

**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**



# **ANNUAL BUDGET SUBMISSION**

## **FY 1978**

### **CARIBBEAN REGIONAL**

**DEPARTMENT  
OF  
STATE**

JULY 1978



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MISSION CERTIFICATION OF THE  
CONTINUED VALIDITY OF THE DEVELOPMENT ASSISTANCE PROGRAM

An "Overview of the Caribbean Regional Program" has been prepared to accompany this ABS. This document will be distributed separately, prior to the ABS review.

In the past there has not been an AID Mission for Caribbean Regional Programs. In June 1976 a Regional Development Office was opened in Barbados to oversee the program and to maintain liaison with the Caribbean Development Bank.

CARIBBEAN REGION

Summary Table I.

Funding Levels	FY'76, IQ, FY'77, FY'78			
	\$ 000			
	FY 1976	I Q	FY-1977	FY-1978
<u>E/N</u>	264	80	250	10,40
GC	264	80	250	40
LN	-	-	-	10,00
<u>PH</u>	-	-	-	-
<u>EHRD</u>	-	80	275	67
GC	-	80	275	67
LN	-	-	-	-
<u>Sec 106</u>	189	63	56	4,07
GC	189	63	50	7
LN	-	-	-	4,00
Tech Support	56	-	90	9
S.T. GC excl T.S.	453	223	575	1,15
LN	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,00</u>
TOTAL	453	223	575	15,15

AGENCY FOR INTERNATIONAL DEVELOPMENT		1. TRANSACTION CODE		2. ABS/CP	
ABS/CP SUMMARY		A C = CHANGE D = DELETE		DOCUMENT CODE 6	
5. COUNTRY/ENTITY		4. DOCUMENT REVISION NO.	5. OPERATIONAL YEAR FY	6. BUREAU/OFFICE	
Caribbean Regional		ORIG <input type="checkbox"/>	717	LA	[03]
				7. GEOGRAPHIC CODE [538]	

3. TYPE DATA		9. TYPE ASSISTANCE	
<input checked="" type="checkbox"/> 1 = ABS <input type="checkbox"/> 2 = ABS REVISION <input type="checkbox"/> 3 = CP <input type="checkbox"/> 4 = CP NOTIFICATION		<input checked="" type="checkbox"/> 1 = PROJECT <input type="checkbox"/> 2 = PROGRAM	

10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBL.	13. EST. FY AUTH. OBL. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. CATEGORY INDICATOR	17. BUDGETS (IN \$000)				
							1976	77	78	79	LOP
INS	Regional Food Pgm.	1	80	FN		LM	—	—	—	10,000	10,000
	Intermed. Technology	2	80	SD		LN	—	—	—	4,000	4,000
NTS	07 Food Crop Prodn			FN		GC	264	80	175	325	1,182
	10 Reg Agribus Dev			FN		GC	—	—	75	75	225
	08 Trained Manpower Improvement			EH		GC	—	80	275	525	1,880
	11 Improved Tax Administration			EH		GC	—	—	—	150	500
	05 S D A Fund			SD		GC	14	13	50	75	Cont.
	16 Housing Pgm Ast.			SD		GC	175	50	?	?	556
	00 Technical Support			FN		GC	21	0	35	40	Cont.
00 Technical Support			EH		GC	35	0	30	40	Cont.	
00 Technical Support			SD		GC	—	—	25	10	Cont.	

18. DATE DOCUMENT RECEIVED IN AID/W	MM	DD	YY

Country/Area: **Caribbean Regional**  
 Loan/Grants Program Plan  
 (United States Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Food/Nutrition					
Grants	400	400	600	600	400
Loans	10,000	-	5,000	10,000	-
Population/Health					
Grants	-	250	300	300	200
Loans	-	10,000	-	-	-
(Population)					
(Grants)	=	=	=	=	=
(Loans)	=	=	=	=	=
(Health)					
(Grants)	-	( 250)	(300)	(300)	(200)
(Loans)	-	(10,000)	-	-	-
Education					
Grants	675	500	500	500	400
Loans	-	-	5,000	-	-
Section 106					
Grants	75	100	100	100	50
Loans	4,000	-	-	-	-
Total					
Grants	1,150	1,250	1,500	1,500	1,050
Loans	14,000	10,000	10,000	10,000	-
W-80 (even-odd)					
Title I	=	=	=	=	=
Title II	=	=	=	=	=
W-80 (non-odd)	-	-	-	-	-

7/23/76

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME FOOD CROP PRODUCTION INITIAL OBLIGATION FY 76 DATE PP/REVISION 6/27/76  
 PROJECT NUMBER 538-11-130-007 FINAL OBLIGATION FY 81 DATE LAST PAR  
 APPROPRIATION FN TOTAL COST 1182 DATE NEXT PAR 3/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:	FY 1977 and FY 1978 Obligations by Cost Component/NOI					
				6/30/76	9/30/76	9/30/77	9/30/78	Total	
Actual FY 1976	264	0	264						
Estimated Interim Qtr.	80	40	304						
Estimated FY 1977	175	350	129					175 325	
Proposed FY 1978	325	400	54					175 325	
				Component	Contract	PASA	Total		
				U.S. Tech.	77	78	77	78	78
				Local & Tcn. Participants					
				Commodities					
				Other Costs					
				Total					

