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

CARIBBEAN REGIONAL

PROJECT PAPER

CARIBBEAN DEVELOPMENT FACILITY II

BEST AVAILABLE

Project Numben:538-0040

Loan Numbers:538-T-008c
538-Q-009a
538-V-010a
538-W-011c

AID/LAC/P-037

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

THE ADMINISTRATOR
(Acting)

PROJECT AUTHORIZATION

Caribbean Development Bank — Caribbean Development Facility II

Project Number: 538-0040

1. Pursuant to Sections 103-106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Caribbean Development Facility II Project for the Caribbean Development Bank ("Bank") involving planned obligations of not to exceed seventeen million five hundred thousand dollars ($17,500,000) in loan funds to help in financing certain foreign exchange and local currency costs of goods and services required for the project.

2. The project will consist of a follow-on loan to Project No. 538-0023, the proceeds of which will be relent by the Bank to assist the governments of the English-speaking Caribbean countries to maintain adequate levels of development investment by providing resources needed to finance essential socioeconomic development projects of participating countries most of which are being assisted by international agencies and other donors. The participating countries, in turn, will have committed themselves to undertake self-help measures reflected in medium term economic programs, approved by the Caribbean Group for Cooperation in Economic Development, which will lead to financial stability and long-term growth. The entire amount of A.I.D. financing herein authorized for the project will be obligated when a suitable amendment to Project Agreement No. 538-0023 has been executed.

3. The Project Agreement Amendment, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. a. Interest Rate and Terms of Repayment

The Bank shall repay the Loan to A.I.D. in United States Dollars within twenty (20) years from the date of the first disbursement including a grace period of not to exceed ten (10) years. The Bank shall pay to A.I.D. in U.S. dollars interest from the date of the first disbursement of the Loan at the rate of (a) two percent (2%) during the first ten (10) years, and (b) three percent (3%) per annum thereafter on the outstanding disbursed balance and on any due and unpaid interest accrued thereon.

b. Source and Origin

Except for ocean shipping and except as A.I.D. may otherwise agree in writing or as otherwise provided in this authorization, goods and services financed by A.I.D. from Loan funds shall have their source and origin in any country included in A.I.D. Geographic Code 941, or in any Bank member country other than the United Kingdom or Canada except as provided in subsection f.(1) below.

c. Ocean Shipping

Until further notice from A.I.D., ocean shipping financed under the Loan may be procured in the United States or any Bank member country other than the United Kingdom or Canada except that, with respect to transactions in which transportation costs do not exceed $250,000, ocean shipping financed under the Loan may be procured in any country included in A.I.D. Geographic Code 899 on the condition that the suppliers provide a written certification as to non-availability of Code 000 or local flag carriers. In addition, for the purpose of cargo preference, U.S. flag vessels shall be deemed to be not available with respect to transactions falling under the terms of this procedure.

d. Conditions Precedent to Disbursements for Sublending

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or the issuance of any commitment documents under the Project Agreement to finance any eligible subloan project the Bank shall furnish in form and substance satisfactory to A.I.D. (a) evidence that the country in which the respective project is to be carried out has been qualified for assistance by the Caribbean Group after review of its proposed development policies and investment programs; (b) evidence that the Bank has identified the project to which assistance will be provided as eligible under A.I.D. subproject selection criteria; (c) evidence that the Borrower has received from the appropriate donor institution a written statement with such supporting documentation as may be necessary, confirming (i) that the proposed eligible project is currently technically, economically and financially feasible; (ii) that the financial plan for the project prepared by the donor has been reviewed and updated; (iii) that the proposed eligible project will not have a significant effect on the human environment or if such project does have a significant effect that a satisfactory environmental analysis has been prepared; and (iv) that the proposed eligible project (which shall be adequately described) will have a significant impact upon the poor of the country in which it is located including a brief explanation of how this impact will be achieved.

e. Covenants of the Bank

Except as A.I.D. may otherwise agree in writing, the Bank shall covenant (1) that funds made available under the project shall be reloaned to Bank member countries at an interest rate of not to exceed 4% per annum for the maximum feasible term of repayment (including a grace period) consistent with timely repayment of this Loan to A.I.D. by the Bank; (2) that interest earned, to the extent that it exceeds administrative costs of the project shall be allocated to one or more of the following: reserve against bad debts, supervision of technical assistance, financing of common services for regional or subregional organizations, or relending. Activities financed shall benefit member countries of the Bank with emphasis on the CARICOM LDCs. The planned allocation of such resources shall be agreed to in writing between the Bank and A.I.D.

f. Waivers - Source and Origin

(1) The United Kingdom or Canada shall be considered eligible for purposes of source, origin and nationality for goods and services, except for ocean shipping, (see subsection c. above) if the Bank obtains from the respective country a written commitment, satisfactory to A.I.D., that during the life of the project such country will make available funds to the CDF in a similar amount which will be available for expenditure in the United States (in addition to such other nations as may be specified) on a non-discriminatory basis.

(2) The Bank's procurement procedures shall be considered acceptable, and contrary requirements of Handbook 1B, Chapter 19 are waived.

Acting Administrator

12/13/79
Date

Clearances:

AA/LAC	E. Coy	
AA/PPC	A. Shakow	
GC	N. Holmes	
LAC/DR	M. Brown	
LAC/CAR	E. Melaven	
SER/COM	W. Schmeisser	

GC/LAC:JLKessler:ckg:10/25/1979

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE: A (A = ADD, C = CHANGE, D = DELETE)

PP

2. DOCUMENT CODE: 3

3. COUNTRY/ENTITY: CARIBBEAN REGIONAL

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): 538-0040

6. BUREAU/OFFICE: A. SYMBOL: LAC; B. CODE: 05

7. PROJECT TITLE (Maximum 40 characters): CARIBBEAN DEVELOPMENT FACILITY II

8. ESTIMATED FY OF PROJECT COMPLETION: FY 81

9. ESTIMATED DATE OF OBLIGATION

A. INITIAL FY 80 B. QUARTER 1

C. FINAL FY 80 (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY B. FX	FIRST FY C. L/C	FIRST FY D. TOTAL	LIFE OF PROJECT E. FX	LIFE OF PROJECT F. L/C	LIFE OF PROJECT G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	( )	( )	( )	( )	( )	( )
(LOAN)	( )	(17,500)	(17,500)	( )	(17,500)	(17,500)
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY						
OTHER DONOR(S)						
TOTALS		17,500	17,500		17,500	17,500

11. PROPOSED BUDGET APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. 1ST FY 80 F. GRANT	E. 1ST FY 80 G. LOAN	H. 2ND FY I. GRANT	H. 2ND FY J. LOAN	K. 3RD FY L. GRANT	K. 3RD FY M. LOAN
(1) FN	200		200		11,200				
(2) PN	400		400		1,000				
(3) EH	660		600		1,800				
(4) SD	700		700		3,500				
			TOTALS		17,500				

A. APPROPRIATION	N. 4TH FY O. GRANT	N. 4TH FY P. LOAN	Q. 5TH FY R. GRANT	Q. 5TH FY S. LOAN	LIFE OF PROJECT T. GRANT	LIFE OF PROJECT U. LOAN
(1) FN						11,200
(2) PN						1,000
(3) EH						1,800
(4) SD						3,500
TOTALS						17,500

12. IN-DEPTH EVALUATION SCHEDULED: MM YY

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

[ ] 1 = NO 2 = YES

14. ORIGINATING OFFICE/CLEARANCE

SIGNATURE: William B. Wheeler

TITLE: AID REPRESENTATIVE

DATE SIGNED: MM 10 DD 26 YY 79

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

AID-1330-4 (3-76)

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A. SUMMARY AND RECOMMENDATIONS

1. Recommendation

The AID Regional Development Office/Caribbean recommends authorization of a loan for $17,500,000 and a grant for $2,500,000 to enable the Caribbean Development Bank (CDB) working within the context of the Caribbean Group for Cooperation in Economic Development (CGCED), to contribute to economic stabilization and growth in participating CDB member countries. The loan is to be funded in FY 1980 under the following five appropriation categories: FN - $11.2 million; PN - 1.0 million; EH - $1.8 million; and SD - $3.5 million. The Grant funds, also to be provided in FY 1980, are to be funded from the SD appropriation.

2. Borrower and Executing Agency

The Borrower and primary executing agency will be the Caribbean Development Bank (CDB). The CDB is a regional development finance institution, established in 1970 and composed of eighteen (18) regional and two (2) non-regional governments. Its purpose is to promote the development and integration of its borrowing member governments with special emphasis on its less developed members. The loan program will form a part of the Caribbean Development Facility, a mechanism established under the CGCED in 1978 to provide supplementary financing to reverse the economic deterioration which was occuring in much of the region. The grant program will form part of the Basic Human Needs Fund of the CDB, a mechanism primarily established in 1979 to address the problems of the Eastern Caribbean LDCs.

3. Project Summary

A.I.D.'s purpose in providing the loan funds is to assist the MDC governments of the English-speaking Caribbean countries participating in the Caribbean Development Facility to maintain adequate levels of development investment by providing resources needed to carry out essential donor-assisted socioeconomic projects. The purpose in providing the grant funds is to further capitalize the BHNF of the CDB. The $20 million of assistance provided at this time will augment the resources that the CDB has available to implement two programs established to achieve that purpose. First, A.I.D. will make available $17.5 million to the CDB in loan funds to be utilized in the MDCs* to continue the AID-financed CDF program initiated in FY 1978. Under that program, the Bank lends funds to the participating MDCs to finance the local costs of essential, donor-assisted development projects. The program thereby permits the continued implementation of important development projects which would otherwise be delayed by the difficult financial and economic conditions which currently prevail in the region.

MDC countries participating in this program will have committed themselves in the CGCED forum to undertake measures designed to achieve long-term equitable growth and to achieve internal and external financial balance. Economic performance and the need for CDF resources are evaluated by the CGCED. The CGCED also establishes lists of projects eligible for financing under this program. In addition, A.I.D. requires that the CDB be satisfied as to the technical, economic, financial and environmental soundness of projects. A.I.D. further requires that the CDB use its funds only to assist projects which predominantly benefit the poor.

The second CDB program which is to receive additional funding, a $2.5 million grant, is the Basic Human Needs Fund (BHNF).

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*Barbados, Guyana and Jamaica

The BHNF was established in FY 1979 to assist the LDCs* to arrest the deterioration of economic and social infrastructure and to generate productive employment.

4. Summary Rationale

The countries of the Eastern Caribbean have faced serious economic disruption during the past six years, particularly as a result of several external events. The world-wide recession of 1973/74, contraction in international demand for the region's principal exports, major increases in imported foodstuffs and massive increases in oil prices put regional economies under severe strain and accelerated an already serious unemployment problem. In the LDC's these factors, combined with the islands small size, and limited resource base generated substantial domestic inflation and halted economic growth. In a number of cases, GDP and per capita income actually declined. In Jamaica and Guyana, these events had an especially acute effect. Heavy external borrowing was followed by the imposition of restriction on money supply and on foreign trade and payments. New investment and the availability or raw materials were curtailed, resulting in a decline in production and increased unemployment.

These facts notwithstanding, countries in the region have made significant progress in commiting themselves to and carrying out policies which will achieve growth with equity, while at the same time restoring budgetary stability. This difficult and often conflicting task of restricting expenditures and improving the balance of payments while maintaining acceptable levels of development can only be accomplished through substantial external assistance of the nature being provided through the Caribbean Development Facility, and the Basic Human needs Fund. The progressive momentum begun under CDF I AND BHNF must be continued if countries are to successfully make the adjustment to new economic realities as well as realize their critical development objectives.

5. Summary Findings

The Project as designed responds to a critical need in the English-speaking Caribbean for supplemental financing for high priority socioeconomic development projects. The Project has been found to be technically, financially, economically and socially sound and ready for implementation. All relevant requirements of the FAA Section 611 and all other statutory criteria are met.

6. Terms, Conditions and Covenants

In addition to the standard conditions and covenants associated with AID loans and grants, the following are proposed:

*The LDCs (or Less Developed Countries) include Antigua, Dominica, Grenada, Monserrat, St. Kitts/Nevis, St. Lucia and St. Vincent. Belize, also an LDC according to the CARICOMA definition, did not participate in the original project but will now be included. Barbados participates in the BHNF utilizing $2 million in AID loan funds also provided to the CDB in FY 1979.

a. Interest Rate and Terms of Repayment

The Bank shall repay the Loan to A.I.D. in United States Dollars within twenty (20) years from the date of the first such disbursement including a grace period of not to exceed ten (10) years. The Bank shall pay to A.I.D. in U.S. dollars interest from the date of the first disbursement of the Loan at the rate of (a) two percent (2%) during the first ten (10) years, and (b) three percent (3%) per annum thereafter on the outstanding disbursed balance and on any due and unpaid interest accrued thereon.

b. Source and Origin - Loan and Grant

Except for ocean shipping and except as A.I.D. may otherwise agree in writing, goods and services financed by AID from Loan funds shall have their source and origin in any country included in AID Geographic Code 941. Ocean shipping financed under the Loan shall be procured in the United States or in any Bank member country included in AID Geographic Code 941 except as AID may otherwise agree in writing.

Except for ocean shipping and except as AID may otherwise agree in writing, the source and origin of goods and services financed under the Grant portion of the Project shall be Code 000 and member countries of the CDB other than the United Kingdom and Canada. Ocean shipping financed under the Grant shall be procured in the United States, except as AID may otherwise agree in writing.

c. Conditions Precedent to Disbursements for Sublending and Subgranting

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or the issuance of any commitment documents under the Project Agreement to finance any eligible subloan project the Bank shall furnish in form and substance satisfactory to A.I.D.. (a) evidence that the country in which the respective project is to be carried out has been qualified for assistance by the Caribbean Group (CG) after review of its proposed development policies and investment programs; (b) evidence that the Bank has identified the project to which assistance will be provided as eligible under A.I.D. subproject selection criteria; (c) evidence that the Borrower has received from the appropriate donor institution a written statement with such supporting documentation as may be necessary, confirming (i) that the proposed eligible project is currently technically, economically and financially feasible; (ii) that the financial plan for the project prepared by the donor has been reviewed and updated; (iii) that the proposed eligible project will not have a significant effect on the human environment or if such project does have a significant effect that a satisfactory environmental analysis has been prepared; and (iv) that the proposed eligible project (which shall be adequately described) will have a significant impact upon the poor of the country in which it is located including a brief explanation of how this impact will be achieved.

Conditions and Covenants for the Grant portion of this Project shall be those already established under AID Project 538-0030, Basic Human Needs/Employment Sector.

d. Covenants of the Bank

Except as A.I.D. may otherwise agree in writing, the Bank shall covenant that funds made available under the CDF Project shall be reloaned to Bank member countries at an interest rate of not to exceed 4% per annum for the maximum feasible term of repayment (including a grace period) consistent with timely repayment of the Loan to A.I.D. by the Bank.

e. Waiver - Source and Origin - Loan and Grant

The United Kingdom or Canada shall be considered eligible for purposes of source, origin and nationality for goods and services, except for ocean shipping, if the CDB obtains from the respective country a written commitment, satisfactory to AID, that during the life of the Project such country will make available grant or loan funds to the CDF in a similar amount which will be available for expenditure in the United States (in addition to such other nations as may be specified) on a nondiscriminatory basis.

7 Procurement Regulations

Under the loan, AID will accept the existing determination by the participating Country and the primary donor as to what constitutes local and foreign exchange costs. Since most projects to be funded under the loan will involve existing contracts, there will be no need to specify any specific procurement regulation. New loan-funded contracts will be let on a competitive basis. Under the Grant, AID will accept the procurement regulations of the Caribbean Development Bank.

B. PROJECT BACKGROUND

1. The Regional Economy

The past six years have been particularly disruptive ones in the economic life of the English-speaking countries comprising the Caribbean Community (CARICOM)*. Several external events played a catalytic role. The inflation and world economic recession which ensued in 1973-74 had serious adverse effects on all of the economies of the region except Trinidad & Tobago. The quadrupling of oil prices, the large increases in prices of imported foodstuffs, combined with a severe contraction in international demand for some of the region's major exports of goods and services had particularly dire consequences.

High sugar prices, and thus high sugar export earnings, initially had a mitigating influence on these adverse external events in some countries. Several of these countries, not anticipating that sugar prices would return to more normal levels while the prices of oil and other essential imports would continue to rise, embarked on ambitious public sector investment programs designed to generate growth and redistribute income and wealth on more equitable terms. The subsequent decline in sugar prices left these countries committed to investment programs which they could no longer sustain.

The two countries most seriously affected by the adverse external developments were Jamaica and Guyana. They increased economic centralization to restructure major social and economic relationships. Moreover, these countries started to acquire substantial portions of foreign-owned productive assets. In attempting to carry out a number of structural changes at a time of worldwide economic disruption, they strained the financial capability of their public sectors and created a climate that gave rise to private capital flight. Levels of consumption rose more rapidly than output; consequently, domestic savings declined and investment became increasingly dependent on external borrowing. Combined with rapid domestic credit expansion, this had serious balance-of-payments effects.

To sustain expansionary activities and cover the balance-of-payment deficits, Jamaica and Guyana borrowed heavily from external sources, increasing their external debt burdens to the point of impairing their creditworthiness for borrowing on conventional terms. When external borrowing proved inadequate to alleviate their external payments positions, they were forced to impose restrictions on money supply and on their foreign trade and payments. While trade restrictions were applied most strenuously to consumer goods imports, they also curtailed new investment and denied national industry needed raw materials. Many firms have had to reduce production and employment levels, and unemployment has reached as high as 26%. The restrictions also curtailed trade with their partners in the Caribbean Common Market, highlighting the emerging conflict between short-term viability of the countries

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*The CARICOM Countries include four More Developed Countries (MDCs) -- Jamaica, Guyana, Barbados and Trinidad-Tobago -- and eight Less Developed Countries -- Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent.

facing balance-of-payments crises and the overall economic interests of the region.

The smaller English-speaking Caribbean countries, constrained by their small size and extremely limited resource base, have depended heavily for their viability on external grants and concessional loans even prior to 1974. Given their constraints, the LDCs did surprisingly well. Governments have been democratic, guarded human rights and been highly responsive to public pressures for social services and raising living standards. Education, health and other social services are available to all income groups, although qualitative deficiencies are considerable and on the increase. External assistance permitted total consumption levels almost equal to GDP, levels not justified by the output of their economies. The reduction of budgetary grants from the United Kingdom coupled with adverse external conditions led to crises of public finances, generated domestic inflation and halted economic growth. In many of the LDCs, GDP and per capita income declined.

Given the complexity and extent of these economic factors and the constrained budgetary resources which have resulted, the LDCs have been unable to devote adequate attention to the maintenance and improvement of basic physical infrastructure - roads, water and sanitation systems, health and community centers, etc. Clearly, this widespread. and in some cases nearly irreversible, deterioration threatens the success of the Caribbean Group. Economic recovery in the LDCs can only be effective if there is sufficient investment in the present to preserve the capital stock which serves as the basis for agricultural, industrial tourism and human resource development. Failure to address this problem will cause future investment to be diverted from activities which could contribute to the growth in real income and employment to the costly replacement of infrastructure which has deteriorated prematurely.

In summary, economic growth in much of the region has been halted, and in many instances living standards have actually deteriorated. The frail economies were dependent on large external capital inflows, and the turbulent economic events of this decade brought to the surface the inherent weaknesses of their economic structures. These events have also placed heavy strains on their social and political structures.

The process of adjustment has been made particularly painful because of the need to curtail or substantially reduce ambitious development programs designed to stimulate economic growth and a more equitable distribution of national income. Such programs could not be sustained at previous levels in the face of declining Government revenues and severe balance-of-payments deficits.

2. Recent Progress and Current Prospects

Since mid-1978, as a result of more prudent economic policies invoked and enforced with considerable political determination, substantial progress has been made by most countries of the region. But, at the same time, their adjustment problems have proved to be more difficult to cope with than previously envisaged. While the overall trend is encouraging, the task ahead will still be extremely demanding for both recipient countries and the donor community. This task may become even more difficult than now anticipated owing to the possible effects of the renewed worldwide inflationary pressures that are emerging with greater virulence since last January.

Jamaica and Guyana have been able up to now to comply with the main financial targets of the economic programs that they instituted last year. To achieve this they reduced consumer subsidies, sharply restricted imports, limited salary increases, introduced new taxation policies and, in the case of Jamaica, sharply devalued the currency.* Implementing these measures has not been an easy task in view of the substantial reduction in real wages required by such programs. While those countries had no possibility of maintaining their previous excessively high levels of domestic expenditure and, therefore, no option but that of implementing programs such as those adopted last year, it is also true that their efforts have a high political cost. In spite of the pressure of labor unions and other domestic groups for abandoning or relaxing such programs, both Governments have not only maintained them, but their 1979-80 programs will continue to pursue austerity policies.

In both countries, however, development efforts have fallen well short of the desired levels. Public and private investment have lagged behind -- although not to the extent they would have in the absence of the CDF** -- and production and employment targets have not been met. Their 1979-80 programs, therefore, while maintaining the pace of their stabilization effort, also place increased emphasis on development policy -- particularly concerning the promotion of export activities.

Barbados and St. Lucia are the two countries which progressed fastest over the last year. These two small countries shared some important characteristics. Both attached the highest priority to the development of efficient foreign exchange earning activities, particularly export industries and tourism; maintained over long periods well designed and managed policies to encourage the development of their private sectors-- whenever necessary in association with foreign partners; managed their public finances soundly; and maintained a very positive attitude toward the need to increase economic collaboration within the region (for instance, by establishing common services) and vis-a-vis the rest of the world. The economies of these two countries are still vulnerable -- and are likely to remain so because of their small size. Moreover, although the adjustment process is not complete in these islands, they are already beyond the targets set for mid-1979 in the first CG Meeting convened in June, 1978.

The Less Developed Countries (LDCs) of the English-speaking Caribbean -- Belize and the seven members of the Eastern Caribbean Common Market --

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*See Annex VI for a more thorough discussion of these changes in economic policies and the results generated.

**According to the World Bank, actual disbursements of CDF-type resources to Jamaica and Guyana totaled about $69.4 million between July, 1978, and June, 1979.

enjoyed on the whole, satisfactory economic performance in 1978, with real GDP growing an average of about six percent. This growth was largely attributable to a large banana crop throughout the Windward Islands and a good tourist season. St. Kitts-Nevis, where both sugar output and prices showed no gain, was the only exception to the rule. The public finances of the region, however, were only able to partly share in the benefits of growth, as major wage settlements in a number of countries resulted in an overall reduction in the regional level of public sector savings. Increased levels of public investment in most countries, and tourism, led to larger import bills. Nevertheless, the increase in foreign exchange earnings was in most cases sufficient to improve the current account of their balance-of-payments. Belize also progressed strongly with a real GDP growth of 6 percent in the wake of a record sugar crop despite the impact of a hurricane which hit the country during the year. Belize's public sector investment grew by almost 80 percent resulting in an increase in imports that outweighed export growth and led to an increase in the current account deficit of the balance-of-payments.

Even if this overall favorable performance can be maintained, the small size of the LDCs is likely to preclude their attaining economic viability unless they increase substantially their cooperation and integration efforts -- among themselves and with other Caribbean countries. Moreover, 1979 has already produced several setbacks. The recent natural disasters in St. Vincent and Dominica will (particularly in the case of Dominica) have severe adverse effects on economic growth and the attainment of viability in those countries. Greater uncertainty also exists in Grenada and St. Lucia where recent changes in Government, which may lead to changes in economic policy, have caused concern among potential private sector investors.

The overall scenario which emerges from the analysis of the Caribbean economies highlights several common characteristics:

(a) All countries of the region -- with the sole exception of oil exporting Trinidad and Tobago -- continue to face, though in varying degrees, serious fiscal and/or balance-of-payments problems;

(b) Development programs have been severely disrupted and, particularly in the LDCs, physical infrastructure is deteriorating at an accelerated pace;

(c) Without exception, all of these countries have high unemployment and a pressing need to accelerate job creation;

(d) Significant progress has been made during the past 18 months in establishing policies conducive to re-establishing long-term growth with equity; the readjustment process now begun will be painful for the Caribbean countries and will require several more years to complete;

(e) There is a continuing urgent need to increase public and private investment in practically all countries of the area; this will require maintaining consumption at restrained levels in most of these countries and continued support from the donor community in the form of both traditional and special financial assistance.

3. The Caribbean Group for Cooperation in Economic Development

In view of the economic plight of the countries of the Caribbean and in response to expressed interest from the Region, the United States took a leading role in encouraging a consultative group for addressing the problems of the Region in a comprehensive, coordinated way. A special conference on economic development in the Caribbean was called in December, 1977, under the sponsorship of the World Bank. At this conference, agreement was reached to establish the Caribbean Group for Cooperation in Economic Development (CGCED or CG) under the leadership of the World Bank (IBRD). The Caribbean Group is sponsored by the IBRD, the International Monetary Fund (IMF) the Inter-American Development Bank (IDB), and the Caribbean Development Bank (CDB). Its purpose is to provide an economic framework for promoting increased economic assistance to the Region and more effective utilization of assistance. The Group encompasses all the developing countries of the Caribbean (except Cuba), and involves the major mulilateral donor agencies and the principal bilateral donors with an interest in the Region. At the December Conference it was also agreed to establish country and sub-regional subgroups for analyzing and reviewing specific country problems and the World Bank was asked to initiate a series of studies and reviews to serve as a basis for country reviews.

The IBRD agreed to conduct annual analyses of the major constraints to economic growth of the economies in the Region as well as of the total external assistance requirements and various assistance instruments necessary to achieve growth with equity. The Bank's initial studies in 1978 included analyses of the economies of the English-speaking Caribbean Countries, and surveys of Caribbean agricultural, industrial and transportation sectors. These analyses highlighted the conflict facing the Caribbean Governments between the need to stabilize budgets and balance-of-payments and the need to increase investment to avoid even higher levels of unemployment. With governments restricting credit and cutting budget expenditures in order to restore equilibrium to their budgets and external accounts, investment had fallen off and operating capital was increasingly scarce, resulting in growing unemployment as new enterprises were postponed and existing businesses began to shut down. The Bank concluded that there was a critical need for special forms of external assistance to enable the recipient countries to maintain acceptable levels of development investment while executing prudent policies directed toward restoration of viable fiscal and balance of payments positions and achieving sustained economic growth.

In preparation for the first formal meeting of the Caribbean Group in June, the World Bank canvassed the donors, outlining the results of their analysis and requesting increased assistance levels. In general, the donor community committed itself to significantly increase external assistance, although a major portion of the assistance promised was limited to traditional project financing. Since the Caribbean countries did not have the budgetary resources to meet the local cost contributions of project funding, they could not effectively take advantage of the available assistance. The Bank, therefore, concluded that a mechanism should be established to permit the countries to take advantage of the project assistance donors were willing to make available as "adjustment assistance" over a five year period. Such assistance would enable recipient countries to maintain more acceptable levels of economic activity while simultaneously pursuing prudent monetary, fiscal and trade policies.

4. The Caribbean Development Facility

a. Objectives and Functions

At the first formal meeting of the Caribbean Group, June 19-23, 1978, the World Bank proposed the establishment of a multi-donor Caribbean Development Facility (CDF). The main purpose of the CDF is to help finance essential imports and to provide supplementary financing of projects and programs for which international institutions or other external lenders are financing foreign exchange components. The facility is designed to enable participating countries to maintain acceptable levels of development investment while executing economic policies directed toward financial stability and growth. It is a temporary mechanism for promoting and coordinating external assistance to participating governments. The World Bank estimated that this type of financial assistance would not be needed for more than five years, provided that the recipient countries adopted appropriate and timely economic policy decisions. The CDF would have several other important advantages since it would operate in coordination with the Caribbean Group and its subgroups. It would support and encourage economic planning and needed improvements in economic policies of the countries in the Region, since decisions on assistance levels would take into account whether the participating country had acceptable short and medium term economic programs. It could also improve the balance of payments situation of recipient countries and help ease the foreign-exchange imposed restriction on intra-CARICOM trade.

The World Bank's proposal was approved by the Caribbean Group in June 1978, and the Caribbean Development Facility was formally established. The CDF is being administered by an informal "working group" composed of representatives of the IBRD, IMF, IDB and CDB. The working group makes recommendations on the eligibility of participating countries for CDF financing and on the amounts it would be desirable to provide in each case, based upon the existence of appropriate short- and medium-term economic policies. In the case of Jamaica and Guyana which have financial and investment programs accepted by the IMF, country performance is judged against the criteria included in those programs. The governments are evaluated during the proceedings of CGCED country review meetings which provide the basis for decisions about future CDF assistance.

In estimating CDF requirements, the working group takes into account: (a) the short- and medium-term economic policies and programs adopted by the Government of each recipient country, and - in the framework of such policies and programs - the overall external financial needs of those countries; and

(b) the availability of development projects and programs eligible for CDF financing.

The CDF is financed by the contributions of interested donors. Donors are expected to pledge assistance (amounts, terms, conditions) annually at CGCED meetings. Most of the amount required by the CDF during its first year (July 1, 1978 to June 30, 1979) was pledged by several donors in the first meeting of the Caribbean Group.

The World Bank estimates that the Facility should operate over the five year period which began in the latter half of 1978. By the end of that period the Caribbean economies should have adjusted to the new economic realities. The Bank initially estimated that a total of about $125 million per year on the average would be required to meet anticipated CDF needs. There is general consensus among donors as to the need for special assistance to the Caribbean along the lines proposed by the IBRD.

