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

PROJECT PAPER

CARIBBEAN REGIONAL

CARIBBEAN DEVELOPMENT FACILITY

AID/LAC/P-004

Project Number: 538-0023

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

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

PP

2. DOCUMENT CODE: 3

3. COUNTRY/ENTITY: Caribbean Regional

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): 538-0023

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

7. PROJECT TITLE (Maximum 40 characters): Caribbean Development Facility

8. ESTIMATED FY OF PROJECT COMPLETION: FY 79

9. ESTIMATED DATE OF OBLIGATION: A. INITIAL FY 78; B. QUARTER 4; C. FINAL FY 78 (Enter 1, 2, 3, or 4)

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

A. FUNDING SOURCE		FIRST FY B. FX	FIRST FY C. L/C	FIRST FY D. TOTAL	LIFE OF PROJECT E. FX	LIFE OF PROJECT F. L/C	LIFE OF PROJECT G. TOTAL
AID APPROPRIATED TOTAL							
(GRANT)		( )	( )	( )	( )	( )	(
(LOAN)		(1,000)	(19,000)	(20,000)	(1,000)	(19,000)	(20,000)
OTHER U.S.	1.						
	2.						
HOST COUNTRY							
OTHER DONOR(S)							
TOTALS		1,000	19,000	20,000	1,000	19,000	20,000

11. PROPOSED BUDGET APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. 1ST FY F. GRANT	E. 1ST FY G. LOAN	H. 2ND FY I. GRANT	H. 2ND FY J. LOAN	K. 3RD FY L. GRANT	K. 3RD FY M. LOAN
(1) FN	200		200		12,500				
(2) POP	400		400		2,000				
(3) EHR	600		600		2,000				
(4) SDA	700		800		3,500				
			TOTALS		20,000				

A. APPROPRIATION	N. 4TH FY O. GRANT	N. 4TH FY P. LOAN	Q. 5TH FY R. GRANT	Q. 5TH FY S. LOAN	LIFE OF PROJECT T. GRANT	LIFE OF PROJECT U. LOAN
(1) FN						12,500
(2) POP						2,000
(3) EHR						2,000
(4) SDA						3,500
TOTALS						20,000

12. IN-DEPTH EVALUATION SCHEDULED: MM YY

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

1 (1 = NO, 2 = YES)

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE

TITLE Dwight Johnson
Acting AID Representative
RDO/C, USAID/Barbados

DATE SIGNED: MM DD YY

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

AID 1330-4 (3-78)

PROJECT PAPER

CARIBBEAN DEVELOPMENT FACILITY

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A. SUMMARY AND RECOMMENDATIONS

1. Recommendation

The A.I.D. Regional Development Office/Caribbean recommends authorization of a loan for $20,000,000 to enable the Caribbean Development Bank to contribute to programs of economic stabilization and growth in participating CDB member countries. The Loan will be funded in FY '78 under four appropriation categories as follows: F & N - $12.5 million; E & HR - $2.0 million; H & P - $2.0 million and SDA - $3.5 million.

2. Borrower and Executing Agencies

The Borrower and primary executing agency will be the Caribbean Development Bank (CDB). The CDB is a regional development finance institution, established in 1970 and composed of eighteen (18) regional and two (2) non-regional governments. Its purpose is to promote the development and integration of its borrowing member governments with special emphasis on its less developed members1/. The recently established Caribbean Development Facility (CDF) will also play a role in execution of the Project. The Facility was created by the Caribbean Group for Cooperation in Economic Development to provide supplementary financing of projects and programs for which international institutions or other external lenders are providing financing.

3. Project Summary

The purpose of the A.I.D. Project is 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. The Project will help finance the local contribution to essential donor-assisted development projects, thereby permitting hard-pressed governments to utilize the external project assistance available to them. Countries participating in the Project will have committed themselves to the Caribbean Group to undertake self-help measures reflected in economic programs designed to achieve financial stability and long-term growth. The

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1/ Lesser Developed Members (LDC) - Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, British Virgin Islands, Cayman Islands and the Turks and Caicos Islands.
More Developed Members (MDC) - Bahamas, Barbados, Jamaica, Trinidad and Tobago and Guyana.

Project will consist of a loan in the amount of twenty million U.S. Dollars to the Caribbean Development Bank, which will enable the CDB to contribute to the financing of a program of economic stabilization and growth in the participating CDB-member countries. Loan funds will be used to finance the local costs, and in the case of the LDCs foreign currency costs, of eligible donor-assisted projects.

Member CDB countries of the English-speaking Caribbean who have participated in the Caribbean Group may be eligible for subloans under the Project, provided that agreement has been reached with the CDF on appropriate development policies and investment programs. Projects eligible for financing under the Project will consist of those projects included in the country investment programs approved by the Caribbean Group which meet the criteria set forth in Section 7. These criteria have been established to ensure that only projects consistent with A.I.D. legislation will be financed. The estimated amount of local costs required by eligible projects for the first fifteen (15) months of CDF operations (July 1, 1978 to September 30, 1979) will be eligible for financing with the exception of projects in the LDCs. For LDC projects assisted by the CDB (providing at least 30 percent of the project costs) both foreign exchange and local currency costs will be eligible. Subloans financing fifteen (15) months of local costs of eligible projects will be made by the CDB to Participating Governments for their general economic stabilization and growth programs on the basis of their general credit worthiness.

CDB loans to Participating Countries pursuant to this Project shall be at an interest rate of 4 percent p.a. for the maximum term feasible (including grace period) consistent with timely repayment of this loan by the CDB. For MDCs, the repayment period will be just under twenty (20) years including a ten (10) year grace period; for the LDCs the repayment period will be just under thirty (30) years including a ten (10) year repayment period. The interest rate spread over the life of the Project will fully cover the administrative costs of the CDB under this Project. Any amounts in excess of actual administrative costs will accrue to the CDB for general development lending.

4. Fund Allocation

The Caribbean Development Facility has recommended the following country allocation of Project Funds based on country need, number of eligible projects, and availability of funding:

	(US$ Millions)
Jamaica	12.0
Guyana	4.5
Barbados	1.5
CARICOM LDCs	2.0
TOTAL --	20.0

5. Summary Rationale

The countries of the Caribbean are undergoing a difficult period of economic adjustment. The quadrupling of oil prices and the large increases in prices of imported foodstuffs since 1973/74, combined with a severe contraction in international demand for the Region's major exports and services resulting from the world economic recession, has had dire consequences for the Caribbean economies. Economic growth has leveled off or in many instances declined, with consequent deterioration of living standards. In Jamaica, for example, real per capita income has declined some 19 percent since 1973 and a further decline in real wages on the order of 25 percent is anticipated in conjunction with stabilization measures recently negotiated with the IMF. Throughout the Caribbean, unemployment is rising dramatically, reaching 30 percent in some countries. Agricultural production is not keeping pace with population growth. The global economic events have brought to the surface the inherent weakness of the economic structures of the small island countries and at the same time has circumscribed their capacities to cope with these weaknesses. Under these circumstances the abilities of Caribbean countries to achieve growth with equity and to assist their poor is severely limited.

The two countries most seriously afflicted by the adverse external developments have been Jamaica and Guyana. Both countries had embarked on ambitious programs to redistribute income and wealth. They increasingly centralized their economic decision-making to restructure major social and economic relationships including the acquisition of substantial portions of foreign-owned productive assets. In attempting to carry out all these structural changes at a time of world wide economic disruption, they have placed excessive strain on the financial capability of the public sectors and have created a climate that is giving rise to private capital flight. To sustain their expansionary activities and cover balance of payments deficits, both countries borrowed heavily from external sources. When recourse to external borrowing proved inadequate they have had to impose restrictions on foreign trade and payments to bring their external accounts into balance. In addition to Jamaica and Guyana, the Governments of the smaller English-speaking Eastern Caribbean countries (LDCs) depended very heavily for their viability on external grants and concessional loans even prior to 1974. They maintained at best a precarious financial balance and have been highly responsive to social pressures for raising living standards. These pressures have continued during recession and reduction of budgetary grants by the United Kingdom. Accommodation of these pressures under such circumstances has imposed heavy burdens on their public finances, generated domestic inflation and in a number of instances resulted in declining outputs and incomes.

In its role as leader of the Caribbean Group for Cooperation in Economic Development, the IBRD has analyzed the total external assistance requirements of the Region and the various assistance instruments necessary to achieve growth with equity in the Caribbean context. The IBRD analyses have spotlighted the conflict facing the Caribbean Governments between the need to stabilize budgets and balance-of-payments, and to avoid even higher levels of unemployment that stabilization measures bring. As governments restrict credit and cut budget expenditures in order to restore equilibrium to their budgets and external accounts, investment slows and operating capital becomes unavailable, resulting in unemployment as enterprises cut back or begin to close down. There is a critical need for external assistance to enable the recipient countries to maintain acceptable levels of development expenditures while executing prudent policies directed toward achieving sustained economic stability. The World Bank has been able to get commitments from the donor community to significantly increase external assistance, although the greater portion of the assistance promised is limited to project financing. The Caribbean countries, however, do not have the resources to meet the required local cost contributions to these projects, effectively precluding them from taking advantage of the available assistance. The World Bank proposed the establishment of a multi-donor Caribbean Development Facility (CDF), principally to meet the needs of Caribbean Region governments for financing the local costs of their donor-financed investment projects over the next five years. This Project represents the initial U.S. Government contribution to the CDF.

6. Summary Findings

The Caribbean Development Facility Project appropriately addresses a priority constraint in the English-speaking Caribbean --supplementary financing for critical socioeconomic development projects. It has been designed within the constraints imposed by A.I.D. legislation. It is judged administratively feasible as a result of lengthy negotiations with the CDB and the World Bank. It will be financially feasible to the extent that it is successful in achieving its purpose, i.e., to assist in restoring economic growth to participating countries so as to assure repayment. The Project meets the requirements of FAA Section 611. On a subproject level, proper planning and costing is assured by the fact that only subprojects involving prime donors with internationally recognized planning and project development capacity will be financed. On an overall level, reliance is placed on the recognized capacity of the CDB and the throughness of Project discussions with the Bank. The Project meets all other applicable statutory criteria (See Annex 3, Statutory Checklist and Annex 1, Certification of A.I.D. Representative).

7. Conditions and Covenants

The conditions precedents and covenants below are proposed in addition to the standard conditions.

(a) Conditions Precedent. Prior to the disbursement of the proceeds of the A.I.D. loan for the costs of any eligible project, the CDB must furnish to A.I.D. the following:

(1) Evidence that the recipient country has qualified for assistance through the CDF.

(2) Evidence that the CDB has identified the project to which assistance will be provided as an Eligible Project (as defined by the criteria set out in the first covenant below).

(3) Evidence that the CDB has received from the primary donor 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 eligible project prepared by the appropriate 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 such 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 on the poor in the Participating Country, including a brief explanation of how this impact will be achieved.

(b) Covenants. The CDB will covenant as follows:

(1) The CDB covenants that funds made available by A.I.D. under the Project shall be utilized for disbursement on account of projects in Participating Countries which:

(i) are sponsored by external, free world donors,

(ii) are designed to have a significant impact upon the poor in the Participating Country, referring generally, for the purposes of this Agreement, to those persons in the lower 50 percentiles in terms of income per capita.

(iii) fall within the following categories:

- food and nutrition projects, including, without limitation, agriculture, livestock, and dairy, fisheries, forestry, marketing and credit services, rural community development and rural infrastructure (e.g., small-scale irrigation, access roads);

- projects to reduce the rate of population growth (other than those providing for abortions), or which foster improved health, disease prevention and environmental sanitation;

- education and human resources development, including, without limitation, formal and non-formal education, manpower training and placement, public administration and human resources planning; or

- special development activities, including, without limitation, those projects involving small-scale enterprises and self-employment activities, urban development programs, labor-intensive industrial enterprises, appropriate technology, non-conventional energy production and conservation, environmental protection and development research;

- do not involve the promotion of production or marketing of sugar, palm oil or citrus products.

(2) The CDB covenants that no funds made available by A.I.D. under the Project shall be loaned by the CDB to the Government of Jamaica until after September 30, 1978.

P. PROJECT BACKGROUND

1. The Regional Economy

The 1970's have been a particularly disruptive decade in the economic life of the Caribbean countries. The inflation and world economic recession which ensued in 1973/74 has had a serious adverse impact on the economies of the region. The quadrupling of oil prices, the large increases in prices of imported foodstuffs, combined with a severe contraction in international demand for some of the region's major exports of goods and services, had particularly dire consequences. Economic growth was stymied and in many instances living standards deteriorated. Although many of the Caribbean countries have enjoyed relatively high per capita incomes, their frail economies were dependent on large external capital inflows, and the turbulent economic events of this decade brought to the surface the inherent weaknesses of their economic structures. These events have also placed heavy strains on their social and political structures.

Rapid increases in the price of sugar throughout 1974 and much of 1975 were a mitigating influence in the sugar-exporting countries of the region. They more than offset the impact of world recession and imported inflation. Some countries exercised prudence in responding to these sudden gains, while others launched ambitious public sector social and development programs. The latter did not fully gauge how ephemeral this windfall was to be and continued their expansionary policies in the face of the precipitious decline in sugar prices in 1975. External borrowing on conventional terms helped sustain momentum temporarily, but only served to postpone the adjustment to changes in the world economy. In fact, some of these countries have only recently felt the financial constrictions experienced earlier by non-sugar producers--constrictions that could have been less severe had more appropriate fiscal and balance-of-payments management policies been instituted.

The two countries most seriously afflicted by the adverse external developments were Jamaica and Guyana. Both countries had embarked on ambitious programs to redistribute income and wealth. They increased economic centralization to restructure major social and economic relationships. Moreover, these countries started to acquire substantial portions of foreign-owned productive assets. In attempting to carry out a number of structural changes at a time of worldwide economic disruptive, they strained the financial capability of their public sectors and created a climate that gave rise to private capital flight. Levels of consumption rose more rapidly than output; consequently, domestic savings declined and investment became increasingly dependent on external borrowing. Combined with rapid domestic credit expansion, this had serious balance-of-payments effects. To sustain expansionary activities and cover the balance-of-payment deficits, Jamaica and Guyana borrowed heavily from external sources, increasing their external debt burdens to the point of impairing their credit worthiness for borrowing on conventional terms. When external borrowing proved inadequate to alleviate their external payments positions, they were forced to impose restrictions on money supply and on their foreign trade and payments. These restrictions effectively curtailed new investment and denied national industry needed raw materials with a consequent fall in production and increasing unemployment. The restriction also curtailed trade with their partners in the Caribbean Common Market, highlighting the emerging conflict between short-term viability of the countries facing balance-of-payments crises and the overall economic interests of the region.

The Governments of the smaller English-speaking Caribbean countries depended very heavily for their viability on external grants and concessional loans even prior to 1974. They had a precarious financial balance. They have been highly responsive to social pressures for raising living standards and their people have enjoyed per capita consumption levels considerably in excess of the levels justified by the output of their economies. Such pressures have continued during recent years in the face of eroding resources resulting from world recession and reduction of budgetary grants by the United Kingdom. Accommodation of these pressures under such circumstances is imposing heavy burdens on their public finances, generating domestic inflation and, in a number of instances, resulting in declining outputs and incomes.

The results have been declining output and falling standards of living since 1973-74 throughout the region. For the CARICOM countries, excluding oil-producing Trinidad and Tobago, the weighted average of real GDP between 1974 and 1977 is estimated to have fallen by about 5 percent per year, reflecting hesitant tourism and adverse developments both in the mining sector (particularly bauxite and alumina) and in agricultural exports. Between 1970 and 1974, gross national savings averaged 20 percent of GDP, and public sector savings 4 percent of GDP, but during 1974/77 gross national savings averaged only about 10 percent of GDP and the public sector had negative savings equal to 5 percent of GDP. Unutilized capacity has increased significantly, employment rates have fallen off drastically and new entrants into the labor market are faced with no jobs. The human costs of these recent economic events have been staggering in both social and economic terms.

2. <u>Country Situations</u>

a. <u>Jamaica</u>:

Jamaica's economy experienced a crisis of major proportions in 1976 as GDP decreased 6.7 percent in real terms, following three years of virtually no growth. Unemployment increased from 21 to 24 percent of the labor force. Deficit - financed government spending increased by 24 percent, providing a major stimulant to inflation, which reached 14 percent in 1976. Although the trade gap narrowed in 1976 as imports and exports both dropped by 18 percent, private capital outflows increased significantly. Despite IMF drawings of $65 million, foreign exchange reserves dropped catastrophically, by $268 million, leaving gross reserves at $41 million (two weeks of imports) and net reserves at minus $204 million. The following year, 1977, was not much better.