	Contract/PASA Funding Periods				On Board Personnel
	FY 1976 Obligations	Int. Qtr. Obligations	FY 1977 Obligations	FY 1978 Obligations	
Period					NA
Amount					6/30 9/30 9/30 9/30 1976 1976 1977 1978
Period					
Amount					

Direct Hire PASA Contract Participants

SUMMARY PROGRESS STATEMENT  
ONGOING PROJECTS

Project # 538-11-130-007

Project Title FOOD CROP PRODUCTION - Sub Activity:

Contractor a) None

CARDI.

b) \_\_\_\_\_

I. Implementation Progress Project Agreement signed 8/5/75  
to assist CARDI to establish 3 operation centers  
Belize, St. Kitts & St. Lucia; bilateral agreements  
signed between CARDI and each territory.

Outputs

Progress to Date & Relationship  
to Project Purpose and Goal

Agreement reached w/ UWI Board to make CARDI an  
autonomous institute

Work plan for each

center has been prepared & approved

II. Project on Schedule; Life-of-Project Budget Accurate?

Project behind schedule but expected to accelerate  
and to remain w/i LOP budget estimate

III. Significant Change (s) in Project Proposed?

IV. Role of Technical Office; Mandays required

Assist AID Affairs Office to monitor activity

Approx 21 mandays required.

Project Manager: C. Breitenbach - hA/DR

SUMMARY PROGRESS STATEMENT  
ONGOING PROJECTS

Project # 538-11-130-007

Project Title FOOD CROP PRODUCTION - Sub Activity - CDB Design  
implementation of loans

Contractor a) \_\_\_\_\_

b) \_\_\_\_\_

I. Implementation Progress Loan T. 006 - Integrated Agric. Dev  
was signed June 20, 1976. This Sub Activity provides technical  
assistance to the CDB in support of the loan.  
Grant funds. \$123,000 obligated 6/20/76 for this purpose.

Outputs	Progress to Date & Relationship to Project Purpose and Goal

1. Project on Schedule; Life-of-Project Budget Accurate?

Yes; Budget accurate

2. Significant Change (s) in Project Proposed?

None

3. Role of Technical Office; Mandays required

Project Manager: LA/DR

Country/Program: CARIBBEAN REGIONAL

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME: TRAINED MANPOWER IMPR. INITIAL OBLIGATION FY 77 DATE PP/REVISION 10/76  
 PROJECT NUMBER: 538-11-660-008 FINAL OBLIGATION FY 81 DATE LAST PAR ---  
 APPROPRIATION: E H R D TOTAL COST 1,800 DATE NEXT PAR 9/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:	FY 1977 and FY 1978 Obligations by Cost Component/NOI									
				6/30/76		77		78		Total			
				Cost	Component	Direct Aid	Contract	PASA	Total				
Actual FY 1976	0	0	0	0	0	185	185	78	77	78	77	78	185
Estimated Interim Qtr.	80	50	30	30	0	200	200	200	50	25	50	25	200
Estimated FY 1977	275	235	70	70	50	40	65	50	40	65	40	115	115
Proposed FY 1978	525	450	45	45	250	275	275	275	275	275	275	275	525

Contract/PASA Funding Periods

Period	Contract/PASA Funding Periods			On Board Personnel			
	FY 1976 Obligations	Int. Qtr. Obligations	FY 1977 Obligations	6/30 1976	9/30 1976	9/30 1977	9/30 1978
PSCs Amount		12/79 - 11/77	12/77 - 11/78	185	185	185	3
Period Amount							2

\* number will not be known until PP is developed for new Regional Training sub activity

SUMMARY PROGRESS STATEMENT  
ONGOING PROJECTS

Project # 538-11-660-008

Project Title Trained Manpower Improvement → Sub activity for  
External Studies Pgm - UWI  
Contractor a) (Personal Services Contracts)  
b) \_\_\_\_\_

Implementation Progress

PP require preparation. Need indication of willingness of University of the West Indies (UWI) to design and cooperate in project. PP submission is anticipated during FY 77

Inputs	Progress to Date & Relationship to Project Purpose and Goal
Establishment of Center for Training Development Studies, at UWI.	PP preparation delayed because of uncertainty of participation of UWI.
Development of home study degrees as part of the UWI External Studies Program.	

Project on Schedule; Life-of-Project Budget Accurate?

No. Project originally scheduled for initial obligation in FY-76. Budget is accurate, however.

Significant Change (s) in Project Proposed?

None

Role of Technical Office; Mandays required

Develop PP assist in contract negotiation, assist in initial implementation.

Project Manager: S. Carbin

SUMMARY PROGRESS STATEMENT  
ONGOING PROJECTS

Project # 538-11-660-008

Project Title Trained Manpower Impr

Sub Act. Center for  
Training & Dev. Stu  
CDB & UWI.

Contractor a) \_\_\_\_\_  
b) \_\_\_\_\_

I. Implementation Progress None in FY 1976

See <sup>PIP</sup> narrative of new Sub Activity "Regional Training for  
Development Assist

Outputs

Progress to Date & Relationship  
to Project Purpose and Goal

Outputs	Progress to Date & Relationship to Project Purpose and Goal

II. Project on Schedule; Life-of-Project Budget Accurate?

Delay in implementation may require changes

III. Significant Change (s) in Project Proposed?

Start up in FY 1977 instead of FY 1976.

