

FD-AA6-129(2)

538-0045

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

CARIBBEAN REGIONAL

PROJECT PAPER

CARIBBEAN DEVELOPMENT FACILITY III

Project Number: 538-0045

Loan Number: 538-V-015

538-W-016

538-T-017

AID/LAC/P-067

UNCLASSIFIED

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

3. COUNTRY/ENTITY CARIBBEAN REGIONAL	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 digits) [538-0045]	6. BUREAU/OFFICE A. SYMBOL LAC B. CODE [05]	7. PROJECT TITLE (Maximum 40 characters) [Caribbean Development Facility] III
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8. ESTIMATED FY OF PROJECT COMPLETION FY [8] [1]	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY [8] [1] B. QUARTER [1] C. FINAL FY [8] [1] (Enter 1, 2, 3, or 4)
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A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)						
(LOAN)		16,000	16,000		16,000	16,000
OTHER U.S. 1						
OTHER U.S. 2						
HOST COUNTRY						
OTHER DONOR(S)						
TOTALS		16,000	16,000		16,000	16,000

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY		H. 2ND FY		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) FN	200		200		10,000				
(2)									
(3) EH	660		600		2,600				
(4) SD	700		700		3,400				
TOTALS									

A. APPROPRIATION	N. 4TH FY		Q. 5TH FY		LIFE OF PROJECT		12. IN DEPTH EVALUATION SCHEDULED  MM YY
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) FN						10,000	
(2)							
(3) EH						2,600	
(4) SD						3,400	
TOTALS						16,000	

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] 1 - NO  
2 - YES

14. ORIGINATING OFFICE CLEARANCE		15. DATE DOCUMENT RECEIVED IN AID W. OR FOR AID W. DOCUMENTS. DATE OF DISTRIBUTION	
SIGNATURE <i>William B. Wheeler</i>	TITLE Director, RDO/C	DATE SIGNED MM   DC   YY 1   10   68   0	MM   DD   YY

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

538-T-017 \$10.0 mil.

538-V-015 2.6 mil.

538-W-016 3.4 mil.

PROJECT AUTHORIZATION

Name of Country: Caribbean Regional  
Name of Project: Caribbean Development  
Facility III  
Number of Project: 538-0045

1. Pursuant to Sections 103, 105 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Caribbean Development Facility III project for the Caribbean Development Bank ("Bank") involving planned obligations of not to exceed Sixteen Million United States Dollars (\$16,000,000) in loan funds ("Loan"), subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist in financing certain foreign exchange and local currency costs for the project.

2. The project ("Project") consists of a follow-on Loan to Projects No. 538-0023 and 538-0040, the proceeds of which will be relent by the Bank to assist the governments of Barbados, Guyana and Jamaica to maintain adequate levels of development investment by providing additional resources, primarily for local costs, needed to finance essential socioeconomic development subprojects which are also being assisted by other bilateral and international donor agencies. The subborrower countries, in turn, will have committed themselves to undertake self-help measures reflected in the 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 the Project Agreement is signed.

3. The Project Agreement 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.

a. Interest Rate and Terms of Repayment

The Bank shall repay the Loan to A.I.D., from the Special Fund established for this Project, 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 from such Fund 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

Goods and services, except for ocean shipping, and except as A.I.D. may otherwise agree in writing or as otherwise provided in this Project Authorization, financed

by A.I.D. under the Loan, shall have their source and origin in countries 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 h. 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. Reimbursement

Upon compliance with the relevant Conditions Precedent to Disbursement by the Bank, A.I.D. may disburse funds as reimbursement for eligible Project costs incurred on or after July 1, 1980, provided that evidence of such costs is furnished to A.I.D. in form and substance satisfactory to A.I.D.

e. Conditions Precedent to Financing of Subprojects

Prior to any commitment to finance any eligible subproject the Bank shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (1) Evidence that the subborrower country has been qualified for assistance by the Working Group of the Caribbean Group after review of their proposed development policies and investment programs;
- (2) Evidence that the Bank has identified the subproject to which assistance will be provided as eligible under A.I.D. subproject selection criteria;
- (3) Evidence that the Bank has received from the appropriate donor institution a written statement with such supporting documentation as may be necessary, confirming
  - (a) that the proposed eligible subproject is currently technically, economically and financially feasible;
  - (b) that the financial plan for the subproject prepared by the donor has been reviewed and updated;
  - (c) that the proposed eligible subproject 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

(d) that the proposed eligible subproject (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.

f. Additional Condition Precedent to Disbursement for Sublending to Jamaica

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any eligible subloan project for Jamaica, the Bank shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence that Jamaica has entered into a satisfactory stabilization agreement with the International Monetary Fund.

g. Covenants

The Bank shall covenant that, unless A.I.D. otherwise agrees in writing, it will:

(1) Utilize the earnings generated from the differential between the interest rate on the Loan and the interest rate received from subloans;

(a) to finance administrative costs of the Project, provided that the sum allocated for such costs may be determined solely by the Bank, and will consist of an estimate of its actual costs required to administer the Project.

(b) to increase the Bank's resources.

(2) Discuss with A.I.D. from time to time, once sufficient resources have been accumulated, the use of resources to:

(a) provide technical assistance to members of the Bank or to strengthen the Bank's own technical capabilities.

(b) finance common services provided by regional or subregional organizations.

(3) Relend funds made available under the Loan 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.

(4) Assign to A.I.D., upon its request any claims against subborrowers under subloans financed with funds made available under this Project or Project Nos. 538-0023 and 538-0040; and provide hereafter, in such subloan agreements, for the establishment of A.I.D.'s rights against such subborrowers in the event of such assignment.

(5) Pursue all claims against subborrowers with due diligence and in no event relieve any subborrower of liability for the repayment of any part of the principal of or interest on such subloan.

**h. Procurement**

(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), provided that the Bank obtains from the United Kingdom or Canada, respectively, a written commitment, satisfactory to A.I.D., that during the life of the Project such country will make available funds to the Caribbean Development Facility in an amount equivalent to the amount of the Loan 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

Date

**Clearances:**

AAA/LAC:EWCo: GE date 12/29/80  
GC:NLHolmes: date 12/27/80  
AA/PPC:AShakov: date 12/20/80

Drafted:GC/LAC:BVeret/DAdams:ckg:11/26/80:x29183

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## CHAPTER I - SUMMARY AND RECOMMENDATIONS

### 1. Recommendation

The AID Regional Development Office/Caribbean recommends the authorization of a \$16 million loan to the Caribbean Development Bank (CDB) as a portion of the Caribbean Development Facility (CDF). \$5 million will be on-lent to Guyana, \$4 million to Barbados, and \$7 million to Jamaica, the division within functional categories being: \$10 million for Food and Nutrition, \$2.6 million for Education, and \$3.4 million for Special Development Activities. Of the \$16 million, disbursement of the \$9 million for Barbados and Guyana could begin immediately, while disbursement of the remaining \$7 million for Jamaica would be contingent upon a Jamaican agreement with the International Monetary Fund (IMF).

### 2. Borrower and Executing Agency

The Borrower and primary executing agency will be the Caribbean Development Bank (CDB), a regional development finance institution founded in 1970 and composed of eighteen regional and two non-regional governments. Its purpose is to promote the development and regional integration of its members and to coordinate the activities of donor institutions and countries. The loan will form a portion of the Caribbean Development Facility, a mechanism established in 1978 under the Caribbean Group for Cooperation in Economic Development (CG) to provide supplementary financing to reverse the economic deterioration which was occurring in much of the Caribbean.

### 3. Project Description and Rationale

The project is the third tranche under the CDF. Its purpose is to assist the governments of Barbados, Guyana and Jamaica to maintain adequate levels of development investment by providing the resources needed for the financing of essential socioeconomic development projects. These projects are being partially supported by international donors and are a part, in Barbados and Guyana, of medium-term Caribbean Group - approved development programs. When Jamaica has a satisfactory agreement with the IMF it will qualify for CDF III support.

CDF III is an integral part of the U.S. program of support for the Caribbean Development Facility of the CG. During the Subgroup Meetings on Barbados and Guyana that were a part of the third Group Meeting, in June 1980, the U.S. pledged \$4 million to Barbados and \$5 million to Guyana under this Project in response to the CG's analysis of the external assistance needs of those countries. There was no pledging at the Subgroup Meeting on Jamaica, but the U.S. indicated its willingness to provide support should a CG-approved stabilization program be developed.

To be eligible for funding under CDF III, participating countries must establish development policies and investment programs acceptable to the CG. Barbados implemented a Development Plan, and Guyana has negotiated a three year \$130 million Extended Fund Facility (EFF) with the International Monetary Fund (IMF). As mentioned, the funds included in this Project for Jamaica will be available to that country when it has negotiated a new agreement with the IMF.

AID requires the CDB to be satisfied as to projects' technical, economic, financial and environmental soundness and their conformity with AID's legislative mandate. For on-going projects, governments must furnish the CDB with an updated financial plan.

#### 4. Summary Findings

The Project as designed responds to a critical need in Barbados, Jamaica and Guyana for the support of high priority development projects that are portions of those countries' CG-approved public sector development programs. The Project has been found to be technically, financially, and economically sound and ready for implementation. All relevant requirements of the FAA Section 611 and all other statutory criteria have been met.

#### 5. Terms, Conditions and Covenants

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

##### a) Interest Rate and Terms of Repayment

The Bank shall repay the Loan to AID 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 AID 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 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

Each project selected for AID financing will have a breakdown between local costs and foreign exchange costs. The breakdown will be done by the Prime Donor and the CDB, and the resulting cost distribution will be accepted by AID. AID will fund the local cost portion of the project. AID has a history of offering to untie procurement for funds administered by the CDB to the United Kingdom and Canada if those countries will untie an equal amount of their funds in the bank for procurement in the United States. The United Kingdom has responded to this offer and assured AID that their financing agreements for CDF contributions will provide for procurement in the U.S. To take advantage of that arrangement this Loan Agreement will provide that the usual Geographic Code 941.

procurement will be allowed, as well as local procurement, and procurement in the United Kingdom and Canada if they agree to reciprocate in a like amount. In fact, however, because of the nature of the project we will only be financing local costs of projects for which another donor has agreed to finance the foreign exchange costs.

c) Conditions Precedent to Disbursements for Sublending.

Except as AID 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 AID (a) evidence that the country in which the respective project is to be carried out has been qualified for assistance by the Working Group of 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 AID 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.

d) Covenants of the Bank

Except as AID 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 AID by the Bank.

Since most projects to be funded under the loan will involve existing contracts, there will be no need to specify any specific procurement regulation. Any new contracts will be let on a competitive basis.

## CHAPTER II: PROJECT BACKGROUND

### A. The Problem

#### 1. The Regional Economic Background.

The past seven years have been particularly disruptive ones in the economic life of the English-speaking countries comprising the Caribbean Community (CARICOM). <sup>1/</sup> Several external events played a catalytic role. The inflation and world economic recessions which occurred in 1973-74 and again in 1979-80 had serious adverse effects on most of the economies of the region. The steep oil price hikes and 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. One of the most seriously affected by the adverse external developments was Guyana.

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 have not been able to sustain. That sugar prices have since recovered augurs well for these states, although the benefits may be delayed in some cases due to crops being sold ahead at the lower prices.

Given the complexity and extent of the problems facing governments in the Caribbean, and the diminished budgetary resources which have become a common part of the regional scenario, a large number of the countries has 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 development efforts in the region. Economic recovery can only be effective if there is sufficient investment to preserve the capital stock which serves as the basis for agricultural, tourism, and human resource development. Failure to address this problem will mean further investment will have to be diverted from activities which could contribute to growth in real income and employment to the costly replacement of permanently deteriorated infrastructure.

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<sup>1/</sup> - The CARICOM countries include four More Developed Countries - (MDCs) - Jamaica, Guyana, Barbados and Trinidad & Tobago, and nine Less Developed Countries (LDCs) - Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines.

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

- (a) Economic growth in much of the region has been halted, and, in many instances, living standards have actually declined; any adjustment process will be painful and will require at least several years to complete;
- (b) Most countries of the region continue to face, though in varying degrees, serious fiscal and/or balance-of-payments problems;
- (c) Development programs have been severely disrupted, and physical infrastructure is deteriorating at an accelerated pace;
- (d) Without exception, all of these countries have high unemployment and a pressing need to accelerate job creation;
- (e) A continuing urgent need exists to increase public and private investment in practically all countries of the area; this will require maintaining consumption at reduced levels in most of these countries and continuing support from the donor community in the form of both traditional and special financial assistance.

## 2. The National Economies

### a. Barbados

Responsible and innovative economic management has enabled Barbados to be an exception to the overall bleak pattern in the Caribbean. Barbados has attached the highest priority to the development of efficient foreign exchange earning activities, particularly export manufacturing and tourism; maintained over long periods well designed and managed policies to encourage the development of its private sector -- whenever necessary in association with foreign partners; soundly managed its public finances and adopted well-conceived public sector investment programs; maintained a very positive attitude toward the need to increase economic collaboration within the region (for instance, by establishing common services) and with the rest of the world; and stressed education, especially vocational services.

Because of its small size, however, the economy remains vulnerable and is already beginning to show the strains of massive new OPEC oil price hikes which have drastically increased import costs and produced worldwide recession. Real economic growth, 6.5% in 1979, is expected to slip this year to 4% with a further decline to less than 1% anticipated for 1981. The growth of tourist arrivals has fallen from 17% last year to an estimated 5% because of the stagnant state of Western economies. Inflation is surging from 13% in 1979 toward the 20% level in 1980 due to sharply increased import costs and overheating in the construction sector. The government also remains concerned over negative real interest rates which are discouraging private savings and stimulating capital flight. On the other hand,

the sugar industry, which along with tourism is the most important economic sector, recorded its highest level of production since 1971. In addition, the government's financial position has improved marginally in recent months, mainly as a result of recent changes in tax administration. Large public sector wage increases, however, will likely cause that position to weaken in the future. Barbados' volume of imports has increased as have the prices of those goods, leading to an increase in the current account deficit of the balance of payments, now at 3% of GDP.

Barbados' economy, despite its growth over the last few years, remains highly vulnerable to price changes in oil and other imports, sugar, and economic developments in the developed countries which have an effect on tourist arrivals. Adverse changes in these exogenous variables could place Barbados' recent growth record in jeopardy and prevent the successful implementation of its Development Plan.

b. Guyana

Guyana's \$560 annual per capita GNP ranks it among the poorest in the region. Per capita GDP has been on the decline since 1977 and more than 50% of the Guyanese people live in conditions of poverty.