In January, 1977, the Jamaican Government began to take measures to alleviate the country's severe economic problems. These measures included a new tax effort, a wages policy for both thepublic and private sectors, tightening of the import restrictions and exchange rate adjustment. In July 1977, the Government adopted a comprehensive program covering a period of almost two years, and this program became the basis for an agreement with the IMF on a Stand-by arrangement. Under this arrangement, Jamaica drew the first tranche of US$22 million but, as a result of the slippage under the two-year program, was unable to remain eligible for the second drawing in December, 1977. In addition to being able to maintain a successful incomes policy, the Government was also concerned about the extent of the decline in output and the increase in unemployment that were accompanying the program. Rather than readjust the targets for a two-year stabilization program, the Government and the IMF agreed that the program should be revamped and negotiations were completed in early May, 1978 for a three-year Extended Fund Facility arrangement. This arrangement will permit a longer period for adjustment and also provide a higher level (about US$220 million for the next three years) of financial assistance from the IMF. The key elements of this program are: (a) the unification of exchange rates at the new level of US$1.00 = J$1.55, which represents an initial devaluation of 15 percent, to be followed by small monthly devaluations totalling about 15 percent over the next twelve months; (b) the maximum limit of 15 percent increase per year for wages, including fringe benefits; (c) the reduction of the fiscal deficit of the public sector through expenditure cuts and a new tax package;and (d) the encouragement of private sector investment. In addition, the program contains ceilings on net domestic credit to the public sector from the banking system; limits on the net domestic assets of the Bank of Jamaica; limits on the authorization of new foreign indebtedness by public sector; targets for increases in the international reserves; and provisions for orderly management of payment arrears.

Jamaica's balance of payments improved considerably during 1977, reflecting both improved international demand for bauxite/alumina and the effects of the domestic policy measures which were introduced to deal with the crisis. Merchandise imports were reduced by 23 percent in 1976. The current account deficit was reduced to US$68 million, one of the smallest deficits in recent years, compared to a level of US$303 million in 1976. The situation also improved somewhat on the fiscal side. In reflection of the improved aluminum market, receipts from bauxite increased slightly. This was accompanied by a 12 percent cut in nominal terms in capital expenditures. Mainly as a result of these measures, the Central Government deficit was reduced to about 15 percent of GDP, still a large deficit but substantially lower than the 19 percent of GDP in 1976/77.

These accomplishments have been, however, at a heavy cost in terms of output and employment. The drastic reduction of imports has led to the closure or reduced activity of many distributing and manufacturing firms. Capacity underutilization is very high and unemployment continues at the high level of about 25 percent of the labor force. Real GDP is estimated to have declined by at least 4 percent in 1977, following two successive years of negative real growth.

b. Guyana:

In 1977 only a marginal improvement in Guyana's economy took place despite the introduction of restrictive measures to improve the balance of payments position and a 40 percent reduction in public sector capital expenditures. Recovery was hampered by a long strike of sugar workers, low world sugar prices and a substantial increase in the minimum wage effective in the public sector. The current account deficit in the balance of payments was still about US$95 million (22% of GDP). Dwindling net capital inflows were inadequate to fill the gap, only partially offset by increased Venezuelan and Brazilian short-term deposits. As a result, net foreign exchange reserves became highly negative and the country had accumulated about US$40 million in commercial arrearages by the end of the year.

Unfortunately, the Government's investment cutbacks did not result in improved public sector savings, mainly because of a reduction in sugar revenues, losses in operations of several public enterprises, and the impact of the substantial minimum wage increase on the Central Government wages bill. As a consequence, and despite cutbacks in non-wage Central Government current expenditures, public sector savings became negative in 1977. Accordingly, Guyana depended entirely on gross external inflows, domestic borrowing and money creation to finance public sector investment in 1977. Although gross external inflows declined from 1976, they were still equivalent to over half of public investment expenditures. The accumulation of balance-of-payments arrearages resulted temporarily in increased liquidity in the banking system, which the public sector used to help finance its budgetary deficit. This, of course, is not a sustainable method of financing public investment.

As a consequence of the import cutback, investment reduction, modest growth in bauxite/alumina output and the reduction in sugar production due to the strike, real GDP declined by approximately 6 percent in 1977. At the same time, the removal of some consumer subsidies and further import restrictions on consumer goods resulted in an estimated 11 percent rate of inflation in 1977.

Economic developments in early 1978 have indicated that most of the problems present in 1977 still exist. The external position continued to be critical despite improved export performance by sugar, rice and bauxite. An overall increase in export earnings permitted a slight reduction in the level of arrearages but was insufficient to alleviate the overall shortage of foreign exchange. There have been increasing shortages of intermediate goods, spare parts and of essential consumer goods.

In March the Government produced the 1978 budget which called for a wide ranging program devoted to raising public sector revenues, tightening public expenditures policies through control procedures and achieving a higher degree of efficiency in the public sector. To achieve its program, however, the Government will need to increase revenues by about 6 percent. A Stand-By Agreement has been signed with the IMF which provides SDR 15 million in the form of one credit tranche and access to the Compensatory Financing Facility. The agreement is expected to be a bridge to an Extended Fund Facility starting 1979.

The Agreement calls for various policy measures aimed at halting the recent economic deterioration by (a) curbing private consumption and (b) increasing public sector savings. Private consumption will be affected by an increased tax/reduced subsidy program which will yield about 4 percent of GNP. The prices of goods and services produced by the public sector will be raised and net social security taxes raised. These measures will yield about 2 percent of GNP. Savings and lending rates have been raised, and net domestic credit expansion will be limited to 10 percent. Taken together, these policies will encourage savings and discourage private spending while helping to put the public sector on a more solid financial footing.

In addition, the Agreement foresees no further loss in international reserves. The current account deficit will be slashed 60 percent as exports increase (due to higher physical quantities exported) and imports grow less rapidly than in the past. A small trade surplus will be used to pay arrearages. Limits will be placed on new public sector external debt maturing up to 12 years.

c. Barbados

Following several years of economic stagnation, engendered by a decline in private investment and thereafter exacerbated by the 1973-75 world recession, the economy recovered moderately by 3.8 percent in 1976. Although all sectors of the Barbados economy recorded real increases, growth in manufacturing (17.9%), construction (13.1%), and agriculture (6/8%) provided the main impetus. The strong performance in manufacturing and construction was attributable to improvements in the utilization of existing capacity, the initiation of new manufacturing ventures, and an increase in the number of public sector projects. The good performance of the agriculture sector in 1976 followed a period of stagnation, during which adverse weather, the withdrawal of land from productive use, and the outbreak of livestock disease were particularly onerous. Growth performance in 1977 was acceptable (at 4.7%), as sugar production made sizeable gains, but drought conditions in June and July dampened non-sugar agricultural growth to 6.9%. Manufacturing and construction grew more slowly than in 1976 and future gains will depend on real capital formation. Tourism, which had suffered the worst year in over a decade in 1975, recovered moderately in 1976 and strongly in 1977 when tourist arrivals were up by almost 12%.

The rate of domestic inflation in 1976 fell dramatically, averaging about 5% for the year in terms of retail prices (down from 12.3% in 1975). However, inflation rates in the US and the decline in sterling over most of 1976 dampened Barbadian imported price inflation significantly. Declining international prices for some food and raw materials and greater price stability in fuel and finished-product markets further helped contain imported inflation. But in 1977, despite the intentions of the Government to contain domestic inflation to 5% for the year, an inflationary build-up produced an overall increase in domestic prices estimated at 11%.

While the potential for future growth is promising, the balance of payments and public finances continue to exhibit serious weaknesses. The sudden fall in sugar levy receipts and a sizeable two-year public sector wage increase were the principal causes of a deterioration in public finances in 1976/77. Total public sector savings fell to slightly more than 2% of GDP in 1976/77 from over 7% in 1975/76 -- a year in which total public sector finances were virtually in equilibrium. This deterioration is estimated to have continued through 1977/78 when public sector savings reached a low of 0.7% of GDP and the overall public sector deficit rose to over 8% of GDP.

Increased imports (primarily attributable to an acceleration in consumer spending in the early part of the year), the decline in exports engendered by the precipitious drop in sugar prices and hesitant tourism growth led to a deterioration in the balance of payments current account deficit to over US$57 million in 1976. Further deterioration drove the deficit to US$62 million (about 14% of GDP) in 1977. Further declines in international sugar prices and stronger consumer import spending were the main causes. Low levels of net international reserves (currently equal to slightly more than 2 weeks of imports) and continued reliance on short-term and other capital inflows to finance the deficit continue to be disturbing manifestations of structural debility in the balance of payments picture.

d. Less Developed States (LDCs)

Agriculture, which grew at an average of 1.1 percent annually from 1971 to 1976, was the only sector which experienced growth during that period for the seven Eastern Caribbean Common Market countries as a whole. Industry decreased 1.0 percent per year, tourism went down 2.3 percent and services decreased 1.8 percent over the same period. Overall, GDP contracted at an annual rate of 1.3 percent per year. Since population growth was about 2 percent, per capita GDP decreased about 3.3 percent per year from 1971 to 1976.

The resulting unemployment, increasingly urban in nature, caused pressures on the constituent governments to provide ameliorative programs that their weak financial structures could no longer afford upon termination of UK budgetary support grants. In general, current expenditures increased faster than current revenues, even though special revenue efforts increased tax receipts from 18.5% of GDP in 1973 to 19.4% in 1976. Nevertheless increased commercial bank borrowings were necessary (there are no central banks), and future deficit financing will be limited as the banks are unwilling to increase their exposure.

Such foreign exchange and payments data as are available for 1976 indicate substantial trade imbalances, with exports of goods and services (including tourism) financing only 48 percent of imports. Imports, which were equal to 86 percent of GDP, consist mainly of food, POL, machinery and manufactured goods. Exports, at 41 percent of GDP, consist mainly of food commodities. In short, these islands could not approach their present level of income without foreign trade, but they are having increasing difficulties exporting sufficient quantities to maintain present levels of consumption.

The exception to the general dismal LDC performance is Belize. Economic performance furing the 1970s has been impressive. Real GDP grew at an average of 6% as a strong performance by the manufacturing and construction sectors maintained the initial boost given the economy by high sugar prices. Throughout the period, public finances remained strong, always producing a current surplus, although measures were not enacted to utilize the full windfall sugar bonus for the benefit of the economy as a whole.

In 1977, real GDP growth has been estimated at 5% to 6%, with agriculture, manufacturing and construction all performing well. The public finances fared less well, essentially as a result of lags in the system. Current revenues actually fell by 1 percent, because of reductions in income tax payments from sugar, but since current expenditure growth was limited to under 7%, a current surplus of one percent of GDP was achieved, the lowest since 1971. Capital expenditures were, nevertheless, maintained at about the level of 1976, mainly because of the road construction program, and the overall deficit was covered with no difficulty by the commercial banks and the monetary authority.

3. Growth Prospects and Priorities

The serious problems facing the countries of the region in public finances, balance of trade and payments, and employment, investment and production are all symptoms of basic structural problems which will not be solved without a major domestic and international effort. Nevertheless, the countries first have to survive the crises visited upon them in the last several years, crises brought about by the interaction of dramatic realighments in international economic relationships and domestic political and economic aspirations of the peoples of the region.

a. Long Term Growth Prospects

While variation exists among countries of the Caribbean as to specific development priorities, a certain commonality of broad sectoral emphasis may be seen throughout the region. Partly as a consequence of common colonial heritage with attendant strong linkages with metropolitan countries and partly due to the limits imposed by resource endowment and small domestic market size, the Caribbean countries require a strong export effort. The full potential of existing markets for traditional exports needs to be better exploited. New markets will also have to be sought. As these economies develop, greater emphasis needs to be placed on export diversification not only in terms of markets but in terms of new products as well.

Throughout the entire Caribbean area, the most pressing problem of seeming structural permanence is high underutilization of human resources. Due urgency needs to be assigned to finding ways increasingly to absorb not only the current unemployed but also the large number of new entrants each year to the labor market. Not only must investments be found that can use significant quantities of labor, but efforts must be made to ensure that the necessary skills will be forthcoming as a further inducement to such investment.

On a sectoral basis, several distinct areas of development priority stand out. Agriculture, undoubtedly, should occupy a dominant position among development priorities of the region over the foreseeable future. Its importance stems not only from its contribution to external trade but from the significant role it will have to play in providing job opportunities, improving nutritional and living standards and the region's self-sufficiency in nutrition. Accordingly, about 25 to 30% of total public investment over the next three years will probably have to be allocated to this sector.

The industrial sector could also provide significant development impetus. Although it is expected that, as in the past, most of the future initiative in this area will have to come from the private sector, the public sector can play an important role. First, economic policies need to be adopted that are conducive to investment. Second, investments in industrial infrastructure could play a valuable catalytic role to help encourage industries to locate in the Caribbean. And third, much effort is needed to reinforce and streamline the flow of credit and equity capital to facilitate new ventures and the expansion of existing operations with untapped potential. In line with such a public sector role in promoting industrial development in the region, about 10 to 15% of total public sector investment will be needed for industry over the next three years. After the above sectors of main priority are accounted for, public investments in other areas including energy and services would probably account for anywhere between 10 to 30% of total public investment in the region.

Another area of priority will be to improve the quality of living conditions, specifically health, the availability of potable water, housing and education. From the viewpoint of domestic social needs, these are important areas, although their urgency varies considerably among the several countries. An additional reason for giving this area due attention is its importance to tourism. Between 15 and 20% of public sector investment can therefore be expected to be allocated to health and sanitation.

In line with a predominantly outward-looking posture, due attention to a significant foreign exchange earner -- tourism -- would be appropriate. Tourism is also a major provider of jobs. But because of the extreme fragmentation of the Caribbean economies, what needs to be sought in the future are ways not just to increase visitor arrivals but ways to link tourism activity to other goods-producing sectors of the economies. Likewise, substantial improvements in intra- and extra-regional transportation and communication will be necessary. Tourism and transportation and communications together are likely to require another 20 to 25% of total public sector investment over the next three years. To fully achieve their objectives, these investments should be carried out in the framework of an increasing cooperation and coordination among the countries of the region.

b. Immediate Priorities

In considering the immediate priorities for national economic management in the Caribbean countries, it seems appropriate to separate them into two groups on the basis of a certain similarity in their economic problems and the types of policy responses they will need to invoke to overcome these problems. The first group consists of three more developed countries (MDCs) of CARICOM: Jamaica, Guyana and--owing mainly to problems related to its limited market size--Barbados. The second is made up of the seven members of the Eastern Caribbean Common Market--Antigua, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, and St. Vincent. Belize is an entirely different case.

Within the first group, undoubtedly the most pressing candidates for remedial policy action are Jamaica and Guyana. Their economies are currently distorted by the simultaneous interaction of three structural disequilibria, as is evident in the discussion of their current economic status. The first is a serious external resource gap characterized by chronic balance-of-payments difficulties. The second is an investment - savings gap that is particularly pressing in the public sector. And the third is the gap characterized by unutilized economic capacity, of which widespread and chronic unemployment is a major sympton. These disequilibria need to be corrected before significant progress towards healthy economic development can be expected. Objectives that would logically follow from this diagnosis are:

(1) to significantly reduce current account deficits in the balance-of-payments with particular emphasis on reducing consumer imports from outside the region;

(2) to increase the national savings effort which in the private sector would require curbing consumption and stimulating domestically-held savings; in the public sector it would call for controlling current expenditures, improving tax yields and, where possible, placing those public sector operations that have the potential to be financially self-supporting on a viable basis; and

(3) to restimulate the private sectors of these economies, thereby alleviating much of the present burden on the public sector of supporting the unemployed.

A package of policies can be brought to bear to attain these objectives. The key, however, to achieving the necessary adjustments resides in an unequivocal need for these countries to realign relative prices. This will depend upon the efficacy with which their governments can bring about a much needed adjustment in personal expectations. The governments must find not just ways to reduce consumption but ways to reduce the proclivity to consume. They also must find ways to provide enough incentives for sustained export growth. And lastly, they must find ways to maintain a new posture in the face of changing world demand for their exports and inflationary conditions.