IV. Role of Technical Office; Mandays required

Monitoring will shift to new AID Affairs Office  
in Barbados — assisted by AID/W & consultants

Project Manager: T. Foley

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Adult Education  
 PROJECT NUMBER 538-16-660-009  
 APPROPRIATION EDUCATION

INITIAL OBLIGATION NA ★  
 FINAL OBLIGATION NA ★  
 TOTAL COST 0

DATE PP/REVISION \_\_\_\_\_  
 DATE LAST PAR \_\_\_\_\_  
 DATE NEXT PAR \_\_\_\_\_

U.S. DOLLAR COST (IN THOUSANDS)		FY 1977 and FY 1978 Obligations by Cost Component/NOI									
Unliquidated as of:	FY Obligations	FY Expenditures	Direct Aid Contract PASA Total								
			6/30/76	77 78	77 78 77 78	78 77 78 77 78					
Actual FY 1976			Component								
Estimated Interim Qtr.			U.S. Tech.								
Estimated FY 1977			Local & Tcn. Participants								
Proposed FY 1978			Commodities								
			Other Costs								
			Total								

★ This Activity is being TERMINATED.

		Contract/PASA Funding Periods				On Board Personnel	
Period	Amount	FY 1976 Obligations	Int. Qtr. Obligations	FY 1977 Obligations	FY 1976 Obligations	9/30	
						1976	1977
						6/30 1976	9/30 1977
							9/30 1978

Country/Program: CARIBBEAN REGIONAL

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Special Development Activity INITIAL OBLIGATION FY '72 DATE PP/REVISION \_\_\_\_\_  
 PROJECT NUMBER 1538-15-998-005 FINAL OBLIGATION Cont. DATE LAST PAR \_\_\_\_\_  
 APPROPRIATION SD TOTAL COST \_\_\_\_\_ DATE NEXT PAR \_\_\_\_\_

		U.S. DOLLAR COST (IN THOUSANDS)								
	FY Obligations	FY Expenditures	Unliquidated as of:		FY 1977 and FY 1978 Obligations by Cost Component/MOI					
			6/30/76	9/30/76	Direct Aid	Contract PASA Total				
Actual FY 1976	14	19	5	Component U.S. Tech. Local & Tcn. Participants Commodities Other Costs	77	77	78	77	78	78
Estimated Interim Qtr.	13	10	8							
Estimated FY 1977	75	68	15		75	75			75	75
Proposed FY 1978	75	70	25	Total	75	75			75	75

		Contract/PASA Funding Periods				On Board Personnel			
		FY 1976 Obligations	Int. Qtr. Obligations	FY 1977 Obligations	FY 1978 Obligations	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Period									
Amount									
period									
Amount									

NA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Housing Program Ast.  
 PROJECT NUMBER 538-11-850-006  
 APPROPRIATION SD

INITIAL OBLIGATION FY '73  
 FINAL OBLIGATION 10  
 TOTAL COST 556

DATE PP/REVISION  
 DATE LAST PAR  
 DATE NEXT PAR

		U.S. DOLLAR COST (IN THOUSANDS)						
	FY Obligations	FY Expenditures	Unliquidated as of:	FY 1977 and FY 1978 Obligations by Cost Component/NOI				
				6/30/76	9/30/76	9/30/77	9/30/78	Total
Actual FY 1976	175	79	227	77	78	77	78	78
Estimated Interim Qtr.	50	50	227					
Estimated FY 1977	?		9/30/77					
Proposed FY 1978	?		9/30/78					

	Contract/PASA Funding Periods			
	FY 1976 Obligations	Int. Qtr. Obligations	FY 1977 Obligations	FY 1978 Obligations
Period	FCM T.O. # 7 5/28/76 - 12/76			
Amount	\$97			
Period		8/76	?	?
Amount		\$50		

\* This activity is scheduled to terminate with TQ Awarding. Should a decision be made to continue housing construction under loan k- additional contract technical assistance will be required.

	On Board Personnel			
	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Direct Hire PASA	1	1	?	?
Contract Participants	2	2	?	?

SUMMARY PROGRESS STATEMENT  
ONGOING PROJECTS

Project # 538-11-850-006

Project Title HOUSING PROGRAM ASSISTANCE

Contractor a) FCH

b) \_\_\_\_\_

I. Implementation Progress See 6/16/76 Report from FCH.

Note This activity may have to be extended  
IF decision is made to extend loan L-002 which  
terminates Dec. 31, 1976

Outputs	Progress to Date & Relationship to Project Purpose and Goal

II. Project on Schedule; Life-of-Project Budget Accurate?

No - project delayed and budget may not be ad

III. Significant Change (s) in Project Proposed?

see I above

IV. Role of Technical Office; Mandays required

Project Manager: George Hazel SER/H.  
Attachment: PAR dated \_\_\_\_\_



# MEMORANDUM <sup>15</sup>

DATE June 16, 1976

TO: Mr. Charles F. Dean  
THROUGH: Mr. Richard Owens ✓  
FROM: Carlos Ayerbe, FCH/Barbados CA

SUBJECT: Status Report on the Urban Working Class Housing Programme, AID Loan 527-L-002 (Primary Market Fund), Caribbean Development Bank, (CDB)

## I. Background

On November 17, 1972 AID and the Caribbean Development Bank (CDB) entered into a Loan Agreement whereby AID agreed to lend CDB up to \$10,000,000 for financing a Primary Market Fund for low-income housing construction (\$6,000,000) and a Secondary Market Fund for purchase of eligible mortgages (\$4,000,000). Both Programmes are being implemented by the CDB in the LDC's of the Caribbean. AID is also contributing with a \$300,000 T.A. grant to assist CDB in implementing the Programme.