All sectors of the economy are experiencing setbacks due to a chronic shortage of foreign exchange. Much of the sharp decline in international reserves (from a minus \$70.6 million at year end 1979 to minus \$100 million in May 1980) can be attributed to the rise in oil prices. In 1979, 29% of Guyana's total import costs were for petroleum and petroleum products. Another major problem is low productivity resulting in part from uncertainties concerning future GOG policies in managing the economy and the role of the private sector, and the emigration of skilled human resources.

Production of bauxite, rice, and sugar is below expected levels. Among the causes are labor unrest, inclement weather, inefficient management, and shortages of productive inputs of all sorts, such as fertilizer, pesticides, farm machinery, and spare parts.

Inflation is currently about 20%, and has a serious negative impact on the standard of living of the poor. Important public sector investment projects have been cut back because of inflation and insufficient government finances. When this has occurred in agriculture it has caused particularly serious problems, as exports of commodities are a major source of chronically insufficient foreign exchange.

The deficit in the current account of the balance of payments increased sharply in 1979 to about 13% of GDP. This was due partially to export shortfalls and also to the above-mentioned increase in oil prices. The oil import bill increased from \$67 million (13% of GDP) in 1978 to \$90 million (16% of GDP) in 1979. As a partial consequence, fiscal performance weakened, increases in current expenditures outweighing increases in taxes and prices charged by public enterprises. Public sector savings fell from 5.44% of GDP in 1978 to 3% of GDP in 1979.

In 1980 the GOG took a number of steps to

increase national savings, promote the recovery of production and exports, and raise the productivity of workers. These culminated in the signing of a new \$130 million three year Extended Fund Facility with the IMF. The first tranche of the EFF has been paid and the second is expected in December 1980.

c. Jamaica

Jamaica has now experienced seven consecutive years of economic decline. Real GDP has been reduced by over 20% and unemployment exceeds 35%. The social and economic dislocations caused by this decline were exacerbated by sharp oil prices hikes, large increases in the prices of imported food stuffs, and severe contractions in international demand for major exports. Additionally, a government policy of social change and government control over the principal economic sectors created an atmosphere of uncertainty which contributed to the decline.

In seeking to restructure major social and economic relationships, the government increased economic centralization and began to acquire substantial portions of foreign-owned productive assets. In carrying out a number of these structural changes at a time of worldwide economic disruption, the government strained the financial capabilities of the public sector and created a climate that led to significant capital flight. The levy on bauxite was especially heavy. 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 borrowed heavily from external sources, increasing external debt to the point of impairing credit-worthiness for borrowing on conventional terms. When external borrowing proved inadequate to alleviate its external payments position, it was forced to turn to the IMF, with which an Extended Fund Facility agreement was concluded in 1978. The agreement mandated restrictions on the rate of growth of the money supply and on foreign trade and payments. While trade restrictions were applied most strenuously to imports of consumer goods, the government also curtailed new investment and denied national industry needed raw materials. Many firms had to reduce production and employment levels, and unemployment skyrocketed.

Despite the stabilization program entered into with the IMF, the Jamaican economy continued to fare poorly in 1979. Real growth declined by 2.3 percent. The current account position worsened, falling from minus 4.2 percent of GDP in 1978 to 9.0 percent in 1979, as solid gains in tourism were not sufficient to offset sharply higher oil import costs and remittances of profits by foreign investors. Inflation remained high at roughly 30 percent because of disruptions in manufactured goods production, mid-year floods that reduced agricultural yields, and constraints on consumer goods imports. Although the government sought to strengthen fiscal performance, public sector

savings as a proportion of GDP still stood at a minus 2.4 percent. By the end of 1979, Jamaica did not meet the performance criteria that had been agreed with the IMF under the External Fund Facility, and negotiations with the Fund to amend the Facility were begun.

Although economic performance remained shaky, some bright spots were evident in first quarter 1980. Intensive promotion along with local programs for rebuilding the tourist industry resulted in the hotel occupancy rate rising almost 10 percent. Alumina production went up nearly 8 percent, and the bauxite companies pledged over \$500 million to upgrade the industry. The government provided almost \$8 million in Production Incentive Loans to small farmers and estates to develop sugar cane cultivation. In addition, consumption of petroleum products was down 21 percent, in part because of an energy conservation program. Seizing on this economic news and desiring to make some important political capital, the government decided to break off negotiations with the Fund in March.

The recent election of a new Administration and its evident willingness to negotiate a new Extended Fund Facility with the IMF holds out a significant hope for Jamaica's immediate and medium-term development.

Jamaica's situation, however, remains critical. Short term liabilities total \$465 million, liquid assets total only \$10 million, and the government will default on its foreign debt by February if a multilateral recovery package is not assembled. Factories remain closed due to a lack of raw materials and spare parts. Shortages of consumer goods are fueling inflationary pressures. The sugar crop is expected to be 9 percent lower than last year due to disease and damage from the recent hurricane. Basic social and economic infrastructure has begun to deteriorate.

The most optimistic forecasts call for a mild economic recovery in 1981, followed by annual GDP growth of 2 percent over 1982-85. Even so, in 1985 GDP would be only at 97 percent of the 1973 level. These modest results will require a concerted effort to control government spending, raise agricultural production, and stimulate tourism and exports, as well as significant and broad support from the foreign donor community.

#### d. Foreign Assistance Requirements

Each of the MDCs targeted for assistance under the Project will require significant amounts of external assistance over the coming year. Earlier this year the CG estimated that Barbados, Guyana and Jamaica would require \$35 million, \$80 million and \$395 million in CDF-type funding, respectively, over the period July 1, 1980 to June 30, 1981. Table I shows projected disbursements and requirements for CDF and traditional assistance.

TABLE I

Summary of Gross Official Inflows

	1980/81 (U.S. millions)					
	<u>Projected Disbursements</u>			<u>Requirements</u>		
	<u>Traditional</u>	<u>CDF (a)</u>	<u>Total</u>	<u>Traditional</u>	<u>CDF</u>	<u>Total</u>
Barbados a)	13.0	32.5	45.5	13.0	35.0	48.0
Guyana	80.0	62.6	142.6	80.0	80.0	160.0
Jamaica a)	85.0	163.3	248.3	85.0	395.0	480.0

a) includes 11/12 of Venezuela Oil Facility and a full year of Trinidad Oil Facility in FY 80/81. Does not include CDF III.

The Venezuela/Mexico and Trinidad oil facilities are new regional developments in the Caribbean. The World Bank estimates that Barbados would receive \$3.5 million from the former and \$4.5 million from the latter, for a total of \$8 million. Guyana would receive an estimated \$35 million from the Trinidad facility. Jamaica could receive \$45.9 million from Venezuela and \$25 million from Trinidad. The provision of these facilities will not come close to eliminating the need for external funding, since these sums are included in projected disbursements in Table 1.

The Venezuela/Mexico facility would involve each recipient country signing a bilateral agreement with Mexico and Venezuela. These countries would then each finance 50% of the maximum amount of imports decided upon under the agreements. The Venezuelan Investment Fund (VIF), which will administer the Venezuelan part of the scheme, has announced that in no case will Venezuela exceed its 50% share in the envisaged financing.

Since Mexican oil exports to much of the Caribbean, including Barbados, have been relatively small up to now, this could conceivably imply a substantial shift in supply sources. It also involves serious production problems, as many refineries, including that of Barbados, are not able to utilize Mexican oil.

Because of these difficulties, if the scheme is applied rigidly a significant reduction in expected financing could occur. A new round of Venezuela-Mexico negotiations, unplanned at this time, will be required if these issues are to be resolved.

The Trinidad facility would have an initial life of 3 years and would finance the incremental cost of petroleum products, fertilizers and asphalt exported by Trinidad to CARICOM members. Recipient countries would pay a base cost and have the rest (the

incremental portion) financed by a Central Bank - operated fund. As noted, estimates suggest that Barbados could receive \$4.5 million, Guyana \$35 million, and Jamaica \$25 million in financing this year under this scheme.

B. The Response

1. The Caribbean Group for Cooperation in Economic Development (CG).

Established in December 1977 with the strong support of the U.S. and sponsored by the IMF, World Bank (IBRD), Inter-American Development Bank (IDB), and CDB, the CG has as its purpose the development of an economic framework for the promotion and coordination of increased economic assistance to the Caribbean region and more effective utilization of development assistance funds. The CG has as members all the developing countries of the Caribbean except Cuba and involves the major multilateral donor agencies, OPEC, UNDP and the principal bilateral donors with an interest in the region.

At the Group's first formal meeting, in June 1978, it established the multi-donor Caribbean Development Facility (CDF). The main purpose of 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. It is intended 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.

CDF is administered by an informal "working group" composed of representatives of the IBRD, IMF, IDB, and CDB. The working group makes recommendations on country eligibility and 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 countries which have financial programs approved by the IMF and investment programs accepted by the World Bank, such programs would suffice to fulfill this requisite. Table I shows estimates for external capital requirements for Barbados, Jamaica and Guyana for the Third Caribbean Group year (July 1980 - 1981) and the resulting increase in the need for CDF assistance.

a. CDF I

AID's first contribution to the Caribbean Development Facility was a \$20 million loan to the CDB, signed in September of 1978. Funds were allocated as follows: Jamaica \$12 million, Guyana \$4.5 million, Barbados \$1.5 million, and the LDC's \$2.0 million. Under CDF I some \$18.94 million have been disbursed to 15 high priority projects which provided employment for an estimated 7500 people. The funds allocated to the MDC's are now fully disbursed. The LDC funds are expected to be disbursed before the PACD of September 30, 1982.

The funds provided for the MDC's were 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.

CDF assistance to the LDC's was provided in a more and more traditional manner. This was necessitated by the fact that donor agencies operating in the LDC's often agree from the outset to finance all investment costs; there is often no counterpart contribution which the CDF could finance. The \$2.0 million available to the LDC's 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 -- were also employed for LDC projects. Since LDC projects would generally not have been reviewed and accepted by other donors, thorough project appraisals were generally required to test for eligibility.

A joint AID/CDB review of implementation carried out in September 1979 concluded that the MDC portion of the program was highly successful. Table II shows the financial status of projects financed under CDF I and II.

b. CDF II

AID's second contribution to the Caribbean Development Facility was a \$17.5 million loan to the MDC's and a \$2.5 million grant to the LDC's as a part of the Basic Human Needs Project. In the MDC's, Jamaica was allotted \$10 million, Guyana \$5 million and Barbados \$2.5 million. \$10.5 million has been disbursed to 10 high priority projects in these countries. Employment has been provided to an estimated 6500 people.

Guyana has disbursed all \$5 million and has accumulated substantial numbers of claims for reimbursement for submission under a potential third tranche. Barbados has disbursed \$1.43 million and expects accrued expenditures to result in claims for the rest of the allotment by the December 31, 1980 PACD. Jamaica has

Table II  
CARIBBEAN DEVELOPMENT FACILITY

PROGRAM STATUS

(11/30/80 US\$ 000)

PROJECT - LDC's CDF I PROJECT CODE		DISBURSEMENTS UNDISBURSED BALANCE				SUMMARY				
						F & N	LDC's CDF I SDA	TOTAL		
1.	Banana Rehabilitation - St. Vincent	F & N	483	4	Amounts allocated	1,500	500	2,000		
2.	Banana Rehabilitation - Dominica	F & N	312	-	Amounts disbursed	795	-	795		
3.	Rural Electrification - St. Lucia	F & N	-	355	Undisbursed balance	705	500	1,205 <sup>1/</sup>		
4.	Industrial Estates - St. Kitts	SDA	-	247						
	TOTAL		795	606						
PROJECT - BARBADOS PROJECT CODE		DISBURSEMENTS				BARBADOS CDF I				
		CDF I	CDF II	TOTAL		F & N	EDN	SDA	TOTAL	
1.	Industrial Estates Second Loan	SDA	400	-	400	Amounts allocated	300	800	400	1,500
2.	Samuel Jackman Prescod Polytechnic	EDN	800	196	996	Amounts disbursed	300	500	100	1,500
3.	IBRD Education Project	EDN	-	147	147	Undisbursed balance	-	-	-	-
4.	Bridgetown Sanitary Sewerage Project	SDA	-	1,084	1,084					
5.	Gistins Fisheries Development Project	F & N	300	-	300					
	TOTAL		1,500	1,427	2,927	Amounts allocated	-	1,300	1,200	2,500
						Amounts disbursed	-	343	1,084	1,427
						Undisbursed balance	-	957	116	1,073
PROJECT - GUYANA						GUYANA CDF I				
1.	West Demerara Roads	F & N	1,240	-	1,240	Amounts allocated	5,200	200	-	5,400
2.	Tapakuma Irrigation	F & N	1,963	1,525	3,488	Amounts disbursed	5,200	200	-	5,400
3.	Mahaica/Mahaicoony/ Abary Project	F & N	1,997	2,975	4,972	Undisbursed balance	-	-	-	-
4.	IBRD Education II Project	EDN	200	500	700					
	TOTAL		5,400	5,000	10,400	Amounts allocated	4,500	500	-	5,000
						Amounts disbursed	4,500	500	-	5,000
						Undisbursed balance	-	-	-	-
PROJECT - JAMAICA		AMOUNT DISBURSED	CDF II			JAMAICA CDF I				
1.	Self Supporting Farmers Development Program	F & N	3,612	1,311	Amounts allocated	5,500	1,000	2,600	2,000	11,100
2.	First Rural Development Program	F & N	1,888	1,684	Amounts disbursed	5,500	1,000	2,600	2,000	11,100
3.	Sites and Services	SDA	2,000	620	Undisbursed balance	-	-	-	-	-
4.	Small Scale Enterprises Development Project	SDA	600	-						
5.	Students Loan Revolving Fund	EDN	199	-	Amounts allocated	6,700	-	2,300	1,000	10,000
6.	IBRD - 2nd Education Project	EDN	801	-	Amounts disbursed	3,041	-	620	348	4,009
7.	Secondary Main and Parish Council Roads	F & N	-	46	Undisbursed balance	3,659	-	1,680	652	5,991
8.	Parish Retail Markets	F & N	-	-	Claims in process	3,600	-	1,600	300	5,500
9.	Mandeville Water Supply	SDA	-	-	Balance	59	-	80	352	491
10.	Montego Bay/Falmouth Water Supply	SDA	-	-	Disbursed + in process					9,509
11.	Second Population Project	HP	2,000	348						
	TOTAL		11,100	4,009						

disbursed \$4 million, leaving \$6 million in undisbursed funds under this tranche. There are, however, claims for \$5.5 million being processed at the CDB; should all those claims be allowed the loan would be almost entirely disbursed, with a \$ .5 million balance remaining.

