A.I.D. EVALUATION SUMMARY PART I

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

IDENTIFICATION DATA

A. REPORTING A.I.D. UNIT:

USAID/Kingston
(Mission or AID/W Office)

(ES# 4a/88)

B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?

yes ☒ slipped ☐ ad hoc ☐

Eval. Plan Submission Date: FY 88 Q 3

C. EVALUATION TIMING

Interim ☒ final ☐ ex post ☐ other ☐

D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report)

Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)	
532-0091	Private Development Bank	FY-84	8/89	$13,500	$12,500	(L)
				900	900	(G)

ACTIONS

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
TDB has completed many actions as a result of this evaluation and its own continual development of business strategies to insure viability. The evaluation does not set specific deadlines for implementing recommendations, which are the subject of on-going discussions between TDB and USAID.		

(Attach extra sheet if necessary)

APPROVALS

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 9 day 1 yr 87 (Draft Report)

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature Typed Name	T.R. Tifft	RONALD S. SASSO	R. Baker	Myron Golden Actg. Director
Date:	May 3/88	May 3, 1988	May 13 1988	

ABSTRACT

H. EVALUATION ABSTRACT (do not exceed the space provided)

The Trafalgar Development Bank (TDB) is the implementing agency for the Private Development Bank Project which began in 1984 for the purpose of providing medium and long term project financing to a wide range of Jamaican private sector enterprises in order to accelerate economic development, production, export earnings and job creation. The TDB lends for agro-industry, tourism, manufacturing and other productive business activities. It may also utilize other flexible financial products, including direct equity investment as market opportunities occur. This mid-term evaluation was conducted to determine to what extent the institution has achieved its original project goals and to quantify TDB's success as a developmental financial institution. This evaluation also addressed the issues of current and future viability as well as the capability of staff, adequacy of internal systems and the servicing of client financial requirements.

Methodology included examination of USAID and TDB documentation, interviews with TDB management, staff and clients, with the USAID Project Advisor, and other financial institutions.

Major Findings and Conclusions

-- TDB has met and, in some cases, exceeded many of the basic project goals and assumptions.

-- Although the TDB appears to be in acceptable financial condition for near term viability, its current cost structure is too high compared to revenues, and significant strategic changes either in its cost structure, and/or its revenue structures must be undertaken to ensure longer term viability.

-- Client perceptions of TDB are generally favorable , but perceptions by other financial institutions were not particularly strong.

COSTS

I. EVALUATION COSTS

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (US$)	Source of Funds
M.S. Brown R.L. Wagner	International Science & Technology Institute, Inc. Washington, D.C.	IQC: PDC-0000-I-00-6134-00 Work Order 13	$14,794	PD&S Funds SD Account # 532-9106

2. Mission/Office Professional Staff Person-Days (estimate) 5

3. Borrower/Grantee Professional Staff Person-Days (estimate) 15

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)
Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Kingston Date this summary prepared: March 28/88

Title and Date of Full Evaluation Report: Evaluation of Trafalgar Development Bank, Ltd.

The Trafalgar Development Bank (TDB) is the implementing agency for the Private Development Bank Project which began in 1984 for the purpose of providing medium and long term project financing to a wide range of Jamaican private sector enterprises in order to accelerate economic development, production, export earnings and job creation. The TDB lends for agro-industry, tourism, manufacturing and other productive business activities. It may also utilize other flexible financial products, including direct equity investment as market opportunities occur. This mid-term evaluation was conducted to determine to what extent the institution has achieved its original project goals and to quantify TDB's success as a developmental financial institution. This evaluation also addressed the issues of current and future viability as well as the capability of staff, adequacy of internal systems and the servicing of client financial requirements.

Methodology

The primary sources of input for this evaluation include:

-- Written information provided by TDB and USAID/Jamaica, such as client project files, proposed project turndown files, TDB policy papers, financial statements, data sheets provided by TDB, other internal reports to TDB, and the original project proposal and project paper.

-- Extensive interviews with TDB management and staff, the USAID project advisor, other USAID staff, TDB clients (including visits to specific project sites) and other financial institutions in Jamaica including commercial banks, Government institutions, and a merchant bank.

Major Findings and Conclusions

As of April 1987, TDB had approved 38 of 220 project proposals received. Total loan approvals (some including equity participation) stood at J$53.8 million[1/] with actual disbursements of J$30.5 million. Equity investments totalled J$1,300,000 of which J$800,000 was disbursed.

1/ US$1.00 = approx. J$5.50)

SUMMARY

TDB has met and, in some cases, exceeded many of the basic project goals and assumptions. TDB is extending credit to a wide variety of private sector enterprises which are positive foreign exchange earners and creators of new employment. Over US$70 million in foreign exchange earnings and over 2000 new jobs are projected over the life of existing TDB loans. TDB also appears to be a limited but effective force in the local market as it provides credit to new ventures which is not otherwise available from traditional Jamaican financial institutions. However, performance projections based on low cost (5%) financing from USAID are seen as being compromised by a number of issues including:

(a) The high internal cost of extending credit;
(b) The high local cost of funds rates
(c) The need for TDB to further define its market niche and actively pursue credits and other financial services;

Clients perceptions of TDB are generally favorable , indicating that availability of long term credit for developmental projects at reasonable rates and terms, with the additional possibility of equity being available, were primary reasons for choosing TDB. Negative comments related to slowness in appraisals and approvals, and apparent lack of flexibility (in eyes of clients) when cash flow problems arose within a project. Perceptions of other financial institutions were not particularly strong, indicating a lack of knowledge about the goals of TDB and the methods employed by the bank. Some financial institutions view TDB as direct competition.

Financial statements for April 30, 1987, as well as the projected income statements, show TDB to be in acceptable financial condition in terms of TDB's ability to continue to function as expected for the near term at least. However, the analysis of the current status, and the future financial projections show that TDB has a cost structure which is entirely too high for the revenues it takes in. Without the continued availability of inexpensive USAID funds as its base for loan funds, TDB will show weak financial performance in the long term with low return for shareholders. Significant strategic changes in its cost structure, and/or its revenue structures, are necessary to assure TDB is financially viable over the long term.

The TDB has recruited a strong professional staff which has a positive approach to credit and the position of TDB in the market, and the procedures used to appraise, approve and monitor projects are very complete and thorough. However, TDB's level of past due loans, as well as the inherent risk level and geographic dispersion of its credits indicates that additional personnel are required to properly monitor disbursed loans and equity investments. The Board of Directors and senior management are facing a difficult crossroads in which the future viability and long term profitability are at stake.

SUMMARY (continued)

Recommendations

- TDB should seek out all opportunities to increase revenues and decrease costs as a percentage of average earning assets. (A lists of possible tactics for accomplishing this are included in the report.)

- Hire two additional, qualified persons for the Project Analysis and Loan Administration Group.

- TDB should focus on finding in-house solutions to hurdles arising from AID regulations and/or standardized methods of operations.

- USAID should review its own goals to resolve the apparent dichotomy between the desire for TDB and similar institutions to engender "development" where it does not presently exist, while at the same time becoming viable and self sustaining organizations without donor assistance.

ATTACHMENTS

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

Evaluation of Trafalgar Development Bank, Ltd., by Melville S. Brown and Robert L. Wagner, International Science and Technology Institute, Inc., Washington, D.C.; June 20, 1987.

MISSION COMMENTS ON FULL REPORT

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

The Mission believes that the evaluation was well prepared and provided many useful insights. Many evaluation recommendations have been adopted and others are part of on-going discussions with the TDB.

TDB senior management reviewed the evaluation. The TDB has commented that many of the suggestions have already been adopted and changes undertaken to strengthen the bank's financial base. In regard to long-term prospects, the TDB notes that, in the initial stages, TDB confined itself primarily to appraising "development type" proposals which have a high element of risk. Currently, the bank is pursuing a mix of financing which includes a reasonable portion of asset financing requiring less detailed appraisal, and less cost. The bank has also sought to strenghten its earning base through the introduction of the fee generating Technical Assistance Bureau and the introduction of lease financing. Indeed, these new facilities and techniques are starting to show positive results in the bottom line.

XD-AAY-769-A

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EVALUATION OF

TRAFALGAR DEVELOPMENT BANK, LTD.

Prepared for:

U.S. Agency for International Development
Kingston/Jamaica

By:

International Science and Technology Institute, Inc.
1129 - 20th Street, N.W., 8th Floor
Washington, D.C. 20036

June 20, 1987

EVALUATION OF

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Robert L. Wagner

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1129 - 20th Street, N.W., 8th Floor
Washington, D.C. 20036

June 20, 1987

EXECUTIVE SUMMARY

EVALUATION OF TRAFALGAR DEVELOPMENT BANK, LTD. (TDB)

BACKGROUND

The data for this report was gathered over a two week period in Jamaica during early June, 1987. It is intended to be neither a financial audit nor a complete management audit. The overview it provides, however, should serve both USAID in its desire to understand an organization it has helped to create, as well as the Board of Directors, management and staff of TDB as they attempt to cope with strategies for the bank's future.

The primary sources of input to this report were written information provided by the USAID Mission in Jamaica (including the original Project Paper from June, 1984), material of a financial, project and policy nature provided by TDB, and oral inputs from TDB management, staff and clients.

Trafalgar Development Bank was organized during 1984 and after initial capitalization, began operations in May, 1985. The broad mission and purpose of TDB is to provide medium and long-term project financing to a wide range of private sector enterprises in order to accelerate economic development, production, export earnings and job creation. TDB may also utilize other flexible financial products, including direct equity investment as market opportunities occur.

TDB currently has a staff of sixteen people, twelve of whom are professionals. Additionally there are two USAID funded technical consultants assigned to TDB.

PORTFOLIO DESCRIPTION

TDB had received approximately 220 project proposals as of the end of April, 1987, and had approved loans, equity investments or grants for 52 separate projects (some had both loan and equity). A breakdown of these is as follows:

- Loans:
  - 38 approved, 25 disbursed
  - Total approved J$52.6 million
  - Average loan size J$1.8 million
  - Largest loan J$3.5 million
  - Total loans disbursed (4/30/87) J$29.7 million

- Equity Investments:
  - 3 approved
  - Total approved J$1.300,000
  - Total Disbursed J$800,000

PROJECT APPRAISAL/APPROVAL/MONITORING PROCEDURES

The procedures used to appraise, approve and monitor projects are very complete and thorough. A typically complete analysis will examine corporate and individual sponsors, description of proposed activities, management, markets, sources of inputs, production capability, equity capital and financing plans, economic and social impact projections, financial projections, and collateral.

Projects with either a loan or equity component are analyzed and if acceptable, recommended by the Project Appraisal staff and sent to an internal committee for review and approval. If a loan is above J$2 million, the request is further sent to the Board of Directors for approval. Turndowns are generally for lack of information or inability of the client to meet minimum project standards.

After Board approval, project implementation and monitoring responsibilities are passed to the Loan Administration area for both loan and equity projects. Projects are visited monthly during the implementation stage or more often if there are problems of any sort. Payments which are over 90 days past due, and any other serious problems receive the attention of the Managing Director, and the Board of Directors.

PERCEPTIONS OF TDB

Client perceptions of TDB are generally favorable, indicating that availability of long term credit for developmental projects at reasonable rates and loan terms, with the additional possibility of equity being available were primary reasons for choosing TDB. Negative comments related to slowness in appraisals and approvals, and apparent lack of flexibility (in eyes of client) when cash flow problems arose within a project.

Perceptions of other financial institutions were not particularly strong, indicating a lack of knowledge about the goals of TDB and the methods employed by the bank. Some financial institutions view TDB as direct competition.

BASIC PROJECT ASSUMPTIONS

TDB is meeting its broad project assumptions in the areas of developmental lending but has evolved away from the original project projections in two significant areas:

- TDB has been capitalized at a much faster rate than originally assumed. As of 4/30/87, paid-in capital totalled J$23.9 million.

- The outstanding loan portfolio has not expanded at the pace originally planned and is currently at a level almost 40% lower than projected for this stage of the bank's growth.

TDB has been closely involved with USAID since its inception and is currently utilizing funds available from a USAID loan to on-lend to its customers. This source of funds has been established on concessionary terms which have helped TDB to become profitable since its first year of operation. The USAID funds are extended to TDB at an annual interest rate of 5% which is approximately one-third of the local market rate for time deposits. This low cost of funds should allow TDB to on-lend these funds and leverage the institution with high-risk developmental credits and still provide shareholders with an appropriate return on their capital investment. A number of issues which compromise this basic project assumption are discussed in the following evaluation, including:

a. The high internal cost to extend credit as evidenced by the level of administration and personnel expenses as a percentage of average earning assets.

b. The rapid capitalization of TDB as compared to the slower growth rate in loan assets. This has helped to keep the shareholders return on equity at a depressed level.

c. The high local interest rates for fixed bank deposits which are approximately equal to the loan rates charged by TDB for developmental credits.

d. The need for TDB to further define its market niche and actively pursue credits and other financial services which will increase the performance ratios of the bank through a combination of economies of scale in terms of the time necessary to create a loan, the level of interest and fee income available and the increase in size of average loans.

e. The recent changes in USAID loan terms which, if truly problematical, will cause TDB to seek out alternative credit sources which will significantly increase the cost of funds for TDB.

Nonetheless, TDB has met and in some cases, has exceeded many of the basic project goals and assumptions. TDB is extending credit to a wide variety of private sector enterprises which are positive foreign exchange earners and creators of new employment. Over US$70 million in foreign-exchange earnings and 2,000 new jobs are projected over the life of existing TDB loans. TDB also appears to be a limited but effective force in the local market as if provides credit to new ventures which is not otherwise available from traditional Jamaican financial institutions.

FINANCIAL ANALYSIS/FINANCIAL VIABILITY

The financial statements for 4/30/87, as well as the projected income statements calculated, show TDB to be in acceptable financial condition in terms of TDB's ability to continue to function as expected for the near term at least. However, the analysis of the current status, and the future financial projections show that TDB has a cost structure which is entirely too high for the revenues it takes in. Without the continued availability of inexpensive (5%) USAID funds as its base for loan funds, TDB will continue to show weak financial performance with an unacceptably low R.O.E. for shareholders. Without significant strategic changes either in its cost structure, and or its revenue structures, TDB is not financially viable over the longer term.

TDB has grown into a small but profitable financial institution in a relatively short period. The bank has recruited a strong professional staff which has a positive approach to credit and the position of TDB in the market. Nonetheless, the Board of Directors and senior management of TDB are facing a difficult cross roads in which the future viability and long term profitability are at stake. Basically, the bank must expand its lending base more quickly and more efficiently to increase revenues at a positive margin while facing inherently high internal costs and increasing funding expenses. This will be a most difficult task indeed.

CONCLUSIONS AND RECOMMENDATIONS

After slightly more than two years of operation, TDB is a properly functioning private sector institution with very capable permanent staff, addressing some of the real developmental financing needs of the Jamaican economy. It offers clients in a wide variety of business sectors a significant level of technical assistance, loans and equity. Its relationship with USAID seems to be functioning fairly well, and it has sufficient liquidity to continue to operate in the near term.

However, as described in the financial analysis section of the following evaluation, TDB faces very serious long range problems which must be dealt with as soon as possible. If it does not address these issues, it will not survive without continual, long term assistance from donor organizations.

The key issues are:

1. TDB's revenues are too low in comparison to the costs required to generate those revenues. As a % of average earning assets, revenues presently are 16.8%. Expenses total 12.7% of average earning assets, showing that without the USAID loan assistance, TDB would be losing money. Although hard and fast projections are difficult to make, it seems clear that the situation will only be more acute in the future as alternative funding sources are more expensive.

   <u>Recommendation</u>:

   TDB should seek out all opportunities to increase revenues and decrease costs as a percentage of average earning assets. Among the tactics which TDB should fully explore to accomplish this are:

   - charge fees for project design and implementation assistance.