The United States agreed in principle to contribute 30 percent of the total needs, or $37.5 million per year, provided there was firm evidence that other donors would participate and provided recipient countries adopted appropriate economic policies and self-help measures. For the initial year of facility operations, the U.S. contribution consisted of approximately $17.5 million of additional P.L. 480 Title I resources and $20 million of development assistance funds. The P.L. 480 resources were provided in early FY 1979, primarily to assist Haiti and the Dominican Republic to meet their development investment requirements in accordance with normal P.L. 480 procedures. The $20 million development loan, the direct antecedent to this proposal, was adminstered by the Caribbean Development Bank.

Progress during the first year of the CDF's operation was reviewed at the second meeting of the Caribbean Group for Cooperation and Economic Development held in Washington, D.C., June 4-9, 1979. Country sub-group reviews were held for the Dominican Republic, Jamaica, Guyana, Barbados and the ECCM States and Belize. Sub-groups were also held on a number of regional programs, including tourism, transportation, energy, agriculture, export promotion and strengthening of the private sector.

With respect to the domestic performance of the Caribbean countries, it was the conclusion of the Chairman that all of the countries for which sub-groups were held had adopted development programs directed toward ensuring the viability of their relatively small economies. Most countries of the region had achieved satisfactory progress during the last year in the process of adjusting their economies to the changing international economic situation. In this process, they maintained, almost without exception, their commitment to social development and political democracy. Because of the favorable performance, the IBRD, IMF and other co-sponsoring international institutions recommended continuation of extraordinary CDF assistance, required to maintain an acceptable pace of progress for both development and stabilization objectives.

b. AID's First CDF Loan

AID's first CDF contribution, a $20 million loan to the CDB, was signed in September, 1978. Funds were to be allocated to the participating countries as follows:

	Millions US$
Jamaica	$12.0
Guyana	4.5
Barbados	1.5
LDCs	2.0
	$20.0

The funds provided for the MDCs were to be utilized to finance the local costs of development projects assisted by other Free World donors. By financing local costs which were to have been the responsibility of the host government, AID funds eased the problem of public sector savings, permitted progress to be made on high priority investment projects which otherwise would have been stalled, and increased the availability of scarce foreign exchange.

The $18 million available to the MDCs was to be expended on eligible projects during the 15 month period July 1, 1978 - September 30, 1979. Subsequent funding for projects not completed during that period was to come from host country resources or (more likely) from CDF replenishments such as that recommended herein. The CDF thus provides project financing for high priority public sector investment projects. However, as money is allocated to alleviate the savings and foreign exchange gaps in a specific time period rather than to provide life-of-subproject financing, it also has some of the characteristics and benefits of a program loan.

To be eligible for CDF funds, it must be demonstrated that a project will yield significant benefits for the poor and be technically, financially, economically and environmentally sound. Because all projects financed in the MDCs had already been appraised by a reputable Free World donor agency, it has been possible to establish fairly simple yet effective mechanisms to determine whether projects meet these qualifications. These mechanisms, which will be continued under this new program, are described in the Project Description and Project Implementation sections below.

CDF assistance to the LDCs was provided in a different and more traditional manner. This was necessitated by the fact that donor agencies operating in the LDCs often agree from the outset to finance all investment costs; thus there is often no counterpart contribution which the CDF could finance. The $2.0 million available to the LDCs was thus designed to provide life-of-project financing for a broad range of investment projects for which no other donor financing had been secured. The eligibility criteria for MDC projects outlined above -- target group impact and technical, economic, financial and environmental soundness -- are also employed for LDC projects. Since LDC projects would generally not have been reviewed and accepted by other donors, thorough project appraisals are generally required to test for eligibility.

A joint AID/CDB review of project implementation carried out in September, 1979, concluded that the MDC portion of the program has been highly successful, with 13 projects supported in the three MDCs. A list of projects and the amount of CDF financing provided to each is shown in Table I below. As the table indicates, total CDB disbursements effected by September 30, 1979, were $13.9 million, or 77 percent of the $18 million available to the MDCs.

Table I

Disbursements Under AID's First CDF Loan

Project	Disbursements through 9/30/79 (US$ thousands)	External Donor
Jamaica		
First Rural Development	674.5	World Bank
Education Expansion II	801.2	World Bank
Sites & Services (low income housing)	1,539.8	World Bank
Second Population Project	1,479.1	World Bank
Small Scale Enterprise Development	1,060.2	World Bank
Self-Supporting Farmers' Development	3,093.5	IDB
Students' Loan Fund II	198.8	IDB
Sub-total	8,847.1	
Guyana		
Mahaica-Mahaicony-Abary (farm area development)	797.2	IDB
Tapakuma Irrigation	1,963.2	World Bank
Second Education Project	149.3	World Bank
West Demarara Road (rural)	1,239.6	IDB
Sub-total	4,149.3	
Barbados		
Samuel Jackman Prescod Polytechnic	500.0	IDB
Industrial Estates	400.0	CDB
Sub-total	900.0	
TOTAL	13,896.4	

In fact, the CDB will be able to disburse an additional $1.5 million as soon as it completes a planned reallocation of funds among countries. Under the new allocation, which is expected to be approved by the CDB Board of Directors in October, 1979, Jamaica's level will be reduced by 0.9 million in FN funds which will be transferred to Guyana. Guyana will simultaneously transfer $0.3 million in EH funds to Barbados, and Barbados will transfer $0.3 million in F&N funds to Guyana.

Documentation from Guyana and Barbados has already been submitted to the CDB which will permit the almost immediate disbursement of these new funds.

This will raise total CDB disbursements to the MDCs to \$15.4 million, or 86% of the total available to them. The remaining \$2.6 million is allocated as follows:

Country	Funding Category	Amount (U.S.\$ millions)
Jamaica	FN	1.8
	PN	0.5
Barbados	FN	C.3
Total		\$2.6

The level of disbursement achieved constitutes a significant accomplishment. This is particularly true in view of the newness of the project for all parties concerned, i.e., AID, CDB, Prime Donors, and the various institutions of the Participating Countries responsible for preparing and submitting the necessary vouchers and supporting documentation, and the existence of several constraints which worked at cross purposes to the project's objectives. For example, several of the eligible sub-projects experienced delays as a result of spare parts shortages for heavy equipment owned by private contractors. Unusually severe climatic conditions (e.g., flooding in Jamaica) effectively delayed progress on eligible sub-projects or elements of same. Government red tape in securing needed imports has been particularly onerous during this period of severe balance of payments difficulties. The shortage of qualified personnel to carry out projects has been exacerbated by Governments' efforts to hold the line on civil service salary levels in a period of higher than normal inflation. Moreover, the CDB has carefully screened sub-projects before accepting them under the program; in some instances the Bank has exceeded the criteria established under the AID/CDB Agreement. Considering the pervasiveness of most of the above mentioned implementation constraints throughout the Caribbean region, the performance under CDF I has been quite good in terms of meeting the program's objectives for the MDCs.

The projects which received assistance under CDF I were high priority programs whose pace of implementation had been severely reduced or, in some cases, virtually stopped because of the lack of adequate government counterpart funds. This was particularly the situation with regard to most of the projects assisted in Jamaica and Guyana. Discussions with project managers, Ministry of Finance officials and officials representing the prime donors indicate that significant, demonstrable progress has in fact occurred over the past year as a result of AID's first CDF contribution. Moreover, discussions with project managers and support personnel in the various Ministries implementing projects revealed a general sense of pride with respect to recent accomplishments and renewed optimism over prospects for continued implementation progress in the future.

Without exception, the projects selected for support during the first year of CDF activity are having or will have a significant impact on lower income groups residing in both rural and urban areas. Many of the selected projects, such as the Tapakuma and MMA irrigation, drainage and farm development schemes in Guyana and the First Rural Development and Sites and Services programs in Jamaica, represent cornerstones of government strategy in various sectors aimed at improving the economic and social conditions for large numbers of poor families and establishing viable structural and institutional frameworks within which further progress in this respect can be achieved in future years. The projects themselves as well as the progress achieved over the past year in executing these projects provide strong testimony to the Participating Countries' commitment to improving the welfare of the poor. Annex V indicates the beneficiaries for each of the sub-projects assisted under the first CDF loan and/or contemplated under this new program.

Although the AID funds made available through CDF I have been effectively utilized by the MDCs and have made an immediate and significant impact, the $2 million allocated to the LDCs has moved slowly. To date, only one LDC project costing $355,000 has been approved for CDF financing, a rural electrification project in St. Lucia. No disbursements have yet taken place. However, the CDB is currently reviewing a number of projects which qualify for such funding and it is confident that all LDC funds can be effectively used by the PACD (September 30, 1982). Nevertheless, given the financial situation of the LDCs and the level of funding available to the CDB from AID and other donors it does not appear that additional multi-year loan financing of LDC projects would be the most appropriate type of CDF input for AID to make at the present time.

C. Caribbean Education Development and Basic Human Needs - Employment Sector Projects For LDCs.

In view of this situation, AID and the CDB have sought to develop other forms of assistance which would contribute more quickly and effectively to the objectives as established by the CG and which would be grant funded - alleviating any further budgetary burden to the LDCs. In June of 1979, AID and the CDB approved the Caribbean Education Development Project (538-0029) which provides $3.845 million for primary school construction, rehabilitation, extension and maintenance. The development of this Project was preceded by an intensive AID and CDB-financed School Construction Survey under which the nature and extent of school facility needs were documented and some $7 million in highest priority sub-projects were identified and costed.

In August of 1979, AID and the CDB initiated the Basic Human Needs - Employment Sector Project (538-0030) which included $8 million in grant funding for the LDCs and which created a Basic Human Needs Fund (BHNF) within the CDB. The concept of the BHNF and the critical need for external assistance to accomplish its purpose were strongly articulated by leading Caribbean spokesmen at the June, 1979, CGCED meeting. The BHNF was designed to meet two fundamental objectives which the LDCs themselves would finance on a priority basis but for the lack of public sector resources: (1) arresting the deterioration of and improving the public infrastructure upon which future development will be based and (2) generating productive employment. An added benefit to be derived will be the alleviation of the LDCs' foreign exchange constraint inasmuch as AID will disburse U.S. dollars to finance local cost project activities.

Both of these AID Projects will be integrated under the BHNF; thus the BHNF will finance a broad range of activities including schools, road and drainage system maintenance, improvements to community water and sanitation systems, repair to health and community centers, land clearance and afforestation. The effective demand for the rehabilitation of infrastructure works other than schools was appraised by consultants in July, 1979, on the basis of a country-by-country survey. Potential subprojects totalling $ 7 million were identified. This, in fact, represents only a small portion of subprojects which would be eligible under the BHNF criteria and which are expected to be proposed by the LDCs in the next two years. Since the combined total of AID funding for schools subprojects ($6.8 million) will cover the present highest priority needs of the LDCs, the greatest need for additional financing will be in the other infrastructure category. Since the BHNF presently has $ 3,130,000 for these types of activities, or less than an average of $500,000 for each LDC, there is an unquestionable shortfall in funding against the identified needs faced by the LDCs, as indicated in section C.2.

RDO/C and the CDB have concluded that because of its immediate impact upon employment and the fiscal and balance of payments problems, the BHNF type of activity is a more appropriate form of assistance for the LDCs than that provided under CDF I. It will avoid adding further financial burden to the countries, yet facilitate rapid and effective development. For this reason, and in view of the large unmet demand for this type of assistance, it is proposed that an additional contribution of $2.5 million be made to the BHNF.

5. Financial Requirements for FY 1980

The requirements for the Caribbean Development Facility for the twelve months commencing July 1, 1979 were estimated at approximately US$275 million for the Caribbean region as a whole. The IBRD estimated that US$225 million in resources had been identified for CDF type financing by the end of the meeting, approximately half of which had emerged from new pledges made by donors during the meeting. This compares with the estimated disbursement of US$186 million for this type of assistance for the same period in the previous year. With regard to the US$50 million gap for 79-80, the IBRD reported several major donors (including the U.K. and Canada) were not in a position to make pledges at that time, but would consider provision of additional resources.

The requirements of the English-speaking Caribbean for CDF resources were estimated at US$102.5 million, distributed as follows:

	U.S.$ millions
Jamaica	$ 65
Guyana	25
Barbados	5
LDCs	7.5
TOTAL	$102.5

The working group did not recommend country allocations to donors because the U.K. and Canada were not in a position to complete their pledges. With regard to Barbados, external financial requirements for the next twelve months were estimated at between US$16 - $17 million of which US$5 million would be needed in the form of CDF type assistance. Only one donor, the U.S., made a pledge for CDF assistance. The U.S. indicated it was considering at least US$1.5 million and possibly as much as US$3 million. The IMF representative, Mr. Robichek, stressed the need for continuing support of Barbados' development program both in terms of CDF assistance and project assistance noting it would be inconsistent for the international community to penalize a country that had progressed as a result of the application of sound economic policies. A similar view was expressed by the Chairman, Mr. Lerdeau of the IBRD.

With regard to the LDCs, it was reported that the World Bank policies recommended had been accepted by countries and donors and the ECCM member states had shown a strong commitment to common services. It was generally agreed that any funds committed should be quick disbursing and additional. In terms of Jamaica, it was reported by the IMF that agreement was reached for the second year of the IMF extended fund facility. Of an unfinanced gap of about US$65 million, bilateral donors indicated they would make available some US$46 - 48 million. With regard to Guyana, the country had achieved the targets of its one year stand-by facility of the IMF. Agreement had been reached on an extended fund facility. Of the US$25 million required in the form of CDF type assistance, some US$22 million was committed in the meeting.

With respect to regional cooperation, there was agreement that regional cooperation should be pursued at three complementary levels: East Caribbean Common Market; Caribbean Community; and the wider Caribbean context which includes CARICOM member countries, Bahamas, Dominican Republic and the Netherlands Antilles. The meeting reached agreement on proceeding with several important regional cooperation schemes, including strengthening of the Caribbean countries' private sector, export promotion, tourism promotion, energy, agriculture and transportation. It was agreed that participating international institutions would prepare detailed operational proposals for regional cooperation in the fields referred to above. Concerning the ECCM countries, the Group agreed to support the establishment of regional programs in the fields of pools of experts; common services; basic needs; food aid; and the finance of inputs in the agricultural sector. Moreover, the ECCM Secretariat and the East Caribbean Currency Authority would be strengthened substantially.

6. Other Donor Contributions to the Caribbean Development Facility (CDF)

The June 1978 meeting of the Caribbean Group (CG) resulted in pledges of $114.9 million for the Caribbean Development Facility (CDF). The U.S. pledged $37.5 million ($20 million CDF I loan, and a $17.5 million proposed increment of PL 480 Title I/III assistance for the region). Other donors pledged $77.4 million, broken down as follows:

Table 1: CARIBBEAN DEVELOPMENT FACILITY FY79 PLEDGES

(Excludes Dominican Republic and Haiti except for contributions from OPEC and the United States)

(In millions of US$)

	Jamaica	Guyana	Barbados	LDCs	Dominican Republic	Haiti	Unallocated	Total
Canada	6.3	2.7	-	-	-	-	-	9.0
U.K.	10.0	-	1.6	-	-	-	-	11.6
U.S.	12.0	4.5	1.5	2.0	8.5	9.0	-	37.5a/
Venezuela	5.0	-	-	-	-	-	7.5	12.5a/
OPEC Special Fund	7.3	4.0	1.5	1.0	3.5	4.0	-	21.3
IBRD/IDA	-	10.0	-	-	-	-	-	10.0
Colombia	2.0	-	-	-	-	-	-	2.0
France	5.0	-	-	-	-	-	-	5.0
Netherlands	5.0	-	-	-	-	-	-	5.0
Norway	1.0	-	-	-	-	-	-	1.0
Total	53.6	21.2	4.6	3.0	12.0	13.0	7.5	114.9
For Countries with Subgroups Meeting during June 19-23, 1978								
Requirements	60.0	27.0	7.0	7.5	-	-	-	101.5
Availabilities	53.6	21.2	4.6	3.0	-	-	-	82.4
Remaining Gap	6.4	5.8	2.4	4.5	-	-	-	19.1

a/ Figures for United States and Venezuela represent, respectively, 30% and 10% of original $125 million target.

The June 1979 meeting of the Caribbean Group (CG) resulted in pledges of $226.3 million under a broader definition which permitted donors to include CDF-type assistance and undisbursed amounts of CDF and CDF-type assistance from prior years. Under this new definition, the United States pledged $78 to $82 million ($20 million from CDF Loan II, and $40 million under FY 1980 PL 480 Title I/III, $ - $6 million under a FY 1979 Grant for the Basic Human Needs Employment Sector project, and $14 - $16 million in undisbursed FY 1979 PL 480 Title I assistance). Other donors pledged $148.3 million. Pledges to the CDF were made by Brazil ($5 million), Germany ($11 million) and Japan ($10 million) for the first time. Total pledges from the U.K. and Canada for CDF and CDF-type financing were below the levels of the previous year. U.K. and Canadian representatives at the meeting ...cated, however, that recent elections and changes of government in the two countries did not permit specific pledges, but that after the aid programs of the two countries were reviewed, aid levels probably could be on the same order of magnitude as previous years. The OPEC Delegate was also unable to pledge because of the timing of the meeting which was prior to the OPEC Board meeting scheduled for later in the year. The OPEC Delegate indicated that OPEC was satisfied with the results of the CDF in the first year, and that further OPEC contributions were contemplated. The following table provided by the IBRD summarizes pledges for the second year of the CDF and projected disbursements:

Summary of Pledges In June 1979

	Total Pledge	Included In Previously Identified	Expected Carry-out to Year III	Other Disbursements In Year II From Pledges	Total Disbursements
			US$m		
Brazil	5	-	-	5	5
Germany	11	-	-	11	11
Japan	10	-	-	10	10
Netherlands	5	-	-	5	5
UK	11	1	-	10	11
US (78 - 82)	80	24	7.7	78.3	72.3
Venezuela	62	30	20	12	42
EEC	3	-	-	3	3
IBRD	40	30	-	10	40
Sub-Total	227	85	27.7	111.3	199.3
Other Identified Disb.	...	27.3	...	...	27.3
TOTAL		112.3			226.3
Remaining Gap					50.3
Required Year II Disbursements					276.9

Overall, the CDF has been successful in the first and second years in attracting additional resources for Caribbean development from other donors. Pledges this year from new donors - Brazil, Germany, and Japan - were particularly important and probably will set a precedent for future years. The gap this year between pledges and the required disbursements identified by the IBRD is expected to be filled at least in part by further pledges from Canada, the U.K., OPEC, etc.

C. PROJECT DESCRIPTION

1. Purpose and Description

The purpose of assisting CDF and BHNF is to assist the governments of the English-speaking Caribbean countries to maintain adequate levels of development investment by providing resurces needed to carry out essential development activities. In reviewing assistance needs of the Region, the World Bank has identified a significant number of existing or new projects in the MDCs, many of which require a recipient country (counterpart) contribution that cannot presently be provided because of limited domestic resources. Under this Project CDF funds will finance essential socioeconomic development projects of participating countries which are being assisted by international agencies and other Free World donors. The participating countries, in turn, will have committed themselves to undertake self-help measures reflected in medium term economic programs which will lead to financial stability and long-term growth. Also under this Project, BHNF will finance the initiation of sub-projects in the LDCs structured toward employment generation and rehabilitation of essential infrastructure.

A.I.D. assistance complements host country programs of economic stabilization and growth in participating countries of the English-speaking Caribbean. A.I.D. funds will be made available through a $17.5 million loan and $2.5 million grant to the Caribbean Development Bank (CDB). The CDB will utilize the loan funds to relend to participating MDC governments to finance local currency expenditures and the costs of off-the-self items in donor assisted projects. Participating MDCs include Jamaica, Guyana, and Barbados which have participated in the Caribbean Group and whose economic stabilization and growth programs and policies have been accepted by the Group. Projects within those countries shall be eligible for financing provided they are (i) assisted by an international donor, (ii) included in the country investment programs as accepted by the Caribbean Group, and (iii) are consistent with A.I.D.'s legislative mandate. (See Section D.3.c., Project Criteria.)

To determine the eligibility of donor-assisted projects in the MDCs, the CDB will: (a) determine that each project is included within the CDF approved investment program, and consistent the A.I.D.'s legislative mandate; (b) obtain for each project a certificate of current economic, technical and financial feasibility prepared by the prime donor, e.g., IDB, IBRD and CDB; (c) obtain for each project an updated financial plan, and (d) obtain a certification prepared by the prime donor that the project does not have significant adverse impact on the environment.

The terms for relending will be twenty (20) years with a ten year grace period at an interest rate of 4%. This interest rate is the established rate at which the CDB lends to member countries. The interest spread of two percent over the grace period and one percent thereafter will cover the administrative costs of the CDB. Earnings in excess of actual administrative costs will be used for technical assistance and reserves, to support common services in the region and for other purposes as the Bank and A.I.D. may agree. RDO/C believes that the proposed use of the Bank's CDF earnings to support common services carried out by the East Caribbean Common Market (ECCM) Secretariat, the Caribbean Community (CARICOM) Secretariat and/or other regional institutions could ease the budgetary constraints which these institutions face and thereby have a significant positive impact on regional integration. The actual distribution of earnings will be determined by the CDB subject to RDO/C concurrence.

The proposed $2.5 million of grant funds will be provided to the LDCs through the CDB's Basic Human Needs Fund (BHNF). At present the funds available to finance rehabilitation work in the LDCs for other than schools consist of $3.13 million allocated under the Basic Human Needs/Employment Sector Project. LDCs which participate in the activities financed under this contribution to the Fund will be Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent. The BHN Fund was established within the CDB in recognition of the increasing severity of the regional unemployment problem as well as the inattention being given to maintenance of vital public infrastructure due to budgetary constraints. The BHNF will, therefore, finance a broad range of labor intensive subprojects aimed at the expansion and conservation of infrastructure which is essential to the provision of basic services in the LDCs. An essential feature of the operation of the Fund will be a fast-track implementation process as well as substantial technical assistance to participating countries for subproject design, management and supervision.

2. Sub-Projects

a. The MDCs

The World Bank has identified and developed a list of existing and potential donor assisted projects in each country. (These lists are included in Annex VII.) Projects were identified on the basis of IBRD field trips and discussions with country officials as to appropriateness for inclusion in the country's investment program and suitability for donor financing. Projects financed by Communist countries, Commercial banks and self-financed projects have been excluded. Once the projects were identified, estimates were made of project expenditures expected over a twelve month period, July 1, 1979 through June 30, 1980, broken down by available financing (from the prime donors) and local financing. (See discussion of FY 1980 financial requirements above.)

More recently, representatives of the CDB and RDO/C visited each of the MDCs to assess the demand during FY 1980 for CDF-type resources. The team reviewed those projects which appear on the IBRD's list of approved projects to determine which would be eligible under this proposed AID loan. Meetings were held with the managers of twenty-nine projects as well as with senior officials of Ministries of Finance and Government planning offices. As a result of this survey, twenty-three projects with an effective FY 1980 demand of $40.5 million were identified as potentially eligible under this program. The titles of these projects, the projected CDF demand and the principal donor agencies involved are shown on Table II.

As indicated in the Table, the largest number of projects (11) and the largest amount of funds (22 million) is needed in the Food and Nutrition category. The survey also identified one Population project, five Education and Human Resources Development projects, three Special Development Activities projects, and three Health projects. Annex V provides a description of each of these projects, identifies the target group which the project will benefit and discusses both past and projected implementation.

b. LDCs

Potential subprojects for the school construction/rehabilitation phase of the BHN Program have already been identified by a CDB School Construction Survey conducted in March of 1979. Recommendations for other social and economic infrastructure subprojects were subsequently made by AID/

TABLE II

PROJECTED DEMAND FOR CDF II FUNDS

PROJECTS	ESTIMATED CDF ASSISTANCE REQUIRED ($ Millions)					
JAMAICA	FN	PN	EH	SD	Country Totals	Prime Donor
First Rural Development	3.100					IBRD
Second Education			.26			IBRD
Sites & Services (Low Income Housing)				4.50		IBRD
Second Population Project		2.25				IBRD
Small Scale Enterprise Development				.50		IBRD
Self-Supporting Farmers' Development	1.970					IDB
Students' Loan Fund II			.24			IDB
Secondary and Parish Council Roads	0.09					IDB
Parish Retail Markets Reconstruction	.73					IDB
Fourth Highway	3.26					IBRD
Micro-Dams	0.85					EDF
Mandeville Water Supply				0.81		IDB
Montego Bay - Falmouth Water Supply				0.66		IDB
Sub-Total.	10.00	2.25	0.50	6.47	(19.22)	
GUYANA						
Mahaica-Mahaicony-Abary(Farm area Dev.)	7.20					IDB
Tapakuma Irrigation	4.30					IBRD
Second Education Project			4.69			IBRD
Sub-Total	11.50	-	4.69	-	(16.19)	
BARBADOS						
Barbados Marketing Corporation	.200					CDB
Samuel Jackman Prescod Polytechnic			.500			IDB
Oistins Fisheries Terminal	.190					EDF
Agricultural Credit Second Loan	.075					CDB
Industrial Estates				.400		CDB
Bridgetown Sanitary Sewerage System				1.500		IDB
First Education			2.250			IBRD
Sub-Total	.465	-	2.750	1.900	(5.115)	
GRAND TOTAL	21.965	2.25	7.94	8.37	(40.525)	

CDB consultants after a series of visits to all Eastern Caribbean LDCs in July and August of this year. A preliminary list of seventy-six (76) potential activities totalling approximately $7 million was compiled, over twice the amount of resources available under the initial BHN grant. Project activities include road and drainage repair, rehabilitation of health and community centers, improvement and extension of community water supply systems, rural sanitation and land clearance.

To ensure the rapid start-up of BHN activities, RDO/C and the CDB reviewed the consultants findings in August and the consultants were directed to return to each of the LDC's and prepare for submission to the CDB a series of subprojects which were judged most appropriate for early implementation. The proposals respond to each of the requirements previously established by the CDB and RDO/C, and contain a discussion of the activities to be undertaken, detailed cost elements, procurement and managerial arrangements and an implementation plan. Commitments to the LDC's under the BHNF are expected to reach nearly $2 million by the end of the first quarter of FY 80. During the same period, the CDB will conclude negotiations with consulting firms to provide each country with technical and managerial assistance, and a substantial number of additional subprojects already identified will be developed for consideration by the CDB. Commitment of all funds under the BHNF Project is therefore expected to occur in FY 1980: First quarter - $1.7 million; second quarter - $2.0 million; third quarter - $1.5 million; fourth quarter - $1.3 million. These commitments include the $4.0 million already programmed ($3.1 million for projects and $0.9 million for technical assistance and administration) and the addition $2.5 million proposed herein.

Still another dimension to this problem is the tremendous task of infrastructural repair and replacement in Dominica as a result of Hurricane David and, to a lesser extent, by St. Vincent in the wake of the Mt. Soufriere volcanic eruption earlier this year. Dominica, in particular, faces a massive and urgent rebuilding effort of its basic and essential public infrastructure. While recognizing that a supplemental appropriation is under consideration in the U.S. Congress for assistance to Dominica, the reconstruction requirements far exceed the funding likely to be made available in the near future. Moreover, RDO/C believes that the rapid implementation mechanism and decentralized operational characteristics of the BHNF program are ideally suited to respond to this problem.

For the above reasons, RDO/C proposes grant funding of $2.5 million in FY 1980 for the LDC's under the CDB Basic Human Needs Fund.

3. Sub-Project Selection Criteria

a. The MDCs

In order to ensure that only subprojects which are consistent with AID's legislation are financed under the Project, a set of criteria has been established for selecting projects from the World Bank's lists. These criteria will serve as a guide to the Caribbean Development Bank for allocating Project funds to eligible projects of the MDCs which have qualified for Caribbean Development Facility assistance. Because AID will not engage in reviews of individual development projects, the intent of these criteria is to assure that the projects financed from subloans made by the CDB will be consistent with AID's legislation.

Projects eligible for AID financing in the MDCs would have to meet the following criteria:

(1) Projects must be:

- sponsored by an external free-world donor other than AID.

(2) Projects must fall into one of the following funding categories:

- Food and nutrition projects including agriculture, livestock dairy, fisheries, forestry, marketing and credit services, rural community development and rural infrastructure, e.g. irrigiation, feeder roads.
- Population projects including projects to reduce the rate of population growth.
- Education and Human Resources Development Projects including formal and non-formal education, manpower training and placement, public administration and human resources planning.

- Special Development Activities including small-scale enterprises and self-employment, urban development programs involving labor-intensive industrial enterprises, appropriate technology, non-conventional energy production and conservation, environmental protection, and development research.

- Health projects including projects to foster improved health, disease protection and environmental sanitation.

(3) Projects receiving AID funds must be designed to have a significant impact upon the poor in the recipient country. The poor are defined here to include all those whose income falls below the 50th percentile in a country's income scale. Benefits may include direct and indirect benefits.

(4) Projects promoting production and marketing of sugar, palm oil and citrus will not be financed.

(5) Projects must be shown not to have significant detrimental effects on the environment.

b. The LDCs

Infrastructure subproject proposals for other than schools initially are reviewed against the general requirement that they be labor intensive, simple in design, quick to implement, have a positive impact upon the poor and economic development and be less than $250,000 in total cost. They are then evaluated according to the following factors:

(i) Local labor content to subproject (45% or more);

(ii) Government priority ranking as necessary and urgent;

(iii) Overall social and economic need;

(iv) Positive environmental benefits;

(v) Recurrent costs to government (inverse factor);

(vi) Maintenance saving capacity;

(vii) Availability of technical input before implementation;

(viii) Immediacy of implementation;

(ix) Management competence;

(x) Availability of alternative funding (inverse factor).