This status report will cover the Primary Market Fund (PMF), the Programme that FCH is presently assisting under T.O. #6.

According to the Loan Agreement, the terminal date for commitment of funds is December 31, 1976 and the terminal date for disbursement is December 31, 1977.

The PMF Programme allows for financing of new housing construction in the LDC's, not to exceed \$4,500 per unit. The maximum selling price of the houses is \$5,000. The participating Governments are required to contribute with a minimum of 10% of the cost of the houses, i.e. \$500 per unit, and with any amount above and beyond the maximum selling price, should the cost of construction of the houses exceed \$5,000. The maximum weekly income of the house purchasers is limited to \$32 (\$65 East Caribbean). Loans to house purchasers are made at 4% interest, with 2% for administration and maintenance. No downpayment is required. Amortization period is 20 years.

Sub-loans are made by CDB to the cooperating countries for construction of low-cost housing projects. The local housing and planning institutions act as executing agencies. CDB maintains a staff of two professionals dedicated to full-time project supervision and administration, in addition to the two FCH technicians.

## Current Status

To date, loan agreements have been signed with the Governments of seven countries <sup>1/</sup> for construction of 12 projects totalling 1,172 houses requiring financing of \$3.95 million. Projects in the pipeline include extensions of the projects in Dominica and Grenada (240 units, \$1.0 million) and two new projects in St. Kitts and Turks and Caicos Islands (95 units, \$0.43 million). The total amount of funding required to finance these projects is \$5.38 million. As of March 31, 1976, 129 units were under construction and 133 had been completed.

1/ Antigua, Dominica, Grenada, St. Lucia, St. Vincent, Monserrat and Belize

There has been a good market response to the houses offered for sale. The number of applications received exceeds the number of houses available four to one.

Disbursements of Programme funds totalled \$872,000 as of March 31, 1976; the current figure is about \$950,000.

The projects are being executed by the cooperating countries' Central Housing and Planning Agencies and other Government housing institutions. Construction of the projects have been let out to tender, according to Programme regulations. In most cases, the executing agencies participated in the tender, and were awarded the contracts, the exception being Dominica, where the work is being done by the executing agency and two local contractors.

The executing agencies are carrying out the marketing of the houses with assistance from FCH (Bob Ellis). Other FCH assistance to the Programme includes architectural and engineering advice, project identification and appraisals, planning, assistance in project supervision and administration (Carlos Ayerbe).

### III. Problem Areas

#### 1. Limitation of types of projects eligible for financing

The Programme allows only for construction of new housing. In many islands it is difficult to find tracts of land that can be utilized to construct large projects. Except for Grenada, Dominica, Belize and to some extent St. Lucia, most of the land suitable for construction has already been purchased or committed for sale. There is a growing demand for projects such as loans to lot owners, house improvement loans, and provision of utilities and community services. In several locations, improvement of urban infrastructure is badly needed, such as in Belize. However, existing regulations prevent any of these projects from being financed under the AID Loan, thus limiting the possibility of looking for new projects to increase the level of disbursements and attend to urgent housing and infrastructure demands.

Only in one case, the Antigua Earthquake Rehabilitation Programme, have loans for home improvement been allowed. The response to this type of project has been most encouraging.

#### 2. Rate of Disbursements

Should the present rate of disbursements be maintained, it is doubtful that the loan can be fully disbursed by December 31, 1977. The attached chart shows the projected disbursement curve under optimum conditions and the more real projection, given the present situation.

In order to meet the present terminal date for disbursement, a level of disbursements of \$1.0 million in each quarter should be maintained through June 1977, and \$1.0 million in the following six months. Current levels and project progress indicate that by the end of 1976 about \$2 million will have been disbursed, and \$3.9 million by December 31, 1977.

#### 3. Construction costs, income ceilings

The present limitations of selling price (\$5,000) and income ceilings

(\$32/week) were set in 1972. Since then, construction costs—and wages—have continued to escalate in the West Indies as in the rest of the world. 217

Very little construction materials are produced in the West Indies. Rock and sand are abundant; that is about the extent of it. Other materials are imported from the U.S., England, Central and South America, and the cost of these is aggravated by shipping costs. Even wood is imported; the houses in Dominica, for instance, are being constructed with Honduran lumber.

Labor is also expensive, as skilled labor is often imported from neighboring islands. In some cases, like Cayman Islands, Turks and Caicos and the British Virgin Islands, the cost of skilled labor is almost par with U.S. standards. By the same token, incomes have also increased over the 1972 levels; weekly incomes of \$50 to \$60 are not uncommon among low-income groups.

The cost of construction varies greatly from island to island. In the Leewards, low-cost house construction varies from \$7-12/sq. ft. In Turks and Caicos, the Cayman Islands and the British Virgin Islands, it varies from \$18-30/sq. ft.

