National, Regional & extra-regional	Loan repaid.	12. Seferino Paz San Pedro

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
12,500	Expansion guest house	5 yrs plus 6 mos grace at 8% per annum	Mortgage, Further charge by $2,500. Upstamping by $1,900
37,600	Expansion guest house	6 yrs plus 11 mos grace at 8% per annum	Mortgage
10,200	Expansion guest house	4 yrs plus 6 mos grace at 8% per annum	Mortgage
49,900	Expansion guest house	6 yrs plus 6 mos grace at 8% per annum	Mortgage
29,000	Tourism/recreational facility	6 yrs plus 6 mos grace at 8% per annum	Mortgage
20,000	Establishment of a garage shop	6yrs plus 9 mos grace at 8% per annum	Mortgage, Bill of Sale

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
3.7.73	24.7.73	12.9.73	16.10.74	12,500.00	-	-
3.7.73	24.7.73	3.10.73	16.10.74	29,800.00	4,747.47	9 mo
7.7.73	24.7.73	27.2.74	16.10.74	10,200.00	Prepaid	-
7.7.73	24.7.73	29.8.73	17.4.74	49,900.00	-	-
22.11.73	30.11.73	10.7.74	4.11.75	25,900.00	6,775.02	1yr 6mo
	30.11.73	30.8.74	10.2.75	20,000.00	11,107.43	3yr 4mo

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
-	-	-	-	National, Regional & extra-regional	Loan repaid.	13. Florentino Gonzalez San Pedro
358.98	1mo	-	-	National, Regional & extra-regional	Short comings. Serves meals. Successful fisherman	14. Thomas Paz San Pedro
93.57	7mo	-	-	National, Regional & extra-regional	Operating satisfactorily also successful fisherman	15. Samuel Gonzalez San Pedro
123.86	1mo	-	-	Nationa, Regional & extra-regional	Operating very satisfactorily. Last payment December, 1978.	16. Celi Grief (San Pedro Holiday Hotel) San Pedro, Ambergris, Caye
589.10	2mo	-	-	National	Poor supervision and not enough promotion	17. James Bradley Orange Walk
167.47	2mo	-	-	National	Never got off ground. Funds misallocated	18. Alfred Humes Belize City

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
20,000	Expansion guest house	7 yrs plus 6 mos grace at 8% per annum	Mortgage. Upstamping of mortgage
36,000	Expansion guest house	6 yrs plus 6 mos grace at 8% per annum	Mortgage
85,000	Motel project	10 yrs plus 1 yr grace at 8% per annum	Mortgage. Individual third party guarantee. Floating charge. Bill of Sale.
40,118	Modern bakery	6 yrs plus 3 mos grace at 8% per annum	Mortgage. Bill of Sale. Upstamping of mortgage.
99,000	Construction hotel	12 yrs plus 2 yr grace at 8% per annum	Mortgage. Upstamping by $16,000
6,000	Construction garage.	6 yrs plus 6 mos grace at 8% per annum	Mortgage

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
7.73	24.7.73	27.3.74	12.11.75	22,000.00	785.72	3mo
7.7.73	24.7.73	6.9.74	13.11.74	36,000.00	-	-
25.8.73	29.1.74	15.5.74	4.2.76	84,425.00	2,361.11	3mo
7.12.73	12.3.74	28.11.74	31.7.75	42,055.24	3,504.60	6mo
	12.3.74	31.12.74	21.1.76	113,850.00	17,077.50	18mo
	15.7.74	13.8.74	19.12.74	4,798.63	-	-

EXHIBIT C3 - cont.

ARREARS/DEL-LINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
362.95	4mo	-	-	National	Operating very satisfactorily	19. Lucas Hoare Corozal Town
-	-	-	-	National, Regional & extra-regional	Loan repaid	20. Wilfredo Nunez San Pedro Ambergris Caye
,001.64	2mo	-	-	National, Regional & extra-regional	Now operating satisfactorily. Has streamlined management and better marketing prdduct	21. New Deal Co. (Rio Haul) Belize City
,011.62	-	35,030.70	-	National	Operating satisfactorily	22. Eduardo Torres San Ignacio, Cayo
4,481.84	21mo	29,740.94	-	National, Regional & extra-regional	Project incomplete and under recovery measures	23. Miguel Valencia Belize City
-	-	2,796.63	-	National	Loan repaid	24. George Dawson No. 1 Double Street Santa Elena, Cayo

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
4,300	Tourism facilities	4 yrs plus 6 mos grace at 8% per annum	Mortgage
4,500	Tourism facilities	4 yrs plus 6 mos grace at 8% per annum	Mortgage
3,700	Tourism facilities	4 yrs plus 6 mos grace at 8% per annum	Mortgage
33,500	Refrigeration & air conditioning facilities	9 yrs inclusive of 1 yr grace	Mortgage. Upstamping by $13,500.
6,000	Tourism facilities	4 yrs inclusive of 6 mos grace @8% per annum	Mortgage
4,500	Purchase skiff & motor	4 yrs plus 6 mos grace at 8% per annum	Mortgage.

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
4.4.74	22.7.74	21.8.74	19.2.75	4,300.00	-	-
4.4.74	22.7.74	21.8.74	19.2.75	4,500.00	-	-
4.4.74	22.7.74	18.12.74	26.2.75	3,200.00	-	-
17.6.74	22.7.74	25.9.74	18.6.75	33,500.00	5,336.94	17mo
	29.7.74	31.7.74	11.12.74	5,000.00	-	-
28.8.74	30.9.74	6.11.74	28.5.75	3,748.54	31.50	-

EXHIBIT C3 - cont.

ARREARS/DEL-LINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS
-	-	-	-	National, Regional & extra-regional	Loan repaid
-	-	-	-	National, Regional & extra-regional	Loan repaid
-	-	1,500.00	-	National	Loan repaid
346.92	2mo	-	-	National	Not enough promotion Unsatisfactory.
-	-	-	-	National, Regional & extra-regional	Repaid
.60	-	1,748.54	-	National	Operating satisfactorily

NAME AND ADDRESS OF BORROWER

25. Edwardo Alamilla
San Pedro, Ambergris, Caye

26. Juan Alamilla Jr.,
San Pedro, Ambergris, Caye

27. Gonzalo Valdez
San Pedro, Ambergris, Caye

28. Neville Gillett
Belize City

29. Wilfredo [illegible]
San Pedro, Ambergris, Caye

30. Avelardo [illegible]
San Pedro, Ambergris, [illegible]

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
7,500	Furniture	7 yrs w/one yr grace at 8% per annum	Mortgage. Bill of Sale Upstamping for $1,500 and $1,311.50
45,500	Garment factory	6 yrs with 1 yr grace at 8% per annum	Mortgage. Bill of Sale. Upstamping by $16,500. Floating charge.
20,000	Bakery expansion	6 yrs with 1 yr grace at 8% per annum	Mortgage. Bill of Sale
24,000	Dockyard facilities	7 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale
7,941	Purchase cement mixer	4 yrs with 6 mos grace at 8% per annum	Bill of Sale. Transfer of Lease.
12,500	Photography	5 yrs with 1 yr grace at 8% per annum	Mortgage. Upstamping by $6,000.

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
	18.11.74	12.12.74	13.7.76	8,764.74	645.94	7mo
	18.11.74	5.5.75	31.12.75	45,614.24	14,379.50	2yr 4mo
	25.11.71	30.7.75	17.6.76	20,000.00	Prepaid	-
	25.11.74	19.3.75	11.9.75	20,120.00	7,529.85	2yr 3mo
4.10.74	25.11.74	20.12.74	21.5.75	7,940.72	-	-
25.11.74	9.12.74	18.6.75	16.11.76	11,000.00	625.02	3mo

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
86.11	2mo	1,285.45	-	National	Strong competition Spare parts replacement problem	31. Mr. Bernardo Mat[illegible] Benque Viejo Cayo District
[illegible],585.76	1yr10mo	25,634.00	-	National, Regional &extra regional	Problem with working capital and marketing Getting technical assistance. Also under foreclosure.	32. Michael Heusner Belize City
-	-	-	-	National	Operating very satisfactorily	33. Zebedee Pitterson Belize City
785.44	3mo	-	-	National	Loan recalled. Insufficient attention to dockyard & lack of skilled labor. Poor management	34. Rudolph Davis 2 Dolphin Street Belize City
-	-	7,941.00	-	National	Loan repaid	35. Sidney Flowers 4 Johnson Street Belize City
-	-	11,000.00	-	National	Not enough promotion	36. Gregorio Nove[illegible] Orange Walk To[illegible]

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
8,900	Barbering service	5 yr plus 1 yr grace at 8% per annum	Mortgage (Second)
4,000	Expansion garage facilities	4 yrs with 6 mos grace at 8% per annum	Mortgage (Second)
7,825	Tourism facilities	5 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale. Upstamping for $325.00
24,800	Laundry project	5 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale.
9,000	Furniture shop	3½ yrs plus 1 yr grace at 8% per annum	Mortgage. Bill of Sale
23,000	Hotel	8 yrs with 1 yr grace at 8% per annum	Mortgage

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL	
					AMT.	AGE
30.9.75	6.10.75	29.10.75	8.1.76	8,900.00	160.85	1mo
14.2.75	28.2.75	24.3.75	30.9.77	4,000.00	1,722.13	21mo
19.11.74	27.5.75	29.9.75	5.11.75	7,825.00	4,036.50	30mo
17.1.75	7.4.75	28.2.76	28.2.76	25,728.51	Prepaid	-
	14.7.75	8.10.75	7.1.76	9,000.00	4,354.89	21mo
	22.7.75	27.8.75	27.11.75	23,000.00	1,506.34	2mo

TABLE C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
-	-	-	-	National	Operating satisfactorily	37. Rodwell Pyne Belize City
174.67	9mo	-	-	National	Under foreclosure. Volume of work exist but hard to make payment	38. Alpheus Bevans Belize City
[illegible],339.81	2yr	3,325.00	-	Nationa, Regional &extra-regional	Mismanaged - recalled	39. Jose Verde Sarteneja, Corozal
138.54	2mo	25,728.51	-	National	Now operating satisfactorily	40. Brenda Castillo Belize City
549.45	10mo	2,000.00	-	National	Built up considerable stock and hence default in payments	41. William Young Belize City
497.56	2mo	-	-	National and Regional	Operating satisfactorily	42. Leocadio Nicholas, Bargos Orange Walk Town

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
65,521	Printing machinery & equipment	8 yrs with 1 yr grace at 8% per annum	Mortgage. Bill of Sale Mortgage.
5,000	Muffler manuf. enterprise	5 yrs at 8% per annum 6 mos grace	Bill of Sale. Power of Attorney
3,000	Tourism facility	3 yrs plus 3 mos grace at 8% per annum	Equitable charge with transfer and power of attorney
10,570.79	Biscuit & cookie manuf. project	5 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale
3,737	Welding operation	4 yrs plus 6 mos grace at 8% per annum	Bill of Sale on existing equip. Bill of Sale on equip. to be purchased Second Mortgage.
6,000	Expansion tortilla operation	4 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
15.11.73	5.12.73	17.5.76	28.7.76	59,747.48	25,661.58	1yr 6mo
20.10.75	9.4.76	7.4.77	7.4.77	500.00	106.77	14mo
5.3.76	21.5.76	19.7.77	19.7.77	3,000.00	182.71	2mo
7.10.75	21.5.76	4.6.76	30.11.76	10,635.12	3,490.29	19mo
8.9.75	2..276	30.4.76	30.4.76	3,655.64	-	-
24.6.76	12.8.76	9.11.76	9.11.76	6,000.00	302.07	3mo

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
7,582.19	1yr3mo	59,747.48	-	National	Production capacity not matched. Lack of working capital. Excessive overhead expenditure. Under recovery	43. Belize Printing Co. Belize City
31.68	10mo	-	-	National	Not functioning. Equipment sold out. Requested to pay off loan	44. Ramon Ramirez Corozal Town
15.79	1mo	3,000.00	-	National	Operating satisfactorily	45. Ramon Nunez Belize City
677.92	9mo	7,780.33	-	National	Continues to make money, but not making proper re-payment. Loan recalled	46. Alvin August Cayo District
-	-	3,655.00	-	National	Operating satisfactorily	47. Eric Phillips Belmopan Cayo District
112.27	2mo	6,000.00	-	National	Operating satisfactorily but fell back on payments	48. Estevan Correa San Roman Corozal District

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
3,000	Garage project	3 yrs plus 6 mos grace at 8% per annum	Second Mortgage
10,000	Block making business	5 yrs plus 6 mos grace at 8% per annum	Bill of Sale. Mortgage
33,000	Furniture Business	6 yrs plus 1 yr grace at 8% per annum	Mortgage.
3,000	Furniture business	4 yrs plus 6 mos grace at 8% per annum	Bill of Sale
40,000	Public transportation	6 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale. Security value $57,500.
20,000	Garage project	8yrs plus 1 yr grace at 8% per annum	Mortgage. Bill of Sale Security value $35,000

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
7.10.75	19.12.75	4.2.76	4.2.76	3,000.00	468.98	6mo
22.6.76	29.9.76	19.1.77	18.5.77	10,000.00	1,000.07	6mo
9.9.76	9.11.76	12.1.77	12.1.77	8,000.00	-	-
7.10.76	9.11.76	-	-	-	-	-
21.10.76	9.11.76	-	-	-	-	-
27.5.76	9.11.76	-	-	-	-	-

EXHIBIT C1 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
9.01	1mo		-	National	In arrears. Spare parts and low level of business	49. Arthur F. Brown Belize City
389.71	6mo	4,700.00	-	National	Enough demand and capacity but labour problem	50. Harold Bernard [illegible] Burrel Boom Belize District
-	-	-	-	National	Disbursement procedure considered cumbersome and went ahead on own	51. Rudolph Anderson Belize City
-	-	-	-	National	Loan not taken up	52. Gilbert Stephen Belize City
-	-	-	-	National	Loan not taken up	53. Adrian Ramclam Toledo
-	-	-	-	National	Loan not taken up	54. Alvaro Burgos Belize City

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
10,000	Establishment of servicentre	5 yrs plus 6 mos grace at 8% per annum	Mortgage. Floating charge
9,600	Chips production	4 yrs plus 6 mos grace at 8% per annum	Second Mortgage. Bill of Sale. Total security value $14,765
11,000	Bakery project	5 yrs plus 6 mos grace	Mortgage. Bill of Sale
15,000	Art publishing enterprise	4 yr plus 6 mos grace at 8% per annum	Second mortgage.
22,600	Corn processing project	5 yrs plus 6 mos grace at 8% per annum	Mortgage
30,000	Concrete block making	10 yrs with interest at 8% per annum	Bill of Sale. Mortgage

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSE-MENTS TO DATE	ARREARS/DEL-LINQUENCIES PRINCIPAL	
					AMT.	AGE
24.9.76	8.12.76	21.3.77	28.4.77	10,000.00	2,000.04	1yr
17.7.76	8.12.76	-	-	-	-	-
6.1.77	16.2.77	14.5.77	14.5.77	11,000.00	-	-
6.1.77	16.3.77	15.5.77	16.12.77	13,000.00	-	-
14.4.77	7.6.77	13.7.77	15.5.78	20,200.00	776.77	2mo
19.8.77	25.11.77	25.7.78	25.7.78	30,000.00	-	-

EXHIBIT C3 - cont.