The problems of the second group--member states of the Eastern Caribbean Common Market--bear some resemblance to those of Guyana and Jamaica. To be sure, their economies have in recent years fallen far short of mobilizing domestically the resources needed to undertake development. And serious unemployment and underemployment seem to have become a permanent structural feature. Their problem has not manifested itself in balance-of payments difficulties only because of their arrangements with the Eastern Caribbean Monetary Authority, but the impact of economic adjustment to world recession and inflaction on their public finances has been decidedly more severe than in the case of the MDCs. This has substantially undermined their ability to sustain development.

Because of small market size and a narrow and limited resource base with few production possibilities, the Eastern Caribbean countries have traditionally relied heavily on external grants both for budgetary support and capital outlays. But as budgetary grant assistance was virtually curtailed with the turn of the decade, the economic adjustment of these countries to the events of the mid-1970s was that much more severe. In view of the serious limitations confronting these economies, particularly their high dependence on imports, the onerous per capita costs of infrastructure and public administration, the already high tax burdens, and the limited number of tools of economic management available to them, the policy options open to them on an individual country basis are clearly circumscribed. This notwithstanding, they will need to make special efforts over the near term to generate public sector savings through more equitable tax coverage, more efficient tax administration, tighter expenditure control, and improved management of the budget, as well as the finances of statutory bodies. They will also need to establish well-defined and well-communicated policies to restimulate the private sector, with special regard to improving the utilization of domestic resources. But in certain cases, even maximum efforts at a country level may not prove sufficient to lift their economies to long-term viability. There would be much to be gained by the Eastern Caribbean countries were they to strengthen their efforts at mutual economic cooperation.

Belize seems to be headed on course. Short-term priorities will coincide with the long-term priorities of strengthening domestic savings, stimulating agricultural and forestry-based exports and increasing rural infrastructure to help develop further the vast agricultural potential of the interior.

4. Equity Considerations

There is an obvious need to stabilize the economies of the region so that attention can turn once again to investing for future growth. The stabilization efforts in Guyana and Jamaica will undoubtedly affect broad segments of the population, but care must be taken to spread the burden of the readjustments in such a way that equity advances achieved to date are not seriously undermined. This can only be done through concessionary external financing to supplement domestic resources freed through realighments in public sector expenditures or newly provided through increased tax efforts. Without additional concessionary financing to continue and increase investment designed to benefit the poor, the burdens of adjustment will fall heaviest on those least able to bear them.

C. RATIONALE FOR ASSISTANCE

1. External Financing Requirements.

The official development assistance (ODA) to the Caribbean region has been quite sizeable in recent years, in terms of overall capital inflows. The average annual gross ODA to the region (including Haiti and the Dominican Republic) amounted to about $196 million per year during 1974-75. Other official flows, which have a lower grant element, came to about $66 million per year. Total official flows were $262 million per year. Amortization amounted to about $38 million annually, leaving the net inflow of official resources at $224 million. Wide variations existed between countries, of course.

For 1978-80 considerably larger official capital inflows will be required if the countries in the region are to make reasonable progress toward viability in their external payments and proceed with their economic development. Countries in the more developed group, especially Jamaica and Guyana, are confronted with very heavy external debt amortizations. To proceed even with their minimum required public sector investment programs, they will need large amounts of official emergency and balance-of-payments assistance on highly concessionary terms. The small islands need to accelerate their growth with a view to making progress toward financial viability. To finance their increased investment requirements without precipitating an external debt service problem, they will need somewhat larger amounts of official external assistance with the traditional grant element. Belize will also require some emergency financing if it is to improve income distribution at the same time as it accelerates its growth rate.

The increased concessional financing referred to above is necessary for these countries to maintain a reasonably manageable external debt structure -- substantially more manageable than the one which has currently emerged from the heavy borrowing on harder terms (mostly from private sources) that has taken place in recent years. Moreover, without this increase in official financial assistance, it would be most difficult for countries of the region to maintain, simultaneously, a reasonable degree of financial stability and minimally desirable levels of investment, employment and social development.

The single most important category of external official assistance for the Caribbean is likely to continue to be the traditional forms of project financing. It is estimated that this category will account for somewhat more than $350 million annually, out of $650 million that will be needed. Most of this increased official project financing is likely to be available from bilateral and multilateral sources, and a substantial portion has been already committed. However, to make it possible for these countries to utilize this project financing at the required pace, it will be necessary to provide them with some other types of assistance. The latter have to be directed specifically to overcoming the financial and technical constraints which now limit the countries' absorptive capacity.

2. The Need for Special Assistance

The countries now facing serious balance-of-payments and fiscal difficulties are severely constrained in their capacity to absorb traditional external development assistance and by the insufficiency of their public sector savings. After amortization of their medium- and long-term debt, insufficient resources remain to carry out their public investment programs. While public savings will have to be substantially increased in these countries, such an increase is likely to take time. It is, therefore, necessary to find an external assistance mechanism which may provide some solution to these problems during the transitional period needed to strengthen public sector savings. For this purpose, it is proposed here to provide a substantial part of the overall required official assistance to finance local costs and cost overruns of development programs and projects which are already partly financed (or are likely to be partly financed in the future) by external sources. This type of financing should also make it possible for other countries of the region, which are not now facing serious balance-of-payments crisis, to accelerate their economic and social development expenditures without precipitating external debt service difficulties or overlooking equity improvements.

D. THE RESPONSE

1. The Caribbean Group for Economic Cooperation

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

The IBRD has analyzed the major constraints to economic growth of the economies in the Region as well as the total external assistance requirements and various assistance instruments necessary to achieve growth with equity. The Bank's studies included analyses of the economies of the English-speaking Caribbean Countries, and surveys of Caribbean agricultural, industrial and transportation sectors. These analyses have highlighted the conflict facing the Caribbean Governments between the need to stabilize budgets and balance-of-payments and the need to increase investment to avoid even higher levels of unemployment. With governments restricting credit and cutting budget expenditures in order to restore equilibrum to their budgets and external accounts, investment has fallen off and operating capital is unavailable, resulting in growing unemployment as new enterprises are postponed and existing businesses begin to shut down. The Bank concluded that there is a critical need for external assistance to enable the recipient countries to maintain acceptable levels of development investment while executing prudent policies directed toward achieving sustained economic stability. In preparation for the first formal meeting of the Caribbean Group in June, the World Bank canvassed the donors, outlining the results of their analysis and requesting increased assistance levels. In general, the donor community committed itself to significantly increase external assistance, although a significant portion of the assistance promised is limited to project financing. Since the Caribbean countries do not have the budgetary resources to meet the local cost contributions of the proposed project funding, they could not effectively take advantage of the available assistance. The Bank, therefore, concluded that a mechanism must be established to permit the countries to take advantage of the project assistance donors were willing to make available as "adjustment assistance" over the next five years. This assistance would enable recipient countries to maintain acceptable levels of economic activity while simultaneously pursuing prudent monetary, fiscal and trade policies directed toward economic stability.

2. The Caribbean Development Facility

a. Objectives and Functions

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

The World Bank's proposal was approved by the Caribbean Group in June and the Caribbean Development Facility was formally established. The CDF will be administered by an informal "working group" composed of representatives of the IBRD, IMF, IDB, and CDB. The working group will make recommendations on the eligibility of participating countries for CDF financing and on the amounts it would be desirable to provide in each case, based upon the existence of appropriate short-and medium-term economic policies. In the case of countries which have financial programs accepted by the IMF and investment programs accepted by the World Bank, such programs would suffice to fulfill this requisite. The policy decisions and intentions indicated by the participating government will be recorded in the summary proceedings of each subgroup meeting, as the basis for future CDF assistance. In in some cases, it may be necessary that a decision on country eligibility be based upon information on country programs and policies provided by government representatives and assessed by the staff of the World Bank the IMF, the IDB and - in the case of its borrowers - the CDB. Whenever possible, the eligibility decision would be confirmed during the subgroup meetings. It is also proposed that attention be given to the relative priority attached within each country economic program to the need to increase regional economic cooperation.

The amount of special external assistance required for each year for the CDF operations would be preliminarily estimated by the Working Group. In estimating those requirements, the working group will take into account: (a) the short-and medium-term economic policies and programs adopted by the Government of each recipient country, and - in the framework of such policies and programs - the overall external financial needs of those countries; and (b) the availability of development projects and programs eligible for CDF financing. The CDF would be formed by amounts pledged by interested donors. Donors would be expected to pledge assistance (amounts, terms, conditions) in annual pledge sessions. Most of the amount required by the CDF during its first year (July 1, 1978 to June 30, 1979) has been pledged by several donors in the first meeting of the Caribbean Group. Similar pledging sessions will be held each year, during the five-year period referred to above. Each donor is then expected to conclude a separate loan or grant agreement with the relevant recipient .

b. Resources

The Bank estimates that the facility should operate over the next three to five years, by which time the Caribbean economies will have adjusted to the new economic realities. The Bank has estimated that a total of about $125 million per year on the average will be required to meet anticipated CDF needs. There is general consensus among donors as to the need for special assistance to the Caribbean along the lines proposed by the IBRD. By the end of the first meeting of the Caribbean Group a total of $111.8 million had been pledged by various donors. Venezuela has been an especially strong supporter of the CDF concept and has pledged to meet 10% of the requirements in the first year or $12.5 million. Canada is expected to contribute $12.0 million of which $6.3 million would be for Jamaica. The U.K. is expected to provide $10.0 million for Jamaica and some additional contributions later in 1978 for Guyana, Barbados and the LDCs. France and the

Netherlands are expected to pledge $5.0 million each towards the CDF requirements of Jamaica. Norway has indicated as probable $1 million pledge. The World Bank has indicated its willingness to offer Guyana a $10.0 program loan under the CDF framework. The OPEC special funds is also expected to contribute. Bank consultations are continuing with Germany, Japan and Trinidad to secure contributions.

The United States has agreed in principle to contribute 30 percent of the total needs, or $37.5 million per year, providing there is firm evidence that other donors will participate and provided recipient countries adopt appropriate economic policies and self-help measures. For the initial year of facility operations, it is proposed that the U.S. contribution will consist of approximately $17.5 million of additional P.L. 480 Title I resources and $20 million of development assistance funds from the revised FY 1978 OYB of the Latin America and Caribbean Bureau. The P.L. 480 resources would be provided in early FY 1979, primarily to assist Haiti and the Dominican Republic to meet their development investment requirements in accordance with normal P.L. 480 procedures.

3. Project Description

a. Purpose and Description

The purpose of the AID Project is to assist the governments of the English-speaking Caribbean countries to maintain adequate levels of development investment by providing resources needed to carry out essential donor-assisted socioeconomic 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. This Project will 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 the CDF to undertake self-help measures reflected in medium term economic programs which will lead to 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, and limited amounts of foreign currency, costs of eligible, donor assisted projects. All member CDB countries of the English-speaking Caribbean who have participated in the Caribbean Group and whose economic programs and policies have been accepted by the CDF as appropriate are eligible for subloans under the Project. 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 and, (iii) are consistent with AID's legislative mandate. (See Paragraph D.3.c. Project Criteria).

Subloans will be made by the CDB to participating governments for general economic stabilization and growth programs on the basis of the general credit worthiness of member country subborrowers. Subloans will finance eligible, donor-assisted projects which the CDB has: (a) determined as being within the CDF approved investment program, and consistent with AID's legislative mandate; (b) obtained 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 and (d) obtained a certification prepared by the prime donor that the project does not have significant adverse impact on the environment. The terms for relending to member countries will be (i) for the MDCs, twenty (20) years with a ten year grace period at an interest rate of 4% p.a., and (ii) for the LDCs, thirty (30) years with a ten year grace period at an interest rate of 4% p.a. The interest rate of 4 percent is the established rate at which the CDB lends to member countries. The interest spread of 2 percent over the grace period and 1 percent thereafter will cover the administrative costs of the CDB. Any amounts in excess of actual administrative costs will accrue to the CDB for general development lending.

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, 1978 through June 30, 1979, broken down by available financing (from the prime donors) and local financing. The projects listed by country, donor and projected expenditure are included in Annex 9. In addition each project has been summarized in country project lists by the Bank and these are on file in LAC/DR.

The Project will finance a portion of the first year's projected local costs (and foreign costs in the LDCs The total projected local currency needed for the first year is estimated at $111.7 million. The breakdown by country is as follows:

Jamaica	$ 63.7
Guyana	25.4
Barbados	12.6
CARICOM LDCs	10.0
	$ 111.7

Projects in all sectors are included but primarily agriculture, industry, housing and infrastructure, with some in the health and education sectors. For purposes of project analysis, a preliminary selection of projects utilizing the proposed eligibility criteria was made and these grouped in accordance with the AID appropriation categories. The total local cost need for projects which appear eligible for AID-financing is estimated at $48.2 million. The distribution of projected local cost requirements for the first year of preliminary eligible projects by funding category is as follows:

US$ Millions

	F & N Sec.103	H & P Sec. 104	Ed. Sec. 105	S D A Sec. 106	Total
Jamaica	14.4	3.2	1.7	5.6	24.9
Guyana	10.0	-	2.0	1.9	13.9
Barbados	2.9	.6	0.8	1.2	5.5
CARICOM LDCs	2.5	.7	0.4	0.3	3.9
Functional Account Totals	29.9	4.5	4.9	9.0	48.2

It should be noted that time did not permit a thorough review of each project to determine target group impact. In addition, allowance must be made for the accuracy of the projected project expenditures, which appear in several cases to be over-optimistic, and for the fact that countries may have found other sources of financing the local currency in the interim.

The CDB has contacted member governments on a preliminary basis to refine the above list even further. As a result of these consultations, an indicative list of projects sponsored by major donors (e.g., IBRD, IDB) which appear eligible for AID-financing has been compiled as follows:

Country	Project	Estimated CDF Assistance Required ($ millions)	External Donor
Jamaica	First Rural Development	2.3	World Bank
Jamaica	Education Expansion II	0.6	World Bank
Jamaica	Sites and Services (low income housing)	2.9	World Bank
Jamaica	Second Population Project	2.0	World Bank
Jamaica	Small Scale Enterprise Development	2.2	World Bank
Jamaica	Self-Supporting Farmers Project	3.1	IDB
Jamaica	Students Loan Fund II	0.5	IDB
Jamaica	Secondary and Parish Council Roads	1.6	IDB
Jamaica	Agricultural Research	1.0	IDB
Jamaica	Agricultural Marketing	0.4	IDB
	Total	16.6	
Guyana	Mahaica-Mahaicony-Abary (farm area development)	2.7	IDB
Guyana	Tapakuma Irrigation	4.5	World Bank
Guyana	Second Education Project	0.9	World Bank
Guyana	West Demerara Road (rural)	1.4	IDA
	Total	9.5	
Barbados	Agricultural Marketing Facilities	0.5	CDB
Barbados	Samuel Jackman Prescod Polytechnic	0.6	IDB
Barbados	Fisheries Development	0.4	IDB, CIDA
Barbados	Agricultural Credit	0.2	CDB
Barbados	Industrial Estates	0.5	CDB
	Total	2.2	
	TOTAL	28.3	

c. Sub-Project Selection Criteria

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

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

- Sponsored by an external free-world donor other than AID.
- Limited to financing costs of locally available good and services except that in the case of the LDCs foreign exchange costs of goods and services are eligible . (Cost over runs would be financed only to the extent of local costs).
- In 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 sanitation.

(d) Special Development Activities including small-scale enterprises and self-employment, urban development programs involving labour-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 is defined here to include all those whose income falls below the 50th percentile in a country's income scale. Benefits may include direct and indirect benefits.

-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 sources.

d. Initial Allocation of Project Funds

The CDF has recommended the following country allocation of Project Funds based on country need, number of eligible projects, and availability of funding. The CDB may reduce the allocation to Jamaica, Guyana or Barbados by up to 10%, provided that the allocation to any other participating country is not increased by more than 20%.