In the past year, Jamaica suffered from political and economic instability, flooding and hurricane damage, and shortages of human and material resources which led in some cases to slowdowns in the progress of some CDF-supported projects. In others, however, progress was made but claims for reimbursement under CDF were not sent to the CDB. In at least one case project progress was delayed when cost overruns led to redesign and protracted negotiations between the government and the prime donor.

The second CDF tranche was significant in its support of increased public sector investment levels and good rates of progress in priority development projects. It provided needed foreign exchange to the recipient MDC governments and helped them maintain their progress under CG-approved medium term development programs. The evaluation team concluded that CDF II had achieved its broad objectives.

A GAO audit, performed in July 1980, studied the problems in Jamaica that caused the slow rate of disbursement of funds under CDF II and recommended that AID "insure that the CDB improve the frequency of transmissions of prime donor project monitoring reports to AID to assure full awareness by AID and CDB of project progress and problems. AID should also insure that AID staff periodically visit AID/CDF project sites to supplement and verify information provided by prime donors." <sup>2/</sup> Although this implied an AID/CDB role beyond that originally envisaged, an evaluation team was assembled to assess the scope and extent of subproject disbursement problems in all three MDC's. The team consisted of Terry Brown, CRDO/Bolivia, Stephen C. Ryner, CRDO/RDO/C, Jee Charette, CRDO/Guyana, Arthur Patrick, CPDO/Jamaica, Mark S. Waldman, CP/IDI, Toni Christiansen-Wagner, EA/IDI, and Neville Grainger and Maurice Hooper, CDF Project Officers of the CDB.

The team visited project sites and held discussions with Ministry and Project Managerial Staff in the three MDC's. The major conclusion of the evaluation was that "the screening and approval of subprojects for financing under CDF II has been in conformity with the requirements of the Project Agreement." Disbursement in Barbados and Guyana had gone well, the evaluation team found, and there existed at that time undisbursed funds of about \$7 million.

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<sup>2/</sup> - GAO, "U.S. Response to Jamaica's Economic Crises."

A summary of the annual evaluation of CDF II appears in this paper as Annex X. The report makes a number of recommendations concerning CDB/AID evaluation of subproject progress and suggests actions to be taken in order to enact those recommendations. Those actions are now in progress for the remaining disbursements under CDF II and are an integral part of the Project Description and Implementation sections of this third AID/CDF tranche.

Recent discussions with the Financial Secretary of Jamaica's Ministry of Finance indicate that, as a partial result of his taking a personal interest in the situation, the system for disbursing CDF funds has been improved. Additional improvements will be generated by a team of IBRD consultants who will be working with Jamaican officials to improve the general system of disbursement of external support funds. Should further assistance be required, RDO/C and CDB stand ready to send a team to Jamaica for this purpose.

## 2. The 1980 CGCED Meeting,

### a) The Meeting

The Third Meeting of the Group was very successful. The Group meeting this year included 31 countries and 15 institutions. The fact that the meeting was held under adverse economic circumstances and had a positive outcome indicates that the Group has become an accepted and essential part of the overall development framework for the Caribbean. The meeting helped to institutionalize the Group's role of providing a constructive framework for the area's development.

The Group's emphasis over the coming year will be on implementing existing regional programs and the recommendations of the Private Sector Task Force. The U.S. made a general pledge to provide the same magnitude of funding (\$78-82 million) as last year, including up to \$4 million for Barbados and \$6.8 million for Guyana (including PL 480). The Jamaica Subgroup Meeting was not a pledging meeting due to Jamaica's official ineligibility for CDF support at that time. Uncertainty over country eligibility and oil facility size and timing led to less focus than in previous years on the size of the regional assistance gap and more on the nature of particular Group initiatives, such as that in the private sector, mentioned above.

### b) The Barbados Subgroup.

Barbados received praise for its excellent economic performance and sound managerial ability. The government emphasized its commitment to employment generation and the maintenance of domestic demand, but expressed fears that the economic slowdown in North America would impinge heavily on the essential tourism and manufacturing sectors. External assistance

will be called upon as a part of the proposed multi-year investment plan. FY 1981 CDF needs were estimated at \$15 million <sup>1/</sup>, of which the U.S. pledged up to \$4 million under CDF III. Several traditional donors, such as the United Kingdom (U.K.), announced their inability to provide additional funding next year. Canada had not decided on what funds it could provide. The EEC announced a \$5 million grant for 1981-85 plus \$1.5 million from the European Investment Bank. Venezuela expressed an interest in assistance, especially in the area of energy, but did not mention a level of funding.

c) The Guyana Subgroup.

Guyana received praise for the successful completion of negotiations between the IMF and its government on a three year (1980-82) \$130 million medium term Extended Fund Facility (EFF).

Guyana's need for CDF-type funding for next year was estimated at \$60.5 <sup>1/</sup> million, with an annual average need for external funding of \$130 million over the next three years, if it is to meet its import requirements. There was considerable discussion of Guyana's current difficulties and also of the problems and potential of the high Upper Mazaruni Hydro-electric Project. The U.S. pledged up to \$6.8 million in CDF assistance composed of \$1.8 million in PL 480 and \$5 million under CDF III.

The OPEC Special Fund committed \$5 million, and the IBRD announced the beginning of negotiations on a \$23 million program loan, \$8-10 million of which would provide for the establishment of an Export Development Fund. The IBRD is also considering financing an oil exploration project.

d) The Jamaica Subgroup.

The June 1980 Subgroup Meeting on Jamaica was not a pledging meeting because of that country's official ineligibility as a recipient of CDF funding. Some donors did, however, announce pledges, such as Norway, which offered \$4 million in budget support and \$10 million worth of foodstuffs, and Sweden, which pledged \$6 million for balance of payments support and flood reconstruction efforts.

All donors recognized that Jamaica faced a major problem in financing a restrictive budget and expressed a willingness to make contributions of funds to Jamaica should a new agreement with the IMF be negotiated. The discussions focussed on Jamaica's short term economic prospects. The U.S. announced that, while new contributions could not be made, funds in the CDF pipeline could be drawn down.

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<sup>1/</sup> The estimates appearing in Table I are more recent.

CHAPTER III. PROJECT DESCRIPTION

A. Purpose and Description

The purpose of the AID Project is to assist the governments of the English-speaking Caribbean More Developed Countries (MDC's) to maintain adequate levels of development investment by providing resources needed to carry out essential donor-assisted socio-economic projects. In reviewing assistance needs of the Region, the World Bank has identified a significant number of existing or new projects which require a recipient country counterpart contribution which cannot be provided because of limited domestic resources. The participating countries, in turn, will have committed themselves to the Caribbean Group (CG) to undertake self-help measures reflected in medium-term economic programs in support of financial stability and long-term growth.

The Project will consist of the provision of development assistance to finance programs of economic stabilization and growth in participating countries of the English-speaking Caribbean. The funds will be made available through a loan to the Caribbean Development Bank (CDB), which will relend to participating member governments to finance the local currency costs of eligible donor assisted projects. The terms of the loan to the CDB are 20 years, at 2% for the first 10 years and 3% thereafter.

Barbados and Guyana have development plans or programs accepted by the CG and are therefore eligible for support under this project. Funds will be provided to Jamaica when it negotiates a satisfactory agreement with the IMF. Participating country projects eligible for financing will consist of those projects which are (i) assisted by an international donor, (ii) included in the country investment programs as accepted by the Caribbean Group, (iii) are consistent with AID's legislative mandate.

Subloans will finance eligible donor-assisted projects which the CDB has: (a) determined as being within the CG-approved investment program, and consistent with AID's legislative mandate; (b) obtained, for new projects, a certificate of current economic, technical, and financial feasibility prepared by the prime donor, e.g. IDB, IBRD and CDB; (c) obtained an updated financial plan (the only requirement for projects funded under previous CDF tranches) and (d) obtained a certification prepared by the prime donor that the project does not have a significant adverse impact on the environment. The terms for relending to member countries will be approximately twenty (20) years with a ten year grace period at an interest rate of 4% p.a. The interest rate of 4% is the established rate at which the CDB lends to member countries. The interest spread of 2% over the grace period and 1% thereafter will cover the administrative costs of the CDB. Any amounts in excess of administrative costs to the CDB as increases in Reserves, to be used for such purposes as the provision of technical assistance to members and the financing of common services.

**B. The Sub-Projects**

The World Bank has identified and developed a list of existing and potential donor assisted projects in each country. These were identified on the basis of field trips and discussions with country officials as to appropriateness for inclusion in the country's investment program and suitability for donor financing. In addition, non-free world projects were excluded as well as foreign bank-sponsored projects and self-financing projects. Once the projects were identified, estimates were made of project expenditures expected over a twelve month period, July 1, 1980 through June 30, 1981, broken down by available financing (from the prime donors) and local financing. Barbado's and Guyana's projects, listed by donor and projected expenditure, are included in Annex IX. The IBRD economic mission to Jamaica this year focussed on the short term situation and their report did not include these lists.

The Project will finance a portion of the first year's projected local costs. The total projected local currency needed for the first year is estimated at \$58.128 million. Table III shows the levels of local cost projections for subprojects eligible on a preliminary basis by country and functional category.

Projects in all sectors may be included but the project focuses primarily on those in agriculture, health, education and infrastructure. A list of disbursement projections for projects approved under previous tranches and newly suggested ones appears as Annex V. For these projects, the distribution of projected local cost requirements for FY 1981 by funding category is shown in Table III.

TABLE III

Projected Demand for CDF III Funding

(US\$ Millions)

	<u>F&amp;N</u> <u>Sec.103</u>	<u>H&amp;P</u> <u>Sec.104</u>	<u>ED</u> <u>Sec.105</u>	<u>SDA</u> <u>Sec.106</u>	<u>Total</u>
Guyana	18.865	-	5.155	3.482	27.502
Jamaica	13.355	1.715	-	6.038	21.108
Barbados	<u>1.392</u>	<u>1.708</u>	<u>4.445</u>	<u>1.973</u>	<u>9.518</u>
Functional Account Total	<u>33.612</u>	<u>3.423</u>	<u>9.600</u>	<u>11.493</u>	<u>58.128</u>

C. Sub-Project Selection Criteria

In order to ensure that only sub-projects which are consistent with AID's legislative mandate 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 certifying as eligible projects of member countries which have qualified for Caribbean Development Facility assistance on a preliminary basis. 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 CDB will be consistent with AID's legislation.

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

- Sponsored by an external free-world donor other than AID.
- Limited to financing costs of locally available goods and services.
- Projects must fall within the following sectors:

- (a) Food and Nutrition projects including: agriculture, livestock and dairy, fisheries, forestry, marketing and credit services, rural community development and rural infrastructure, e.g. irrigation, feeder roads.
  - (b) Education and Human Resources Development projects including: formal and non-formal education, manpower training and placement, public administration and human resources planning.
  - (c) Health and Population projects including: projects to reduce the rate of population growth or to foster improved health, disease prevention and environmental situation.
  - (d) 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.
- Projects receiving AID funds must be designed to have a significant impact upon the poor in the recipient country. The poor are here defined as including all those whose income falls below the 50th percentile in a country's income scale. Benefits may include direct and indirect benefits.
  - Projects promoting production and marketing of sugar, palm oil and citrus will not be financed.
  - Procurement for all projects would be limited to free world origin.

D. Initial Allocation of Project Funds

The following country allocation of Project Funds is recommended:

	(US \$ Millions)
	<u>AID Loan</u>
Guyana	5
Barbados	4
Jamaica	<u>7</u>
Total	16

Project funds will be allocated within the four AID funding categories shown below. The CDB will not be able to shift funds between categories.

(US \$ Millions)

	<u>GUY</u>	<u>BDS</u>	<u>JAM</u>	<u>Total</u>
Food and Nutrition Projects	5.0	.25	4.75	10.0
Education and Human Resources	0	2.6	0	2.6
Development				
Special Development Activities	.0	1.15	2.25	3.4
Total	<u>5.0</u>	<u>4.0</u>	<u>7.0</u>	<u>16.0</u>

E. Project Responsibilities

(a) The Caribbean Development Facility (CDF): An informal Working Group led by the World Bank will coordinate assistance provided through CDF. The Working Group will act throughout the life of the project as an informal coordinating group facilitating communication between the Caribbean Development Bank and the primary donors. Participant countries will qualify for CDF assistance through CG country subgroup reviews and Working Group approval. The Working Group provides the CDB with the results of the subgroup reviews indicating that the country is eligible for CDF assistance. In addition, the Working Group will assist the CDB to the extent necessary in obtaining from the prime donor of specific projects the documentation required for CDB subloans of AID funds.

(b) The Caribbean Development Bank (CDB): The CDB will make subloans to participating countries to finance programs of economic stabilization and growth. Proceeds of sub-loans will be used by participating countries to meet the local costs of eligible projects. The CDB will review the lists of projects proposed for financing through the CDF in order to determine the eligibility of projects for AID financing, utilizing the criteria mentioned above. Once a list of eligible projects has been developed the CDB will request the respective prime donors to provide the following for each proposed project:

( i ) a written affirmation of the economic, financial and technical feasibility of the project, together with a copy of the original loan paper or document;

( ii ) an updated financial plan showing the total cost of the project and the estimated CDF financing required for the period July 1, 1980 - September 30, 1981;

(iii) a description of the project and 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 effects on the human environment or, if a significant environmental impact was identified, that a satisfactory analysis of such effects has been prepared.

The CDB will review the updated financial monitoring of Project Funds, ensuring that all funds are utilized for the purposes as agreed between the participating country and the Bank. If appropriate, the Bank may ask the prime donor to certify project expenditure vouchers or to monitor payments itself. The CDB will disburse against vouchers presented by the participating country for expenditures on eligible projects. Such expenditures as of July 1, 1980 will qualify for reimbursement. In addition, working advances of up to 90 days will be permitted.

(c) The Prime Donor: The prime donor will be responsible for providing to the CDB the written statements mentioned above. The prime donors are responsible for monitoring the implementation of the projects.

## CHAPTER IV - PROJECT ANALYSIS

### A. Institutional Analysis: The Caribbean Development Bank

#### 1) The Institution

##### (a) 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<sup>1/</sup>. 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 non-concessional 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), 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 provision 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.

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<sup>1/</sup> - 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.

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.

(b) Organization and Administration.

The CDB Organization Chart is presented as Annex VII. 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 power 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 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 Economic and Programing. Reporting to the Director of the Projects 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 each Deputy Director are a number of Assistant Directors reporting to the Department Director

(c) Personnel.

As of October 1980 the CDB had a total staff of 190, of which 89 were professionals. All with the exception of three (3) agronomists and three (3) business advisors 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.