#### 4. Geographical Dispersion

It is misleading to quantify the Programme in terms of the number of housing units built per year and not take into consideration the vast geographical area and distances between project sites. In order to keep the situation in perspective, one must realize that project supervision from Barbados as a base station (not a central point, geographically speaking) must consume a considerable amount of traveling time. A trip to Belize takes four days, just to get there and back, a round trip distance of almost 5,400 miles. Because of uncertain air schedules and service, even round trip travel within the islands takes at least two days from Barbados.

#### 5. Institutional capacity to implement the Programme

The capacity of the executing agencies is also limited. Most of these institutions have been operating for only a few years; they lack experience, and many are learning on the job. In this respect, continuous technical assistance must be maintained in order to keep the programme moving.

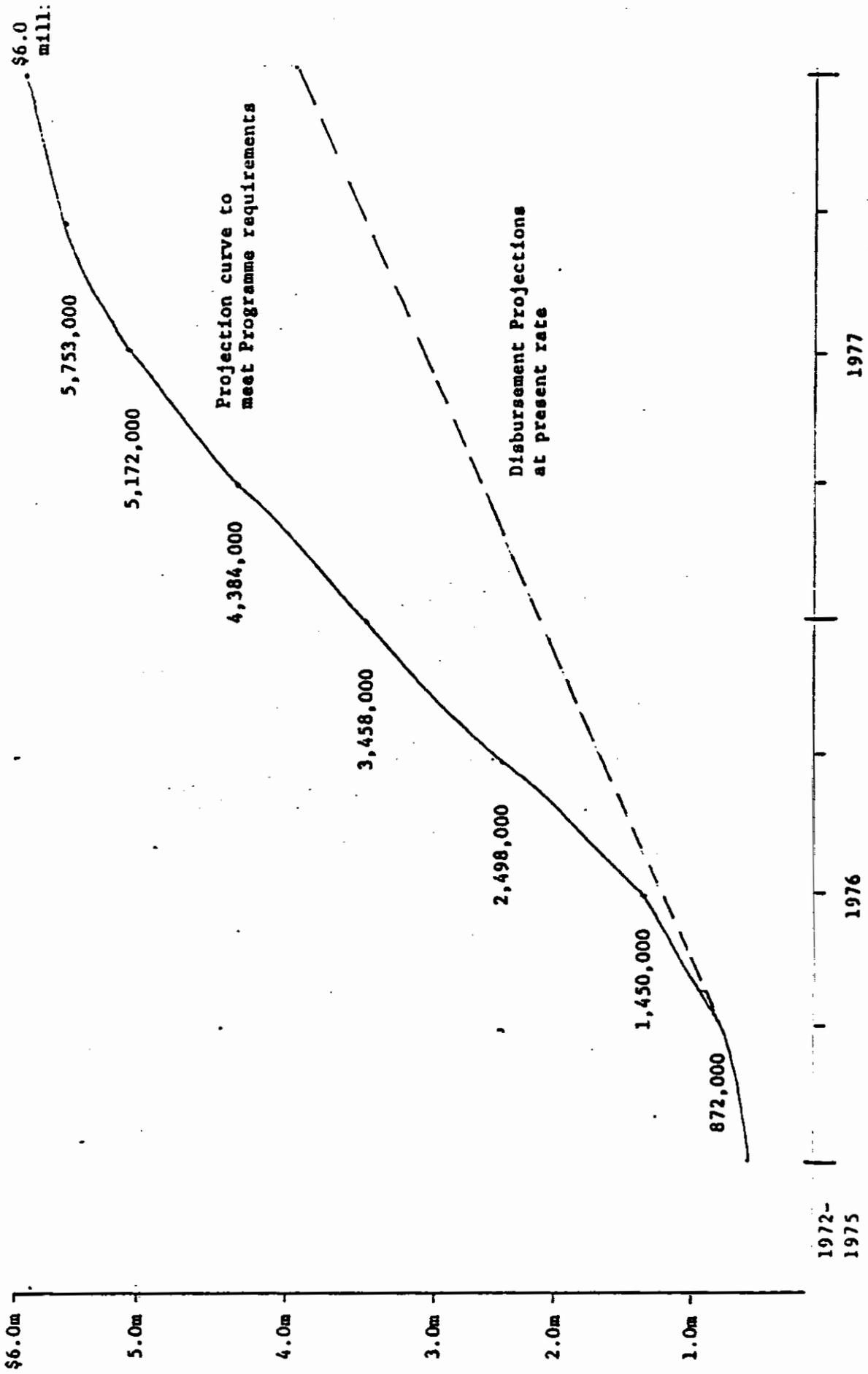
The financial capacity of some Governments to complete the projects, given the cost escalations, is also questionable. This is an area that should be scrutinized closely.

#### 7. Recommendations

1. Expansion of the Programme to allow for financing of other projects, such as loans to lot owners, loans to improve existing dwellings, provision of utility services and construction of urban infrastructure, and to accelerate commitment and disbursement of funds.
2. Review by AID of the present status of the Programme and disbursement records in order to decide whether the Programme should be given a time extension in order to complete the construction of all projects, or if deobligation of funds should be effected.