	(US$ Millions) AID Loan
Jamaica	12.0
Guyana	4.5
Barbados	1.2
CARICOM LDCs	2.0
TOTAL	20.0

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)
Food and Nutrition Projects	12.5
Education and Human Resources Development	2.0
Special Development Activities	3.5
Health and Population	2.0
TOTAL	20.0

4. Project Responsibilities

a. The Caribbean Development Facility (CDF). An informal working group led by the World Bank will coordinate assistance provided through the 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 donor. Participant countries will qualify for CDF assistance through CG country subgroup reviews. The working group will provide 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 based on the general credit-worthiness of the country. Proceeds of subloans will be used by Participating Countries to meet the local, and in certain cases, foreign costs of eligible projects. The CDB will review the list of projects proposed for financing through the CDF in order to determine eligibility of projects for AID financing, utilizing the criteria in Section 6.2. 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 reaffirmation of the continuing 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, 1978 - September 30, 1979;

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

(iv) a statement that the project was judged not to have any significant 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 plan of Eligible Projects with the government of the Participating Country to confirm project priority and the soundness of the financial plan. In the case of countries other than the LDCs, the estimated amount of local costs required for Eligible Projects for the first 15 months of CDF operations (July 1, 1978 to September 30, 1979) will be eligible for financing. In the case of the LDCs, subloans shall be made to finance local and foreign exchange costs for Eligible Projects assisted by the CDB utilizing normal CDB procedures.

The CDB will be responsible for the 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, 1978, will qualify for reimbursement. In addition, working advances will be permitted up to 90 days.

c. <u>The Prime Donor</u>

The prime donor will be responsible for providing to the CDB, a written statement (with supporting documentation if necessary) confirming: (1) that the project is currently technically, economically and financially feasible; (2) that the financial plan for the project prepared by the prime donor has been reviewed and updated; and (3) that the project will not have a significant adverse effect on the human environment, or that if it does have such effect that a satisfactory environmental analysis has been prepared; and (4) that the project will have a significant impact upon the poor in the recipient country, including a brief explanation of how such an impact will be achieved.

The prime donor of each project funded through the CDF will be responsible for overall supervision and monitoring of project implementation.

E. PROJECT ANALYSIS

1. CARIBBEAN DEVELOPMENT BANK

a. The Institution

(1) Legal Identity, Objective and Function

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

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[1] Regional Borrowing Members: Antigua, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Trinidad & Tobago, Turks and Caicos Islands, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent.
Other Regional Members: Columbia and Venezuela.
Non-Regional Members: Canada and the U.K.

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

In addition to the provisions established by the Agreement, which contains a number of operating limitations designed to safeguard the CDB's financial soundness, the CDB has a set of Financial Policies and a set of Rules which govern the operation of the Special Fund resources. The CDB can contribute to the financing of public and private projects related directly to productive enterprises and to infrastructure and services which contribute to productive enterprises. The CDB will not lend money to finance budget deficits or balance of payment deficits, purchase equities, working capital, or purchase of land. Priority is given to investments in agriculture, livestock, fisheries, forestry, marketing, manufacture, 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.

2. Organization and Administration

The CDB Organization Chart is presented as Appendix 3. 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 favour of those member countries classified as LDCs. All the powers of the Bank is vested in The Board of Governors which may delegate its power to the Board of Directors except on certain matters, such as admission of new members, change in capital stock, election of Directors and President, amendment of the Charter and termination of operations. The Board of Directors is composed of eleven (11) members appointed for renewable two-year periods. The non-regional members are represented by two of the eleven Directors. The Board is responsible for general policy and the direction of operations, approval of 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 four operational divisions and three supporting divisions with the Directors of Divisions reporting directly to the President. The operational divisions are Agriculture, Technical (infrastructure), Industry and Economics and Project Analysis. The support divisions are Administration, Finance and Legal.

3. Personnel

As of December 1, 1977, the CDB had a total staff of 126, of which 65 were professionals. All, with the exception of 7 agronomists and 1 engineer stationed at the various development finance corporations in the eight LDCs, work at the Bank in Barbados. Fourteen of the professionals are on secondment or being paid by seven institutional agencies or governments. The UNDP funds four Experts, USAID two, CIDA two, Federal Republic of Germany two, New Zealand two, CDB/ CARICOM Cooperation Agreement one and the Commonwealth Fund for Technical Cooperation (CFTC) one. The fields covered are housing, agriculture, fisheries, industrial cooperation and information.

CDB's PROFESSIONAL STAFF

(Dec. 1, 1977)

	Permanent	On Secondment Or Paid By Others	Total
Economists	10	2	12
Lawyers	3	-	3
Accountants	3	-	3
Agronomists	15 1/	1	16
Engineers	11 2/	3	14
Business Admin.	2	1	3
Banking Adv.	-	3	3
Chemists & Biologists	1	-	1
Other	6	4	9
	51	14	65

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

1/ Seven stationed in the LDCs as Farm Improvement Officers

2/ One stationed in Belize as a Project Officer

b. <u>Financial Situation</u>

The authorized capital of the Bank expressed in current dollars is $231,618,816 comprising callable shares of $171,301,416 and paid up shares of $60,317,400. The callable shares are subject to call as and when required by the Bank to meet obligations incurred in OCR operations. The paid up shares are payable by installment. The CDB conducts two financial operations: ordinary capital operations (OCR) and special funds operations (SDF). The latter, in fact consists of several separate funds. Each type of fund must be kept separate according to the Bank's charter and is expected to generate sufficient income to cover administrative and operational costs. Total net income, from all funds, after deducting the contribution to Special Reserve amounted to $4.4 million for the year ended December 31, 1977. The total resources of the Bank, including all funds, amounted to $214 million and consisted of share capital, reserves, borrowings and funds administered in trust. Total loan approvals were $140 million, of which $74 million or 53% had been disbursed as of the end of the year.

Looking at OCR operations as of December 31, 1977, the financial situation of the OCR was sound and solid. Total assets had reached $55.6 million. Its capital and reserves amounted to $41.4 million and its borrowings totalled $13.9 million. The relation of outstanding loans to total assets ($23.3 million/$55.6 million) is increasing and for the first time outstanding loans were greater than short term investments indicating improved capacity to place its resources in loans rather than having to invest them. Short term investments at $21.3 million (compared to outstanding loans of $23.3 million), however, is still high for a development bank. The ratio of debt to capital and reserves was very low but will increase as a result of the utilization of borrowings already contracted.

On its Ordinary Capital Resources operations, the CDB realized a net income of $2.3 million during 1977, compared with $1.4 million in 1976. The combined gross financial income from loans and short term investments of its OCR operations cover the financial and operational costs without depending on external contributions.

CDB's liquidity policy for OCR operations, as set by its Board, requires that it maintain a liquid asset equivalent to two years projected OCR disbursements. As of December 31, 1977, the liquidity ratio was 6:1 after allowing for commitments (loans approved but not disbursed of), and as a result of the fact that all borrowings were still in the grace period and the bonds sold to the Central Banks are due on November 15, 1978.

The CDB does not make a specific provision for possible loan losses, but it includes in its Capital and Reserves accounts an Ordinary Reserve, which on December 31, 1977, amounted to $4.3 million to cover losses arising from loans and currency devaluations.

As of December 31, 1977, the financial situation of SDF resources indicate a continuous growth of both total assets and loan portfolio. The percentage of loans to total assets has increased from 10.8% to 55.0% in 1977, indicating an increasing ability for developing and carrying out credit operations. Total assets of the Other Special Funds also shows a continuous growth going from $1.5 million on December 31, 1973, to $31.4 million on December 31, 1977, with loan disbursements totalling $15.6 million (50% of total assets). On its Special Resources operations, the net income was $1.3 million in 1977 as compared with $1.4 million in 1976. Other Special Funds accounted for $.82 million net income in 1977 compared to $.72 million in 1976.

The SDF's Loan Portfolio, as of December 31, 1977, amounted to a total of $32.2 million including overdue instalments of principal amounting to $8,000 in respect of one loan. Even considering the total amount in arrears, it represents less than 1% of the total portfolio. On December 31, 1976, there were three loans in arrears. The OSF's Loan Portfolio, including the Venezuela Trust Fund, amounted to $15.6 million including overdue installments of principal amounting to $20,000 (3 loans) which represent less than 1/10 of 1% of the total portfolio.

2. Economic Analysis

An economic analysis of this project would necessarily deal with the benefits and costs of both the individual subprojects being supported by this project and this project as a whole -- in other words, the microeconomic and the macroeconomic impacts of the project.

a. Macroeconomic Impact

The description of the current status of the economies of the region makes clear their precarious position both internally with regard to such items as central government finances, employment and savings/investment, and externally with regard to export possibilities, balance of payments and terms of trade in the future. Under these conditions, the proposed A.I.D. contribution, as part of an international donor effort to provide special assistance, can be expected to have major impacts.

The first major impact will be on investment levels in the participating countries. Assuming for purposes of illustration that local costs run 35% of total project costs of a typical donor project, with the donor committed to providing 65% in direct and indirect foreign exchange costs. The $20 million A.I.D. loan available for financing local costs will permit the donors to disburse $37.0 million in project funds to finance foreign exchange costs. The total project investment thus generated for the first year will be $57.0 million. Furthermore, the total A.I.D. commitment, including the proposed loan, of $37 million is only 30% of total CDF resources for the first year. Thus, the CDF has already generated an additional $111.0 million in pledges for the Caribbean, most of which represent increased donor commitments of resources.

Second is the balance of payments impact. As countries receive dollars to finance local costs, in accordance with the provisions of this project, they will have foreign exchange available for high priority imports. Since Jamaica has already agreed with the IMF to control non-essential imports and Guyana and Barbados have independently placed restrictions on non-essential imports, it is reasonably certain that the foreign exchange will be used to help satisfy priority needs. In addition, A.I.D. funds will have a multiplier effect on the balance of payments to the extent that they enable other donor disbursements for local costs in previously agreed-to subprojects.

The third major impact will be on the prudent management of the Caribbean economies. More specifically, the adoption of economic policies which will ideally restore growth with equity over the next five years to the economies of the Caribbean. Countries will commit themselves to policies discerned as reasonable and equitable by their peers in the Caribbean and which will enable them to move away from the decline and stagnation of recent years.

There are also other benefits. The A.I.D. contributions will be less inflationary in the first round than internal expansions of the money supply by central banks (in those countries outside of the area served by the Eastern Caribbean Monetary Authority) or other parts of the banking system (in all countries). It will also increase regional cooperation because our funds will be channelled through the Caribbean Development Bank, giving members more evidence of the value of a strong regional financial institution. It will also permit the major countries of CARICOM to loosen restrictions on imports from their regional trading partners.

b. Microeconomic Impact

At the microeconomic level, tight central government budgets, especially for capital expenditures, will probably force the governments of the benefiting countries to curtail their provision of agreed-upon counterpart funding for local costs of development projects. This is a strong probability for the major beneficiary countries of Guyana and Jamaica, and a very real possibility for the other countries, except Belize (a special case treated later). The effect of such an eventuality would be to weaken the viability of such development projects. This can best be illustrated by an example.

Assume the following data for a hypothetical development project agreed to by the prime donor and the benefiting country:

	COSTS		BENEFITS	
YEAR	NOMINAL	PRESENT VALUE	NOMINAL	PRESENT VALUE
1	10	8.7	-	-
2	25	18.9	-	-
3	35	23.0	-	-
4	25	14.3	10	5.7
5	5	2.5	20	9.9
6	-	-	30	13.0
7	-	-	40	15.0
8	-	-	40	13.1
9	-	-	40	11.4

	COSTS		BENEFITS	
	NOMINAL	PRESENT VALUE	NOMINAL	PRESENT VALUE
YEAR				
10	-	-	40	9.9
11	-	-	40	8.6
12	-	-	5.3	1.0
TOTAL	100	67.4	265.3	87.6

The ratio of benefits to costs (both discounted at 15 percent) in this case would be 1.3, a satisfactory rating.

Now suppose the situation facing the decision maker is roughly as follows: The benefiting government and the prime donor have progressed in execution of the project, finding themselves ready to start the third year of investment. The government has only sufficient resources to permit an investment of fifteen units this year in the project, but expects to be able to have sufficient resources for the project to permit investment of 25 units next year (year four), as originally agreed (see the above Table.) This slow down delays the delivery of benefits somewhat. The new situation is as follows:

	COSTS		BENEFITS	
	NOMINAL	PRESENT VALUE	NOMINAL	PRESENT VALUE
YEAR				
-0	10	13.2	-	-
-1	25	28.8	-	-
0 (this year)	15	15.0	-	-
1	25	21.7	-	-
2	20	15.1	10	7.6
3	5	3.3	15	9.9
4	-	-	25	14.3
5	-	-	35	17.4
6	-	-	40	17.3
7	-	-	40	15.0
8	-	-	40	13.1
9	-	-	40	11.4
10	-	-	20	4.9
11	-	-	5.3	1.1
TOTAL	100	97.1	265.3	112.0

The ratio of benefits to costs in this case is reduced to 1.15, making this a activity only half as attractive as before, but still quite worthwile if there were some assurance that further delays would not occur in the future and delay the delivery of benefits even more.

If A.I.D. resources would enable the government to carry forward the original implementation schedule, total benefits to the economy would be prevented from falling by 50 percent (from 1.30 to 1.15 in terms of benefit/cost ratios) or, viewed from another perspective, would double the real rate of return from the project (from 15 percent to 30 percent).

Of course, the hypothetical example given above may not be typical. For instance, it overestimates the net effect of the A.I.D. contribution if the discount rate used to derive present values is really lower than 15 percent. Likewise, different assumptions on the timing of costs versus the timing of benefits would change the value of the A.I.D. contribution. It is believed, however, that the example is not all atypical and that the thrust of the analysis is correct.

3. Analysis of Project Design

All countries of the English-speaking Caribbean which are memb.rs of the CDB and have participated in the Caribbean Group will be eligible for subloans of A.I.D. funds under the Project, provided that the country has reached agreement with the CDF (in the context of a Caribbean Group country subgroup review) on appropriate development policies and investment programs. The CDB will be informed of the qualification of member countries by the Caribbean Group. This procedures assures that CDF assistance will be provided only to those countries which have seriously committed themselves to undertake economic policy reforms and self-help measures designed to achieve economic stability and long-term growth with equity.

In addition to addressing the needs of Caribbean countries to maintain adequate levels of overall investment, and hence employment and output, the Project is designed to address directly the need to implement high priority socioeconomic development projects sponsored by external donors. The progress of many of these projects has slowed, or even stopped, as a result of financial constraints on the governments of the Caribbean. This Project is designed to enable these governments to meet the counterpart financing requirements of such projects so that they may be implemented on schedule.

The Caribbean Development Bank, an intermediate credit institution, was selected as the most appropriate administrative mechanism because A.I.D. project resources will be used in Jamaica, Guyana, Barbados and the Less Developed Countries (LDCs) of the Caribbean. A.I.D. is also interested in strengthening a regional institution by ensuring that it has a key role and the resources to fulfill that role. The ICI mechanism also addresses the following concerns: (a) to limit the use of A.I.D. resources to those projects which will benefit the poor; (b) to assure that projects have been reexamined and found to be economically, technically, and financially feasible; (c) to reexamine and update the cost estimates for completing the project; and (d) to identify any significant environmental effects the project is anticipated to have. The criteria and procedures which will be utilized by the CDB in meeting these concerns have been set out in Section D.3. (Project Description) above.

The design of the Project takes account of the various limitations imposed by the Foreign Assistance Act of 1961, as amended. The administrative feasibility of the design has been confirmed through extensive consultations with the World Bank and the CDB. The feasibility of specific projects to receive A.I.D. support through CDB subloans is assured by the fact that A.I.D. funds will be utilized primarily for projects sponsored by major donors (see indicative list in Section D. 3.b) such as the IBRD and the IDB. Each sponsoring donor will certify feasibility and update the Project's financial plan prior to the disbursement of A.I.D. funds.

The major objectives for this Project could also have been met with a program loan (or loans). This option is not open to A.I.D. under current legislation. Separate CDF-like loans could also have been arranged with the several countries, but only with the disadvantages of an increased administrative burden to both parties and a missed chance to strengthen regional cooperation.

Alternative levels for this Project were considered and rejected. Substantially lower amounts could have had the result of not attracting sufficient other donor contributions to meet expected needs, and substantially higher amounts, interestingly, could have had the same effect. Analysis of smaller variations (say, plus or minus 25 percent) did not seem feasible under the conditions.

F. IMPLEMENTATION PLANNING

1. Schedule of Events.

The Project is expected to be authorized by August 20. Upon authorization, AID will advise the CDB so that it can immediately finalize preparation for signature by August 30. Once the loan is signed, the Bank will finalize a preliminary list of eligible projects as a result of its initial discussions with member governments. It will then contact the two primary donors - IDB and IBRD - and request the necessary certifications on target group impact, feasibility and environment for the projects each is assisting. It will also ask the IBRD as the host of the Caribbean Group meetings in June to provide the summary of proceedings of the country subgroup meeting with the chairman's final statement as evidence that the country is eligible for CDF assistance. The World Bank has agreed as a Washington based member of the CDF working group to follow-up with the IDB and help facilitate prompt action on the documentation needed to meet conditions precedent from the Washington donors. It is expected that it will take approximately 45 to 60 days to finalize the necessary documentation.