## 2) Financial Situation

The authorized capital of the Bank as of December 31, 1979 expressed in current dollars is \$281,616,000 comprising callable shares of \$201,315,000 and paid up shares of \$80,301,000. 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. The Charter provides in Article 12 that the Bank's liability in relation to the operation of any special fund shall be limited to resources appertaining to that special fund. Thus the full faith and credit of the Bank does not stand behind repayment of this loan.

Net income from OCR operations, after deducting the contributions to Special Reserve, amounted to \$2.354 million in current dollars for the year ended December 31, 1979, an increase of \$651,000 over 1978. The total resources of the Bank, including all funds as of December 31, 1979, amounted to \$377.6 million, an increase of \$115.9 million over the previous year. Gross approvals of loans, contingent loans, equity and grants totalled \$92.1 million in 1979, as compared with \$49.9 million in 1978. Disbursements in 1979 were \$32.2 million. Total loan approvals from 1970-79 have been \$256.4 million, of which 49.2% has been in the MDC's and 50.8% in the LDC's.

### B. Economic Analysis

The economic benefits flowing from this project derive both from the specific subprojects being funded and from the impact of the project as a whole on national economies. The macroeconomic and microeconomic benefits are outlined in the following sections.

The description of the state of the regional economy and of the three national MDC economies makes clear their vulnerable position, both internally with regard to such items as central government finances, employment, and public sector investment programs, and externally with regard to export possibilities, the balance of payments, and future terms of trade. The third AID tranche to CDF, when combined with the international assistance it facilitates, can have a significant impact on these endogenous and exogenous variables.

The first major macroeconomic impact is on public sector investment programs. The AID/CDB loan of \$5 million to Guyana, \$7 million to Jamaica, and \$4 million to Barbados will have a leveraging impact on public sector investment. Foreign

exchange components of subprojects eligible on a preliminary basis total as much as \$40.36 million in Guyana, \$20 million in Jamaica, and \$13.55 million in Barbados. This is particularly important in Jamaica, where central government resources are extremely low. Existing funds are going to pay external debt costs and thus the recently improved role of subproject progress in that country depends heavily on the provision of local cost components for its maintenance.

In addition, recent discussions with the Financial Secretary of the Ministry of Finance indicate that a government objective, as far as development projects are concerned, is to make progress in existing projects rather than initiate new ones. Thus, CDF funding assists the government to achieve one of its development targets.

The second major macroeconomic impact is the balance of payments effect. As the two countries receive dollars to finance local costs, in accordance with the provisions of the Project, the governments will have badly needed foreign exchange available for high priority imports. CDF funds will have an additional multiplier effect on the balance of payments to the extent that they enable other donors to disburse funds for local cost components of previously negotiated subprojects.

The third major macroeconomic impact will be on the prudent management of the economies of Guyana, Jamaica, and Barbados. AID's assistance must be viewed as an essential ingredient in a CG-supported stabilization and growth program for these countries and the Caribbean region. Sound policies for growth and stabilization are often politically difficult to maintain but are essential to the resumption or, in the case of Barbados, to the continuation of growth with equity. CDF funding allows the maintenance of progress in development projects that are often cornerstones of sectoral public investment programs. In addition, as countries commit themselves to policies discerned by their peers as reasonable and equitable the regional spirit of self-help is strengthened.

There are other macroeconomic benefits which flow from CDF funding. AID assistance is not inflationary while alternative internal expansions of the money supply by central banks or other elements of the banking system could well push prices upwards. Additionally, the project contributes to regional cooperation by strengthening the CDB and its relationship with the MDC's.

At the microeconomic level, each of the sub-projects supported through CDF will have been subjected to techniques for identifying and quantifying the economic costs and benefits associated with these investments. These analyses are carried out by the prime donors, usually the IBRD, IDB, or CDB. In the case of CDF, AID relies on the work done by these institutions for evidence

of the subprojects' viability. AID also, through the CDB, requires certification that the resulting flow of economic benefits will reach the target group, defined as that part of the population below the fiftieth percentile.

CDF funding is designed to maintain the rate of progress of important development projects that are part of an internationally recognized program for stability and growth. Evidence gained through interviews with project management teams and Ministry officials in Barbados and Guyana suggests that, in the absence of CDF funding under previous tranches, the various subprojects could not have proceeded as well as they have. In Jamaica, as mentioned, the severe shortage of government resources for all purposes makes the provision of CDF funding for local cost components of critical importance to success in achieving subproject objectives. Delays in subproject completion, of course, result in cost increases and delays and diminutions in the stream of benefits flowing to the target group. Internal rates of return are often lower in the earlier stages of subproject progress due to lumpiness of investment; as the subproject progresses, secondary and tertiary portions may raise benefit/cost ratios substantially. Therefore, delays in progress caused by shortages in local cost funds may well compromise the design of the entire subproject as well as affecting its impact on the target group as mentioned above.

C. Analysis of Project Design

1) AID's Regional Approach

CDF III fits into AID's regional strategy in the Caribbean. The recent provision of ESF funds and the development of the Basic Human Needs Project are aimed at arresting the short term deterioration of the social and economic situation in Caribbean countries. These monies are designed to have an immediate high impact. CDF complements this sort of funding in that it is aimed at medium to long term impact on the MDC economies and the development policies of their governments. In addition, CDF in Barbados demonstrates our continuing support for reliance on the private sector as the foundation for development.

2) The Special Need for Assistance in 1981-82

The external community has, by and large, made available to the Caribbean the financial assistance envisaged at the time of the second meeting of the Caribbean Group, held in June 1979. The FY 1981 CDSS suggests that a comprehensive development strategy in the Caribbean must address seriously the crucial problems created by oil price increases and that substantial balance of payments assistance will be required to avoid a dramatic deterioration of public and private infrastructures. Even with the projected Venezuelan/Mexican and Trinidadian oil facilities it seems clear that the FY 1981 gap will not be erased.

AID's first loan under the CDF was intended to provide local cost funding on a loan basis for prime donor - approved development projects in Caribbean countries with acceptable financial and economic self-help programs. The experience under this project led to a refining of AID's participation through the elimination of loan funding of LDC projects and the creation of the Basic Human Needs - Employment Project and the BHN Fund at the CDB.

Thus, AID's second project under CDF focussed its loan component on the MDC's of Jamaica, Guyana and Barbados and contained a grant component for the BHN Fund. Experience with CDF II has led to a further refining of the project concept. Because the need for better information on the financial status of subprojects is now understood, steps are being taken within the framework of CDF II to improve the flow of information on subproject status to the CDB and AID and this Project Paper reflects that refined understanding and those improvements.

At the present time the situation in the MDC's is developing in such a way as to make the need for CDF funding particularly acute. In Guyana, the high rate of inflation and negative growth rate have led to foreign exchange shortages and a serious decline in public sector savings and thus in funds

available for local cost portions of ongoing projects. The MMA, Tapakuma, and IBRD Education projects, which were funded under CDF II, represent leading components of the GOG's strategy in their respective sectors and, when complete, should begin to ease Guyana's economic situation. One report suggests that the Tapakuma project alone has the potential to double national rice production. Provision of badly needed foreign exchange, in addition, will help ease the severe restrictions on imports that have hampered Guyana's public and private sectors.

Therefore, the need for further CDF funding of these projects in Guyana is clear. The projects are progressing well, with substantial claims for reimbursement accumulating for submission under a third tranche. The evidence suggests that not to provide funding for the local cost component of these projects would be to significantly delay their completion and, because of the uses of local cost funds within the projects, to diminish the flow of benefits to the target group.

In Barbados the Government has adopted a development plan to attempt to maintain its record of real growth in the face of increasingly strong exogenous pressures. That plan involves public sector investment in high priority projects despite a slowdown in the rate of public sector savings. CDF III will allow international donors to continue their assistance to these projects and therefore to Barbados during this critical period of adjustment to rising oil prices, uncertain export markets, and a slowdown in the economies of the industrialized nations.

There can be little doubt of Jamaica's need for external assistance. The severity of the adjustment, concurrent with the expected agreement with the IMF, will depend in part on the level of external assistance available from other donors. In addition, the serious decline experienced by Jamaica during the last seven years magnifies the impact of the macroeconomic and microeconomic effects of the subprojects assisted under CDF III.

The government of Jamaica, as mentioned, is placing a high priority on furthering those development projects already begun. Simultaneously, however, the government is experiencing a severe shortage of revenues and thus its ability to provide local cost components is impaired. The provision of CDF funds will allow international donors to continue to carry out the important projects they have begun in Jamaica.

## CHAPTER V - IMPLEMENTATION

### A. Schedule of Events

The Project is expected to be authorized by December 1, 1980. Upon authorization, AID will advise the CDB so that it can immediately finalize its preparations for signature by December, 31, 1980. When the Agreement (or Amendments) are signed, the Bank will finalize a preliminary list of projects as a result of its initial discussions with member governments. It will then contact the primary donors to request the necessary certification on target group impact, feasibility and environmental impact for the projects each is assisting. For those projects already approved under AID's first two CDF loans to CDB, AID will require only that 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 MDC's are familiar with the procedures to be utilized, no particular difficulties are anticipated. The first disbursements under this tranche are expected by the end of the second quarter FY 1981.

### B. 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 existing accepted breakdowns of local versus foreign exchange cost, which were developed by the Bank and the prime donors. 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 cost breakdowns; the one originally agreed on between the participating country and the primary donor and a different one calculated at a later date by AID. Thus, in financing projects under the loan AID will accept the breakdown of local costs and foreign exchange costs as established by the participating country and the primary donor who is financing foreign exchange costs. 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.

While projects funded under the loan will mostly involve existing contracts, any new contracts will be let on a competitive basis. The Caribbean Development Bank will utilize its own procurement regulations, which have been approved by AID, and will determine that contract prices are reasonable before agreeing to fund a specific project.

C. Disbursement

Disbursement will be made by AID in U.S. dollars to the CDB upon presentation of a listing of eligible expenditures under approved projects. Expenditures incurred during the period July 1, 1980 to September 30, 1981, 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.

D. 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 proceedings of the reviews will provide written records of the agreements reached on the economic analysis and recommendation. 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 of whether or not to recommend donor pledges for the following year. As stated above, RDJ/C will undertake an annual review of CDF 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 in 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 socioeconomic development projects.
- Improved balance of payments. This would include improvement in the traditional indices, 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.

#### 1. 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 increase 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).

#### 2. 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 Guyana will also provide periodic updating of progress under the IMF agreement. 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.

#### E. AID Monitoring

Monitoring responsibilities for CDF are shared by several AID offices. In Washington, LAC/CAR is responsible for monitoring, evaluating and maintaining the relationship with the CGCED. 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) is responsible for monitoring the specific subprojects in coordination with the bilateral missions.

The primary focus of AID/CDB monitoring of subprojects is to assure the effectiveness of CDF inputs into those subprojects. AID relies on the highly professional staffs of the prime donors for subproject implementation and technical analysis. However, to facilitate an on-going awareness of the impact of CDF funding on the subprojects, an evaluation and monitoring plan has been worked out in negotiations with RDO/C, the bilateral Missions, and the CDB.

The focus of this plan is to improve the frequency of transmission of prime donor project monitoring reports and to improve the evaluation process through the inclusion of site visits.

Responsibilities under this agreement are as follows:

1. CDB will ensure that the prime donors (IBRD, IDB, EDF, etc.) submit project appraisal and site inspection reports to CDB, which will be available to AID on request.
2. The loan agreement between CDB and the participating governments will contain a provision specifying that the relevant Ministries will submit to CDB copies of quarterly and semester financial and progress reports which they periodically send to the prime donors. These will be available to AID on request.

3. CDB, RDO/C, and the bilateral mission when appropriate, shall participate in a semi-annual review of the subprojects, in concert with the host governments. This review will be an administrative monitoring of subproject progress and will include site visits. Negotiations with prime donors are in progress to ensure that A.I.D. and CDB staff can participate in their periodic evaluation missions.

4. AID will conduct an annual review and prepare a project synopsis with information on employment generated, basic human needs met, and other social and economic factors that are deemed important.

5. RDO/C will invite comments from the bilateral missions on new projects being funded under CDF activities and will provide them with appropriate project and subproject information as necessary.

This evaluation and monitoring plan is the result of the refined awareness of the problems associated with implementation of CDF-type funding in the MDC's. In addition, a team of IBRD consultants is now working with the government of Jamaica to improve the disbursement system for all external assistance funds, CDF included. The experience of two previous tranches has led to an optimal monitoring structure that involves the participating organizations in a highly collaborative and activist manner.



## CARIBBEAN DEVELOPMENT BANK

P.O. Box 408, Wilkey  
St. Michael, Barbados, W.I.  
Telephone: 61152 Cable Address: "Caribank," Telex WB 2287.

31st October, 1980

Mr. William Wheeler,  
Director,  
United States Agency for  
International Development,  
Regional Development Office/Caribbean,  
P.O. Box 302,  
BRIDGETOWN

Dear Mr. Wheeler,

### Request for Third Loan Under Caribbean Development Facility

Please refer to the discussions which you and Mr. Ryner of your office had with CDB's Vice-President & General Counsel, Mr. Neville Nicholls, at a meeting held at CDB's Headquarters on October 21, 1980.

During those discussions, as you are aware, the opportunity was taken to review the progress made during the past year on CDF-financed projects in Barbados, Guyana and Jamaica and the reporting and monitoring arrangements in respect of those projects. The question of the interest spread available to CDB under the CDF loans was also discussed.

As in the case of the first CDF loan, CDB is satisfied that the resources made available to MDCs have provided some measure of support to them in easing their fiscal and balance of payments problems and made it easier for these countries to institute economic policy reforms recommended by the CGCED.

At its June 1980 Meeting in Washington, the CGCED indicated that the participating MDCs are in need of further CDF-type assistance and accordingly, the CDB hereby requests a further loan of up to US\$16 million to enable these countries to continue the funding of high priority projects, all of which will have a significant impact on the poor.

During the discussions referred to above, consideration was also given to the kind of CDF assistance that would best serve the needs of the CARICOM LDCs and it was indicated to you that there was still an urgent need in the Windward Islands for resources on the most concessional terms possible to help meet the cost of reconstruction after the damage done by recent hurricanes.

Mr. William Wheeler

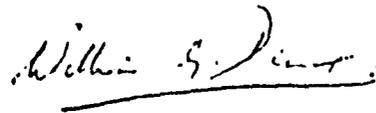
31st October, 1980

Accordingly, CDB also requests a grant of US\$4 million for financing high priority economic and social development projects in the CARICOM LDCs including, but not limited to, hurricane reconstruction projects.