NAME AND ADDRESS OF BORROWER	ARREARS/DELINQUENCIES INTEREST AMT.	ARREARS/DELINQUENCIES INTEREST AGE.	FOREIGN EXCHANGE USED CAPITAL	FOREIGN EXCHANGE USED OPERATION	MARKET PROFILE	REMARKS
55. Belize Taxi Drivers Coop. Belize City	1,161.67	1yr6mo	-	-	National	Being implemented. Awaiting Texaco contribution Expect complete implementation in June, 1979
56. Lindsay Perera Belize City	-	-	-	-	National	Loan not taken up
57. Robert Zaldivar Belize City	-	-	-	-	National	Operating satisfactorily
58. Juan Duran Benet Benque Viejo Del Carmen		-	5,000.00	-	National, Regional	Operating satisfactorily
59. Gualberto Nunez San Pedro, Ambergis's Caye	-	-	-	-	National	Operating satisfactorily
60. Hector Thompson Belize City	-	-	30,000.00	-	National	Operating satisfactorily

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
24,000	Bakery project	5 yrs. plus 1 yr grace at 8% per annum	Mortgage. Bill of Sale
15,000	Automobile service enterprise	8yrs plus 1 yr grace at 8% per annum	Bill of Sale. Mortgage(1st Mortgage (2nd)
6,000	Establishment of meat market	4 yrs plus 6 mos grace at 8% per annum	Mortgage
5,000	Improvement air conditioning & refrigeration	5 yrs plus 6 mos grace at 8% per annum	Mortgage. Bill of Sale
5,225	Purchase generator	5 yrs plus 3 mos grace at 8% per annum	
15,500	Garage project	6½ yrs plus 9 mo grace at 8% per annum	Mortgage. Bill of Sale

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSE-MENTS TO DATE	ARREARS/DEL-LINQUENCIES PRINCIPAL AMT.	AGE
22.9.77	25.11.77	-	-	-	-	-
28.2.77	25.11.77	16.2.78	29.6.78	9,000.00	-	-
7.7.77	25.11.77	-	-	-	-	-
13.10.77	19.12.77	-	-	-	-	-
28.11.77	19.12.77	10.2.78	2.6.78	5,133.25	45.74	1mo
18.11.77	1.2.78	2.3.78	4.9.78	13,199.00	-	-

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
-	-	-	-	National	Loan not taken up. Deceased.	61. Raul Espat San Ignacio, Cayo
122.30	2mo	-	-	National	Operating very satisfactorily	62. Godwin A. Hulse Belmopan
-	-	-	-	National	Loan repaid. Disbursed under FIC source.	63. Oliver Craig Sr. Belize City
-	-	-	-	National	Loan not taken up	64. Clive Rivers Belize City
-	-	2,500.00	-	National	Operating satisfactorily	65. Eric Phillips Belmopan
451.70	6mo	2,450.00	-	National	Being implemented. Has problems with equipment and working capital	66. Ismael Shabazz Belize City

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
31,000	Auto repairs	6 yrs plus 9 mos grace at 8% per annum	Mortgage, Bill of Sale
33,000	Purchase front-end loader	5 yrs inclusive of 6 mos grace	Mortgage, Bill of Sale
3,000	Purchase equipment motor vehicle body work	4 yrs plus 3 mos grace at 8% per annum	Mortgage, Bill of Sale
8,400	Additional loan further improvement art publishing enterprise	5 yrs plus 6 mos grace	Second mortgage
3,450	Expansion present photography service	4 yrs, plus 4 mo grace	Bill of Sale
11,000	Guest house expansion	8 yrs inclusive of 6 mos grace at 8% per annum	Mortgage

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL	
					AMT.	AGE
29.9.77	1.2.78	-	-	-	-	-
28.10.77	1.2.78	14.7.78	14.7.78	33,000.00	-	-
16.9.77	12.4.78	4.7.78	14.8.78	3,068.00	-	-
10.8.78	6.9.78	-	-	-	-	-
15.6.78	6.9.78	-	-	-	-	-
28.11.73	4.5. 4	15.7.74	30.6.76	9,260.50	-	-

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
	-	-	-	National	Being implemented	67. George A. Betson Belize City
224.22	1mo	33,000.00	-	National	Operating satisfactorily	68. Charles & Raymond Garbutt Cayo District
20.85	1mo	3,068.00	-	National	Operating satisfactorily	69. Bobbington Trapp Belmopan
-	-	1,500.00	-	National, Regional	Being implemented	70. Juan Duran Benet Benque Viejo
-	-	-	-	National	Loan not taken up	71. Daniel Silva San Ignacio Cayo District
-	-	-	-	National	Loan repaid	72. Alfred Campbell Belize City

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
3,700	Tourism facilities	4 yrs plus 6 mos grace at 8% per annum	Mortgage
3,700	Tourism facilities	4 yrs plus 6 mos grace at 8% per annum	Upstamping of Allan Foreman's Mortgage
31,500	Bakery	6 yrs plus 1 yr grace at 8% per annum	Mortgage
42,000	Purchase aircraft	5 yrs at 8% interest per annum	Bill of Sale
20,000	Purchase aircraft	5 yrs at 8% int. per annum plus 6 mos grace	Mortgage. Bill of Sale HRCU guarantee
17,000	Manuf. concrete blocks	5 yrs plus 3 mos grace at 8% per annum	Mortgage. Bill of Sale

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL AMT.	AGE
4.4.74	22.7.74	21.8.74	4.12.74	3,278.75	-	-
4.4.74	22.7.74	2.10.74	29.11.74	3,341.82	-	-
24.10.74	9.12.74	17.3.74	17.3.75	4,000.00	-	-
27.4.76	17.5.76	-	-	-	-	-
7.4.76	21.5.76	-	-	-	-	-
5.5.77	7.6.77	-	-	-	-	-

EXHIBIT C1 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE.	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
-	-	1,478.75	-	National	Loan repaid	73. Robert Bradley San Pedro, Ambergris Caye
-	-	1,641.82	-	National	Loan repaid	74. Selvyn Foreman
-	-	-	-	National	Loan repaid	75. Elmer Santana Orange Walk Town
-	-	-	-	National	Loan refused	76. San Pedro Holiday Hotel San Pedro, Ambergris Caye
-	-	-	-	National	Loan refused	77. Charles Usher Belize City
-	-	-	-	National	Loan withdrawn	78. Charleton McKenzie San Ignacio Cayo District

EXHIBIT C3 - cont.

1 LOAN AMOUNT	2 PURPOSE	3 TERMS	4 SECURITY TAKEN
8,000	Bus service	4 yrs plus 2 mos grace at 8% per annum	Mortgage. Bill of Sale

EXHIBIT C3 - cont.

DATE OF APPLICATION	DATE OF APPROVAL	DATE OF 1ST DISBURSEMENT	DATE OF FINAL DISBURSEMENT	TOTAL DISBURSEMENTS TO DATE	ARREARS/DELINQUENCIES PRINCIPAL	
					AMT.	AGE
25.10.77	19.12.77	-	-	-	-	-

EXHIBIT C3 - cont.

ARREARS/DELINQUENCIES INTEREST AMT.	AGE	FOREIGN EXCHANGE USED CAPITAL	OPERATION	MARKET PROFILE	REMARKS	NAME AND ADDRESS OF BORROWER
-	-	-	-	National	Loan withdrawa	79. H. McKoy Cayo District

S I C L O A N S

BELIZE

Total # of Loans	Classifications: Sector	Classifications: Sub-sector	Total Value	Present Arrears: Principal	Present Arrears: Interest	Present Arrears: Prin. & Int.	Value-Loans in Arrears
	Manufacturing	Batteries					
	Manufacturing	Fiberglass					
79	(6) Manufacturing	Furniture	1,662,271.70	134,522.39	47,373.14	181,900.19	778,420
	Manufacturing	Brewery					
	(11) Service	Automobile Repair					
	Manufacturing	Brooms					
	(23) Tourism	Hostelry					
	(2) Tourism	Recreation					
	(7) Manufacturing	Bakery					
	(2) Service	Refrigiration					
	Manufacturing	Garment					
	Service	Dockyard Facilities					
	Construction						
	(2) Service	Photography					
	Service	Barbering					
	Service	Laundry					
	Manufacturing	Printing					
	Manufacturing	Muflers					
	(2) Construction	Welding					
	(2) Construction	Block Making					
	Service	Transportation					
	(2) Manufacturing	Food					
	(2) Manufacturing	Art Publishing					
	Service	Food					
	Construction	Filling					
	Service						

Time Between Application and Approval: Average	Shortest	Longest	Time Between Approval and Final Disbursement: Average	Shortest	Longest
2.9 mos.	5 days	8.9 mos.	14.3 mos.	1.5 mos.	52.8 mos.

Exhibit C 5

DEVELOPMENT FINANCE CORPORATION

STATEMENT OF OPERATIONS
FOR YEAR ENDED DECEMBER 31ST, 1977
(AMOUNTS EXPRESSED IN BELIZE CURRENCY)

	Notes	1977 $	1976 $
OPERATING INCOME:			
Interest on Loans	12	718,236	554,555
Interest on Bank Deposits		113,675	168,271
Income from Investments in Statutory Bodies		143,080	89,929
Interest from Agricultural Credit Funds		3,733	11,352
Government Contribution	13	115,000	71,200
Dividend Income		-	6,500
Other Income		38,763	15,[illegible]
		1,137,487	917,655
OPERATING EXPENSES:			
Salaries	14	264,862	232,304
Provision for Group Life and Pension Scheme	14	36,883	24,564
Interest	12	306,415	270,575
Loan Loss Reserves		83,868	148,376
Other Operating Expenses	14	195,156	184,653
Depreciation		17,611	9,[illegible]
		904,795	840,291
NET INCOME		$ 232,[illegible]	$ 77,364

SIC LOANS REVIEWED

Exhibit C 6

BELIZE

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Proj. Equity	Sub Proj Cap. Cos
Hector Thompson # 1	Equipment	46,500	10,000	56.5	Block-Maker	10 years 1 yr. grace	24.5 for bldg.	12.6 +36.0
Belize Printing Co. # 2	Equipment for Printing	65.5	C+DFC 64.6	130.0	Printer	8 yrs. @ 8% 1 yr. grace	62.2 bldg. machinery vehicle	54.0 75.0 129.0
Dennis Bradly/ Fiber Glass Boats # 3	Fiberglass Boats	14.2	4.025	16.75 18.2	Boat Builder	5 yrs. @ 8% 6 months grace	5.02 bldg. & equipment	18.0
B. Elgar # 4		?	?	?		?	?	?
G. Hulse # 5	Expansion Automobile enterprise	15.0	10.0	25.0	Auto Mechanic	8 yrs. @ 8% 1 yr. grace	32.6	10.0 27.0 37.0
Rudolf Anderson Furniture # 6	Equipment	28.0	5.0	33.0	Cabinet Maker	6 yrs. @ 8% 1 yr. grace	38.8	61.8
Russel Norris Battery Manufact. # 7	Equipment	49.750	51.7	101.5	Battery Mfg.	10 yrs. @ 10% 1 1/2 yrs. grace	41.4	78.0
Miguel Valencia Hotel # 8	Bldg. & equipment	113.8	80.0	193.79	Banking	12 yrs. @ 8% 2 yrs. grace	82.4 59.9 in cash	330.4
Torres Bakery #9	Purchase of equipment &	42.0	1.9	43.9	Banker & Restaurant owner	6 yrs. @ 8% 3 months grace	22.7	57.9
Celi Grief "McCorkle" Guesthouse #10	Equipment & Construction	49.9	0	49.9	Hotel Owner	6 yrs. @ 8% 6 months grace	40.0 bldg. furniture	89.9

S I C L O A N S R E V I E W E D

BELIZE CONT.

Exhibit C 6 cont.

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds of Sub Loan	Sub Proj Equity	Sub Proj Cap, Cost
New Deal Co. Hotel #11	Motel Building	85.0	59.9 (45.0)	144.9 (198.9) as amended	Hotel Owner	10 yrs. @ 8% 1 yr. grace	59.1	153.6
A Campbell Guesthouse #12	Expansion & Construction	11.0	-	11.0	Hotel Owner	8 yrs. @ 8% 6 months grace	35.0	46.0
Sepherino Paz Guesthouse #13	Expansion of Guesthouse	16.0	?	16.0	Hotel Owner	5 yrs. @ 8% 6 months grace	?	?
Neville Gillett Refrigeration Service #14	Equipment	33.5	-	33.5	Refrigeration Technician	9 yrs. inclusive 1 yr. grace	26.0	59.6
Alpheus Bevans Garage #15	Equipment	4.0	-	4.0	Mechanic	4 yrs. @ 8% 6 months Grace	13.4	17.4
Eric Phillip Mobil Welding #16	Equipment	5.2	-	5.2	Welder	5 yrs. @ 8% 6 months grace	21.6 equipment & bldg.	26.8
R. Davis Dockyard Boat-Repairs #17	Purchasing Cradle, shed & equip. 800 for refin.	24.0	800	21.8	Boat Builder	7 yrs. @ 8% 6 months grace	23.0	47.3
Matus Brothers #18	Machinery & equipm. + Bldg.	99.0	400	139.0	Merchant	5 yrs. @ 8% 1 yr. grace	249.0	368.0

D. St. Lucia

DFC Environmental Characteristics

St. Lucia is a self-governing state in association with Great Britain. Its Government is exercised through a parliamentary system. It is anticipating complete independence. Its population of nearly 120,000 inhabits a land area of 238 sqare miles of rugged volcanic hills. Its resources are primarily climate and the sea, with forestry offering some economic possibilities.

Its labor force numbers about 30,000, employed in about 1500 enterprises. Unemployment estimates vary, but are usually upward of 13%. Literacy is estimated at 70%. About 63% of the population over 15 years of age have completed primary school; about 3%, secondary school; and about .5 of 1% have been university trained. Skilled workers make up about 8% of the work force; managerial and administration about 1%.

The education system comprises 73 primary schools with about 24,000 students, and 13 secondary schools educating 11,254 students.

Two general hospitals with 330 beds provide the main medical facilities. These are supplemented by clinics with an additional 58 beds, and a mental hospital with 168 beds. There are also 27 health centers. These are served by 32 doctors.

GDP is estimated at about US$58 million (average per capita GNP is US$435) of which industrial product totals about US$10 million. Exports in 1974, mainly agricultural products, were valued at about US$16 million, while imports totaled about US$38 million. The resource gap was made up by remittances, foreign investment, grants, and borrowings. In 1976, industry employed only about 8% of the workforce. This has risen significantly, but no firm figures are available.

Infrastructure is improving. Electrical capacity, over an island-wide grid, is 14.7 megawatts, priced at about US$0.09 per kwh. Water is abundant, and thirty-one water systems provide a safe and reliable supply of 4.5 million gallons per day, at about US$0.20 per cubic meter.

Two major ports can accommodate up to eight ocean going vessels, with cargo handling facilities of 365,000 tons per annum. Port expansion is planned to accomodate RoRo, and to increase storage capacity. Some 464 miles of all-weather roads link the Island, of which 119 are paved. Two commercial airports serve the Island, one capable of handling all but the largest jets, and the other limited to light commercial aircraft. Plans are being prepared to enlarge the first to accomodate 747 type aircraft. Telex and international telephone service is available. All major urban areas are served by domestic telephone, which will have a capacity to handle about 18,000 connections.

DFC Institutional Characteristics

In pursuance of Government's policy, the National Development Corporation of St. Lucia has recently been established under the authority of a statute of 1971. Its functions are to promote, stimulate, and encourage the development of industry (including hotels) and of land in St. Lucia. It is semi-autonomous and conducts its business on commercial lines. It is prepared to assist investors in the identification of specific industrial opportunities and, in suitable cases, to participate in the project. It assists with the preparation of applications for development incentives. It has funds available for financing small industries, and assists larger enterprises with applications to the Caribbean Development Bank for finance. It is also developing industrial estates, where sites or factory space may be leased on reasonable terms.

It was accepted as a financial intermediary by the CDB for channeling development loan funds to small business and to students. The lending operations are clearly subordinated to other functions, and management appears anxious to divest itself of the lending function.

The loan operations are carried out by a small staff organized as shown in Exhibit D1. The procedures follow generally accepted standards; however, the degree of effort and skill put into the operations is disappointing. The institution is largely passive in project generation. Files are incomplete.

Policies are unstated and no specific courses of action are immediately contemplated. There is an air of uncertainty pervading the staff as they anticipate changes in the structure and operation of the DFC.