   - charge higher interest rates on loans and cumulative preference share investments, to the extent that the market will allow.

   - develop other interest or fee-based financial/services.

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- place a greater proportion of assets in higher yielding investments such as preference shares with profit sharing "kickers".

- increase the average size of TDB loan and equity investments.

- increase the relative proportion of assets in investments requiring little analysis and monitoring work, such as bank C/D's or well collateralized loans to "blue chip" companies.

- determine if TDB can utilize less costly analysis methods that appear to be used by other development finance companies in the region.

- require improved project proposals from clients, rather than having TDB do feasibility and design analysis.

- under no circumstances borrow funds for placing in loans and equity investments unless all costs for placing those funds are not only covered by the revenues generated, but also sufficient extra revenues are generated to pay for interest.

2. TDB's level of past due loans as well as the inherent risk level and geographic dispersion of its credits indicates that additional personnel are required to properly monitor disbursed loans and equity investments.

   Recommendation:

   Hire at least two additional, qualified persons for the Project Analysis and Loan Administration Group. In the meantime, consider diverting one of the junior members of the analysis staff to these functions.

3. There is an apparent dichotomy between the desire for TDB and like institutions to engender "development" where it does not presently exist, while at the same time becoming viable and self-sustaining organizations without donor assistance. As a privately owned company which is organized to make a profit, there is a basic requirement for the shareholders to realize a gain on their investments. On the other hand, the long term financial impact on the entire economic community, which comes about from the provision of good developmental loans and services, is often over looked by shareholder groups.

   Recommendation:

   USAID should review its own goals and decide whether it is better to have private development finance institutions become self-sustaining only by abandoning some or all of their developmental role, or whether it is more important that the clients of those organizations become viable and self-sustaining, even though that may mean that donor assistance may be required for the development finance institutions for much longer periods of time. It might also consider the importance of a development bank's influence on the willingness of other private sector financial institutions to be more aggressive in providing financial services to new sponsors and/or new projects.

4. There is a stated perception among some members of staff, management and the Board of Directors that TDB's primary problems relate to restrictive regulations and bureaucratic inflexibility of USAID.

<u>Recommendation</u>:

TDB staff, management and Board members should focus on:

- elimination to the extent possible of unnecessary hurdles arising from USAID regulations and/or standardized methods of operation, through provision to USAID of well conceived, formally documented arguments which USAID Mission Management can use to justify the changes.

- Acceptance of that which cannot be changed, matched with the realization that TDB's major problems (volume, margins, losses) will never be resolved by looking to USAID for solutions. These are problems requiring in-house resolution.

TABLE OF CONTENTS

TRAFALGAR DEVELOPMENT BANK, LTD.

Evaluation

Purpose

An evaluation of Trafalgar Development Bank, Ltd. (TDB) was conducted to determine to what extent the institution has achieved its original project goals and to quantify TDB's success as a developmental financial institution. This evaluation also addressed the issues of current and future viability as well as the capability of staff, adequacy of internal systems and the servicing of client financial requirements. The following report presents the findings of this evaluation.

Methodology

The primary sources of input for this evaluation include:

- written information such as client project files, proposed project turndown files, TDB policy papers, financial statements, data sheets provided by TDB, other internal reports to TDB, and the original project proposal (9/83).

- extensive interviews with TDB management and staff, the USAID project advisor, other USAID staff, TDB clients (including visits to specific project sites) and other financial institutions in Jamaica including commercial banks, Government institutions, and a merchant bank.

EVALUATION FINDINGS

History

Trafalgar Development Bank was organized during 1984 and after initial capitalization, began operations in May 1985. The broad mission and purpose of TDB is to provide medium and long-term project financing to a wide range of private sector enterprises in order to accelerate economic development, production, export earnings and job creation. TDB may also utilize other flexible financial products, including direct equity investment as market opportunities occur.

Despite its development role in the Jamaican economy, it is important to note that TDB itself was established as a private sector company with private investors as shareholders. TDB is expected to earn a profit and to provide a return to its investors while fulfilling its venture capital and developmental mandate.

TDB's first full year of operations was for the period of October 1985 through September 1986. The company grew quickly during this year as total loans disbursed reached J$16.9 million and shareholders equity was increased to J$22.9 million. This growth pattern was almost the reverse of original project assumptions as capitalization reached a level not projected until the fourth year of operations while loan outstandings were less than 50% of the level anticipated.

Because most capital funds were invested in local deposit and stock instruments for the greater part of the year, the bank reported gross income of J$4.4 million for the period. Investment income accounted for 74% of this total. Net profit before taxes was reported at J$1.5 million. The main rationale for this first year profitability is the relatively high net return on investments funded by shareholders' equity while the loan portfolio was expanding slowly. Income from investments was equal to 12.7% of average earning assets while loan interest income was only 4.2% of average earning assets for the same period.

This is not an unusual pattern for a new bank although the rapid rate of capitalization in relation to the slower pace of loan growth caused the institution to be overcapitalized and underleveraged at this stage of its development. Additionally, the high internal cost of start up as well as the extension of development credits became apparent as total administra-tive, personnel and operational expenses (including provision for loan losses) were 11.4% of average earning assets, while average earning assets were predominantly in short term deposits and investments.

TDB's loan base did increase during 1986 to a total of J$16.9 million. TDB expanded and diversified its loan portfolio during the year while meeting several of its basic project goals; i.e., credit extension to new companies in the developmental sectors, including tourism and agricultural exports. 57% of the loan portfolio growth was directly financed through drawdowns under the USAID credit facility with the balance funded by equity.

The USAID credit facility is extended at a 5% interest rate. During 1986, TDB utilized J$9.7 million of this line without borrowing from other creditors. Original project assumptions estimated that this facility would be drawn down as loan disbursements would be J$22.5 million during the first year of operations. As of September 30, 1986, loan disbursements were almost 57% behind project designs in this area resulting in a debt to equity ratio of only 0.4:1.

1986 was also a formative year for the bank in terms of staffing and personnel development. TDB hired the majority of its existing professional and support staff during early 1986 and the cost impact of this overhead growth is apparent in the bank's performance ratios. Despite the fact that 61% of earning assets were in the form of loans as of year end, on an average basis the majority of TDB's liquidity was invested in high yield deposits and stocks during the year. These investments do not require the same level of staff involvements as project loans. Nevertheless, total overhead expenses (including provision for loan losses) were 11.4% of average earning assets. This high ratio of overhead expenses to average earning assets indicates two basic elements in TDB's growth and business:

a. The bank increased its staffing levels at a faster pace than it increased loan assets during the year. This is a normal phenomenon for a start-up financial institution and to the degree that TDB has hired

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the core of its professional staff, the bank should be in a position to process and book more bank assets in the future without greatly increasing costs.

b. The nature of TDB's loan portfolio is by definition highly labor intensive. The type of loan assets created by TDB are generally high risk in nature because most businesses to whom TDB has extended credit are new ventures and the project appraisal system and loan administration process require more staff involvement than the portfolio of a traditional asset-based commercial bank.

The following table illustrates the financial result of Trafalgar's first year of operations:

TDB - Income Statements

Revenue:	As a % of Average Earning Assets
Loan Interest Income	4.2
Investment Income (Deposits and Stocks)	12.7
Fee Income	1.0
Total Revenue	17.9
Expenses:	
Administrative/Operating Expenses	4.4
Personnel/Managerial Expenses	5.0
Provision for Bad Debt	2.0
Interest Expense (USAID Loan)	.8
Total Expenses	12.2
Surplus (Return on Average Earning Assets)	5.7

While a return on average earning assets of 5.7% can be considered as very positive for a new financial institution, the weakness in this result can be seen in TDB's over-dependence on a high return from investments in local deposits and stocks. The actual earnings profile is not one of a mature development bank and indicates that the bank must shift its earnings base towards risk assets; i.e., long-term loans. Significant growth in the loan assets portfolio would also improve the shareholders' return on investment to the extent that TDB is able to leverage the bank through increased cost efficient debt funding.

During 1986 the return to the shareholders on average equity (ROE) was 7.42% which must be considered low in the Jamaican economy. This ROE level is a direct result of the rapid increase in capitalization in relation to the slower pace of growth in loan assets funded through debt. The leverage ratio (debt to equity) was a minimal 0.4:1 for the year. At this leverage ratio, the ROE remains low and the shareholders effectively have an alternative investment opportunity loss as the local deposit rates currently average 16.5%. Also to the extent that the local inflation rate exceeds 7.4%, they are suffering a loss in real terms as well.

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Current Portfolio Analysis

The following analysis covers TDB lending operations for the period of October 1986 through April 30, 1987.

TDB currently has 38 loans approved of which 25 loans have been actually booked with loan disbursements. Not all of these 25 loans are fully disbursed. This is because many projects have a high import content and actual loan disbursements are made as import letters of credit become payable, sometimes several months after ordering capital equipment. Secondly, it is the policy of TDB to disburse loan proceeds based upon the actual cash requirements of a project. All loans are considered term loans with specific drawdown provisions and not lines of credit which could be accessed all at once. The nature of the projects being financed by TDB often calls for loan disbursements over a protracted period.

As of 4/30/87, total loan approvals (including equity participation) were J$53.8 million with actual disbursements (including letter of credit obligations) of J$30.5 million. Of these totals, the US$ component on the amount financed by USAID funds was 70% and 62%, respectively.

The current loan portfolio at TDB is divided among 30 companies in the following sections. Several companies have more than one loan approved or disbursed.

	No. of Companies	J$ Loan Committed	Loans Disbursed
Coffee	1	870,000	603,398
Ornamental horticulture	4	6,177,925	5,289,694
Foliage	4	7,306,000	4,396,196
Data Entry	3	3,588,350	2,568,350
Garments	3	2,785,920	549,583
Tourism	3	6,383,000	6,320,614
Shipping/Fishing	2	3,481,500	3,480,637
Mfg/Processing	10	21,994,815	6,259,777
TOTALS	30	52,587,510	29,468,249

Currently 56% of all loans committed are disbursed. Six companies have loan commitments totalling J$11.3 million and 21% of total loans have zero drawdown to date. The average loan size (committed) is J$1.8 million, while the average loan balance outstanding is J$982,000.

These figures reflect a significant gap in timing between the loan approved process and actual project implementation and disbursals. There appears to be an average of a 90-day delay between the completion of the loan approval process when a loan is actually committed to the borrower and project implementation when loan proceeds begin to be disbursed. This is a function of staffing levels as well as the type of credits pursued. The TDB staff necessarily spends considerable time and effort with the prospective borrower bringing the project documents up to standard and assisting in realizing the project projections. This time consuming involvement also impacts the percentage of average earning assets which are utilized to pay overhead expenses.

The total portfolio demonstrates an approximately equal mix of credits extended to new ventures (start-up companies) and expansion or capital equipment purchases for existing companies. Within the manufacturing/processing sector, however, the loan volume mix is different:

Of the 10 manufacturing companies financed:

— 2 are new ventures with total loans committed of J$5.6 million.

— 3 are large established companies with loans totalling J$9.3 million. This represents 18% of the total loan portfolio.

-- 75% of the funds committed in this sector are for plant expansion or equipment purchases.

Appendix A attached gives a detailed breakdown of the status of TDB's loan portfolio.

The loan portfolio is heavily weighted toward projects which are designed to generate net foreign exchange earnings through the export of Jamaican products. These projects are scheduled to earn approximately US$70 million over the life of the loans and to save an additional US$2.6 million in foreign exchange through import substitution and/or increased local productivity and consumption. For the period through April 1987, TDB loan customers report direct foreign exchange earnings of US$1.1 million and foreign exchange savings of US$1.5 million.

The projects financed by TDB also project 2,190 new jobs to be created as a direct result of their business and their relationship with TDB. There is of course a portion of total project investment which is funded from owner's equity which contributes to job creation as well. It must be noted, however, that TDB provides a crucial input, without which many projects may not be undertaken at all. To date, 1,089 new jobs have reportedly been created. In this regard, TDB's customers are only considering new permanent employment and not temporary work or construction work involved with the project. The relatively large number of jobs created to date in relation to the actual loan outstandings--50% jobs created vs. 56% loan outstandings -- is partially explained by TDB's relationship with the data entry and garment sectors. Unlike other projects where most jobs would be created during the later stages of the projects' development, these two industries are highly labor intensive. Within the 5 companies financed (3 in data entry, 2 in garments), a total of 692 new jobs, or 64% of the total projected, have been created to date.

Appendices B and C are computer reports designed to more fully illustrate the project loans extended by TDB, the USAID component in each credit and the impact of each project in the areas of foreign exchange earnings and job creation.

As of 4/30/87, TDB also reported a total of J$13 million and J$3.6 million invested in local fixed deposits and locally registered stocks, respec-tively. The total of these stocks and deposits still represented 33% of total assets and were 56% of the amount advanced in loan assets. More significantly, these investment instruments represented 66% of the bank's capital which reflects the conservative policy of the shareholders through a desire to remain liquid with low-risk, relatively high-return, non-loan assets.

TDB has committed to only three direct equity investments in projects which it has financed. These equity investments are:

Old England Coffee Ltd.	J$300,000
Jamaican Heart Ltd.	J$500,000
McIntosh Furniture	J$500,000
	(committed, not advanced)

Old England is a new coffee production venture while Jamaican Heart produces cut flowers (roses and anthuriums) for export. To date, equity investments represent 3% of TDB capital and this ratio will increase to approximately 5% with the investment in McIntosh Furniture.

Project Appraisal Description

TDB conducts a project appraisal for each proposed new credit which is effectively the first step in the bank's loan approval process. This appraisal process is quite detailed and complex requiring a high level of professionalism among the TDB staff.

The analysis of all prospective loan customers on a project basis appears to be one of the unique features of TDB in the Jamaican marketplace. Most Jamaican financial institutions have established their credit policies with a strong bias towards asset-based lending with a heavy dependence on excess collateral security. TDB analyzes each loan for project viability with emphasis on loan repayments from the internal cash flow of the project itself.

This analysis methodology includes all marketing, management, and financial aspects of the project consistent with the proper risk analysis of a developmental loan. This loan or project appraisal system is quite complete but necessarily time consuming. It includes analysis of:

- Project design
- Marketing analysis
- Technical feasibility
- Management
- Economic benefits to Jamaica
- Long-term financial viability
- Environmental impact
- Job impact/Export earnings
- Long-term market viability
- Collateral security

Copies of the various forms utilized by TDB and the information requests to be completed by the prospective customers are attached in Appendix D of this report.

A number of project proposals and loan requests are received and pursued by TDB. Over 60% of these proposals are eliminated early in the appraisal process as there is a continuous submission of proposals by prospective clients, with insufficient, inadequate, or inaccurate information. All projects considered to have merit are analyzed in-depth and frequently require a considerable amount of direct management and technical staff assistance from TDB to help the client assemble the proper documents and improve upon various aspects of the project feasibility. This is a very time consuming and costly exercise which while understood in general terms by bank management has not been quantified accurately.

This situation presents one of the basic problems that TDB management must face. Financial performance is dependent upon the rapid disbursement of new loans which will increase the leverage of the institution and improve the shareholders' return on equity investment. Simultaneously, prudent lending practices for the types of credits being extended by TDB, (if consistent with a developmental philosophy), will require a considerable level of analysis, involvement and staff time to properly understand and cover the high loan risk inherent in these types of projects.

The actual loan approval system, once a project proposal has been appraised, appears to be well established and functional. There is a formal Loan Committee which meets regularly and can approve all loan requests up to J$2 million. Additionally, the Managing Director can approve all loans up to a maximum total exposure of J$1 million. The Loan Committee consists of seven members, five of whom are members of the Board of Directors, including Mr. Ron Sasso, Managing Director, and Dr. Keith Roache, who is Managing Director of JADF, as an outside member. Not all members attend each meeting and a quorum of two Directors and the Managing Director is the minimum required to approve a credit. Dr. Roache is considered a particularly valuable member for his expertise in agricultural credits. Additionally, any Director with a direct or indirect involvement in a particular project does not participate in the project approval process.