School subproject proposals are reviewed and evaluated by the CDB generally in terms of the severity of the need for improvement, number and proportion of students to benefit, and the extent of self-help incorporated.

4. The Allocation of Project Funds

a. The MDCs

As the projected demand for funds exceed the availability, not all needs in any country or funding category can be met. Based on the World Bank assessment of overall CDF needs and sector priorities, experience under AID's first CDF loan and the AID/CDB project-by-project assessments of effective demand in the MDCs, the following is an illustrative allocation among countries and funding categories:

($. Million)

	FN	PN	EH	SD	Totals
Jamaica	6.2	1.0	0.3	2.5	10.0
Guyana	5.0	-	6.5	-	5.0
Barbados	-	-	1.5	1.0	2.5
Totals	11.2	1.0	1.8	3.5	17.5

The CDB may reduce the allocation to Jamaica, Guyana or Barbados as shown above by up to 10%, providing that the allocation to any other participating country is not increased by more than 20%. This flexibility ensures the CDB a reasonable level of management alternatives and encourages the participating governments to maintain the expected rates of implementation on key investment activities. Reallocations in excess of these levels will be permitted only as AID may previously agree in writing.

It should be noted that because of carry-overs of $2.6 million from AID's first CDF loan, total potential availabilities for the MDCs during FY 1980 will be as follows:

($. Million)

	FN	PN	EH	SD	Totals
Jamaica	8.0	1.5	0.3	2.5	12.3
Guyana	5.0	-	-	-	5.0
Barbados	0.3	-	1.5	1.0	2.8
Totals	13.3	1.5	1.8	3.5	20.1

b. The LDCs

As previously indicated, the $2.5 million allocated for the LDCs will be provided in the form of an increase in SDA grant funds for the BHNF.

5. Project Responsibilities

a. The Caribbean Group for Cooperation in Economic Development

An informal working group led by the World Bank will coordinate assistance provided through the CDF. The working group consisting of the IDB, the IMF and the CDB as well as the IBRD, will act throughout the life of the project as an informal coordinating group facilitating communication between the Caribbean Development Bank and the primary donor. Participating countries will qualify for CDF assistance through CG country subgroup reviews. The IBRD will provide the CDB with the results of the subgroup reviews with respect to each country's eligibility for CDF assistance. In addition, the working group will assist the CDB in obtaining the documentation required from the prime donors to establish subproject eligibility under this program.

Those countries established as eligible Participating Countries under CDF I will be considered eligible for assistance under this project unless the CG notifies the CDB that a given country is no longer adhering to the basic economic programs needed to enhance financial stability and long-term growth.

b. The Prime Donor

On projects not previously approved for AID's CDF financing, the prime donor will be responsible for providing to the CDB a written statement (with supporting documentation, if necessary) which confirms the following:

(i) a written reaffirmation of the continuing economic, financial and technical feasibility of the project, together with a copy of the original appraisal report;

(ii) an updated financial plan showing the total cost of the project and the estimated CDF financing required for the period July 1, 1979 to September 30, 1980;

(iii) a description of the project and a brief analysis of the direct or indirect impact of the project on the poor; and

(iv) a statement that the project was judged not to have any significant adverse effects on the human environment or if such effects were identified, that a satisfactory environmental analysis of such effects has been prepared which ensures that any detrimental environmental effect is minimized.

For those projects which were approved for financing under AID's first CDF loan, the prime donor will be required only to provide an up-dated financial plan as a condition precedent to disbursement under this second CDF loan.

The prime donor of each project funded through the CDF will be responsible for overall supervision and monitoring of project implementation. The prime donor will provide periodic progress reports regarding the implementation of eligible projects to the CDB and will indicate to the CDB that AID may be given access to those reports upon request.

c. The Caribbean Development Bank

The CDB will make subloans to participating MDC countries to finance projects which meet the eligibility criteria outlined above. Proceeds of subloans will be used by Participating Countries to meet the costs of local expenditures and in off-the-shelf items of eligible projects.

In terms of the grant portion of Project activities in connection with the BHNF, the CDB will provide overall management and planning by means of a BHN management Team. This Team will consist of a special resource group appointed from within the CDB as well as 2 engineers, an architect and 2 technical assistants financed under the BHNF. The Team will supervise private consultants working in the LDC's on subproject design, execution and inspection. It will also monitor country implementation plans and provide on-going evaluation and recommend modifications in sub-project procedures and practices as necessary.

D. PROJECT ANALYSIS

1. Institutional Analysis: The Caribbean Development Bank

a. The Institution

(1) Legal Identity, Objectives and Functions

The Caribbean Development Bank is a regional development finance institution with full juridical capacity, consisting of eighteen regional and two non-regional member countries 1/. The Agreement establishing the CDB was signed October 18, 1969, and entered into force January 26, 1970. The purpose of the CDB is to contribute to the harmonious economic growth and development of the member countries in the Caribbean and to promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the region. To accomplish this objective, it assists regional members in the coordination of their development programs, provides technical assistance and participates in the financing of development-oriented projects and programs. It also seeks to mobilize financial resources inside and outside the region by promoting capital markets within the region and promoting locally controlled financial institutions. In fulfilling its functions, the CDB cooperates with national, regional and international organizations or other entities concerned with the region.

The financial operations of the Bank are of two kinds: (a) ordinary operations and (b) special operations. Ordinary operations are financed from the CDB's share capital and the proceeds of loans raised in capital markets or borrowed from other sources to be included in the CDB's Ordinary Capital Resources (OCR). Special operations are financed from the Special Development Fund (SDF) and Other Special Funds (OSF) and are made available to the Bank on favorable or soft terms for on-lending to socio-economic projects at low rates of interest and long term repayment periods.

In addition to the provisions established by the Agreement, which contains a number of operating limitations designed to safeguard the CDB's financial soundness, the CDB has a set of Financial Policies and a set of Rules which govern the operation of the Special Development Fund. The CDB can contribute to the financing of public and private projects related directly to productive enterprises and to infrastructure and services which contribute to productive enterprises. The CDB will not lend money to finance budget deficits or balance of payment deficits, purchase equities, working capital, or purchase of land. Priority is given to investments in agriculture, livestock, fisheries, forestry, marketing, manufacturing, mining, tourism, transportation, housing (low and lower/middle income), student loans and infrastructure and services related to the development of those sectors of the economy. High priority is given to the financing of regional projects.

1/ Regional Borrowing Members: Antigua, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Trinidad & Tobago, Turks & Caicos Islands, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent.

Other Regional Members: Colombia and Venezuela

Non-Regional Members: Canada and the United Kingdom.

Table III

CDB'S PROFESSIONAL STAFF

(September 15, 1979)

	Permanent	On Secondment or Paid by Others	Total
Economists	14	4	18
Lawyers	4	-	4
Accountants	2	2	4
Agronomists	12 1/	1	13
Engineers	10 2/	4	14
Business Admin.	3	2	5
Banking Adv.	-	1	1
Chemists & Biologists	2	-	2
Other	16	6	22
	63	20	83

Key staff members are competent, with considerable experience in their particular fields and highly motivated. No problems are anticipated in retaining or replacing those professionals on secondment or paid by other agencies considered necessary to the Bank's operation.

1/ Seven stationed in the LDCs as Farm Improvement Officers

2/ One stationed in Belize as a Project Officer.

(2) Organization and Administration

The CDB Organization Chart is presented as Annex XI. The Board of Governors is the highest policy making body and is constituted by representatives from each member country: seventeen (17) in total. The Board of Governors meets annually and its voting power is roughly proportional to the number of shares subscribed with a slight weighting in favor of those member countries classified as LDCs. All the powers of the Bank is vested in the Board of Governors which may delegate its power to the Board of Directors except on certain matters, such as admission of new members, change in capital stock, election of Directors and President, amendment of the Charter and termination of operations. The Board of Directors is composed of eleven (11) members appointed for renewable two-year periods. The non-regional members are represented by two of the eleven Directors. The Board is responsible for general policy and the direction of operations, approval of the administrative budget, and submission of financial statements.for the Board of Governors' approval. All loans, guarantees and long term investments require the approval of the Board of Directors.

The President is the head of the administrative and operational staff, assisted by a Vice-President. He is responsible for the organization and operation of the CDB, including appointment of staff. He serves for a five-year period and may be re-elected. The CDB is organized under five Departments with the Directors of Departments reporting directly to the President. The operational Department is the Projects Department. The support Departments are the Secretary's and Administration, Finance, Legal and Economics and Programming. Reporting to the Director of the Projects Department are four Deputy Directors with responsibility for the following Divisions: (a) Agriculture; (b) Industry and Development Finance Corporations; (c) Infrastructure; and (d) Project Design and Analysis. Reporting to the Deputy Directors are a number of Assistant Directors. In the Supporting Departments there are Assistant Directors reporting directly to the Department Director.

(3) Personnel

As of September 15, 1979, the CDB had a total staff of 168 of which 83 were professionals. All, with the exception of 7 agronomists and 1 (one) engineer stationed at the various development finance corporations in the eight LDCs, work at the Bank in Barbados. Twenty of the professionals are on secondment or being paid by institutional agencies or governments. The UNDP funds four Experts, USAID two, Federal Republic of Germany 1, New Zealand 2, Commonwealth Fund for Technical Cooperation five, International Trade centers three, UNDP/OPEC three. The fields covered are housing, agriculture, industrial cooperation and information.

b. Financial Situation

The authorized capital of the Bank as of December 31, 1978, expressed in current dollars is $231,618,816, comprising callable shares of $171,301,416 and paid up shares of $60,317,400. The callable shares are subject to call as and when required by the Bank to meet obligations incurred in Ordinary Capital Resources (OCR) operations. The paid up shares are payable by installment. The CDB conducts two types of financial operations: ordinary capital operations (OCR) and special funds operations (SDF). The latter, in fact consists of several separate funds. Each type of fund must be kept separate according to the Bank's Charter and is expected to generate sufficient income to cover administrative and operational costs. Total net income, from all funds after deducting the contribution to Special Reserve amounted to $4.2 million for the year ended December 31, 1978.

The total resources of the Bank, including all funds as of December 31, 1978, amounted to $214 million and consisted of share capital, reserves, borrowings and funds administered in trust. Total loan approvals were $175 million, of which $96 million or 55% had been disbursed as of the end of the year 1978.

As of December 31, 1978, the financial situation of the OCR was sound and solid. Total assets had reached $63.4 million. Its paid-up capital and reserves amounted to $44.3 million and its borrowings totalled $18.6 million. The relation of outstanding loans to total assets ($22.0 million/$63.4 million) decreased over the year;outstanding loans were again less than short term investments ($26.3 million) indicating that the Bank continues to experience difficulty in placing its OCR resources in loans. The ratio of debt to capital and reserves was very low but will increase as a result of the utilization of borrowings already contracted. The CDB realized a net income of $1.7 million on OCR operations during 1978, compared with $2.3 million in 1977 and $1.4 million in 1976. The combined gross financial income from loans and short term investments of OCR operations cover the financial and operational costs without depending on external contributions.

The CDB includes in its Capital and Reserves accounts an Ordinary Reserve to cover losses arising from loans and currency devaluations. On December 31, 1978, the financial situation of Special Development Fund (SDF) resources indicated a continuous growth of both total assets and loan portfolio. The percentage of loans to total assets, which had increased from 10.8% to 55.0% in 1977, reached 60% in 1978. This growth indicates the Bank's increasing ability to develop and carry out SDF credit operations. Total assets of the Other Special Funds also show a continuous growth, from $1.5 million on December 31, 1973, to $50.1 million in 1978 as compared with $1.3 million in 1977. Other Special Funds accounted for $.95 million net income in 1978 compared to $.82 million in 1977. As of December 31, 1978, the SDF had disbursed a total of $41.3 million. Arrears amounted to $46,000, about 1/10 of 1% of the total portfolio. Combined disbursements under the OSF and the Venezuela Trust Fund amounted to $27.3 million. Arrears amounted to only $36,000.

RDO/C believes the financial situation of the CDB is sound and that it is creditworthy.

2. Economic Analysis

The economic benefits of this project derive both from specific subprojects being financed and from the role the CDF plays in promoting broader programs of economic stabilization and growth. A review of the activities financed under CDF I and those likely to be included in CDF II suggest that the magnitude of benefits and their distribution are satisfactory to justify the proposed AID financing.

a. Microeconomic Considerations: Subproject Benefits

In the MDCs, the CDF will partially finance a broad range of investment activities already receiving financial support for foreign exchange costs from other donors. Projects include feeder roads, irrigation and drainage, school construction, and other investments important to national development efforts. Techniques for identifying and quantifying the economic costs and benefits of such projects are well known and are accepted and employed by virtually all donor agencies. In projects administered by intermediate credit institutions (ICIs), AID normally relies on the intermediary to employ these analytical techniques to ensure that all selected subprojects are economically sound. The procedures employed under the CDF deviate somewhat from this norm in that most of the subprojects to be supported with project funds already will have been subjected to a rigorous economic and financial evaluation by the prime donor, i.e. in most cases the IBRD, the IDB or the CDB itself.

Under the procedures established for CDF I and to be continued under this project, the analysis by the prime donor is accepted as sufficient evidence of the project's viability, provided that the donor certifies that the economic and financial analyses remain valid, or updates those analyses as necessary. A review of CDF I subprojects indicates that utilization of these procedures resulted in the rapid selection of economically sound subprojects in the MDCs. These procedures will thus be continued under CDF II. Those projects which were accepted under these procedures for CDF I will not need to requalify, although the prime donors will be asked to update financial plans for their subprojects.

LDC subprojects under the Basic Human Needs Fund are carried out to maintain or rehabilitate existing physical infrastructure. As indicated in the Project Paper for the BHN - Employment Sector project, the economic justification for maintaining existing physical assets is sufficiently strong as to make an analysis of each individual activity unnecessary and, because of cost and timing considerations, undesirable. The Mission thus believes that the procedures are adequate to ensure that all subprojects will generate a sufficient level of benefits.

AID is concerned about the distribution as well as the level of economic benefits. To ensure that subprojects are selected on the basis of their potential contribution to welfare of the poor, the principal donor will be required to examine each activity for benefit incidence. The CDB will accept for CDF financing only those subprojects which will have a significant impact on poor, defined generally as the lower 50 percent income group. An examination of the implementation record of CDF I shows that the CDB has been very rigorous in enforcing this criteria.

LDC subprojects will also be selected on the basis of their benefits to the poor. Appropriate selection criteria have already been built into the Basic Human Needs Fund under AID Grant 538-0030 and are summarized in Section C.3.

b. Macroeconomic Impact

The description of the current status of the economies of the region makes clear their precarious position both internally with regard to such items as central government finances, employment and savings/investment, and externally with regard to export possibilities, balance-of-payments and terms of trade. Under these conditions, the proposed AID contribution, as part of an international donor effort to provide special assistance, can be expected to have a major impact on several key economic variables.

First, the projects will have a major impact on investment levels in the participating countries. Experience under CDF I suggests that local costs represent about 35 percent of total project costs of a typical donor project, with the donor committed to providing 65 percent in direct and indirect foreign exchange costs. The $17.5 million available for financing MDC local costs under CDF II can thus be expected to permit the prime donors to disburse $32.5 million in project funds to finance foreign exchange costs. The total investment thus generated will be about $50 million. Furthermore, the total AID commitment to the CDF in FY 1980 of $ 60 million (including the proposed loan) will help generate an additional $160 million in pledges for the Caribbean, most of which represent increased donor commitments of resources.

The CDF II project will also have a significant balance-of-payments impact. As countries receive dollars to finance local costs, they will have foreign exchange available for high priority imports. Since Jamaica and Guyana have already agreed with the IMF to control non-essential imports and Barbados has independently placed restrictions on non-essential imports, it is clear that this additional foreign exchange will be used to satisfy priority development needs. In addition, AID funds will have a multiplier effect on the balance-of-payments through their effect on the disbursements of other donors.

A third area of impact will be on the improved management of the Caribbean economies. AID's assistance should be viewed as an essential ingredient to a CGCED-supported stabilization and growth program which includes the adoption of prudent economic policies. Such policies, while politically difficult, are essential to the achievement of growth with equity over the next five years. The availability of CDF resources enables participating countries to commit themselves to policies determined to be reasonable and equitable by their peers in the Caribbean and by the donor community. The combination of sound economic policies with traditional and CDF-type external aid is expected to enable the Caribbean countries to overcome the decline and stagnation of recent years.

Other macroeconomic benefits will also accrue. The AID contributions will be less inflationary than alternative internal expansions of the money supply by central banks or other elements of the banking system. The project also contributes in several ways to regional cooperation. First, AID funds will be channeled through the Caribbean Development Bank, giving members more evidence of the value of a strong regional financial institution. Second, the CDB is studying the possibility of using the interest rate spread from the CDF to finance the common services of other regional organizations. Finally, the CDF will also permit the major countries of CARICOM to lossen restrictions on imports from their regional trading partners.

E. IMPLEMENTATION PLANNING

1. Schedule of Events.

The Project is expected to be authorized by October 30, 1979. Upon authorization, AID will advise the CDB so that it can immediately finalize its preparations for signature by November 15, 1979. Once the Agreements (or Amendments) are signed, the Bank will finalize a preliminary list of eligible MDC projects as a result of its initial discussions with member governments. It will then contact the primary donors to request the necessary certifications on target group impact, feasibility and environment for the projects each is assisting. For those projects approved under AID's first CDF loan to the CDB, AID will require only that the CDB obtain from the prime donor an up-to-date financial plan. The World Bank has agreed to help facilitate prompt action on the documentation needed to meet conditions precedent from the Washington donors.

Because the CDB, the prime donors and the participating MDCs are familiar with the procedures to be utilized, no particular difficulties are anticipated. The first disbursements under this new tranche are expected by December 15, 1979.

With the approval of the Basic Human Needs/Employment Sector Grant Agreement by the CDB Board of Directors in August of 1979, the CDB President was given authority to negotiate individual country agreements for participation in BHNF activities and CDB Management was given authority to approve of all subproject proposals. The country agreements which will set forth the terms and conditions of subproject approval, disbursements, technical assistance and management, are expected to be concluded by mid-October. At this time, contracts with consultants for in-country assistance will also be entered into. The initial series of subprojects will be formally approved and full subproject financing provided by means of a special letter of credit procedure with banking institutions in the participating countries. Thus approximately $1.7 million in subprojects are expected to be underway by November of 1979. As consultants identify, prepare and submit additional subproject proposals in the ensuing months, it is anticipated that the full amount of $5.63 million currently available within the BHNF for these activities will be fully committed by the end of the current fiscal year. To ensure that the accelerated implementation system is functioning properly, an evaluation of BHNF operations will take place six months after first disbursement, and any needed modifications or improvements will be made.

2. AID Monitoring

Monitoring responsibilities for the CDF are shared by several AID offices. In Washington, LAC/CAR is responsible for monitoring, evaluating, and maintaining the relationship with the GGCED. This includes a determination that the U.S.Government should proceed with future tranches to this Facility. LAC/DR assists in following up with prime donors to assist in the implementation of the loan. The Regional Development Office/Caribbean (RDO/C) in Barbados is responsible for monitoring and assisting the Caribbean Development Bank in the smooth and timely implementation of both the CDF and BHNF projects.

3. Procurement

The source/origin for procurement of goods and services financed under the loan will be countries included in AID Geographic Code 941, and in the participating country in which the project is located. In fact, loan funds will be utilized to fund the local cost portion of already on-going projects which have another donor committed to finance the foreign exchange portion. It is recognized that the projects will have an existing accepted breakdown of local versus foreign exchange cost. Such cost breakdowns can be expected to generally follow the methods of calculation which AID would use. Defining which project costs should be considered foreign exchange and which are local cannot be done with absolute accuracy. Given AID's rather complicated componentry rule and supplier nationality regulations, there could well be some minor variations in the way AID would break the costs down as opposed to the way in which others would. It would be impractical to attempt to finance a project using two different costs breakdowns; the one originally agreed between the participating country and the primary donor and a differenct one calculated at a later date by AID. Thus, in financing projects under the loan, AID will accept the original breakdown between local and foreign exchange costs as established by the participating country and the primary donor who is financing foreign exchange costs.

The source and origin for goods and services financed under the grant will be the United States and AID Geographic Code 941 countries which are members of the Caribbean Development Bank. Provision will also be made for the untying of procurement of both loan and grant funds to the United Kingdom and Canada if they agree to untie their similar contributions for procurement in the United States. An appropriate waiver for this untying is included in the project authorization.

As projects funded under the loan will involve existing contracts, it will not be practical to specify the use of any specific procurement regulation. The Caribbean Development Bank will determine that contract prices are reasonable before agreeing to fund a specific project.

Grant funds will be used to finance newly developed projects. Procurement for those projects will be done pursuant to the competitive procurement regulations of the Caribbean Development Bank. AID has in the past authorized those procurement regulations for use on AID projects.

4. Disbursement

Disbursement will be made by AID in dollars to the CDB upon presentation of a listing of eligible expenditures under approved projects. Expenditures starting from July 1, 1979, will be eligible for reimbursement. In addition, advances may be made by AID for up to 90 days of projected expenditures. Advances may be made to each borrower and held in a central account for use by the CDB to reimburse eligible expenditures.

5. CDF Evaluation

The CDF Project will be evaluated as part of the Caribbean Development Facility. Under the Facility, annual CG subgroup reviews of country investment programs and policies will be held. The CDF working group (IBRD, IMF, IDB and CDB) will prepare an economic analysis and recommendation for each country which will serve as the working document for the country subgroup review. The summary of preceedings of the reviews will provide written records of the agreements reached on the economic analysis and recommendations. The country subgroup will review the effectiveness of the assistance provided through the CDF, the country's general economic performance, and the country's commitment to agreed- upon policy measures and goals. The results of these reviews will serve as a basis for the decision on whether or not to recommend donor pledges for the following year. In addition, the RDO/C proposes to undertake a review of the CDF project at its midpoint to ensure adequate implementation, administration and financial contributions.

The U.S. Government will participate as a member of the country subgroups. A.I.D. (specifically LAC/CAR) will be responsible for coordinating the USG position in accordance with standard procedures for consultative group meetings (DA/AID Memorandum of December 19, 1977). The development of the USG position regarding continuing support of the CDF must take into account at least two considerations: (a) the extent to which the A.I.D. Project has succeeded in raising development investment levels in the English-speaking Caribbean and accelerating the implementation of donor-assisted projects; and (b) the extent to which progress has been made by CDF recipients towards executing the economic policy reforms and achieving the goals to which the countries committed themselves in qualifying for assistance through the CDF. In generic terms, these goals include.

- Increasing investment levels. This would include increasing national savings and investment as well as accelerating the implementation of priority socio-economic development projects.

- Improved balance of payments. This would include improvement in the traditional measures, such as increasing net reserves, etc.

- Improved economic management. This would include adoption of medium-term plans and implementation of economic policies which will lead to economic stability and growth with equity.

As indicated in the Project Background section of the paper, the participating countries under the first tranche of the CDF made reasonably satisfactory progress with regard to these progress criteria.

a. Success Criteria

In developing the USG position, A.I.D. will continue to look for the following types of policy commitments and progress towards their execution by CDF recipients:

(a) To increace domestic public savings by controlling current expenditures, improving tax yields, and placing public sector operations that can be self-supporting on a viable basis;

(b) To prepare medium-term development plans which indicate the specific policies, measures and programs required to emerge from present difficulties;

(c) To restimulate the private sector by establishing well-defined and well-communicated policies adequate for private sector initiatives;

(d) To reduce domestic consumption of non-essential imported goods and to stimulate competitive enterprises relying on local materials to produce goods with an import-substitution effect;

(e) To take actions to increase and sustain export growth, including the diversification of both products and markets;

(f) To increase investment in the agricultural sector, placing emphasis on expanding small-farmer access to credit, markets, agricultural inputs and extension services; and

(g) To undertake activities which promote regional integration (e.g., the establishment of common services among the LDCs).

Because each participating CDF country is unique, all of the above criteria may not be applicable to each country.

b. Evaluation Procedures

The summary of proceedings of the CG country subgroup reviews will provide the source documents on the commitments undertaken by participating governments. The World Bank Economic Memoranda and other reports will evaluate and document macro-economic performance. IMF consultation mission reports on Jamaica and Guyana will also provide periodic updating of progress under the IMF agreements. LAC/CAR (with other staff support as needed) will review these documents to identify policy commitments undertaken and to monitor progress in carrying them out. Attention will be given both to policy measures aimed at financial stability of the kind sought under traditional IMF standby agreements and to policy measures directed at long-term structural changes and equity.

6. BHNF Evaluation

The additional $2.5 million contributed to the BHNF will be evaluated as part of the Basic Human Needs-Employment Sector Project (538-0030). This project calls for two separate evaluations. The first evaluation will take place six months after the first disbursement of funds to the CDB, and the second will occur after final disbursement of funds for public works. The evaluation criteria included in these evaluations are those as detailed in the BHN-Employment Sector Project Paper.

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2nd October, 1979

Mr. William Wheeler,
Representative,
USAID Regional Development Office/Caribbean,
c/o U.S. Embassy,
BRIDGETOWN

Dear Mr. Wheeler,

Request for Second Loan under
Caribbean Development Facility

You will no doubt recall that in September 1978 a Loan Agreement was signed between the CDB and USAID whereby AID agreed to lend the Bank an amount of US$20.0 million under the Caribbean Development Facility for on-lending to Barbados, Guyana, Jamaica and the CARICOM LDCs.

Under the terms of the Agreement, an amount of US$18.0 million was to be on-lent to the MDCs and US$2.0 million to the LDCs. In addition, the Agreement required that funds allocated to the MDCs be disbursed by September 30,1979 while funds allocated to the LDCs be disbursed by September 30,1982.

The MDC phase of the programme has now come to an end and indications are that this phase has been highly successful considering that the Bank expects to be able to disburse an amount of US$13.9 million with an additional amount of $1.5 million ready for disbursement after re-allocation of category funds between Barbados, Guyana and Jamaica.

During the past year thirteen priority projects of the highest priority in the economic development programmes of the MDCs have been enabled to move forward because of the availability and timeliness of CDF assistance. In addition, CDF funds provided some measure of support to the MDCs in easing their fiscal and balance-of-payments problems and made it easier for these countries to institute economic policy reforms called for by the CGCED.

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Mr. William Wheeler 2nd October, 1979

At its June 1979 Meeting in Washington, the CGCED indicated that the participating member countries of the Bank still qualify and are in need of further CDF-type of assistance.

The CDB therefore requests a further loan of US$17.5 million to enable these countries to continue funding of high priority projects, all of which will have a significant impact on the poor.

CDB also requests a grant of US$2.5 million for financing high priority quick disbursing economic and social development projects in the CARICOM LDCs.

Yours sincerely,

William G. Demas
President

Statutory Checklist

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1.	FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?	The assistance will be made available to the Caribbean Development Bank. No participating country has engaged in a pattern of gross violations of Human Rights.
2.	FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?	No.
3.	FAA Sec. 620 (b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?	Assistance is to the CDB.

4.	FAA Sec. 620 (C). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?	Assistance is to the CDB.
5.	FAA Sec. 620 (e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?	Assistance is to the CDB.
6.	FAA Sec. 620 (a), 620 (f); FY 79 App. Act Sec. 108, 114 and 606. Is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola?	No.

7. FAA Sec. 620 (i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

No.

8. FAA Sec. 620 (j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?

No.

9. FAA Sec. 620 (i). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, invonvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?

Assistance is to the CDB

10. FAA Sec. 620 (o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty, or sanction against, any U.S. fishing activities in international waters,

None

a. has any deduction required by the Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by AID Administrator?

11. FAA Sec. 620; FY 79 App. Act Sec. 603

(a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds?

No.

12. FAA Sec. 620 (s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking Into Consideration" memo: "Yes, as reported in annual report on implementation of Sec. 620 (s)." This report is prepared at time of approval by the Administrator of the Operational Year Budget and can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Assistance is to the CDB.

13. FAA Sec. 620 (t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

14. FAA Sec. 620 (u). What is the payment status of the country's U.N. obligations/ If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

This is assistance to the CDB.

15. FAA Sec. 620A, FY 79 App. Sec. 607. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

No.

16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?

No.

17. FAA Sec. 699, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty?

No.

B. FUNDING CRITERIA FOR COUNTRY ELIFIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 102 (b) (4). Have criteria been established and taken into account to assess commitment progress of country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant morality (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment, and (6) increases literacy.	Yes.
b. FAA Sec. 104 (d) (1). If appropriate is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease contro., maternal and child health services, agricultural production, rural development, and assistance to urban poor?	A part of the project will be designed to do this.

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653 (b); Sec. 634A.
(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure)?

Notification will be accomplished before funds are obligated.

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

Yes.

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

None is required

4. FAA Sec. 611 (b); FY 79 App. Sec. 101.

If for water or water-related land resources construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?

N.A.

5. FAA Sec. 611 (e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistance Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

N.A

6.	FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	It is a Regional Project
7.	FAA Sec. 601 (a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan assoications; (d) discourage monopolistic practics; (d) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	Various Project sub-loans will accomplish these ends.
8.	FAA Sec. 601 (b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S.participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	AID-financed foreign exchange expenditures under the project will finance goods and services from the U.S.
9.	FAA Sec. 612 (b) Sec. 636 (h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.	N.A.
10.	FAA Sec. 612 (d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	N.A
11.	FAA Sec. 601 (e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes.