While the prime donors are developing the necessary documentation to meet conditions precedent, the CDB will take the preliminary project list and enter into negotiations with the appropriate participating governments to ensure project priority and the soundness of the financial projections. While the CDB will have reviewed the economic program of each country as a member of the Caribbean Group to the extent any updating is required, it will collect information on the government's economic program. It will also establish the necessary disbursement procedures. Once this has been accomplished, the CDB will finalize the subloans for each country. This is expected to take two months. The first subloan is expected to be approved approximately two months after loan signature at the beginning of November with first disbursements taking place one month later after subloan signature, about early December. The subloans will finance all eligible expenditures from July 1, 1978. Disbursements will then continue until September 30, 1979. For the LDCs, the Bank will finance up to 70% of new projects with Project Funds. It will therefore be appraising projects utilizing its normal procedures and disbursing for those projects over a four year period or until September 30, 1982.

2. Monitoring

Monitoring responsibilities for the project will fall on two offices. LAC/CAR will be responsible for monitoring, evaluating, and maintaining the relationship with the Caribbean Development Facility. This will include a determination that the U.S. Government should proceed with future tranches. The Regional Development Office/Caribbean (RDO/C) will be responsible for monitoring and assisting the Caribbean Development Bank in the smooth and timely implementation of the loan. At the request of either office, LAC/DR is prepared to assist in following up with prime donors and AID officers to assist in the implementation of the loan.

3. Procurement

The source/origin for procurement of goods and services under the loan will be member countries of the CDB (including the U.K. and Canada). This is in accordance with the decision reached by the Development Assistance Committee at the High-Level Meeting of October 1973 that countries represented on the DAC shall extend their official financial development assistance contributions pledged henceforth, to multilateral institutions (as listed in DAC statistics) free for procurement at least in those countries that are members or associate members of those institutions or are recognized by the institutions concerned as significant contributors.

The majority of the procurement under the loan ($18.0 million) will be for goods and services available locally. Such procurement should be either indigenous goods or eligible under AID's imported shelf items regulations.

A review of the proposed projects to be financed indicate that Project funds will typically be financing credit for small farmer and businesses to make local improvements, labor and local materials, government salaries and operating expenses, and construction. Private subborrowers will generally procure on a negotiated basis but can be counted on not to pay more than market price other than for reasons of quality or service since unjustifiably higher prices will lower their profits. Contracted government goods and services is normally handled on a competitive basis for government procurement in the English-speaking Caribbean, especially those involving international agencies, although there will not be any feasible way for AID or the CDB to ensure the use of competition. The Project will finance only one year expenditures of any particular contract. Contracts will already be in existence. The CDB will not be involved in the advertising, bidding, and negotiation of any contracts.

Procurement for LDC projects (up to $2.0 million) will involve international procurement as well as local. This will be subject to the normal AID procedures which the Bank currently employs.

4. Disbursement

Disbursement will be made by AID in dollars to the CDB upon presentation of a listing of eligible expenditure under approved projects. Expenditures starting from July 1, 1978 will be eligible for reimbursement. In addition, advances will be made by AID for up to 90 days of projected expenditures. Advances will be made to each borrower and held in a central account for use by the CDB to reimburse eligible expenditures.

5. Evaluation

The 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 recommendations. The country subgroup will review the effectiveness of the assistance provided through the CDF, the country's general economic performance, and the country's commitment to agreed-upon policy measures and goals. The results of these reviews will serve as a basis for the decision on whether or not to recommend donor pledges for the following year.

The U.S. Government will participate as a member of the country subgroups. A.I.D. (specifically LAC/CAR) will be responsible for coordinating the USG position in accordance with standard procedures for consultative group meetings (DA/AID Memorandum of December 19, 1977). The development of the USG position regarding continuing support of the CDF must take into account at least two considerations: (a) the extent to which the A.I.D. Project has succeeded in raising development investment levels in the English-speaking Caribbean and accelerating the implementation of donor-assisted projects; and (b) the extent to which progress has been made by CDF recipients toward 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 measures, such as increasing net reserves, etc.

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

a. Success Criteria

In developing the USG position, A.I.D. will 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 product and markets;

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

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

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

b. Evaluation Procedures

The summary of proceedings of the CG country subgroup reviews will provide the source documents on the commitments undertaken by participating governments. The CDF working group economic memoranda and reports will document macro-economic performance. In particular, IMF consultation mission reports on Jamaica and Guyana will provide periodic updating of progress under the IMF agreements. LAC/CAR (with other staff support as needed) will review these documents to identify policy commitments undertaken and to monitor progress in carrying them out. Attention will be given both to policy measures aimed at financial stability of the kind sought under traditional IMF standby agreements and to policy measures directed at long-term structural changes and equity. In those cases where an IMF agreement goes beyond customary stabilization programs, the IMF's analysis and recommendations will normally be accepted without additional, independent reviews by A.I.D. Thus, in the case of Jamaica, A.I.D. will rely on adherence to the IMF agreement and IMF progress reviews and recommendations. In those cases where the IMF agreement does not go beyond stabilization measures, A.I.D. will rely on the CDF working group reports, but these will be supplemented, if necessary, by A.I.D. staff reviews. Thus, in the case of Guyana, where a traditional IMF agreement exists, we will accept IMF progress reviews and recommendations regarding the stabilization measures (item (a) under the success criteria listed above), but with respect to the other criteria, A.I.D. will monitor progress to the extent that the CDF working group does not. This approach will also apply to countries where there is no IMF involvement, such as Barbados and the CARICOM LDCs.

CERTIFICATION OF A.I.D. REPRESENTATIVE

Caribbean Regional: Caribbean Development Facility

I certify that the Caribbean Development Bank (CDB) has the capability required to carry out the proposed loan and to maintain and utilize the referenced Project, taking into account the following factors:

A. All projects previously financed by the U.S. Government with the CDB have been, or are being, implemented, utilized and maintained.

B. The Project provides for the CDB to contribute to the financing of a program of economic stabilization and growth in participating member countries. Loan funds will be used to finance local costs, and in the case of LDCs foreign currency costs, of donor assisted projects. The Bank is a qualified, experienced lending institution which will be lending for projects determined to be feasible by qualified international financial agencies (i.e. the World Bank, IDB, CDB). The procedures to be used have been thoroughly discussed with the Bank.

C. There is no maintenance of this Project required.

Dwight Johnson
Dwight Johnson,
Acting AID Representative
RDO/C

July 26, 1978

JUL 27 1978

ANNEX NO. 2

CARIBBEAN DEVELOPMENT BANK
P.O. Box 408 Wildey
St. Michael Barbados W.I.
Telephone: 61152 Cable Address: "Caribank." Telex WB 287.

26th July, 1978

Mr. Dwight Johnson,
Acting AID Affairs Officer,
USAID Regional Development Office/Caribbean,
P.O. Box 302,
BRIDGETOWN

ACTION: DEJohnson
DATE ....
SIGNATURE ....

Dear Mr. Johnson,

This will formalize our request for a $20 million loan from the Agency for International Development to enable the Caribbean Development Bank to contribute to a programme of economic stabilization and growth in participating member countries. The loan would support the efforts of the Caribbean Group for Cooperation in Economic Development for meeting the local contribution of development projects at a time when the Caribbean governments find themselves unable to do so. Loan Funds would finance the local (and a limited amount of foreign currency) costs of donor assisted projects. All CDB member countries of the English-speaking Caribbean who have participated in the Caribbean Group may be eligible for sub-loans once agreement has been reached with the Caribbean Development Facility on appropriate development policies and investment programmes.

The loan would be allocated in sub-loans to member countries as follows:

	US$ millions
Jamaica	$12.0
Guyana	4.5
Barbados	1.5
CARICOM LDCs	2.0
	$20.0

Sub-loan terms would be:

(i) in the case of the MDCs, up to 20 years repayment including a 10-year grace period at an interest rate of 4% p.a.;

50

........../......

Mr. Dwight Johnson 26th July, 1978

(ii) in the case of the LDCs, up to 30 years repayment including a 10-year grace period at an interest rate of 4% p.a.

We understand that the AID loan would be for 20 years (30 years for the LDCs) including a 10-year grace period at an interest rate of 2% during the grace period and 3% thereafter.

Yours sincerely,

William G. Demas

William G. Demas
President

ANNEX NO. 3

5C(1) - COUNTRY CHECKLIST

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

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in consistent pattern of gross violations of internationally recognized human rights?

   This loan is being made to the Caribbean Development Bank for relending to member countries in the English-speaking Caribbean to support donor-assisted development projects which will impact upon the poor of the recipient countries. No participating country has been found to have engaged in a pattern of gross violations of human rights.

2. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

   No.

3. FAA Sec. 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

   No.

4. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

   There is no evidence that any participating country is so controlled.

5. FAA Sec. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

   We have no knowledge or evidence of any such debt owed by the government of a participating Caribbean country.

6. FAA Sec. 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

   No.

A

7. FAA Sec. 620(f); App. Sec. 108. Is recipient country a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos? — No.

8. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? — No.

9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? — No.

10. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? — Not applicable.

11. FAA Sec. 620(o); Fishermen's Protective Act, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, — Not applicable.

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

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

12. FAA Sec. 620(q); App. Sec. 504. (a) Is the government of the recipient country in default on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds, unless debt was earlier disputed, or appropriate steps taken to cure default? — No government of a participating Caribbean country is in default on any A.I.D. loan.

13. FAA Sec. 620(s). "If contemplated assistance is development loan (including Alliance loan) or security supporting assistance, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems?" (An affirmative answer may refer to the record of the taking into account, e.g.: "Yes as reported in annual report on implementation of Sec. 620(s)." This report is prepared at the time of approval by the Administrator of the Operational Year Budget. — Not applicable.

* Revised

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

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

No participating Caribbean country has taken such an action.

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

No participating Caribbean government is in arrears on its U.S. obligation.

16. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

No participating Caribbean country has taken such an action.

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

No participating Caribbean government, nor the CDB, has such an objection.

18. FAA Sec. 669. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.?

No participating Caribbean country has taken such an action.

19. FAA Sec. 901. Has the country denied its citizens the right or opportunity to emigrate?

No participating Caribbean country has taken such an action.

B. FUNDING CRITERIA FOR COUNTRY

1. Development Assistance Country Criteria

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

The CDB has established and followed both its own and A.I.D. criteria to involve small farmers, labor-intensive production, equitable income distribution, and unemployment of rural and urban poor. Special criteria have been established for this project.

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

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

(1) A number of Caribbean regional institutions, especially the CDB, as well as the participating governments of the region, are carrying out food production, storage and distribution programs.

*Revised

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(2) Creating a favorable climate for foreign and domestic private enterprise and investment.	(2) While governments in the Caribbean region are seeking greater control over their resources, the climate for private enterprise and investment in the region is favorable, or improving.
(3) Increasing the public's role in the developmental process.	(3) Development programs in the Region, on both the national and regional level are generally aimed at increasing the public's role in the developmental process.
(4) (a) Allocating available budgetary resources to development.	(4)a) The Caribbean territories have been allocating considerable available budgetary resources to both national and regional development.
(b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations.	b) Military expenditures by the National Governments in the Region are minimal.
(5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.	(5) Caribbean territories are making progress toward respect for the role of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative and private enterprise as evidence by the absence of press and other censorship and the encouragement of initiative and private enterprise in agriculture, industry, and housing. Some progress is being made in political reforms such as tax collection improvements and land tenure arrangements.
(6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.	(6) The current efforts being made by the Caribbean territories toward economic cooperation and integration are indicative of their determination to take self-help measures.
c. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made?	The Caribbean Region is among the 20 countries eligible to receive development assistance loans in this fiscal year.
d. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, is assistance for population programs, humanitarian aid through international organizations, or regional programs?	No. Jamaica is the only country in the region receiving security supporting assistance in FY 78. No funds under this loan will be used in Jamaica until FY 79.
2. Security Supporting Assistance Country Criteria	
a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? Is program in accordance with policy of this Section?	**No participating Caribbean country has done so.**
b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country, organization, or body eligible to receive assistance?	**Yes.**
c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	**No commodities are to be granted under this project.**

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5C(2) - PROJECT CHECKLIST

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

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

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)

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

(a) Congress has been notified of the proposed loan project through an Advice of Program Change.

(b) Yes.

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

Yes.

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

Not applicable.

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

Not applicable.

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

Yes. The Certification of the Caribbean Regional A.I.D. Representative was signed July 26, 1978, and is included as an Annex to the Project Paper.

A.

6. FAA Sec. 209, 619. 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. If assistance is for newly independent country, is it furnished through multilateral organizations or plans to the maximum extent appropriate?

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

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

As part of this project, participating Caribbean countries are undertaking economic reform measures which are likely to have such effect, particularly increasing trade (within the CARICOM region) and improving agriculture and commerce.

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).

The purpose of the project is to assist participating Caribbean countries to achieve economic stability and growth, which will encourage increased trade and investment.

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.

Not applicable.

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

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

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

All subprojects to receive funds through CDB subloans of A.I.D. funds are required to be fully consistent with this legislation and to have an impact upon the poor of the recipient country (see criteria for CDB project selection in loan agreement and project paper).

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

This project is designed to provide resources to the CDB for relending to participating Caribbean governments to support a variety of types of development projects, all sponsored by external donors such as the World Bank, the IDB, etc. Therefore, the $20 million loan to the CDB includes funds from §§ 103, 104, 105 and 106 accounts. While the specific subprojects have not yet been identified, all subprojects to receive A.I.D. funds will have an impact, direct or indirect, on the poor of the recipient country. The prime donor to projects supported by A.I.D. funds will provide a statement explaining how such impact will be achieved.

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

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;

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

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

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

(b) to help alleviate energy problem;

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

(d) reconstruction after natural or manmade disaster;

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

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

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

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

As a Regional Project Section 110(a) does not apply.

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

No.

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

Under this project, only those countries in the English-speaking Caribbean which have committed themselves to self-help measures and economic policies designed to lead to economic stability and sustainable growth will qualify for CDF assistance.

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

Not applicable.

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g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?	Yes.
h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.	Negligible

2. Development Assistance Project Criteria (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.	Other free world countries participating in the Caribbean Group for Cooperation in Economic Development are contributing approximately 70% of total CDF assistance.
b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.	Based on a review of the CDB's operations and its financial position it is concluded that the prospects for repayment of the A.I.D. loan are good.
c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?	Yes. Borrower's Letter of Application is included in Project Paper.
d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?	Yes.

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

A loan of $20.0 million is being made to the CDB for relending to eligible member countries to support their development investment programs.

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

Not applicable.

3. Project Criteria Solely for Security Supporting Assistance

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

Not applicable.

4. Additional Criteria for Alliance for Progress

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

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

Not applicable.

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

Not applicable.

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?

   While most of the loan will go to cover local costs of development projects, U.S. small businesses will be ensured the opportunity to participate in furnishing goods and services unavailable locally.

2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him?

   Yes.

3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed?

   Yes.

4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?

   Such procurement is not envisioned under this project. A.I.D. loan is to be relent by CDB to cover primarily local cost of domestically available goods in recipient countries ("shelf items").

5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?

   Such procurement is not envisioned under this project. A.I.D. loan is to be relent by CDB to cover primarily local cost of domestically available goods in recipient countries ("shelf items").

6. MMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

   The loan agreement will require maximum usage of U.S. flag vessels to the extent that such vessels are available.

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized,

   Technical assistance for the project would be loan-financed and would be provided by individuals or firms on a contract basis. The facilities or personnel of other Federal agencies will not be used.

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

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

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? — **Not applicable.**

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? — **Not applicable.**

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — **Not applicable.**

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

C. Other Restrictions

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

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

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

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction? — **Such financing is not envisioned as A.I.D. loan will be relent by CDB primarily for local cost of existing projects.**

C.