3. Revision of present limitations of selling prices and income ceilings to take into account the present cost of construction and wage scales.
4. Continued technical assistance to the CDB and the executing agencies to maintain close project supervision and assist in all phases of implementation of the Programme.
5. Review of the actual cost of construction of the projects and financial position of the Governments to determine the extent to which the participating agencies will be able to complete the projects in an orderly manner.

cc: Bob Ellis, FCH/Barbados





## I Summary of the Problem

The lagging performance of the traditional export sector in recent years, in spite of guaranteed marketing arrangements, is indicative of the state of Caribbean agriculture. In 1970-72, export volumes of the major crops - sugar, bananas and citrus - were substantially below the 1967-69 levels. The domestic agricultural sector is equally in poor condition in most Caribbean countries, as evidenced by the large and growing volume of import of food, especially grains, and meat and dairy products, for both domestic and tourist consumption. Between 1965 and 1972, agricultural exports rose from EC\$404 million to EC\$507 million, at an annual growth rate of 3.3% while agricultural imports increased from EC\$328 to EC\$609 million, or at 9.2% annually. After 1973, prices of imported grains, meat and dairy produce and other essential foods rose substantially. Some estimates place the cost of agricultural produce imported into the Commonwealth Caribbean as high as US\$500 million annually. Thus, the region has switched from an agricultural surplus area to a deficit area. The stagnation and decline in output was accompanied by a reduction of one-third in agricultural employment between 1960 and 1970, and a fall in land under cultivation on the order of 500,000 acres representing about 25% of the total at the beginning of the period. Nevertheless, agriculture remains the largest source of employment in the region, absorbing about 25% of the working population.

One of the major factors which explain the slow progress in the agriculture sector is the extra-regional export orientation of Caribbean agriculture.

The economies of the territories in the English-speaking Caribbean, particularly the LDC's, are still characterized by a "colonial" type of structure in that they are extremely open (imports exceeding 80% of GDP in some cases.) A majority of their export trade is still with the United Kingdom (approximately 70% in 1969-1971). Intra-regional trade constitutes a very small percentage of their total trade. During the 1970-1971 period, only approximately 12% of MDC trade and 6% of LDC trade was with other CARICOM countries.

With the exception of Guyanese Rice, which represents 38% of the total intra-regional exports of the MDC's, the regional integration efforts to date have hardly touched agriculture. Despite the fact that the similarity of ecological conditions among the CARICOM countries impose some limits to agricultural specialization on a regional basis, there exist significant opportunities for integrating the production and marketing of agricultural commodities within the Region.

Apart from regional producers' arrangements in sugar and bananas which predate CARICOM, the two major instruments of regional agricultural cooperation have been the Agricultural Marketing Protocol (AMP) and the Oils and Fats Agreement. Under these arrangements, the surplus of selected commodities produced in any member country will be imported by other member countries, at an agreed regional price in preference to

imports from outside the region. To date the AMP has had only limited success in stimulating agricultural production and trade within the Region.

## II Proposed Response to the Problem

### A. CARICOM Regional Food Plan

In order to stimulate the integration of the agricultural sectors of the national economies and reduce the rapidly growing food import bill, CARICOM, in December 1975, approved the formation of a Caribbean Food Corporation to implement a "Regional Food Plan" (RFP).

The preliminary work program will focus on a livestock complex but will also involve the development of production programs aimed at achieving a large measure of self-sufficiency in areas such as:

- (a) Small stock
- (b) Animal feeds
- (c) Fish and fish products
- (d) Fruits and vegetables
- (e) Peanuts
- (f) Bananas

In this connection the first step was taken when the CARICOM Corn and Soya Bean Company Ltd. (owned by the governments of Guyana, St. Kitts-Nevis-Anguilla and Trinidad and Tobago) was incorporated in Guyana

in November 1975, to produce corn and soya bean in the intermediate savannahs of Guyana for use by the developing livestock industry. The Caribbean Development Bank financed approximately two-thirds of the project cost of close to G\$4.0 million.

The CDB has already initiated pre-appraisal work on the following regional projects:

- (a) Fisheries
- (b) Peanut production in the LDCs
- (c) Wheat and cassava composite flour production
- (d) Fertilizer storage/distribution for some of the LDCs.

The projects developed under the RFP will be aimed at creating regionally integrated production/marketing systems on a commodity by commodity basis. Project development and financing will primarily be the responsibility of the CDB.

#### B. AID Involvement in the Regional Food Plan

The CDB indicated that a number of the commodity systems to be developed under the RFP could provide significant stimulus and benefit to the small farm subsector (i.e. bananas, peanuts, small stock, fruits and vegetables) to the extent such systems are based on small farmer production and the necessary productive resources are made available. A.I.D. assistance through an FY 1976 Integrated Agricultural Development Program will contribute

some resources for the development of the small farmer subsector. However, the implementation of the RFP will require a substantial expansion in resources and new approaches for expanding small farmer production within a regional Caribbean market.

During the preparation of AID's FY 1976 agricultural program in the Caribbean, it became apparent that the FY 1976 program was not an appropriate vehicle for dealing with all of the identified constraints to small farmer development and expanded food production. For example, additional study is necessary for examining the regional linkages between the MDC's and LDC's and the possibility of implementing a broader regional approach to small farmer development. Likewise, the extent of the land tenure and land use constraint for small farmer development and regional food production requires further investigation. Thus, while the central thrust of the AID program proposed herein will aim at ensuring that the small farmer subsector is adequately integrated into the RFP, this effort will build upon and expand the AID program initiated in FY 1976.