12. FY 79 App. Act Sec. 608. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N.A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102 (b); 111, 113; 281 a.

Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

A number of sub-projects being financed will address these objectives

b. FAA Sec. 103, 103A, 104, 105, 106, 107.

Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivit and income of rural poor; (103A) is for agricul tural research, is full account taken of needs of small farmers;

(2) (104) for population planning under sec. 104 (b) or health under sec. 104 (c); if so, extent to which activity emphasizes low-cost integrated delivery systems for health,

The project is designed to provide resources to the CDB for relending to participating Caribbean Governments to support a variety of types of development projects, all sponsored by external donors such as the World Bank, the IDB, etc. Therefc the $20 million to the CDB includes funds from SS 103, 104, 105 and 106 accounts. While the specific subprojects have not yet been identified, all sub-projects to receive AID funds will have an impact direct or indirect on the poor of the recipien country.

nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) (105) for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) Is appropriate effort placed on use of appropriate technology? — Yes

d. FAA Sec. 110 (a). Will the recipient country provide at least 25% of the cost of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)? — NA. This is a Regional Project.

e. FAA Sec. 110 (b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

No.

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

Subprojects will be designed with such considerations in mind.

g. FAA Sec. 122 (b). Does the activity give reasonable promise of contributing to the development of economic resources or to the increase of productive capacities and self-sustaining economic growth?

Yes.

2. Development Assistance Project Criteria (Loans Only)

NA. Funds will be loaned to the Caribbean Development Bank.

a. FAA Sec. 122 (b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

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

Yes.

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531 (a). Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

NA.

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

NA.

ANNEX III

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Caribbean Regional

Project Title : Caribbean Development Facility II

Funding : FY 80 - $17.5 million loan
- $2.5 million grant

Life of Project : One year

Environmental Action Recommended:

This IEE has determined that no reasonably foreseeable significant adverse environmental impacts will result from the project's activities. Because there may be as yet unidentified subprojects which may have a significant impact on the human environment, the Mission will review those activities when they are identified in accordance with the process and criteria as described in this IEE. Therefore, the Mission recommends that the project's activities be given a Negative Determination.

William B. Wheeler

William B. Wheeler
AID Representative

Date: 29 September 1979

I. Description of the Project

The purpose of this AID project is to support the Caribbean Development Facility (CDF) and enable the countries of the English-speaking Caribbean to maintain adequate levels of development investment, and hence employment and output, while simultaneously pursuing economic policies required for economic stabilization and growth with equity. The Caribbean countries are undergoing a critical period of economic adjustment. Beacuse the governments in the region are undertaking stringent measures to stabilize their economies, they will require additional financial assistance to achieve levels of investment and growth adequate to contain rapidly growing employment and falling incomes. In reviewing assistance needs, the World Bank has identified existing or new development projects in the CARICOM region which require $102.5 million in recipient country counterpart financing not now available because of limited domestic resources. The Caribbean Development Facility was established under the auspices of the Caribbean Group for Cooperation in Economic Development in order to make available the resources necessary to fill this gap. The United States committed itself to a FY 1978 contribution of $20 million to the Caribbean Development Facility and to an additional $20 million in FY 1980. The loan funds provided will be primarily utilized by the three More Developed Countries - Jamaica, Guyana and Barbados - to finance the local costs of essential socio-economic development projects whose foreign exchange costs are being financed by external donors. Grant funds are being provided to augment the resources which the Caribbean Development Bank has for the benefit of the eight CARICOM LDCs in its Basic Human Needs Fund. The recipient countries, in turn, have committed themselves to the CDF to undertake extensive self-help measures, reflected in medium-term economic programs designed to lead to financial stability and long-term growth and development.

Under this project AID will lend $17.5 million and grant $2.5 million in development assistance funds to the Caribbean Development Bank (CDB) for relending and granting to eligible countries for selected socioeconomic development projects. For the loan portion of the project, the CDF Working Group (made up of representatives of the IBRD, IMF, IDB and CDB) will determine a country's eligibility for assistance based upon the existence of appropriate short and medium-term economic policies. The commitments of recipient countries have been confirmed in Caribbean Group country subgroup meetings and recorded in the summary of official CG proceedings. After the CDB is informed by the CDF Working Group that a member country has qualified for CDF assistance, it will review the donor-assisted projects in the country's investment program to determine which of those projects are eligible for assistance through a subloan of AID resources. All projects to receive AID funds must be consistent with AID "New Directions" legislation and impact upon the poor of the recipient country.

With respect to projects which qualify for loan financing with AID funds, the CDB will obtain from the prime donor of the project written confirmation that the project is currently technically and economically feasible, that the financial plan has been reviewed, updated and is satisfactory, and that the project will have no forseeable significant effects upon the human environment (or if it does, that a satisfactory environmental analysis has been prepared). The prime donor will also provide the CDB with a brief description of how the project is expected to impact upon the poor of the recipient country. Since many of the projects to be financed under CDF II will already have undergone this procedure, the CDB will require only an updated financial plan for continuing projects.

For the Basic Human Needs Fund (BHNF) portion of the Project, the CDB will review, approve and manage the overall implementation of a series of labor intensive subprojects aimed at maintaining and improving public infrastructure. Subprojects will be prepared by BHNF financed consultants and a Country Project Supervisor. The BHNF subprojects will be carried out under an accelerated implementation system whereby they will be identified and prepared within a minimum time frame, undergo simplified CDB review and approval process and be subject to rapid yet thorough in-country certification and disbursement.

The subproject activities include: school construction and rehabilitation; road surfacing and drainage; additions to improve communication essential to the development of small industry, tourism and commerce; water supply distributions, and extensions; health clinic improvements to meet basic health needs essential to worker productivity. Activities will also involve reforestation and erosion control to minimize environmental degradation and promote productive land management, and rehabilitation to community centers to improve social and cultural exchange and promote local arts and crafts.

These sub-projects will have negligible environmental implications. During the implementation of the relatively uncomplicated and simple subprojects (at a cost of $50,000 to $200,000 each), caution will be exercised to prevent any disturbances from the relatively small amount of earth movement and excavation required. In the long run, the completed subprojects will provide environmental benefits through improved controls of storm drainage discharges, and selected elimination of soil erosion and degradation problems.

The Caribbean Development Bank (CDB), an intermediate credit institution which will administer this program, has had extensive experience throughout the region in evaluating the environmental considerations of infrastructure projects. It will review and evaluate the environmental implications of the subprojects under this program as they are submitted for approval and financing. Also, as part of the overall project management provisions, frequent on-site inspections will take place, and the project engineering consultants will be instructed to ensure that construction work is performed and completed with a minimum of environmental disturbance.

RECOMMENDATION FOR THRESHOLD DECISION

RDO/C finds this project is not a major action which will have a significant environmental impact. A negative determination is, therefore, recommended.

II. Evaluation of the Environmental Impact of the Project

AID will not be directly involved in design and implementation of the activities which will be carried out under AID financed subprojects. Nor in terms of the MDCs will AID be directly involved in the process of determining the specific activities in a recipient's development investment program which will ultimately receive AID funds. The principal role of AID under the MDC loan-financed part of the Project is to contribute the resources necessary to finance the local costs of externally supported projects in recipient countries investment programs. The LDC phase of the Project is aimed at facilitating short-run employment generation and infrastructure maintenance. In both the MDC and LDC parts of the program, the principal role in design and implementation will rest with the CDB, the Prime Donors and the Participating Countries.

As previously noted, for MDC projects the CDB will obtain from the prime donor to the project either a determination that the Project has no reasonably foreseeable significant adverse effects on the human environment or a satisfactory analysis of the project's environmental impact.

Under the BHNF phase of the Project, subprojects to be financed will have negligible environmental implications; indeed, in the long run completed subprojects will be beneficial in eliminating soil erosion, improving drainage and sanitation and arresting physical degradation. In the Initial Environmental Examination for the Basic Human Needs/Employment Sector Project, it was agreed that subprojects which were designed to rehabilitate, add to, extend, repair or maintain existing infrastructure would not require further environmental examination, as long as such development did not significantly change, or cause to be changed, the character or use of the original infrastructure or affected area. Subprojects which may change, or may cause to change, land use patterns, environmental systems such as hydrology, water and air quality, physical ecology, or are of a controversial nature, or where there is a reasonable risk of significant adverse effect on the general environment, would require further environmental analysis. If after these analyses, to be in form and substance the equivalent of AID's IEE, RDO/C determines there would be potential adverse environmental effect, a more detailed analysis on the level of AID's EA would be conducted. It is the judgement of RDO/C, therefore, that the Project possesses ample environmental safeguards.

III Mission Recommendation

Based upon the above considerations, RDO/C recommends that the AA/LAC make a finding of a negative threshold determination for this Project.

IMPACT IDENTIFICATION & EVALUATION

Impact Areas & Sub-areas	Impact Identification & Evaluation
A. LAND USE	
1. Changing the character of the land through:	
(a) Increasing the population	N
(b) Extracting natural resources	N
(c) Land clearing	L
(d) Changing Soil Character	N
2. Altering natural defenses	N
3. Foreclosing important uses	N
4. Jeopardizing man or his works	N
5. Other factors	N
B. WATER QUALITY	
(1) Physical state of water	N
(2) Chemical and biological states	N
(3) Ecological balance	N
(4) Other factors	
C. ATMOSPHERIC	
(1) Air Additives	N
(2) Air Pollution	N
(3) Noise pollution	N
(4) Other Factors	
D. NATURAL RESOURCES	
(1) Diversion, altered use of water	N
(2) Irreversible, inefficient commitments	N
(3) Other factors	
E. CULTURAL	
(1) Altering physical symbols	N
(2) Dilution of cultural traditions	N
(3) Other factors	
F. SOCIOECONOMIC	
(1) Changes in economic/employment patterns	L
(2) Changes in population	L
(3) Changes in cultural patterns	N
(4) Other factors	
G. HEALTH	
(1) Changing a natural environment	N
(2) Eliminating an ecosystem element	N
(3) Other factors	

H. GENERAL

(1)	International impacts	N
(2)	Controversial impacts	N
(3)	Larger program impacts	N
(4)	Other factors	

I. OTHER POSSIBLE IMPACTS (not listed above) NONE

DRAFT PROJECT AUTHORIZATION

Caribbean Development Bank   Caribbean Development Facility

Project Number: 538-0023

Pursuant to Part I, Chapter 1, Sections 103 - 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a loan of not to exceed Seventeen Million Five Hundred Thousand United States Dollars (17,500,000) and a Grant of not to exceed Two Million Five Hundred Thousand (2,500,000) to the Caribbean Development Bank ("Bank") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The Project will assist the governments of the English-speaking Caribbean countries to maintain adequate levels of development investment by providing resources needed to finance essential socioeconomic development projects of participating countries most of which are being assisted by international agencies and other donors. The participating countries, in turn, will have committed themselves to undertake self-help measures reflected in medium term economic programs which will lead to financial stability and long-term growth.

I hereby authorize initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms, convenants and major conditions:

a. Interest Rate and Terms of Repayment

The Bank shall repay the Loan to A.I.D. in United States Dollars within twenty (20) years from the date of the first such disbursement including a grace period of not to exceed ten (10) years. The Bank shall pay to A.I.D. in U.S. dollars interest from the date of the first disbursement of the Loan at the rate of (a) two percent (2%) during the first ten (10) years, and (b) three percent (3%) per annum thereafter on the outstanding disbursed balance and on any due and unpaid interest accrued thereon.

b. Source and Origin - Loan and Grant

Except for ocean shipping and except as A.I.D. may otherwise agree in writing or as otherwise provided in this authorization, goods and services financed by AID from Loan funds shall have their source and origin in any country included in AID Geographic Code 941. Ocean shipping financed under the Loan shall be procured in the United States or in any Bank member country included in AID Geographic Code 941 except as AID may otherwise agree in writing.

Except for ocean shipping and except as AID may otherwise agree in writing or as otherwise provided in this authorization, the source and origin of goods and services financed under the Grant portion of the Project shall be Code 000 and member countries of the CDB other than the United Kingdom and Canada. Ocean shipping financed under the Grant shall be procured in the United States, except as

AID may otherwise agree in writing.

c. Conditions Precedent to Disbursements for Sublending

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or the issuance of any commitment documents under the Project Agreement to finance any eligible subloan project the Bank shall furnish in form and substance satisfactory to A.I.D. (a) evidence that the country in which the respective project is to be carried out has been qualified for assistance by the Caribbean Group (CG) after review of its proposed development policies and investment programs; (b) evidence that the Bank has identified the project to which assistance will be provided as eligible under A.I.D subproject selection criteria; (c) evidence that the Borrower has received from the appropriate donor institution a written statement with such supporting documentation as may be necessary, confirming (i) that the proposed eligible project is currently technically, economically and financially feasible; (ii) that the financial plan for the project prepared by the donor has been reviewed and updated; (iii) that the proposed eligible project will not have a significant effect on the human environment or if such project does have a significant effect that a satisfactory environmental analysis has been prepared; and (iv) that the proposed eligible project (which shall be adequately described) will have a significant impact upon the poor of the country in which it is located including a brief explanation of how this impact will be achieved. Conditions and covenants for the Grant portion of this Project shall be those already established under AID Project 538-0030, Basic Human Needs/Employment Sector.

d. Covenants of the Bank

Except as A.I.D. may otherwise agree in writing, the Bank shall covenant that funds made available under the Project shall be reloaned to Bank member countries at an interest rate of not to exceed 4% per annum for the maximum feasible term of repayment (including a grace period) consistent with timely repayment of this Loan to A.I.D. by the Bank.

e. Waiver - Source and Origin - Loan and Grant

The United Kingdom or Canada shall be considered eligible for purposes of source, origin and nationality for goods and services, except for ocean shipping, if the CDB obtains from the respective country a written commitment, satisfactory to AID, that during the life of the Project such country will make available grant or loan funds to the CDF in a similar amount which will be available for expenditure in the United States (in addition to such other nations as may be specified) on a non-discriminatory basis.

ADMINISTRATOR

SUBPROJECT DESCRIPTION

Country: Jamaica

Project: First Rural Development

Funding Category: FN

Prime Donor: IBRD

Loan Agreement Date: 6/77
Original Completion Date: 12/80
Revised Completion Date: 12/82

CDF Disbursements:

First Tranche (7/78 - 9/79): $ 674,485(Actual)

Second Tranche (10/79 - 9/80): $3,100,000 (Anticipated)

A. Project Description

The project provides for the establishment of nine Agricultural Settlements in the western region of Jamaica for 1400 landless families and families with insufficient land and includes construction of village, farm and access roads, farm houses, provision of utilities and other community facilities, soil conservation and forestation schemes, credit and other farm inputs under the supervision of the Ministry of Agriculture. The project also provides for the reorganization and decentralization of the Ministry of Agriculture, including the construction of offices, staff houses and the purchase of vehicles. A third component of the project provides for the construction/reconstruction of 70 miles of feeder roads and 9 rural markets, the development or extension of 41 rural water supply systems, and the installation of 6,000 waste disposal units. Provisions is also made for hiring consulting and specialist services for physical planning, administration and supervision.

In the project area, principally in the county of Cornwall, the average annual per capita income is estimated at $175, although close to 50 percent of this population group have annual per capita incomes of under $100. Malnutrition is widespread and social services meager. The area's unemployment level is estimated to be 25 percent. The establishment of agricultural settlements, the provision of market facilities, the construction of feeder roads and the extension and rehabilitation of the water supply and waste disposal systems are all expected to upgrade the quality of life of these low income families.

B. Project Implementation

(1) Agricultural Settlements Development plans for eight settlements are completed, and partially completed for a ninth. The GOJ is presently seeking title to land for eventually establishing a tenth settlement under the project. Roads and reforestation programs are underway in five of the settlements; water supply works are progressing at three settlements. Initial tenants placement will begin in October of this year. Plots of land will be allocated on an individual family basis, averaging 6 acres/family, although common marchinery pools and marketing arrangements are contemplated. A shortage of materials, surveyors and other technical staff, in addition to inadequate planning prior to executing the loan agreement, have all contributed to delays in this element of the project. Revised completion target: 1982.

(2) Regional Infrastructure

- Of the 68 miles of feeder roads programmed for upgrading or construction, 6 miles have been completed and an additional 6 miles are under construction. Heavy rains over the past several months have slowed progress. By early 1981, the completed road works are expected to benefit some 4,000 - 6,000 farm families working an estimated 15,000 - 20,000 acres.

- Two of the rural markets have been constructed and construction of three more will be initiated this year. The nine markets contemplated under the project are intended to accommodate 3,000 vendors and serve an estimated 50,000 families. In spite of materials shortages, all of the markets are expected to be finished by early 1981.

- Nearly 1100 concrete base latrines have been constructed and delivered to date.

- Of the 23 water supply schemes programmed under the project, about half, have been designed and three are nearly completed. A shortage of supervising engineers could delay completion of this project element to the latter part of 1981. About 50,000 rural residents are expected to benefit from this program element providing water for both household and agricultural uses.

(3) Decentralization of Ministry of Agriculture The planning for the Ministry's reorganization has been completed. This project component calls for establishing 4 regional and 30 local offices in addition to 40 staff houses. The regional offices are expected to be tendered in November; three local offices and related housing have been tendered and contracts for 5 more will soon be let. All offices and houses are expected to be completed by the first quarter of 1981.

C. Project Financing 1/

(millions of dollars)

	FX	LC	TOTAL
IBRD	8.5	6.5	15.0
GOJ/CDF	-	16.4	16.4
Total Project Cost			31.4

1/ Devaluation of the Jamaica Dollar coupled with inflation have undermined the original budget extimates for the project. An IBRD appraisal team will review this situation shortly and revise budget estimates accordingly.

Country: Jamaica

Project: Small Scale Enterprise Development

Funding Category: SD

Prime Donor: IBRD

Loan Agreement Date: 8/78

Original Completion Date: 2/83

CDF Disbursements:

First Tranche (7/78 - 9/79): $1,060,208 (Actual)

Second Tranche (10/79 - 9/80): $500,000 (Anticipated)

A. Project Description

Commercial bank lending to small scale enterprises (SSEs) has been principally restricted to short-term loans secured by sizable collateral. The project would help mobilize the resources of the commercial banking system for medium and long-term loans to SSEs, based on project appraisal. The project provides for the granting of subloans to assist small businesses engaged in the manufacture of garments, food processing, wood work, footwear, building materials, toys, light metals, craft and construction. These businesses are also expected to benefit from technical assistance which will be provided under the terms of the Loan Agreement. It is expected that this project will directly create 1,360 jobs (at an investment cost per job of $8,000) mainly by increasing the capacity utilization of existing enterprises. Backward and forward linkages are expected to create additional jobs indirectly. Since most enterprises are located in the urban areas, the employment generated by the project will largely benefit the urban poor.

The project execution is divided into two elements:

(1) The Bank of Jamaica, through the Premier Investment Corporation and participating banks, shall finance sub-loans to SSEs with fixed assets (excluding land and buildings) of not more than $100,000;

(2) The Small Enterprise Development Corporation (SEDCO) shall finance sub-loans to SSEs with net fixed assets (excluding land and buildings) of not more than $20,000.

B. Project Implementation

The implementation of subprogram I (Modern Small Scale Enterprises) is proceeding well. Four commercial banks have been accredited to participate in the scheme and agreement has been reached with the Jamaica Industrial Development Corporation regarding the provision of technical assistance to participating SSEs. The assistance program focused on the smaller SSEs has experienced some start-up delays. SEDCO's employee turnover rate is quite high since the organization's pay scale is presently under the civil service system. The percentage of sub-loan amounts due and in arrears is nearly 22. However, SEDCO is aware of these problems and is seeking remedies. The salary question is currently under review by SEDCO and GOJ authorities. Moreover, some progress has been achieved under the SEDCO program: sub-loans totalling $514,000 have been approved to date; the GOJ has advanced nearly J $2,000,000 to help capitalize SEDCO and facilitate growth in sub-lending activities; SEDCO's accounting, marketing,engineering and finance specialists have assisted small business to improve their operations and, in some cases, revise their investment proposals to enhance propects for higher returns. SEDCO personnel anticipate that sub-loan approvals will increase to about $70,000 per month over the next year.

C. Project Financing

	(millions of dollars)		
	FX	LC	TOTAL
IBRD	7.00	-	7.00
Commercial Banks	-	1.20	1.20
SEDCO	-	1.00	1.00
GOJ/CDF 1/	-	0.25	0.25
SSEs	-	2.20	2.20
Total Project Cost			11.65

1/ The loan agreement further stipulates that the GOJ shall provide SEDCO with at least J $13 million over the period 1978-1981.

Country: Jamaica

Project: Second Population

Funding Category: PN

Prime Donor: IBRD

Loan Agreement Date: 6/76

Original Completion Date: 6/80

CDF Disbursements:

First Tranche (7/78 - 9/79): $1,479,088 (Actual)

Second Tranche (10/79 - 9/80): $2,250,000 (Anticipated)

A. Project Description

The project is designed to support and maintain the objectives of the Borrower's maternal, child health, family planning and nutrition programs. It provides for the construction of 57 health centers in the country of Cornwall and the purchase of vehicles, furniture, training materials and equipment for the centers. It also provides for technical assistance and training of public health personnel. The project's objectives of reducing fertility, reducing the serious protein-calorie malnutrition in children up to five years of age, and eliminating anaemia in pregnant and lactating women are expected to impact significantly on the country's lower income groups.

B. Project Implementation

The project has experienced significant progress over the past 14 months. Twenty health centers have been completed during this period. By October of this year, twenty-eight centers will be operative. The sites for the remaining twenty-nine centers have been identified and land titles are currently being secured where necessary. The Ministry of Health and Environmental Control, responsible for the project's execution, anticipates no difficulty in obtaining these titles. Tender documents have been prepared for the remaining centers and bids are expected to be received shortly and awarded within the next two months. Construction of the remaining centers is expected to be finished by next summer. Most of the vehicles, furniture and equipment for the project havebeen received by the Ministry. The training programs for 65 mid-wives and 1,327 health aides are proceeding satisfactorily. The personnel being trained will be deployed to the project area as well as to other public health units throughout Jamaica. Due to cost over-runs, some of the larger health units have been reduced in size to maintain expenditures within the original budget for the project. Local cost financing requirements over the next year are estimated at $2.25 million.

The project's concept of providing community medical services, including public health and environmental services, family planning and maternal and child health services for rural communities, has developed largely as planned. Consequently, the World Bank and GOJ have entered into preliminary discussions regarding a follow-on project to extend the program to the other two countries in Jamaica.

C. Project Financing

	FX	LC	Total
			(millions of dollars)
IBRD	5.9	0.9	6.8
GOJ/CDF[1/]	-	6.9	6.9
CIDA	0.389	-	0.389
AID	0.077	0.019	0.096
Total Project Cost			14.185

1/ The GOJ is also responsible for financing the recurrent costs during project implementation, estimated at $11.5 million.

Country: Jamaica

Project: Self-Supporting Farmers' Development Program

Funding Category: FN

Prime Donor: IDB

Loan Agreement Date: 12/77

Original Completion Date: 12/81

CDF Disbursements:

First Tranche (7/78 - 9/79): $3,093,484 (Actual)

Second Tranche (10/79 - 9/80): $1,970,000 (Anticipated)

A. Project Description

The purpose of the program is to support the development and diversification of Jamaica's agricultural sector by providing credit aimed at increasing the production and productivity of about 1,500 small and medium size farmers operating individually or as members of cooperatives. Such farmers shall work a parcel of land between 5 and 25 acres, although these limits may be adjusted according to the soil fertility and capacity for earning a minimum annual net income of US $1,400 or the equivalent at 1977 prices. In addition to the land-owning farmers, credit may also be extended to farmers who rent for periods in excess of the term allowed for payment of any subloan granted. The proceeds of the IDB loan are being used to purchase imported inputs, machinery and equipment and to make permanent improvements requiring the use of foreign currency. Subloans extended by the Jamaica Development Bank to target group farmers are based on farm investment plans. Subloan interest charges are 7% per year, with grace and repayment periods varying in accordance with individual cast flow projections developed under the farm plans.

B. Project Implementation

A special unit within the Jamaica Development Bank (JDB) is responsible for the project's implementation. This unit has a central office in Kingston and 13 Parish-based units throughout the country, each staffed with a manager, one or two assistants responsible for developing farm plans, an extensionist, and a loan recovery officer. The loan agreement permitted retroactive financing of eligible sub-loans to May, 1977. Since that time, 1,728 loans have been made, with half of these being authorized in the past year. About half of the IDB loan funds have been drawn down or committed. A similar level of GOJ funds have either been disbursed or committed. The average sub-loan has been somewhat less than anticipated due to the high cost of building materials. Consequently, the level of on-farm investments as a percentage of a given sub-loan is lower than originally contemplated. Participating farmers have tended to emphasize food crops. As a result of the recent flooding, credit requirements are expected to be substantially higher in the coming months and the JDB anticipates that most of the remaining project funds will be committed by the final commitment date in December, 1980. An estimated 14% of the total outstanding portfolio is in arrears by more than 90 days. (Up-to-date statements on the status of sub-loans under the program are not available due to difficulties encountered in the transfer of all financial and other data to the new NCR computerized system. A U.S. based consultant is assisting the Bank to resolve the problem.)

C. Project Financing

(million of dollars)

	FX	LC	TOTAL
IDB	3,070	2,930	6,000
GOJ/CDF	-	3,000	3,000
	Total Project Cost		9,000

Country:	Jamaica
Project:	Sites and Services
Funding Category:	SD
Prime Donor:	IBRD
Loan Agreement Date:	6/74
Original Completion Date:	12/80

CDF Disbursements:

First Tranche (7/78 - 9/79):	$1,539,792	(Actual)
Second Tranche (10/79 - 9/80):	$4,500,000	(Anticipated)

A. Project Description

The project represents an initial effort by the GOJ to demonstrate the effectiveness of a comprehensive approach to the problems of the urban poor. It is designed to provide infrastructure for self-help housing, essential community services and job opportunities to the lower income groups in Jamaica. The project finances the development of 6,000 housing lots, the construction of related infrastructure and community facilities, business enterprises construction and equipment, consulting services and the training of personnel. It is anticipated that this program will help alleviate a severe shortage of low cost housing in Jamaica's largest cities and put such housing within the financial reach of low income groups. The small industries enterprises component of the project will provide an estimated 1,000 additional jobs and opportunity for training unemployed workers and thereby raise the family income levels of the participating households and help stabilize the new communities.

B. Project Implementation

Significant advances in project implementation have been made over the past year or so. The executing agency, Sites and Services Division of the Ministry of Housing, reorganized and expanded its staff substantially. In spite of construction materials shortages, delays in obtaining spare parts for the heavy equipment, and occasional difficulties with contractors, over 4,000 core units have been completed and about 1,000 families are living on three of the six low cost housing sites. Processing of applicants, orientation sessions, provision of materials for completion of the core unit and one bedroom, technical assistance to allottees, and community social activities are proceeding quite smoothly. Community facilities have been virtually completed on two of the sites and tenders for constructing the necessary facilities on the remaining sites will be reviewed shortly. Appliactions from low income families for participation in this project far exceed the available lots, attesting to both the need for and success of the project. The project component concerned with the establishment of small business enterprises has been dropped for lack of agreement between the World Bank and the GOJ regarding the component's design.

Cost over-runs, amounting to about 30 percent, are being borne largely by the GOJ, although the IBRD is considering the possibility of financing some of these costs from Loan proceeds originally slated to finance the small business enterprises component. Project expenditures over the past year totaled approximately $5.5 million, and expenditures over the next year are projected at $11 million.

The project is expected to be completed by December, 1980.

C. Project Financing (millions of dollars)

	FX	LC	Total
IBRD	n.a.	n.a.	8.5
GOJ/CDF	n.a	n.a.	13.3
Total Project Cost			21.8

Country:	Jamaica		
Project:	Students' Loan Fund II		
Funding Category:	EH		
Prime Donor:	IDB		
Loan Agreement Date:	5/75		
Original Completion Date:	5/80		
CDF Disbursements:			
First Tranche (7/78 - 9/79):	$198,796	(Actual)	
Second Tranche (10/79 - 9/80):	$240,000	(Anticipated)	

A. Project Description

The program provides subloans on concessional terms to Jamaican students from families having a maximum annual gross household income equivalent to US$12,000, with not less than 60 percent of the resources earmarked for beneficiaries with an annual gross family income of not more than $9,000. These subloans will finance studies to be undertaken at higher and vocational educational levels in priority disciplines essential for the social and economic development in Jamaica. Based on a sample of the beneficiaries participating in the first student loan, which indicated (i) that the average annual gross family income was below one-half of the permitted ceiling; (ii) sixty percent of the beneficiaries were from rural areas; and (iii) nearly 51 percent were female, the CDB concluded that the participants under this Loan program would largely fall within the target group.

B. Project Implementation

The Bank of Jamaica's (Central Bank) Students' Loan Bureau has responsibility for carrying out the loan project. The same entity was charged with implementing the first Student Loan Fund program, totaling $6.1 million. A total of 12,000 students have benefitted from the higher education programs financed under the two loan programs. The dropout rate is 1%, attesting to the adequacy of the selection process. Most of the students (80%) receive their training in Jamaica, although foreign training is authorized for academic programs not offered in Jamaica. Presently, sub-loans totaling 2% of the portfolio, representing 3.8% of the participants, are in arrears. During the period of CDF I, 1,882 subloans were approved and subloan disbursements totaled $2,222,153. The IDB recently cancelled $679,000 of uncommitted loan proceeds; however, the balance of project funds have been committed and will be fully disbursed by the final disbursement date in May, 1980.