5. Will arrangements preclude use of financing:

   a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions? **Yes.**

   b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property? **Yes.**

   c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs? **Yes.**

   d. FAA Sec. 662. for CIA activities? **Yes.**

   e. App. Sec. 103. to pay pensions, etc., for military personnel? **Yes.**

   f. App. Sec. 106. to pay U.N. assessments? **Yes.**

   g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). **Yes.**

   h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes.**

ANNEX NO. 4

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT LAC/DR-IEE-78-25
WASHINGTON, D.C. 20523

ENVIRONMENTAL THRESHOLD DECISION

Location : Latin America Regional

Project Title : Caribbean Development Facility

Funding : $20,000,000 loan, FY 1978

Life of Project : Three to Five Years

Mission Recommendation:

Based on the Initial Environmental Examination, the Mission has concluded that the project will not have a significant effect on the human environment and therefore recommends a Negative Determination.

The Latin America and the Caribbean Bureau's Development Assistance Executive Committee has reviewed the Initial Environmental Examination for this project and concurs in the Mission's recommendation for a Negative Determination.

AA/LAC Decision:

Pursuant to the authority vested in the Assistant Administrator for Latin America and the Caribbean under Title 22, Part 216.4a, Environmental Procedures, and based upon the above recommendation. I hereby determine that the proposed project is not an action which will have a significant effect on the human environment, and therefore, is not an action for which an Environmental Impact Statement or an Environmental Assessment will be required.

Assistant Administrator for
Latin America and the Caribbean

Date

Clearances:
DAEC Chairman:MDBrown
LAC Environmental Advisor:ROOtto Otto

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INITIAL ENVIRONMENTAL EXAMINATION

Project Location	:	Latin America Regional
Project Title	:	Caribbean Development Facility
Funding (FY and Amount)	:	$20,000,000 loan. FY 1978
Life of Project	:	Three to Five Years
IEE Prepared by	:	William S. Rhodes, Project Officer WSR
Date	:	July 25, 1978

Environmental Action Recommended:

Based on this IEE, it is recommended that a Threshold Decision be made that the proposed project does not constitute a major agency action which will have a significant effect on the human environment, and is, therefore, an action for which an Environmental Assessment or an Environmental Impact Statement is not required. This Threshold Decision provides the basis for a Negative Determination, and such a determination is requested.

Concurrence

William B. Wheeler

William B. Wheeler, A.I.D. Regional Affairs Representative

Date Aug 1, 1978

I. Description of the Project

The purpose of this A.I.D. project is to support the Caribbean Development Facility (CDF) and enable the countries of the English-speaking Caribbean to maintain adequate levels of development investment, and hence employment and output, while similtaneously pursuing economic policies required for economic stabilization and growth with equity. The Caribbean countries are undergoing a critical period of economic adjustment. Because the governments in the region are undertaking stringent measures to stablize their economies, they will require additional financial assistance to achieve levels of investment and growth adequate to contain rapidly growing employment and falling incomes. In reviewing assistance needs, the World Bank has identified existing or new development projects in the Caribbean region which require more than $125 million in recipient country counterpart finaoing not now available because of limited domestic resources. The Caribbean Development Facility has been established, under the auspices of the Caribbean Group for Cooperation in Economic Development, in order to make available the resources necessary to fill this gap. The United States has committed itself, subject to Congressional concurrence, to a contribution to the Caribbean Development Facility of $20 million for the first year. The funds of donors to the CDF will be primarily utilized to finance the local costs of essential socioeconomic development projects whose foreign exchange costs are being financed by external donors. The recipient countries, in turn, have committed themselves to the CDF to undertake extensive self-help measures, reflected in medium-term economic programs designed to lead to financial stability and long-term growth and development.

Under this project A.I.D. will lend $20.0 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) will determine a country's eligibility for assistance based upon the existence of appropriate short and medium-term economic policies. The commitments of recipient countries have been (or will be) confirmed in Caribbean Group country subgroup meetings and recorded in the official CG summary of proceedings. After the CDB is informed by the CDF Working Group that a member country has qualified for CDF assistance, it will review the donor-assisted projects in the country's investment program to determine which of those projects are eligible for assistance through a subloan of A.I.D. resources. All projects to receive A.I.D. funds must be consistent with A.I.D.'s "New Directions" legislation and impact upon the poor of the recipient country.

With respect to projects which qualify for financing with A.I.D. funds, the CDB will obtain from the prime donor to 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 reasonably forseeable significant effects upon the human environment (or if it does, that a satisfactory environmental analysis has been prepared). The prime donor will also provide the CDB with a brief description of how the project is expected to impact upon the poor of the recipient country. The CDB will then make separate subloans to eligible member countries to cover expenditures on projects which have qualified.

II. Evaluation of the Environmental Impact of the Project

This A.I.D. project is unlike most of those undertaken by the Agency in that the Agency will not be directly involved in design and implementation of the actual development activities which will be carried out under subprojects receiving A.I.D. funds. Further, under this project, the Agency will not be directly involved in the process of determining which specific activities in a recipient's development investment program will ultimately receive A.I.D. funds. The purpose of this project, as set out in the Project Description, is to support the regional, multi-donor adjustment-financing effort undertaken through the CDF, to enable recipient countries to maintain an adequate level of development investment while simultaneously coping with critical economic problems and achieving economic stability and growth. The role of A.I.D. in this multilateral endeavor is a relatively minor one, i.e., to contribute a share of the resources necessary to finance the local costs of external donor-supported projects in the development investment programs of recipient countries.

The specific projects which will ultimately be assisted by A.I.D.'s contribution to the CDF effort will not be identifiable at the time of project authorization. However, it is clear from the list of potential projects compiled by the CDF Working Group that none have potential effects upon the environment of the U.S. or outside the jurisdiction of the government of any recipient country. An indicative list of projects which may ultimately receive A.I.D. funds is attached as an annex to this IEE.

With respect to those projects which ultimately receive A.I.D. funds, the loan agreement between A.I.D. and the CDB provides that the CDB shall obtain from the prime donor to the project either a determination that the project has no reasonably foreseeable significant adverse effects on the human environment or a satisfactory analysis of the project's environmental effects.

III. Recommendation for Threshold Decision:

A.I.D.'s environmental regulations (22 CFR 216, A.I.D. Reg. 16) set out the procedures for the review of A.I.D.-financed activities. Section 216.2 states that for purposes of these procedures not every activity undertaken by the Agency will be a major action significantly affecting the human environment. The section identifies examples of agency activities which will not require the preparation of an Environmental Assessment or an Environmental Impact Statement, and specifically cites the type of contributional activity involved in this project (Section 216.2(f)). It is therefore recommended that this project receive a negative Threshold Decision leading to a Negative Determination.

William B. Wheeler, A.I.D. Regional
Affairs Representative

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Indicative List of External Donor Supported Sub-Projects Potentially
Eligible to Receive AID Funds Through the Caribbean Development Facility

Country	Project	Estimated CDF Assistance Required ($ millions)	External Donor
Jamaica	First Rural Development	2.3	World Bank
Jamaica	Education Expansion II	0.6	World Bank
Jamaica	Sites and Services	2.9	World Bank
Jamaica	Second Population Project	2.0	World Bank
Jamaica	Small Scale Enterprise Development	2.2	World Bank
Jamaica	Self-Supporting Farmers Project	3.1	IDB
Jamaica	Students Loan Fund II	0.5	IDB
Jamaica	Secondary and Parish Council Roads	1.6	IDB
Jamaica	Agricultural Research	1.0	IDB
Jamaica	Agricultural Marketing	0.4	IDB
	Jamaica Total	**16.6**	
Guyana	Mahaica-Mahaicony-Abary	2.7	IDB
Guyana	Tapakuma Irrigation	4.5	World Bank
Guyana	Second Education Project	0.9	World Bank
Guyana	West Demerara Road	1.4	IDA
	Guyana Total	**9.5**	
Barbados	Agricultural Marketing Facilities	0.5	CDB
Barbados	Samuel Jackman Prescod Polytechnic	0.6	IDB
Barbados	Fisheries Development	0.4	IDB, CIDA
Barbados	Agricultural Credit	0.2	CDB
Barbados	Industrial Estates	0.5	CDB
	Barbados Total	**2.2**	
	TOTAL	**28.3**	

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

HE ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

PROJECT II

Caribbean Development Bank — Caribbean Development Facility

Project Number: 538-0023

Pursuant to Part I, Chapter 1, Sections 103 - 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan to the Caribbean Development Bank ("Bank") of not to exceed Twenty Million United States Dollars ($20,000,000) the ("Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project consists of a loan to the Caribbean Development Bank which will be used to finance the local costs, and in the case of the Caricom LDCs, also limited amounts of foreign currency costs, of eligible development projects financed by selected external donors (principally the World Bank, Inter-American Development Bank, and the Caribbean Development Bank). Subloans will be made from this loan to those Bank member countries whose development policies and development programs have been approved by the Caribbean Group, for subprojects which meet A.I.D. criteria (hereinafter referred to as the "Project"). The entire amount of the A.I.D. financing herein authorized for the Project will be obligated when the Project Agreement is executed.

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

a. Interest Rate and Terms of Repayment

The Bank shall repay the loan to A.I.D. in United States Dollars as follows: (i) that portion of

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the loan disbursed on account of projects in the Caricom LDCs (not to exceed $2 million) within thirty (30) years from the date of the first such disbursement under the loan including a grace period of not to exceed ten (10) years; (ii) with respect to those disbursements made to other than the Caricom LDCs within twenty (20) years from the date of the first such disbursement including a grace period of not to exceed ten (10) years. The Bank shall pay to A.I.D. in U.S. dollars interest from the date of the respective first disbursements 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 applicable disbursed balance and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

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

c. Conditions Precedent to Disbursements for Sublending

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

d. Covenants of the Bank

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

____
Administrator

____
Date

Clearance:
LAC/CAR,JLockard ________ Date ____
LAC/DR,WRhodes WR Date 8/16
LAC/DR,RGomez RG/WR Date 8/16
LAC/DR,MBrown ________ Date ____
PPC/DPR,EHogan ________ Date ____
FM/LD,MStafford ________ Date ____
SER/COM,RDuane ________ Date ____
AA/PPC,AShakow ________ Date ____
GC,MBall ________ Date ____
AA/LAC,AValdez ________ Date ____

GC/LAC,JLKessler:lb:8/15/78

ORIGIN AID-28

INFO OCT-01 /021 R

DRAFTED BY LAC/DR:WRHODES:HAC
APPROVED BY AA/LAC:ECOY
LAC/DR:JSANBRAILO
LAC/DP:PKOLAR (PHONE)
LAC/CAR:GGOWER (PHONE)
LAC/GC:JKESSLER (PHONE)
PPC/PB:HSHARLACH (PHONE)
LAC/DR:MPROWN
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TAGS:

SUBJECT: DAEC REVIEW - CARIBBEAN DEVELOPMENT FACILITY PID

1. A DAEC REVIEW OF THE SUBJECT PID WAS HELD ON WEDNESDAY, JUNE 21, 1978. THE PID WAS APPROVED BY THE DAEC FOR INTENSIVE REVIEW LEADING TO A PROJECT PAPER.

2. THE FOLLOWING ISSUES WERE DISCUSSED BY THE DAEC:

A. AID MANDATE/TARGET GRO'P CONCERNS: THE DAEC DISCUSSED THE PROBLEM OF ENSURING THAT DEVELOPMENT PROJECTS RECEIVING AID FUNDS THROUGH THE CDF MECHANISM WOULD BE CONSISTENT WITH AID'S MANDATE LEGISLATION, UNDER THE INSTITUTIONAL ARRANGEMENTS AS DESCRIBED IN THE PID. THE DAEC DECIDED THAT T'E CDF WORKING GROUP, WHICH ALLOCATES DONOR CONTRIBUTIONS TO ELIGIBLE PROJECTS, WOULD BE PROVIDED BY AID WITH A LIST OF CLEARLY-STATED PROJECT ELIGIBILITY CRITERIA. THESE CRITERIA WOULD BE BASED ON THE MANDATE LEGISLATION AND DESIGNED TO ASSIST THE CDF WORKING GROUP IN DETERMINING THE CONSISTENCY WITH THE MANDATE OF PROJECTS PROPOSED FOR FUNDING. THE DAEC DECIDED THAT THE CDF WORKING GROUP COULD THEN PROVIDE TO THE CARIBBEAN DEVELOPMENT BANK, FOR EACH PROJECT TO WHICH AID FUNDS MIGHT BE DIRECTED, A BRIEF STATEMENT DESCRIBING THE PROJECT AND EXPLAINING HOW THE PROJECT IS EXPECTED TO IMPACT UPON THE POOR OF THE RECIPIENT COUNTRY.

B. ROLE OF THE CARIBBEAN DEVELOPMENT BANK AND RELATIONSHIP TO CDF:

THE PID STATED THAT THE CDB WOULD BE RESPONSIBLE FOR REVIEWING PROJECTS RECEIVING AID FUNDS TO ESTABLISH FEASIBILITY AND REASONABLENESS OF COSTS. THE DAEC DECIDED THAT THIS FUNCTION WOULD MORE APPROPRIATELY BE EXERCISED BY THE CDF WORKING GROUP, WHICH WILL ALSO BE REVIEWING PROJECTS FOR ELIGIBILITY. THE DAEC RECOMMENDED THAT THE PROJECT BE RESTRUCTURED SO THAT THE CDF WORKING GROUP OBTAIN FROM THE PRIME DONOR TO THE PROJECT A STATEMENT CONFIRMING ITS TECHNICAL FEASIBILITY AND AN UPDATED FINANCIAL PLAN. THE CDF WOULD PROVIDE TO THE CDB A LIST OF PROJECTS CONSIDERED BY IT TO BE BOTH TECHNICALLY FEASIBLE AND ELIGIBLE UNDER THE AID MANDATE CRITERIA. THE CDB WOULD THEN BE ABLE TO LIMIT ITSELF TO A REVIEW OF THE UPDATED FINANCIAL PLANS OF PROPOSED PROJECTS IN MAKING ITS SUBLOANS OF AID FUNDS TO MEMBER GOVERNMENTS UNDER THE CDF MECHANISM. THE ADMINISTRATIVE COSTS OF THE CDF WORKING GROUP WOULD BE ABSORBED BY THE FOUR IFI'S CONSTITUTING ITS MEMBERS, AND AID WOULD PROPOSE TO THE CDB THAT ITS ADMINISTRATIVE COSTS BE RECOVERED THROUGH AN INTEREST SPREAD UNDER THE AID LOAN. THE DAEC RECOMMENDED THAT THE TERMS AND CONDITIONS OF THE LOAN TO THE CDB BE NEGOTIATED AS SOON AS POSSIBLE.

C. TERMS OF CDB SUBLOANS TO RECIPIENT COUNTRIES: THE DAEC DECIDED THAT IN NEGOTIATIONS WITH THE CDB, AID SHOULD PROPOSE THE FOLLOWING GENERAL ALLOCATION OF ITS DOLS 20.0 MILLION LOAN: (A) DOLS 18.0 TO BE RELENT TO JAMAICA (DOLS 12.0 MILLION), GUYANA (DOLS 4.5 MILLION) AND BARBADOS (DOLS 1.5 MILLION) AT 20 YEAR TERMS, WITH A TEN-YEAR GRACE PERIOD, AT 3 PERCENT; AND (B) DOLS 2.0 MILLION TO BE RELENT TO THE CARICOM LDC'S AT 30-YEAR TERMS, WITH A TEN-YEAR GRACE PERIOD, AT 2 PERCENT DURING THE GRACE PERIOD AND 3 PERCENT THEREAFTER. A MEMO PROPOSING 30-YEAR TERMS FOR THE LDC'S HAS BEEN APPROVED BY PPC.