Lending Policies

The original USAID project assumptions as well as the base financial projections for TDB called for the bank to lend its own capital for developmental credits as well as utilize loan funds from a USAID credit facility. To date, it would appear that TDB is adhering to these basic policies, although loan growth has been at a much slower pace than originally projected.

The current policy, as stated by USAID and confirmed by the Board of Directors, is for TDB to lend and make equity investments of at least J$1 million from TDB funds for each J$5 million equivalent of USAID funds advanced to the institution. A review of the loan portfolio demonstrates:

As of 4/30/87

a. Total TDB J$ disbursed	8,976,592
b. Total USAID J$ disbursed	9,861,725
c. Total USAID US$ disbursed (US$2,023,687 = J$)	11,130,290

Therefore, total TDB loans of J$ (8,976,592) are 42.8% of total USAID J$ disbursed (9,861,725 + 11,130,290), or more than two times the 20% target.

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Currently, TDB has no formal policy regarding loan portfolio mix by either industry type or loan term. The bank is restricted by the terms of its USAID loan facility from extending credit to the citrus, vegetable oil, or sugar industries if such a loan would have an adverse impact of similar companies within the United States. Other agricultural loan advances to products which may conflict with U.S. exports requires specific USAID approval before loan funds can be utilized.

The average loan is of medium term with an average 5.4 year maturity and a 2-year grace period on principal repayments. In most cases, interest is charged on a monthly basis in arrears. The first interest payment is usually 30 days (adjusted to a regular monthly schedule after the first payments) after initial disbursement. Normal principal amortization is on a semi-annual basis, after the negotiated grace period.

The established lending limit for TDB is 15% of TDB's net worth for any individual customer. This limit is specifically set in the USAID loan agreement for all loans funded by USAID loan advances. The Board of Directors has also adopted this limit for all credits from TDB. Shareholder equity can be invested in a company beyond this level if approved by the Board (i.e., total loan exposure plus equity investment can exceed 15% of net worth). Currently, this 15% limit would equal approximately J$4 million and no single loan exceeds this level. The average loan commitment extended is now J$1.75 million.

TDB has one customer relationship in which the combined loan and equity exposure reaches the 15% limit. TDB has extended a J$3.5 million loan as well as a J$500,000 equity investment in Jamaican Heart Ltd., a medium-sized producer and exporter of roses and anthuriums.

TDB's loan rates to customers currently average 17% p.a. although the Board of Directors has approved a range of interest rates from 16 to 20% for all loans, to be set at the discretion of management. The perception within TDB is that they must be competitive with the other development banks in the market. The two banks which compete directly with TDB are the National Development Bank (NDB) and the Agricultural Development Bank (ADB). Both of these institutions are government entities which extend credit through the standard "pass-through" vehicle by funding the local commercial banks. Reportedly, NDB credits are available to the ultimate borrowers at 16% and ADB loans have a current rate of 15%. In reality, the commercial banks seem most reluctant to utilize these facilities except for their own customers or established companies, as they must assume all credit risk and are limited to a maximum spread of 3 to 4%. Additionally, the overall liquidity in the system makes direct credits much more desirable for the commercial banks at this time.

TDB loan interest rates are variable for most loans but actual adjustments appear to be on an ad-hoc basis. Rate adjustments are at the sole discretion of the bank and are not pegged to particular market indicators. The loan documents do not establish a specific minimum or cap rate on these loans. TDB last adjusted the loan rates on certain credits last February.

There continues to be a strong downward pressure on all interest rates in the market. Loan interest rates have declined from 22% to the 17% to 18% level since the first of the year. The most recent indication of further rate decline was the weekly auction of GOJ notes and bonds in which the longer maturities sold for a lower interest rate than the short term instruments.

TDB policy calls for a reserve for loan losses equal to 3% of loan assets. Currently, this reserve has been funded to a level of J$893,253, which is, in fact, equal to 3% of total loan assets as of 4/30/87. This level of loss reserves may not be adequate due to the higher risk nature of the loan portfolio in general and because of several past due credits in particular. Appendix E presents a more detailed description of the past due loan portfolio and the bank's plans to workout a singularly weak credit. Further, it should be noted that this 3% reserve is funded wholly from TDB operating funds and, therefore, all provisions (debits) to fund this reserve have a direct impact on the bank's overhead expenses, their "cost of doing business" and their performance ratios.

Perception of TDB Clients

An integral part of this evaluation was to determine if TDB is meeting client needs and is actually providing a financial service unique in the Jamaican market.. A number of site visits and customer interviews were conducted for this purpose. The following general observations were made:

- There was a generally favorable response from all TDB customers regarding their relationship with TDB management and staff.

- TDB management involvement in project design and project implementation is very well received.

- Loan interest rates and loan terms were considered to be competitive. The medium term loans for specific project needs were deemed to be most helpful to client development as the loan structure fits the project.

- The immediate availability of US$ for capital equipment importation was almost universally agreed to be a great benefit and positive service from TDB.

- TDB is generally perceived as doing a better job and being more responsive than either NDB, ADB or the commercial banks.

- TDB is seen as extending developmental credits which are structured in a manner that commercial banks will not accept. Loan rate, tenor and collateral security requirements are more closely structured to the actual project.

- TDB credit analysis and project financial projection and viability requirements are considered to be quite complete. "A difficult but necessary prerequisite."

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Detailed reports on the interview with each customer contacted are attached as Appendix F of this evaluation.

Perception of Other Financial Institutions

As part of this evaluation six other, traditional, financial institutions operating in Jamaica were visited to ascertain their lending functions in the market place and obtain comment regarding their perception of TDB and its role. Visits were made to the National Development Bank and the Agricultural Development Bank (both government entities). Three commercial banks and one merchant bank were also visited. The results of these visits are outlined below:

Positive comments

- All institutions interviewed were positive regarding the qualifications and professionalism of TDB staff.
- There was a general consensus that TDB was fulfilling an important role as a development bank. One commercial bank felt that their methodology was not unique.
- TDB was considered to be a positive function and developmental leader in the market because of its loan terms and ability to take an equity position.
- NDB and ADB stated that they work together with TDB and have referred clients to them. NDB is willing to work with TDB on structure of World Bank credit.
- Most institutions were aware of TDB lending policies and felt that the rigorous project analysis was positive.
- The Merchant bank praised the ability to structure loan participations with TDB.

Negative Comments

- Several institutions did consider TDB to be in direct competition, particularly in the current liquid market.
- TDB image and client awareness were not seen as fully developed. Not all banks, or their customers, know of all of TDB services and lending capabilities.
- TDB is seen as having a competitive edge through availability of an inexpensive funding source and funding in U.S. dollars.

- Two banks stated that their customers complained that TDB was too slow to analyze their credit requests properly.

- There was an overall lack of enthusiasm regarding working jointly with TDB.

This portion of the evaluation exercise is considered to be of limited usefulness as it appeared that the persons contacted were generally inclined to provide the evaluators with answers which they perceived we wanted to hear. More contact over a longer period of time is probably required to obtain a more valid and candid data base from the financial institutions.

Personnel

Currently, TDB employs a total staff of 18 people, including two outside technical consultants. These two consultants are paid directly from USAID grant funds. A basic organization chart for the bank would be as follows:

- Board of Directors
  - Loan Committee
  - Managing Director
    - Project Finance
      - Technical Appraisal
      - Marketing Appraisal
      - Financial Analysis
      - Economic Analysis
      - Legal Appraisal
      - Consultants
        - Technical
        - Marketing
    - Corporate Legal
    - Loan Administration
    - Controller
    - Corporate Marketing (added 7/87)

Despite the vertical structure of the TDB organization, it is apparent that them staff works closely together in an overall "team effort" with a common goal to make the bank successful as well as to meet the bank's client's needs. The two technical consultants are intimately involved in the daily work flow and the project appraisal process.

The total salary and benefits (including management fees) expense for TDB for the 7 months ending 4/30/87 is J$1,116,898. On an annualized basis, this expense category is projected to reach J$1,917,682—without the addition of any new personnel. This is basically equal to the budgeted total of J$2,048,774 for the year ending 9/30/87 which does factor in the expense for the addition of several people. Additionally, it appears that salary levels may be low for the degree of experience and professional training exhibited by the staff at TDB. It was noted that no one has been assigned the duties of a personnel administrator with responsibilities to coordinate hiring and to conduct performance reviews.

The total size of the staff at TDB also appears to be low for the type and volume of work being handled. Currently, there are some 19 loan projects that are still in the process of being appraised. (A listing is attached as Appendix G of this report.) This is in addition to the 9 project loans which have previously been approved but still require considerable management effort to reach the implementation stage and convert to actual loan outstandings. This backlog does not appear to be the result of any staff incompetence. To the contrary, it reflects the difficult nature of these development credits and the time consuming efforts that must be undertaken to convert a project concept into an earning loan asset with the best risk analysis possible.

TDB plans to add new staff in several areas over the next two months. During this evaluation, the bank hired an experienced person to assist in the business development efforts of the organization. Additional staff is being sought in the areas of loan administration, project analysis, project implementation, financial analysis and accounting support. It was noted that this additional staff was originally budgeted within the 86/87 budget which was not approved by the Board until late February 1987. This delay has had both a positive budgetary impact (through the savings of personnel expense) and a negative impact on earnings (through the delay in booking new loan assets from lack of adequate staff levels).

In adding new staff at this time, TDB must utilize all personnel to increase loan volume significantly in order to not only cover this increased salary expense but to reach the "economies of scale" necessary to reduce overall personnel and administration expenses as a percentage of average earning assets. This is a most difficult task given the market and the type of labor-intensive loans TDB extends. The proposed Technical Assistance Branch (TAB) of the bank should make a positive contribution in this area.

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Basic Project Assumptions/Goals

During the design and establishment of TDB a number of assumptions, goals and projections were proposed to guide the evolution of TDB as a development institution in the Jamaican financial sector. It was recognized in the original USAID project paper and financial projections that TDB was to be established and managed as a privately-owned, profit-making organization. The loan agreement with USAID which provides long-term funding for TDB established a series of criteria regarding credit extension, debt to equity ratios and type of enterprise to be financed. There may be an inherent conflict in some of these goals as USAID's definition of the type of developmental credits desired appears to be of such high risk as to compromise some basic shareholder requirements for profit and return on investment.

After essentially two years of full operations, TDB appears to be meeting the broad goals and basic project assumptions in the areas of:

a. Assisting in the mobilization of long-term private and domestic savings by lending to a wide variety of individual entrepreneurs involved in start-up and developmental enterprises.

b. Supervising and assisting the implementation of projects. A great deal of management time is spent on technical assistance work before loan is booked.

c. Applying modern management techniques and technology in the financial sector. TDB assistance continues after a loan is disbursed.

d. Providing financial services to areas of the Jamaican private sector which have been unable to obtain similar credit from other financial institutions.

TDB credits are meeting project goals in the important areas of job creation and foreign exchange earnings. Of the project credits extended to date, a total of US$70.3 million in US$ foreign exchange earnings are projected and a total of 2,190 new jobs are expected to be created over the lives of the loans. A detailed schedule of the projected earnings of each project is attached as Appendix H.

TDB project loans and equity investments appear to meet the overall definitions of developmental credits as proposed in the original project paper. This is true both in the narrow sense of creating medium term loans directed to individual entrepreneurs as well as in the broader context of providing a financial service that is not being made available through other lending agencies. The type of credit, loan terms, loan structure and technical assistance provided by TDB are unique in the Jamaican market (with the exception of JADF).

It is important to note that TDB is still a very young company. The bank is still evolving after two years of operations and it is apparent that the next few years will develop much differently than the first two. A number of assumptions in the original project documents have proven to be incorrect as TDB has not developed to this point in the manner originally planned. This is not unusual but nevertheless, it would be unrealistic to attempt to evaluate or grade the bank's performance totally against the original financial projections and goals. The two areas in which TDB has evolved differently than originally assumed are:

a. Capital subscriptions have been received at a much more rapid pace than projected. Total equity (including retained earnings) is J$23,968,189—a level not projected until the end of the fourth year of operations. This level of capitalization combined with the loan portfolio level has depressed the actual return on equity for the shareholder.

b. Loan assets are less than 50% of the level projected for the second year of operations (J$29.8 million - US$5.6 million) which has led to lower earnings and a lower average R.O.A. This is particularly apparent because of the growth of organization staff and other overhead expenses during this period, which was not matched by a corresponding growth in average earning assets.

1987 Financial Performance

TDB provided the evaluation team with its current financial statements for the period of 10/1/86 through 4/30/87, 7 months of operations. Where applicable the following analyses of TDB's financial performance annualized the bank's operating results to more accurately compare them with 1986 annual results and future projections.

During the first 7 months of the bank's 1986/87 fiscal year, TDB's loan portfolio continued to expand. Loan assets increased by 76% from J$16.9 to J$29.8 million. The outstanding loan portfolio currently consists of 25 separate credits extended to 22 companies. Additionally, TDB has made two equity investments in new ventures totalling J$800,000 since October 1986. The loan portfolio demonstrates a good mix among different types of businesses but the ratio of actual funds disbursed to total loans committed remains low at slightly more than 50%. Consequently, the average disbursed loan size also remains fairly small at J$982,000.

TDB significantly altered its mix of earning assets (loan assets and investment assets) during this operating period. While loan assets increased, investments in fixed deposits and local registered stocks remained at basically the same combined level (J$17.4 million). Therefore, dependence on investment income as a percentage of average earning assets declined.

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Investments in local registered stocks decreased from J$10.7 million to J$3.6 million reflecting the bank's policy to divest these assets and capture J$110,000 in capital gains. Fixed deposits increased 124% from J$5.8 million to J$13 million and the bank has earned over J$1.4 million from deposit interest income through 4/30/87. This reflects the continued high interest rates on deposits available in Jamaica. It is interesting to note that net project loan income (after deducting USAID interest expense) was J$1.8 million for the same 7 month period. Therefore, net investment income was 79% of net loan income through 4/30/87.

Total overhead expenses (administrative, operational and loan loss provision) remained at an annualized level of 10.4% of average earning assets. This ratio again reflects the cost elements inherent in the type of lending in which TDB is engaged.

The following table illustrates the financial results for TDB for the year ending 9/30/87. The April 30th results were annualized assuming the same average monthly income or cost in each account as experienced during the first 7 months of the current operating period.

TDB - Income Statement Indicators

4/30/87 Results - Annualized

	As a % of Average Earning Assets
Revenue:	
Loan Interest Income	9.9
Investment Income (Deposits and Stock)	6.5
Fee Income	0.4
Total Revenue	16.8
Expenses:	
Administrative/Operating Expenses	3.7
Personnel/Managerial Expenses	5.1
Provisions for Bad Debt	1.6
Interest Expense (USAID Loan)	2.3
Total Expenses	12.7
Surplus (Return on average earning assets)	4.1

There are several aspects of this projected financial performance which are worthy of comment:

a. Actual revenue as a percentage of average earning assets fell from the 1986 year level. This 1.1% (from 17.9% to 16.8%), decrease in absolute terms appears to be the result of declining interest rates earned by TDB for its deposits and a lower level of capital gains on the sale of stocks.