The GOJ has requested the IDB to provide additional foreign exchange under a third student loan fund program since foreign reserves are quite limited in Jamaica and some priority training requirements cannot be fulfilled by Jamaican higher education institutions. The IDB has taken the decision to conduct an in-depth evaluation of the first two programs before considering the Government's request.

C. Project Financing (millions of dollars)

	FX	LC	Total
IDB	3.2	2.7	5.9 1/
GOJ/CDF	-	3.4	3.4
Total Project Cost			9.3

1/ $679,767 deobligated in June, 1979.

Country:	Jamaica	
Project:	Micro-Dams	
Prime Donor:	European Development Fund (EDF)	
Funding Category:	FN	
Loan Agreement Date:	2/77	
Original Completion Date:	11/82	
Revised Completion Date:	3/84	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	None	(Actual)
Second Tranche (10/79 - 9/80):	$850,000	(Anticipated)

A. Project Description

Under the project, the EDF and the Netherlands Government agreed to provide $6.8 million to finance the heavy equipment, vehicles, soil laboratory materials and equipment, and technical assistance required for the construction of 234 micro-dams, with the GOJ agreeing to finance the local cost expenditures of the project, estimated to be $7.4 million. The micro-dams would effectively irrigate approximately 120 acres per dam, thereby permitting the small farmer beneficiaries with holdings of one-half to ten acres to grow vegetables and other crops. The Ministry of Agriculture has concluded that water is the principal constraint to small farm improvements in the project site areas. The dams will also be used for fish farming (African perch).

B. Project Implementation

Revisions in the project design have been made to establish irrigation networks from the dam sites to surrounding areas of influence. Consequently, the Ministry of Agriculture now estimates that about 100 dams can be financed within the original project budget. Geological and economic studies have been performed by the Ministry, with the assistance of a consulting firm, and 83 micro-dam sites have been clearly identified. All of the vehicles and heavy equipment have been imported and site preparation and construction activities are scheduled to commence in October, 1979. 13 micro-dams have been designed and 12 more should be finished this year. An army engineer corps of the Jamaica Defense Force will construct the dams and related irrigation systems by force account under the supervision of the Ministry of Agriculture's Engineering Division. The project is expected to be completed by March, 1984.

C. Project Financing

(millions of dollars)

	FX	LC	Total
EDF Grant	1.426	-	1.426
EDF Loan	3.851	-	3.851
Netherlands Gov't.	1.569	-	1.569
GOJ/CDF	-	7.417	7.417
Total Project Cost			14.263

Country: Jamaica

Project: Fourth Highway

Funding Category: FX

Prime Donor: IBRD

Loan Agreement Date: 7/79

Original Completion Date: 9/82

CDF Disbursements:

First Tranche (7/78 - 9/79): None (Actual)

Second Tranche (10/79 - 9/80): $3,260,000 (Anticipated)

A. Project Description

The project, which forms part of the GOJ's Five-Year Road Maintenance Program, consists of asphaltic overlay and surface treatment of about 335 miles of arterial, secondary and tertiary roads, the procurement of road maintenance equipment and spare parts for the Ministry of Work's (MOW) road maintenance equipment fleet, and technical assistance and training for MOW personnel responsible for carrying out the Government's Road Maintenance Program. In designing the project, a special effort was made to maximize the immediate impact on employment generation. The project will employ about 1,300 people, most of whom will be unskilled and residing in the various rural localities and townships benefitting from the road improvement program. Over 70% of the roads targeted for upgrading under the program pass through rural areas inhabited largely by small farm families. In many of these areas passage by vehicle is presently not possible or very difficult due to the poor condition of the roads. A major project objective is to facilitate the flow of goods and services to and from rural areas, thereby integrating the rural populace more fully into the country's overall social and economic development.

B. Project Implementation

Although the loan agreement was signed in July of this year, the GOJ has already submitted to the World Bank the necessary documentation preliminary to disbursements under loan. Prequalification of firms and the preparation of bidding documents have also been completed. The MOW expects to award contracts in November of this year and commence the project's first phase in early 1980.

C. Project Financing

(millions of dollars)

	FX	LC	TOTAL
IBRD	16.0	-	16.0
GOJ/CDF	-	7.3	7.3 1/
Total Project Cost			23.3

1/ The loan agreement also requires the GOJ to finance recurrent expenditures under the Program estimated at J $53 million,equivalent to U.S. $29.8 million.

Country:	Jamaica	
Project:	Secondary Main and Parish Council Roads	
Funding Category:	FN	
Prime Donor:	IDB	
Loan Agreement Date:	4/74	
Original Completion Date:	4/78	
Revised Completion Date:	4/80	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	None	(Actual)
Second Tranche (10/79 - 9/80):	$90,000	(Anticipated)

A. Project Description

The project consists of the design ,reconstruction and related engineering services for 60 miles of secondary roads in rural areas of Jamaica. These roads will provide access to markets and social services for the predominantly poor, agriculturally oriented population which inhabit the rural areas. Most of the rural populace have income levels well below those of the urban sector.

B. Project Implementation

In order to keep within the original budget allocations, 14 miles of roadway improvements were dropped from the project. Presently, 28 miles of project roads have been completed with the balance expected to be finished by August of next year. The private contractor selected to perform the necessary reconstruction was terminated for inadequate performance and the Ministry of Works was engaged to complete the job. Some road sections had to be relocated due to poor sub-base materials. This year, heavy rains have delayed the project's progress considerably. Actual construction works have been underway since September of 1976. The IDB Loan was 40% disbursed as of June, 1979.

C. Project Financing (millions of dollars)

	FX	LC	Total
IDB	10.0	1.5	11.5
VIF	-	3.9	3.9
GOJ/CDF	0.1	5.2	5.3
Total Project Cost			20.7

Country:	Jamaica
Project:	Parish Retail Markets Reconstruction
Funding Category:	FN
Prime Donor:	IDB
Loan Agreement Date:	10/79 (Anticipated)
Original Completion Date:	10/83 (Anticipated)
CDF Disbursements:	
First Tranche (7/78 - 9/79):	None (Actual)
Second Tranche (10/79 - 9/80):	$725,000 (Anticipated)

A. Project Description:

One of the principal elements in the GOJ's recently established nationalmarketing strategy is the reconstruction of antiquated Parish retail markets. An IBRD loan project is financing nine Parish markets in the Western Region of the country. This project will undertake the reconstruction of an additional sixteen (16) Parish markets. The purpose of the project is to enhance the efficient distribution of agricultural products, by reducing produce waste and food contamination, improving access to markets for producers, consumers and intermediaries, and facilitating the collection and dissemination of market information. Increases in production and reductions in marketing costs are anticipated from the efficiencies generated by the project. Project beneficiaries will largely consist of small producers and consumers from among the lower income strata of Jamaican society.

B. Project Implementation

The loan proposal is scheduled for review by IDB's Board of Executive Directors during the first week in October. Signature of the loan agreement is expected shortly thereafter. Work is underway to satisfy the conditions precedent to first disbursement under the loan. Moreover, working drawings and blueprints have been completed for several of the markets selected for reconstruction. Consequently, construction activities for several of the targeted retail markets will likely be initiated over the next year.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IDB	6.0	1.0	7.0
GOJ/CDF	-	3.0	3.0
Total Project Cost			10.0

Country:	Jamaica
Project:	Second Education
Funding Category:	EH
Prime Donor:	IBRD
Loan Agreement Date:	3/71
Original Completion Date:	6/75
Revised Completion Date:	3/80

CDF Disbursements:

First Tranche (7/78 - 9/79):	$801,204	(Actual)
Second Tranche (10/79 - 9/80):	$260,000	(Anticipated)

A. Project Description

The project consists of constructing and equipping new secondary school facilities as well as the construction and equipping of extensions to existing high schools and junior secondary schools with a view to providing over 19,000 additional places and to introduce comprehensive instructional programs thereto. It also provides for the expansion of teacher training as well as vocational facilities to increase enrollment. Technical assistance and fellowships to assist in educational planning and curricula development are also part of the supportive measures included in this project. It is expected that by making the educational program more relevant, the high rate of unemployment among unskilled workers will be significantly reduced as skills relevant to the labor market are acquired. The additional student places being created would also assist in reducing the pressure for places and thus reduce the level of drop-outs, mainly among those from low income families.

B. Project Implementation

The initiation of the project was delayed for over three years as a result of a change in GOJ administrations. Some project design changes were made by the new Government. Subsequently, periodic shortages of imported building materials hampered construction progress. Resultant cost over-runs were borne mainly by the GOJ. At this point in time, however, all of the schools, teacher training colleges and the education broadcasting facility are fully staffed and operational. Minor construction problems and a small amount of undelivered equipment represent the only pending actions to completing the project's physical plant and equipment. Ministry of Education officials expressed their satisfaction with the project's results, including technical assistance in the areas of school design, equipment specifications and curricula development. They also indicated, however, that many of the new facilities were already occupied at or above planned capacity. Consequently, the GOJ has entered into preliminary discussions with World Bank officials concerning a follow-on loan project.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IBRD	n.a.	n.a.	7.292
GOG/CDF	n.a.	n.a.	15.550
Total Project Cost			22.842

Country: Jamaica

Project: Montego Bay/Falmouth Water Supply

Funding Category: HE

Prime Donor: IDB

Loan Agreement Date: 1/76

Original Completion Date: 2/80

Revised Completion Date: 8/80

CDF Disbursements:

First Tranche (7/78 - 9/79) : None (Actual)
Second Tranche (10/79 - 9/80): $660,000 (Anticipated)

A. Project Description

The project is designed to provide an adequate supply of water to the town of Montego Bay and surrounding areas thereby improving health conditions for the affected population. The $20 million project will finance wells, pumping stations, turbine pumps, reservoirs, transmission and distribution lines, improvements to the Montego Bay truck distribution system, and the construction of the secondary distribution system to areas in and around Montego Bay. Some 3,000 new house connections will be made under the project. Over 80% of the system's water will be pumped to low income families residing in the Project area, including squatter settlements.

B. Project Implementation

The National Water Authority (NWA) of Jamaica is the executing agency for the project. U.S. and Jamaican contractors have largely completed the project's major structures under the general supervision of the NWA. Contracts for the secondary distribution system have been let and construction on this element of the project is expected to be in full swing over the next several months. The local cost expenditures related to this project element will be considered for CDF financing. This portion of the project will supply water largely to low income families residing in the project area.

New water rates under the program have been put into effect; operation and maintenance manuals are being drafted; a revolving fund has been established to assist in financing house connections; and regulations concerning watershed protection are being drafted by NWA's Legal Section. As of 06/30/79, expenditures under the project totalled $13,251,000.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IDB	9.8	2.2	12.0
GOJ/CDF	-	8.0	8.0
Total Project Cost			20.0

Country: Jamaica

Project: Greater Mandeville Water Supply Scheme

Funding Category: HE

Prime Donor: IDB

Loan Agreement Date: 5/79

Original Completion Date: 11/83

CDF Disbursements:

First Tranche (7/78 - 9/79): None (Actual)
Second Tranche (10/79 - 9/80) $810,000 (Anticipated)

A. Project Description

The project will meet the projected potable water requirements to the year 2010 of the urban/semi urban/rural population in the Greater Mandeville area (82.2 sq. miles). Wells, catchment tanks and water trucks currently are used to supply water to the residents in the project area, an unsatisfactory arrangement. The project will finance the physical plant and equipment, transmission and distribution lines, house connections and meters, improvements to existing storage tanks, the installation of public standpipes, and the replenishment of a fund for financing household connections. A survey conducted in the Greater Mandeville area revealed that the majority of households to be serviced under the project had incomes equivalent to less than half the Jamaica per capita income.

B. Project Implementation

During the first year of the project, it is planned to satisfy all conditions precedent to initial loan disbursement; prepare/review and finalize contract drainage/tender documents; prequalify contractors; receive evaluate and award the major project contracts. It is customary to provide disbursements of 15% or more to the contractors upon contract execution to cover mobilization costs.

A "Project Execution Unit" is being established within the National Water Authority to complete the design work, supervise the construction program, and ensure compliance with the terms and conditions of the loan agreement.

C. Project Financing

	FX	LC	TOTAL
IDB	7.5	3.3	10.8
GOJ/CDF	-	5.0	5.0
Total Project Cost			15.8

Country:	Guyana	
Project:	Mahaica - Mahaicony- Abary Water Control (MMA)	
Funding Category:	FN	
Prime Donor:	IDB	
Loan Agreement Date:	2/78	
Original Completion Date:	3/82	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	$ 797,155	(Actual)
Second Tranche (10/79 - 9/80):	$7,200,000	(Anticipated)

A. Project Description

The purpose of this project is to provide flood control, irrigation and drainage works for the agricultural development of some 115,000 acres of land in the Mahaica-Mahaicony-Abary region in eastern Guyana, with a view to improving Guyana's national food supply to meet local demand and to increase exports to the Caribbean Region. The project consists of the construction of conservancy dams, a main canal, distributory and regulatory systems, access roads and the leveling of land to ensure better utilization of the area. In addition, it provides for the acquisition of machinery as well as the hiring of consultancy services for the construction and supervision aspects of the project.

It is estimated that over 90 percent of the beneficiaries will be small farmers who have less than 25 acres and the remainder will be members of cooperatives. Earnings on a typical five-member family rice/soybean farm of 20 acres in the project area range between $240 and $265 per capita. Furthermore, the project will create some 1,600 additional jobs in an area with an estimated unemployment level of 27 percent.

B. Project Implementation

Prior to the IDB Loan, work on the MMA project was suspended due to a shortage of funds. The IDB Loan, in addition to resources provided under the CDF, facilitated renewed project activity. In July, 1978, project consultants arrived in Guyana. Project modifications and completion of tender documents were subsequently effected. Major civil works are expected to begin in the first quarter of 1980. In November, 1978, the force account works on the conservancy dam were reactivated. Work on the Abary River Control Sluice is expected to be finished in October, 1979. Extensive soil, cadastral and engineering surveys are being conducted on schedule. A baseline survey has been completed to monitor the project's effects on the area's economy. Applied research activities for rice and pasture have been underway for the past year. Development of an organizational structure and accounting system for the MMA Agricultural Development Authority has been carried out. Staff training has been initiated. A study has been undertaken regarding the operation and maintenance requirements for the completed works, and other studies including the machinery requirements for the area and procedures for salinity control have been concluded. The total number of people employed on the project at the end of August, 1979 was 406, including 55 professionals.

C. Project Financing

	(millions of dollars)		
	FX	LC	Total
IDB	49.5	-	49.5
GOG/CDF	.47	22.63	23.1
Total Project Cost			72.6 1/

1/ The GOG and IDB recently revised project cost estimates upward by $10 million to approximately $82 million. The IDB is expected to finance the additional costs.

Country:	Guyana	
Project:	Second Education	
Funding Category:	EH	
Prime Donor:	IBRD	
Loan Agreement Date:	5/75	
Original Completion Date:	6/79	
Revised Completion Date:	12/81	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	$ 149,344	(Actual)
Second Tranche (10/79 - 9/80):	$4,690,000	(Anticipated)

A. Project Description

The project provides for secondary, vocational and agricultural training facilities as well as technical assistance for introducing educational reforms and curricula development. It is expected to create about 4,500 additional student places and represents a second phase of a national program to improve the quality, efficiency and relevancy of the public secondary education system to meet Guyana's economic and social needs. The expansion and changes in secondary education financed by the project will improve employment opportunities for Guyana's poor youth. Moreover, the expansion of the Guyana School of Agriculture and the establishment of an agricultural extension in-service training and communications center are expected to impact favorably on the rural poor farming class in the medium - to long-term.

B. Project Implementation

A and E consultants were contracted in late 1976. By June of 1978 the designs and tender documents had been prepared for 25 sub-projects, consisting of expansion of existing or construction of new secondary, vocational and agricultural training schools. A construction management team has been contracted by the GOG to supervise the construction work. Negotiations on some of the sub-projects did not evolve satisfactorily; consequently, the Ministry of Works will execute three sub-projects under force account commencing soon. Six additional sub-project contracts have been let to private firms and are expected to commence in late 1979. Tenders on the remaining 16 sub-projects have been received and awards are expected to be made in early 1980, subject to the approval of the State Planning Secretariat. In order to minimize costs, the project unit within the Ministry of Education is working on standardization of materials and bulk procurement of same. Project execution is about 30 months behind schedule.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IBRD	9.4	2.6	12.0
GOG/CDF	-	6.9	6.9
Total Project Cost			18.9

Country:	Guyana
Project:	West Demerara Road
Funding Category:	FN
Prime Donor:	IBRD
Loan Agreement Date:	4/72
Original Completion Date:	12/75
Revised Completion Date:	12/79
CDF Disbursements: First Tranche (7/78 - 9/79):	$1,239,648 (Actual)
Second Tranche (10/79 - 9/80):	None (Anticipated)

A. Project Description

The project provides for the improvement and related supervision of about 34 miles of roads in a densely cultivated and populated coastal region west of Georgetown, Guyana. Improvement under the project of the West Coast and West Bank Roads, together with two adjoining feeder roads, will contribute substantially to the GOG's coastal road improvement program and further agricultural development in the area. Most of the beneficiaries serviced by the improved roadway are small rice farmers. An assessment of the project's beneficiaries prepared by the Caribbean Development Bank concluded that the vast majority of project beneficiaries have incomes within the lower 50 percentiles of the per capita income range of Guyana.

B. Project Implementation

Road improvement works were initially contracted in June 1973 for $9.0 million by a local firm. Due to slow progress, the contract was terminated and the Ministry of Works and Transport was engaged to complete the road work under force account, which resulted in costs over twice the original estimate. The Loan closing date was extended to 12/31/79, which will allow sufficient time to complete the work.

C. Project Financing

(millions of dollars)

	FX	LC	Total
UNDP	1.2	-	1.2
IBRD (IDA)	4.4	-	4.4
GOG/CDF	-	2.6	2.6
Total Project Cost			8.2

Country:	Guyana	
Project:	Tapakuma Irrigation	
Funding Category:	FN	
Prime Donor:	IBRD	
Loan Agreement Date:	12/79	
Revised Completion Date:	6/82	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	$1,963,197	(Actual)
Second Tranche (10/79 - 9/80):	$4,300,000	(Anticipated)

A. Project Description

The project is part of a program to improve the quality and increase the production of rice in the Tapakuma area. It includes provision for civil works for irrigation and drainage systems, on-farm development (e.g. clearing and leveling of farm lands), extension services, research and seed production, facilities for housing office staff, workshops, purchase of vehicles and equipment, and consulting and engineering services.

The main beneficiaries are expected to be low income farmers by way of increases in their rice production. The increased crop intensity resulting from the project would cause a decline in seasonal under-employment of the rural poor. The newly developed rice lands available for settlement would enable the Government to accommodate an additional 500 to 600 low income farm families.

B. Project Implementation

The revised estimate of the total cost of the project is $42.8 million, representing an increase of 130 percent over the appraisal estimate of $18.5 million. Unexpected price increases and implementation delays, presently estimated at 30 months, account for the higher costs. Additional financing from the U.K., the OPEC Special Fund, and the CDB has been obtained to cover the additional costs. Civil works, 20 percent completed, have experienced delays due to weather conditions and mobilization difficulties. On-farm development has experienced difficulties due to shortage of equipment, spare parts, and the absence of workshop services. These problems are being addressed under the U.K. loan.

For the third consecutive year, yields of the spring and autumn crops of rice in the project area have been the highest in the country. The high yields are attributed to the applied research and extension services provided by the project.

Major project developments over the coming year include:

(1) irrigation and drainage canal excavation, road construction, pump station construction, construction and rehabilitation of sluices, construction of major and minor structures such as bridges, culverts, check aqueducts,head regulators, farmers' access bridges, etc.;

(2) acceleration of the on-farm development program as a result of machinery arrival;

(3) construction of houses and offices for project staff personnel;

(4) water management investigation;

(5) engineering surveys and working drawings as well as initiation of construction work for the Ituribisi Conservancy Dam and secondary drains/canals.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IBRD	15.90 1/	-	15.9
GOG/CDF	0.65	10.15	10.8
UK(Overseas Dev. Ministry)	5.50	0.20	5.7
OPEC	4.00	-	4.0
CDB	4.00	-	4.0
Total Project Cost			40.4

1/ $3.0 million from Special Action Program; $12.9 million from ordinary capital.

Country:	Barbados
Project:	First Education
Funding Category:	EH
Prime Donor:	IBRD
Loan Agreement Date:	12/78
Original Completion Date:	12/83
CDF Disbursements:	
First Tranche (7/78-9/79):	None (Actual)
Second Tranche (10/79-9/80):	$2,250,000 (Anticipated)

A. Project Description

The project provides for constructing, furnishing, and equipping ten (10) new primary schools; the expansion and related furnishing and equipment needs of six (6) secondary schools; the furnishing and equipping of an additional secondary school; the expansion and equipping of both the Erdiston Teacher Training College and the Barbados Institute of Management and Productivity (BIMAP), and technical assistance in the areas of architecture and engineering, for training BIMAP staff, and for school management consultancy at Erdiston and the UWI.

B. Project Implementation

The conditions precedent to disbursement under the IBRD loan have been satisfied. Land has been obtained and surveys completed for most of the primary schools. A standardized construction design has been developed by consultants working for the Ministry of Education. The design is quite simple and utilizes to the extent possible materials available locally; hence, the construction phase, which is about to begin, is expected to proceed at a relatively fast pace. The GOB's recommendations for pre-qualifying civil works contractors have been submitted to the IBRD for approval. Requests for bids on two of the school sites should be issued by mid-October of this year. Furniture for a large secondary school has been ordered and should be in place by November. A contract has been executed between BIMAP and a local architectural consulting firm and a preliminary design has been submitted for IBRD approval. Survey, design, construction, and procurement of furniture and equipment will go forward during the coming year.

There is some concern over the current shortage of skilled workers in the local construction trade. A large number of construction activities presently underway in both the public and private sectors is forcing construction costs up and causing some delays in project execution. This condition may impact adversely on the project's eventual cost and rate of implementation.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IBRD	9.0	-	9.0
GOB/CDF	-	5.5	5.5
Total Project Cost			14.5

Country:	Barbados	
Project:	Samuel Jackman Prescod Polytechnic	
Funding Category:	EH	
Prime Donor:	IDB	
Loan Agreement Date:	7/77	
Original Completion Date:	5/81	
CDF Disbursements:		
First Tranche (7/78 - 9/79):	$500,000	(Actual)
Second Tranche (10/79 - 9/80):	$700,000	(Anticipated)

A. Project Description

The project consists of constructing and equipping a set of buildings on a Government-owned site to provide consolidated and improved facilities to accommodate larger student enrollment in the Samuel Jackman Prescod Polytechnic Institute. In addition, it will provide a new and varied pattern of courses to be offered by an enlarged staff to train skilled and semi-skilled technicians in fields for which employment opportunities exist (e.g., carpenters, electricians, masons, welders, printers and mechanics), and will also embrace institutional development in areas of vocational guidance, administration, and planning.

Heavy emphasis will be placed on the training of the 'drop-out' youth and unemployed persons. The project is expected to benefit largely persons from among the least economically advantaged strata of the country.

B. Project Implementation

All of the conditions precedent to disbursement have been satisfied; contractors prequalified; and a fixed price contract awarded (7/79) to construct the building complex over the next two years. A consultant has provided the Ministry of Education (MOE) with a complete list of furniture and equipment requirements including potential supply sources, specifications, and estimated costs. Following competitive procedures, the MOE intends to secure the furniture and equipment within the next year. Preparations are currently underway to lay the foundations and physical plant construction is expected to be finished by the end of 1980.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IDB	4.330	2.270	6.6
GOB/CDF	0.075	3.925	4.0
Total Project Cost			10.6

Country:	Barbados
Project:	Industrial Estates Second Loan
Funding Category:	SD
Prime Donor:	CDB
Loan Agreement Date:	11/78
Original Completion Date:	

CDF Disbursements:

First Tranche (7/78 - 9/79):	$400,000	(Actual)
Second Tranche (10/79 - 9/80):	$400,000	(Anticipated)

A. Project Description

The project is the second phase of the Caribbean Development Bank's assistance to the GOB for the development of industrial estates (factory shells), the construction of smaller workshop areas, and the rehabilitation of Pelican Village, which consists of workshops and retail outlets for the handicraft industry. Most of the businesses that are expected to be established in the new or refurbished buildings are highly labor intensive. For the factory shells alone, some 760 full-time manufacturing jobs are projected. The project will also provide opportunities for training unskilled workers in various skills.

B. Project Implementation

The Barbados Industrial Development Corporation, a publicly owned entity, is responsible for the project's execution. To date, all conditions precedent to disbursement have been complied with, two of the four factory shells eligible for CDF assistance have been largely completed, and the workshops for local small-scale entrepreneurs have been completed with the exception of electrical work.

Over the next year, the Industrial Development Corporation anticipates that the rehabilitation of the Pelican Village complex will be finished, the remaining factory shells completed, and the electrical connections for the small workshops installed. The demand for such facilities is quite high. Requests for leasing or buying much of the space being provided under the project have already been received by the Corporation.

C. Project Financing

(millions of dollars)

	FX	LC	Total
GOB/CDF	-	1.66	1.66
CDB	n.a.	n.a.	3.44
Total Project Cost			5.10

Country:	Barbados
Project:	Agricultural Credit Second Loan
Prime Donor:	CDB
Funding Category:	FN
Loan Agreement Date:	1/79
Original Completion Date:	7/81
CDF Disbursements:	
First Tranche (7/78-9/79):	None (Actual)
Second Tranche (10/79-9/80):	$75,000 (Anticipated)

A. Project Description

The project will provide the equivalent of $1,155,000 in sub-loans to small and medium size farmers to support agricultural diversification and assist a greater number of small farmers to develop viable economic food crop and livestock enterprises. Small-scale fishermen will also benefit under the loan program. The Barbados National Bank (BNB) is the executing agency. The CDB is providing the loan to the BNB at 4% with a five year grace period. Sub-loans may not exceed 8% per annum. Sub-loan grace and amortization terms vary in accordance with financial projection's for each sub-project.

B. Project Implementation

Delays in project execution have resulted from a change in executing agencies and difficulties in obtaining essential documentation from the potential sub-borrowers. Under the first agricultural credit loan, the Barbados Development Bank was charged with the project's execution. In 1978, the GOB took the decision to transfer the BDB's agricultural division to the BNB. The transfer has now been effected and the staff responsible for the program's implementation has been recently augmented. The larger staff should facilitate more timely processing of sub-loan applications. Although only $50,000 has been committed thus far under the credit program, BNB officials estimate that commitments and disbursements will accelerate over the coming year as a result of the increased executing unit's staff. A disbursement level of $380,000 is projected over the next year, of which 20% or about $75,000 will be GOB counterpart funded.

C. Project Financing

(millions of dollars)

	FX	LC	Total
CDB	-	0.924	0.924
GOB/CDF	-	0.231	0.231
Total Project Cost			1.155

Country:	Barbados	
Project:	Bridgetown Sanitary Sewerage System	
Funding Category:	HE	
Prime Donor:	IDB	
Loan Agreement Date:	4/76	
Original Completion Date:	4/80	
Revised Completion Date:	10/81	
CDF Disbursements:		
First Tranche (7/78-9/79):	None	(Actual)
Second Tranche (10/79-9/80):	$1,500,000	(Anticipated)

A. Project Description

The proposed sanitary sewerage system will improve sanitary conditions in the downtown area of Bridgetown where activities and people are concentrated and where the problems of waste and sewage have reached critical proportions and seriously polluted the environment. Sewage is actually surfacing during heavy rains. A high water table and poor ground absorption make it impossible for the septic tanks and wells to cope with the growing volume of sewage in the project area. The project includes a sewage collector system, a sewage treatment plant and an underwater effluent discharge for the plant. Initially, the collector system will take the sewage from an area of approximately 200 hectares with a population of 37,700 people. The major part of the area serviced is inhabited by lower income families living for the most part in one room houses on the fringes of the commercial district. The industrial estates also to be serviced by the system employ mainly lower class workers.

B. Project Implementation

The Ministry of Health and National Insurance is responsible for supervising the execution of the project. Three major contracts have been let to construct the sewerage system envisaged under the project. Under the first contract for constructing the sewage treatment plant and pump station, piling for the administrative and equipment building has been completed and is 75% completed for the treatment tanks. Excavation, concrete base and partial wall construction have been finished for the pumping station, and a reinforced concrete base has been laid for one of the treatment tanks. Work under the contract is nearly on schedule. Work under the second contract for the ocean outfall has already been completed.

A third contract was let in mid-September, 1979 for the sanitary sewer system. Since the lowest tender offer for this contract was originally 134% higher than estimated, a second loan for the project was obtained from IDB and new tenders were called for. Construction under contracts 1 and 3 will likely proceed at full pace over the next year, requiring counterpart expenditures of about $1.5 million.