D. NEED FOR PROCUREMENT WAIVER FOR CDF PROJECT: THE DAEC DISCUSSED THE QUESTION OF PROCUREMENT REGULATIONS THAT WOULD APPLY TO THE FUNDS WHICH BEING LENT TO THE CDB AS THE U.S. CONTRIBUTION TO THE CDF FINANCING EFFORT. THE DAEC NOTED THAT THE INTENT OF THIS PROJECT IS TO ASSIST THE MULTILATERAL UNDERTAKING TO FACILITATE THE DEVELOPMENT INVESTMENT PROGRAMS OF CARIBBEAN COUNTRIES BY PROVIDING RESOURCES FOR IMPLEMENTATION OF ESSENTIAL DONOR-SPONSORED DEVELOPMENT PROJECTS. THE DAEC FURTHER NOTED THAT STRONG COMMITMENTS TO ECONOMIC SELF-HELP MEASURES CONDUCIVE TO ECONOMIC STABILIZATION AND LONG-TERM DEVELOPMENT WERE BEING OBTAINED FROM RECIPIENTS AS A CONDITION OF THE PROVISION OF ASSISTANCE UNDER THE CDF SCHEME. UNDER THESE CIRCUMSTANCES, IT WAS AGREED THAT THE IMPOSITION OF RESTRICTIVE PROCUREMENT REQUIREMENTS WOULD BE COUNTER-PRODUCTIVE TO ACHIEVING THE OBJECTIVES OF THIS PROJECT. THE DAEC RECOMMENDED THAT IF THE PROJECT PAPER ADEQUATELY JUSTIFIED THE NEED FOR IT, A WAIVER TO FREE WORLD PROCUREMENT COULD BE SOUGHT IN THE AUTHORIZATION FOR THIS PROJECT. CHRISTOPHER

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June 24, 1978

A PROPOSAL TO ESTABLISH A SPECIAL FACILITY TO PROVIDE SUPPLEMENTARY FINANCING FOR DEVELOPMENT PROJECTS AND PROGRAMS

Background and Objectives

1. One of the most common themes developed during the December Conference on Economic Development in the Caribbean was the one of tight investment resources in the context of needed stabilization programs. The conflict between the need to stabilize the domestic and external accounts, on the one hand, and to avoid even higher levels of unemployment than the present ones, on the other, was in the forefront of many participants' statements. In many cases this does not relate only to the need for new investment projects, but even to the need to avoid slowdowns or suspension of ongoing investments.

2. It is for this reason that a useful initiative, on which agreement could be reached at the first meeting of the Caribbean Group, would be the establishment of a mechanism for channeling new foreign resources to help finance essential imports and, through the use of the local currency generated by this assistance, to offer supplementary financing--mainly for local costs--to assist in the execution of development programs and projects. While this could be done in a number of ways, a regional facility for this purpose would be the most suitable, given the regional character of the Caribbean Group.

3. The establishment of a Caribbean Development Facility (CDF) would have, among others, the following important advantages:

a) The operational decisions concerning the CDF would be adopted taking into account whether the recipient country has acceptable short- and medium-term economic programs;

b) The operation of the CDF--which, where appropriate, would be closely coordinated with the IMF, and with country subgroups--would be likely to support needed improvements in the economic policies of several countries in the region;

c) The financing of local costs provided by the CDF, coupled with continuing project assistance from bilateral and multilateral sources, would make it possible to achieve, on a stable basis, public investment levels substantially higher than otherwise would be possible, given the stabilization policies required in most of the Caribbean countries:

d) The kind of financing provided by the CDF would improve directly the balance-of-payments situation of the recipient countries. This might be conducive to an early lifting of the import restrictions which, among other effects, are having a negative impact on intra-CARICOM trade.

4. As indicated above, the main purposes of the CDF operations would be 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. Such projects and programs would be identified within the country subgroups or--between meetings of the subgroups, and in cases where no subgroup exists--through more informal consultations of the World Bank staff with the Government concerned, donor countries, the IMF, the IDB and the CDB.

5. The special kind of financing to be provided by the CDF should not be considered as a new permanent type of foreign assistance. It is, rather, an instrument to help the recipient countries during an adjustment period in which special external assistance is needed for maintaining acceptable levels of development while executing economic policies directed toward achieving sustained financial stability. This type of financial assistance should not be needed for more than five years, provided that the recipient countries adopt appropriate and timely economic policy decisions.

Operational Aspects

6. The amount of special external assistance required each year for the CDF operations would be preliminarily estimated by a Working Group formed for that purpose by the World Bank, the IMF, the IDB and the CDB. In estimating those requirements, the Working Group will take into account:

a) the short- and medium-term economic policies and programs adopted by the Government of each recipient country, and--in the framework of such policies and programs--the overall external financial needs of those countries; and

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

7. The Working Group will make recommendations on the eligibility of individual recipient countries for CDF financing and on the amounts it would be desirable to provide in each case, based upon the existence of appropriate short- and medium-term economic policies. In the case of countries which have financial programs accepted by the IMF and investment programs accepted by the World Bank, such programs would suffice to fulfill this requisite. The policy decisions and intentions indicated by the recipient Government will be recorded in the final statement of each subgroup meeting, as the basis for future CDF assistance. In other cases, it is suggested that a decision on country eligibility be based upon information on country programs and policies provided by government representatives and assessed by the staff of the World

Bank, the IMF, the IDB and--in the case of its borrowers--the CDB. Whenever possible, the eligibility decision would be confirmed during the subgroup meetings. Attention will be given to the relative priority attached within each country economic program to the need to increase regional economic cooperation.

8. The CDF would be formed by amounts pledged by interested donors. It is expected that most of the amount required by the CDF during its first year (July 1, 1978 to June 30, 1979) would be pledged by several donors in the first meeting of the Caribbean Group to be held on June 19-24, 1978. Similar pledging sessions would be held each year, during the five-year period referred to in paragraph 5 above. However, in some cases, particularly when there is an urgent need to provide additional resources, for CDF purposes, to specific recipient countries, it would also be appropriate for donors to commit their CDF assistance on an ad hoc basis to those recipient countries.

9. Each donor may select the development programs or projects which would be financed with their CDF assistance. In cases where the recipient country has economic and financial programs which have served as a basis for financial agreements with multilateral agencies, donors may also opt for allocating, in general, the local currency generated by their assistance to the financing of the approved investment programs without earmarking it for specific projects. The Working Group referred to in paragraph 6 above will coordinate the selection of projects and programs in order to avoid duplication and to ensure the financing of high priority projects. The Working Group would also assess performance in the execution of projects and programs for which CDF assistance is offered, and would report its findings to the donor countries involved, and to the Caribbean Group. Each donor country would reach separate loan and/or grant agreements with each relevant recipient country--or with the CDB where donors wish to use that institution as a channel to provide assistance to its members. The World Bank, the IDB and the CDB would be prepared to assist in the administration of such loans and grants by concluding cofinancing arrangements in all cases in which any of those three institutions is involved in the financing of the same projects or programs.

10. The donor countries would be able to make their contributions in two forms:

a) in long-term credits or grants, for the financing of essential imports with the counterpart in local currency available for the financing of development projects or programs;

b) in long-term credits or grants, taking the form of essential commodities such as petroleum and food; the counterpart in local currency derived from the sale of these commodities would also be used for the financing of development projects or programs.

The foreign exchange provided under the first modality could be disbursed: (i) immediately after the loan or grant is approved; (ii) in several tranches, according to a predetermined schedule; or (iii) pari passu with the execution of development projects and programs. It would be highly desirable if each donor could make available as large a part of its contribution as possible in the form of untied credits or grants. Each donor's assistance within the CDF framework should be provided with a significant element of concessionality.

UNCLASSIFIED

11. In the case of CARICOM's Less Developed Countries (LDCs), which are facing a particularly difficult fiscal situation, the definition of development projects and programs which qualify for CDF assistance should be understood to include current development expenditures, provided that such expenditures:

a) are related to specific high-priority investment projects and programs, or

b) are part of common services to be established by Caribbean countries.

The allocation of those resources to specific LDCs would be made, where appropriate by CDB, following the joint recommendations of the staffs of the World Bank, the CDB and the IMF, based upon their assessment of the short- and medium-term economic programs prepared by each country.

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Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) ~~393-6360~~ 477-1234 • Cables: INTBAFRAD

June 19, 1978

Governor John J. Gilligan
Administrator
Agency for International Development
Washington, D.C.

Dear Mr. Gilligan:

I would like to convey to you our appreciation for the support that your Government has shown for the Caribbean Group for Cooperation in Economic Development. That support has been particularly important concerning the Caribbean Development Facility (CDF), for which you have indicated that the United States will contribute 30% of its resources.

After consultation with the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), and the Caribbean Development Bank (CDB) we recommend the following country allocations of the US$20 million that your Government is prepared to make available immediately in the framework of the CDF:

Jamaica	$12 million
Guyana	4.5 "
Barbados	1.5 "
Less Developed Countries (LDCs) of the Caribbean Community	2.0 "

These $20 million are less than 30% of the total amount we had originally recommended for the countries which will have subgroup meetings during this week. Those original estimates have now been increased somewhat, in view of: (a) larger requirements for Guyana, determined in the framework of the Stand-by arrangement agreed upon earlier this month by that country with the IMF; and (b) the advisability--which became apparent in the June 2 Donors' Meeting--of transferring to the CDF part of the resources that we had envisaged would be channeled to the LDCs through a Special Fund to be administered by the IMF. In this connection, the World Bank is prepared to consider a $10 million program loan to Guyana--provided agreement can be reached on stabilization and investment policies--which would be provided within the CDF framework, and which would cover the increase in CDF requirements for that country.

Concerning other recipient countries--for which meetings are scheduled later this year--I would like to offer the following comments:

a) We agree with the preliminary decision of the US Government of providing, within the CDF framework, about US$9 million in additional P.L.480 resources to Haiti, subject to agreement by that country on the economic program being negotiated now with international agencies. This economic program is expected to be reviewed during the Haiti Special Group meeting scheduled for July 10-12.

b) For the Dominican Republic--for which a Subgroup is preliminarily scheduled to meet before the end of 1978--a tentative allocation of US resources to be provided through the CDF of about US$8-10 million would seem to be appropriate at this stage. This recommendation is subject to review later this year in view of the economic situation and of the program that has still to be prepared by the new Government.

Finally, Mr. Gilligan, I would like to point out that the Bank decision to convoke the first meeting of the Caribbean Group was largely based upon the US intention--announced in the Donors' Meeting held in Paris on May 16-17--to provide 30% of the full amount required for CDF purposes. Other donors have now agreed to participate in the CDF scheme. To be able to achieve the objectives of the Caribbean Group--which the Bank agreed to lead at the request of your Government, among others--the United States' confirmation of its intentions would be now an indispensable requisite. We hope, therefore, that in the final US statement next Saturday, during the closing session of this week's meeting of the Caribbean Group, the United States will be able to confirm its support of the Caribbean Group and, more specifically, of the CDF.

Sincerely yours,

Adalbert Krieger
Regional Vice President
Latin America and the Caribbean

477-5901

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9/27/78

Mr. Adalbert Krieger
Regional Vice-President
Latin America and the Caribbean
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Krieger:

This is in response to your letter of June 19 concerning the U.S. contribution to the first year requirements of the Caribbean Development Facility.

In my statement to the Caribbean Group meeting on Monday I indicated the U.S. Government would seek to meet up to 30% of the indicated requirements of the Facility in its initial year. I further specified that, subject to Congressional Notification and concurrence, we would provide $20 million in Development Assistance funds during AID's current fiscal year which ends September 30, 1978.

Your letter informs A.I.D. of the recommendation of the CDF working group, composed of the IBRD, IDB, IMF and CDB, that the $20 million U.S. contribution to be made available from FY 1978 funds be utilized towards the supplemental local cost requirements of basic human needs projects in the following countries and amounts:

Jamaica	$12.0 million
Guyana	$ 4.5 million
Barbados	$ 1.5 million
Caribbean Community LDCs	$ 2.0 million

We are pleased to concur in this recommendation. As requested by the CARICOM countries and subject to agreement with the Caribbean Development Bank and the concurrence of the U.S. Congress, we will channel the $20 million U.S. contribution in the form of a concessional loan to the CDB for relending to these countries for eligible activities.

For a variety of reasons it is not feasible at this time to formally specify in amount or form resources which would be considered during our next fiscal year, within the 30% contribution target, for CDF requirements of those countries on which sub-group meetings will be held at a later date. As you noted in your letter, we are currently discussing with the Government of Haiti a major PL-480 Title III program. We assign high priority to this program and appreciate the endorsement of this initiative contained in your letter. As further indicated in your letter we anticipate that approximately $9 million of the Title III program, if successfully concluded with the Government of Haiti, would be allocated within the framework of the CDF.

We also share your concern that the Caribbean Group be in a position to address at the appropriate time the CDF requirements of the Dominican Republic. As you note, however, the economic program of that country has not yet been prepared and the subgroup for that country will not meet until later in the year. We will carefully consider the requirements of the Dominican Republic which might be met utilizing additional PL-480 or Development Assistance resources within the context of our FY 79 program.

In our closing statement on Saturday we will confirm our efforts to contribute up to 30% of the requirements of the CDF, provided other donors are prepared to contribute their full 70%, and further specify the utilization of the $20 million to be made available from current year funds along the lines stated above.

I want to again congratulate the World Bank on its excellent preparation for the Caribbean Group meeting and for the skill in which it has chaired the meeting. We are most encouraged with the already apparent success of the Group.

Sincerely,

John J. Gilligan

LAC/CAR:GFGower;og;6/22/78
Clearances:
LAC/DR:MBrown (draft)
DAA/LAC:EWCoy (draft)
AA/LAC:AValdez (draft)
AA/PPC:AShakow (draft)

FILE: LATIN AMERICA

→ Mr Brown, LAC/DR

ANNEX NO. 8 Page 5

Action: CAR
cc: DP

THE SECRETARY OF STATE
WASHINGTON

JUL 26 3 47 PM '78

AID
EXECUTIVE SECRETARIAT

July 25, 1978

mw Due: 8/7/78
ACTION: AA/LA for Gilligan sig.
INFO: Gilligan/Nooter logs, AA/PPC, AA/IIA

Dear Jack:

I was delighted to learn that the first meeting of the Caribbean Group for Cooperation in Economic Development had been such a success. There is no doubt in my mind that the principal reason for this success was your personal involvement and contribution, and the very thorough job of staffing and preparation done by A.I.D. The successful launching of the Caribbean Group not only gives substance to one of the early initiatives of the Administration, but can be viewed as an important contribution to the North/South dialogue as well.

I am sure you will agree that it is essential for us to move ahead quickly to make good on our undertakings, particularly obligating the $20 million loan to the Caribbean Development Bank for the Caribbean Development Facility (CDF) before the end of this fiscal year. We should also explore how best we might provide the $17.5 million from FY 1979 funds once the appropriation bill is passed. I assure you of my own support in carrying out these programs.

Sincerely,

The Honorable
John J. Gilligan,
Administrator,
Agency for International Development.

CC02074

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

July 31, 1978

Mr. Marshall D. Brown
Associate Assistant Administrator
for Development Resources
Room 2248
Department of State
Washington, DC 20523

Dear Mr. Brown:

In view of the discussions which took place on July 26 and 27 between you and your colleagues and representatives of the CDB, the IMF and the World Bank, I have delayed my response to your letter of July 21, 1978.

I am gratified to learn that the discussions which took place were useful in clarifying the character of the Caribbean Development Facility and the responsibilities of the international agencies cooperating in its work. The central concept of the CDF is that it be a coordinating mechanism and a framework through which donors can provide assistance to recipient countries of the Caribbean Group. The members of the Caribbean Group have been explicit in their desire not to create a new legal entity or bureaucratic structure. I therefore think it appropriate that you have removed from AID's proposed loan agreement with the CDB, the requirements that CDF be "formally constituted", authorized representatives be named and certifications furnished by CDF relating to country and project eligibility. Instead, I understand that the AID/CDB proposed agreement will place responsibility on the original donor to furnish project information to CDB and country information will be obtained from the proceedings of the Caribbean Group meeting.

You may be assured that AID and the CDB will receive the cooperation of the World Bank staff in obtaining information relating to World Bank projects and matters which were discussed at the Caribbean Group meeting.

Along with the other members of the CDF Working Group, the World Bank will continue to provide support to the CDF and the other activities of the Caribbean Group.