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b. This decrease occurred during a period when the average earning asset base increased by 59%. The total earning assets of the bank actually increased significantly during the period of October 1986 through April 1987 through growth in loan assets which carry slightly higher average rates than deposit investments. Loan assets represent 63% of total earning assets as of 4/30/87.

c. Had administrative and personnel expenses been held at the same J$ level during 1987 as in 1986; this 59% increase in average earning assets would have brought about a corresponding 37% decrease in total operating expenses as a percentage of net earning assets. Because one cannot expect a development bank to completely hold down administrative and personnel expenses during its initial expansion phase, this growth may cause less of a positive effect on operating expense than might have been expected. In other words, the larger asset base did very little to spread the costs of operation; in fact, each dollar of earning assets cost only about 6% less to administer before provision for bad debt and interest expenses. Additionally, personnel and management expenses actually increased slightly as a percentage of average earning assets. This could be explained by the addition of a significant number of new staff in anticipation of increased business which did not fully materialize.

d. The provision for loan loss as a percentage of average earning assets dropped from 2.0% to 1.6% during 1987. This occurred because the reserve for bad debt (which is built up by the provision) is set at 3% of outstanding loans, and to date there have been no loan losses incurred. It is presently estimated that TDB's normal loss rate will be in the range of 2% - 3% which would require a provision in the range of at least 2% per annum.

e. A particular phenomenon of TDB's financial performance is also apparent in that current loan rates charged by the bank are virtually equal to the interest rates on deposits available in the Jamaican market. Consequently, the increased cost for creating a loan asset is not adequately offset by significantly increased loan interest earnings over the alternative earnings available from lower cost deposit investments.

f. The mix of earning assets has shifted toward loan assets as the loan portfolio has expanded while investment assets have remained fairly flat for the period. This is a trend that one would expect from a growing bank which is properly performing its financial intermediation function. However, the volume of loan assets as a gross revenue base is directly affected by the maximum interest rate that the bank can rationally charge for its credits in a particular market. TDB could well increase the number of loans and the mix of loan interest earnings vs. investment income as a percentage of average earning assets, but not increase the total revenue level unless there were an increase in <u>all</u> earning rates.

g. Fee income as a percentage of average earnings assets is almost insignificant. TDB is not charging or collecting loan fees, despite setting a high budget goal in the area.

h. Total overhead expenses (including provision for loan losses) when annualized, reach a level of 10.4% of average earning assets. This represents a minimal relative decrease of 1% from the 11.4% level reported for 1986. Again, the creation of this type of loan portfolio is highly labor intensive and costly.

i. The percentage of interest expense to average earning assets increased as would be expected since the great majority of this loan growth was funded through utilization of the USAID credit facility. This expense category will continue to increase as the bank increases it leverage. It must be noted that to the extent that TDB must fund itself with more expensive funds, its average ROA will be impacted negatively.

The annualized return on average earning assets decreased to 4.1% which is a direct reflection of the decrease in revenues as well as a slight increase in overall expenses. The 4.1% surplus indicates that the total interest expense that TDB can absorb (afford to pay), at this same level of overhead expenses, is 6.4% of average earning assets (2.3% in current interest expense plus the 4.1% surplus). At this level, the bank would break even. In real terms, TDB could absorb additional interest expense up to a total of 4.1% of average earning assets or 4.1% of J$40,373,871 = J$1,655,288.

The annualized ROE (on average equity) for 1987 continues to be low at 7.05% which is actually a slight decrease from the 1986 level. The shareholders remain in a negative earnings position in both alternative investment opportunity terms and real terms against local inflation rates. This ROE will not increase unless:

a. Net operating profit increases through higher lending rates, lower operating costs or increased fee income.

b. Net operating profit increases through increased leverage--a greater level of earning assets to shareholder's equity.

c. Low cost borrowing remains available.

d. Internal operating expenses are decreased and therefore R.O.E. will not deteriorate further through interest expense.

e. A combination of a+b+c+d above.

As of 4/30/87, TDB also reported a total of J$13 million in fixed deposits and J$3.6 million in locally registered stocks. These investments have the following impact on the financial ratios of the bank:

$$\frac{\text{Total investments}}{\text{Total Assets}} = 33\%$$

$$\frac{\text{Total investments}}{\text{Loan Assets}} = 56\%$$

$$\frac{\text{Total investments}}{\text{TDB Capital}} = 66\%$$

$$\frac{\text{Total investments income}}{\text{Gross Earnings}} = 45\%$$

$$\frac{\text{Total investment income}}{\text{Net project (loan income)}} = 85\%$$

TDB continues to have a significant percentage (66%) of shareholders capital investment in low-risk, non-loan assets. (33% of total assets.) These investments continue to earn a relatively high gross return, accounting for 45% of gross earnings. These investment assets generated an amount equal to 85% of the net interest income earned from loan projects. It should also be noted that TDB's loan assets are very costly to create and manage compared to deposit and stock investments, making the latter two appear even more attractive.

The relative return for these investment assets is actually higher than reported because the provision for loan losses is not calculated on deposit investments. Also, there is only a minimal level of administrative or personnel overhead cost directly attributable to these instruments. The interest available on deposits remains very close to the loan rates charged by TDB, therefore earnings on loan assets are not as attractive as deposit investments for the bank.

The immediate risk in this scenario is that the interest rates paid on these deposits will decline rapidly and the loan portfolio and interest rates charged cannot make up the difference on a timely basis, thereby causing a further decline in average ROA.

Financial Viability/Projections

Based upon the financial performance of TDB for 1986 and the annualized results for 1987, two sets of projections were prepared to measure future financial viability. These projections assume:

a. Total revenues as a percentage of average earning assets will not increase above 17% due mainly to the perceived upward inelasticity in market interest rate. With continued downward pressure on interest rates, it seems unlikely that TDB will be able to increase its loan rates or earn as much on deposit investments.

b. The portfolio mix will continue to reflect the bank's growth through increased loan assets and corresponding relative decrease in investment assets.

c. Fee income will increase to 0.6% of average earning assets.

d. Administrative and personnel expenses are projected to decrease to a level of 7% of average earning assets. This critical expense category may actually decrease further but without solid evidence that major cost savings can be achieved, this is considered a prudent ratio level for this analysis.

e. The provision for bad debt will increase to and remain constant at 2% of average earning assets. It is important to remember that this expense is for the provision to the reserve account and that the actual level of that reserve as a percentage of the loan assets depends on actual loan loss.

f. Interest expense will increase as a percentage of average earning assets, reflecting both the full utilization of USAID loan funds and any other borrowings.

The following chart combines the 1986, the annualized 1987 and the projected financial performance for TDB:

TRAFALGAR DEVELOPMENT BANK - INCOME STATEMENT

	12 months 1986	Annualized 4/30/87 1987	FUTURE VIABILITY: ALL AID Loan Funds	FUTURE VIABILITY: ALL AID Loan Funds + Other Borrowings
REVENUE	[As a percentage of Average Earning Assets]			
Loan Interest Income	4.2	9.9	10.5	12.3
Investment Income (deposits and Stocks)	12.7	6.5	5.9	4.1
FEE INCOME	1.0	0.4	0.6	0.6
TOTAL REVENUE	17.9	16.8	17.0	17.0
EXPENSES				
Administration/ Operating Expenses	4.4	3.7	3.0	3.0
Personnel/Managerial Expenses	5.0	5.1	4.0	4.0
Provision for Bad Debt	2.0	1.6	2.0	2.0
Interest Expense	0.8	2.3	4.0	6.9
TOTAL EXPENSES	12.2	12.7	13.0	15.9
Net Surplus/(Deficit)	5.7	4.1	4.0	1.1

The calculations utilized in the two projection formats assume that the current capital base would increase through an annual 10% ROE, compounded for three years. Therefore, the net worth of the institution would increase to J$35 million.

If TDB borrows all available USAID funds, J$110 million, during these 3 years the banks leverage would increase to 3.14:1.

Interest expense as a percentage of average earning assets would be calculated as follows:

Average earning assets = Sum of debt plus equity X % of total assets which are earning income (loans and investments). Currently for TDB this percentage is 94% of total assets.

Average earning assets = J$110 million + J$35 million x .94 = J$136.3 million.

Interest expense = 5% on J$110 million = J$5.5 million

Interest expense = $\frac{5.5 \text{ million}}{136.3 \text{ million}}$ = 4% of average earning assets

The ROE for TDB would increase to:

Surplus of 4% x $\frac{136.3 \text{ million}}{35 \text{ million}}$ = 15.6 return on average equity

Therefore, the first set of projections demonstrates that TDB can leverage itself from the current level of 0.95:1 to 3.14:1 through borrowing all available USAID funds at 5% and obtain an ROE of 15.6% with the cost structure improved to a 9% level against average earning assets. This is a significant improvement on shareholder's return but still implies a slight opportunity cost if alternative earning rates on deposits do not drop below this level.

The second set of projections assumes that TDB increases its leverage ratio to the current maximum allowed by the USAID loan agreement, 5:1. This would require TDB to borrow from other credit sources to reach a total borrowing base of J$175 million (5 x 35 million). Assuming all available USAID funds are borrowed (J$110 million), then TDB would be expected to borrow J$65 million from other creditors.

TDB has begun the application process to obtain credit facilities from several other sources. The World Bank has indicated that it could make available a loan to TDB with a pass-through facility from NDB. The maximum spread that TDB will be able to earn on these loan funds is 4.5%. Given the current lending rates charged by TDB of 17%, the cost to borrow these funds would be 12.5%. Other potential lines of credit also appear to be close to this cost.

To the extent that TDB borrows more funds from outside sources, its interest expense increases:

USAID funds	J$110 million @ 5%	=	J$5.5 million
World Bank funds	J$65 million @ 12.5%	=	J$8.125 million
Total Interest Expense		=	J$13.6 million

Average earning assets increase to J$197 million

The average cost of funds, as a percentage of average earning assets, increases to

$$\frac{\text{interest expense}}{\text{average earning assets}} = \frac{13.6}{197} = \underline{6.9\%}$$

With a 6.9% interest expense, the ROA margin or spread for TDB decreases to 1.1% on average earning assets. Likewise, the shareholders ROE would decrease to 6.1%**

These projections graphically illustrate the fragility of the future financial viability of the bank. TDB cannot afford to increase its loan portfolio through outside borrowings while the following combination of factors are intact:

a. The cost to fund additional borrowing to create TDB credit remains high. It would appear, given the projected cost structures, that TDB will actually lose money on every dollar of borrowed funds if interest expenses rise above 8%.

b. The Jamaican market conditions do not allow the bank to earn a higher level of gross revenue by charging higher interest rates on loans.

c. Administrative, operating and personnel expenses remain at the 7% level projected, and provision for bad debt is also held constant.

d. Fee income is not increased significantly as a percentage of earning assets. It is estimated that if TDB charged a 1% fee on all undisbursed loan commitments, an additional J$19,000 would be earned monthly. This would equal an additional <u>0.5%</u> on 1987 average earning assets.

** For example, for a 20% R.O.E. to be obtained--the projected administrative and personnel expenses would have to drop to 4.5% of average earnings assets (as opposed to the 7% projected) <u>if</u> revenue levels cannot be increased.

USAID Loan Funds/Alternatives

The original project assumptions for the creation of TDB included the possibility of inexpensive, long term credits to fund the bank's loan portfolio. USAID entered into a project agreement with Trafalgar to extend this credit as well as provide grant funds for technical assistance.

The structure and availability of the USAID loan facility to TDB has changed dramatically since the original project assumptions and the original loan agreement. The original USAID loan was to be extended on the following basis:

Loan Approval:	US$20 million in two tranches of $10 million each.
Loan Term:	15 years, with a 5 year grace period for principal repayments.
Loan Rate:	Interest payable at 5% p.a. on actual loan balance utilized. Interest payable semi-annually in arrears.
Loan Availability:	The full amount of this facility was to be available in U.S. dollars with a maximum of $6 million convertible to Jamaican dollars for local procurement. The second $10 million tranche would be extended subject to capitalization levels of TDB and a project evaluation. The entire loan facility is subject to certain covenants regarding loan limits (15% of net worth), leverage ratios (5:1) and credit extensions to certain industries.
Foreign Exchange Risk:	The foreign exchange risk for the USAID loan is covered through a parallel agreement with the G.O.J. The Bank of Jamaica will absorb this risk and accept payment from TDB in J$ while repaying USAID in U.S.$ under the terms of a separate loan agreement.

Through 4/30/87, TDB had drawn down a total of U.S.$4.3 million from the USAID credit facility, leaving a committed availability of US$5.7 million from the first tranche.

In late 1986, USAID changed the structure of its loan facility to TDB due basically to internal budget reductions and overall fund availability. The new credit structure formalizes a limit of U.S.$12.5 million to be made available under the original terms and converts the remaining U.S.$7.5 million into a Jamaica dollar equivalent available through the PL 480, Title I, Section 108 program. The terms and conditions of the new "second" tranche are significantly different and have a negative impact on TDB's financial future.

The new facility is to be funded under the PL 480 Title I Section 108 Program which will provide U.S. commodities for sale in Jamaica, the proceeds from which will be available to the Government of Jamaica. An agreement has been signed between USAID and the GOJ which provides for the J$ equivalent of US$5 million to be specifically allocated to TDB from the sales of a total of US$9 million in commodities during FY 1987. USAID plans that the remaining J$ equivalent of US$2.5 million (and possibly an additional US$2.5 million) will be made available during FY 1988 from the US$7.5 million in commodities which have been requested.

The change in these terms from USAID affects TDB in the following ways:

- o Although USAID appears certain of the ultimate availability of these funds, there is no legal commitment on the part of the U.S. to provide the commodities for resale. The recent uncertainty about the availability of surplus dairy products under another PL 480 program, while having no direct impact on TDB, does, however, stimulate concerns regarding its USAID funding source. This residual uncertainty, however small the true risk, forces TDB to create contingency plans for the development of other, higher priced sources of funds, even though they may not ultimately be needed. Basically, any diversion of the U.S. Government from acting with TDB in a totally business-like mode will create additional frustrations and potential problems for TDB, and should be minimized to the extent possible. At the same time, it should be noted that while very important, the funding issue is not a singularly crucial problem which will also determine the success of TDB, nor would the lack of timely input of USAID funds automatically doom the bank's future. It would create extremely difficult, but not insurmountable obstacles.

- o TDB is losing a significant amount of U.S. Dollar availability which partially compromises its uniqueness and competitiveness in the market. On the other hand, restrictions on the use of Section 108 funds are more lenient, which will work to TDB's benefit.

- o As the funds are to be denominated in Jamaican dollars, TDB would have its effective lending capacity compromised in the event of a significant devaluation of the Jamaican dollar. The total loan commitment is based on the equivalent of U.S.$7.5 million at current exchange rates.

- o The lack of hard currency (U.S.$) availability to TDB customers with the actual foreign exchange risk passed on to the G.O.J. is detrimental to TDB developmental goals to the extent that U.S. dollars are not readily available through the weekly Bank of Jamaica auction.

- o The shorter grace period (2.5 years) and shorter final maturity date (10 years), of the new facility will cause TDB to utilize alternative credit sources earlier than originally projected. These other lines of credit are more expensive to the bank and will raise the impact of interest expense as a percentage of average earning assets. Management projects this cost at J$3.7 million over 10 years.

TDB is currently seeking hard currency lines of credit from alternative sources including the World Bank, InterAmerican Development Bank and two TDB shareholders (FMO and DEG). This process is only in its preliminary stages and no approvals or line commitments have been received as yet. All other credit facilities which might be available to TDB appear to be more expensive than the USAID funds and to the extent that these borrowings cost more than 8%, TDB is projected to lose money--unless its income levels or expense structures can be favorably adjusted.

Additionally, all alternative credit facilities available in hard currency carry a foreign exchange risk for TDB. Given the developmental nature of TDB's credits to its customers, it does not appear practical to attempt to pass this risk directly on to their clients by lending to them in dollars. Given the structure of the G.O.J.'s foreign exchange policies, these borrowers would not be able to repay loans in foreign currency--even if they are net foreign exchange earners--without participating in the weekly auction.

TDB management is initiating discussions with the Bank of Jamaica to continue the availability of what has become the "unutilized" or "uncommitted" portion of their previous established agreement to absorb the foreign exchange risk on the original USAID loan. No conclusions or agreement on this issue have been reached as yet. If successful, TDB would retain U.S.$7.5 million in foreign exchange coverage and would be able to assume at least that level of new hard currency credit.