The staff is skeletal and its members appear to regard their positions as temporary.

Lending Performance

To date, the institution has made loans valued at about US$983,000, of which, at least US$250,000 is affected by arrears. Complete documentation of loan status was not available. Of some EC$270,000 in 10 outstanding SIC loans, three are in arrears. The loans affected total EC$113,000. See Exibit D2 and D3.

Collection procedures are not established, and collections are further handicapped by the image of the organization as a "welfare state," and by concern that an aggressive collection process would have unfavorable political consequences.

Loan repayments to the CDB are, according to the staff, being met from recycled funds.

No current operating statement or balance sheets are available. Previous information indicating decapitalization appears to be substantiated by the staff.

Examination of Sub-Projects

Four sub-loans were reviewed. These are numbered and shown by characteristics in Exibit D4.

Loan # 1, in the amount of EC$85,000, was utilized to construct and equip a guest house. The loan was approved in January of 1975, prior to a request for a SILO recommendation. During the construction period, material costs reportedly rose by 40% to 60%. The loan, originally approved for EC$75,000, was overdrawn by EC$10,000. The borrower, a caterer by trade, fell into arrears almost immediately after beginning operations in December of 1975. In December of 1977 a full inspection was made, and it was concluded that the project was not feasible. The hotel was misplaced and poorly designed, and could not expect to attract guests. In this case almost all appropriate procedures were ignored.

Loan # 2, in the amount of EC$12,000, was made to equip a batik plant. The borrower, a limited liability company, capitalized at EC$60,000. To avoid "cumbersome" SIC procedures, the loan was made from Trinidad and Tobago funds. Analysis was superficial and failed to deal with marketing and production problems. The project was unsuccessful and the DFC took over the ownership and operation of the firm in 1978, using CIDA and local funds to attempt to revive the company. The firm had negative net worth at the time. Budget projections for 1979 indicate a probable loss of EC$59,000 for that year.

The reasons for the decisions taken by the DFC are not documented. However, as in other cases, it appears that analyses that should have been done prior to lending, were begun only when the project was in trouble.

Loan # 3, in the amount of EC$69,400, was used to build and equip new quarters for an existing bakery. The borrower vacated the new building without consulting the DFC, and payment fell into arrears. An extension of the payment period was granted, along with a waiver of interest payments until September 1977. No financial records are available, but it appears that the bakery is profitable. Payments resumed in January 1978, and are being made on schedule.

The loan appears, in retrospect, to have been purposeless.

Loan # 4, in the amount of EC$26,000, drawn down by EC$22,000, and currently EC$1,930 in arrears, is just starting up. From approval in February 1973 to the date of the latest disbursement, July 1978, the firm was apparently plagued by difficulties in acquiring machinery and raw materials. None of the problems, surprisingly, were anticipated in the appraisal process, nor when encountered did the DFC call on the CDB for assistance.

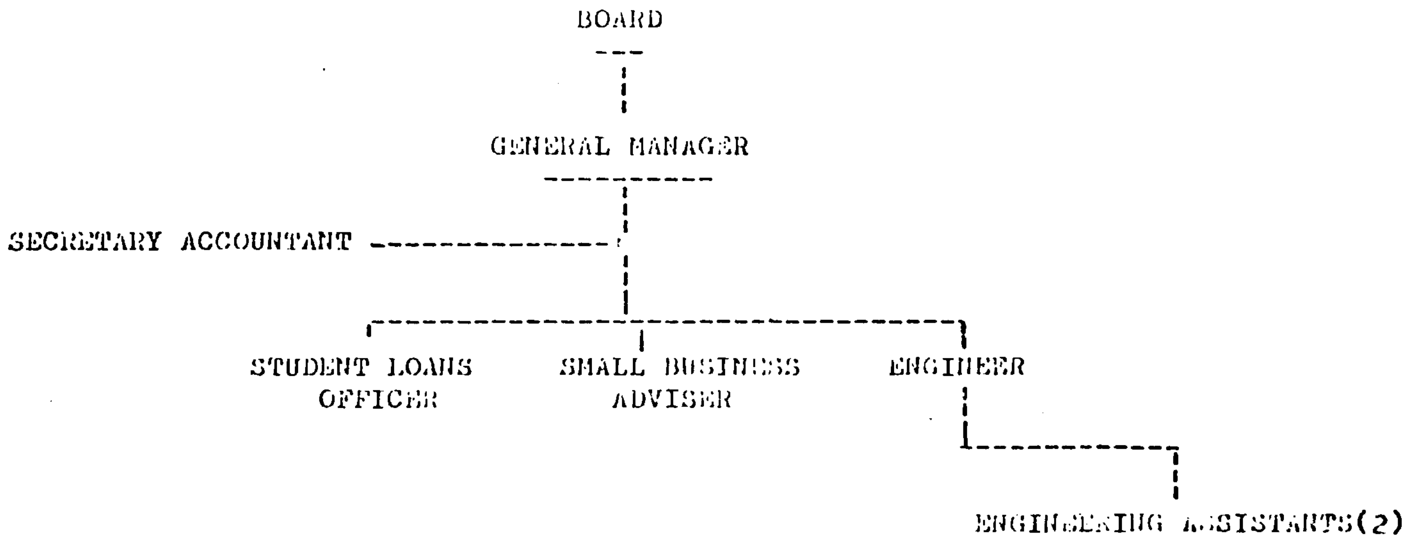
In all the loans reviewed, supervisory reports were sketchy or non-existant. Employment effects were not attained, security was doubtful, and analysis was extremely weak. Of particular importance was the apparent belief of the management that lending procedures were obstacles rather than safeguards. Loan management does not seem to have advanced.

Exibit D 1

ST. LUCIA DFC

THE ORGANIZATION CHART

October 27, 1978



ST. LUCIA

SMALL INDUSTRY CREDIT SUB-LOANS

Exibit D 2

Sub Borrower	Loan Approved NDC	CDB	Interest Rate	Amt. Dis-bursed	Principal Bal. on Loan	Arrears	Date of Applica-tion	Date of 1st Dis-burse-ment	Date of Final Disburse-ment	Purpose	Status
J. James Guest House	10,000.	75,000.	8%	85,000.	85,000.	11,250.	21.5.75	21.5.75	25.3.76	Guest House	Funct.
Cadasse Brothers Est.	29,880.	40,500	8%	69,400	43,660.	9,340	1.2.74	21.2.74	26.9.74	Bakery	Funct.
Ettiene Enterprise		22,000	8%	14,550	14,550.	-	1977	27.5.77	16.1.78	Wrought Iron	Funct.
Central Tyre Serv.		21,000	8%	9,120	9,120	-	1975	13.5.77	31.1.78	Tyre Repair	Funct.
Polins Brothers		26,000	8%	22,000	22,000	-	31.12.76	31.8.77	18.7.78	Jewellery	Funct.
L'H Signs		17,000	8%	17,000	17,000	-	9.9.76	31.5.77	12.6.78	Plastic Sign	Funct.
Exotic Garment		43,000	8%	43,000	43,000	-	23.7.76	27.5.77	9.78	Garments	Funct.
Fricot Associates		21,000	8%	6,000	6,000	-	31.7.77	30.9.77	-	Peanut Butter	Funct.
Daniel's Upholstery		3,000	8%	3,000	2,850	150	16.8.76	24.5.77	18.11.77	Furniture	Funct.
Joseph Charlemagne		11,000	8%	7,650	7,650	-	1975	10.3.76	22.3.77	Furniture	Not Fct.
Wallace Press		75,000	8%	-	-		1977	-	-	Printing	Not Fct.
Agro-Industries Ltd.		16,000	10%	16,000	16,000	-	1978	11.78	-	Processing Local Fruit	Funct.
William Johnson		25,000	8%	-	-		1978	-	-	Bakery	Not Fct.
St. Lucia Garment Factory Ltd.	1,570	8,430	8%	4,070	4,070	-	-	12.9.74	15.10.74	Garment	In receipt
Ernest David	11,500	-	9%	11,500	6,175	1,370	1973	26.4.74	28.4.75	Confectioner	Funct.
St. Lucia Overseas Mkting	17,260	-	9%	17,260	17,260	-	-	7.76	10.76		[illegible]
Design St. Lucia	12,000	-	9%	12,000	12,000	-	-	22.1.76	6.8.76	Paint	[illegible]
Roses Enterprises	8,000	-	9%	8,000	8,000	-	1976	[illegible]	[illegible]	[illegible]	
[illegible] Structures Ltd.	150,000	-		15,000	71,[illegible]	-	-	[illegible]	[illegible]	[illegible]	

S I C L O A N S

Exhibit D 3

ST. LUCIA

Total # of Loans	Classifications Sector	Sub-sector	Total Value	Present Arrears Principal	Interest	Prin. & Int.	Value-Loans in Arrear
	Tourism	Hostelry		-	-		
	(2) Manufacturing	Bakery					
10	Manufacturing	Wrought Iron	$270,000				$118,000
	Service	Tire Repair					
	Manufacturing	Jewelry					
	Manufacturing	Plastic Signs					
	(6) Manufacturing	Garments					
	Manufacturing	Peanut Butter					
	Manufacturing	Furniture					
	Manufacturing	Printing					
	Manufacturing	Processing Local Fruit					
	Manufacturing	Confectionery					
	Manufacturing	Batik					
	Manufacturing	Steel Works					

Time Between Application and Approval: Average	Shortest	Longest	Time Between Approval and Final Disbursement: Average	Shortest	Longest
	see note #1		15 mos.	5 mos.	21 mos.

Note # 1: 2 firms show approval date as anterior to application date for the rest there is insufficient data

S I C LOANS REVIEWED

Exibit D 4

ST. LUCIA

Sub Borrower Name	Purpose	Sub Loan Funds			Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Project Equity	Sub Project Capital Cost
		CDB	Local	Total				
Mrs.W.James Guest House	Small locally owned facility	75,000	2,000	75,000	Caterer in England	84,956 @ 8% 15 yrs.	22,000	89,130
Design St.Lucia Batik Printing	Equipment	16,000	T+T	12,000	Batik Maker	3 year @ 9% 1 year grace	?	19,000
Cadasse Brothers Bakery	Building	40,500	29,800	69,400	Baker	10 yrs @ 8% 1 yr. grace	61,000	121,0[illegible]0
Polins Brothers	Jewlery making Workshop + Factory	19,203	-	19,203	Merchant	6 year @ 8% 1 year grace	4,500	8,700

E. Monserrat

DFC Environmental Characteristics

Monserrat, a volcanic mountainous island of 39 square miles, with slightly more than 12,000 inhabitants, is a British Crown Colony. Its government is parliamentary in form, with executive authority vested in an executive council.

In the elections of November 1978, the incumbent Peoples Democratic Party was replaced by the Peoples Liberation Movement. The next elections are scheduled for 1983. The major problem facing the new government appears to be unemployment, which is estimated at nearly 30%.

The island's work force of nearly 4000, employed in about 150 enterprises, has an 85% literacy rate. Approximately 76% have completed primary school; 4% have completed secondary school; and about 1.5% have had university training. More than 9% of the workforce possess technical skills, and slightly more than 1% are classified as administrative personnel or managers.

The school system of the island consists of 16 primary schools, one secondary, and one technical school. Health care is provided at one hospital, with 67 beds and seven doctors.

The latest estimate for GDP was US$7.8 million (average per capita GDP = US$641) in 1976, of which industrial product (includes construction) was US$1.7 million and employed about 200 persons.

The island imports about US$1.6 million in foodstuffs and about US$2.0 million in manufactured products. Its exports are little more than US$0.1 million. Tourism, remittances, and grants, reduce the current account imbalance.

The government is actively promoting industrial activity, and is itself involved in the creation of new industrial plants. 32,000 square feet of industrial estate space have been completed, of which about 1500 square feet are occupied by an electronics firm and a government owned knitting and spinning operation. An additional 20,000 square feet are under construction.

There is, however, no evidence that the government's efforts are carefully planned and responsive to an overall strategy.

DFC Institutional Characteristics

The Montserrat Development Finance and Marketing Corporation was established by ordinance in 1971. Its principal objectives are to facilitate and promote the development of agriculture and small industrial enterprises, and to mobilize resources, financial, techical, and otherwise, outside and within Montserrat, for such purposes.

The principal functions of the Corporation are:

(a) to make loans and advances in accordance with the provision of the Ordinance;

(b) to secure the most advantageous arrangments for the purchase, handling, processing, transportation, storage, and marketing of produce, whether in or out of Montserrat.

(c) to provide assistance, financial and otherwise, in accordance with the provisions of the Ordinance, to persons engaged in industrial and agricultural enterprises.

(d) to procure supplies of materials for industrial and agricultural enterprises on Montserrat.

The corporation is undergoing internal changes, and no formalized organizational structure was in effect at the time of visit. A British Advisor was in the process of making organizational recommendations.

It was clear, however, that the "DFC" function was subordinated to the other responsibilities of the Corporation. Apparently only the manager of the Corporation is deeply involved in the lending function.

The Corporation is in the process of re-examining its role, and the manager expressed an interest in restructuring the operations of the Corporation. It was recognized that the lending function of the Corporation was not able to meet its own administrative costs, and the management indicated a willingness to explore all viable alternatives, including merger with the St. Kitts DFC.

Only one member of the staff, the manager, is involved in credit operations. He holds an accounting degree, with subsequent accounting experience in several government organizations, and as a board member of several agricultural and industrial authorities. He is unable to devote much time to lending operations.

The DFMC is not capitalized. It uses an EC$134,000 interest free loan as a revolving fund for local lending. The proceeds of this loan, and special grants, insurance claims, and miscellaneous income, are subsumed under one fund. The Government does not provide a subvention but guarantees all borrowings of the Corporation, and supports their guarantees with a levy on the sale of spirits.

The bulk of the Corporation's income is derived from the sale of chickens and other foodstuffs, on which it has a monopoly.

Lending Performance

Of nine SIC loans made, all are in arrears. (See Exhibits E1 and E2). Loans in other categories, viz, FIC, M&S, and others made from commercially funded sources are in arrears equally or nearly so. No provision has been made for non-recovery of these loans. Debt accounts, however, are not up to date, and appear to be somewhat disorganized.

Lending policies seem avowedly to be based on the assumption that sub-loans will not be fully paid. The lending process is "pro forma" similar to that practiced in all the Caribbean DFCs, but no criteria for loan approvals seem to be operative. The appraisal process did not appear to be rigorous as reflected in the records, which themselves were imcomplete. Security appears seldom to be taken properly or at all. Major burdens for appraisal seem to be placed on the SILO. No implementation follow-up appears to be taken in most cases. Except for SILO participation, the lending procedures did not seem organized, nor was responsibility clearly allocated.

Collection procedures are non-existent, and no specific plans were in evidence for initiating such.

The only financial statement available covered the year ending June 1977. (See Exhibit E3). This treated expenditures on sub-lending only in terms of money costs. No provision for bad debts or administration was included. Thus the information was relatively useless in determining the position of lending operations as a cost center.

Examination of Sub-Projects:

Four sub-loans were examined in detail. Their characteristics are shown in both Exhibit E1 and Exhibit E4.

Loan #1, in the amount of EC$14,000, was for equipment and materials for a plastic products operation. The loan files show correspondence related to application, but no loan agreement, no security, and very little follow-up data. Although the loan was made to a firm, there is no indication of the firm's legal status.

No market analysis was carried out, and the loan officer relied on the hopeful guesses of the borrower.

The board initially reduced the amount of the loan below the level recommended by the SILO and, later, the SILO recommended expansion of the plant size. The plant ceased operations in December of 1976, and the DFMC has offered the equipment for sale.

Loan #2, in the amount of EC$15,000, was intended for the purchase of equipment for a woodworking operation. The borrower, a carpenter with two employees, predicated his application on the assumption that he would take over the entire furniture market supplied previously by imports. The SILO apparently accepted that predication. However, in the interest of economy, the loan amount was reduced, thus eliminating essential items. The full amount was later restored. The loan went into arrears in February 1977 and has remained so.