C. Project Financing

(millions of dollars)

	FX	LC	Total
IDB	12.060	.200	12.260
GOE/CDF	4.173	3.483	7.656
Total Project Cost			19.916

Country:	Barbados
Project:	Oistins Fisheries Terminal
Funding Category:	FN
Prime Donor:	EDF
Loan Agreement Date:	12/79 (Anticipated)
Original Completion Date:	10/81 (Anticipated)
CDF Disbursements:	
First Tranche (7/78-9/79):	None (Actual)
Second Tranche (10/79-9/80:	$190,000 (Anticipated)

A. Project Description

The project seeks to establish a sanitary terminal complex for receiving, storing and selling fish for local consumption. Moreover, the storage facilities will permit a higher degree of price stabilization than is currently found in the market place. This is the first of several terminals expected to be constructed by the GOB over the coming years. About 250 small fishermen and their families with average household incomes of $4,500 or less will benefit from the project, in addition to an equal number of small retailers. The majority of consumers benefitting from the improved facilities and more stable prices are from the lower income groups. Refrigerated trucks will also be procured under the project to transport fresh fish to marketing outlets in the country's rural areas. Initially, the terminal will be managed by the Superintendent of Markets. Eventually, the GOB intends to turn over the market's commercial operations to a fishing cooperative.

B. Project Implementation

The GOB expects to secure a loan from the EEC by December of 1979 for financing the major portion of the foreign exchange costs under the project. However, considering the urgency of the project, the GOB has already contracted local consultants to prepare the final designs and bidding documents. Consultancy fees are expected to reach $160,000 by March of next year. Contracts for the reclamation of land and construction of the terminal, ancillary buildings and related infrastructure are expected to be signed by May of 1980. Refrigeration and other equipment, including two refrigerated trucks, will be ordered next year under competitive procurement procedures.

C. Project Financing

(millions of dollars)

	FX	LC	Total
EDF	1.15	-	1.15
GOB/CDF	.15	.50	.65
Total Project Cost			1.80

Country:	Barbados	
Project:	Barbados Marketing Corporation	
Funding Category:	FN	
Prime Donor:	CDB	
Loan Agreement Date:	12/77	
Original Completion Date:	12/80	
Revised Completion Date:	12/81	
CDF Disbursements		
First Tranche (7/78-9/79):	None	(Actual)
Second Tranche (10/79-9/80):	$200,000	(Anticipated)

A. Project Description

The project provides for land, site preparations and development, buildings for processing and storing meat and fresh produce, equipment, furniture, consultancy services, and additional working capital. The present facilities of the BMC for purchasing, handling, processing and distributing agricultural produce are grossly inadequate. There is also serious congestion and limited area for expansion to meet existing space requirements. Improvements envisaged under the project are expected to reduce spoilage and pilferage, improve the quality of produce offered for sale, and develop an effective pricing system, all with a view to stimulating increased production of domestic crops and livestock for both local consumption and export.

The BMC receives about half of its produce from small farmers with holdings of a few acres. Moreover, the BMC has traditionally sold its foodstuffs at prices below those offered by other wholesalers and retailers on the island, thereby benefitting all consumers but particularly those from the lower income strata whose demand for food is likely to be more affected by price levels.

The BMC is part of a Government strategy to reduce food imports by encouraging the diversification of agricultural production in Barbados.

B. Project Implementation

Problems in securing an appropriate site have delayed the project's initiation. However, an adequate site has now been identified and a consulting firm has completed a feasibility study, including initial designs. The cabinet and BMC have accepted the study and final designs are presently being prepared by the consultants. Over the next year it is expected that designs will be completed, tender documents prepared, tenders received and awarded, and mobilization, soil testing and site clearing effected.

C. Project Financing (millions of dollars)

	FX	LC	Total
CDB	1.874	.250	2.124
COB/CDF	-	.783	.783
Total Project Cost			2.907

Country:	St. Lucia	
Project:	Rural Electrification	
Funding Category:	FN	
Prime Donor:	CDB	
Loan Agreement Date:	12/79 (Anticipated) 2/	
CDF Disbursements:		
First Tranche (7/78-9/79):	None	(Actual)
Second Tranche (10/79-9/80):	$305,000	(Anticipated)

A. Project Description

The project's objective is to provide rural electrification to the remote, isolated villages in the northern and southern parts of St. Lucia. It provides for the erection and related supervision of about 24 miles of electrical extension involving the installation of poles, conductors and transformers which will provide electricity to some 700 homes in the areas to be served. The project seeks to bring about an improvement in the living standards of the rural poor through better utilization of community, educational and recreational facilities. The provision of a reliable source of electricity is expected to stimulate the expansion of cottage industries and retard the immigration of the rural population to urban areas.

The majority of inhabitants in the project area are agricultural laborers and small farmers on holdings of two acres or less. A sample survey of rural households in the project area indicated per capita incomes were well within the lower 50 percentiles of the national per capita income level.

B. Project Implementation

Work on this project began in June 1978. The CDB determined that the work completed during the first year of project implementation has been done satisfactorily. The engineering design had been prepared by the St. Lucia Electricity Services Limited (SLESL), the same firm responsible for the project's execution. 1/ Contractors for the erection of the lines have been pre-qualified and the SLESL is in the process of pre-qualifying suppliers of equipment and material. Tender documents have been prepared. The CDB estimates that the remaining work under the project can be completed by the end of 1980. RDO/C approved this sub-project for inclusion under the CDF program on July 16, 1979.

1/ SLESL owns and operates the electricity supply generation, transmission and distribution services in St. Lucia, and is managed under a management contract by the Commonwealth Development Corporation which owns 53.1% of the paid up share capital.

2/ The recent change in St. Lucia's Government is expected to delay signature of the loan agreement.

C. Project Financing

(millions of dollars)

	FX	LC	Total
CDB/CDF	0.249	0.071	0.320
GOSL/CDF	-	0.035	0.035
	Total Project Cost		0.355

Country Economic Summaries *

a. Jamaica

The Jamaican economy has been stagnant or declined every year since 1972. Gross domestic savings fell from 22.6 percent of GDP early in the decade to 11 percent in 1976. Investment has declined sharply and unemployment, which has been at least 21 percent throughout the period, now stands at 26 percent. A series of key economic indicators of the Jamaican economy is presented in Table 1.

Since early 1977, the Government has been making concerted efforts to alleviate the country's severe economic problems. The measures have included a new tax effort, a wages policy for both the private and public sectors, tightening of import restrictions and exchange rate adjustments. In July 1977, the Government adopted a comprehensive program which became the basis for an agreement with the IMF on a one-year standby arrangement. Under this arrangement, Jamaica drew the first tranche of US$22 million, but by early 1978, it became apparent that the Government would not be able to meet the targets of the restrictive standby arrangement. Instead of seeking to renegotiate the arrangement, the IMF and Government negotiated a three-year Extended Fund Facility arrangement in May 1978, which permitted a longer period for economic adjustment and provided a higher level (US$240 million for a three-year period through June 1981) of financial assistance from the IMF. The main focus of the program is to channel the maximum amount of resources toward investment and growth. To this end, domestic consumption is expected to decline from the 1977 level of about 90% of GDP to about 83% of GDP by 1980. The key elements of the program for the first year of the facility arrangement were the following:

(i) Exchange rate policy: On May 10, 1978, the Government ended the dual exchange rate system, in force for over a year, and moved to a unified rate of US$1.00 = J$1.55. This implied an effective weighted average devaluation of 25%. In addition, the Government agreed to a program of small monthly devaluations, which would total 15% by May 1979. Beyond that, it agreed to maintain the competitiveness of Jamaican exports.

(ii) Incomes policy: Wage increases in any wage contract expiring after May 1, 1978, have been limited to maximum nominal increases of 15% per year for the two-year period. This limit applies to the value of all concepts of pay: straight time pay and overtime rates, plus the money value of all fringe benefits and allowances. The wage guideline has been applied to the public as well as private sectors.

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* This Annex is based largely on IBRD Economic Memoranda.

Table 1: KEY MACROECONOMIC INDICATORS, 1972-78
(Percentages)

	1972	1973	1974	1975	1976	1977	Estimated 1978
Total GDP Growth Rate	8.5	0.0	0.2	-1.0	-6.7	-4.0	0.0
Population Increase	1.9	1.9	1.7	1.7	1.2 /a	1.2 /a	1.2 /a
Total per Capita GDP Change	6.5	-1.9	-1.5	-2.7	-7.9	-5.2	-1.2
Total Consumption Change	2.0	-1.0	10.4	-3.5	0.0	-5.7	-3.1
Consumption/GDP	78.1	77.4	81.5	83.0	89.0	87.7	88.7
Investment/GDP	27.5	31.2	22.8	24.7	18.1	10.5	11.8
Gross Domestic Savings/GDP	21.9	22.6	18.5	17.0	11.0	12.3	11.3
Gross National Savings/GDP	16.1	21.7	16.4	14.6	8.0	8.2	6.8
Balance of Payments Current Deficit/GDP	11.4	9.5	6.4	10.1	10.1	2.3	5.3
Central Government Savings/ GDP /b	n.a.	0.4	3.0	1.8	-3.8	-6.0	-2.6
Public Sector Savings/ GDP /b	n.a.	n.a.	n.a.	n.a.	-0.8	-3.3	-0.1
Overall Financing Deficit of Central Government/ GDP /b	n.a.	4.8	8.2	11.1	18.4	16.1	12.0
Unemployment Rate	23.2	22.5	21.5	21.0	24.0	24.0	26.0 /c
Inflation Rate							
(December to December)	8.2	26.9	20.6	15.7	8.1	14.1	49.4
(Annual Average)	5.4	17.6	27.2	17.4	9.8	11.0	34.9

/a The lower figure for population increase reflects the higher level of net emigration in 1976 and 1977.

/b Fiscal year, i.e. data for 1976 are for 1976/77.

/c October 1978.

Source: Department of Statistics, Ministry of Finance.

(iii) Fiscal policy: The overall deficit of the Central Government was to be reduced to 12.5% of GDP in 1978/79 from about 16% of GDP in 1977/78 through expenditure cuts and a new tax package.

(iv) Production policies: The Government has reaffirmed its commitment to a mixed economy. Public enterprises are expected to operate on a cost recovery basis. Although price controls are to be maintained for most basic necessities, they have either been lifted or significantly liberalized for all other items.

In addition to the foregoing, the program for the first year contained (i) ceilings on net credit to the public sector from the banking system; (ii) limits on the domestic assets of the Bank of Jamaica; (iii) limits on the authorization of new foreign indebtedness by the public sector; (iv) targets for increases in international reserves; and (v) provisions for orderly management of payment arrears.

Quarterly program tests have generally been met and through April 30, 1979, five drawings, totalling about US$90 million, had been made under the Extended Fund Facility. The exchange rate policy has been implemented as planned, the rate being US$1.00 = J$1.781 in May, 1979, the last small move having been made on May 1, to bring it to the originally agreed level. Regarding the incomes policy, available data suggest that the 15% guideline was substantially adhered to. Even when one includes the somewhat larger wage increases negotiated prior to the effectiveness of the 15% guideline, wages in the unionized sector increased, on the average, by less than 20%. In respect to fiscal policy, however, the current account deficit was higher (2.6% of GDP) than the programmed level (0.5% of GDP), although the overall financing deficit was on target, owing to the slower implementation of projects. At the end of April, agreement was reached with the IMF on the targets and policies for the second year of the program. The Government and the IMF are agreed that the exchange rate and wage policies pursued over the past year have restored Jamaica's export competitiveness, and, accordingly, the mini-devaluations will be suspended as of May 1979. 1/ Emphasis will thereafter be placed on preserving Jamaica's competitiveness through (i) the reduction of the ceiling on wage increases from 15% of last year to 10% this year; and (ii) a more active monetary policy in which interest rates will be allowed to increase and the liquidity ratio increased, in support of the fiscal program.

1/ In May 1979, the Jamaican dollar is worth US$0.56, compared to US$1.10 in early April 1977.

Over the last year, the Government has shown considerable resolve in adopting the measures required to cope with the serious economic situation. Politically, this has not been easy. Consumer prices increased by about 50% during 1978 at a time when the Government was generally enforcing the guideline regarding 15% nominal wage increases. The removal of subsidies on many items, the adjustments in the tariffs of many services, and the additional burden of the new tax package have combined to cause a considerable decline in the real income of the population.

Impact of Government's Policies on the Economic Situation

The partial data available suggest that the balance of payments and fiscal situations have generally improved during 1977 and 1978 compared to 1975 and 1976, although performance has lagged in relation to the program in certain areas.

Balance of Payments. Buoyed by strong demand in the industrial economies, the production of bauxite increased and exports of the bauxite/alumina sector increased by about 27 percent between 1976 and 1978. Sugar and banana exports increased marginally in value terms due mainly to slightly better prices. Nontraditional exports and tourism, on the other hand, have benefited considerably from the exchange rate adjustments. The result has been that, despite the higher net factor service payments, the current account deficit was restricted to 2.3 percent of GDP in 1977 and about 5 percent of GDP in 1978,1/ compared to 10 percent during 1975-76 (see Table 2). While the deficit was much smaller during 1977 than in 1978, this was achieved through a rigorous system of import controls and through a substantial buildup of payments arrears.

Public Finances. Helped by the exchange rate adjustments, the Central Government budgetary accounts registered improvements during 1977/78 and 1978/79. In reflection of the improved aluminum market and as a consequence of the new tax package, current revenue of the Central Government increased by about 57% in nominal terms between 1976/77 and 1978/79. The Government's efforts to contain current expenditures have not been altogether successful, and while the current account deficit in 1978/79 (about 2.6% of GDP) was lower than that in 1977/78 (6.0% of GDP), it was well above the program target (0.5% of GDP). However, capital expenditure has been lower during the last two fiscal years due to slow implementation of projects, and as a result, the overall financing deficit decreased from 18.4% of GDP in 1976/77 to 16% in 1977/78 and to about 12% in 1978/79 (see Table 3). This is still an excessively large deficit but is expected to decrease appreciably as the Government continues its adherence to its stabilization program.

1/ Compared to about 6% of GDP targeted for 1978.

Table 2: BALANCE OF PAYMENTS SUMMARY
(US$ million)

	Actual 1975	Actual 1976	Actual 1977	Estimated 1978
Exports (incl. NFS)	1,031	890	921	1,014
Imports (incl. NFS)	1,250	1,097	889	1,039
Factor Payments and Transfers (net)	-64	-96	-100	-119
Current Account Deficit	-283	-303	-68	-142
Direct Foreign Investment	-2	-	-7	-11
Public M&LT Loans (net)	167	156	14	159
IMF Drawings (net)	-	65	27	73
Other Capital /a	39	-104	-2	-99
Change in Reserves (-increase)	79	186	36	20
Memorandum Items				
Gross Official Reserves	160	41	49	54
Import Coverage of Gross Reserves /b	1.7	0.5	0.8	0.7
Current Account Deficit as % of GDP	10.1	10.1	2.3	5.3

/a Includes payments of arrears and errors and omissions.
/b Imports (c.i.f.) coverage in months.

Source: Bank of Jamaica.

Table 3: SUMMARY OF CENTRAL GOVERNMENT OPERATIONS /a
(J$ million)

	Actual		Program	Estimated	Program
	1976/77	1977/78	1978/79		1979/80
Current Receipts	652.8	640.4	1,100.0	1,040.8	1,145.2
Current Expenditures	758.0	832.8	1,121.0	1,152.6	1,150.2
Current Surplus/Deficit (-)	-105.2	-192.4	-21.0	-111.8	-5.0
Capital Revenues	1.6	11.8	2.1	2.1	4.0
Capital Expenditures	406.9	332.6	506.0	410.4	531.5
Overall Deficit	-510.5	-513.2	-525.0	-520.1	-532.5
Financing	510.5	513.2	525.0	520.1	532.5
Net External	83.2	21.2	247.6	280.0	251.8
Net Domestic	427.3	492.1	277.4	240.1	280.7
Memorandum Items					
Current Deficit/GDP	3.8	6.0	0.5	2.6	0.1
Overall Deficit/GDP	18.4	16.1	12.5	12.0	10.2

/a Including Capital Development Fund.

Source: Ministry of Finance.

Other Indicators. The above accomplishments in the fiscal and balance of payments areas have been at a considerable cost in terms of output, employment and prices. The lower level of imports has led to shortages of raw materials and intermediate goods which have, in turn, led to the closure or reduced activity of many distributing and manufacturing firms. There is a large underutilization of capacity in the productive sectors, in part because of external conditions and in part because of restrictions on imports and domestic demand. On the basis of provisional data, real GDP stagnated in 1978, following declines of 6.7% and 4.0%, respectively, during 1976 and 1977. Unemployment increased further to about 26% by the end of 1978 after remaining stable at the high level of about 24% over the past two years. Finally, as a direct consequence of the economic package, consumer prices (on an end-of-period basis) increased by about 50%, implying a decline in real wages of over 30%.

Growth and Balance of Payments Prospects

Lack of foreign exchange and scarcity of skilled manpower continue to be the major bottlenecks affecting the level of economic activity in Jamaica. The speed with which recovery can be accomplished, therefore, depends crucially upon the growth of export earnings, the ability of the public sector to mobilize external financing on appropriate terms, the trends in net private capital flows, and the capacity of the Government to ameliorate the problems arising from shortages of skilled manpower. However, given the tight balance of payments during the first half of 1979, GDP is expected to grow in real terms by no more than 2.5% during the year. Growth prospects beyond 1979 appear somewhat brighter as the economy gradually overcomes the current short-term constraints. The GDP growth rate, in real terms, is projected at 3.5% for 1980 and 4% beyond 1980.

Assuming no disruptive events affecting the tourist industry, and given normal local weather conditions for agriculture, the export of goods and nonfactor services of Jamaica should increase during 1979 to a level of about US$1,115 million, a nominal increase of about 11% above the 1978 level. Imports of goods and nonfactor services are projected to increase by about 14% in nominal terms. On this basis, the current account deficit for 1979 is projected at US$135 million. This deficit is, however, expected to be reduced significantly over the next several years.

Jamaica's public external debt has grown rapidly in recent years. At the end of 1973, external public and publicly guaranteed debt outstanding and disbursed stood at US$309 million, or about 16% of GDP. By the end of 1978, it had risen to about US$1,005 million, or about 38% of estimated GDP. Service payments on this public debt are estimated at about 17% of exports (including nonfactor services) in 1978, compared to 6% in 1973. Debt and debt service, in relation to GDP and exports, are now above the levels that are desirable for a small open economy that is not highly diversified. However, the debt service ratio and the ratio of debt outstanding and disbursed to GDP are projected to decline gradually over the next several years, due in large part to good prospects for exports, especially of bauxite/alumina. On this basis, provided Jamaica successfully carries out its economic stabilization program and pursues its new export-oriented strategy, it should be able to manage its external indebtedness and can be considered creditworthy for continued external borrowing on conventional terms.

Public Sector Investment Program and Its Financing

Jamaica's public investment program totals $1,444 million over the next three years (averaging about 14% of GDP). Directly productive sectors (agriculture, manufacturing, mining and tourism) have the largest share, 35.4% of total, in line with the Government's stated objective of achieving an adequate rate of economic growth. Equally important, there is a compositional shift of the program over the next three years, with the share of the directly productive sectors expected to increase from 33% in 1979/80 to about 37% by 1981/82, while the share of social infrastructure is expected to decline from 34% in 1979/80 to 27% by 1981/82. The public sector investment program appears to be well designed in terms of its objectives, realism and the Government's ability to finance it. Most of the projects are ongoing and many of these have external financing available. The current fiscal and balance of payments restraints have necessitated a close scrutiny of all projects by the Government. It appears that the program is realistic and devoid of major new projects for which financing seems unlikely. Moreover, the level of capital expenditure in the program is consistent with the Government's ceilings for total expenditure (current and capital) under the economic program agreed to with the IMF.

On the financing side, public sector savings are expected to cover about 44% of the public investment program, with net domestic (banking and non-banking) borrowing providing an additional 30% of the resources without resulting in a deficiency in credit available to the private sector. The remaining financing, about 3.5% of GDP, would have to come from external medium- and long-term sources. After taking into account the identified sources of external financing for 1979/80, there remains a financing gap of between J$115 million to J$125 million (US$65-70 million) which the Government expects to cover under the Caribbean Development Facility.

b. Guyana

Guyana's current economic malaise can be traced back to its failure to respond to changing external conditions in the 1973-74 period. While most developing countries were forced to cope immediately with rising import prices in general and particularly rising petroleum fuel prices, Guyana's economy was more than able to cope with these events, thanks to unusually high sugar prices. Rather than cut expenditures and reduce imports, the Government used sugar export earnings to step up public sector investment, which in turn raised imports. When sugar revenues dropped in 1976, the Government was already strongly committed to its expenditure program. It was not disposed to curtail this investment program, to raise taxes or to reduce subsidies on rice and other basic commodities. As a result, Government savings fell to about 2 percent of GDP, and gross national savings to only 5.7 percent of GDP. The current account balance of payments deficit rose to US$135 million, over 30 percent of GDP. Gross international reserves fell from about $100 million to US$27 million.

In 1977, the Government undertook a number of corrective actions. It increased restrictions on the import of consumer goods, removed some consumer subsidies, and reduced public sector capital expenditure by 40 percent. The latter action, necessitated by the lack of public sector savings and foreign exchange to purchase imports, unfortunately exacerbated the already severe unemployment problem and detrimentally affected growth prospects. The reduction in Government investment, the virtual lack of private sector investment and a four-and-a-half month sugar industry strike combined to produce a decline in real GDP of about 5 percent. Moreover, despite the cutbacks in the Government's current expenditure program, public sector savings were negative. Somewhat over half of public investment was financed from external inflows while the remainder was financed by domestic borrowing and money creation. Inflation for the year was 11 percent. The current account balance of payments was reduced slightly, but still reached US$98 million, or 22 percent of GDP.

Economic developments in 1978 resulted in a partial amelioration of Guyana's external position as the country's balance-of-payments improved as a consequence of expanded exports and reduced imports. Merchandise exports increased about 14 percent over the poor showing in 1977, and the Government's attempts to contain imports through foreign exchange licensing, expenditure cutbacks and trade restrictions were successful in reducing merchandise imports by about 12 percent below their 1977 level. The Government's laudable efforts to restrain imports unfortunately also led to increasing shortages of intermediate goods, spare parts and essential consumer goods, which in turn resulted in large amounts of machinery becoming inoperable and in a deterioration of services that led to an interruption of production and retarded economic activity. This situation was further exacerbated by a worsening in the terms of trade (mainly because of low sugar prices). Despite these problems, the Government was successful in further reducing the current account deficit, to US$27.5 million or some 5.5 percent of GDP. A slight increase in net public capital inflows was adequate to fill the gap. The concerted effort to lower the current account deficit to a manageable level also permitted the reduction of about US$10 million in commercial arrears and allowed an increase in net international reserves of

US$12 million by the end of the year.

As a consequence of the import cutback, investment reductions, power shortages and industrial problems in the bauxite industry, real GDP remained almost stagnant, increasing by only 0.2 percent in 1978. At the same time, retail prices in the urban areas increased by about 15 percent, partly because of increased production costs and the Government's imposition of a sales tax and reduction of subsidies.

The 1978 budget (which for the first time covered both the Central Government and the rest of the public sector) brought into effect a wide-ranging program devoted to raising public sector revenues, tightening public expenditure policies through improved control procedures and achieving a higher degree of efficiency in the public sector. The Government also successfully negotiated a Standby Agreement (approved by the IMF effective August 1978) which provided SDR 15 million in the form of one credit tranche and access to the Compensatory Financing Facility. As a consequence of these complementary measures, gross public sector savings recuperated and reached 5.5 percent of GDP, a level above the IMF program target. During the year, assistance within the Caribbean Development Facility (CDF) framework of about US$21 million was pledged by several donors; however, inasmuch as the institutional arrangements for the drawdown of CDF pledges took some time to be completed, the flow of funds to projects did not materialize as fast as originally envisaged, thereby affecting the pace of project execution. The Government further reduced its capital expenditures by 16 percent below the 1977 level.

Capital formation in the private sector was negligible as that sector continued to demonstrate its lack of confidence in the Government and the economy. However, the Government did make some modest overtures toward the private sector during 1978. These included the enactment of an investment code and the development with technical and financial collaboration from abroad of a factory to produce stoves.

Economic Prospects and Issues

Guyana possesses the resource endowment to substantially increase output and improve the social well-being of its people over the long term. An improved economic performance is likely to take place over the medium term in the absence of adverse weather conditions and renewed labor problems. Provided sound economic policies are continued and export-oriented investments are implemented on a timely basis, a real GDP growth rate of 4.5 percent annually on average, or about 2.7 percent per capita, could be attained between 1979 and 1981; in 1979 real growth is projected by the World Bank at 4 percent. Beyond 1981, growth of the economy might improve further given the completion of the main ongoing projects. Nevertheless, longer term prospects will be constrained by the time required to develop the hydropower resources of the country and by the speed at which the private sector will invest in new export-oriented and import substituting activities.

The medium-term prospects are encouraging, although constrained by the country's as yet relatively undeveloped resource endowment. A sustained effort will be necessary to carry out the following key development objectives: (i) to expand existing and develop new export-oriented activities which can accelerate economic growth, lead to a continuous improvement in the balance of payments and provide jobs for the unemployed, including the new entrants to the labor force; (ii) to raise the level of gross national savings from almost 14 percent of GDP in 1978 to about 18.5 percent by 1980 and 21 percent of GDP thereafter, mainly through public sector savings efforts; (iii) to reduce the external debt service ratio through an expansion of exports, reduced reliance on foreign commercial-type credits, and greater use of more concessionary financing; (iv) to step up the implementation of the public sector investment program, including training programs to increase the pool of skilled manpower required by the expanded investment effort; (v) to develop its hydropower resources to substitute for increasing oil imports and provide a cheap source of electrical power to meet the country's growing energy requirements; (vi) to promote the development of the existing private sector in line with the recently enacted investment code.

The Public Sector Investment Plan

The GDP growth targets referred to above will require gross domestic investment to increase from about 17 percent of GDP in 1978 to an average of 25 percent in 1979-81, reflecting the execution of major agricultural and industrial projects and to allow for a doubling of stocks in the private sector as these fell considerably in 1978. This relatively high level of investment combined with the need to strengthen the balance of payments in the face of worsening terms of trade will require that the share of consumption decrease from 80 percent of GDP in 1978 to 75 percent by 1981. This underscores the importance of achieving high growth rates to avoid a large decline in real per capita consumption. Gross national savings are projected to increase from 14 percent of GDP to 21 percent during the program period with public sector savings growing from 5.5 percent of GDP in 1978 to 12.5 in 1981, in accordance with the necessity of financing a higher proportion of the investment program from the Government's own savings.

To achieve the above growth targets and to finance the public sector investment program as well as heavy external debt amortization payments, a determined effort to mobilize substantial public sector savings will be necessary. Public sector savings are expected to reach about $48 million in 1979. Capital revenues should finance $9 million. Net domestic borrowing by the public sector is expected to provide about $26 million. Since amortization payments would total $11 million, $12 million in domestic resources would be left to finance the investment program. In order to fully finance the projected $135 million in public sector capital expenditures by 1979, gross foreign inflows of medium- and long-term capital to the public sector should amount to $122 million. Of this amount, disbursements against project specific assistance already committed is projected at $64 million. After allowance for committed CDF and other nonprofit assistance totaling $40 million, a financing gap of about US$18.2 million remains. Additional project financing of US$4.1 million has been requested from external sources. This leaves $14.1 million to be raised from CDF or other similar external sources for disbursement in calendar year 1979.[1/]

[1/] For the period from July 1, 1979 to June 30, 1980, the IBRD projects CDF type assistance required at US$25 million.

Disbursements under the public sector investment program for 1979-81 period amount to $436 million, an average of $140 million or 24 percent of GDP per year. Approximately 85 percent of the investment program consists of fixed-capital formation; the remainder consists of acquisition of financial assets and of capital transfers. Thus gross public sector fixed-capital formation is projected to rise from 17 percent of GDP in 1978 to 20 percent on average during 1979-81. Of the $371 million in fixed capital formation expenditures in the investment program, about $31 million consist of projects to be started in 1981, which at present are not yet fully prepared for presentation to external donors for financing.

The World Bank has concluded that the Government's financing plan for the balance of the program (1980-81) appears to be viable. The plan includes the prompt introduction of additional measures to increase public sector savings to a level covering over 50 percent of the public sector capital expenduture program by 1981. The overall financing position will continue to be aggravated by high external amortization payments which are expected to average US$50 million annually in 1980-81. The financing plan assumes continuing judicious limitation on the level of net domestic borrowing by the public sector with reduced reliance on the banking system. New project financing from external donors will be required in the amount of US$53 million in 1980-81. Despite the improved performance of public savings, further non-project assistance from sources such as CDF, amounting to about US$16 million in 1980 and US$10 million in 1981 is expected to be required.

The success of the development program in attaining its goals will depend as well upon the ability of the public sector to physically execute the program. Guyana, in the past three years, has experienced great difficulty in implementing development projects on a timely basis. This has been attributed mainly to the shortages of imported building materials, the lack of sufficient local currency for counterpart financing and the shortage of project managers and skilled workers. External financing of local costs through the CDF should help alleviate the first two constraints. The shortage of suitable manpower remains a serious problem, although in the longer term this is being addressed by the ongoing and new technical training programs financed by various bilateral and multilateral agencies. The World Bank has stated that Guyana's effort to achieve the objectives of its development program in the medium term depends to a large extent on its ability to execute the three major irrigation projects (namely the Tapakuma, MMA and Black Bush projects), the Upper Demerara Forestry and the Second Rice Modernization projects -- all of which are export oriented -- and some ongoing industrial projects. In order to ensure that technical expertise is available for completing these projects on a timely basis, the external agencies have provided financing for consulting services and training of Guyanese staff both in project management and export marketing.