Sincerely,

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

JAMAICA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disbursements	Available or Expected External Financing	Local Counterpart and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Pedro Plains Irrigation	1.5	0.8	0.7	Netherlands
Micro Dams	2.6	2.1	0.5	Netherlands, EDF
Hague, Meyersfield Drainage	1.2	0.2	1.0	Netherlands
Cornwall Youth & Community Development	0.3	0.1	0.2	Netherlands
First Rural Development	8.4	5.2	3.2	IBRD
Second Integrated Rural Development	6.0	3.4	2.6	USAID
Fisheries Terminal	1.4	0.5	0.9	Federal Republic of Germany
Charlemont Development	0.3	0.2	0.1	CIDA
Tank Building	3.9	1.9	2.0	Netherlands, EDF
Self-supporting Farmers' Project	6.3	4.5	1.8	IDB
Road Improvement & Maintenance	6.6	4.1	2.5	IBRD, VIF
Third Highway Project	8.2	4.9	3.3	IBRD, VIF
Secondary Main and Parish Council Roads	4.9	2.8	2.1	IDB, VIF
Bridges Construction Phases IV and V	3.6	1.3	2.3	CIDA
Special Education	0.2	0.1	0.1	Netherlands
Knockalva Development	0.2	0.1	0.1	Netherlands
Students Loan Fund II	1.7	0.7	1.0	IDB
Course in Planning Technology	0.2	0.1	0.1	Netherlands
Education Expansion II	1.1	0.3	0.8	IBRD
Rural Education	7.4	4.0	3.4	USAID
Primary Schools I/I	0.7	-	0.7	CIDA
Early Childhood Education	0.5	0.4	0.1	EDF
Sites and Services	6.9	3.4	3.5	IBRD, VIF
Second Population Project	3.0	1.5	1.5	IBRD
Banana Planting	1.9	1.7	0.2	EDF
Sugar Rehabilitation Project	1.6	0.9	0.7	IBRD
Port Development	5.6	4.9	0.7	Part CIDA/EDC. Rest not identified.
International Airports	6.2	5.3	0.9	IBRD, VIF
Montego Bay/Falmouth Water Supply	4.2	2.5	1.7	IDB, VIF
Production, Transmission Services of JPSC	22.9	13.3	9.6	IBRD, IDB, EDC
Trade Promotion	0.4	0.4	-	EDF
			48.3	
New Projects				
Agricultural Marketing	1.1	0.7	0.4	IDB
Economic Rehabilitation of Vere	1.0	1.0	-	CIDA
Agricultural Research	1.8	0.8	1.0	IDB
Black River Upper Morass	2.8	1.6	1.2	IDB, OPEC
Small Scale Enterprise Project	2.5	0.7	1.8	IBRD
Squatter Upgrading I & II	0.8	0.8	-	Netherlands, EDF
Mandeville Water Supply	0.8	0.3	0.5	Netherlands, EDF
Low-income Housing	0.7	0.4	0.3	CDB
Amity Hall Slaughter House	0.3	0.2 b/	0.1 b/	Unknown c/
Telephone Services	11.0	3.0 b/	8.0 b/	Unknown c/
Telecommunications Services	1.1	0.5 b/	0.6 b/	Unknown c/
International Airports	1.1	0.3 b/	0.8 b/	Unknown c/
Air Jamaica Facilities & Equipment	1.0	0.7 b/	0.3 b/	Unknown c/
JBC Equipment	2.9	2.5 b/	0.4 b/	Unknown c/
			15.4	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

13.7

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

GUYANA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disbursements	Available or Expected External Financing	Local Counterpart and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Mahaica-Mahaicony-Abary	8.00	5.30	2.70	IDB
Essequibo Coast Sea Defences	1.60	1.10	0.50	UK
Livestock Extension Services	0.20	0.10	0.10	UNDP
Veterinary Diagnostic Laboratories	0.35	0.20	0.15	CIDA
Tapakuma Irrigation	9.70	5.20	4.50	IBRD, IDA
Guyana Mapping Project	0.20	0.10	0.10	UNDP
IDA/IBRD Second Education	2.80	1.90	0.90	IBRD, IDA
Guyana Timbers	1.60	0.60	1.00	CIDA, Commercial Sources
Guyana Forestry Industries Corp.	0.40	0.25	0.15	CIDA
Forestry Training	0.30	0.20	0.10	UNDP, FAO
Forestry Department	0.10	0.05	0.05	UNDP
Institute of Applied Science and Technology	0.60	0.40	0.20	CIDA
West Demerara Roads	4.00	2.60	1.40	IDA
Transport and Harbor Dept. Vessels	2.70	1.80	0.90	UK
East Bank Berbice Road	1.80	1.00	0.80	EDF
Canje River Bridge	0.60	0.35	0.25	USAID
Georgetown Approaches	1.20	0.80	0.40	USAID
Demerara River Bridge	0.20	-	0.20	UK
Farm Feeder Roads	0.40	0.25	0.15	USAID
Livestock Project	0.30	0.05	0.25	IBRD
Power Turbines	2.00	1.70	0.30	UK
			15.1	
New Projects				
Food Crop Project	0.60	0.50	0.10	IDB
Dairy Development	1.00	0.80	0.20	IDB
Miscellaneous Crop Development	0.80	0.45	0.35	CDB, EDF
GUYSUCO	8.10	5.70	2.40	CDB, UK
Guyana Rice Wharf	1.20	0.90	0.30	USAID
Guyana Marketing Corporation	0.10	0.05	0.05	CDB
Topographic Surveys	0.20	0.10	0.10	CIDA
Upper Demerara Forestry	3.60	2.40	1.20	IDA, IBRD, EIB, EDF
Housing (GCMFB)	2.60	0.90	1.70	CDB
Demerara Fish Port Complex	0.60	0.20	0.40	EDF, Supplier's Credit
Public Transportation	2.40	1.90	0.50	India (Supplier's Credit)
Rice Processing	0.60	0.40b/	0.20b/	Unknown c/
Fish Storage and Distribution	0.40	0.25b/	0.15b/	Unknown c/
Guyana National Engineering Corp.	1.40	1.00b/	0.40b/	Unknown c/
Airports and Airfields	0.60	0.40b/	0.20b/	Unknown c/
Scholarships and Training	5.00	3.00b/	2.00b/	Unknown c/
			10.25	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

25.35

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

BARBADOS: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disburse-ments	Available or Expected External Financing	Local Counter-part and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Agricultural Development Extensions	0.83	0.33	0.50	EDF
Expansion of Agricultural Marketing Facilities	1.40	1.05	0.35	CDB
Industrial Estates	1.90	1.00	0.90	CDB
Samuel Jackman Prescod Polytechnic	2.12	1.32	0.80	IDB
Mortgage Finance	1.50	0.60	0.90	CDB
Development of Water Resources	0.30	0.25	0.05	IDB
Bridgetown Sewerage	4.60	3.30	1.30	IDB
Bridgetown Port	6.00	4.50	1.50	IDB
Grantley Adams Airport	7.00	5.00	2.00	CIDA
			8.3	
New Projects				
Government Conservation	0.20	0.15	0.05	IDB
Fisheries Development	1.00	0.60	0.40	CIDA, IDB
Agroindustry/Food Processing	1.00	0.65	0.35	CDB
Holiday Village	1.00	0.50	0.50	IBRD, CDB
Oistins Urban Development	2.50	1.50	1.00	EDF, CDB
Low Cost Housing	0.30	0.20	0.10	CDB
Rural Development	2.60	1.80 b/	0.80 b/	Unknown c/
Self-sufficiency in Vegetables	2.50	2.00 b/	0.50 b/	Unknown c/
Water Management Authority	0.75	0.40 b/	0.35 b/	Unknown c/
Water Development	1.00	0.75 b/	0.25 b/	Unknown c/
			4.3	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

12.6

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

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BELIZE: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Total Disbursements	Estimated expenditures, July 1, 1978 to June 30, 1979: Available or Expected External Financing	Local Counterpart and/or CDF Emergency Assistance	Financin[g] Agency
[..]ing Projects				
Grain Storage and Marketing Facilities	2.50	2.00	0.50	CIDA
Sugarcane Feeder Roads	0.80	0.70	0.10	CDB
Belize City Port	5.50	4.90	0.60	CDB
Commerce Bight Pier	0.35	0.30	0.05	CDB
Belize City Water and Sewerage	5.30	4.30	1.00	CIDA
			2.25	
Projects				
Belmopan Hotel	0.30	0.25	0.05	CDB
Comprehensive Rural Water Supply	0.40	0.30	0.10	CIDA
Banana Development	2.20	1.60	0.60	CDB, CD[C]
	1.10	1.00	0.10	CDB
Electricity Expansion	2.40	1.90 b/	0.50 b/	Unknown
Deep Sea Fishing	0.60	0.45 b/	0.15 b/	Unknown
Tobacco Mechanization	0.40	0.35 b/	0.05 b/	Unknown
Belize International Airport	1.00	0.75 b/	0.25 b/	Unknown
Telephone Expansion	0.40	0.30 b/	0.10 b/	Unknown
			1.9	
			4.15	

Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

Preliminary estimates.

Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB o[r] any of their members.

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ANTIGUA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disburse-ments	Available or Expected External Financing	Local Counter-part and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Industrial Estates b/	0.456	0.319	0.137	CDB
Barbuda Road Construction	0.009	-	0.009	BDD
Schools	0.102	0.016	0.086	BDD
Canadian School Program	0.051	0.049	0.002	CIDA
New Administration Building	0.002	-	0.002	BDD
St. John's Police Headquarters	0.032	0.002	0.030	BDD
			.266	
New Projects				
Dairy Production	0.225	0.202	0.023	CDB
Integrated Production Processing and Marketing Unit	0.022	0.020	0.002	CIDA
Tree Crop Development	0.185	0.166	0.019	CDB
Cotton Development - Pest Control	0.079	0.071	0.008	BDD
Industrial Estates	0.567	0.510	0.057	CDB
Coolidge Airport Terminal	1.111	0.889	0.222	CIDA
Peanut Production - Barbuda	0.100	0.090 c/	0.010 c/	Unknown d/
Industrial Development	0.787	0.394 c/	0.393 c/	Unknown d/
Technical Assistance - Handicrafts	0.020	0.016 c/	0.004 c/	Unknown d/
Marina at Yeptons	0.161	0.064 c/	0.097 c/	Unknown d/
St. John's Sewerage System	0.231	0.139 c/	0.092 c/	Unknown d/
Financial Assistance to ABDB e/	0.481	0.337 c/	0.144 c/	Unknown d/
			1,071	
			1,337	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Includes 30% local resources as a result of new information.

c/ Preliminary estimates.

d/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

e/ This project is included with project profiles but arrived too late to be included in analysis

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DOMINICA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978/79 a/

(US$ million)

	Estimated expenditure, July 1, 1978 to June 30, 1979			
	Total Disburse-ments	Available or Expected External Financing	Local Counter-part and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Pilot Project in Sawmilling	0.26	-	0.26	UK
Deep Water Harbor-Equipment	0.06	-	0.06	CDB, CIDA
Working Class Housing	0.185	-	0.185	CDB
Marigot Hospital	0.05	-	0.05	UK
			.555	
New Projects				
Cattle Development	0.11	0.09 b/	0.02 b/	Unknown c/
Water Supply	0.15	0.08 b/	0.07 b/	Unknown c/
Land Reform and Settlement	0.08	0.06 b/	0.02 b/	Unknown c/
Mental Health	0.03	0.02 b/	0.01 b/	Unknown c/
			.12	
			.175	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

MONTSERRAT: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978/79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disburse-ments	Available or Expected External Financing	Local Counter-part and/or CDF Emergency Assistance	Financing Agency
New Projects				
Fruit Crop Establishment	.103	.021 b/	.082 b/	Unknown c/
Irrigation	.174	.165 b/	.009 b/	Unknown c/
Soil Conservation	.081	- b/	.081 b/	Unknown c/
Low Cost Housing	.382	.344 b/	.038 b/	Unknown c/
Dairy Plant	.140	.105 b/	.035 b/	Unknown c/
Emerald Isle Leather Works	.170	.102 b/	.068 b/	Unknown c/
Match Manufacturing	.088	.053 b/	.035 b/	Unknown c/
Montserrat Apparel Mfg.	.100	.070 b/	.030 b/	Unknown c/
Montserrat Industrial Enterprises	.119	.083 b/	.036 b/	Unknown c/
Montserrat Plastics	.325	.260 b/	.065 b/	Unknown c/
Junior Secondary School	.238	.143 b/	.095 b/	Unknown c/
			.574	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

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GRENADA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditure, July 1, 1978 to June 30, 1979			
	Total Disbursements	Available or Expected External Financing	Local counterpart and/or CDF Emergency Assistance	Financing Agency
<u>Ongoing Projects</u>				
Boca Secondary School	0.3	0.27	0.03	CIDA
Belvedere/Mama Cannes Water	0.36	0.32	0.04	CIDA/CDB
			.07	
<u>New Projects</u>				
Banana Development	0.15	0.12	0.03	UK
Eastern Coastal Road	0.90	0.85	0.05	EDF
Tree Crop Propagation	0.30	0.12 b/	0.18 b/	Unknown c/
Carriacou Airstrip	0.05	0.04 b/	0.01 b/	Unknown c/
			.27	

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a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

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ST. LUCIA: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979			
	Total Disburse-ments	Available or Expected External Financing	Local Counter-part and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Fisheries Development	0.185	0.12	0.065	CIDA
St. Lucia Marketing Board	0.04	-	0.04	UK
Castries Port Development	1.90	1.70	0.20	CDB
Airport Improvement	0.185	0.145	0.04	CIDA
			.345	
New Projects				
Agricultural Feeder Roads	0.31	0.25	0.06	EDF, CDB
Bridge Reconstruction	0.19	0.17	0.02	UK, EDF
Agricultural Resettlement Program	0.17	0.04 b/	0.13 b/	Unknown c/
			.210	
			.555	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

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ST. KITTS-NEVIS-ANGUILLA:[a/] LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 b/

(US$ million)

	Estimated expenditures, July 1, 1978 to June 30, 1979: Total Disbursements	Available or Expected External Financing	Local Counterpart and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Industrial Development	0.039	0.035	0.004	CDB
Road Reconstruction	0.166	0.158	0.008	EDF
Golden Rock Airport Terminal	0.991	0.892	0.099	CIDA
			.111	
New Projects				
Fisheries	0.162	0.146 c/	0.016 c/	Unknown d/
Feeder Roads Projects	0.046	0.003 c/	0.043 c/	Unknown d/
Feeder Roads in Nevis	0.090	0.013 c/	0.077 c/	Unknown d/
Industrial Infrastructure	0.309	0.216 c/	0.093 c/	Unknown d/
Realignment of Airport Approach Road	0.011	0.002 c/	0.009 c/	Unknown d/
Upgrading Electrical System	0.148	0.118 c/	0.030 c/	Unknown d/
Telephone Replacement and Expansion	0.366	0.329 c/	0.037 c/	Unknown d/
Power Station Extension (Nevis)	0.104	0.083 c/	0.021 c/	Unknown d/
Expansion of Secondary and Tertiary Education Systems	0.815	0.652 c/	0.163 c/	Unknown d/
Hospital Development	0.148	0.104 c/	0.044 c/	Unknown d/
Environment Sanitation	0.074	0.059 c/	0.015 c/	Unknown d/
Community Health Services	0.092	0.062 c/	0.030 c/	Unknown d/
Tourism Development	0.046	0.009 c/	0.037 c/	Unknown d/
Tourist Shopping Arcade	0.074	0.052 c/	0.022 c/	Unknown d/
Instrument Landing System	0.037	0.030 c/	0.007 c/	Unknown d/
			.714	

a/ Based on disbursements in project profiles that in some cases differ from those in sectoral allocation, because of adjustments made in response to Government comments.

.825

b/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

c/ Preliminary estimates.

d/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

ST. VINCENT: LIST OF PROJECTS ELIGIBLE FOR EARMARKED FINANCING FROM THE CARIBBEAN DEVELOPMENT FACILITY, 1978-79 a/

(US$ million)

	Estimated expenditures. July 1, 1978 to June 30, 1979			
	Total Disbursements	Available or Expected External Financing	Local Counterpart and/or CDF Emergency Assistance	Financing Agency
Ongoing Projects				
Sugar Factory	1.85	1.48	0.37	CDB
Milk Production	0.78	0.55	0.23	CDB
Owia Arrowroot Factory	0.08	0.07	0.01	CDB
Windward Highway	1.00	0.80	0.20	EDF
			.81	
New Projects				
Extension & Refurbishing Hospital	.31	.16	.15	EDF
Low Income Housing & Infrastructure	.06	.04 b/	.02 b/	Unknown c/
Infrastructure for Land Reclamation	.19	.11 b/	.08 b/	Unknown c/
Extension of Technical School	.06	.04 b/	.02 b/	Unknown c/
Construction of two Secondary Schools	.13	.09 b/	.04 b/	Unknown c/
Government Bonded Warehouse	.81	.41 b/	.40 b/	Unknown c/
			.71	
			1.52	

a/ Includes projects financed, or expected to be financed, by CDB, World Bank, IDB and their respective members.

b/ Preliminary estimates.

c/ Such projects would become eligible upon commitment of financing by CDB, World Bank, or IDB or by any of their members.

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