Technical Assistance Bureau (TAB)

The management of TDB is establishing a Technical Assistance Bureau (TAB) as an internal department and integral function of the bank. TAB will be a further formalization of the project approval process and will provide services in the areas of project preparation, financial analysis and technical assistance for new and existing TDB loan customers. It is anticipated that TAB will function as a department of TDB for at least one year before being spun out as an independent company. TAB will utilize existing TDB staff and concentrate only on potential credits for TDB during this period. All work done by TAB is considered to be work that TDB would have to perform (or should perform) in any case.

Projections for TAB indicate that TDB funds (internal expenses and overhead) expended for TAB work will be accrued and accounted for as an investment in the capital of TAB when it becomes an independent entity. Nevertheless, it must be realized that until that time, TDB expenses for personnel and overhead costs will continue to be real expenses to TDB and will affect TDB performance ratios directly. At this stage, the only immediate benefit gained by the creation of TAB will be the possible speeding up of the loan project approval and implementa-ion process without any cost increase. This would help to lower overhead expenses as a percentage of average earning assets.

TAB has a strong potential to evolve into a independent company which will earn significant fee income for its services. The profit of TAB will benefit TDB as its shareholder. However, any immediate recovery to TDB for its costs in providing technical assistance to its loan customers can only come if TAB (or TDB directly) charges for these services and passes income back to TDB. Furthermore, TAB's cash flow will be affected to the extent that TAB receives equity participations or other long term enumeration for its services.

It should also be realized that TAB will not in itself be the panacea for resolving TDB's problem of high overhead expenses related to project approval and implementation. Even when TAB is an independent company, a certain level of project officer, financial analyst and loan administration staff work will have to be performed by TDB personnel, and TDB maybe paying some fees to TAB for provision of technical services not paid for by customer fees. The TAB advantage will be in being able to market itself as a professional fee-based service more effectively than if only a department or staff service within TDB.

Conclusions and Recommendations

The preceding report is the result of a 2 1/2 week evaluation of the operations of Trafalgar Development Bank. It must be considered as an overview exercise which is necessarily limited in scope and depth. It should not be considered a detailed audit of TDB but nonetheless can serve as a useful management tool for both USAID and TDB personnel in their strategic planning for the future of the bank.

- TDB is a well organized and well capitalized financial institution which has been operating profitably for two years. The main source of revenues has been interest income from capital invested in short-term deposit instruments. The bank has been capitalized at a rapid rate in comparison to the growth in its loan portfolio and is now in a position to significantly expand its business.

- TDB has extended a wide variety of credits to some 30 private sector companies with the purpose of fomenting economic development in Jamaica. The bank is adequately fulfilling its developmental role as most of these credits are to new enterprises which generate both foreign exchange and new employment. The terms and conditions of the bank's credit facilities are also structured to provide a service not currently met by other financial institutions.

- TDB increased its staffing levels with well experienced professionals in anticipation of a level of loan growth that has yet to materialize. The staff is performing well and has established a project approval process which is both complete and useful. There is now a realization that the proper project analysis and credit approval procedures involved with the developmental projects financed by TDB are difficult and time consuming exercises. However, the financial impact of these costs as they relate to earnings does not appear to have reached the level of management attention it deserves. It is recommended that a complete study of the costs, both direct and indirect, involved in creating a loan asset be undertaken with the purpose of providing management with alternative methods for reducing these expenses without compromising loan quality.

- Staff reductions at TDB are not the solution to reducing overhead costs as a percentage of earning assets. In fact, there are several positions which must be filled with new hires. The combination of high loan demand and lack of additional professionals is seen as part of the cause for slower than anticipated loan asset growth. As each project requires a complete analysis and a considerable amount of technical assistance, the current level of staffing in the project approval process is actually considered inadequate. Also as the loan portfolio grows and more problems arise with existing clients, additional staffing in the Loan Administration Area is also required. Management will have to insure that existing and new staff are utilized in the most efficient manner in order to create the efficiencies of scale that should be generated as the loan portfolio expands.

- TDB is currently a solid financial institution, due mainly to its high level of capitalization. Management must realize however, that the primary role of a development bank is to extend credit to or make equity investments in private sector businesses which will grow and benefit the long term economic development of the country. This role requires a level of risk and/or risk control which may be unacceptable on the existing commercial bank basis, and a long range outlook. To the extent that TDB evolves along these lines, its capital base will be more at risk and its financial strength more dependent upon the quality of long term project cash flow rather than collateral values. It is appropriate to quote directly from the 1986 annual report of TDB:

  > "Development financing is, by definition, subject to risks greater than those experienced by more traditional lending institutions which normally lend for shorter periods. It is, therefore, necessary that shareholders regard their shareholding in Trafalgar Development Bank as a long term investment."

- Although it is permissible under the USAID loan contract for TDB to pay a dividend of up to 10% of net profit after two successive years of profitability, it is recommended that the Board of Directors refrain from declaring cash dividends at this stage of the bank's evolution. While it is normal for investors to desire an immediate return on their equity, the very nature of TDB and its developmental role requires that a high level of capitalization be maintained to support loan growth and future portfolio problems. TDB has a number of structural adjustments to make to avoid a decline in real return on equity in the future and any divided payment at this time would be premature.

- One of the important roles for TDB is to provide equity funds for developmental projects as well as medium to long term loan funds. To date, TDB has only made two such investments and has committed to one additional equity participation. There appears to be a reluctance by management to make this type of investment due to the uncertain and long term nature of any possible return. It is noted that of the 19 new projects pending approval (Appendix G), only two indicate any potential equity investment. It is recommended that management more actively pursue the opportunities for equity participations with the realization that if a project is worthy of a 5 to 7 year loan, it also may be a sound prospect for future gain as an equity partner. Management should make a formal assessment of all prospective clients and develop a formal strategic plan to analyze each project for its long term potential as an investment as well as a borrower. There should be a well established policy for the desired levels of portfolio mix between loan assets, with current cash flow, and equity investment assets, with long range capital gains potential.

- The financial analysis section of the evaluation report highlights a number of weaknesses in TDB's current and future performance. Although profitable, TDB must undertake a number of structural adjustments to maintain profitability and improve basic performance ratios such as R.O.A. and R.O.E. It is strongly recommended that management develop a medium term financial plan and projection that extends beyond the normal budgeting process and incorporates the following issues:

    a. Definition of type and mix of loan and equity portfolio desired by TDB over a specified time period.

    b. Definition of acceptable risk levels, loan terms and interest rates that TDB management is willing to accept. Consideration should be given to mixing loan portfolio with a greater volume of larger short term credits to established companies as an interim measure to improve earnings performance. The financial plan should project the changing profile of this portfolio mix over time as new credits are created.

c. Establishment of a range of interest rates and loan fees to be charged for TDB services as well as levels of equity participations to be made, with consideration given to actual Jamaican market conditions. If TDB is truly to provide a unique service in the market and to provide credit on terms not otherwise available, there should be some upward latitude in the rates charged.

d. Realization of the impact on the financial performance of the bank of the cost of creating new loan assets both because of timing considerations and direct overhead expenses. Adjustments in the loan approval process, the size of the average credit and staff utilization should be explored.

e. The formal commitment of alternative sources of funding must be obtained and their true costs factored into the overall cost of lending. Projected R.O.A. and R.O.E. scenarios should be created and analyzed by management and the Board of Directors.

f. Market analysis of the true size and depth of the market for development credits in Jamaica. Some consideration should be given to determine exactly how many new ventures which earn direct foreign exchange and create new jobs can be realistically created given the limits of TDB staff and competition in the market.

g. Market analysis of the potential for providing other interest or fee-based financial services.

o Management should present a financial and strategic plan to the Board of Directors and should receive in return a written policy statement which provides agreement, direction and instructions for the future growth of the bank.

o There is a very strong and positive working relationship between TDB staff and the USAID Project Officer. The value of this level of cooperative involvement has clearly been shown in the performance of TDB work in such areas as letter of credit and loan drawdown requests from USAID and the generally positive USAID audit report on the bank.

o There appears, however, to be another level at which there are differences in basic project philosophy between USAID and TDB. Therefore, there is a continuing need for the senior management of USAID and the Board of Directors of TDB to interface in order to increased their mutual understanding of the basic goals and operating philosophies of the bank as perceived by each party. This dialogue should address the following issues:

a. The inherent philosophical dichotomy between the greater emphasis by private sector shareholders on short term economic goals and USAID's more intent focus on long range developmental philosophies. While not totally exclusive of each other, the orientations cause conflict.

b. A reassessment of the basic project goals for the growth of TDB and its role within the Jamaican economy with an effort to reach a mutual understanding as to the types of credits which TDB should pursue and exactly where developmental impact is to be achieved.

c. A review of the negative covenants in force with the USAID loan agreement as regards leverage ratios, restriction on working capital financing and types of enterprises financed. The 5:1 leverage ratio limit is much too restrictive and assuming that TDB can earn a margin on new debt, it should be allowed to increase its leverage position to a 10:1 maximum level. A better understanding of the proper inclusion of working capital as part of project financing, and the need to finance this area should also be achieved.

d. The recent changes in USAID loan availability and an understanding of the financial impact of these changes on TDB.

e. A discussion regarding the relative importance of TDB's financial future and success as a "self-sustaining" development bank versus the developmental impact of the actual projects financed, and/or TDB's ability to ultimately influence the commercial financing sector to permanently broaden its perception of acceptable financing structure and risk levels.

f. The need for TDB to look more to itself for the resolution of its problems, as opposed to both blaming an seeking redress from USAID for the hurdles TDB faces.

APPENDIX A

TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF LOANS APPROVED

TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF LOANS APPROVED

AS AT APR 24 1987

PROJECT NAME	DATE APPRV'D	COMM. LETTER	LOAN AGRMNT	COLLAT DOCS.	APPROVED TDB/J$	APPROVED US/J$	APPROVED US/US$	APPROVED TOTAL J$ EQUIVALENT	APPROVED EQUITY	INT. RATE	DISBURSED TDB/J$	DISBURSED US/J$	DISBURSED US/US$	DISBURSED TOTAL J$ EQUIVALENT	DISBURSED EQUITY	LET. OF CREDIT O/S US$	STATUS OF REPAYMENT	COMMENTS
Fort George Botanicals Ltd.	Sept 85	Sgd	N/A		552000	750000	200000	2400000	0	17.0	550000	900000	84358	1513930	0	31444	Current	All payts current
Portcold Limited	Aug 85	Sgd	Sgd		0	0	271000	1490503	0	15.0			271000	1450502	0		Current	Account now up to date. Submission for rescheduling being evaluated.
Reading Reef Club Ltd.	Sept 85	Sgd	Sgd		1535000	0	260000	3075000	0	15.5	1410000	725000	159697	3012614	0	2185	Late	Interest o/s $65,106. Client experiencing management problems. TDB trying to identify suitable person to fill G.M. post.
The Nut Farm Ltd.	Sept 85	Sgd	Sgd		165000	0	63350	507925	0	17.0	225000	40000	18206	365000	0	17250	Current	All activities on schedule.
Wrights Electronic Data Systems Ltd.	July 85	N/A	Sgd		100000	0	0	100000	0	18.0	100000	0	0	100000	0		Late	Continuing problems with getting appropriate priced work in sufficient quantities. Affecting cash flow.
Old England Coffee Development Ltd.	Oct 85	Sgd	Sgd		270000		100000	820000	300000	19.0	300000	303396		603396	300000		Current	Have experienced some cost overruns which are being met by the company from other resources and commercial bank borrowings.
B & D Trawling Ltd.	Dec 85	N/A	Sgd			671000	240000	1991000	0	17.0	671000	0	240200	1950137	0		Current	Rescheduling of principal repayment requested by client. proposal yet to come.
Caribbean Products Co., Ltd.	Feb 86	Sgd	Sgd				508545	2796958	0	17.0	0	0	506581	2796754	0		Current	Equipment installed and operational.
Dataprep International Ltd.	May 86	Sgd	Sgd		0	2000350		2000350	0	18.5	188000	2000350	0	2188350	0		Late	Interest o/s $154,718 Nov to Apr. Proposal to come for additional funding for working capital & restructing of company.
Ja. Oxygen & Acetylene Ltd.	Mar 86 Aug 86	Sgd Sgd	Sgd Sgd		552350		213000 150000 55230	2566850 303765	0	16.5 16.5	592350	0	305663	2275919	0	52856	Current	Additional funds recently approved
Heavenly Charters Ltd.	Apr 86	Sgd	Sgd		300000	0	0	300000	0	17.0	300000	0	0	300000	0		Current	All payments current.
Jamrey Ltd.	May 86 Feb 86	Sgd Sgd	Sgd Sgd		210000 335000	400000 265000	65618	1040000 600000	0	17.0	218500 335000	500000 265000	47296	576639 600000	0	16806	Current	Interest payments late due to shortfall in income from tractor operations.

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Jamaican Heart Ltd.	May 86	Sgd	Sgd	0	0	636400	3500200	0	17.0	0	2854750	22345	2977655	500300	86719	Current	Project suffered new setback due to erosion in recent rains.
Desnoes & Geddes Ltd.	May 86	Sgd	Sgd	805000	0	520000	3665000	0	17.0	0	0	182120	1001658	0	218300	Current	Drawings under L/C started, slow arrival of equipment.
Hopewell Blooms Ltd.	June 86	Sgd	Sgd	0	216000	64364	570000	0	18.0	88006	221000	10751	368400	0	355	Current	All project activities on schedule.
J. D. Manufacturing Ltd.	June 86	Sgd	Sgd	111300	55000	78000	595300	0	18.0	176300	140220	42451	549583	0		Current	New proposal to come for assistance in expansion.
Sunleaf Foliage Ltd.	Aug 86	Sgd	Sgd	0	0	346182	1904000	0	17.0	0	1022000	121867	1692266	0		Current	Project progressing very well. Shipment of product to US buyers generally well received so far.
	Jan 87	Sgd	Sgd		240000		240000				240000		240000				
Village Resorts Ltd.	Aug 86	Sgd	Sgd	3000000	0	0	3000000	0	16.0	3000000	0	0	3000000	9		Current	Clients require no further disbursements. Repayments have started.
Jobs Data Services Ltd./	Dec 85	Sgd	Sgd	359000	247000	73909	1012500		26.0	459000	0	9140	509364	0		Current	Client negotiating sale of company. To be finalized within thirty days.
WTG Data Services Ltd.	Aug 86	—	—	657930	0	0	657930	0	19.0	0	0	0	0	0		N/A	
McIntosh Furniture Co., Ltd.	Aug 86	—	—	0	3000000	0	3000000	0	18.0	0	0	0	0	0	0	N/A	Drawdown awaiting satisfaction of preconditions.
	Dec 86	—	—					530000									
Salada Foods Ltd.	Aug 86	Sgd	Sgd	222000	0	0	222000	0	17.0	185442	0	0	185442	0	0	Current	Equipment installed.
Salada Foods Ltd. Loan 02	Jan 87	Sgd		440000		125000	1127500		17.0						98700	N/A	New loan for additional production equipment. L/C established to purchase equipment.
Hillcar Nurseries & Farm Ltd.	Sept 86	Sgd	Sgd	260000	0	290182	1500000	0	17.0	0	550000	0	550000	0	21285	N/A	Shadehouse construction in progress.
Transfer Data Ltd.	Oct 86	Sgd	Sgd	870000	0	78182	1300000	0	17.0	170000	100000		270000	0	0	Current	Good progress being made. Additional management staff and systems being put in place. Development of AMEX contract going very well.
Crimson Dawn Manufacturing Ltd	Nov 86	Sgd		400000		63640	750000		17.0				0	0	0	N/A	Client unable to meet preconditions for equity infusion.
Bavon Corporation Ltd.	Dec 86	Sgd		400000	0	185200	1440600		17.5				0			N/A	Loan Agreement & documentation signed.
Jamaica Detergents Ltd.	Nov 86	Sent		1600000			1600000		17.0	0	0	0	0	0	0	N/A	Loan Agreement with client for signature.
Pickney Products Ltd.	Jan 87	Sent		556392	660688	238531	2537001		18.0								Client to amend Memo & Articles of association before disbursement