Finally, with regard to the reporting and monitoring arrangements for CDF-financed projects and the interest spread available to CDB under CDF loans, I am pleased to confirm the following:

- (a) CDB is willing to take part with USAID in semi-annual country reviews with site visits to CDF-financed projects. These would not be technical supervision visits (which would continue to be the responsibility of Prime Donors) but would enable CDB and USAID to monitor more effectively the progress on CDF-financed projects;
- (b) CDB would request the borrowing Governments for CDF-financed projects to provide CDB with copies of periodic progress reports from Consultants which are sent by the Governments to the Prime Donors;
- (c) CDB would continue to obtain from Prime Donors their supervision reports on CDF-financed projects;
- (d) CDB would wish to use any interest spread available under a future CDF Loan for the same purposes as those set out in Section 6.5 of the Project Loan Agreement Amendment Number One between CDB and USAID dated December 19, 1979.

Yours sincerely,



William G. Demas  
President

STATUTORY CHECKLIST

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)?  
Project is included in 1981 Congressional Presentation.
2. FAA Sec. 611 (a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?  
Yes.
3. FAA Sec. 611 (a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?  
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 associations; (d) discourage monopolistic practices; (e) 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 support for various sub-projects will, in effect, leverage other donor foreign exchange expenditures which, in part, will finance U.S. goods and services.
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? No.

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 productivity and income of rural poor; (103A) is for agricultural 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 development projects, all sponsored by external donors such as the World Bank, the IDB, etc. Therefore the \$16 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 recipient 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"?

f. FAA Sec. 281 (b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilize 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)

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

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

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?

NA.

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.

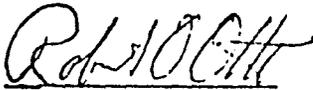
ENVIRONMENTAL THRESHOLD DECISION

LAC/DR-IEE-81-3

PROJECT LOCATION: : Caribbean Regional  
PROJECT TITLE AND NUMBER: : Caribbean Development Facility III  
538-0045  
FUNDING : \$16,000,000  
LIFE OF PROJECT: : July 1, 1980 - December 31, 1981  
IEE PREPARED BY : M. S. Waldman, Capital Projects Development  
Officer  
MISSION/OFFICE RECOMMENDATION: Negative Determination

Pursuant to the authority vested in me by 22 CFR Part 216.3 (a) (2)  
Environmental Procedures, I have reviewed the project described above.  
My finding is indicated below.

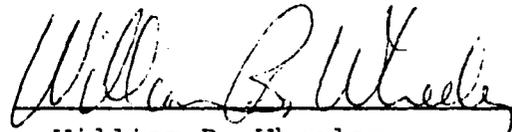
THRESHOLD DECISION : *Concurrence*  
ACTION REQUIRED : *File*

  
Robert O. Otto      19 Nov 80  
Date  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Caribbean Regional  
Project Title : Caribbean Development Facility III  
(538-0045)  
Funding : FY 1981 - \$9 million loan  
Life of Project : One year  
Environmental Action Recommended:

The Caribbean Development Bank (CDB) will obtain from the prime donors to new projects either a determination that the projects have no reasonably foreseeable adverse effects on the human environment, or a satisfactory analysis of the projects environmental impact.



William B. Wheeler  
AID Representative

Date: 11/6/80

## I. Description of the Project

The purpose of this AID project is to support the Caribbean Development Facility (CDF) and enable the countries of Barbados and Guyana 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. Barbados and Guyana are undergoing a critical period of economic adjustment. Because their governments 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.

Under this project AID will lend \$9 million in development assistance funds to the Caribbean Development Bank (CDB) for relending to eligible countries for selected socioeconomic development projects. The CDF Working Group (made up of representatives of the IBRD, IMF, IDB and CDB) has determined the eligibility of Barbados and Guyana 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 remains 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 foreseeable 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 III will already have undergone this procedure, the CDB will require only an updated financial plan for continuing projects.

The subproject activities include: water conservation and irrigation; school construction and rehabilitation; sewerage construction; and fisheries construction. These subprojects will have negligible environmental implications. On some

subprojects, such as MMA in Guyana, the prime donors (in this case the IDB) are carrying out extensive ongoing environmental surveys to assure minimal environmental disturbance. In the long run, the completed subprojects will provide environmental benefits through improved controls of storm drainage discharges, flood control, and 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 new subprojects under this program as they are submitted for approval and financing. Also, as part of the overall project management provisions, semiannual 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 is to contribute the resources necessary to finance the local costs of externally supported projects in recipient countries' investment programs. The principal role in design and implementation will rest with the CDB, the Prime Donors and the Participating Countries.

As previously noted, the CDB will obtain from the prime donor for new projects, 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.

#### 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

<u>Impact Areas &amp; Sub-areas</u>	<u>Impact Identification &amp; Evaluation</u>
<b>A. LAND USE</b>	
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>B. WATER QUALITY</b>	
(1) Physical state of water	N
(2) Chemical and biological states	N
(3) Ecological balance	N
(4) Other Factors	
<b>C. ATMOSPHERIC</b>	
(1) Air Additives	N
(2) Air Pollution	N
(3) Noise Pollution	N
(4) Other Factors	
<b>D. NATURAL RESOURCES</b>	
(1) Diversion, altered use of water	N
(2) Irreversible, inefficient commitments	N
(3) Other Factors	
<b>E. CULTURAL</b>	
(1) Altering physical symbols	N
(2) Dilution of cultural traditions	N
(3) Other Factors	
<b>F. SOCIOECONOMIC</b>	
(1) Changes in economic/employment patterns	L
(2) Changes in population	L
(3) Changes in cultural patterns	N
(4) Other Factors	

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<u>Impact Areas &amp; Sub-areas</u>	<u>Impact Identification &amp; Evaluation</u>
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)	N

Legend

N - NONE  
L - LITTLE

DRAFT PROJECT AUTHORIZATION

Caribbean Development Bank

Caribbean Development

Facility III Project Number: 538-0045

1. Pursuant to Sections 103-106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Caribbean Development Facility III Project for the Caribbean Development Bank ("Bank") involving planned obligations of not to exceed nine million dollars (\$9,000,000) 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 Projects No. 538-0023 and 538-0040, the proceeds of which will be relent by the Bank to assist the governments of Barbados and Guyana to maintain adequate levels of development investment by providing resources needed to finance essential socioeconomic development projects of participating countries 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 the Agreement is signed.
3. The Project Agreement 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.

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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 300 on the condition that the suppliers provide a written certification as to nonavailability 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 Working Group of 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.

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**e.** Covenants of the Bank

Except as A.I.D. may otherwise agree in writing, the Bank shall covenant (i) 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.

**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.

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ADMINISTRATOR

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DATE

COUNTRY: Guyana  
PROJECT: Tapakuma Irrigation  
FUNDING CATEGORY: FN  
PRIME DONOR: IBRD  
LOAN AGREEMENT DATE: 12/79  
REVISED COMPLETION DATE: 6/83  
CDF Disbursements:  
FIRST TRANCHE (7/78 - 9/79): \$1,963,197 (actual)  
SECOND TRANCHE (10/79 - 9/80): \$1,525,000 (actual)

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 total project cost is US\$45.7 million, up 146% over the appraisal estimate of US\$18.5 million. This has been caused by price increases aggravated by resource shortages and contractual problems.

Reid and Mallik, the British contractors for the first segment of the project, have been granted an extension to May 1981. It appears doubtful that they will meet this date, and litigation seems likely. They say they are pulling out of the project on that date whether or not their work is finished. This has been their first major overseas contract, and they are experiencing cash flow problems and have asked for the suspension of repayment of their mobilization advance. The 4%/month target for construction work has not been met, with progress occurring at a rate of 2%.

The scope of this contract has been narrowed; secondary works have been eliminated or shifted into the category of local costs. This is partially due to cost increases and also to shortages of skilled and unskilled labor. Work on the contract is now about 70% complete. Discussions between Reid & Mallik, Government of Guyana and the British High Commissioner have been held, but this problem remains unresolved.

The second contract has been let to Taylor & Woodrow, a more experienced firm, and is in the early stages. Excavation is beginning in the primary conservancy area. The Chief Hydraulic Officer has been "reasonably pleased" with Taylor & Woodrow's work. In this contract too, the secondary works have been eliminated, but estimates (made by the engineers) of secondary benefit shortfalls are about 15%.

Problems are expected in the area of skilled personnel, especially as the MMA project gears up. Many of the workers live near Berbice, and MMA is closer than Tapakuma. Nevertheless, the resident engineers see no special reasons why Contract 2 should not proceed on schedule, being completed some time in 1983.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IBRD	12.9	-	12.9
GOG/CDF	-	18.8	18.8
U.K. (Overseas Dev. Ministry)	6.0	-	6.0
OPEC	4.0	-	4.0
CDB	4.0	-	4.0
Total Project Cost			<u>45.7</u> =====

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)	\$2,975,000 (Actual)

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/soy bean 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

The MMA project has been divided into three phases, each involving the control of one of the three rivers. Phase I Stage 1 involved the control of the Abary River. The primary conservancy work was 53 percent complete in June 1980 and is projected to be complete in 1983; with adequate local financing the secondary irrigation works can be finished by 1984 or early 1985.\*

Initial construction delays have occurred due to spot cement shortages, poor workmanship, and shortages of skilled and professional labor. These have been overcome for now, one sub-contractor has been fired, and Phase I is on schedule.

\* Flood control is expected to be effective by the end of this year.

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The second stage of the Abary River part of the project is in the site mobilization stage and is proceeding at unusual speed. Houses, storage facilities, and workshops are being built and surveys carried out. Supplies and equipment are entering the country smoothly and without delay. Environmental impact surveys are being conducted, a Project Data Base for the Abary River phase has been constructed and a revised analysis of the benefits from paddy production as a result of the project has been completed. The contractors have an extremely positive attitude and are accomplishing more work than most observers thought possible. The national shortages of skilled and professional labor, however, may be expected to plague the project during its timespan.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IDB	49.5	-	49.5
GOG/CDF	0.47	22.63	<u>23.1</u>
Total Project Cost			<u>72.6<sup>1/</sup></u> =====

<sup>1/</sup> - 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
ESTIMATED COMPLETION DATE:	6/82
CDF DISBURSEMENTS:	
FIRST TRANCHE ( 7/79 - 9/79):	\$149,344
SECOND TRANCHE (10/79 - 9/80):	\$500,000

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 favourably on the rural poor farming class in the medium-to-long term.

B. Project Implementation

Delays in this project have occurred due to a lack of availability of steel and cement, changes in the structural design of several schools, and the weather. All the previously constructed schools, both new (3) and extensions (7), are now under construction and are 45 to 50% complete. Contracts for 10 more are now being negotiated. The concept of a rural training center is being rethought due to cost escalations, as is the Animal Health Training Center. Current construction is being slowed by shortages of certain lengths of heavy boards. Those schools under construction are proceeding aggressively. The contractors and project manager feel that shortages of local cost funds are now the greatest potential barrier to timely completion of the project.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IBRD	9.4	2.6	12.0
GOG/CDF	-	6.9	<u>6.9</u>
Total Project Cost			18.9 =====

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

SECOND TRANCHE (10/79 - 9/80): \$894,000 (Actual)

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 37,000 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. The first contract for constructing the sewage treatment plant will be finished November 1980, one month behind schedule. The pump station will be done in April 1981 rather than October 1980 and will be \$.5 million over budget, due to a lack of soil surveys at the initial site. Work under the second contract for the ocean outfall was completed on schedule in December 1979. A third contract, for the sanitary sewer system, was let in mid-September 1979. 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. Work on the third contract, the sewers, was 40% complete in August of 1980 and will be complete in June of 1981.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IDB	12.060	.200	12.260
GOB/CDF	4.173	3.483	<u>7.656</u>
Total Project Cost			<u>19.916</u> =====

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):	None	(Actual)

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)

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

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IDB	12.060	.200	12.260
GOB/CDF	4.173	3.483	7.656
			<hr/>
	Total Project Cost		19.916

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):	\$196,000	(Actual)

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)

	<u>FX</u>	<u>LC</u>	<u>Total</u>
IDP	4.330	2.270	6.6
GOB/CDF	0.075	3.925	4.0
Total Project Cost			<u>10.6</u>

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 DISBURSMENTS:  
FIRST TRANCHE (7/78 - 9/79): None (Actual)  
SECOND TRANCHE (10/79 - 9/80): None (Actual)

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.

<u>C. Project Financing</u>	(millions of dollars)		
	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IDF	1.612	-	1.612*
GGH/CDF		.868	<u>.868*</u>
			2.480

\*based on 65%/35% estimated breakdown

COUNTRY: Barbados  
PROJECT: First Education  
FUNDING CATEGORY: EH  
PRIME DONOR: IBRD  
LOAN AGREEMENT DATE: 12/78  
ORIGINAL COMPLETION DATE: 12/82  
CDF DISBURSEMENTS:  
FIRST TRANCHE (7/78 - 9/79): None (Actual)  
SECOND TRANCHE (10/79 - 9/80): \$147,000 (Actual)

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

Site acquisition and design standardization problems have been overcome and construction on two schools has begun. Construction on 5, 3, and 2 more is expected to begin in the 1st, 2nd and 3rd quarters of 1981, respectively.

A construction boom on the island is limiting the number of bids received and spot cement shortages caused delays from time to time. One other problem is the need for an additional engineer to handle the output of the projects' three architects. The December 1982 completion date is thus viewed as possible but not likely. An engineer is being sought, and this bottleneck is expected to be removed in the near future.

It appears likely that increasing input costs will drive up the local cost portion of the project. Disbursement procedures between the project and the MOE are being streamlined to speed up the process.

C. Project Financing

(millions of dollars)

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

Country: Jamaica  
 Project: Secondary Main and Parish Council Roads  
 Funding Category: FR  
 Prime Donor: IDB  
 Loan Agreement Date: 4/76  
 Original Completion Date: 4/78  
 Revised Completion Date: 4/80  
 Revised Completion Date: 3/81  
 CDF Disbursements:

CDF I (actual): 0  
 CDF II (to date): \$46,000

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 rural areas, the project now provides for only 46 miles of secondary road. Only one contractor is available to do the road work and his time is shared with other projects which he has on the island. In addition, the first contractor defaulted; poor sub-base materials required an alteration in routing, and shortages of cement and aggregate have delayed the road construction.