Loan #3, in the amount of US$164,000, was used to construct and equip a leather tannery. The borrower, in reality the Government of Montserrat, began the project as an experiment, with U.N. assistance. It was decided to enlarge the experimental unit to a commercial tannery. Unfortunately, the purchase of additional equipment was not matched by an appropriate expansion of plant size. A new U.N. advisor has been assigned to the plant. Despite additional technical advice available to the project, it will be weak in three respects: no markets have been established; no production costing is available; and no source of hides is presently assured. It is clear that full operations are about a year away, if all goes well.

Loan#4, in the amount of EC$23,000, was used for the purchase of woodworking equipment. The purchases made were not according to specifications. No market appraisal was done. The loan fell into arrears in September of 1977, and has continued so. Oddly enough, although the loan approval was made in June of 1975, the only application data pertain to an EC$3,000 increase for electrical hookups, in May of 1976.

None of the above loans appear to be successful, and only the leather operation appears salvagable. New employment targets of 25 positions were predicted; actual achieved are 3.

S I C LOANS

MONTSERRAT

EXHIBIT E1

Name	Amount of Loan EC $	Purpose	Terms	Security taken	Date of Application	Date of App	Date of 1st Disb.	Date of Final Disb.	Total Disbursement	Arrears	Age	Foreign Exchange
Montserrat Plastics Ltd.	8,000	Plastics Industry	8% 7 1/2yrs. Grace: 6 mos.	Bill of Sale	9.73	10.73	7.74	7.74	7,879.95	1,773	2yrs.	US $
Osmond West	15,000	Woodwork	8% 7 1/2yrs Grace: 1 yr.	Bill of Sale	10.73	12.73	3.74	3.75	13,771.56	4,814	2 1/2 yrs	US $
[illegible].N. Daley	20,000	Printing	8% 8 yrs. 1 yr.Gr.	Land & Insurance	8.73	12.73	2.74	12.74	18,890.32	1,678	3/4 yr	US $
William Allen	23,000	Woodwork	8% 11 yrs 1 yr.Gr.	Bill of Sale	4.75	4.75	5.75	7.76	22.570.43	5,075	2 1/2 yrs.	US $
Juan Morson	6,000	Metal Works	8% 7 yrs 6 mos.Gr	Bill of Sale & Mortgage	4.75	4.75	6.75	6.76	5,117.41	2,016	2 1/4 yrs.	US $
Randall Sweeney	7,868	Woodwork	8% 8 yrs. 6 mos.Gr.	Bill of Sale	4.75	5.75	5.75	12.75	7,867.86	398	1/2 yr	US $
Emerald Distillery	3,500	Distillery of Bay rum	8% 5 1/2yrs. 6 mos.Gr.	Guarantied by D.C.Fenton	9.75	9.75	9.75	10.76	3.318.24	251	1/2 yr	US $
Joseph Fenton	6,000	Upholstery	8% 5 yrs. 6 mos.Gr.	Bill of Sale	8.76	8.76	11.76	8.77	5.65[illegible].98	1,900	1 3/4 yrs.	US $
Emerald Isle Leather Works	164,000	Tannery	6% 8 yrs. 1 yr. Gr				5.77	ongoing	ongoing	Nil		US $

S I C   L O A N S

EXHIBIT E2

MONTSERRAT

Total # of Loans	Classifications: Sector	Classifications: Sub-sector	Total Value	Present Arrears: Principal	Present Arrears: Interest	Present Arrears: Prin. & Interest	Value-Loans in Arrears
9	Manufacturing	Plastics	$253,367			$ 17,904	$ 89,367
	(3) Manufacturing	Woodwork					
	Manufacturing	Printing					
	Manufacturing	Metal Works					
	Manufacturing	Distillery					
	Manufacturing	Upholstery					
	Manufacturing	Tannery					

Time Between Application and Approval: Average	Shortest	Longest	Time Between Approval and Final Disbursement: Average	Shortest	Longest
2.1 mos.	1 month	5 mos.	12.2 mos.	8 mos.	16 mos.

EXHIBIT E2

S I C   L O A N S

MONTSERRAT

Total # of Loans	Classifications: Sector	Classifications: Sub-sector	Total Value	Present Arrears: Principal	Present Arrears: Interest	Present Arrears: Prin. & Interest	Value-Loans in Arrears
9	Manufacturing	Plastics	$253,367			$ 17,904	$ 89,367
	(3) Manufacturing	Woodwork					
	Manufacturing	Printing					
	Manufacturing	Metal Works					
	Manufacturing	Distillery					
	Manufacturing	Upholstery					
	Manufacturing	Tannery					

Time Between Application and Approval: Average	Shortest	Longest	Time Between Approval and Final Disbursement: Average	Shortest	Longest
2.1 mos.	1 month	5 mos.	12.2 mos.	8 mos.	16 mos.

EXHIBIT 21

MONTSERRAT DEVELOPMENT FINANCE AND MARKETING CORPORATION

Credit fund balance sheet at 30th June 1977

30th June 1976

EC$				
	Sub-loans (Note 1)	**Not yet due**	**Arrears**	**Total**
		EC$	EC$	EC$
73,182	S.I.C.	83,109	11,105	94,214
152,002	F.I.C.	111,430	44,318	156,248
100,881	M & S	17,661	78,217	95,878
-	Barclays	2,900	32,013	34,913
1,151	Cotton	—	4,183	4,183
327,216		215,100	170,336	385,436
15,000	**Investment**			
	Current Assets			
-	Cash at Bank		277,833	
12,893	Interest receivable		16,903	
809	Other receivables		19,704	
13,702			314,440	
	Less: Current liabilities			
2,680	Interest payable		3,643	
—	Creditors		5,269	
2,680			8,912	
11,022				305,528
$351,238				$690,964
	Represented by:-			
151,333	Advance from General Fund			102,932
(71,891)	Int. divisional accounts			14,342
	Revolving fund for crop loans			5,704
79,442				122,978
271,796	Loan proceeds (Note 2)			567,986
$351,238				[illegible]

The annexed notes form an integral part of these accounts.

[illegible]

Credit Fund revenue account for the year ended 30th June 1977

Eighteen months ended 30th June 1976

EC$			
	Income		
31,311	Interest receivable	24,597	
-	Profit on sale of investment	5,550	
31,311			30,147
	Less: Expenditure		
15,178	Interest payable	17,953	
	Bad debt written off	432	
	Sundry Costs	7	
15,178			18,392
16,133	Appropriated to General Fund		11,755

Notes to the accounts

1. SUB-LOANS

(a) No provision has been made for the non-recoverability of loans.

(b) Arrears;

	Arrears		% of arrears to loans		% rise in
SI	30.6.76	30.6.77	30.6.76	30.6.77	Arrears
SIC	6,540	11,105	8.9	11.3	+ 22.3
FIC	28,310	44,818	16.4	28.7	+ 56.0
M&S	64,779	78,217	64.2	81.6	+ 27.1
Barclays	-	32,013	-	91.7	-
Cotton	1,151	4,183	100.0	100.0	-

2. LOANS

(a) At 30th June 1977 the following loans were due by the Corporation:-

	Amt. of loan	Proceeds of loan EC$	Value of loan EC$
Caribbean Development Bank (SIC)	US$[illegible]	107,431	130,590
Caribbean Development Bank (FIC)	Can $91,173	193,248	236,575
Caribbean Development Bank (FIC)	Can 33,210	8,454	8,329
Government of Montserrat	EC$120,000	140,000	120,000
Barclays Bank Development Fund	[illegible]	128,353	[illegible]
		EC$567,986	EC$642,266

[illegible]

Credit [illegible]

[illegible] provision [illegible] these accounts [illegible] the short fall between the [illegible] and [illegible] proceeds of the loans which amounts to EC$74,250.

(b) The terms for the [illegible] are as follows:-

	Interest rate %	Repayment
Caribbean Development Bank (SIC)	4	Thirty half yearly instalments commencing 31st July 1977 to 31st January 1992.
Caribbean Development Bank (FIC)	4	Half yearly instalments of Can.$3200 payable April and October each year until 31st October, 1991
Caribbean Development Bank (FIC)		Sixty quarterly instalments commencing 30th April 1981 to 31st January, 1996.
Government of Montserrat	3	Indefinite period
Barclays Bank Development Fund	2	30th September, 1981.

Interest on the loans from the Government of Montserrat is to be transferred to a special account to be used for additional loans to farmers.

Repayment of the loans from Caribbean Development Bank is guaranteed by the Government of Montserrat.

S I C L O A N S R E V I E W E D

MONTSERRAT

EXHIBIT E4

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Project Equity	Sub Project Capital Cost
Montserrat Plastics # 1	Plastics products factory	8.0	6.0	14.0	Montserrat Partner Genl. Business-Men. Barbados Partner in Plastics	7 1/2 yrs. @ 8% months grace	4000	18.0
Osmund West Woodworking # 2	Equipment	15.0	-	15.0	Carpenter/Jointer 11 yrs. 2 employees	initially 11.0 at 8% 7 1/2 yrs 6 months grace G.P. extended for 1 year	?	19.0
Emerald Isle Leather Works. # 3	Building & Equipment	174.0	-	174.0	Tannery	8 yrs. @ 6%	?	?
William Allen Woodworking # 4	Equipment	23.0	-	23.0	16 yrs. in U.K. as furniture maker/owner	initially 20.0 at 8% 1 yr. grace Addit. 3,000 approved to bring 3 phase electricity to factory	49.0	?

F. St. Kitts

DFC Environmental Characteristics

St. Kitts-Nevis-Anguilla is a state comprising three islands, with a land area of 136 square miles, and with approximately 63,000 inhabitants. Its main products, sugar cane, peanuts, copra, and cotton, are grown in the fertile valleys and littorals of the relatively mountainous terrain characteristic of these volcanic islands.

The State is associated with Great Britain and functions as a parliamentary democracy. The legislature has proportional representation from the individual islands. Anguilla is presently under British Administration, and its future relationship to the other islands is uncertain. Each of the other islands have elected councils with local jurisdiction.

General Elections are held every five years. The present government is controlled by the Labour Party. The Peoples Action Party and the Nevis Reformation Party constitute the opposition. The major issue confronting the government is unemployment, which is currently estimated at about 20%.

The labor force, numbering about 15,000 employees in about 1300 enterprises, has a literacy rate of 93%. Nearly 78% have completed primary school; about 5% have completed secondary school; and about .6 of 1% have had university training. About 9% of the workforce are skilled, and about 1% possess managerial and administrative experience. The education system consists of 36 primary schools and 9 secondary schools. Tecnnical training is in vocational subjects offered in the schools and at the sugar factory. Health care is provided at two hospitals in St. Kitts and one in Nevis. Twelve doctors are available.

GDP in 1976 was estimated at US$25.8 million, of which industrial product contributed US$4.5 million. Products valued at US$2.9 million were exported in 1970. These are believed to have risen to nearly US$3.5 million in 1978. Manufactured imports are currently estimated at US$6 million. Little data is available on imported foodstuffs, but the DFC estimates the value of these in excess of US$3.0 million. The 1970 census indicated about 1,290 persons engaged in manufacturing enterprise, with a product valued at US$5.2 million.

Infrastructure data are as follows: electricity capacity is 10.2 megawatts, which is substantially above present demand. An additional 9.0 megawatt capacity is planned. Cost of electricity to industrial users varies between US$.08 to US$.0625, plus a nominal standing charge. Water supply is plentiful, and metered water costs approximately US$.094 per 100 gallons. Telecommunication and international telephone is available, and the local telephone system has 2000 connections in St. Kitts and 300 in Nevis. Plans are underway to increase the local telephone system to a 4000 connection capacity.

Port facilities at Basseterre Harbor can handle vessels drawing 9 ft. or less. The port at Nevis can berth one vessel drawing less than 16 ft. Some small private warehouses serve the Basseterre Harbor, along with a government owned warehouse of about 20,000 sq. ft.

One airport serves the islands. It is capable of handling all but the heaviest jet aircraft.

Two industrial estates, with about 70,000 sq. ft. of space have been constructed. These are occupied by six foreign owned enclave industries and five local. Rent is approximately EC$2.00 per sq. ft. per month - a non-economic rate. Additional space will be constructed in response to specific requests.

DFC Institutional Characteristics

The DFC has broad powers to promote development, through the establishment of industries and infrastructure, through investment, and through the provision of finance to public and private agencies engaged in developmental activity.

At this point the institution is moribund. The manager has been advised by the government that the institution may be liquidated, and it is present policy not to make new loans.

Share capital in the amonut of EC$10,000 has been issued and purchased by the government. No budget has been prepared, and no financial planning is contemplated. Formerly, the DFC could draw on limited government funds for use as counterpart. This is no longer the case.

The institution is under direct control of the Minister of Finance, and all loans and personnel changes must be approved by the Minister.

The staffing pattern is shown in the organizational chart (Exhibit F1). The manager, a man with wide governmental experience at middle management levels, considers himself mal-assigned as manager. He feels inadequate for the position and suggests that he receive appropriate training or be replaced. A young industrial officer has been recently assigned to the DFC; but given his lack of experience and the present status of the agency, he has little input into the lending operation.

Lending Performance

Of some 30 loans made by the DFC (excluding student loans,) 13 are seriously in arrears. They represent a loan value of EC$245,000 or 57% of a total portfolio of EC$433,000. SIC loans, shown in Exhibit F3 and Exhibit F4, make up EC$143,609 of the total DFC porfolio, of which loans valued at EC$55,000 are presently in arrears.

As shown in the operating statement (Exhibit F2), the deficit for 1976, the latest year for which complete data are available, the DFC incurred an annual deficit of EC$39,084, bringing the accumulated deficit to EC$287,239. Although revenue and expenditure are not segregated by "cost center," it is evident that current expenditures are being met in part by recycled loan funds. The auditors note that two major loans made to the garment factory and to the National Carnival Committee, have no evidence of collectibility. This and the general deterioration of the quality of the DFC's portfolio, appear to render it extremely vulnerable. The Government's decision to suspend lending while seeking a new DFC sutructure, may be quite justified.

Examination of Sub-Projects

Four SIC loans were reviewed in detail. These are shown by number in Exhibit F5.

Loan # 1, in the amount of EC$15,350, was utilized for purchase of woodworking equipment. The equipment is installed in quarters already overcrowded, rendering the equipment relatively ineffective. No market analysis was undertaken. The loan is in arrears, and no efforts have been made to rationalize production, by the owner or by the DFC. No financial records have been kept by the owner, and details of the history are fragmentary.

Loan #2, in the amount of EC$8,250, was used for the purchase of woodworking equipment. Like loan #1, the plant size was inadequate for effective production. The borrower obtained a second loan from the DFC to construct a plant. Delays in obtaining government approvals for the site contributed to production delays and larger start-up costs than those projected. The loan is currently in arrears, but the borrower reports an up-swing in sales, and expects to be current within a month. No financial statements are available.

Loan #3, in the amount of EC$46,000, was made for the purchase of tire re-treading equipment and the purchase of raw material. The raw material obtained was unsuitable and led to delays in production. Original market analysis was inadequate. New production is now acceptable, and an extension of the loan has been negotiated. No records are available. It appears that the re-treading operation will be marginally profitable as an adjunct to the main business of the borrower, which is auto repair.

Loan #4, in the amount of EC$18,200, was used for the purchase of equipment and the re-modeling of an auto repair shop. No financial records are available, but it appears that the borrower is maintaining a viable operation.

, in the case of loan #1, does it appear that the job creation effect of the loans has been positive, and this produced a net gain of 3 workers. In all cases market anlysis was extremely weak, as was technical evaluation of the proposed production processes.