Lighting Mfg. Co., Limited	Mar 87	Sent			284200		303600	1954000								Client to advise on status
National Continental Corporation Limited	Mar 87	Sent			972300		41400	1200000								Client to advise drawdown date.
Plant Culture Limited	Apr87	Sgd.	—	—	260000	281445	58283	862000								Legal documents prepared and ready for signature.
Plastic Containers Ltd.	Apr87	Sgd.	—	—	1000000	0	0	1000000								Legal documents prepared and ready for signature.
					16263472	8800483	5264815	54020437	800000	8976592	9861726	2023688	29967608	800000	545979	
														J$	3002887	

No.of loans approved:		30
Value including Equity	J$	54020437
US component:	US$	6664903

No. of loans disbursed:		25
Value including Letters of Credit and Equity	J$	33770495
US component:	US$	3816730
Disbursement Ratio (Including Letters of Credit)	US$	0.73
	J$	0.27

APPENDIX B

FINANCIAL AND ECONOMIC DATA ON TDB LOAN PORTFOLIO
APRIL/MAY 1987

TABLE I

FINANCIAL AND ECONOMIC DATA ON THE LOAN PORTFOLIO - [illegible] 1987

TABLE I, PAGE 1

Project	Total investment in project (J$)	Total equity (J$)	Size of total loan committed (and TIE equity*)	TIE loan disbursed to date (J$)	USAID portion of loan commitment (US$)	USAID portion of loan disbursed (US$)	USAID loan commitment as % of total loan
COFFEE							
1 [illegible] (+ equity)	4,150,000	1,200,000	820,000 (300,000*)	603,256	100,000	55,183	67%
[illegible]							
2 [illegible] (+ equity)	17,[illegible]	5,500,000	3,500,[illegible] (500,000*)	2,577,[illegible]	636,400	541,[illegible]	100%
3 Jamcy	1,330,000	1,062,000	1,000,000	1,576,835	151,818	166,363	66%
Jamcy II			620,000				
4 [illegible]	520,000	250,000	570,000	366,400	103,636	50,543	100%
5 The [illegible]	500,000	222,000	547,525	365,000	61,350	25,461	66%
FOLIAGE							
6 [illegible] Nurseries	2,845,000	1,345,000	1,500,000	550,000	256,182	100,000	63%
7 Fort George Botanicals	2,[illegible],000	582,000	2,400,000	1,513,530	336,363	247,554	77%
8 Sunleaf Foliage	3,145,500	1,271,500	1,504,001	1,932,[illegible]	365,636	3[illegible],3[illegible]	100%
Sunleaf II			240,000				
9 Plant Culture	1,000,000	122,000	622,000	NONE YTD	109,455	NONE YTD	73%
DATA ENTRY							
10 Transfer Data	2,200,000	250,647	1,300,001	270,000	76,182	16,181	33%
11 Dataprep	3,[illegible],432	1,000,000	2,[illegible],350	1,182,[illegible]	382,700	382,700	100%
12 Jobs Data Services (DTS)	1,[illegible]	400,000	1,870,450	505,364	116,818	5,[illegible]	33%
13 [illegible] Electronics	[illegible],000	1,000	1[illegible],000	1[illegible],000	0	0	0%
[illegible]							
14 [illegible] Manufacturing	[illegible]	[illegible],000	[illegible],200	[illegible]	63,000	[illegible]	61%
15 [illegible]	2,[illegible]	[illegible]	7[illegible]	NONE YTD	63,64[illegible]	NONE YTD	47%
16 [illegible] Corporation	[illegible]	[illegible],315,[illegible]	1,440,[illegible]	NONE YTD	163,200	NONE YTD	72%

NOTES TO TABLES I AND II

(1) DATA[illegible] PROJECT NO. 11
Additional funds of [illegible] approved by managing director to provide working capital and management support. See TABLES I AND II

(2) JOBS DATA SERVICES (DTS) PROJECT NO. 12
As of May 1987 this company was sold and the loan has been paid.
See TABLES I AND II

(3) USAID LOAN COMMITMENT AS % OF TOTAL LOAN
= USAID portion of loan commitment (US$) × [illegible] / Size of total loan committed
This percentage is then used to calculate USAID % of jobs and US$ earnings.
See TABLE I

(4) JOBS CREATED VS. JOBS MAINTAINED
Estimated new employment only includes new jobs.
Where figure is shown in brackets, it shows existing employment in large companies where no new jobs have been created. These are not added in to total.
See TABLE II

(5) GROSS FOREIGN EXCHANGE EARNINGS
Figures obtained from clients.
See TABLE II

FINANCIAL AND ECONOMIC DATA ON THE [illegible] LOAN PORTFOLIO - [illegible]

TABLE [illegible], PAGE 2

Project	Total investment in project (J$)	Total equity (J$)	Size of total loan committed (are TDB equity*)	TDB loan disbursed to date (J$)	USAID portion of loan commitment (US$)	USAID portion of loan disbursed (US$)	USAID loan commitment as % of total loan
SHIPPING/FISHING							
17 E&P Trawling	3,221,000	1,445,000	1,551,000	1,550,137	325,000	242,223	100%
18 [illegible]	1,450,500	10,258	1,450,500	1,450,500	271,000	271,000	100%
TOURISM							
19 Heave Ho Charters	725,600	200,000	306,000	306,000	0	0	0%
20 Negril Reef Club	8,400,000	3,000,000	3,075,000	3,012,814	287,000	251,215	50%
21 Village Resorts	8,500,000	1,350,000	3,000,000	3,000,000	0	0	0%
FURNITURE/WOODWORKING							
22 McIntosh Furniture Co. (+ equity)	14,200,000	6,000,000	3,000,000 ([illegible],000*)	NONE YTD	545,454	NONE YTD	100%
23 Pickney Products Ltd.	4,225,664	1,852,664	2,237,000	NONE YTD	369,111	NONE YTD	76%
MANUFACTURING/PROCESSING							
24 Lighting Manufacturing	1,504,000	647,000	1,504,000	NONE YTD	303,600	NONE YTD	85%
25 Jamaica Oxygen I & II	2,852,822	4,714,122	2,522,250	2,275,515	418,830	342,223	6%
Jamaica Oxygen III			303,785				
26 Solace Foods	222,000	3,182,000	222,000	185,442	125,000	NONE YTD	51%
Solace II	1,127,000		1,127,500				
27 [illegible] and [illegible]	3,122,000	27,234,000	3,122,000	1,001,222	236,000	222,222	78%
28 Caribbean Products	3,750,500	13,327,655	2,737,000	2,738,72-	536,545	536,500	100%
29 [illegible]	2,222,200	7,214,222	[illegible]	NONE YTD	0		[illegible]
30 [illegible] Commercial Co.	[illegible]	[illegible]	1,295,700	NONE YTD	0	[illegible]	[illegible]
31 Plastic Containers	1,000,000	156,000	1,000,000	NONE YTD	0	[illegible]	[illegible]

APPENDIX C

FINANCIAL AND ECONOMIC DATA ON TDB LOAN PORTFOLIO
APRIL/MAY 1987

TABLE II

FINANCING AND ECONOMIC [illegible] IN TSD LOAN PORTFOLIO - APRIL/MAY 1987
TABLE II, PAGE 1

Project	Purpose of loan (New/ Expansion/ Equipment)	Term of loan (years)	No. of jobs projected (saved)	Actual employment to date	USAID $ impact (% of jobs projected)	USAID $ impact (% of actual jobs created)	Estimated net US$ earnings/ (savings) over term of loan	Gross US$ earnings/ (savings) to date	USAID $ impact (% of estimated net US$ earning)	USAID $ impact (% of actual gross US$ earnings)	Status of project and comments
COFFEE											
GIC Engin (+ equity)	New	7	2[illegible]	4[illegible]	235	27	1,014,8[illegible]	N/A	680,656		(1) Figure is [illegible] average, permanent employees. Much employment is seasonal task or [illegible] planting, bushing, spraying. Some who [illegible] at G.E. are on payroll of [illegible]'s other operations in Blue Mountains. No earnings [illegible] years 3 or 4(still planting coffee
[illegible]											
Jamaican Mo[illegible] (+ equity)	New	7	100	0	100	[illegible]	12,497,836	N/A	12,497,836		(2) No permanent employees yet. Current employees work for contractor. Hiring [illegible] in September. Still building [illegible]
Jamrey	Expansion	6	21	40	24	26	1,894,545	20,000	8[illegible]	13,187	(3) 30 permanent and 10 temporary workers. The expansion of planting operations going well.
Jamrey II	Expansion	7	15								
Hopewell Blossom	New	7	44	35	44	39	1,334,443	N/A	1,334,438		(4) [illegible] report indicates 4 permanent staff, 10 semi permanent and 25 casual workers; of which approx. 15 are receiving training.
The Nut Farm	Expansion	5	20	12	14	8	1,[illegible].777	N/A	771,545		(5) Figure includes [illegible] permanent employees/7 casual workers who are brought in to reap/2 of project sponsors. Halfway through planting.
FOLIAGE											
Hillcar Nurseries	New	7	15	[illegible]	13	10	1,298,136	N/A	1,180,437		(6) Currently erecting shadehouse. Still in construction stage. 12 people employed in construction.
Fort George Botanicals	New	6	110	30	85	25	3,065,884	N/A	2,363.2[illegible]		(7) Continuing to plant.
Sunleaf Foliage	New	7	24	28	24	28	2,711,74[illegible]	7,818	2,711,740	7,818	(8) 18 permanent workers, 10 [illegible] workers. Have been exporting since March.
Sunleaf II	Expansion	7									
Plant Culture	Expansion	7	5	0	0	3	1,531,000	N/A	1,665,218		(9) Loan made in April 1987. No disbursement to date.
DATA ENTRY											
Transfer Data	Expansion	4	600	160	198	53	7,231,687	300,000	2,391,6[illegible]	99,231	(10) 145 data entry operators. Still in first phase of expansion.
Dataprep	New	4	100	85	100	80	3,169.312	N/A	3,165,312		(11) 55 data entry operators, 15 trainees. They have 50 machines with potential 150 operators on 3 shifts. [illegible]
Jobs Data Services (WIG)	New	4	[illegible]	0	66	[illegible]	1,415,610	N/A	[illegible],6[illegible]		(12) Loan has been paid. Company sold.
Wright's Electronics	Expansion	3	23	37	0	0	N/A	150,604			(13) 57 data entry operators out of 6[illegible] employees. US$ earnings given are for the period June 1985 to April 1987.
GARMENTS											
J&D Manufacturing	New	5	[illegible]	125	49	162	1,361,[illegible]	99,818	1,166,505	81,156	(14) Rapid expansion of operations. Exceeding projections. Expect to have 360 machines by year end. Moving to larger factory.
Crimson Dome	Expansion	5	25	0	12	0	N/A	N/A			(15) Only 44 employees. Slowdown due to shortage of raw materials. Short term situation. Expansion not yet begun.
Devon Corporation	Expansion	5	60	290	45	0	4,900,000	500,000	3,835,456	361,169	(16) Approx. 290 employees. No new jobs yet. In line with company's plans for export market. [illegible] with local market due to delay in expansion.

FINANCIAL AND ECONOMIC DATA ON TDS LOAN PORTFOLIO - APRIL/MAY 1987
TABLE II, PAGE II

Project	Purpose of loan (New/ Expansion/ Equipment)	Term of loan (years)	No. of jobs projected (saved)	Actual employment to date	USAID $ impact ($ of jobs projected)	USAID $ impact ($ of actual jobs created)	Estimated net USD earnings/ (savings) over term of loan	Gross USD earnings/ (savings) to date	USAID $ impact ($ of estimated net USD earnings)	USAID $ impact ($ of actual gross USD earnings)	Status of project and comments
SHIPPING/FISHING											Behind with local market due to delay in expansion.
B&B Trawling	New	4	29	12	29	12	4,216,852	N/A	4,216,852		(17) Crew and no.'s required change frequently. Figure for processing not available yet. Figure includes 12 on each of 4 vessels plus 3 admin.
Portcold	Expansion	3	72	75	72	75	(2,580,000)	(1,500,000) (savings)		(1,500,000) (savings)	(18) Pool of 75 employees for operation of two ships.
TOURISM											
Heave Ho Charters	New	3	6	8	0	0	416,472	N/A			(19) Recently obtained new contracts for day charters Diversifying into leasing of villas.
Reading Reef Club	New	6	26	15	13	13	2,824,000	N/A	1,414,296		(20) Up to 8 people laid off at end of winter season.
Village Resorts	Expansion	5	(415)	0	0	0	(55,000,000)	N/A			(21) Large all inclusive hotel operation in Negril.
FURNITURE/WOODWORKING											
McIntosh Furniture Co. (+ equity)	New	7	89	76	89	78	12,451,818	N/A	12,451,806		(22) Planning to add 12 people immediately. No disbursement to date. Awaiting fulfilment of pre-conditions.
Pickney Products Ltd.	New	5	149	0	116	0	5,733,394	N/A	4,476,003		(23) Delays in implementation. No disbursement to date.
MANUFACTURING/PROCESSING											
Lighting Manufacturing	Expansion	6	62	0	53	0	769,162	N/A	657,300		(24) 71 jobs at present. Expansion only just begun.
Jamaica Oxygen I & II	Expansion	5	(63)	0	0	0	N/A	(100,000)		(79,522)	(25) Foreign exchange earnings less than projected because of delays with ethanol plant.
Jamaica Oxygen III	Add. f/e										
Salada Foods	Expansion	3	(70)	0	3	0	N/A	N/A			(26) Shrinkage of local market due to high price of coffee. Export projections down for this year.
Salada II	Expansion	5	6								
Desnoes and Geddes	Expansion	7	(1200)	0	0	0	N/A	N/A			(27) 1400 employees - figure includes 190 casual labourers; not an increase on previous employment.
Caribbean Products	Expansion	5	(432)	0	0	0	N/A	N/A			(28) Large import substituting processor of basic foods.
Jamaica Detergents	Equipment	7	(91)	0	0	0	(11,600,000)	N/A			(29) Large import substituting detergent manufacturer.
National Continental Co.	Equipment	4	(500)	0	0	0	N/A	N/A			(30) Large bakery producing breads, biscuits for consumption islandwide.
Plastic Containers	Equipment	4	3	0	0	0	N/A	N/A			(31) Loan made in April 1987. No disbursement to date.
TOTALS			2,190	1,4[illegible]	1,367	584	70,330,454	1,078,320 (1,500,000) Savings	57,347,493	262,561 (1,500,000)(savings)	

APPENDIX D

TRAFALGAR DEVELOPMENT BANK LIMITED
SUGGESTED FORMAT
EXECUTIVE SUMMARY

TRAFALGAR DEVELOPMENT BANK LIMITED

APPLICATION FOR FINANCIAL ASSISTANCE

(9)

While TDB staff is prepared to respond to inforn inquiries, no request or proposal for financial assistance wi be actively considered prior to the substantial completion TDB's "Application for TDB's Financing Commitment". Enquiri and applications may be directed to:

THE MANAGING DIRECTOR
TRAFALGAR DEVELOPMENT BANK LIMITED
P.O. BOX 8927, CSO
KINGSTON
TELEPHONE; 92-94761; 92-94766-7

TD-100

:RAFALGAR DEVELOPMENT BANK LTD.,
?.O. BOX 8927, CSO
(INGSTON, JAMAICA W.I.