C. Project Financing

(millions of dollars)

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

Country: Jamaica  
Project: Second Population  
Funding Category: PN  
Prime Donor: IBRD  
Loan Agreement Date: 6/76  
Original Completion Date: 6/80

## CDF Disbursements:

CDF I (actual): \$1,575,000

CDF II (to date): \$348,000

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 65 mid-wives and 1,327 health aides. 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 ImplementationSecond Population

Due to the revised completion date, December 31, 1981, this project will exceed the original project outputs. To date thirty-four health centers have been completed, fourteen are under construction, and nine are in various stages of development. In addition, a fifty-eighth site has been made available by UDC in a flood area. All of the vehicles and most of the furniture have been received; and special equipment has been ordered and shipped from overseas. The number of graduates from the mid-wife and health aides training programs will exceed the original projections. Post-Partum family planning services have been expanded in fourteen hospitals and plans for expanding eight more are being made. The original number of post-partum services to be expanded was seventeen. Most of the printed and AV materials for the nutrition education component of the project have been prepared and the planning and evaluation unit continues to recruit the full complement of staff and consultants.

Country: Jamaica

Project: Parish Retail Markets Reconstruction

Funding Category: FR

Prime Donor: IDB

Loan Agreement Date: 10/79 (Anticipated)

Original Completion Date: 10/83 (Anticipated)

Estimated Completion Date: 10/84

CDF Disbursements:

CDF I (actual): 0

CDF II (To date): 0

A. Project Description:

One of the principal elements in the GOJ's recently established national marketing 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

This project is in the initial stages. Borrower plans to have all CP documentation to effectiveness met by the terminal date of 9/30/80; project construction will begin in May '81; and technical assistance will begin in October '81.

Due to the delay in signing the loan Agreement, this project has not used any CDF Funds. Some limited disbursements are possible for local costs for design work of up to \$200,000 (J\$273,000) by 12/80. Discussions further pointed out that there is poor coordination in the use of CDF within GOJ.

C. Project Financing

	(millions of dollars)		
	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IDB	6.0	1.0	7.0
GOJ/CDF	-	3.0	3.0
Total Project Cost			10.0

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

Revised Completion Date: 6/81

CDF Disbursements:

CDF I (actual): 0

CDF II (To date): 0

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

Contractors have completed virtually all of the project's major structures including the pumping stations, reservoirs, and piping. All fields are complete except for a small section servicing an area east of Montego Bay. This section should be in service by November 1980. Two additional contracts have been awarded to upgrade the primary distribution system by installing a ringmain around Montego Bay City and by adding two more reservoirs. Work on the secondary distribution system to the low income families residing within the boundaries of the project continues with 5,604 ft. of pipe left to lay.

The entire main system should be finished and in operation by February 1981. Difficulties and delays have been attributed to licensing, letters of credit and foreign exchange, delivery of spare parts and valves from abroad, and shortages of materials and supplies in Jamaica. It was pointed out by the MIA that this project was started in 1977 and will, therefore, not exceed the four year limitation with the revised completion date in June 1981.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IDB	9.8	2.2	12.0
COJ/CDI	-	8.0	<u>8.0</u>
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:

CDF I	(actual) :	N/A
CDF II	(To date):	0

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 trunks 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

Construction has not been initiated; first tender for transmission line construction and distributing lines closes in October with construction to begin in February or March 1981; most major supply contracts (e.g. pipes, valves) have been awarded and I/C's opened; project is approximately 3 months behind schedule but may be made up, therefore, no change in final completion date. NWA has not requested reimbursements under CDF but will before December for costs of engineering design works of up to \$600,000.

Major problem with CDF use is total lack of communication between the Ministry of Finance and NWA; close cooperation would have resulted in earlier requests for disbursements. All expenditures to date have been in local currency which are CDF eligible.

A total of nine construction contracts will be awarded, in addition to three (3) material contracts.

C. Project Financing

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

Country:	Jamaica
Project:	First Rural Development
Funding Category:	PN
Prime Donor:	IBRD
Loan Agreement Date:	6/77
Original Completion Date:	12/80
Revised Completion Date:	12/82

## CDF Disbursements:

CDF I	(actual):	\$1,880,000
CDF II	(To date):	\$1,684,000

A. Project Description

The project provides for the establishment of nine Agricultural Settlements in the western region of Jamaica for 1,400 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. Provision 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 per cent 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 per cent. 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 for these low income families.

B. Project Implementation(1) Agricultural Settlements

The acquisition of one of the original nine settlements has been cancelled; however, development plans for all but three of the remaining sites have been updated and finalized. Surveying and subdivision continues

on four of the settlements and plots of land are now being allocated on six. Two hundred forty-eight farmers have been placed to date and one hundred fifty-eight farm houses are under construction. Road and farm house construction have been delayed due to shortages of materials, escalating costs, and heavy rainfall. As a result, adjustments are being made by reducing the size of the farm houses and by reducing the mileage as well as the quality of the roads. Water supply and sewerage systems are being reviewed and scaled-down to offset project cost overruns. The Ministry is in the process of re-examining and redesigning the project in order to determine what can be accomplished within the original scope.

In addition to shortages of materials/supplies and cost increase, delays in the rate of implementation are also attributed to sporadic hostility and violence on project settlement sites, especially from squatters who have been displaced, people who have not been chosen for placement, and from people seeking employment.

## (2) Regional Infrastructure

- Approximately 49 of the original 68 miles of access village and farm roads are in various stages of construction; adjustments have been made to increase the miles of farm roads and tracks from 40 to 63 miles.

- Three of the rural markets have been constructed, three are under construction, two are designed, and a plot must be identified for the last one. The nine markets are intended to accommodate 3,000 vendors and serve an estimated 50,000 families.

- Construction on the water supply systems continue with the assistance of the National Water Authority (NWA). One of the settlements has water; four others are still under construction. Original plans to tap into NWA's ongoing projects have been altered, therefore, additional costs will be incurred for this component of the project.

- Approximately 3,400 concrete latrines have been constructed which is 57% of the target.

## (3) Decentralization of the Ministry of Agriculture

The Ministry of Agriculture has been reorganized according to plan and construction is in progress on eight houses and six offices. These buildings are located on each of the nine sites. One house and one office have been completed and are being used by the extension staff.

Country: Jamaica  
Project: Second Education  
Funding Category: III  
Prime Donor: IBRD  
Loan Agreement Date: 3/71  
Original Completion Date: 6/75  
Revised Completion Date: 3/80  
Revised Completion Date: 12/80  
CDF Disbursements:

CDF I (actual): \$801,000

CDF II (to date): 0

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

All of the schools are completed and operational. Some equipment is still on order but should arrive before the revised completion date in December 1980. At this time, the project is in the implementation stage. Preliminary discussions have been held with IBRD officials concerning a third education project with emphasis at the tertiary level.

C. Project Financing <sup>1/</sup>

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IBRD	8,5	6,5	15,0
GOJ/CDF	-	16,4	<u>16,4</u>
	Total Project Cost		31,4

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

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:

CDF I (actual): \$3,612  
CDF II (to date): \$1,311,000

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 cash flow projections developed under the farm plans.

B. Project Implementation

A unit has been established within the Jamaica Development Bank to implement this project. In addition to the central office in Kingston, there are 13 parish offices staffed with a manager, an assistant, an extension officer, and a loan recovery officer. The project is on target as 2,259 sub-loans have been committed and all the remaining funds should be committed by the terminal commitment date in December, 1980. Arrears on sub-loans have increased to 14.9%; a special committee has been appointed to review this problem. The "Socio-economic Evaluation Report" dated September 1980, concludes that the loan problem has had a positive impact on its beneficiaries, a multiplier effect, and a marked improvement in terms of production and income.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IDB	3,070	2,930	6,000
GOJ/CDF	-	3,000	<u>3,000</u>
	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  
 Revised Completion Date: 6/82

CDF Disbursements:

CDF I	(actual):	\$2,000,000
CDF II	To date :	\$620,000

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

The Sites and Services Division of the Ministry of Construction is responsible for the implementation of the project. Sites are being developed in Kingston (Nannyville, Hunts Bay I & II, and Marcus Garvey) Montego Bay and Spanish Town. The project has been adversely affected by rapid cost increases in construction materials, particularly cement. As a result, the IBRD and the Ministry are reviewing several modifications in the project design to reduce costs. These include for the three sites yet to be completed (Montego Bay, Marcus Garvey, and Hunts Bay II) reduction or elimination of the provision of construction materials sufficient to complete the basic core unit to families, elimination of the availability of project-financed credit for core unit expansion, and reduction of the time each family is given to complete the basic core unit and move in to the house (from two years to six months). These design changes are still under review by IBRD. In addition, IBRD is examining a reduction in its percentage contribution of eligible project costs from 54 percent to around 30 percent to retain IBRD participation in the project until its completion. A decision on this problem has been pending for over six months.

Applications from low income families for the core units continue to exceed the number available. Out of 5,485 completed core unit sites, 968 self-help houses are finished and occupied, 165 are incomplete and occupied and 576 are under construction. All lots on the six sites will be allocated and community facilities should be constructed by December 1981 to ensure project completion by June 1982. Problems which have affected project implementation include, tremendous cost escalations and inflation, violence on some sites, and decisions to modify the project to effect certain cost economies. To date the project has been a successful attempt to provide low-cost housing on a self-help basis. The design modifications discussed above, however, will place additional financial strain on low income families by forcing them to go into higher debt to acquire construction materials without project financing.

Country: Jamaica  
 Project: Fourth Highway  
 Funding Category: FN  
 Prime Donor: IBRD  
 Lona Agreement Date: 7/79  
 Original Completion Date: 9/82

CDF Disbursements:

CDF I (actual): N/A  
 CDF II (to date): 0

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 Works (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

The MOW began awarding contracts for the first phase of this project in March 1980. To date, four contracts have been awarded for 40 miles of roads. The first three contractors have completed 12 miles out of 22 miles and the fourth will begin in the near future. Problems and delays have been caused by acute shortages of materials e.g. aggregate, by administrative and procedural delays in equipment and spare part procurement, and by contractor's availability. As a result, the project is fifteen months behind schedule, and the MOW is currently reviewing the entire project to redefine and revise the scope. Project reassessment is scheduled for completion in October 1980. Indications are that the mileage programmed for new asphalt overlay work will be reduced and that the savings from the reduction will be used to do more resurfacing of existing roads.

The project's impact on employment has been high during the preparatory work phase. In terms of the ROM, the full complement for technical assistance will be on board in October 1981 and training for HOW personnel in the Road Maintenance Program has begun.

C. Project Financing

(millions of dollars)

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
IBRD	16.0	-	16.0
GOJ/CDP	-	7.3	<u>7.3</u> <sup>1/</sup>
Total Project Cost			23.3

<sup>1/</sup> The loan agreement also requires the GOJ to finance recurrent expenditures under the Program estimated at 3653 million, equivalent to U.S.\$20.6 million.

## PROJECT DESIGN SUMMARY

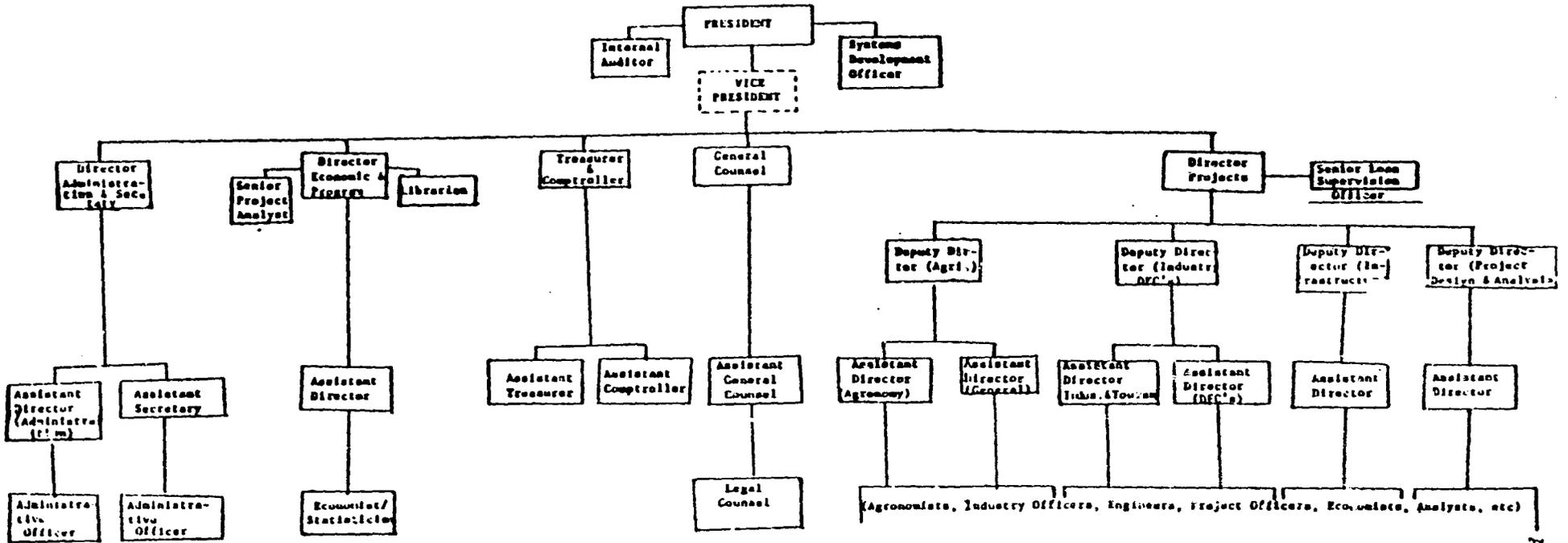
## LOGICAL FRAMEWORK

Life of Project:  
From FY 1981 to FY 1982  
Total U.S. Funding: \$9 million  
Date Prepared: 10/31/80