AID grant funds (\$400,000) would be used to finance technical assistance and training related to the small farmer elements of the production and marketing systems under the RFP such as research on small farm production technology and technical assistance and training related to development of cooperatives and grower associations. Grant funds may also be made available for establishing and managing mechanisms for facilitating the transfer of underutilized land to small farmer food production.

AID loan funds (\$10,000,000) would be used to finance the productive resources and services necessary for small farmer participation in the RFP such as:

1. Agricultural production credit.
2. Rural infrastructure (e.g. irrigation) and on-farm capital requirements.
3. Land sale guaranty fund and/or other land transfer instruments.
4. Storage and marketing facilities.
5. Transportation facilities including feeder roads.

Within the RFP, it is expected that a central thrust of the AID supported program will be the establishment of mechanisms that can provide the small farmer subsector with all required productive resources including land, credit, infrastructure, marketing facilities and technical assistance. A key feature of this approach will be the provision of assistance to either individual small farmers and/or groups of small farmers organized into cooperative enterprises or other types of private sector producer groups.

### III Financial Requirements

The CDB has preliminarily identified potential projects under the RFP with an estimated cost of \$68.5 million and it is expected that many more will emerge in the next two years as the programs of CARICOM and other

regional bodies concentrate further on agricultural integration. It is thus reasonable to assume that at least \$10.0 million of AID loan funds and \$400,000 grant funds will be required for financing the resources and services necessary to integrate the small farm subsector into the RFP.

#### IV Development of the Project

##### A. Studies

AID's focus in developing the project would be to identify and quantify the potential for small farmer participation in the RFP. To accomplish this it is proposed that the following studies be undertaken to:

1. Identify commodities most suited to small farmer production from a technical and economic standpoint.
2. Analyze national and regional policies which impact on small farmer participation in the RFP, including the relative importance of land tenure constraint.
3. Identify specific resource requirements necessary for small farmer participation in the RFP.
4. Develop recommendations or models which would maximize small farmer involvement in regional food commodity systems and the study of potential land transfer instruments.

The detailed scope of work for these studies will be developed and carried out in close collaboration with the relevant regional institutions (CDB, CARICOM) in order to maximize their ultimate impact on the shape of the RFP.

It is estimated that up to 40 person-months of consultant services will be required to perform the study at a cost of up to \$200,000.

B. Project Development Schedule

1. PRP: Due 3/31/77
2. PP : Due 12/31/78

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b>  <b>PROJECT IDENTIFICATION DOCUMENT FACESHEET</b>  TO BE COMPLETED BY ORIGINATING OFFICE	<b>1. TRANSACTION CODE</b> ("X" appropriate box)  <input checked="" type="checkbox"/> Original <input type="checkbox"/> Change <input type="checkbox"/> Add <input type="checkbox"/> Delete	<b>PID</b>  <b>DOCUMENT CODE</b> 1
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<b>2. COUNTRY/ENTITY</b> Caribbean Regional	<b>3. DOCUMENT REVISION NUMBER</b>
<b>4. PROJECT NUMBER</b>	<b>5. BUREAU</b>
a. Symbol LA	b. Code
<b>6. PROPOSED NEXT DOCUMENT</b>	
a. <input checked="" type="checkbox"/> PRP <input type="checkbox"/> PP    b. DATE    mo.   day   yr.    10   3   77	

<b>7. PROJECT TITLE - SHORT</b> (stay within brackets)  <input type="checkbox"/> Appropriate Technology Development <input type="checkbox"/>	<b>9. ESTIMATED COST</b> (life of project) (\$000 or equivalent, \$1 = )
<b>8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION</b>	<b>FUNDING SOURCE</b>
a. INITIAL FY <u>78</u> b. FINAL FY <u>82</u>	a. AID APPROPRIATED    5,500
	b. OTHER U.S. (A.I.D.)    1,500*
	c. HOST GOVERNMENT    1,500
	d. OTHER DONOR(S)
	<b>TOTAL</b> 7,000

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)					11. OTHER U.S. (\$000)				
d. Appropriation Alpha Code	e. Primary Purpose Code	f. Primary Tech. Code	FIRST YEAR FY		ALL YEARS		a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS
			g. Grant	h. Loan	i. Grant	j. Loan			
SDP				250		4,000	A.I.D.*	500	1,500
<b>TOTAL</b>				250		4,000	<b>TOTAL</b>	500	1,500

<b>2. SECONDARY TECHNICAL CODES</b> (maximum six codes of three positions each)	<b>14. SECONDARY PURPOSE CODE</b>
<b>3. SPECIAL CONCERNS CODE</b> (maximum six codes of four positions each)	

**5. PROJECT GOAL** (stay within brackets)

[ Expand employment opportunities and production possibilities for the Caribbean Rural and Urban Poor. ]

**6. PROJECT PURPOSE(S)** (stay within brackets)

[ Establish within the Caribbean Region a policy environment that will promote the development of labor-intensive technologies. ]

Institutionalize in the public and private sectors mechanisms for developing and disseminating labor-intensive technologies appropriate for the small Caribbean economies. ]

**7. PLANNING RESOURCE REQUIREMENTS** (staff/funds)

TDY one finance officer, one specialist in appropriate technologies for rural development, one industrial technology/R&D advisor, one employment specialist, and one macro-economist three to four weeks each.