FOR TDB USE ONLY

User No. ______________

Class Code ______________

Application No ______________

Date Received ______________

Receiving Officer ______________

APPLICATION FOR TDB FINANCING COMMITMENT
(PREPARATION INSTRUCTIONS ATTACHED)

1. Project Name ______________ Parish ______________

   Address Jamaica ______________ Phones Jamaica ______________

   ____

   Other ______________ Other (Area Code) ______ / ______________

   ____

   Telex/Cable ______________

   Corporate Status ______________

2. Feasibility Study :

		Submitted Yes	No
a.	Market Detail & Description	....	....
b.	Production & Technology	....	....
c.	Management Structure Description	....	....
d.	Detailed Project Cost Statement	....	....
e.	Detailed Sources and Application of Funds	....	....
f.	Detailed Profit & Loss Projections	.....	....
g.	Detailed Balance Sheet	....	....
h.	Detailed Cash Flow	....	....

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3. Project Representative :

Name: ______________________________

Address : ______________________________

Telephone No : (______) ______________ Cable/Telex ______

Function : ______________________________

____

4. Joint Venture Partner :

Name : ______________________________

Address : ______________________________

Telephone No. ______________ Cable/Telex ______

Activities : ______________________________

____

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____

5. Nature of Project (including type of industry, product ar Market)

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____

6. Is the Project a/an (check whatever is applicable)

a. ....New Project

b. ....Expansion/Diversification of an existing bu

c. ....Other (Explain) ______________

____

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7. Time frame for Project Completion. Attach comments separately.

8. Project's Financial Requirements :

		J$	US$
Pre-Operating Expenses	-		
Land* (Market value)	-		
Building*	-		
Machinery/Equipment	-		
Working Capital	-		
Total**	-		

*If leased, provide separate estimate of annual and duration of lease

**The total J$ and US$ requirement together should equal the total project cost.

9. Project's anticipated sources of finance

		J$ (000)	US$ (000)
<u>Equity</u>			
Cash Investment	-	......	......
Fixed Asset Contribution	-	......	......
Other	-	......	......
TOTAL	-	......	......
<u>Loans</u>			
Shareholders	-	......	......
Short Term - Bank	-	......	......
Long Term - Bank	-	......	......
Other	-	......	......
TOTAL	-	......	......

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10. Equity Ownership

	Amount	Name
Jamaican	....	....
	....	....
	....	....
Foreign	....	....
	....	....
	....	....
	....	....
TOTAL EQUITY	===========	

Comments : ____

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11. Financing requested from TDB

TYPE	AMOUNT (indicate J$ or US$)	USE
....	....	....
....	....	....
....	....	....

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12. Security Offered : ______________________________

____

____

____

13. Are there any unsettled judgements against the company or any of its principal shareholders?

----

14. Are there any law suits and or pending claims against the company or any of its principal shareholders?

----

15. Are there any unresolved legal matters involving the company or any of its principal shareholders which may have a bearing upon the company's or shareholders' financial position?

----

16. Other Enclosures :

(i) Bank References ______________________________

____

(ii) Past Financial Statements (at least three last years); if available and necessary:

____

a. ....Investor(s)

b. ....Project Entity

c. ....Guarantor(s)

d. ....Technical Partner(s)

17. ....

Day Month Year

Name of Applicant (in print) ______________________________

Signature of Applicant ______________________________

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FOR TDB USE ONLY (Comments, Actions, Time Frame Required

-64

APPLICATION FOR TDB FINANCING COMMITMENT (FORM TD-100)

Blocked areas (where indicated) are for TDB's use only. The following instructions relate to the numbered paragraphs on the form.

1. Enter Project Name as you know it and indicate the Parish in which the project will be located. If more than one Parish is involved in this Project, please note this detail in Section 5. Corporate Status means whether this project is limited by liability or guarantee, partnership, sole ownership, joint venture, a Government of Jamaica owned subsidiary, another Corporation's subsidy, etc......

2. Feasibility Study. All eight (8) areas of information and data must ultimately be completed and submitted in support of this application. TDB professional staff consultation is available for guidance and assistance in marketing, engineering and finance. In the case of Projects involving substantial working capital and/or sales arrangements with related off-shore companies, the feasibility study should be developed only after consultation with this staff.

3. The name of the responsible person or persons for the implementation of this Project should appear here. "Function" means the functional role of the Project Representative and his/her authority.

4. If this is inapplicable, disregard. If more than one joint venture partner is involved, provide this information for each.

5. Although much of this information may be supplied elsewhere at a later date, please provide a capsule highlight here.

6. Check the applicable line.

7. Please set out estimated Project Implementation Schedule and comment fully on business imperatives (contracts, seasonal requirements, etc.) which may influence it.

8. All figures requested here, and in paragraphs 9 and 10, are in thousands of dollars (J or US) rounded off to the nearest thousand.

9. TDB staff is available if clarification is required.

10. Total Equity should equal Total Equity indicated in (9) above. Please indicate in "comment" those amounts and names which may be considered provisionally committed at the moment.

11. "Type" means Loan or Equity. If loan, indicate estimate length of maturity, i.e. three, five, 10 years, etc., Und "Use" indicate the type of assets or Project Cost to fianced, i.e. machinery, buildings, land, etc.

12. If security offered is already partially or fully pledged advise to whom and to what extent.

13. (i) Bank references, whether local or foreign are requested. In addition to name of bank, give branc address and name of manager involved.

(ii) The need for past financial statements arises when Investor, Project Entity Guarantor, or Joint Venture Partr has a prior and demonstrable business history whi contribute to the viability of the Project.

14. If this name is other than that appearing in Section (above) please explain fully in a covering letter.

4/86

TRAFALGAR DEVELOPMENT BANK LIMITED
SUGGESTED FORMAT
EXECUTIVE SUMMARY

Guidelines for the preparation of Project Proposal, which <u>must accompany Application For Financial Assistance Form</u>. (Please submit three (3) copies of Project proposal).

<u>BACKGROUND</u>

- * Project promoter(s) Name and Address
- * Existing Operation if any
- * Description of Project

<u>MARKET</u>

- * Demand
  - (i) Primary market
  - (ii) Secondary market
- * Projected sales
- * Expansion

<u>PRODUCTION SCALE & MATERIAL REQUIREMENT</u>

- * Production Programme
- * Plant Capacity
- * Proposed Expansion
- * Raw materials
- * Supplies
- * Utilities

<u>LOCATION & PROJECT ENGINEERING</u>

- * Location & Scale of Project
- * Layout and scope of Project
- * Technology to be employed
- * Organizational planning

<u>IMPLEMENTATION PROGRAMME</u>

- * Plant Erection and Installation Programme
- * Personnel Requirements
- * Operations

FINANCIAL EVALUATION

* Total Investment Costs
  - Land
  - Land Capability Study
  - Site Preparation
  - Civil Engineering Works
  - Building & Construction
  - Improvements - Buildings
  - Machinery; Equipment; Vehicles
  - Other
  - Working Capital
* Production or Manufacturing Costs
  - Administrative Expenses
  - Marketing & Sales
  - Financial Costs
  - Depreciation
* Financial Analysis
  - Sources of Financing
  - Debt Service Impact
  - Financial Statements - P&L; Cash Flow; Bala
  - Net Present Value
  - Internal Rate of Return
  - Pay Back Period
  - Break-even Analysis
  - Sensitivity Analysis
* Economic Evaluation
  - Employment
  - Foreign Exchange Earnings
  - Future Prospects

****

APPENDIX E

TDB PAST DUE LOAN SCHEDULE

TDB PAST DUE LOAN SCHEDULE

As at 4/30/87

NAME	PRINCIPAL PAYMENTS	INTEREST PAYMENTS
Wright's Electronics	1 month	1 month
Reading Reef Club	N/A*	2 months
B & D Trawling	N/A	1 month (bought current in May)
Dataprep International	N/A	5 months
Transfer Data	N/A	1 month (bought current in May)
Caribbean Products	N/A	1 month (bought current in May)

(*N/A - Loan is still within grace period)

LOAN STATUS

Wright's Electronics -

Borrower is locked into a restrictive marketing agreement as well as an unfavourable rate structure from equipment supplier which leased equipment to company. TDB management has been working to adjust this situation with marginal success, and believes customer will continue to be a slow pay from time to time. Total loan exposure is J$73,000 and security is considered marginal. April payment was made in late may but May interest payment is now past due.

Reading Reef Club -

Client recently paid J$30,500 towards past due interest but still remains past due for approximately J$65,000. The project suffers from inadequate management and efforts are continuing to locate and hire a new General Manager. TDB is assisting in this process and recently identified two candidates. TDB is well secured on this loan and feels confident that properly managed and with an increased marketing effort, this project should be successful.

Dataprep International -

This loan represents a major workout situation for TDB. The company is now five months in arrears on interest payments totalling J$189,791 with an additional interest payment of approxi-mately J$38,000 due shortly. This is considered particularly critical since the loan is still in its original grace period for principal payments, and funds above the original loan have been advanced to support working capital shortfalls over the past several months.

The problem appears twofold; with considerable improvement needed in the areas of marketing and financial control. The company spent more time than projected obtaining steady and quality clients who are just now beginning to provide the volume of work necessary to generate a positive cash flow. Consequently, the marketing expenses as well as other overhead costs have grown rapidly and do not appear to be adequately controlled. TDB advanced J$188,000 during the first quarter of 1987 to assist working capital deficien-cies and to hire consultants to revise Dataprep's operating procedures. This has proven to be a temporary band-aid, and a more permanent long-term approach is now being addressed by TDB management.

Currently, the company has only one steady customer who is providing work volume which is slowly increasing. Based on recent work done, and work contracted for the next two weeks, the billings for this customer will be approximately J$178,000 monthly. Operating costs are running at approxi-mately J$240,000 per month. The company lost a potentially lucrative contract with Time Inc, due to an input error committed during the testing period. However, strong marketing efforts have resulted in obtaining preliminary work from both AT&T and Readers Digest. If they are able to win long term contracts with these companies, future profitabi-lity seems assured.

TDB management recently met with the principals of Dataprep and has initiated an immediate workout program which includes the following elements :-

A) Direct TDB contact with the potentialy major Dataprep customer to assist in finalising of work contract. This contract is considered crucial to the company's future and if finalized, shall assure sufficient revenues to turn the cash flow situation around.

B) TDB's assistance in raising an additional J$300,000 in equity from third party investors.

C) If A and B above are completed, TDB will convert past due interest owed into an increased equity position in the company. This would have additional positive effect on the company's financial position, but will cause TDB to credit the accrued interest receivable account in excess of J$225,000 in exchange for an increase in the equity investment account. This does not change the balance sheet totals, but does have a negative effect on cash flow, as TDB would have reversed its short term cash receipts position for a long term equity investment.

D) TDB is seeking additional collateral security but this seems to be unrealistic as they already hold a blanket lien on all corporate assets.

E) TDB shall place a Financial Controller in the company to ensure better control of expenses and to formalise cash management and cash flow forecasting.

APPENDIX F

REPORTS ON VISITS/INTERVIEWS WITH TDB CLIENTS

COMPANY	:	ULD ENGLAND COFFEE LIMITED
BUSINESS	:	Coffee production and sales
PERSON CONTACTED	:	Mr. Ronald Thwaites - President/Owner
TDB LOAN	:	J$820,000 including US$100,000 from USAID
TDB EQUITY	:	J$300,000 [21% at par value of J$23. j/share]

This project represents a truly integrated approach by the private financial sector to fund and invest directly in a new coffee production operation in Jamaica. The Old England project is a new venture to cultivate 175 acres of Blue Mountain coffee in extremely rough terrain. The company is owned jointly by Mr. Ronald Thwaites, a well-known Jamaican entrepreneur, Mr. Victor Thompson, and Dr. Paul Chen-Young, Chairman of Eagle Merchant Bank (12.3% each). Additional shares are owned by Trafalgar Development Bank, Eagle Merchant Bank and Jamaica Agricultural Development Foundation (21% each).

During an all-day site visit, Mr. Thwaites showed us the infrastructure construction completed, and the various field which had been recently planted. Several miles of rough road had to be cut into the mountains, and the fields cleared and prepared for young coffee saplings. Seventy-two acres have been planted to date and an additional 103 acres are planned by the spring of 1988. Additionally, another 1.5 miles of road must be built to gain access to the planting sites. Actual crop yeilds are not expected until three to fours years from initial planting, and, consequently, current working capital requirements and interest payments are being met directly from equity and advances from other projects owned by the principals. These advances totalled J$694,000 in January 1987, and have been reduced slightly since then.

Mr. Thwaites was quite complementary regarding his loan relationship with TDB and at the same time, very candid about the whole financial industry and its shortcomings. Mr. Thwaites states that TDB represented an important alternative to the traditional commercial bank secured lending practices. He praised the joint venture and co-financing structure of this transaction, and believes that both TDB and JADF are fulfilling their developmental roles by helping this new venture get started. He was emphatic that the traditional commercial banks would not lend for a start-up coffee venture without excessive outside collateral.

If the natural elements do not cause unforeseen crop destruction, then this project will be assured of long-term success, given the high quality of the product and vertically integrated processing and marketing network that Mr. Thwaites has developed. He is already producing coffee from other properties, drying and roasting the beans in a local plant and exporting the product at premium prices to the United States and Europe. The Old England project will provide additional crop to this prime export earner. The project should provide additional permanent employment for 350 people, and is projected to earn over US$1 million over the life of the loan.

COMPANY	:	SUNLEAF FOLIAGE
BUSINESS	:	Ornamental Horticulture /House Plants
PERSON CONTACTED	:	Winston Lyn - Partner
TDB LOAN	:	J$2,144,000 including US$389,818 from USAID (100%)

This company was formed in late 1986 to produce and export high quality ornamental foliage (house plants: Scindapsus, Philadendron and Marble Queen). The farm consist of eight acres under long term lease in the Caymanas 'Horticultural Park' near Kingston. The lease terms are quite beneficial to the company with an initial term of 25 years. The company borrowed from TDB for the purchase of equipment, including sunshade screen drip irrigation and sprinkler systems. They currently have six acres under a sunshade structure which was constructed and operating within seven months. This was a typical project which required a heavy 'up-front' funding for capital expenditures and working capital to avoid the immediate erosion of equity until the crop began producing revenues.

The company experienced several delays in beginning operations, including importation of equipment and supply of quality plant cuttings. They purchased some rooted plants locally in order to remain on schedule, even though the profit margin was significantly reduced on the first crop. Mr. Lyn reported that his relationship with TDB has been excellent and that because neither he nor his partner were experienced in this business, TDB's technical assistance and monitoring analysis was particularly helpful. The company has been shipping plant cuttings since March of 1987 (one month later than planned) and has received a very good reception for its product. Foreign exchange earnings to date total US$7,800 - with a total dollar earnings potential projected at US$2,712,000 for the life of the loan.

Mr. Lyn stated several times that he could not be in business without the assistance of TDB. As a start-up project, other financial institutions would not fund his project without excessive amounts of outside collateral. Mr. Lyn sees his main problems in the future in the areas of distribution and transportation. There have been several problems to date in getting the product on a flight, and delivered in a timely fashion in Miami before spoilage.

COMPANY	:	JAMAICA OXYGEN AND ACETYLENE LIMITED
BUSINESS	:	Manufacture of industrial CO2 for use in food processing
PERSON CONTACTED	:	Leighton Dixon - Principal
TDB LOAN	:	J$2,892,615 including US$418,230 from USAID

This company is a subsidiary of Jamaica Carbonics Limited, and manufactures and sells Carbon Dioxide (CO2) to a wide variety of industries. The company's original plant was a CO2 recovery project originally funded in 1983 through the National Development Bank. The company approached TDB for financing its plant expansion and purchase of specialised machinery which will allow them to increase production of an oil-free CO2. This is particularly desirable for sale to food processing plants as this type of gas imparts no odor or taste on the frozen food product. The company's largest customers are the local brewery and a fish processing plant. Both customers export their products.