Project Title & Number: Caribbean Development Facility (No. 538-0045)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	IMPORTANT ASSUMPTIONS														
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>GOAL: To achieve long-term economic growth with equity in the Caribbean Region.</p>	<p>Measures of Goal Achievement: (REAL) - 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 acceptable distribution of national wealth.</p>	<ul style="list-style-type: none"> <li>- National accounts and other statistics compiled by governments of participating countries.</li> <li>- Caribbean Group Summary of Proceedings and 23 country economic memoranda.</li> <li>- IMF and IFRD documents.</li> <li>- Records and statements of participating governments policy decisions/actions.</li> </ul>	<p>Assumptions for achieving goal targets:</p> <ul style="list-style-type: none"> <li>- No new substantial unanticipated 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).</li> <li>- National governments will pursue economic policies and self-help measures to which they have committed themselves in the Caribbean Group.</li> </ul>														
<p>Project Purpose:</p> <p>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.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ul style="list-style-type: none"> <li>- Increases in development investment by participating English-speaking Caribbean countries totaling more than \$53 million between October 1, 1980 and September 30, 1981.</li> <li>- Disbursement of \$16 million of AID funds to eligible development projects resulting in the acceleration of implementation of those projects during the same period.</li> </ul>	<ul style="list-style-type: none"> <li>- National government statistics, records</li> <li>- IFRD/CDF documents</li> <li>- AID and CDB records (e.g. sub-loans portfolio)</li> <li>- Prime donor documents (e.g. project evaluations)</li> </ul>	<p>Assumptions for achieving purpose:</p> <ul style="list-style-type: none"> <li>- Contributions to CDF by other donor countries will be forthcoming</li> <li>- CDB will meet CPs.</li> <li>- Prime donors will provide necessary certifications to CDB.</li> </ul>														
<p>Outputs: (Year 1)</p> <p>1. Subloans by the Caribbean Development Bank to qualified member countries in the following approximate amounts: (\$ 16 millions) (a) Barbados \$4; (b) Guyana - \$5 (c) Jamaica - \$7</p> <p>2.. Of the implementation of external donor-assisted development projects in participating CDB member countries between July 1, 1980 and September 30, 1981.</p>	<p>Magnitude of Outputs:</p> <ul style="list-style-type: none"> <li>- \$16 million of AID loan funds disbursed to Participating Countries for eligible sub-projects by 9/30/81.</li> </ul> <p>Jamaica - \$7</p>	<ul style="list-style-type: none"> <li>- AID and CDB records (e.g. sub-loan portfolio)</li> <li>- Prime donor documents (e.g. project evaluations)</li> </ul>	<p>Assumptions for achieving outputs:</p> <ul style="list-style-type: none"> <li>- Prime donors will provide necessary certifications to CDB.</li> <li>- Prime donors will continue to implement AID-supported projects.</li> </ul>														
<p>Inputs: (Year 1)</p> <p>\$9 million of development assistance funds allocated (by account) as follows:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right; border-bottom: 1px solid black;">\$ millions</th> </tr> </thead> <tbody> <tr> <td>Food &amp; Nutrition</td> <td style="text-align: right;">10.0</td> </tr> <tr> <td>Education</td> <td style="text-align: right;">2.6</td> </tr> <tr> <td>Population</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Special Development Act.</td> <td style="text-align: right;">3.4</td> </tr> <tr> <td>Health</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">16.0</td> </tr> </tbody> </table>		\$ millions	Food & Nutrition	10.0	Education	2.6	Population	-	Special Development Act.	3.4	Health	-	Total	16.0	<p>Implementation Target (Type and Quantity)</p>		<p>Assumptions for providing inputs:</p>
	\$ millions																
Food & Nutrition	10.0																
Education	2.6																
Population	-																
Special Development Act.	3.4																
Health	-																
Total	16.0																

**CARIBBEAN DEVELOPMENT BANK**  
**DEPARTMENTAL ORGANIZATION**  
 (Professional Staff)



PROJECTED DISBURSEMENTS

BARBADOS

Previously		(US\$)			
IERD Education (EDN)	Quarter	LC	FX	TOTAL	
1980	4	378,630	512,439	891,069	
1981	1	674,610	868,999	1,543,609	
	2	1,311,285	1,431,228	2,742,513	
	3	<u>1,046,746</u>	<u>1,234,508</u>	<u>2,280,954</u>	
<b>TOTAL</b>		<u>3,411,271</u>	<u>4,046,874</u>	<u>7,458,145</u>	
Samuel Jackman Prescod Polytechnic					
1980	4	250,746	352,836	603,582	
1981	1	261,194	378,980	640,174	
	2	261,194	703,085	964,279	
	3	<u>261,194</u>	<u>714,801</u>	<u>975,995</u>	
<b>TOTAL</b>		<u>1,034,328</u>	<u>2,149,701</u>	<u>3,184,030</u>	
Oistins Fisheries (F&N)					
1980	4	-	-	-	
1981	1	248,756	298,507	547,264	
	2	283,582	360,697	644,279	
	3	<u>99,502</u>	<u>248,756</u>	<u>348,259</u>	
<b>TOTAL</b>		<u>631,841</u>	<u>907,960</u>	<u>1,539,801</u>	
Bridgetown Sanitary Sewerage (SDA)					
1980	4	604,478	1,410,448	2,014,925	
1981	1	<u>464,677</u>	<u>1,194,030</u>	<u>1,658,706</u>	
<b>TOTAL</b>		<u>1,069,155</u>	<u>2,604,478</u>	<u>2,673,631</u>	
ALSO SUGGESTED:					
Haywoods Holiday Village					
	Quarter	LC		FX	TOTAL
		GOB	CDF		
(SDA)	10/1/80-9/30/81	881,841	903,085	1,590,716	3,375,642
Polyclinics (H&P)					
1980	4	489,639	292,538	782,177	
1981	1	182,167	351,900	534,067	
	2	589,348	555,372	1,144,720	
	3	<u>447,756</u>	<u>395,968</u>	<u>843,724</u>	
<b>TOTAL</b>		<u>1,708,910</u>	<u>1,595,778</u>	<u>3,304,688</u>	
Barbados Marketing Corporation Relocation & Expansion (F&N)					
1980	4	37,313	-	37,313	
1981	1	37,313	-	37,313	
	2	111,940	49,751	161,692	
	3	<u>184,710</u>	<u>218,905</u>	<u>402,985</u>	
		370,640	268,656	639,303	
Central Agronomic Research Laboratory (F&N)					
1980	4	24,876	-	24,876	
1981	1	24,876	-	24,876	
	2	86,070	91,940	178,010	
	3	<u>255,552</u>	<u>345,970</u>	<u>601,493</u>	
<b>TOTAL</b>		<u>391,444</u>	<u>437,920</u>	<u>829,355</u>	

GUYANA

Previously Funded:

		(US\$)			
Tapakuma Irrigation (F&N)	quarter	LC		FX	Total
		GOB	CDF		
1980	4	291,374	180,000	4,977,443	5,438,822
1981	1	156,862	784,313	1,362,814	2,323,969
	2	549,019	784,313	1,019,607	2,352,939
	3	<u>549,019</u>	<u>784,313</u>	<u>1,019,607</u>	<u>2,352,939</u>
<b>Total</b>		<u>1,536,274</u>	<u>2,532,939</u>	<u>8,399,476</u>	<u>12,468,639</u>
Mahaica/Mahaicony/Abary (F&N)					
	Serester	LC		FX	Total
1980-2		5,000,000		3,000,000	8,000,000
1981-1		4,000,000		8,000,000	12,000,000
1981-Qtr 3*		<u>2,000,000</u>		<u>4,000,000</u>	<u>6,000,000</u>
<b>Total</b>		<u>11,000,000</u>		<u>15,000,000</u>	<u>26,000,000</u>

\* 50% of 2nd Semester figure

IBRD Education (EDN)		(US\$)			
1980-Qtr 4	1981-1-3*	Total	LC	FX	Total
			428,423	486,698	915,122
			<u>3,545,785</u>	<u>3,503,327</u>	<u>7,048,812</u>
<b>Total</b>			<u>3,974,208</u>	<u>3,989,725</u>	<u>7,963,914</u>

\* 75% of global 1981 figure

ALSO SUGGESTED:

Essequibo Sea Defence (S.D.A.)		(US\$)			
1980-Qtr 4*	1981-1-3**	Total	LC	FX	Total
			960,784	627,450	1,588,233
			<u>2,882,353</u>	<u>1,111,763</u>	<u>3,994,116</u>
<b>Total</b>			<u>3,843,137</u>	<u>1,739,213</u>	<u>4,582,350</u>

\* 25% of 1980 global figure  
\*\* 75% of 1981 global figure

Upper Demerara Forestry (F&N)		(US\$)			
1980* Qtr 4	1981** 1-3	Total	LC	FX	Total
			254,902	2,431,372	2,686,274
			<u>941,176</u>	<u>4,000,000</u>	<u>4,941,176</u>
<b>Total</b>			<u>1,196,078</u>	<u>6,431,372</u>	<u>7,627,451</u>

\* same as above  
\*\* same as above

Projected Subproject Total Local Cost Disbursements by Functional Category

	FY 81	H & P	F & N	EDN	SDA	TOTAL
Guyana	-	-	14,729,017	3,974,208	3,843,137	22,546,362
Barbados	1,708,910	1,353,925	4,445,599	1,972,240	9,520,674	
<b>TOTAL</b>	<u>1,708,910</u>	<u>1,353,925</u>	<u>16,122,942</u>	<u>9,419,807</u>	<u>5,815,377</u>	<u>32,067,036</u>

Jamaica - Local Currency Projections

CY 1981 (US \$ '000)

Previously Funded CDF Projects

	<u>QUARTER</u>	
First Rural Development	1	727
	2	1,308
	3	2,254
	4	<u>2,983</u>
	Total	<u>7,272</u>
Self-Supporting Farmer	1	780
	2	855
	3	715
	4	<u>665</u>
	Total	<u>3,015</u>
Montego Bay/Falmonth Water	1	715
	2	650
	3	-
	4	-
	Total	<u>1,385</u>
Mandeville Water	1	665
	2	670
	3	675
	4	<u>770</u>
	Total	<u>2,880</u>

Second Population 1/  
 Sites and Services 1/  
 Parish Retail Markets 1/

1/ Quarterly projections unavailable

**Table I: BARRADOS - MAJOR PROJECTS WITH FINANCING**

(US\$ million)

Projects	Total Cost	External Financing	Source	Interest	Amortisation Years	Grace Years	Contingent Financing Amount	%
<b>Agriculture</b>								
Agronomic Research Laboratory	2.5	2.5	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
Rural Development and Tenancies	6.7	3.9	IDB				2.8	42
Spring Hall Land Lease	1.2	0.9	CDB	4.0	15	5	0.3	21
<b>Subtotal</b>	<b>18.2</b>	<b>10.9</b>					<b>7.3</b>	
<b>Industry</b>								
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		
Export Industry Program	21.9	10.0	IBRD	8.25	15	3		
		2.4	CDB	8.5	15	5		
<b>Subtotal</b>	<b>26.7</b>	<b>15.9</b>					<b>1.3</b>	
<b>Tourism</b>								
Holiday Village	17.2	8.0	IBRD	8.0	15	3	6.0	35
		3.2	CDB	8.0	15	3		
<b>Subtotal</b>	<b>17.2</b>	<b>11.2</b>					<b>6.0</b>	
<b>Transportation</b>								
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
<b>Subtotal</b>	<b>15.6</b>	<b>11.1</b>					<b>4.5</b>	
<b>Education</b>								
S J Prescod Polytechnic Institute	11.5	7.9	IDB	2.0	20	7.3	3.6	31
Rehabilitation of Primary & Secondary Education System	14.5	10.0	IBRD	8.0	15	3	4.5	32
<b>Subtotal</b>	<b>26.0</b>	<b>17.9</b>					<b>8.1</b>	
<b>Housing</b>								
Mortgage Finance	3.0	1.2	CDB	2.0	20	7.5	1.8	60
<b>Subtotal</b>	<b>3.0</b>	<b>1.2</b>					<b>1.8</b>	
<b>Health</b>								
Bridgetown Sewerage Project	19.8	13.4	IDB	2.0	27	8	6.4	32
Community Health Clinics	4.7	3.3	IDB				1.4	30
	0.3	0.2	IDB	Grant			0.1	30
<b>Subtotal</b>	<b>24.6</b>	<b>16.7</b>					<b>7.8</b>	
<b>TOTAL</b>	<b>115.7</b>	<b>73.8</b>					<b>36.0</b>	

Source: World Bank

Table II: BARRADOS - PROJECT LIST, 1980-84

(US\$ million)

Projects	Total Cost	External Financing Required	Possible Source	Counterpart Contribution Amount	%	Status of Project
<b>Agriculture</b>						
Integrated Rural Development Scotland District	12.4	8.0	IDB	4.4	35	Feasibility study is complete. Loan request in early 1980.
Vegetable Self Sufficiency	18.0	9.0	Not known	9.0	50	Prefeasibility study is complete. Project proposal and feasibility study still required.
Sugar Rehabilitation and Mechanization	6.0	4.0	Not Known	2.0	33	Prefeasibility study is complete.
Development of Fisheries	10.0	6.0	CIDA	4.0	40	CIDA financed fishery sector development plan, currently being prepared.
Fish Terminal-Speightstown	4.0	3.0	EEC	1.0	25	Ongoing Speightstown Urban Development Study will provide initial assessment. A feasibility study is still required.
Fishing Harbor at Bridgetown	6.0	4.0	Unknown	2.0	33	CIDA has been approached for a feasibility study.
Subtotal	<u>56.4</u>	<u>34.0</u>		<u>22.4</u>		
<b>Industry</b>						
Food Processing	6.0	4.0	CDB	2.0	33	Project identification work began in March 1979.
Global loan to BDB	5.0	2.5	IDB	2.5	50	Project proposal is almost finalized. Request for loan in early 1980.
Small Business loans	1.8	1.5	IDB	0.3	17	Loan request expected in early 1980.
Subtotal	<u>12.8</u>	<u>8.0</u>		<u>4.8</u>		
<b>Tourism</b>						
Coastal Conservation	<u>11.0</u>	<u>6.6</u>	IDB	<u>4.4</u>	<u>40</u>	Several consultants have submitted proposals for a full study.
<b>Transportation and Communications</b>						
Spring Garden/STPP Road	8.1	4.4	IDB	3.7	46	Feasibility study is complete. Loan request made in October 1979.
East Coast Road	20.0	12.0	Not known	8.0	40	The prefeasibility study is complete and a prefeasibility study is now needed.
Road Rehabilitation	10.0	5.0	Not known	5.0	50	Reparation study needed to specify priority roads and level of upgrading.
Access Road Phases II	2.0	1.3	IDB	1.2	52	Feasibility study and final design complete in early 1980.
Subtotal	<u>40.6</u>	<u>22.7</u>		<u>17.9</u>		
<b>Energy</b>						
Power Expansion	75.0	43.0	IBRD, CDC, CDB & EIB	32.0	43	Appraisal mission in November, 1979.
Oil Drilling at Woodbourne	6.0	2.4	Unknown	3.6	60	Seismic Survey of Fossil Fuels Project will serve as preparation.
Subtotal	<u>84.3</u>	<u>45.4</u>		<u>35.6</u>		
<b>Education</b>						
Student Loan Fund	<u>1.2</u>	<u>1.2</u>	IDB	<u>0.3</u>	<u>20</u>	Loan request in early 1980.
<b>Housing</b>						
Low Cost Housing	<u>4.0</u>	<u>3.7</u>	CDB & IBRD	<u>2.3</u>	<u>38</u>	Prefeasibility study underway; project proposal by early 1980.
<b>Water Supply and Sewerage</b>						
Establishment of Water management authority	1.6	0.9	IDB	0.7	44	Preliminary studies are underway.
Bridgetown Sewerage Reuse Pilot Scheme	1.0	0.6	Not known	0.4	40	Project concept identified.
Water Development III	2.2	1.3	CIDA	0.9	41	Preparation work underway in construction with implementation of Sewerage Project.
Subtotal	<u>4.8</u>	<u>2.8</u>		<u>2.0</u>		
<b>TOTAL</b>	<u>214.1</u>	<u>124.4</u>		<u>89.7</u>		