Exhibit F 1

ORGANIZATION OF ST. KITTS DFC (Schematic)

Ministry of Finance

D.F.C. Board

Manager

Small Industry Promotion Officer | Information Officer | Accounts Clerk

Typist

Messenger

ST. KITTS

Exhibit F 2

DEVELOPMENT AND FINANCE CORPORATION

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 1976

(Expressed in East Caribbean Dollars)

	Schedule	1976	1975
INCOME			
Interest on Loans	V	71,057	58,521
Interest on Savings		11	10
Rents		33,750	13,800
Sundry		500	-
		105,318	72,331
EXPENSES			
Interest on Loans	VI	58,185	43,911
Administrative	VII	58,615	63,491
		116,800	107,402
DEFICIT BEFORE PROVISIONS AND EXTRAORDINARY ITEMS		11,482	35,071
Provision for Loan Losses		(22,000)	131,385
" " Interest Receivable		9,982	20,986
" " Exchange Loss on Loan Repayments		99,620	-
Rental Income from Caribbean Shoe Manuracturers Ltd.		(60,000)	-
DEFICIT FOR THE YEAR		$39,084	$187,442

ST. KITTS

Exhibit F 2 Cont.

DEVELOPMENT AND FINANCE CORPORATION

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED 31ST DECEMBER, 1976

(Expressed in East Caribbean Dollars)

	1976	1975
ACCUMULATED DEFICIT - At Beginning of Year	366,165	167,516
Add: Deficit for the Year	39,084	187,442
Prior Year Adjustments	3,355	11,207
	408,604	366,165
Less: Government Grant Received to Date	(120,765)	(115,980)
ACCUMULATED DEFICIT - At End of Year	$287,839	$250,185

S I C LOANS

ST. KITTS

Exhibit F 3

Name & Address of Borrower	Loan Amt., Purpose & Terms	Security taken	Date of Application Date of Approval First Disbursement Final Disbursement	Total Disbursement to Date	Arrears	Market Profile
Cyril, Frederick Thibou Ave. Basseterre	EC. $ 8,250 Purchase of Equip. for furniture factory Time 5 yrs. Int. 7 1/2%	Bill of Sale on equipm.	10th March 1972 24th March 1973 CDB request to issue letter of Credit	EC. $ 7,829	Nil	National
Cyril, Frederick Cayon Street Basseterre	EC $ 20,000 Assist in construction of factory Time 7 1/2 yrs. Int. 8 1/2%	Assignment to - DFC on plot H1 on Ponds Pasture Ind.Site (Loan funds used f. erection of factory bldg. on this site.)	25th Oct. 1974 23rd Sept. 1975 B.A. 16th Nov. 1976 M.A. 8th May 1978	EC. $ 20,000	EC$566.50 1 1/2 mos. arrears	National
Clement, Harvey 13 Shear Lane Basseterre	EC.$ 17,000 Purchase of furniture making equipment Time 10 yrs. Int. 8%	Bill of sale on equipm.	13th Feb. 1973 24th March 1973 CDB requested on 25th of July, 1973 to issue letter of credit.	EC. $ 17,000	EC$ 2,166 9 mos arrears	National
Courtesy Garage St. Peter's Rd.	EC.$ 46,000 4,000 12,159 Int. EC.$ 62,159 Purchase of Tyre Retreading Plant Time 10 yrs. Int. 8%	Mortgage on land & bldg. at New Road	7th June 1973 6th July 1973 CDB requested on 25th Aug. 73 to issue letter of credit	EC.$ 50,200	Nil New Agreement accepted by DFC	National
Harold Walters Brown Hill Nevis	EC.$ 18,200 To build auto-mechanic rep.shop and a gasoline service station	First mortg. on land, garage + serv. station	14th Feb. 1973 5th June 1973 2nd Aug. 1973 (first disbursem.)	EC.$ 18,199.86	Nil	National

Exhibit F 3 Cont.

Name & Address of Borrower	Loan Amt., Purpose & Terms	Security taken	Date of Application Date of Approval First Disbursement Final Disbursement	Total Disbursement to Date	Arrears	Market Profile
Jude Enterprises Lt. Bird Rock	EC $ 18,000 Purchase of machinery for use in screen printing Time 3 yrs. Int. 10%	Bill of Sale on Equipment	18th Feb. 1975 12th Oct. 1976 28th Jan. 1977 letter of credit arranged	EC $ 17,714.94	EC $ 2,369.45 4 mos. arrears	National Regional

Exhibit F 4

S I C   L O A N S

ST. KITTS

Total # of Loans	Classifications		Total Value	Present Arrears			Value-Loans in Arrears
	Sector	Sub-sector		Principal	Interest	Prin. & Int.	
6	(2) Service (4) Manufacturing	Garage Furniture Printing Electrofab.	$ 143,609	-	-	$ 5,101.63	$ 55,000

Time Between Application and Approval			Time Between Approval and Final Disbursement
Average	Shortest	Longest	
6.3 mos.	1 month	12.1 mos.	Data available on one only: 31.5 months

S I C L O A N S R E V I E W E D

ST. KITTS

Exhibit F 5

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Project Equity	Sub Project Capital Cost
C. Harvey Wood Working	Purchase of Furniture making equipment	10.35	5.0	15.35	Joiner	10 yrs. @ 8%	?	?
C. Fredericks Wood Working	Purchase of Equipment for Furniture fact.	6.25	2.0	8.25	Furniture Maker	5 yrs. @ 7 1/2%	?	?
Courtesy Garage Tire Retreading	Purchase of Tire Retreading Plant	40.0	6.0	46.0	Mechanic	10 yrs. @ 8%	?	?
R. Walters Auto Repair	Bldg. of Auto Mechanic Repair Shop & Service Station	18.2	-	18 2	Mechanic	8 yrs. @ 8%	?	?

G. St. Vincent

DFC Environmental Characteristics

The State of St. Vincent consists of the island of St. Vincent, (133 square miles) and the islands of Bequia, Balliceau, Mustique, Canouan, Mayreau, Union Island, Prune Island, Petit St. Vincent and over 100 islets, forming the archipelago known as the Grenadines which totals some 17 square miles in all. The populatio. of the State of St. Vincent was estimated in 1976 to be 109,700, of which 101,800 inhabit the main island. At present, the State of St. Vincent has the status of an Associated State with the United Kingdom. It is internally self-governing, by means of an elected, democratic House of Assembly, which has as its head Her Majesty Queen Elizabeth II, represented in St. Vincent by H.E. The Governor.

The House of Assembly consists of 13 members elected by universal adult sufferage, and 3 nominated members, (2 on the advice of the Premier and one on the advice of the Leader of the Opposition and the Attorney General).

St. Vincent, under the terms of association with the United Kingdom, is internally self-governing, the U.K. retaining responsibility for foreign affairs and defense. The Government of St. Vincent has initiated negotiations with the Government of the United Kingdom, with a view to achieving full independence, and hopes to achieve this by early 1979.

St. Vincent's main natural resource is land. Of the 85,000 acres on the main island, a 1972 census classified 28,400 acres (33%) as agricultural land, 5,900 (7%) as non-agricultural land, and the remaining 50,700 acres (60%) were accounted for by forests, roads, rivers and housing areas.

Much of St. Vincent's central mountainous area, the main volcanic spine of the island and the lateral ridges, is forested. Although few of the tree varieties are of high economic value, a wide range of useful and usable woods exist, and have been utilised in the past in construction, boat building, and furniture manufacture.

In a survey carried out in all the LDCs and published by the Caribbean Development Bank in 1972, a number of non-metallic mineral resources were found to exist in St. Vincent.

Most of these resources , however, were found to be in insufficient quantity and of insufficient quality to sustain commercial exploitation. Some sand and aggregate was found to have potential for basic construction uses, but was not of pozzolanic quality. No limestone exists for use in cement manufacture, and no dposits of silica were found to form the basis of a glass industry.

The labor force numbers about 35,000, of which some 30% to 40% are estimated to be unemployed. The literacy rate is about 90%. Nearly 83% of the work force have completed primary school; nearly 5% have completed secondary school; and less than .5 of 1% have had university training.

About 3.6% of the work force have some technical skill, while less than 1% may be classified as administrative or managerial.

The education system comprises 60 primary and 12 secondary schools, supplemented by a teachers training college and a technical school.

Health care is provided by 8 clinics with 662 beds and served by 27 doctors.

GDP in 1976 was estimated at US$29.7 million, of which industrial product contributed US$6.7 million. Recent data are unavailable on the value of exports and imports, but there is reason to believe that a serious imbalance on current account persists. Value of exports in 1974 was EC$9.0 million. Manufactured imports average over EC$8.5 million during the early 70's.

The salient infrastructural features of the State are as follows:

St. Vincent has a main road system which extends from the Capital, Kingstown, in the south, up the Leeward (west) and Windward (east) coast, linking the major centers of population.

In 1975, there were 217 miles of roads on the main island, of which roughly 100 miles are surfaced all weather roads, and the remainder of lesser quality. As a generalisation, all the main centers of population and economic activity are serviced by roads which are well capable of handling heavy goods traffic, and which are also negotiable by private cars without difficulty.

Kingstown Port has 900 feet of berth, offering a depth alongside of between 35 - 40 feet, although the depth of the approach channel is limited to 27 feet. In addition, 400 feet of berth space is available for smaller inter-island vessels, and a special jetty, the "Bequia Jetty" serves the ferry boats which link St. Vincent with the Grenadines.

Open storage space exists totalling 2.5 acres, in addition to which two sheds are available, one acting as a transit shed and the other a collection shed for banana exports. Fork lift trucks and palletising services are provided by the port authority, although there is no fixed crane and unloading has to be carried out using ship's gear. The port is able to handle Ro-Ro-vessels, and a major shipping line is planning to introduce a 2000 - 3000 ton barge service, incorporating containers mounted on road trailers.

No major port facilities exist in the Grenadines, although jetties are available in Bequia, Union Island, Mustique and Mayreau.

St. Vincent's principle airport is located at Arnos Vale, about two miles from the center of Kingstown. The airport's facilities are currently being upgraded, extensions to the terminal building having recently been completed. Installation of runway and apron edge lights, is currently in progress to permit the introduction of services during the hours of darkness.

Landing strips, for light aircraft only, are in existence on the Grenadine Islands of Mustique, Canouan and Union Island.

The domestic telephone service within St. Vincent is of high standard. International linkages are made very rapidly from any domestic line.

The supply of ele tricity in St. Vincent is good, and abundant power is available. The distribution system is also reliable, and breaks in supply are unusual. Voltages are as follows: Domestic 240 volts single phase 50 cycles; Industrial 400 volts three phase 50 cycles. Current tariffs, expressed in US \$, vary from US\$0.08 to US\$0.05 per unit. A basic charge of US\$1.11

per month per kilowatt is based on the maximum power output of all motors and appliances connected at any time during the month, plus an energy charge of US$0.05 per unit.

Water is abundant in St. Vincent, rainfall being high in the mountainous interior, and natural storage being available. A constant program of improvements in the distribution system is being undertaken, and water supplies are available in all key areas. Current tariffs are as follows:

Domestic

US $3.7 - US $26.7 per annum, plus
US $2.2 - US $04.4 per annum per private storage tanks.

Industrial (Annual)

US $0.33 per 1000 gal. or part thereof up to 10,000 gal.
US $0.41 per 1000 gal. used in excess of 10,000 gal.

The Government of St. Vincent is anxious to encourage joint participation between foreign and local capital, and as such will encourage and assist in the establishment of such ventures. Also, local participation may exist in obtaining Vincentian or regional development finance, at rates of interest which could be advantageous compared with commercial market rates.

On the other hand, the Government is aware of the need to encourage external investment, and no impediment will be put in the way of ventures where foreign participation in equity is as high as 100%. This is especially true for ventures geared to export.

It is recognized that investment by foreigners in productive enterprises in St. Vincent may bring with it a requirement for technical and managerial skills beyond the level which is readily available in St. Vincent. In such cases, the Government of St. Vincent will normally grant work permits to foreigners for realistic periods. It is also normal practice for the Government to favour such applications where it is demonstrated that steps are to be taken to train Vincentian nationals.

DFC Institutional Characteristics

The St. Vincent Development Corporation (DevCo.) was established in 1970, and has as its objectives to stimulate, facilitate and undertake the development of the State of St. Vincent.

DevCo's responsibilities are widespread, and are intended to adapt to all relevant needs in assisting development process. The principle functions which the Corporation has been responsible for in recent years are:

- Financing and constructing factory shells, on serviced sites, for lease to private enterprise;
- assisting in the management and financing of private sector projects;
- taking responsibility for assisting new investors in St. Vincent to establish autonomous or joint-venture projects;
- actively developing projects itself, such as hotel schemes and manufacturing ventures, either in its own right or in co-operation with the private sector;
- managing loan schemes for educational courses for Vincentians;
- Managing lines of credit from regional and international development agencies;
- Undertaking any other managerial or participatory fuction deemed by the Governor to fall within DevCo. terms of reference.

The Corporation is structured as shown in the organizational chart (Exhibit G1)

The Organization operates essentially as an adjunct of the Ministry of Finance, which appoints the director, and is the de facto policy maker. The industrial lending operations were, until recently, run without an industrial officer, and this is reflected in the state of the records and of the loan supervision activities.

The procedures for SIC loan-making follow the usual pattern, but the Board of Directors appears to be much involved in the lending process at points not usually entered into by such bodies.

The non-banking functions appear to take much of the time of the senior staff, and it appears that junior officers are also frequently involved in non-banking functions. The institution has no capital except for land, the disposal of which is circumscribed by the Government which granted it. Government sub-ventions have been consistently under the requirements, and it is understood that no sub-ventions will be provided in the future.

The staff is generally weak in training and experience. No internal training is carried out, nor does responsibility appear to be clearly designated. A defensive attitude pervades the staff, and assistance previously provided by the CDB appears to be resented.

Lending Performance

Of all loans made by the Corporation, about 88% are in arrears. SIC loans totaling EC$1,891,675 are currently on the Corporation books, of which EC$1,288,728 have been disbursed. (See Exhibit G2). SIC loans presently in arrears are valued at EC$1,220,973. (See Exhibit G3).

Accounting is approximately 1 1/2 years behind in presenting the Corporation's overall financial position. A trial operations statement for 1976 shows deficit of EC$100,742 for that year. (See Exhibit G4). Total income from interest on sub-loans is not sufficient to meet administrative costs alone, nor to meet interest obligations of the DFC. As in the case of other DFCs which have important non-banking functions, the accounts system is not designed to allocate costs by function. Thus it is impossible to determine the precise costs of the SIC, or, indeed of the lending function. However, the enormity of the doubtful debts clearly indicates that lending operations are financially disastrous.

The DFC has accelerated its collection activities. A solicitor has been engaged and foreclosures have been instituted against three or four sub-borrowers. The efforts made have resulted in an increase in collections, which rose to EC$107,000 in 1977, and reportedly reached EC$367,000 in 1978. It appears, though, that the figures cited by the DFC management include regular debt payments due from rentals, and it is difficult to determine how much of the total applies to FIC and SIC loans. Further, the quality of security taken, and the legal form of its acquisition, throw doubt on the effectiveness of foreclosure as a recouping mechanism.

The indebtedness of the DFC includes obligations for "counterpart funds," which were borrowed from the Provident Fund at 7 1/2% and loaned out at 8%.

The problem of doubtful sub-loans, however, does not rest primarily with the security of those loans, but on a project analysis system which is inadequate, and in some instances frivolous. Until this is recti fied, lending by the DFC will continue to be fruitless.

Examination of Sub-Projects

Eight sub-loans were reviewed in detail. These are shown in Exhibit G5, by number and characteristics.

Loan # 1, in the amount of EC$14,700, was used to purchase additional machinery for a garment-making firm. No feasibility study was carried out, although the SILO made suggestions for price changes and new sources of material. The borrower had substantial technical and marketing experience. Record keeping is still unacceptable; nevertheless, the project has produced 10 new jobs and has an excellent repayment record.

Loan # 2, in the amount of EC$20,000, was utilized to equip a soap manufacturing plant. The first disbursement was made prior to appraisal and before the loan agreement was signed. The appraisal, when finally made, showed a 1.8% internal rate of return. Borrower and appraiser failed to take account of a shift in raw material prices, which rendered the project unworkable. The project was ill-conceived, irresponsibly financed, poorly supervised, and a total failure.