GUYANA - FINANCING OF THE PUBLIC SECTOR INVESTMENT PROGRAM, 1976-81 a/ b/
(Current G$ million)

	Actual		Preliminary	Projected		
	1976	1977	1978	1979	1980	1981
Public Sector Capital Expenditure	476	299	251	343	365	403
Financing	476	299	251	343	365	403
Public Sector Savings	23	-27	69	123	170	215
(Central Government)	(-67)	(-60)	(-60)	(-68)	(-46)	(-40)
(National Insurance Scheme)	(22)	(23)	(34)	(56)	(58)	(62)
(Public Enterprises)	(68)	(11)	(95)	(135)	(158)	(193)
Capital Revenues	1	9	8	22	8	8
Net Domestic Borrowing	226	227	73	68	67	68
(Banking System)	(257)	(191)	(58)	(64)	(65)	(45)
Other	(-31)	(36)	(13)	(4)	(2)	(23)
Net External Borrowing	226	90	101	130	120	112
(Gross Disbursements)	(274)	(151)	(256)	(312)	(249)	(241)
(Amortization)	(-48)	(-61)	(-155)	(-182)	(-129)	(-129)
As % of GDP						
Public Sector Capital Expenditure	42.0	26.8	19.8	24.1	23.7	23.3
Public Sector Savings	2.0	-2.4	5.4	8.7	11.0	12.5
Capital Revenues	0.1	0.8	0.6	1.5	0.5	0.5
Net Domestic Borrowing	20.0	20.3	5.8	4.8	4.4	3.9
Net External Borrowing	20.0	8.1	8.0	9.1	7.8	6.5
As % of Public Sector Capital Expenditure						
Public Sector Savings	4.8	-9.0	27.5	35.9	46.6	53.3
Capital Revenues	0.2	3.0	3.2	6.4	2.2	2.0
Net Domestic Borrowing	47.5	75.9	29.1	26.2	20.5	16.9
Net External Borrowing	47.5	30.1	40.2	37.9	32.9	27.8

a/ Because of unavailability of comparable statistics, this table does not incorporate the operations of local governments, the Sugar Industry Funds, the University of Guyana, and several other decentralized agencies.

b/ Assumes the seven year refinancing of BIDCO's G$78.9 million and a rollover through 1981 of the Royal Bank of Canada credit of G$25.5 million and of Chase Manhattan and Lloyds Bank loans of G$12.7 million in sales agent Special Advance to BIDCO and G$23.3 million in working capital loans to GUYSUCO.

Source: Bank of Guyana, Ministry of Economic Development, mission estimates.

FINANCING OF PUBLIC SECTOR INVESTMENT, 1979-81

	Current G$ Million			As % of GDP		
	1979	1980	1981	1979	1980	1981
Uses	525.0	494.0	532.0	36.9	32.0	30.8
External Amortization	182.0	129.0	129.0	12.8	8.4	7.5
Public Sector Capital Expenditures	343.0	365.0	403.0	24.1	23.7	23.3
Sources	478.6	429.4	396.1	33.7	27.9	22.9
Domestic Resources	213.0	245.0	291.0	15.0	15.9	16.9
Gross Public Savings	123.0	170.0	215.0	8.7	11.0	12.5
Capital Revenues	22.0	8.0	8.0	1.5	0.5	0.5
Net Domestic Borrowing	68.0	67.0	68.0	4.8	4.4	3.9
Disbursements from Existing Loans	265.6	184.4	105.1	18.7	12.0	6.0
Project Specific	163.2	164.0	105.1	11.5	10.4	6.0
Other Assistance (including commercial banks)	55.7	20.4	-	3.9	1.6	-
Other Official Assistance (CDF)	46.7	-	-	3.3	-	-
Financing Gap	46.4	64.6	135.9	3.2	4.1	7.9
Project Financing Requested from External Sources	10.4	25.0	110.9	0.7	1.6	6.4
Remainder (CDF or other)	36.0	39.6	25.0	2.5	2.5	1.5

Source: Mission estimates.

GUYANA - ACTUAL AND PROJECTED RESOURCE AVAILABILITY AND SAVINGS, 1973-81
(G$ millions at 1977 prices)

	Actual					Preliminary	Projected		
	1973	1974	1975	1976	1977	1978	1979	1980	1981
G.D.P	998.1	1,056.7	1,124.5	1,177.4	1,117.0	1,119.3	1,164.1	1,216.5	1,277.2
Gains from Terms of Trade	-97.7	78.5	87.8	-7.1	-	-40.2	-126.7	-170.3	-159.2
Gross Domestic Income	900.4	1,135.2	1,212.3	1,170.3	1,117.0	1,079.1	1,037.4	1,046.2	1,118.0
Imports	706.6	812.2	1,065.2	1,127.1	886.0	739.0	814.0	794.6	843.5
Exports	633.1	769.3	985.9	829.9	703.0	806.4	904.1	952.2	1,013.3
Exports (as capacity to import)	535.4	847.8	1,073.7	822.8	703.0	766.2	777.4	781.9	854.1
Resource Gap	171.2	-35.6	-8.5	304.3	183.0	-27.2	36.6	12.7	-10.6
Consumption	799.9	819.3	834.0	1,044.3	985.0	837.4	774.8	756.0	793.0
Investment	271.7	280.3	369.8	430.3	315.0	214.5	299.2	302.9	314.4
Gross Domestic Savings	100.5	315.9	378.3	126.0	132.0	241.7	262.6	290.2	325.0
Net Factor Income Payment Abroad	-48.6	-55.3	-13.4	-64.4	-56.0	-51.8	-64.8	-56.2	-52.8
Current Transfers	-2.0	-8.9	-9.6	-10.8	-10.0	-13.5	-10.4	-10.1	-9.4
Gross National Savings	49.9	251.7	355.3	50.8	66.0	176.4	187.4	223.9	262.8
G.N.P.	949.5	1,001.4	1,111.1	1,113.0	1,061.0	1,067.5	1,099.3	1,160.3	1,224.4
Gross National Income	851.8	1,079.9	1,198.9	1,105.9	1,061.0	1,027.3	972.6	990.0	1,065.2

Source: Mission estimates.

c. Barbados

The Barbadian economy has managed to record positive real growth rates since 1971 in all but one year (1975). The average growth rate during the period has been 3.7 percent. Nevertheless, because of its small size and extreme dependence on trade, economic conditions have fluctuated widely following international events, and the economy has persistent problems with unemployment. The unemployment rate peaked at 22 percent in 1975. It declined thereafter and stood at 12 percent during the first half of 1978.

Public sector finances were weak during the mid-1970s. With the exception of fiscal 1975/76, when the sudden influx of earnings from sugar contributed to a windfall surplus of about 5.4% of GDP, public sector savings averaged only about 2.3% of GDP during 1974/75-1977/78. These low levels of public sector savings coincided with a rapid expansion in the public sector's investment program: between 1974/75 and 1977/78, capital spending rose from 5.5% to over 10% of GDP. Net external project-related inflows also rose rapidly, financing approximately 20% of capital spending. The shortage of public sector savings, however, forced the Government to rely heavily on the central and commercial banks to finance the rest of its investment program.

In recognition of the growing precariousness of public sector finances, the Government took a number of fiscal measures in 1977 and 1978. Tax rates on the consumption of luxury goods as well as personal and corporate income tax rates were increased. The ceiling on social security taxes more than doubled. The Government also contained the growth of current expenditures in 1978/79 to only about 11% in nominal terms. As a consequence of these measures and the impact of the ebullient tourism and manufacturing sectors on income, consumption and import taxes, public sector savings registered an estimated 5.4% of GDP in 1978/79.

In reflection of government efforts to control total expenditure, the completion of several large projects and delays and difficulties in project preparation and implementation, public sector capital spending fell sharply in 1978/79, dropping by 25%. Public sector savings were adequate to finance over 80% of the reduced level of investment. Net project-related external inflows were adequate to finance most of the remainder. A $10 million Eurodollar loan, together with modest levels of borrowing from non-banking domestic sources permitted the government to reduce net credit from the banking system substantially.

Barbados' balance of payments has shown a deficit in the current account in every year of the current decade. A major balance of payments' weakness originated in 1973 and 1974, as a consequence of substantially increased costs of fuels and foodstuffs, but did not become apparent until 1975 and 1976, when tourism declined markedly and the international price of sugar collapsed. As a result, the deficit in the current account of the balance of payments increased from US$15 million in 1974 to US$41 million in 1976. International reserves reached critically low levels, covering less than one month's imports by the end of 1976. The balance of payments improved substantially in 1977 and 1978: foreign exchange earnings increased by about 23% during each of these years, mostly as a result of the revival of tourism, but also due to continued growth of nonsugar exports. On the other hand, the value of imports increased by only 13% in both years, reflecting the slowdown of growth in 1977, and the impact of restrictions on imports of consumer durables and the limitation of consumer credit in 1978. Consequently, the deficit in the current account of the balance of payments declined to US$34 million in 1977, and US$13 million in 1978.

External borrowing, both by the private and public sector, permitted the level of international reserves to increase by US$31 million in 1978. Net foreign assets thus attained a level of US$55 million, still covering less than two months of imports. Although this constitutes an improvement in the reserve position of the country, such a level of foreign assets cannot yet be deemed adequate for a small, open economy like that of Barbados.

Barbados' medium term prospects depend largely upon the continued development of export oriented economic activities, especially tourism and manufacturing industries. Growth of tourism may proceed rapidly for some time; over the long term, however, physical limitations to the expansion of this activity are bound to become relevant as a result of the island's small size and high population density. Thus, there is a need to diversify the sources of economic growth. In this context, the outlook for keeping up the expansion of manufacturing output, exports and employment is highly favorable. The various incentives offered constitute an attractive package, which jointly with the country's long tradition of stable institutions and favorable investment climate, have generated strong interest on the part of potential investors, both foreign and domestic. There may be appreciable scope for efficient import substitution in the agricultural sector. The possible introduction of irrigation agriculture would represent a breakthrough from a sectoral viewpoint, reducing the food import bill and strengthening the linkages between the tourism sector and the domestic economy, a long avowed policy objective.

The Barbadian economy can grow at an average rate of slightly over 5% per annum, between 1979 and 1983. It is anticipated that real GDP will grow about 6% in 1979, as a consequence of continued growth of manufacturing and tourism, and of favorable weather conditions for sugar. The growth rate is likely to decline in 1980, to the extent that sugar production recedes to normal levels. Thereafter, growth rates marginally exceeding 5% can be attained. This growth path, however, will require an average investment effort of almost 24% of GDP, with the investment rate growing through time and reaching nearly 25% in 1983.

A formal four-year public sector investment program and financing plan is presently being prepared by the Government. The emphasis on the directly productive sectors is expected to increase and efforts to facilitate private sector activity through the provision of required infrastructure will continue. The Government has given priority to a number of agricultural projects, some with substantial land reform and irrigation components. In tourism, construction of the $17.5 million Holiday Villages designed to tap local entrepreneurial talent, should begin this year. The investment program also provides for the construction of industrial estates which, coupled with the Government's incentive program, should encourage continued private investment in manufacturing. In addition, investment in energy and internal transportation is planned as well as improved health facilities and low-income housing development.

World Bank estimates indicate that public sector investment over the next five years will cost some $350 million in current prices, rising from 7.5% of GDP in 1979 to about 9.3% in 1983. Given continued prudent fiscal policy, public sector savings should be adequate to finance approximately two-thirds of the total. Net external borrowing should be adequate to finance the remaining third. Continued modest levels of borrowing from the domestic private sector would permit the Government to reduce its outstanding debt to the banking system somewhat by the end of the period.

Recent fiscal measures, together with the healthy growth performance of the economy, have, for the time being, relieved the previous savings constraint to public sector investment. However, these include personal income tax rates which are so high as to increase the threat of migration of managerial, professional and entreprenuerial groups. Decreasing real salaries in the civil service at the higher levels--a trend which has intensified with each wage adjustment in the past five years--has exacerbated the situation with respect to the public sector. Any easing of these fiscal measures which may be required would increase the need for debt financing.

The value of exports of goods and nonfactor services is projected to grow at an average annual rate of 15% during the period 1978-83, while imports of goods and nonfactor services are projected to grow at an average rate of 14%. The deficit of the current account of the balance of payments would decline, reaching US$11 million, or about 1% of GDP, in 1983. The Government needs to be able to rely on a package of contingency measures that could be applied rapidly in case of balance of payments difficulties; these should include plans for temporary increases in tax revenues, orderly reductions in government expenditures, and complementary monetary measures. Barbados' balance of payments policy should also seek to increase foreign exchange reserves, so that these eventually cover nearly four months' imports of goods. Over the five-year period covered by the projections, international reserves should increase by US$140 million, thus reaching a level of US$195 million by the end of 1983, or approximately 3.5 months of imports.

The projected deficits in the current account and the need to increase international reserves imply a capital inflow of US$215 million during the five-year period covered by the program. Approximately half of this is expected to be available through private financing, while the remainder is expected to flow through the public sector, largely through project-related financing. Gross official capital inflows are projected to increase from an estimated US$20 million in 1979 to about US$36 million at the end of the period, with the total for the period estimated at over US$ 152 million. Of this amount, about 30% represents project financing which has already been committed.

The projected inflows of official capital would increase the public and publicly guaranteed external debt to US$ 172 million (less than 17% of GDP), by the end of 1983; the corresponding debt service ratio would represent 2% of foreign exchange earnings in that year. In the light of this moderate debt burden and favorable growth prospects, Barbados may be regarded as creditworthy for loans on conventional terms for the estimated external capital requirements for the public sector investment program.

This analysis suggests that provided external conditions remain favorable, Barbados' need for CDF-type financing is not of the urgency or the magnitude of Jamaica and Guyana. Such assistance, however, will assist the Government to step up the pace of its investment program and to increase its precarious level of foreign reserves.

Table 1: SELECTED ECONOMIC INDICATORS, 1977- 78

%

		1977	1978
1.	Growth of real GDP	1.9	4.3
2.	Deficit in the current account of the BOP relative to GDP	7.8	2.7
3.	Consolidated public sector savings a/ relative to GDP	2.6	5.4
4.	Rate of inflation	8.3	9.5

Table 2: PROJECTED PUBLIC SECTOR INVESTMENT AND FINANCING PROGRAM, 1979/80-1983/84

(BDS¢ million)

	Estimated	Projected					Average
	1978/9	1979/80	1980/1	1981/2	1982/3	1983/4	1979/80-1983/4
As % of GDP							
Public Sector Investment	6.7	7.5	8.3	8.5	8.7	9.3	8.6
Public Sector Savings	5.4	5.4	5.4	5.6	5.8	6.1	5.7
As % of Public Sector Investment							
Public Sector Savings	81.1	72.0	65.1	66.2	66.4	65.4	66.6
Net External Borrowing	38.0	32.4	41.3	33.7	32.9	31.0	33.9
Net Domestic Borrowing	-19.2	-4.4	-6.4	0.1	0.7	3.6	-0.5

d. The East Caribbean Common Market Countries

The seven countries which the ECCM include independent Dominica, Grenada and St. Lucia, the Associated States (with Great Britain) of Antigua, St. Kitts/Nevis and St. Vincent, and the British Colony of Montserrat. The extremely small size of these individual economies provides an unusually severe constraint on economic growth. These seven states have a combined population of 533,000 ranging from 13,000 in Montserrat to 114,000 in St Lucia . The combined GDP of the seven totals approximately $ 283 million. Per capita income is estimated at $530. .

A common characteristic of the economic condition of the ECCM islands is their heavy dependence upon external financial support. With practically all the islands becoming independent countries the need to ameliorate this situation is compelling. Governments have expressed an intention to see their countries achieve financial viability, and are diligently seeking appropriate strategies to attain this objective. However, severe spatial and resource constraints render these islands an especially intractable case of economic development. What is required are development strategies which identify unusual, if not unique, approaches in order to diversify the economic base, increase absorptive capacity, augment public sector savings, and stimulate private sector activity. Creating economies of scale through joint action, offers the best prospect for efficiently undertaking many requisite developmental activities.

In agriculture, there is urgent need for rehabilitation and reconstruction. Institutional and other support services are weak, and agricultural policy is generally deficient. As a consequence, much arable land is unutilized or underutilized, yields and output are significantly below their levels of a decade or two ago, and in general agriculture fails to make its potential contribution to the development process and employment opportunities. Possibilities exist through joint action in the provision of needed support services, and with technical assistance, to institute land use and land tenure policies that provide incentives for farm development, to increase banana yields, to exploit the potential for cotton production, and to increase the production of and regional self-sufficiency in food crops.

Industrial development is particularly limited by the size and resource constraints of these small countries. Small market size, limited supplies of most agricultural raw materials, and lack of entrepreneurial and management skills, problems in developing labor skills, and inadequacies in the transport systems, all militate against efficient import substitution and also against a wide range of industrial exports. With accelerated and effective promotion both overseas and at home, prospects appear good for enclave-type operations such as clothing, and electrical and electronics assembly in all the countries, and also for agricultural processing. Given the market-oriented and entrepreneurial character of the type of industry with strongest potential, governments' main role would be to create the right conditions for the private sector to flourish. Most important is a favorable investment climate conditioned principally by political, social and economic stability, as well as helpful, business-like, and equitable dealings with the private sector. Other key factors include good external communications, reliable public utilities, stable fiscal environment including investment incentives, and support for the local private sector in the form of credit and training in management skills.

Although the tourism sectors of the islands are relatively small, in most instances they make a significant contribution to the economic development of the individual economies, and market conditions forecast an optimistic growth potential for the region. Development strategies for the sector, however, require to be upgraded. Sectoral planning must be adopted and more effective tourism administration is required. A more aggressive tourism promotion and marketing is also required with emphasis on the European market, in addition to the North American market, -- not only at the national but also at the ECCM regional level. Technical assistance is required for all this and to improve the tourism product by introducing various amenities, and by improving the quality of handicrafts. All these aspects lend themselves to regional cooperation. Further, in order to assist the smaller territories whose tourism is relatively undeveloped, investment finance is required to enable Governments to underwrite the risk element by financing hotel investment themselves, thereby seeding tourism development. The hotels, however, should be operated on management contracts, preferably by operators with international marketing connections.

Economic Propsects and Capital Requirements

The next five years offer a unique opportunity for the governments of the ECCM to place their economies on the path to viability. Many of the countries possess promising economic growth prospects and could increase their GDP by an average of about 5% annually. In other countries, because of constraints peculiar to their respective economices, GDP growth is not likely to exceed moderate rates of about 3% - 3.5% annually. It needs to be stressed, however, that in the case of all the countries, these medium-term prospects hinge upon the adoption of appropriate policies to stimulate agricultural production, to foster industrial growth, and to fully utilize existing capacities in the tourism sectors. In the process it will be necessary to surmount absorptive capacity constraints which have until now hindered effective implementation of a development program. Moreover, most of the countries are faced with the challenge of putting their public finances on a sound basis. This is an imperative for attaining sustained growth and economic viability, and will require strict budgetary controls and new revenue measures. This adjustment task however, should be greatly facilitated by the willingness of the international community, in the context of the Caribbean Group, to assist by making available more than normal amounts of financial and technical assistance to prepare, appraise and implement development projects during the period of 1979-83.

To achieve the projected growth performance will require increasing levels of public sector capital expenditure, and a greater emphasis on directly productive projects rather than on infrastructural investments. The countries' public sector investment programs 1/ for the period 1979-83, designed to attain the objectives stated above, will require in total that:

(i) public sector capital expenditures increase to an average for the five years of over 50% above the 1977 level in real terms;

(ii) public sector savings play an increasingly important role so that by 1983 they cover approximately one-third of public sector capital expenditures; and

(iii) official external capital inflows grow rapidly in 1979 to a level over double the 1977 level, and increase slowly thereafter through 1983.

Total public sector capital expenditures are projected to increase from EC$75.4 million (9.9% of GDP) in 1977 to EC$131.1 million (13.3% of GDP) in 1979 as a significant number of new projects commence. Thereafter, they are expected to grow by an average of about 1% per annum in real terms and reach EC$186.2 million (11.5% of GDP) by 1983. In most of the countries, this relatively high level of public sector

1/ See World Bank Economic Reports Nos. 2432-CRB, 2422-CRB, 2434-GRD, 2451-MO, 2439-CRB, 2440-CRB, 2438-CRB.

investment, which is accented towards agriculture among the productive sectors, will assist in building up the productive base of the economies and contribute towards a projected real GDP growth rate of about 5% per annum through 1983. Amortization payments in 1977 were only a minor burden at US$2.4 million, and, as a result of the expected continuing overall high level of concessionality in external assistance, the burden is not expected to increase. In 1983, external amortization requirements are projected to increase to only some US$3.4 million, or less than 1% of the combined GDP.

Financing the investment programs will require substantial improvement in public sector savings performance. In 1978, the performance was adversely affected by implementation of large government wage settlements in many of the countries; consequently, despite strong economic performances, and substantial UK budgetary assistance to Dominica and St. Vincent, public sector savings was equivalent to only 0.2% of combined GDP in 1978, compared to 1.9% of GDP in 1977. Moreover, because a number of the wage settlements would become effective only in 1979, even with new measures for fiscal restraint, public sector savings are projected to reach only 1.5% of GDP in 1979. Thereafter, however, providing that strong budgetary controls and new revenue measures are adopted, a steady improvement is attainable through 1983, by which time gross public sector savings will have to reach EC$61.2 million (3.8% of GDP) and cover some 33% of public sector capital expenditures.

Domestic borrowing, especially from the commercial banks, was used extensively in 1977 and 1978 to finance current account deficits and a limited amount of public sector capital expenditures. This source is now essentially exhausted and cannot be relied upon over the next five years. Consequently, after having increased by over EC$30 million during 1977/78, domestic indebtedness is projected to decline by some EC$9.1 million between 1979 and 1983.

External capital requirements from official sources are projected to increase in 1979 commensurate with the increase in capital expenditures during the year, given the projected decline in domestic borrowing in that year. However, a high level of commitments of concessional external assistance indicates that such a target is attainable. 1/ Official external assistance is projected to reach EC$115.3 million (US$42.7 million) in 1979, more than double the 1977 level of EC$54.6 million. The amount is expected to increase slightly to EC$129.3 million (US$47.9 million) in 1983, as external official sources are projected to reduce their relative share in financing public capital expenditures from 88% in 1979 to 69% in 1983. Other sources of external financing, both commercial and nonproject, are projected to remain relatively minor.

1/ These commitments included £10 million of concessional project financing from the UK to both Dominica and St. Lucia on Independence. A similar commitment to St. Vincent is anticipated.

If the public sector investment programs and the policy recommendations are adopted and implemented in a timely fashion, economic performance would improve as projected, and it would appear to be possible to raise per capita private consumption moderately on the average. Even with these efforts however, financial viability could most likely be achieved relatively soon by St. Lucia, and within a five-year period by Antigua, and St. Kitts-Nevis. The remaining four countries -- Dominica, Grenada, Montserrat and St. Vincent -- if they successfully carry out their programs, would also have made substantial progress in strengthening their economies. They would no longer have to rely on budgetary assistance and their public finances would potentially be on a viable footing. Nevertheless, they would continue to need external capital assistance on concessional terms, and would require an additional period of time to reach viability without reducing living standards.

Table 1: ECCM - BREAKDOWN OF PUBLIC SECTOR INVESTMENT

	EC$ Million						%					
	1979	1980	1981	1982	1983	1979-83	1979	1980	1981	1982	1983	1979-83
Productive Sectors	53.7	59.1	68.6	75.3	81.2	337.9	41.0	41.0	45.8	45.1	43.6	43.4
Agriculture	37.9	43.1	47.2	47.3	49.7	225.2	28.9	30.0	31.5	28.3	26.7	28.9
Industry	9.3	9.6	12.1	10.7	9.0	50.7	7.1	6.7	8.1	6.4	4.8	6.5
Tourism	6.5	6.4	9.3	17.3	22.5	62.0	5.0	4.4	6.2	10.4	12.1	8.0
Economic Infrastructure	51.7	53.0	46.0	40.6	42.2	233.5	39.4	36.8	30.7	24.3	22.7	30.0
Transportation	47.7	46.3	30.9	23.5	20.4	168.8	36.4	32.1	20.6	14.1	11.0	21.7
Power & Communications	4.0	6.7	15.1	17.1	21.8	64.7	3.1	4.6	10.1	10.2	11.7	8.3
Social	25.7	32.0	35.3	51.0	62.8	206.8	19.6	22.2	23.5	30.6	33.7	26.6
Health	2.6	3.7	4.9	8.2	14.0	33.4	2.0	2.6	3.3	4.9	7.5	4.3
Education	6.7	6.7	6.8	9.3	11.0	40.5	5.1	4.6	4.5	5.6	5.9	5.2
Water & Sewerage	4.6	6.8	6.5	7.2	12.1	37.2	3.5	4.7	4.3	4.3	6.5	4.8
Housing	3.3	4.5	5.8	10.4	12.3	36.3	2.5	3.1	3.9	6.2	6.6	4.7
Other (including non-projectized)	8.5	10.3	11.3	15.9	13.4	59.4	6.5	7.1	7.5	9.5	7.2	7.6
TOTAL	131.1	144.1	149.9	166.9	186.2	778.2	100.0	100.0	100.0	100.0	100.0	100.0

Source: IBRD Estimates.

Table 2: ECCM - Actual & Projected Financing of Public Sector Investment, 1977-83[a/]

(EC$ million)

	Actual 1977	Estimated 1978	Projected 1979	1980	1981	1982	1983
Uses	81.8	100.9	137.6	151.6	157.8	174.9	195.4
Public Sector Capital Expenditures	75.4	94.9	131.1	144.1	149.9	166.8	186.2
Central Government							
Rest of Public Sector							
External Amortization	6.4	6.0	6.5	7.5	7.9	8.1	9.2
Sources	81.8	100.9	137.6	151.6	157.8	174.9	195.4
Domestic Sources	31.8	17.5	17.5	27.7	37.4	50.0	61.7
Public Sector Savings	14.4	1.9	15.0	25.2	39.4	46.3	61.2
Central Government							
Rest of Public Sector							
Capital Revenue	0.7	1.5	1.3	3.3	3.2	3.4	5.1
Net Domestic Borrowing	16.7	14.1	1.2	-0.8	-5.2	0.3	-4.6
External Sources	50.0	83.4	120.1	123.9	120.4	124.9	133.7
Project-Related Official Financing	54.6	77.8	115.3	116.5	113.1	118.8	129.3
Ongoing Projects							
New Projects							
Other External Financing	-4.6	5.6	4.8	7.4	7.3	6.1	4.4
Capital Expenditures as % of GDP	9.9	11.0	13.3	12.9	11.9	11.7	11.5
Public Sector Saving as % of Capital Expenditures	19.1	2.0	11.4	17.5	26.3	27.8	32.9
Public Sector Saving as % of GDP	1.9	0.2	1.5	2.3	3.1	3.2	3.8

a/ Fiscal Years

Source: IBRD Estimates.