GUYANA: MAJOR ONGOING PROJECTS AND SOURCES OF FINANCING

Page 1 of 2

(US\$ million)

Central Government	Total Cost	External Financing		Counterpart Financing	
		Amount	Source	Amount	%
<b>Agriculture, Forestry and Fisheries</b>					
Mahaica-Mahaicory-Abery	72.4	51.6	IDB, USAID (CDF)	26.8	34.2
Black Bush Irrigation	49.0	36.1	IDF, IDA, IFAD, USAID	12.9	26.3
Tapakuma Irrigation	45.7	29.6	IBRD, OPEC, ODA, CDB, USAID (CDF)	16.1	35.2
Installation of pumps	5.9	1.7	EXIM Bank	4.2	71.2
Onverwagt Irrigation	1.5	0.4	DPKR	1.1	73.3
U.N. Mapping	2.3	1.9	U.N.	0.4	17.4
Geodetic Surveys	1.1	0.9	ODA	0.2	18.2
Topographic Surveys	1.0	0.8	CIDA	0.2	20.0
Veterinary Diagnostic Laboratory	1.8	1.1	CIDA, UN	0.7	55.2
Artificial Insemination Service	0.2	0.1	FAO	0.1	50.0
Eradication of Acoushi Ants	0.1	0.05	FAO	0.05	50.0
Grain Legume Program	0.3	0.2	IICA	0.1	33.3
Soil Research	0.1	0.1	SAREC	-	-
Establishment of Field Facilities - CARDI	0.7	0.5	EDF	0.2	28.6
Agricultural Sector Planning	4.4	2.8	USAID	1.6	36.4
M.A.R.D.S. Repair Workshop	3.5	2.0	DPKR	1.5	42.8
Seed Farm Development	2.2	0.5	USAID	1.7	66.6
Corn-Soya Bean Project - CARICOM	..	..	CDB	..	..
Construction of Fertilizer Bonds	0.2	0.2	FAO	-	-
Baseline Study	0.1	0.1	USAID	-	-
Rural Development East Bank Berbice Study	0.2	0.2	EDF	-	-
Coast-Line Mapping	0.2	0.2	ODA	-	-
T.A. Livestock Development Project	..	..	ODA	..	..
Forestry Equipment Loan **	7.8	7.8	CIDA	-	-
UN Forestry Training Project	2.7	2.0	UN	0.7	25.9
Upper Demerara Forestry Project	31.8	27.0	IBRD, IDA, EDF, IDB	4.8	15.1
Forestry Technical Assistance Program	1.1	0.9	CIDA	0.2	18.2
Fisheries Research	..	..	IDRC	..	..
Demerara Fish Port Complex	..	..	JAPAN	..	..
<b>Tourism</b>					
Tourism Study	0.06	0.06	EDF	-	-
<b>Industry</b>					
Textile Mill	27.7	19.3	China	8.4	30.3
Glass Factory *	18.0	6.0	Commercial Banks	12.0	66.6
Vegetable Oil Mill	6.0	..	GDR	..	..
Senshell Grinding Study	0.07	0.07	USAID	-	-
<b>Power</b>					
T.A. Small Hydroconsultancy	0.8	0.8	ODA	-	-
<b>Transportation and Infrastructure</b>					
Demerara Harbor Bridge - Phase II	14.6	..	ODA, Commercial Banks	..	..
East Bank Berbice Road	8.6	3.9	EDF	4.7	54.3
Feeder Roads Project	12.0	7.1	USAID, ODA	4.9	40.8
East Coast Road Improvement	14.7	2.5	IDA	12.2	83.0
Upper Demerara Forestry Road	6.7	4.4	CDB	2.3	34.3
Essequibo Sea Defences	25.5	15.3	ODA	10.2	40.0
Melanie Damishana Workshop	4.1	..	GDR	..	..
Purchase of Passenger Vessels	4.5	3.8	The Netherlands	0.7	15.5
Purchase of Cargo Vessels	4.5	3.8	The Netherlands	0.7	15.5
Pilot Launches Purchase	1.5	1.3	The Netherlands, ODA	0.2	13.3
Dredging Equipment Purchase	1.3	1.3	ODA	-	-
Civil Aviation Aircraft	1.4	1.4	ODA	-	-
Rehabilitation of Timahri Airport	1.5	0.4	CIDA	0.1	20.0
<b>Water Supply</b>					
Wells in Rural and Hinterland Area	6.0	1.5	The Netherlands	4.5	75.0
Improvement of Georgetown Water Supply System *	5.0	1.0	Brazilian Line of Credit	4.0	80.0
Linden Water Supply System	2.8	2.2	CIDA	0.6	21.4
Water Well Drilling	0.9	0.9	CIDA	-	-

Source: World Bank

GUYANA: MAJOR ONGOING PROJECTS AND SOURCES OF FINANCING  
(US\$ million)

Central Government (cont'ed)	Total Cost	External Financing		Counterpart Financing	
		Amount	Source	Amount	%
<u>Education</u>					
Netherlands Aid Education Projects	1.5	1.5	The Netherlands	-	-
Second Education Project	19.8	2.4	IDB	10.4	52.5
Public Sector Manpower Training Project	1.0	7	USAID	0.3	30.0
Miscellaneous Scholarships	..	..	Various External Sources	..	..
Institute for Applied Tech. & Science	2.0	1.1	CIDA, UN	0.9	45.0
Management Services Training	0.4	0.4	CIDA	-	-
<u>Health</u>					
Construction and Rehabilitation of Rural Health Centers & Hospitals	2.5	1.5	The Netherlands	1.0	40.0
Construction of New Amsterdam Hospital	..	..	China	..	..
Referral Hospital Training System	10.9	8.8	IDB	2.1	19.3
Medex Program	5.8	5.0	USAID, IPRC	0.8	13.8
Leprosy Control Unit	0.3	0.3	USAID	0.04	12.0
Training of Community Health Workers	0.2	0.2	The Netherlands	-	-
Institutional Strengthening of Health Ministry	0.4	0.4	IDB	0.03	6.6
<u>Housing</u>					
Living Avenue Flats	1.3	0.8	The Netherlands	-	-
Urban Planning Projects	..	0.8	U.N.	..	..
<u>Miscellaneous</u>					
Community Development Projects	2.5	1.0	USAID, EDF	1.5	60.0
Mission Administered Funds	..	..	CIDA	..	..
<u>Remainder of Public Sector</u>					
<u>Agriculture, Forestry and Fisheries</u>					
Milk Plant (LIDCO)	..	..	EDF, Denmark	..	..
Second Rice Modernization (GRE)	22.0	16.5	USAID	5.5	25.0
Purchase of tractors (G.R.B.) *	..	..	Brazilian Line of Credit	..	..
Weaning Food Project (G.P.C.)	..	..	USAID	..	..
Food Crop Project (G.M.C.)	9.1	7.7	IDB	2.0	20.6
T.A. Strengthening G.M.C., GUYBANK (G.M.C.) (GUYBANK)	0.7	0.6	IDB	0.06	12.8
Forestry Equipment Loan (G.T.L.) **	7.8	7.8	CIDA	-	-
Fisheries Development Project (G.F.L.)	..	1.4	EDF	..	..
<u>Industry</u>					
Industrial Consultancy (Guystac)	1.1	0.8	U.N.	0.3	27.3
Seals & Packaging Project (G.L.C.)	..	..	CDE	..	..
Bottle Plant (G.L.C.) *	..	..	Commercial Banks	..	..
<u>Power</u>					
T.A. Strengthening G.E.C. (G.E.C.)	..	..	ODA	..	..
Electricity Transmission Line (G.E.C.)	..	..	CDB	..	..
<u>Transportation</u>					
Purchase of Buses (G.T.S.) *	..	..	Brazilian Line of Credit, Indian Line of Credit	..	..
<u>Miscellaneous</u>					
T.A. Strengthening G.T.C. (G.T.C.)	..	0.6	U.N.	..	..

.. : Project costs not available or not finally specified.

\*\* : CIDA Loan to Agribank for forestry development - 50% of which is earmarked for C.T.L. and 50% for private sector use.

\* : External borrowing which, although not tied to specific investments, is used to finance the public sector capital expenditure program.

Source: World Bank



SUMMARY OF ANNUAL EVALUATION  
OF  
CARIBBEAN DEVELOPMENT FACILITY II

CONCLUSIONS:

The major conclusion of the evaluation is that the screening and approval of subprojects for financing under CDF-II has been in conformity with the requirements of the Project Agreement. The CDB took the initiative in defining subproject impact on target groups when material submitted by prime donors was insufficient. The second conclusion of the evaluation concerns project implementation. The CDF-II project has been achieving the objectives of the loan, but in spite of the availability of funds, projections of disbursements are not being met. Due to institutional barriers in Jamaica, outstanding funds of \$6-7 million may be rapidly used if transferred to other countries or, if not, the December 31, 1980 PACD must be extended to December 31, 1981 (deobligation is not considered a viable alternative). The evaluation concluded that disbursement in Barbados and Guyana has gone well, with all funds projected to be disbursed in Barbados by the December 31, 1980 PACD and all funds already disbursed in Guyana with significant numbers of vouchers accumulated for potential disbursement under CDF-III. CDF-II is estimated to have employed or maintained employment for 6,700 workers during a continuing period of economic adjustment.

RECOMMENDATIONS:

The evaluation recommends that: (1) the flow of information to CDB and RDO/C on the financial status of the project, the status of implementation of the subprojects, and country conformity with agreements with the IMF and IBRD be improved, and (2) improvements be made in CDB/AID monitoring of the financial status of the project and the status of subproject implementation, with the bilateral missions taking a more active role. As a result of these recommendations the following monitoring procedures are suggested: 1) RDO/C in coordination with CDB will request the quarterly or semester reports from the host countries as provided to the prime donors. Copies of reports will be sent to the bilateral and/or regional mission in the country of the subproject; 2) The appropriate regional or bilateral mission will visit subproject sites every six months and submit site reports to RDO/C; 3) The regional mission will conduct an annual review in country and will prepare a project synopsis with information on employment generated, basic human needs met, and such other economic factors as are deemed important. The bilateral missions will make inputs to these reports and receive copies; 4) RDO/C will invite comments and advice from the bilateral missions on new projects prior to acceptance for CDF funding; and 5) RDO/C will provide the bilateral missions with the appropriate subproject and project managerial information along with copies of trip reports.

ACTIONS TO BE TAKEN:

The evaluation makes the following suggestions concerning specific actions to be taken: 1) The Ministries of Finance in Jamaica, Guyana and Barbados should be required to submit revised projections of utilization of CDF-II funds (this has been done); 2) The frequency of country visits and on-site inspections of subprojects should be increased (a schedule is now being negotiated); 3) The bilateral missions should be requested to carry out periodic site visits (structure has been developed but formal requests have not been made); 4) Host country institutions should be requested to send to the CDB copies of the quarterly or semester reports they send to prime donors; 5) Prime donors should be requested to send to the CDB copies of their appraisal reports of projects utilizing CDF funds; and 6) Prime donors should be requested to inform CDB/RDO/C of their schedule of supervisory visits and either to permit joint visits or to provide AID/CDB with briefings.

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

November 11, 1980

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

Dear Mr. Wheeler:

With reference to our recent conversation concerning the effects of AID/CDF financing on World Bank projects in Guyana and Barbados, I have the pleasure of informing you that the second USAID loan to the Caribbean Development Bank has provided local current financing for the following Bank projects:

<u>Country</u>	<u>Project Name</u>
Barbados	First Education Project
Guyana	Tapakuma Irrigation Project
Guyana	Second Education Project

The Barbados project is proceeding on schedule and is receiving adequate counterpart funding thanks to the availability of resources from the AID loan. The two Guyana projects received counterpart financing out of the 1978 AID loan as well.

In the case of Guyana the Tapakuma Irrigation Project encountered initial delays in the selection of project consultants and in modifying additional cofinancing to meet large cost overruns. Those problems have now been solved and execution is proceeding satisfactorily. It is expected that the project will be completed by the end of 1982. The Second Education Project had also suffered considerable delays and is considerably behind schedule. Shortage of local funds has been one of the main reasons for this delay.

The economic stabilization program in Guyana has led to a sharp cut in public expenditures. Had AID/CDF financing not been available, the provision of Government funding for local costs would have suffered additional delays to those already experienced and would without doubt have led to serious consequences for the successful completion of the projects.

As I pointed out in my letter of September 1979 it should be borne in mind that in addition to its contribution to the successful implementation of Bank-financed projects, the AID/CDF loans contribute to alleviate the very serious balance of payments problems of the countries benefitting from these loans.

Up-to-date reports on the status of each of the World Bank projects are being sent to the CDB. We have authorized CDB to make this information available to your office.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Roberto', with a large, stylized flourish extending to the right.

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

BANCO INTERAMERICANO DE DESARROLLO  INTER-AMERICAN DEVELOPMENT BANK  
BANCO INTERAMERICANO DE DESENVOLVIMENTO BANQUE INTERAMERICAINE DE DEVELOPPEMENT

WASHINGTON, D.C. 20577  
CARLE INTAMHANG

OD7-065-RG  
November 20, 1980

Mr. William R. Wheeler  
USAID Representative  
Caribbean Regional Development Office  
c/o Embassy of the United States of America  
Bridgetown, Barbados

Dear Mr. Wheeler:

We take this opportunity to inform you of the positive impact which the Caribbean Development Facility (CDF) is having in assisting the countries of the Caribbean region with the sound financing of important development projects. The CDF has played a significant role in the implementation of some 15 IDB financed projects in Barbados, Jamaica, and Guyana.

As you are aware, the sharp increases in petroleum prices over the last decade has severely restrained the development efforts of the Caribbean countries. However, with the creation of the CDF and the assistance of international financial organizations in providing financing for development projects, these countries have the opportunity to pursue economic and financial alternatives which can contribute to their long-term development.

The IDB will continue to assist the region in this effort, hopeful that the positive assistance of the CDF will continue to receive your highest priority.

Sincerely,

  
Luis Sanchez Masi  
Chief, Caribbean Region

cc: Mr. William B. Gair, Director  
Office of Caribbean Affairs, USAID

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

Mr. Henri Scioville-Samper,  
Field Office in Barbados