Loan # 3, in the amount of EC$36,500, was intended for the purchase of refrigeration equipment. A financial check on the borrower was not made until he was heavily in arrears. The check revealed heavy debts to a commercial bank. There appeared to be little relationship between the loan fund expended and the purchases made by the borrower. The borrower fell in arrears and left the country.

Loan # 4, in the amount of EC$95,800, has subsequently been raised to EC$122,746, as a result of over-disbursement and additional increments to the loan amount.

The borrower, a New York resident at the time of application, claimed expertise in garment making, and returned to St. Vincent upon receiving encouragement by the DFC. No checks were made on the qualifications of the borrower. The appraisal was carried out without the assistance of a knowledgeable garment technician, and was consequently misleading with respect to production and marketing factors. To complicate the project, the borrower opened another shop, wholly owned, and the accounts of the DFC supported project and the private shop were intermixed.

After continual arrears, marketing failures, and production problems, the DFC arranged for a Canadian garment expert to advise the borrower. He states that his participation is about two years too late. The DFC and the borrower are presently re-negotiating.

Loan # 5, in the amount of EC$23,300, was used for the purchase of silk screen equipment. The borrowers had little interest in commercialization, and did not respond to market opportunities. The borrowers lost interest in the project and fell into arrears. The borrowers are gradually repaying the loan from other earnings.

Loan # 6, in the amount of EC$10,300, was intended for the purchase of confectionary equipment. The borrower withdrew the application after learning of the requirements for documentation, etc. She borrowed instead from a commercial bank, and is apparently successful.

Loan # 7, in the amount of EC$12,900, was used for woodworking equipment. The original loan amount was 11,900, but EC$1,000 was inadvertently over-dispursed. The project was poorly analysed, particularly with respect to marketing. The loan is in arrears.

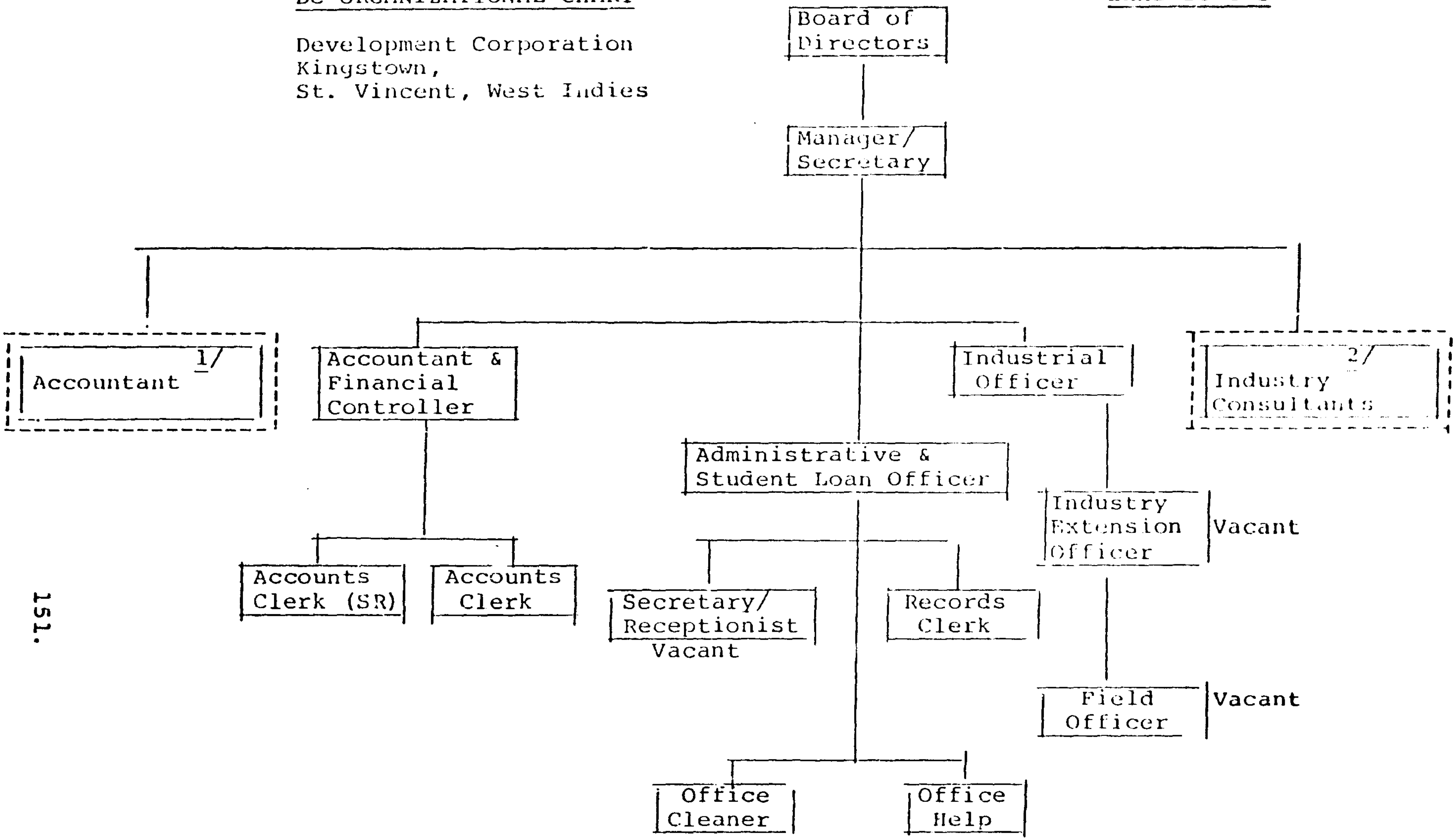
Loan # 8, in the amount of EC$87,300, was originally approved for EC$33,600, but was subsequently increased as the operation added to its product line. The project appears to be attaining its goals, but at a rate slower than projected. Arrears are reportedly being reduced.

In the above projects, appraisals have been inadequate and have provided neither guidance to the borrowers nor safeguards to the lenders. The projects which promise success are those in which the qualifications of the borrowers were appropriate to permit them to make reasonably sound judgements. In the others, the appraisal process appeared to do no more than quantify the results of inadequate judgements.

DC ORGANIZATIONAL CHART

Exhibit G 1

Development Corporation
Kingstown,
St. Vincent, West Indies



--- Seconded from other agencies
1/ Seconded from Doopers & Lybrand
2/ CESO Technical Assistance; UNDP; BESO.

Exhibit G2

ST. VINCENT

SIC LOAN APPROVALS AND

DISBURSEMENTS

NAME	Project	Amount(s) Approved EC$	Date(s) Approved	Local Funds EC$	CDB Funds EC$	Total Disbursed EC$
1. Carlisle & Raymond Anderson	Printing Works	33,000 10,000 9,000 5,011.31	22-11-73 31-10-74 5-12-74 27-5-77	33,498.36	23,512.95	57,011.31
2. Edward Barrow	Refrigeration Service	37,000	22-11-73	24,454.85	12,053.91	36,508.76
3. John Benjamin	House Wiring Service	2,000	22-11-73	Did not take	up Loan	
4. Harold & Annie Browne	Bakery	64,750 10,000 21,762.84	22-11-73 12-11-74 27- 5-77	47,262.84	49,250.00	96,512.84
5. Caribbean Cable Television Company Limited	Expansion of a Cable Television System	133,246	6- 1-77		13,669.14 + 903.69	14,572.83
6. Selwyn Cole	Furniture Manufacture	3,300	28- 2-74	3,218.55	-	3,218.55
7. Hilbert Collins	Furniture Manufacture	11,600	5-12-74	962.30	11,905.20	12,867.50
8. Cyrus Emporium	Manufacture of Men's Outer Garments	98,500 20,000 3,603.29	31.10.74 19- 2-76 27- 5-77	1,903.68	120,199.61	122,103.29

Exhibit G2
continued

NAME	Project	Amount(s) Approved EC$	Date(s) Approved	Local Funds EC$	CDB Funds EC$	Total Disbursed EC$
9. Francis De Caul	Manufacture of Metal Furniture	16,000 5,000 20,000	23- 2-73 6- 6-74 12-11-74	23,377.79	10,555.70	33,933.49
10. Carl De Freitas	Purchase of Bulldozer	55,000	1-10-75	-	55,000	55,000
11. Foster's Taxi Service	Purchase of Landrover	19,000 1,820.17	22-11-73 27- 5-77	9,174.97	11,645.20	20,820.17
12. Dennis George	Expansion of Wooden Furniture operation	20,500	22-11-73	2,000	5,604.70	7,604.70
13. Winston Gibson	Manufacture of Wooden Furniture	5,000 3,500 245.26	9- 5-74 1-10-75 27- 5-77	5,057.80	3,687.46	8,745.26
14. Beltron Greaves	Manufacture of Ice Cream Cones, Macaroni and Spaghetti	25,000 15,000 6,097.18 74,400	22-11-73 19- 2-76 27- 5-77 27- 5-77	3,430.33	42,666.85 46,671.31	92,768.49
15. George Gurley	Bakery	50,000 14,000 7,621.35	23- 2-73 30- 8-73 27- 5-77	24,627.75	46,993.60	71,621.35
16. Nathaniel Jack	Manufacture of Men's Outer Garments, Lingerie etc.	15,000	23- 2-73	180.51	14,479.40	14,659.91
17. Ian P. John	Soap Manufacture	20,000	5-11-76	-	19,983.15	19,983.15

Exhibit G2
continued

	NAME	Project	Amount(s) Approved EC$	Date(s) Approved	Local Funds EC$	CDB Funds EC$	Total Disbursed EC$
27.	Eustace Robinson	Manufacture of Baby Furniture and Phonographic sets.	5,000 615.33	9- 5-74 27- 5-77	5,615.33	-	5,615.33
28.	Trevor Rose	Manufacture of Wooden Furniture, Windows and Doors	2,000 21.27	19- 9-74 27- 5-77	2,021.27	-	2,021.27
29.	J. Sam	Laundry	15,000 3,690.22	3- 6-74 27- 5-77	- -	18,690.22	18,690.22
30.	SAPS Limited	Screen Printing	41,200	9- 5-74	-	23,282.68	23,282,68
31.	St. Vincent Plastics Limited	Manufacture of Plastic Bags etc.	74,200	5-11-76	73,603.46	-	73,603.46
32.	Villa Lodge Hotel	Renovation and Remodeling of Hotel	49,000	19- 9-74	-	49,000	49,000
33.	Willow Furniture	Furniture Manufacture	16,000	9- 5-74	4,807.73	6,367.75	11,175.48

Exhibit C2
continued

NAME	Project	Amount(s) Approved EC$	Date(s) Approved	Local Funds EC$	CDB Funds EC$	Total Disbursed EC$
18. Milton King	Ham Production	4,000	8-10-75	2,998.88	-	2,998.88
19. Cardon Knights	Foam Runner Manufacture	150,000	17-12-76	-	147,277.95	147,277.95
20. Maurice Kidd	Bag Manufacture	8,000	19- 9-74	2,061.56	-	2,061.56
21. Love Creations Limited	Manufacture of Intimate Apparel	97,350	5-12-74	2,913.66	94,220.90	97,134.56
22. Milmon McLean	Manufacture of Wrought Iron Furniture etc.	9,000	31- 1-74	100.11	5,402.88	5,502.99
23. Heverson & Rose	Manufacture of Rubber Mats	20,000 7,000 6,158.18	1-10-75 18- 3-76 27- 5-77	2,738.03	30,420.15	33,158.18
24. Junior Priddie	Manufacture of Hollow Plywood Doors	2,000 285.57	25-10-73 27- 5-77	2,285.57	-	2,285.57
25. S.M. Quammie	Manufacture of Mufflers	40,000 2,000 500	23- 2-73 30- 8-73 27- 5-77	17,490.99	25,009.01	42,500.00
26. Patrice Reddock	Manufacture of Fashion Garments	93,520 2,254.17	31- 1-74 27- 5-77	46,506.61	49,267.56	95,774.17

Exhibit G2
continued

NAME	Project	Amount(s) Approved EC$	Date(s) Approved	Local Funds EC$	CDB Funds EC$	Total Disbursed EC$	
34. Clifton Williams	Purchase of Machinery and Equipment for Furniture, Tile and Block Operation.	10,000 87.97	28- 2-74 27- 5-77	1,081.74	9,006.23	10,087.97	
35. Kairliff Williams	Manufacture of Men's Outer Garments	12,000	17-12-76	-	11,034.90	11,034.90	
36. Rita Williams	Manufacture of Handicraft Items	5,000	9- 5-74	3,695.00	-	3,695.00	
37. Richardson Motors	Motor Repair Shop and Sale of used Parts.	130,000	5- 5-78	-	24,544.00	24,544.00	
38. Hazell-Ann Gonsalves	Nursery School	3,000	3- 8-78	-	1,803.71	1,803.71	
39. Valcina Ash	Manufacture of Baby Garments	12,000	30- 9-77	-	12,689.70	12,689.70	Approval needed 689.70
40. Alphonso Joseph	Manufacture of Wooden Furniture	3,500	5- 5-78				
		1,891,635				1,268,728.09	

S I C L O A N S

ST. VINCENT

Exhibit G3

Total # of Loans	Classifications: Sector	Classifications: Sub-sector	Total Value EC$	Present Arrears: Principal EC$	Present Arrears: Interest EC$	Present Arrears: Prin. & Int. EC$	Value-Loans in Arrears EC$
	Manufacturing	Printing	1,891,635	insufficient data	154,073.37	insufficient data	[illegible]
	Manufacturing	Cap & Hat					
50	Manufacturing	Screen Printing					
	Service	Refridgeration					
	Service	House Wiring					
	Manufacturing	Handicraft Items					
	(3) Manufacturing	Bakery					
	Agriculture	Honey Prod.					
	Tourism	Hotel					
	Manufacturing	Cable TV					
	(10) Manufacturing	Furniture					
	(6) Manufacturing	Garments					
	Service	Taxi					
	Construction	-					
	(3) Manufacturing	Food sauces					
	Tourism	Hotel					
	Agriculture	Fishing					
	Construction	woodworking					
	Manufacuring	Soap					
	Construction	Concrete Blocks					
	Manufacturing	Confectionery					
	Agriculture	Ham Production					
	Manufacturing	Foam Rubber					
	(2) Manufacturing	Bags					
	Manufacturing	Wrought Iron					
	Manufacturing	Rubber Mats					
	Manufacturing	Doors					
	Manufacturing	Mufflers					
	Service	Laundry					

Time Between Application and Approval: Average	Shortest	Longest
5.3 mos.	3.3 mos. note#1	13 mos.

Time Between Approval and Final Disbursement: Average	Shortest	Longest
13 mos.	7 mos. note #2	23 mos.

Classifications (con'd): Sector	Sub-sector
Service	Motor repair
Education	School

Note #1: data only includes 7 of the 50 loans of which one was approved 6 months before the application date.

Note #2: data includes only 6 of the 50 loans due to insufficient data.

Exhibit G 4

ST. VINCENT DEVELOPMENT CORPORATION

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1976

	1976 EC$	1975 EC$
INCOME		
Interest on loans to small industries	79,088	54,398
Interest on loans to students	21,378	11,969
	100,466	66,367
OTHER INCOME		
Net gain on Land Sales	7,789	25,915
Government Grants	75,000	78,375
Rental Income	25,820	13,360
Interest on deposits	4,716	2,236
Miscellaneous	250	-
Total Income	214,041	186,253
EXPENSES		
Increase in Bad Debts Provision	81,000	35,000
Interest	112,255	77,425
Depreciation	1,771	8,959
Administration Expenses	107,663	83,487
Investment written down	12,094	7,905
Transferred to estates	-	(20,116)
	314,783	192,660
Deficit for Year	100,742	6,407

Exhibit G 4 Cont.