The company originally approached several commercial banks (including Bank of Nova Scotia with whom they have a commercial relationship) for medium term financing via NDB. The process was over two months in progress when TDB approached them and approved and disbursed the credit within six weeks. Mr. Dixon is quite pleased with the service and professionalism he has received at TDB. He believes they have a competitive edge not only in interest rates (a three to four percent savings), but in approach and willingness to take on medium term risk assets. He also believes the availability of foreign exchange and established letter of credit operations were most beneficial.

The company is not a direct foreign exchange earner but is in fact a service or raw material supplier directly to several companies which are credit extension to this company has caused a number of benefits to the Jamaican economy through cost efficiencies, increased volume, and quality of product to the export sector.

COMPANY	:	JANROY LIMITED
BUSINESS	:	Ornamental Horticulture
PERSON CONTACTED	:	Roy Whitehorne - Owner
TDB LOAN	:	J$1,600,000 including US$191,818 from USAID

This is a loan into the non-traditional agricultural sector for export of exotic cut flowers (Helicona and Red Ginger). The company represents a truly integrated project as Mr. Whitehorne has planted other crops for local consumption as he prepares the land and expands planting of the Helicona. This plant takes several months to produce. In the interim, the company has planted red beans, pumpkins, and coconut for local sales. Additionally, the debt service is helped by the rental of a tractor/bulldozer owned by the company, and a bee colony which produces honey.

The TDB loan (and the USAID dollar portion) was used to import irrigation pipes, pumps, and an all weather vehicle. Mr. Whitehorne stated that this import procedure was greatly expedited because of TDB's access to foreign exchange. He now has 44 acres under cultivation and employs 35 people on a per monthly basis. Additionally, he has 10-15 casual workers and additional hands at harvest time. Export began five months ago and foreign exchange earnings to date are approximately US$20,000.

Mr. Whitehorne stated that he felt TDB has acted as his technical and financial advisor and the feels free to meet with them at any time.

COMPANY	:	JAMAICAN HEART LIMITED
BUSINESS	:	Ornamental Horticulture/Cut Flowers
PERSON CONTACTED	:	Charles Whittaker, Asst. Plant Manager Andrew Todd
TDB LOAN	:	J$3,500 all from USAID funds
TDB EQUITY	:	J$500,000

Jamaican Heart Limited is a large producer of cut flowers for export. Currently, they have some acres under production for various types of roses and have recently begun to grow anthuriums. The TDB loan is for the importation of the necessary equipment to build and irrigate the anthurium areas. A total of six acres of this exotic flower will be planted and export is schedule to begin by March of next year. Production in the interim, will be sold locally due to their small size from the first crops. Both TDB and JADF have equity investments in this company, in addition to the full TDB loan.

The company is most pleased with its relationship with TDB and believes that its expansion would not have been possible without their loan. They were most pleased with the ready access to foreign exchange through the import letters of credit established by TDB, and stated that this was a most important service from the bank. Technical assistance in preparing the project, as well as continued involvement by TDB staff has been very helpfol for them.

The operation appears to be quite well-managed, with a well-integrated production, distribution, and marketing network. The product is quite popular and the overall success of the project seems assured.

COMPANY	:	CARIBBEAN PRODUCTS COMPANY LIMITED
BUSINESS	:	Manufacture of cooking oils. margarine and mayonnaise
PERSON CONTACTED	:	Raphael Barrett - General Manager
TDB LOAN	:	J$2,797,000 all from US$508,545 AID funds

Caribbean Products is a division of SEPROD Limited, a large Jamaican corporation (1200 employees), which produces grain, cereal, cooking oil, detergent, and feed products. This division produces cooking oils, margarine and mayonnaise, supplying 90-95% of the local market. We met with Mr. Raphael Barrett, General Manager at the plant.

TDB has lent Caribbean Products some $500,000 U.S. dollars for the purchase of a specialized packaging machine. This loan is considered a prudent portfolio diversification for TDB as the credit risk involved with this established corporation is quite low. At the same time, Mr. Barrett was quick to point out that TDB was able to provide a valuable service to the company through its medium term lending program and quick access to foreign exchange for equipment importation. Mr. Barrett admitted that because of the size of his group, they could possibly have obtained local financing elsewhere, but the interest expenses and time delays would have been very costly. He stated that even for larger established companies, there is a market niche for lending such as TDB, and he considers them to be an excellent institution with competent management.

The actual job growth or foreign exchange impact of this credit is difficult to determine, as it is such a small loan to a large company. However, the particular machine purchased has become an integral part of the recent upgrading and modernization of the plant and its packing process. A greater efficiency has been achieved with the installation of this equipment.

COMPANY	:	J. D. MANUFACTURING
BUSINESS	:	Garment Industry - Super 807 - Group 1 Co.
PERSON CONTACTED	:	Don McFarlane - President
TDB LOAN	:	J$550,200 including US$88,000 from USAID

Mr. McFarlane is a strong advocate of TDB and credits the bank being partners with him in creati~ this rapidly expanding and most profitable business. J.D. Manufacturing is essentially selling labor through the receipt of cut and styled clothing from U.S. companies which his plant assembles and exports. This program is under a bilaterial treaty which eliminates duties and quotas at both ends of the trade cycle. Volume is now in excess of six thousand dozen units per week, with confirmed orders for 150 thousand dozen by September.

J.D. Manufacturing started with 50 people and now employs over 130 ; working two shifts. TDB extended a loan totalling J$550,000 for the importation of sewing machines. Mr. McFarlane complemented TDB for the completeness of their project study and speedy approval process. He approached a commercial bank for similar loan terms, but was turned down. He feels that TDB took a prudent risk and has definitely helped developed the Jamaican export economy. J.D. Manufacturing has grossed over $200,000 U.S. dollars in foreign exchange earnings in the past six months.

Mr. McFarlane stated that the terms and conditions for his loan were excellent by Jamaican standards, and he believes the interest rate charged is a savings of 500 to 600 basic points for his company. he intends to continue his expansion to meet production demand, and will be meeting with TDB to increase his loan to approximately US$900,000 in the near future.

COMPANY	:	TRANSFER DATA LIMITED
BUSINESS	:	Data entry service
PERSON CONTACTED	:	Lennox Robinson - Owner
TDB LOAN	:	J$1,300,000 including US$78,182 from USAID

This company is a start-up operations in the relatively new field of data entry services. Documents and internal data is sent to this company which then transfers it onto a computer program and re-exports the finished reports on computer disks. It is a labor intensive business which is effectively selling inexpensive keypunch labour, rapid turnaround time, and quality work product. Currently, the company employs 165 people, including 13 supervisors, and is working two shifts daily.

The company experienced some cash flow irregularities as it lost one major US client which went out of business (loss of US$15,000 in monthly billings). As a result, some capital originally budgeted for equipment was utilized to ease cash flow swings. This situation has now been rectified through interest growth and the steady work flow from seven U.S. clients - including American Express Company. Mr. Robinson acknowledged the cyclical nature of this start-up business and was most appreciative of the financial and management assistance provided to his company by TDB. He stated that TDB staff constantly review his business and provide valuable technical assistance. He expressed his gratitude for the strong position TDB held against his plans to purchase a building for his business, and now realizes that the bank was correct to guide him away from unnecessary fixed asset burden. The company is now billing an average of US$60,000/month and expects to increase this significantly when a new high-speed telecommunication data line is connected with New York - probably by mid-July.

This company appears to be the classical success story which nonetheless, has several structural weaknesses. The TDB staff is aware of this company's strengths and weaknesses, and is continuing to work close with Mr. Robinson in the areas of increased managerial staffing, market segmentation and a national expansion program. Mr. Robinson appears to be highly dependent on the advice and technical assistance, and stated that he could not be in business today without TDB's loan extension and assistance. Mr. Robinson did apply for credit through NDB but there was no action. TDB provided a prompt response, better loan terms and technical assistance. Financial projections indicate that this company will earn approximately US$7.3 million in foreign exchange for Jamaica over the life of the project loan. Foreign exchange earnings to date exceed US$300,000.

APPENDIX G

TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF PROJECTS "IN THE PIPELINE"

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TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF PROJECTS IN THE PIPELINE

DATE: May 1, 1987

PROJECT NAME	LOAN APPLIED FOR	TOTAL FUNDING REQUIRED	EQUITY INVESTMENT	PURPOSE OF LOAN	BD. APPT/ NOTIFICATION	COMMENTS
SEATON/KYUNGDONG	$4.0 million		Nil	Establishment of stainless steel flatware manufacturing operation.	May 1987	Revised Project document being prepared for re-submission to TDB.
JAMCULTURE LIMITED	$4.0 million	$10 million	Nil	To expand rice production at BRUMDEC	May 1987	Client advised of deficiencies to be addressed. Early response anticipated.
HYGROPONICS LIMITED	$2.5 million	$ 2.5 million	Nil	Establishment of Hygroponics project.		Letter sent to client highlighting some of TDB's reservations. TDB will follow-up with FMO on this venture.
RADIO-THERAPY & CANCER TREATMENT CENTRE	$1.89 million	$ 3.16	Nil	Establish Radio-Therapy & Cancer Treatment Centre.	June 1987	Revised project document being studied.
FERRIS FARMWORK LTD.	$4.0 million	$ 8.0 million	Nil	Establishment of honey production entity.	July 1987	Client advised by letter of additional information needed to complete preliminary appraisal.
JAMAICA CERAMICS LTD.	$4.0 million	$ 9.6 million	Nil	Establishment of ceramics manufacturing entity.	Sept. 1987	Client to submit project-specific document.
NEWPORT FEED MILL	$2.16 million	$ 5.4 million	Nil	Establishment of animal feed mill.		Client to contact TDB re additional equity infusion by project sponsors.
RIO MINHO FARMS LTD.	$850,000	$ 2.0 million	Nil	Establishment of export oriented horticulture farm.	May 1987	Preliminary appraisal being conducted by TDB.

TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF PROJECTS IN THE PIPELINE

PROJECT NAME	LOAN APPLIED FOR	TOTAL FUNDING REQUIRED	EQUITY INVESTMENT	PURPOSE OF LOAN	BD. APPT/ NOTIFICATION	COMMENTS
JAMAICA HEALTH RESORTS LTD.	$[illegible].0 million	$27.3 million	Nil	Fixed asset funding	Sept. 1987	Preliminary document received.
SCOTT'S PRESERVE LTD.	$1.5 million	$ 4.5 million	$500,000	Fixed asset financing and working capital.	April 1987	Major modification of project document suggested by TDB.
NUDL LIMITED	$2.2 million	$ 2.64 million	Nil	Expansion of information Processing entity.		Revised document submitted for review.
SOFT SHEEN HENKEL LTD.	$3.0 million	$ 4.23 million	Nil	Equipment financing and working capital.	May 1987	Letter sent to client outlining results of TDB's appraisal.
CIBONEY-ON-THE-SEA LTD.	$4.0 million	$75.4 million	$500,000	Establishment of tourist facility.	May 1987	Project document submitted for review.
JAMAICA FLORAL EXPORTS LTD.	US$216,000			Establishment of horticulture marketing company.		Project document submitted for review.
COVEY FARMS LIMITED				Establishment of citrus farm.		
MADON LIMITED	J$3.59 million	J$ 5.1 million	Nil	Establish factory to produce furniture for export.		
CARIBBEAN CASTINGS & ENGINEERING LTD.	$2.20 million	$ 4.84 million	Nil	Diversification of existing operation.		Preliminary document being reviewed.

TRAFALGAR DEVELOPMENT BANK LIMITED
STATUS OF PROJECTS IN THE PIPELINE

DATE: May 1, 1987

PROJECT NAME	LOAN APPLIED FOR	TOTAL FUNDING REQUIRED	EQUITY INVESTMENT	PURPOSE OF LOAN	BD. APPT/ NOTIFICATION	COMMENTS
MANUFACTURING & INVESTMENTS LIMITED	$3.33 million	$ 6.89 million	Nil	Establish joint venture for manufacture of plastic bottles and caps.		Proposal incomplete.
AKIN MANUFACTURING LTD.	$400,000	$541,200	Nil	Fixed assets and working capital financing.		Proposal incomplete.
TOTAL	J$47,836,000					
US$ @ 5.5:1	$8.7 million					

APPENDIX H

PROJECTED EARNINGS SCHEDULE FOR TDB LOAN PORTFOLIO
MAY 1987

PROJECTED EARNINGS SCHEDULE FOR TDB LOAN PORTFOLIO - MAY 1987
PAGE 1

Project	Estimated net US$ earnings over term of loan	Estimated US$ savings over term of loan	Estimated net J$ earnings over term of loan
COFFEE			
1 Old England (+ equity)	1,014,854		
ORNAMENTALS			
2 Jamaican Heart (+ equity)	12,437,836		
3 Jamroy	1,244,545		-5,355,000 *
4 Hopewell Blooms	1,234,443		
5 The Hut Farm	1,142,777		
FOLIAGE			
6 Hillcar Nurseries	1,298,136		
7 Fort George Botanicals	3,065,684		
8 Sunleaf Foliage	2,711,743		
9 Plant Culture	1,531,000		
DATA ENTRY			
10 Transfer Data	7,231,087		
11 Dataprep	3,163,312		
12 Jobs Data Services (WTG)	1,415,610		
13 Wright's Electronics	N/A		
GARMENTS			
14 J&D Manufacturing	1,361,509		
15 Crimson Dawn	N/A		9,855,000
16 Davon Corporation	4,900,000		-15,485,000 *

PROJECTED EARNINGS SCHEDULE FOR THE LOAN PORTFOLIO - MAY 1987
PAGE 2

Project	Estimated net US$ earnings over term of loan	Estimated US$ savings over term of loan	Estimated net J$ earnings over term of loan
SHIPPING/FISHING			
17 B&D Trawling	4,216,852		
18 Portcolo		2,580,000	
TOURISM			
19 Heave Ho Charters	416,472		
20 Reading Reef Club	2,624,000		
21 Village Resorts	N/A		
FURNITURE/WOODWORKING			
22 McIntosh Furniture Co. (+ equity)	12,451,816		
23 Pickney Products Ltd.	5,733,394		
MANUFACTURING/PROCESSING			
24 Lighting Manufacturing	763,162		15,537,499
25 Jamaica Oxygen	N/A		[26,495,500]
26 Salada Foods	N/A		N/A
27 Desnoes and Geddes	N/A		[238,682,000]
28 Caribbean Products	N/A		N/A
29 Jamaica Detergents	[11,600,000]		[[illegible],547,000]
30 National Continental Co.	N/A		[44,136,000]
31 Plastic Containers	N/A		N/A
TOTALS	70,330,454	2,580,000	4,612,499

NOTES

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[1] Estimated net J$ earnings are calculated before tax and interest payments.

[2] For some large companies a historical analysis is performed and no projections are made as to future earnings.

[3] Figures given in brackets indicate that earnings cannot be considered directly attibutable to TDB loan and are excluded from total.

[4] * Two projects, Jamroy and Davon, show negative J$ earnings. These projects are basically export oriented. The bulk of their revenues are earned in US$, and the bulk of their overheads are supported by US$ earnings. As "Estimated net US$ earnings" are calculated by subtracting US$ expenditures from US$ earnings, the "Estimated net J$ earnings" are calculated by subtracting J$ expenditures from J$ earnings. Where US$ earnings form the greater portion of the revenue accruing to a project, and J$ expenditures include the greater portion of the overheads, the project will show negative J$ earnings. This is not an indication that the project's J$ sales are unprofitable. They are an indication that the project's viability rests primarily on its' export earnings. The project's will earn the following on a gross basis:-

	US$	J$
Jamroy	1,314,364	4,213,000
Davon	5,139,327	22,366,800