Annex VII

AID 1020-28 (1-72)

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1980 to FY 1981 (1982 in LDCs
Total U.S. Funding $20.0 mil.
Date Prepared: 9/25/79

Project Title & Number: Caribbean Development Facility (No. 538-0023)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: GOAL: To achieve long-term economic growth with equity in the Caribbean Region.	Measures of Goal Achievement: (GOAL) - Positive and significant rates of output and economic growth and equilibria in internal and external national accounts in the context of governmental policies resulting in an equitable distribution of national wealth.	- National accounts and other statistics compiled by governments of participating countries. - Caribbean Group Summary of Proceedings and CG country economic memoranda. - IMF and IBRD documents. - Records and statements of participating governments policy decisions/actions.	Assumptions for achieving goal targets: - No new substantial increases in world market prices of essential imports (e.g. oil, food) or decreases in price of principal foreign exchange earners (e.g., bauxite, sugar). - National governments will pursue economic policies and self-help measures to which they have committed themselves in the Caribbean Group.
Project Purpose: To assist the governments of the English-speaking Caribbean countries participating in the Caribbean Development Facility to maintain adequate levels of development investment by providing resources needed to carry out essential donor-assisted socioeconomic projects.	Conditions that will indicate purpose has been achieved: End of project status. - Increases in development investment by participating English-speaking Caribbean countries totaling more than $50 million between October 1, 1979 and September 30, 1980 - Disbursement of $20.0 million of AID funds to eligible development projects resulting in the acceleration of implementation of those projects during the same period.	- National government statistics, records - IBRD/CDF documents - AID and CDB records (e.g. subloans portfolio) - Prime donor documents (e.g. project evaluations)	Assumptions for achieving purpose: - Contributions to CDF by other donor countries will be forthcoming. - CDB will meet CPs. - Prime donors will provide necessary certifications to CDB.
Outputs: (Year 1) 1. Subloans by the Caribbean Development Bank to qualified member countries in the following approximate amounts: ($ millions) (a) Jamaica - $10.0; (b) Guyana - $5.0 (c) Barbados - $2.5; (d) CARICOM LDCs-$2.5 2. Significant acceleration of the implementation of external donor-assisted development projects in participating CDB member countries between Oct. 1, 1979 and September 30, 1980. 3. Completion of public works projects in all LDCs.	Magnitude of Outputs: - $17.5 million of AID loan funds disbursed to Participating Countries for eligible sub-projects by 9/30/80. - $2.5 million of AID grant funds committed and/or disbursed for eligible sub-projects in the LDCs by 9/30/81. - at least 12 subprojects completed with CDF funds in the LDCs.	- AID and CDB records (e.g. subloan portfolio) - Prime donor documents (e.g. project evaluations)	Assumptions for achieving outputs: - Prime donors will provide necessary certifications to CDB. - Prime donors will continue to implement AID-supported projects.
Inputs: (Year 1) $20.0 million of development assistance funds allocated (by account) as follows:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:

		($ millions)
Food and Nutrition	-	10.0
Education	-	2.3
Population	-	0.5
Special Development Act.	-	5.7
Health	-	1.5
TOTAL		20.0

IBRD's COMPILATION OF MDC GOVERNMENT PROJECTS

JAMAICA

EXPECTED DISBURSEMENTS ON MAJOR ONGOING PROJECTS

(US$ million)

	1979/80		1980/81		1981/82		Lending Agency
	Total	Foreign	Total	Foreign	Total	Foreign	
AGRICULTURE							
Pedro Plains Irrigation	0.31	0.10	0.97	0.50	2.20	1.00	Netherlands
Micro Dams	2.76	2.00	2.04	2.00	2.22	0.21	EDF; Netherlands
Hague Meylersfield Drainage	1.02	0.24	-	-	-	-	Netherlands
Cornwall Youth Project	2.00	0.93	1.45	0.88	-	-	Netherlands
First Rural Development	5.00	2.80	5.50	3.00	5.50	3.50	IBRD
Second Integrated Rural	4.70	2.20	7.00	4.50	6.40	4.20	USAID
Fisheries Terminal	1.21	0.56	-	-	-	-	Fed. Rep. Germany
Charlemont Development	0.40	0.20	0.10	-	0.10	-	CIDA
Tank Building	3.60	1.80	-	-	-	-	Netherlands
Black River Upper Morass	2.00	1.80	4.50	3.50	5.00	4.00	IDB; OPEC
Self-Supporting Farmers' Program	1.50	1.00	3.40	2.50	3.40	2.30	IDB
Banana Planting	1.60	1.40	0.40	0.30	-	-	EDF
Sugar Rehabilitation	6.10	3.10	8.70	4.70	10.00	5.00	IBRD
TRANSPORT & COMMUNICATION							
Road Improvement & Maintenance	-	-	(Almost Complete)		-	-	IBRD; VIF
Arterial Roads (Third Highway)	5.50	4.10	9.40	5.50	-	-	IBRD; VIF
Secondary Main & P.C. Roads	6.35	4.65	3.66	1.93	-	-	IDB; VIF
Bridges IV & V	2.55	1.95	3.38	0.61	-	-	CIDA
International Airports	4.20	3.00	-	-	-	-	IBRD; VIF
Omnibus Service Expansion	9.90	7.40	6.50	4.70	6.40	5.20	ECGD
Montego Bay Transportation	1.30	1.20	0.50	0. 9	0.30	0.20	ECGD
OTHER UTILITIES							
Montego Bay/Falmouth Water Supply	3.60	2.60	2.30	1.80	-	-	IDB; VIF
Mandeville Water Supply	0.60	0.40	3.90	1.40	4.40	1.40	IDB
Second Power Project	20.60	11.90	31.60	20.00	36.70	24.00	IBRD; IDB; EDC; OPEC
Kingston Sewerage & Water Supply	10.80	7.50	4.10	2.00	-	-	IBRD
Rural Electrification	4.50	2.70	3.80	2.80	4.40	3.20	IDB
EDUCATION							
Special Education	0.40	0.20	-	-	-	-	Netherlands
Student Loans II	0.74	0.50	-	-	-	-	IDB
Course in Planning Technology - CAST	0.10	0.10	-	-	-	-	Netherlands
Education Expansion II	1.48	1.00	-	-	-	-	IBRD
JAMAL Literacy Program	0.40	0.40	0.50	0.50	0.10	0.10	EDF
Knockalva Development	1.20	1.20	0.70	0.70	-	-	Netherlands
Rural Education	8.17	4.67	1.87	1.20	-	-	USAID
Primary Schools	0.12	-	-	-	-	-	CIDA
Early Childhood Education	0.80	0.70	0.20	0.20	-	-	EDF
INDUSTRY							
Cotton/Polyester Project	9.30	7.50	1.00	0.20	-	-	China
Small Scale Sector Enterprises	2.60	1.60	3.60	2.40	3.70	2.50	IBRD
OTHER SOCIAL & ECONOMIC							
Sites & Services	4.70	2.40	4.80	3.60	-	-	IBRD; VIF
Second Population Project	3.40	2.30	2.33	1.53	-	-	IBRD
Low Income Housing	1.10	0.60	0.80	0.70	-	-	CDB
Trade Promotion	0.90	0.90	0.10	0.10	-	-	EDF

Source: National Planning Agency; Ministry of Finance.

GUYANA: MAJOR ONGOING PROJECTS AND SOURCES OF FINANCING

(US$ million)

	Total Cost	External Financing	Source	Counterpart Financing Amount	Counterpart Financing %
Agriculture					
Mahaica-Mahaicony-Abary	78.4	49.0	IDB	29.4	37.5
Black Bush Irrigation	45.3	37.1	IDA-CDB-CIDA	8.2	78.7
Tapakuma Irrigation	40.4	26.6	IBRD	13.8	34.2
Purchase and Installation of Pumps	4.2	-	-	4.2	100.0
UN Mapping	2.6	1.7	UN	0.9	34.6
Topographic Surveys	0.6	0.5	CIDA	0.1	16.7
Veterinary Diagnostic Laboratory	1.2	0.7	CIDA	0.5	41.7
Research Soils	0.1	0.1	Sweden	-	-
Cardi	0.6	0.3	EDF	0.3	50.0
Rural Farm Household Survey	0.1	0.1	USAID	-	-
Onnerwagt Irrigation Scheme	0.5	0.1	DPRK	0.4	80.0
Second Rice Modernization	22.0	16.5	USAID	5.5	25.0
Forestry					
UN Forest Industries Demonstration Training Projects	2.7	2.0	UNDP	0.7	25.9
Upper Demerara Forestry	31.4	26.7	EDF, EIB	4.7	15.0
Canadian Technical Assistance	1.1	0.9	CIDA	0.2	18.2
Guyana Timbers	1.2	0.8	CIDA	0.4	33.3
Manufacturing					
Textile Mill	11.8	3.2	People's Republic of China	8.6	72.9
Bicycle Factory	1.3	-	-	1.3	100.0
Leather Tannery	1.2	-	-	1.2	100.0
Boot and Shoe Factory	1.3	-	-	1.3	100.0
Roads and Infrastructure					
Georgetown Road Approaches	13.7	1.2	USAID	2.5	91.2
East Bank Berbice Road	7.8	3.9	EDF	3.9	50.0
Feeder Roads	3.8	3.0	-	0.8	21.1
East Coast Demerara Roads	6.2	3.0	-	3.2	51.6
Melanie Damishana Workshop	7.3	3.1	-	4.2	57.5
Upper Demerara Forestry Road	5.2	3.4	CDB	1.8	34.6
West Demerara Road	14.9	3.5	IDA, IBRD	11.4	76.5
Essequibo Sea and River Defenses	6.5	4.4	UK	2.1	32.3
Water Supply					
Linden Pure Water	2.6	2.6	CIDA	-	-
Transport and Communication					
Launches (2)	1.3	1.3	UK	-	-
Dredging	1.2	1.1	-	0.1	8.3
Hydrographic	0.1	0.05	UK	0.05	50.0
Aircraft "Skyran"	1.4	1.4	-	-	-
Hinterland Airstrips	1.8	0.2	-	1.6	88.9
Education and Culture					
UG Library Extension	0.6	0.2	-	0.4	66.7
Second Education Project	19.8	9.4	IBRD	10.4	52.5
Health					
Rural Hospitals	1.0	0.9	USAID	0.1	10.0
Referral Hospital System	13.5	8.8	-	4.7	34.8
TOTAL	356.7	217.75		138.95	39.0

Source: State Planning Commission.

JAMAICA

EXPECTED DISBURSEMENTS ON MAJOR NEW PROJECTS

(US$ million)

	1979/80		1980/81		1981/82		
	Total	Foreign	Total	Foreign	Total	Foreign	Lending Agency
AGRICULTURE							
Agricultural Marketing	0.30	0.20	4.00	2.50	6.70	5.30	IDB
Vere Rehabilitation	1.10	0.60	1.20	0.70	1.30	0.70	CIDA
Agricultural Research	1.03	0.78	2.30	1.75	2.40	1.80	IDB
CARICOM Dairy Herd Project	0.68	0.48	0.84	0.44	0.91	0.71	CDB
Agricultural Credit	-	-	1.30	0.40	4.60	2.80	IBRD
Livestock Project	0.40	0.20	1.30	0.70	1.80	0.60	USAID
Forestry Project	0.30	0.10	4.40	2.00	4.90	2.70	IBRD; CDC; ODM
Cement Bondac Particle Board	0.10	0.10	2.30	2.00	3.90	3.50	IBRD; EIB
Rural Community Development	2.10	1.80	0.50	0.10	0.80	-	Not identified
Fisheries Development				(not known)			Not identified
Corn/Soya (Belize/Jamaica)				(not known)			CDB; EDF
Soil Conservation				(not known)			Not identified
Blue Mountain Coffee	-	-	2.00	1.50	3.00	2.00	CDC
TRANSPORT & COMMUNICATION							
Bridges VI	4.00	2.50	2.30	0.80	-	-	CIDA
Fourth Highway Project	8.30	4.60	10.40	6.70	4.80	2.40	IBRD
Secondary Main, P.C. & Feeder Roads				(not known)			IDB (probable)
Telephone Services	13.50	4.40	14.80	5.40	16.20	5.60	Part EDF; Part not identifie
Port Development	7.60	7.00	2.80	2.30	1.20	0.60	Norway; ECGD; CIDA/EDC
Telecommunications Services	1.40	0.70	0.60	0.30	-	-	Not identified
International Airports	0.90	0.70	1.80	0.80	-	-	Not identified
Air Jamaica Facilities	1.10	1.10	1.10	1.10	2.00	2.00	Not identified
JBC Equipment	2.50	2.30	2.30	1.60	2.20	2.00	Not identified
St. Anne's Bay Water Supply	-	-	0.50	0.30	9.50	7.70	IDB (probable)
OTHER UTILITIES							
Yallahs River Water Supply				(not known)			IBRD
EDUCATION							
Students Loans III	1.25	1.00	2.35	2.00	2.40	2.00	IDB
Education Expansion III	0.60	0.50	11.40	4.50	12.00	5.00	IBRD
OTHER ECONOMIC & SOCIAL							
Squatter Settlements	0.50	0.50	0.50	0.50	-	-	EDF
Population				(not known)			Not identified

GUYANA - MAJOR NEW PROJECTS AND SOURCES OF FINANCING, 1979-81

(US$ millions)

Projects	Total Cost	External Financing	Source	Counterpart Financing Amount	Counterpart Financing %
Agriculture	64.8	55.1		9.7	
Agriculture Sector Planning	2.2	2.0	USAID	0.2	9
Dairy Development Project	10.0	8.0	IDB	2.0	20
Technical Assistance/ Agricultural Mechanization Development	0.6	0.4	IDB	0.2	33
Bagasse Particle Board	6.5	5.2	not known	1.3	20
Citrus Processing	1.5	1.2	IDB	0.3	20
Oil Palm Development	36.4	32.0	CDC,CDB,others	4.4	12
Aquaculture	0.5	0.3	not known	0.2	40
Pineapple Processing	3.8	2.8	not known	1.0	26
Demerara Fish Port Complex	3.0	3.0	not known	-	-
Industry	17.3	15.4		1.9	
Development of Export-Oriented and Import Substitution Industries	6.7	6.0	not known	0.7	10
Guyana Cement Plant	10.0	9.0	IDB	1.0	10
Manufacture of Farm Hand Tools	0.3	0.2	not known	0.1	33
Technical Assistance/Kaolin Mining Benefication	0.3	0.2	IDB	0.1	33
Water Supply	11.1	7.6		3.5	
Water Supply Improvement Project	11.0	7.5	IDB	3.5	32
Technical Assistance/ Upper Sands Aquifer	0.1	0.1	IDB	-	-
Electrical Power	5.9	5.3		0.6	
Georgetown- Corentyne Link	5.6	5.1	CDB	0.5	10
Technical Assistance/ Generation of Electricity from Wood Wasle	0.3	0.2	not known	0.1	33
Education	0.3	0.2		0.1	
Technical Assistance/ Upgrading the Levels of Managerial Skills	0.3	0.2	IDB	0.1	33
Health	5.5	4.1		1.4	
Health Care Delivery System	5.5	4.1	USAID	1.4	25
TOTAL	104.6	87.5		17.1	

Source: State Planning Commission.

BARBADOS: MAJOR PROJECTS WITH FINANCING

(US$ million)

Projects	Total Cost	External Financing	Source	Interest	Amortization Years	Grace Years	Contingent Financing Amount	%
Agriculture								
Agronomic Research Laboratory	2.5	1.5	EDF	Grant			1.0	40
Expansion of Agricultural Marketing Corporation	4.0	2.1	CDB	4.0	15	5	1.9	48
Agricultural Credit	1.0	1.0	CDB	4.0	15	5	-	-
Oistin's Fisheries Development	2.8	1.5	EDF	Grant			1.3	46
Technical Assistance:								
Integrated Rural Development of Scotland District Study	0.6	0.6	IDB	Grant			-	-
Development of Fisheries Study	0.2	0.2	CIDA/IDB	Grant			-	-
Subtotal	11.1	6.9					4.2	
Industry								
Cane Separation II	1.0	1.0	CIDA	Grant			-	-
Industrial Estates	3.8	2.0	CDB	8.5	15	5	1.3	34
		0.5	CDB	4.0	15	5		
Subtotal	4.8	3.5					1.3	
Tourism								
Holiday Village	17.2	11.2	IBRD	8.0	15	3	4.5	30
			CDB	8.0	15	3		
Transportation								
Adams Airport Development	14.0	10.0	CIDA	3.0	23	7	4.0	29
Technical Assistance: Spring Garden Road/SJPP Study	1.6	1.1	IDB	Grant			0.5	21
Subtotal	15.6	11.1					4.5	
Education								
S J Prescod Polytechnic Institute	11.5	7.9	IDB	2.0	20	7.5	3.6	31
Rehabilitation of Primary & Secondary Education System	14.5	10.0	IBRD	8.0	15	3	4.5	32
Subtotal	26.0	17.9					8.1	
Housing								
Mortgage Finance	3.0	1.2	CDB	2.0	20	7.5	1.8	60
Technical Assistance: Speightstown Urban Development Study	0.1	0.1	CDB	Grant			-	-
Subtotal	3.1	1.3					1.8	
Health								
Bridgetown Sewerage Project	19.8*	9.8	IDB	2.0	27	8	4.0	29
Technical Assistance: Health Services Study	0.25	0.18	IDB	Grant			0.07	30
Subtotal	20.05	9.98					4.07	
TOTAL	97.85	61.85					28.47	

* Includes estimated cost overrun of US$6.0 million for which financing has not yet been s ured.

BARBADOS: PROJECT LIST, 1979-83

(US$ million)

Projects	Total Cost	External Financing Required	Possible Source	Counterpart Contribution Amount	Counterpart Contribution %	Status of Project
Agriculture						
Rural Development and Tenantries	5.0	3.5	IDB has been approached	1.5	30	IDB has completed project appraisal.
Spring Hill Land Lease	2.5	1.5	CDB has been approached	1.0	40	Draft prefeasibility study complete. Loan application to CDB expected in June 1979.
Integrated Rural Development, Scotland District	15.0	9.0	Not known	6.0	40	Feasibility study under way. IDBhas been approached for financing of first phase ($4.0 m.)
Vegetable Self-Sufficiency	18.0	9.0	Not known	9.0	50	Prefeasibility study partially completed.
Development of Fisheries	10.0	6.0	CIDA has agreed in principle	4.0	40	Feasibility study financed by CIDA under way.
Fish Terminal Speightstown	4.0	3.0	Not known	1.0	25	An initial assessment of the project will result from ongoing Speightstown Development Study. Prefeasiblity study required.
Subtotal	54.5	32.0		22.5		
Industry						
Food Processing	6.0	4.0	CDB has been approached	2.0	33-1/3	Basic concept and principal components have been identified.
Development of Clay and Limestone	6.0	4.0	UK has been approached	2.0	33-1/3	Basic concept and principal components have been identified.
Industrial Estates	10.0	6.0	Not known	4.0	40	Project in pre-identification stage. Identification work will be included in Speightstown Development Study and Spring Garden/SJPP Study.
Export Industry Promotion	15.0	10.0	IBRD has been approached	5.0	33-1/3	Basic concept and principal components have been identified.
Subtotal	37.0	24.0		13.0		
Tourism						
Coastal Conservation	11.0	6.6	IDB has been approached	4.4	40	Project concept and principal components have been identified
Transportation and Communications						
Spring Garden SJPP Road	6.5	4.5	IDB has been approached	2.0	30	IDB-financed feasibility study is under way.
East Coast Road	20.0	12.0	Not known	8.0	40	Prefeasibility study is under way. China has expressed interest in conducting feasibility study.
Subtotal	26.5	16.5		10.0		
Energy						
Development of Fossil Fuels	10.0	7.0	IDB has been approached	3.0	30	Identification work complete. IDB appraisal mission scheduled for June 1979.
Expansion of Generating Capacity [a/]	63.0	44.0	IBRD,CDC have been approached	19.0	30	Appraisal mission scheduled for July 1979.
Subtotal	73.0	51.0		22.0		
Housing						
Low-cost Housing	6.0	2.7	CDB,IBRD have been approached	3.3	55	Prefeasibility study under way.
Health						
Community Health Clinics	5.0	3.8	IDB has been approached	1.2	24	Loan expected to reach IDB Board in June 1979.
Water Supply and Sewerage						
Establishment of Water Management Authority	1.5	0.9	Not known	0.6	40	Project concept and principal components have been identified.
Bridgetown Sewage Reuse Pilot Scheme	1.0	0.6	Not known	0.4	40	Project concept and principal components have been identified.
Water Development III	4.0	2.4	Not known	1.6	40	Extension of existing water development program. Project concept and principal components have been identified.
Subtotal	6.5	3.9		2.6		
TOTAL	219.5	140.5		79.0		

POTENTIAL LDC SUBPROJECTS FOR BHNF

ANTIGUA & BARBUDA

NAME OF PROJECT		ESTIMATED COST
Handicraft Centre		$200,000
Drainage - Skerritts Pasture		$ 91,000
Drainage - Grays Farm		$138,000
Village Roads		$ 90,000
Drainage - Cassada Gardens		$154,000
Liberta Clinic		$ 50,000
Greenbay Clinic		$ 48,000
Pares Village Extension		$ 58,000
Friars Hill Housing Project		$100,000
Roads - Fort Road, Dry Hill		$150,000
	Total	$1,079,000

POTENTIAL LDC SUBPROJECTS FOR BHNF

DOMINICA

NAME OF PROJECT		ESTIMATED COST
Court House Repair		$241,000
Canefield Mill		$100,000
Brick Making Project		$ 50,000
Forest Utilisation		$100,000
Public Conveniences		$100,000
Grand Bay/Pichelin Water Supply		$ 80,000
Improvement of Grand Fond Water Supply		$ 85,000
Extension of Bagatelle/Fond St. Jean Water Supply		$ 37,000
Health Centres		$100,000
Main Road Maintenance		$100,000
	Total	$993,000

POTENTIAL LDC SUBPROJECTS FOR BHNF

GRENADA

NAME OF PROJECT		ESTIMATED COST
Pomme Rose Road		$ 90,000
Carricou Hospital Road		$ 95,000
Retaining Walls		$ 80,000
Replacement of Water Mains - St. Georges		$100,000
Distribution Main - Peggys Whim System		$ 95,000
Extension Water Main - La Mode/Boca St Georges		$ 96,000
Health Centres - Sauteurs		$100,000
Refurbishing 13 Health Centres		$131,000
Community Toilets 11 No.		$100,000
Queen's Park Rehabilitation		$125,000
Birch Grove Community Centre		$ 60,000
	Total	$1,072,000

POTENTIAL LDC SUBPROJECTS FOR BHNF

ST. LUCIA

NAME OF PROJECT		ESTIMATED COST
Road Improvement at Mongouge/ Choiseul		$100,000
Morne Road Improvements		$203,000
Drainage Improvements		$ 97,000
Fond St. Jacques/Choiseul Water Supply Improvement		$ 80,000
Banse Belle Vue/Perou Water Supply Improvement		$ 90,000
Balca Water Supply Improvement		$ 35,000
Food Processing Project		$250,000
Reafforestation for Charcoal		$ 80,000
	Total	$935,000

POTENTIAL LDC SUBPROJECTS FOR BHNF

MONTSERRAT

NAME OF PROJECT	ESTIMATED COST
Fergus Mountain Road	$ 30,000
Reafforestation North Island	$ 80,000
Fencing	$115,000
Storage Building for DFMC	$ 80,000
Beach Storage Sheds - Fishing Gear	$ 12,000
Fumigation Chamber for Fruit	$ 25,000
Redevelopment of Spring Sources	$ 80,000
Reservoir Construction - Lawyers	$ 80,000
Upgrading of 5 clinics	$ 35,000
Public Conveniences	$ 52,000
Access road & culvert to Cork Hill	$ 30,000
Old St. Peters Road	$ 46,000
Maintenance of Government Houses	$ 16,000
Geriatric Hospital	$ 87,000
Playing Fields Project	$ 86,000
Total	$834,000

POTENTIAL LDC SUBPROJECTS FOR BHNF

ST. KITTS/NEVIS

NAME OF PROJECT	ESTIMATED COST
Con Phipps Land Clearance	$100,000
Nesbitt Estate - Livestock	$ 93,000
Soil Erosion Prevention	$108,000
Cayon to Bayfords Road Improvement	$100,000
Brackish water fish culture	$ 83,000
Tick Control	$105,000
Afforestation - St. Kitts	$ 77,000
Afforestation - Nevis	$ 56,400
Road to Foyes - St. Kitts	$ 50,000
Maintenance of Government Buildings	$ 80,000
Box culvert construction program	$ 70,000
Airport to Frigate Bay Road	$205,000
Cayon Reservoir	$102,000
Wingfield to Phillips feeder road	$ 75,000
Total	$1,304,400

POTENTIAL LDC SUBPROJECTS FOR BHNF

ST. VINCENT

NAME OF PROJECT		ESTIMATED COST
Soil Conservation at Owia & Fancy		$ 72,000
St. Vincent Reafforestation Scheme		$ 92,200
Mesopotamia Health Centre		$100,000
Belle Vue Colonarie Road Costal protection		$200,000
Georgetown Community & Craft Centre		$ 97,000
New Grounds & Rose Hall Community & Crafts Centres		$ 68,000
Distribution Mains		$ 78,000
Sewer Extension		$ 95,000
	Total	$802,200

Annex X

The World Bank

September 25, 1979

Mr. William B. Wheeler
AID Representative
Regional Development Office Caribbean
c/o American Embassy
Bridgetown, Barbados

Dear Mr. Wheeler:

AID has requested that certain information be furnished with respect to the effect of the AID/CDF loan financing on World Bank projects receiving such financing.

The 1978 AID loan to the Caribbean Development Bank has provided local currency financing for the following Bank projects:

Country	Project Name
Jamaica	Small-Scale Enterprise Development Project
Jamaica	First Rural Development Project
Jamaica	Second Population Project
Jamaica	Sites and Services Project
Jamaica	Second Education Project
Guyana	Second Education Project
Guyana	Tapakuma Irrigation Project
Guyana	Highway Project

Implementation of many of these projects had previously been constrained by the lack of and inability of the governments to provide the necessary local costs contributions while undertaking fiscal austerity measures. The provision of AID/CDF financing has helped to assure that local costs contributions were made in a timely manner. The aforementioned projects are, for the most part, now being implemented in accordance with reasonable expectations. Although some projects are still behind schedule, delays have been caused primarily by management and personnel problems rather than lack of available finance.

As you know, both Jamaica and Guyana have economic stabilization programs which severely restrict public expenditure. Had AID/CDF financing not been available there would undoubtedly have been delays in making local costs financing available for the Bank's projects. This would then have resulted in delays of project implementation which would have had adverse economic consequences.

In addition to the positive impact of project implementation, the AID/CDF loan has also contributed, along with other CDF contributions, to alleviating the severe balance of payments problems of the countries benefiting under this loan.

Reports on the status of each of the World Bank projects you have enquired about are now in the possession of the CDB. We have authorized them to make this information available to your office.

Sincerely yours,

Roberto Gonzalez-Cofino
Chief
Country Programs Division
Latin America and the Caribbean
Regional Office

cc: Mr. Emerson J. Melaven
Director
Office of Caribbean Affairs, USAID

Mr. Robert Warne
Director
Office of Caribbean Affairs
Department of State

ANNEX X

BEST AVAILABLE COPY

The World Bank

October 11, 1979

Mr. Douglas J. Bennet, Jr.
Administrator
Agency for International Development
320 21st St., N.W.
Washington, D.C. 20523

Dear Mr. Bennet:

I would like to convey to you our appreciation for the continuing support that your Government has shown for the Caribbean Group for Cooperation in Economic Development. That support has been particularly important concerning the Caribbean Development Facility (CDF). Your delegation to the Second Group Meeting last June pledged, inter-alia, US$20 million, to be channeled through the Caribbean Development Bank (CDB) to the English-speaking countries of the area.

After consultation with the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), and the CDB, we recommend the following country allocations of the US$20 million referred to above:

Jamaica	$10.0 million
Guyana	5.0 "
Barbados	2.5 "
Less Developed Countries (LDCs) of the Caribbean Community	2.5 "

We understand that, as indicated last June by your delegation, the total amount of CDF-type resources already programmed by the United States for all Caribbean countries will reach about $60 million during the second CDF year. This will include the $20 million referred to above plus PL480 assistance, disbursements from previous commitments and other specific allocations. In addition, we also understand that the United States Government is currently considering some further increases in its assistance to the Caribbean, part of which might be considered as of the CDF type.

I would like to assure you, Mr. Bennet, of the continuing willingness of the World Bank and of the other participating institutions to cooperate fully with your Government and other donors in the promotion and coordination of the assistance required by the Caribbean countries.

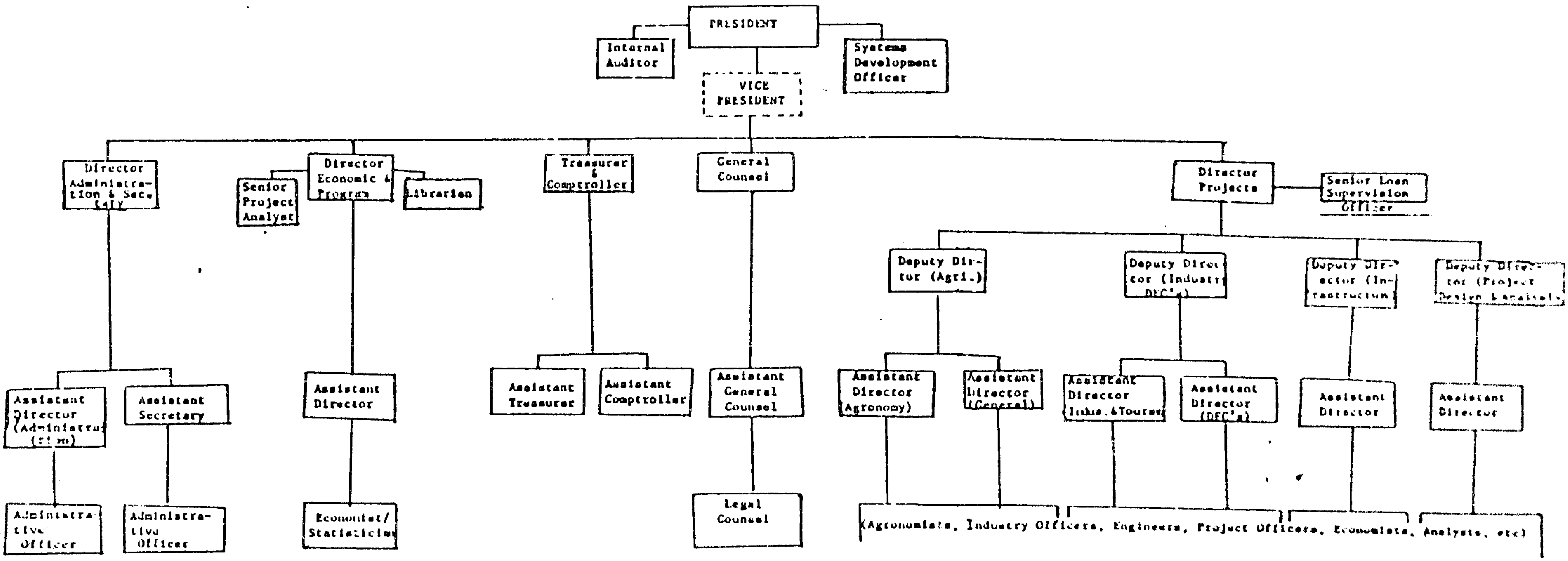
Sincerely yours,

Enrique Lerdau
Director
Country Programs Department
Latin America and the Caribbean
Regional Office

CARIBBEAN DEVELOPMENT BANK

DEPARTMENTAL ORGANIZATION

(Professional Staff)



ANNEX XI