ST. VINCENT DEVELOPMENT CORPORATION

STATEMENT OF RETAINED EARNINGS AND ACCUMULATED DEFICIT

FOR THE YEAR ENDED 31ST DECEMBER, 1976

Balance 31st December 1975	(103,981)
Transfer to ADC	160,472
	56,491
Amount Received from ADC	80,000
	136,491
Deficit for 1976	(100,742)
Balance as at 31st December, 1976	35,749

S I C   L O A N S   R E V I E W E D

S T.   V I N C E N T

Exhibit G 5

EC $ 000

Sub Borrower Name	Purpose	Sub Loan Funds CDB	Local	Total	Sub Borrower Background	Terms & Conds. of Sub Loan	Sub Proj. Equity	Sub Proj. Cap. Cost
N. Jack # 1	Manufact. of clothes (school clothes, jeans)	14.5	2	14.7	5 yrs. in Garment	15.0 @ 7½% 10 yrs. 1 yr. grace	30.0	65.0
I. P. John # 2	Soap Manufact.	20.0		20.0	Engineer	10 yrs. @ 9% (8% if certain conditions) 1 yr. grace	66.5	86.4
E. Barrow # 3	Refrigeration Service	12.0	24.5	36.5	Refrigeration Technican 3 yrs.	10 yrs. @ 8% 1 yr. grace	7.5	37.0
P. Reddock # 4	Garments	49.3	46.5	95.8	Dressmaker	?	9.0	E 92.1
S. Coombs # 5	Screen Printing	23.3		23.3	Artist	10 yrs.@ 9%(8) 93.5 innitially overdraft of 10.0 1975/Ltm of credit for 20.0	8.1	29.1
Joyce Jones # 6	Confectionery	10.3		10.3	Baker & Confectioner	10 yrs. @ 8%	?	?
Philbert Collins # 7	Furniture Manufacture	11.9	1.0	12.9	8 yrs. prior experience in woodwork	6 yrs. @ 7½% 1 yr. grace	25.3	36.9
B. Greaves # 8	Manufact. of Ice Cream Cones Macaroni & Spagetti	73.9	3.4	87.3	?	8%/1 yr. grace on each 15.0 Feb. 76 25.0 74.0 Sept. 77	76.0	14.0 40.3

H. Turks and Caicos

DFC Environmental Characteristics

The Turks and Caicos comprise a number of island groups totaling 163 square miles of land area with about 7000 inhabitants. Other than some abandoned salt basins, no minerals of commercial value are found on the Islands. Agriculture is possible on the Caicos, where fresh water is available from wells. Otherwise, its chief economic endowments are the sea and the climate.

The State is a Crown Colony, with internal affairs under local control exercised through a parliamentary system. Elections are held every four years; the next are scheduled for 1980. The present government is controlled by the Peoples Democratic Movement. The opposition consists of the Progressive National Organization and some independents. The government recognizes unemployment as its primary problem, and the lack of an effective private enterprise structure as a close second.

Of the labor force, numbering about 2,000, about 700 are employed by the government, about 400 in distributive trades, and the remainder in other sectors. The Labour Office estimates present unemployment at about 30%. It also estimates that about 13,000 citizens are currently residing abroad, the bulk of whom would return if employment opportunities were available.

The 1970 census shows 2,900 persons with primary school education; 627 with secondary; and 111 with university training. The school system comprises 14 primary schools with an enrollment of 1,698, and 2 secondary schools with an enrollment of 708. Some vocational training is offered in secondary schools.

One hospital with 24 beds is available. This will soon be expanded to 48 beds. The Islands have two doctors, and two more are expected to take up residence shortly.

No formal GDP series has been formulated, but estimates by British Development Division economists place the average per capita GDP at about US$700. Exports, primarily lobster and conch, are currently valued at about US$0.5 million, and imports at about US$6.0 million. The gap is made up by tourism receipts, grants and remittances.

Infrastructure is relatively rudimentary. Electrical capacity for Grand Turk is 300 megawatts, and 600 megawatts for South Caicos. New generators are to be added to the system. Water is a critical resource. Catchments are supplemented by desalinization plants, to provide approximately 2.5 million gallons to the Grand Turk. The Caicos Islands also have underground water supplies. The road network has 13 miles of paved and 57 miles of gravel road. The Islands are connected by ferry service and charter aircraft. There are no deep water ports, but the Turks have a small pier capable of handling smaller ocean-going ships, and similar facilities are available on South Caicos and Providenciales. Small warehouses are near the ports on the Grand Turk and Providenciales.

The airport on Grand Turk is capable of handling moderate sized prop planes, and the runway on South Caicos can handle all but the largest jets. International communications are possible from all major islands by telephone and telex. The local phone system has 600 connections on the Grand Turk, 300 on South Caicos, and 300 on Providenciales.

An industrial estate has been laid out near the airport on the Grand Turk. No buildings have been erected.

DFC Institutional Characteristics

The DFC functions are carried out by the Turks and Caicos Development Board, which has broad powers to undertake activities contributing to the development of the State. It is governed by a board of directors appointed by the Governor. The staff is essentially one man, the Manager, who also serves as Secretary to the Board.

As a rule the Board will lend for new activities which promise to increase the productivity and overall efficiency of the economy.

The main areas of lending include:

1. Agriculture:
   Fishing, Small Farming, Irrigation scheme marine and outboard engines.
2. Tourism:
   Small Hotel development and related tourism services.
3. Industry:

   Printing, Quarry Stone.

4. Services:
   To complement Agriculture, Tourism and Industry - i.e. block making, bakery.
5. Housing and Construction.
6. Fisheries:
   Fishing equipment, boats, engines.

The institution is clearly understaffed, and the Manager, who needs training, and has requested it, is spread so thin as to be relatively ineffective for new initiatives, and barely able to maintain the present position of the DFC.

Lending Performance

Since its inception in 1974, the Board has approved 15 locally funded loans, totaling US$148,000, of which US$110,000 has been disbursed, and US$75,000 repaid. Loans funded from a US$400,000 CDB line of credit total US$110,700, of which US$84,000 has been disbursed. Counterpart funding is supplied from a U.K. grant of US$170,000 An additional US$100,000 is expected from the U.K. Government after the disbursal of the presently available amount.

The operational cost of the Board is approximately US$40,000. Thus, at a 4% spread, the institution would require a portfolio of about US$1.0 million to meet their expenses. Since this is unlikely in the forseeable future, the Board will require continuing grant support.

The extent of government support required is illustrated in the Income and Expenditures Statement for 1976/ 1977 (Exhibit H 1). Of US$45,700 in total income, US$33,000 was provided by U.K. grants; and of US$21,000 in expenditures, US$11,051 was provided by U.K. subsidy.

Record keeping is not entirely satisfactory. The loan files are incomplete and there is little or no refference to supervisory activities. Financial accounts are noted in an excercise book, instead of being posted in a general double entry ledger. No subsidiary ledgers are used. No cross-referencing of vouchers, invoices, etc., supporting payments are kept. No annual report was prepared for the year ending May 1977.

Examination of Sub-Projects

Only two SIC loans are shown in the Corporation's files. The first, a loan in the amount of US$75,000, was applied for on the first of February 1976, and approved a month later. The loan was intended for the construction of a hotel, a facility which had prima facie justification. Underestimation of costs led the borrower to seek additional US$45,000 from the Oxford Bank. After a short period of operation, the business faltered and the loan went seriously into arrears. No financial records were kept. The Oxford Bank, acting on behalf of unknown parties, purchased the property and paid off the SIC indebtedness. The hotel is not operating.

The Corporation officers state that poor management was the reason for the failure of the project. No explanation of subsequent events could be offered.

The second loan, in the amount of US$5000, was utilized for service station equipment. As in other cases in the Turks and Caicos, the appraisal drew heavily on the "hopes" of the applicant. No independent appraisal was made. Records are not available, and no supervisory reports are available. The loan, however, is current.

The review of other industrial loans made with local funds or AIC funds revealed a consistent pattern of weak appraisals, especially in market analysis. Records, in all cases, are sketchy.

Exhibit H 1

TURKS AND CAICOS ISLANDS DEVELOPMENT BOARD

INCOME AND EXPENDITURE STATEMENT FOR

PERIOD 1/6/76 to 31/5/77

INCOME	Approved Budget 1976/77	Actual 1976/77	Actual 1975/76
	US $	US $/	US $
Interest on (a) Loans and Bank Deposits (1)	12,700	9,247.18	1,596.96
(b) Treasury Deposits			11,487.39
Government Grants			
(a) Furniture & Equipment		129.28	
(b) Counterpart Funds (2)	33,000	32,919.30	36,568.00
Total Income	45,700	42,295.76	49,652.37

(1) Excludes interest on time deposit accounts with Barclays Bank International for May 1977 (approximately $700).

(2) This is in respect of Counterpart Funds made available under the terms of the Second Caribbean Development Bank Small Industry Credit by a Development Aid Grant from the U.K. Government.

EXPENDITURE	Approved Budget 1976/77	Actual 1976/77	Actual 1975/76
Office expenses, stationery etc	300	15.10	27.96
Interest	5700	3358.49	626.78
Audit Expenses	1000	1180.00	
Entertainment	600	100.37	
Salaries (1)	7800	3475.67	750.00
Travelling/Subsistence	4700	1919.53	80.00
Telephone/Electricity	1000		
Total Expenditure	21,100	10,049.16	1,484.74

(1) Salary and allowances for the Executive Manager are paid by the U.K. Government under Technical Co-operation arrangements.

I. British Virgin Islands

DFC Environmental Characteristics

The British Virgin Islands comprise a land area of 37,311 acres with a population, in 1974, approaching 12,000. The Islands, volcanic in origin, are mountainous, with little agricultural potential and no commercial mineral endowments. Their location and climate are the Islands' major economic assets.

The State is a British Colony with internal parliamentary self-government. Elections are held every five years; the next is scheduled for 1979. Formal political parties do not exist. Coalitions of interests tend to converge as election periods approach. The governments formed under this system are not philosophically conceived nor strongly disciplined, and cabinet members enjoy considerable independence. The Government's major preoccupation appears to be the education system, which it considers to be unresponsive to social and developmental needs. It is uncomfortable with its heavy reliance on tourism and with the high degree of foreign ownership of British Virgin Island enterprises.

Of the work force, which totals about 6,000, about 64% have completed primary school; about 16% have completed secondary school; 2% have technical training; and about 2 1/2% have had university training. Unemployment data are not available. A building boom, which began in the early 70's, brought about a labor shortage. In the past year this building activity has abated and unemployment is now evident.

The State's proximity to the U.S. Virgin Islands strongly influences its economic life. Wages and the inflation rate reflect the high levels of the U.S. Islands. The U.S. Virgins cyclically absorb British Virgin Island labour.

Twenty-two primary schools are presently educating 2,180 students, and one secondary school has an enrollment of nearly 800.

One hospital of 37 beds serves the Islands, and six doctors are presently practicing there.

Neither current GDP data nor balance of payments accounts are available. The closeness of economic ties to the U.S. Virgin Islands would render those of only marginal value. It is clear, however, that the Islands import the bulk of all maufactured goods and a major portion of foodstuffs consumed. Tourism is the major foreign currency earner, supplemented by grants in aid and remittarces.

Major infrastructural features are as follows: Electricity is generated from diesel plants, with a capacity of 4,700 kilowatts available to the main island, at a cost varying from US$.07 to US$.10 per kw plus a fuel surcharge (presently at US$.02 per kw). The supply is reliable and is expected to be supplemented by an additional capacity of 2,300 kilowatts within two years. Water supplies vary throughout the Islands. There is surplus capacity in Roadtown, and a recharge capacity of 1 million gallons per day. Delivery is by pipe and by truck, depending on location. Costs are presently between US$3.50 to US$5.00 per 1000 imperial gallons. The road network consists of about 37 miles of paved roads and about 40 of all-weather secondary roads.

The main port is capable of berthing two ocean-going ships, and plans for an extension of the main pier are in this year's budget estimates. A RoRo ramp is also planned. One warehouse of 16,000 square feet serves the port. The airport can handle all prop planes, and the runway will be extended by 1985 to handle commercial jets. The Islands are served by telex and international telephone service, and the local telephone system has a total of 1350 connections in Roadtown, Long Swamp, Little Apple Bay, and Virgin Gorda.

Institutional Characteristics

Founded in 1974, the Development Board of the Virgin Islands has the function of promoting and assisting in economic development, by lending to, purchasing of and participation in, any development enterprise. It is governed by a board of directors appointed by the Governor and administered by a manager and an officer of the Ministry of Agriculture, who assists in the appraisal of agricultural loans.

The Board must approve all loans, and no discretionary authority is vested in the Manager. (See Exhibit I 1). The institution is linked, for administrative convenience, to the Ministry of Finance, which excercises final authority on all matters.

Until quite recently it has been the policy of the Bank to promote agriculture, fishing, and livestock development. Industrial lending is about to begin, but no clear policies have been formulated to govern such lending, nor are qualified staff available to administer such lending.

The bank is not capitalized. It has been the recipient of a US$20,000 grant to be used primarily as counterpart funds. Another grant of US$20,000 is expected in 1979.

At this time the Government is considering reorganization of the institution, perhaps as a commercial bank.

Lending Performance

The Bank is essentially passive in lending. No publicity or promotion is carried out, and applicants take initiative in seeking loans. All agricultural loans are appraised by an officer of the Ministry of Agriculture. Other procedures follow the standard CDB guide lines. Flaws in these procedures are described in the following excerpt from the audit report of Oct. 1978:

> "Various weaknesses were found in the general area of loan administration.
>
> 1. The majority of the registered loan agreements did not reflect the terms of the advances to borrowers as shown by the loan cards. Further, several of the agreements had not been registered and a few could not be found. These and other discrepancies in administration are detailed in my letter to the board of directors dated October 6, 1978.
> 2. The bank has not met its obligation to ensure that insurances had been effected by borrowers on assets taken as security.
> 3. A sinking fund for loan repayment to the Caribbean Development Bank had not been established as at the date of this audit."

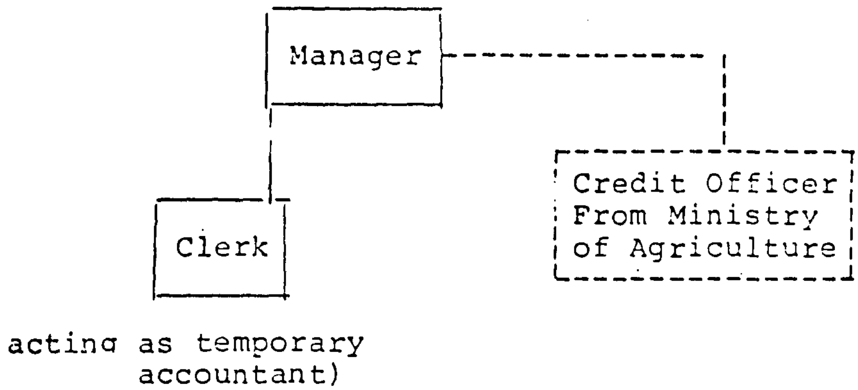
Presently, the Bank is making agricultural loans at rates of interest varying from 5% to 7%. Since its inception, there have been 103 applications received for credit under these terms. Thirty-five applications have been approved, for US$154,386, and US86,569 has been disbursed.

As shown in Exhibit I 2, the institution is far from self-supporting, and only the fact that salaries are paid from other government accounts prevents its deficit from becoming substancial.

Exhibit I 1

DEVELOPMENT BANK OF THE VIRGIN ISLANDS

ORGANIZATION CHART



DEVELOPMENT BANK OF THE VIRGIN ISLANDS

STATEMENT OF INCOME AND EXPENDITURE FOR THE PERIOD APRIL 30, 1976 TO DECEMBER 31, 1977

	U.S. $
INCOME	
Interest on Advances	2,295.02
Interest on Call Deposit	154,63
	2,449.65
Less:	
EXPENDITURES	
Interest Payable	1,645.95
Stationery & Secretarial	1,371,90
General Expenses, Bank Charges etc.	51.50
Audit & Accounting	950.00
Depreciation - Office Equipment	19.00
	4.038.35
NET DEFICIT FOR THE PERIOD	(1,588.70)

J. Grenada

Environmental Characteristics

Grenada, a mountainous, thickly wooded island of 133 square miles, has a population of about 110,000. Its economy is primarily agricultural, with bananas, cocoa and nutmeg providing the bulk of the cash crop and its main source of export earnings.

Grenada is an independent state within the British Commonwealth. It has parliamentary government after the Westminster model, and elections are held every five years. The next are scheduled for 1981.

The current party in power, the Grenada United Labour Party, has governed for 15 years. Three smaller parties form the Peoples Alliance, an opposition to the ruling party. These are The Grenada National Party, The United Peoples Party, and The New Jewel Movement.

Unemployment, currently estimated at 30%, is the major preoccupation of the Government, which is attempting to alleviate it through the encouragement of foreign investment and the promotion of locally owned small industry.

GDP is currently estimated at about US$41 million in 1976 dollars, of which industrial product contributes US$5.5 million. The current deficit on external trade is about US$7.0 million, and a downward trend persists.

In 1970 the market for manufactured goods was approximately US$11.0 million, of which imports supplied US$10.3 million. The dependence on foreign goods is believed to have increased during the ensuing years.

The labor force, which numbers approximately 30,000, has a literacy rate of 90%. Some 84% have completed primary school; nearly 5% secondary; and about .5 of 1% have had university training.

About 7.6% of the work force have some technical skills, and less than 1% possess administrative or managerial skills. Latest available extimates indicate that about 1,200 enterprises employ the bulk of the non-agricultural work force, and about 8% of that work force are engaged in manufacturing pursuits.

The education system consists of 61 primary schools and 14 secondary schools. Health care is provided at 6 hospitals with a total of more than 700 beds available.

Infrastructural development is concentrated in the populated area. Electricity is available in the major population centers at a cost of approximately US$0.10 per kilowatt. Potable water is similarly available at a cost of about US$0.12 per cubic meter. The road network consists of 375 kilometers of paved, but poorly maintained, primary roads, and 235 kilometers of secondary roads. One deep water port has been constructed in St. George, which is capable of berthing two ships. Special handling facilities exist only for bananas. International communication is available from all populated points. An international telephone system links the major populated areas.

No industrial parks exist. The DFC is considering the possibility of promoting and financing these, but no decisions have been taken at this date.

Institutional Characteristics

The Grenada Agricultural and Industrial Development Corporation, founded in 1976, has broad powers to foster development through lending, guarantees, promotional activities, and technical assistance; and to take equity positions in enterprises. In practice, the authority to take equity positions has not been exercised.

The institution is governed by a board of directors appointed by the Minister of Finance, who also sets policy and appoints all key operating personnel. The Bank, under present constraints, may be regarded as an operating agency of the Ministry of Finance.

The operating staff, as shown in Exhibit J 1, under the direction of the Manager, is divided into five functional divisions which overlap in responsibility. The organizational weaknesses are overshadowed, however, by the administrative relationships, which, over the past two years, have rendered the Manager relatively powerless in matters of personnel control. The new Manager is attempting to re-assert direct authority over DFC personnel.

Policies of the past several years have been essentially paternalistic, and have reflected a subsidy rather than banking philosophy. New management is attempting to re-orient policy to develop rural industry, and to restore objective banking criteria to the lending process.

A CDB advisor is presently assisting the DFC in administrative reform and the training of staff. The advisor is concentrating on filing, record keeping, and accounting practices, all of which are in varying stages of disarray.

The institution is not capitalized. A Government of Grenada loan in the amount of EC$2.3 million was used for sub-lending and is exhausted. The Government subventions posted are offsets against that loan. Thus, no funds are actually available for use as counterpart or subvention.

Staffing is generally weak. The Manager acknowledges his lack of appropriate experience and is seeking training. The accountant and the rest of the staff need banking familiarization training and more detailed training in their respective fields.

Lending Performance

Data on the total lending of the DFC were not available. Loans disbursed by the institution since its inception total EC$2,367,000, of which EC$644,454 have been repaid. The balance, EC$1,722,946, is in arrears, and it is probable that this amount, of which EC$1,404,185 represents principle, is not recoverable.

Under present agreement, the DFC is obligated to repay the CDB within the next year EC$61,600 on farm improvement and student loan credits and EC$1,037,866 to the Government of Grenada.

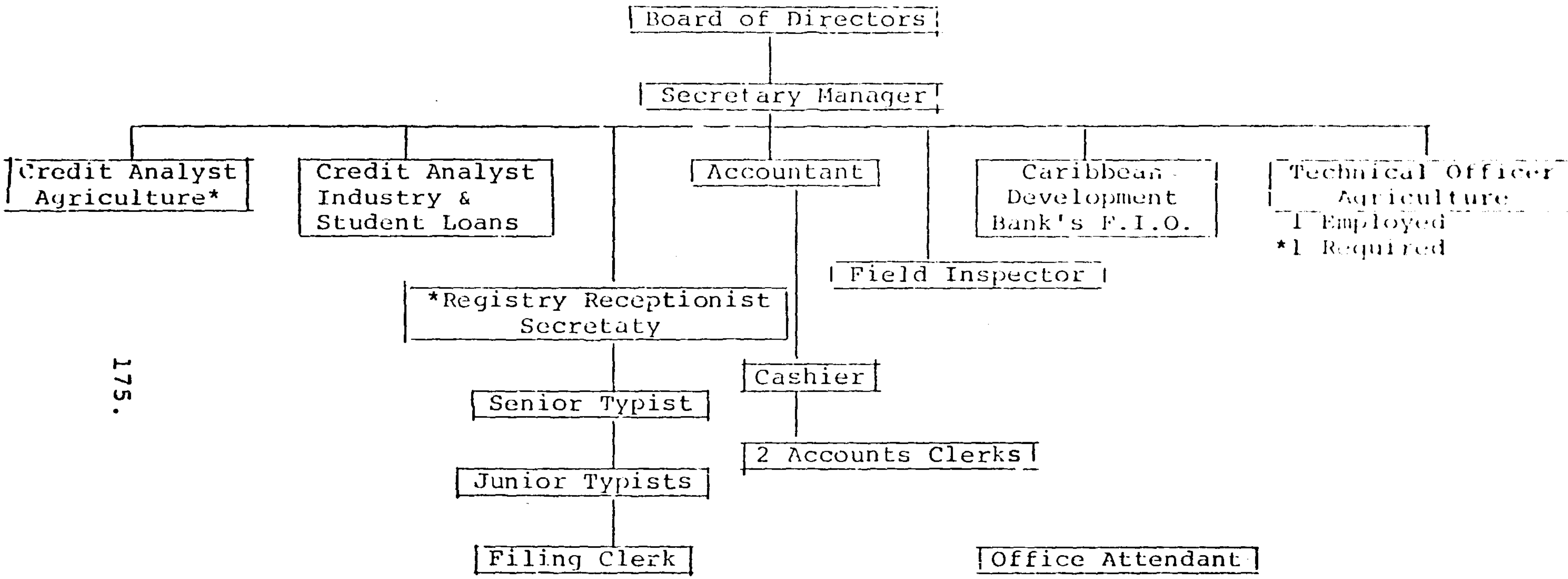
Exhibit J 2, the Operating Statement for 1977, shows a deficit of EC$43,378. The continuing use of loan funds for the support of current administrative costs, will place the organization in a position of insolvency in 1979, if remedial steps are not taken.

The poor performance of the DFC is attributable, in short, to violation of almost all prudent banking practices, i.e. poor appraisal, failure to take adequate security, poor or no supervision, and the projection of an image of a "hand out" organization.

Exhibit J 1

ORGANIZATIONAL CHART OF THE G.A.I.D.C.

*Newly Recommended



GRENADA AGRICULTURAL AND INDUSTRIAL DEVELOPMENT CORPORATION

REVENUE OPERATING STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 1977

	1977	1976
Revenue		
Grants from Government of Grenada	112,291	106,583
Interest earned	115,318	117,065
	227,609	223,648
Less: Loss on working of estate (note 7)	2,220	7,542
	225,389	216,106
Deduct: Expenditure		
Interest payable		
Loans from Caribbean Development Bank	21,360	19,015
Loans from Government of Grenada	112,684	124,542
Deposit account	5,846	7,300
Exchange losses	4,722	-
Salaries and Wages	63,625	62,709
Sundry expenses	22,166	16,590
Travelling	4,920	4,920
Equipment - depreciation	2,203	945
	237,526	236,021
Deficit for the year	12,137	19,915
Add: Deficit brought forward	49,869	29,954
Overprovision for interest in respect of last year	(18,628)	-
Deficit carried forward	$43,378	$49,869

K. Cayman Islands

DFC Environmental Characteristics

The Grand Cayman, a 76 square mile coral based island, is the main island of the Cayman group, which includes Cayman Brac and Little Cayman, of 15 and 11 square miles respectively. Population is estimated at 15,500, with about 83% concentrated in the Grand Cayman.

The Caymans are a Crown Colony with a parliamentary form of government, with executive responsibility vested in the Executive Council, which is elected from members of the Assembly. No political parties exist, and voting patterns appear to be based on the personality of the candidate.

The Islands have few natural resources, and the main income sources for the inhabitants are tourism and offshore banking.

The labor force numbered about 4,600 in 1972, and is presently estimated at about 5,800. A manpower survey by a British economist has just been completed but is not yet available. It is estimated that the literacy rate is about 95%. Unemployment is not severe.

GDP in 1972 was US$28.4 million. Later estimates are not available. Imports of manufactured goods in 1975 were valued at US$15.4 million, foodstuffs at US$6.8 million, and fuels and chemicals at US$3.4 million. A deficit of US$27.7 million was registered for 1977.

Primary schools are currently educating 2,141 students; and secondary schools have 1,545 students enrolled.

Infrastructural developments include one major port capable of berthing three ships and of providing RoRo facilities, and an airport capable of handling medium jets and scheduled for extension in 1979. International telex and telephone services are available, and a local system with 5000 connections is in operation. It is planned to extend such services to Cayman Brac. There is an installed electricity capacity of 11,334 kilowatts, and current consumption is 37,187,200 kwh. Costs vary from US$0.22 to US$0.08 per kwh. A desalinization plant provides a limited quantity of water for two communities and several hotels. The remainder of the island relies on wells or rainwater catchments for their water supply.

The road network has 40 miles of paved highways and 36 miles of all weather secondary roads. These are scheduled for upgrading in 1979.

DFC Institutional Characteristics

Under the Agricultural and Industrial Aid Law of 1978, the government has authorized the establishment of a corporate body, the Developmental Board, to carry out those DFC functions.

The Board, appointed by the Governor, is exploring the idea of exercising its lending function through an existing government owned savings bank. (Balance Sheet and Operating Statement attached as Exhibits K 1 and K 2).

The Board feels that the addition of SIC and FIC lending will strengthen the revenue possibilities of the Bank, while adding only marginally to the costs.

Approval of all loans would be vested in the Board; but all other loan administration would be carried out by the Savings Bank personnel. It is envisioned that loan appraisal could be carried out by personnel of other agencies cooperating with the Bank. This has not proven successful in other Caribbean States and is unlikely to do so in the Caymans. It is probable that the Bank will have to take on at least one additional staff member to undertake that function.

CAYMAN ISLANDS
STATEMENT OF ASSETS AND LIABILITIES
OF THE GOVERNMENT SAVINGS BANK
AT 31st DECEMBER, 1977

Exhibit K.

LIABILITIES

Depositor's Account:			
Balance as at 31st December, 1977 (As per statement attached)			$ 339,796.75
Suspense Account (Sec. 3, Law 8 of 1973)			18,759.09
Reserve Account			
Balance at 1.1.77		$36,617.74	
Less: Loss on Investment	$ 7,071.87		
Deficit	2,815.48		
		9,887.35	26,730.39
			$ 385,286.23

ASSETS

Investment Account		
Balance at 31st December, 1977 (at Middle Market Value)		$ 181,131.25
U. S. Dollar Deposits		37,651.30
Cash Account		
Imprest	$ 5,000.00	
Cayman Islands Government	161,503.68	
		166,503.68
		$ 385,286.23

CERTIFIED CORRECT:

CHIEF ACCOUNTANT

Date: 21st June, 1978

179.

Exhibit K 2

CAYMAN ISLANDS

GOVERNMENT SAVINGS BANK
STATEMENT OF DEPOSITORS ACCOUNT
AT 31ST DECEMBER, 1977

Balance as at 1st January, 1977				$ 298,348.01	
Less:	Transfers to Suspense	-	$ 11,552.36		
	Transfers to Revenue		83.97		
				11,636.33	
				$ 286,711.68	
Add:	Deposits in 1977	-	$ 264,304.36		
	Interest to Depositors		15.252.43		
				$ 279,556.79	
				$ 566,268.47	
Less:	Withdrawals in 1977			226,471.72	
			Balance as at 31st December 1977		$339,796.75

III. THE DFCs AS DEVELOPMENT INSTRUMENTS

The weaknesses of the DFCs as loan generators and administrators, have been amply evidenced by our reviews, and by previous reviews by others. It appears, though, that the shortcomings, so amply in evidence, are rooted in two phenomena: (a) The goverments' perception of the role of the DFCs, and (b) The DFCs' perception of their clients.

In the first instance, the governments, having no industrial or agricultural policies or plans, regard the DFCs as a substitute for such planning. Thus, instead of the DFCs being instruments of government policy, they become unfocused money dispensers. The abilities of the DFCs to tap foreign sources of funds, frequently in excess of those resources directly available to the governments, make them potentially powerful forces in their respective states. Governments then seek to maintain control of institutions, so endowed. Control exercised without a clear and precisely defined policy, facilitates the use of the DFCs for a variety of purposes. In its most benign manifestation, government control allows the DFCs to be treated as a welfare "pork barrel"; in less benign forms, the institutions become political and personal instruments.

It was evident in the reviews, that in no case did the governments of the LDCs interest themselves in the economic effects of DFC operations. Concerns expressed by the CDB and others, would, it would seem, be of even greater concern to the governments. This was not the case. Only where DFC operations had reached a point which threatened to embarrass the governments, was constructive intervention evident.

The lack of a local financial stake in the DFCs facilitates the inappropriate use of funds. Accountability to the public was not required.

In short, the DFCs were created prior to the formulation of policies for their use, and their resources became a windfall for for those who could justify the expenditure of their funds.

The attitudes of the governments are reflected in DFC operations. Without the demand for developmental impact, and with little concern for the viability of the projects funded, the agents responsible for administering the funds were under no compulsion to be rigorous in applying lending criteria; in fact they were sometimes restricted from so doing.

Reviews of loan applications and subsequent documentation, made it clear that loan administration was frequently subjective on the part of the DFC officials, who seldom complied with sound financial and economic criteria; and the most elementary borrower analyses were not made.

Reform of the DFC system will require first, the ellucidation of distinct policies and operational guidelines by the governments concerned; followed by governmental intervention in the lending process, only to guarantee compliance with those guidelines.

Operationally, the DFCs should follow procedures already known to them, recognizing the following considerations:

1. The applicants with the greatest probabilities of success are those with previous success patterns at the same level of technology that is anticipated in the new project.
2. It is almost inevitable that borrowers entering new fields, or shifting to higher technology, will be involved in a learning process. To speed this process is to increase the probability of failure. It should be recognized that the bulk of projects will be, and must be, slowly developed.

Rapid loan service can and should be provided to applicants in consideration no. 1, above. Others will require substantial assistance - preferably from non-DFC sources, before a loan can be made. Governments and international lenders ought to be apprised of the constraints on such lending, and ought to support the DFCs by providing for such assistance.

In the absence of strong guidelines from the governments, however, the lending process will continue to be futile.

In all the States, DFC reform is being contemplated. Such reforms, if made, should be predicated upon specific national economic policies, as well as administrative concerns.