<b>18. ORIGINATING OFFICE CLEARANCE</b>	<b>19. Date Received in AID/W, or For AID/W Documents, Date of Distribution</b>
Signature John Sanbrailo	mo.   day   yr.      mo.   day   yr.
Title Chief, LA/DR/DF - CAR/NC	
Date Signed mo.   day   yr.	

## I. SUMMARY OF THE PROBLEM

One of the most serious socio-economic problems now facing the Caribbean Region is extensive unemployment and underemployment of its labor force. For the region as a whole, census figures indicate that the working age population increased 11% over the period 1960-70 while employment fell by 12% and these declining trends in aggregate employment have continued into the 1970's. Likewise, employment in the Caribbean's dominant sector--agriculture-- has declined by a third of its 1960 level while the number of working aged persons who are not employed increased by over 40%.

For the past fifteen years massive shifts of population from low productivity employment in rural areas to urban unemployment and underemployment have characterized Caribbean labor markets. Despite public policies that have emphasized growth of tourism and industry there has been a steady decline in employment levels in the region. Thus, by the mid-1970's an open and "hidden" unemployment rate has been calculated at 17% of the labor force with substantially higher rates for the younger working age group between 14 and 24 years of age. Merely to hold the rate of open unemployment at its current level, employment creation must exceed 3% annually--a rate rarely obtained in the Region.

However, the employment problem in the Caribbean cannot only be identified as one of insufficient employment opportunities and measured by the rate of open and "hidden" unemployment. These latter figures capture just one dimension of the problem and they generally measure employment status in terms of having or not having a job in the modern--urban sector. A significant and unmeasured underemployment problem also affects workers in both the traditional rural and urban sectors where lack of access to income earning opportunities and appropriate technologies harsh working conditions, low productivity, meager earnings and poverty tend to prevail. Thus, the Caribbean unemployment problem can be characterized by: one, an absolute lack of modern sector jobs in relation to the number of people who would like them, and two, the Caribbean's informal or traditional sector offering only limited employment opportunities based on inadequate technologies and low productivity and incomes.

The causes of the Caribbean employment problem have been explained by a host of factors affecting supply and demand in both rural and urban labor markets. The most important feature on the supply side has been three decades of rapid population growth in rural areas. Caribbean neglect of agriculture since the 1950's has contributed to a decline in demand for rural labor and has compounded the income-depressive effect of a growing rural labor supply. This "push effect" has provided a powerful stimulus for the rural population to seek alternative sources of employment in urban areas.

Concurrent developments on the demand side of labor markets in urban centers provided an equally significant "pull effect." For example, public policies neglected rural development and emphasized industrialization, tourism, and subsidized prices for food and capital as major instruments of economic growth. These policies encouraged the indiscriminate transfer of highly capital intensive industrial technology to the Caribbean Region which increased some production without significantly increasing employment opportunities. Likewise, public sector wage policies, powerful trade unions, the high wage norm established in the capital intensive mineral and industrial sector, and links between the Caribbean and extra-territorial labor markets raised urban wages well above levels prevailing in rural areas and often above the marginal productivity of labor.

All of these factors increased the divergence between the expected net benefits of employment in the modern-urban sector relative to rural employment. This is induced workers to leave the rural sector to join the pool of urban unemployed/underemployed in seeking coveted urban sector jobs and has contributed to the Caribbean's serious socio-economic problems. While during the 1960's net immigration from the Region to North America and the United Kingdom acted as a "safety valve" for some of the excess working age population, this policy option is increasingly less significant. More restrictive immigration policies and the affect of past population growth will increase the Caribbean labor force in the next ten years 2.5 times more than in the 1960's. Clearly, for viable economic and social development in the Commonwealth Caribbean, the declining trend in aggregate employment has to be halted and reversed. As indicated in a 1975 World Bank Regional Caribbean Study, unless means are quickly found for increasing the rate at which Caribbean workers are integrated into the mainstream of the economic process, it is quite likely that the employment problem will worsen to the extent of "...posing a very serious threat to the socio-political order and viability of some Caribbean societies."

## II. PROPOSED RESPONSE TO THE PROBLEM

### A. AID's Caribbean Regional Program

While the sixteen countries and territories of the Caribbean Region differ extensively in size, resources and stages of development, all are confronted by several common problems among which unemployment/underemployment and stagnation of agriculture are the most significant. The inter-related nature of these problems has been recognized by regional institutions and programming affects have placed major emphasis on revitalizing agriculture, with special emphasis on the small farmer subsector, as one means of attacking both problems. AID's current program in the Region emphasizes agricultural development and complementary programs of education and human resources.

The goal of the program proposed in this PID will be to expand employment opportunities for the Caribbean rural and urban poor through the development and dissemination of more appropriate labor intensive technologies that make better use of Caribbean resources. The program will serve to support a growing conviction that developing countries such as those in the Caribbean need technologies which require little capital per worker (labor intensive), are efficient for the relatively small and fragmented Caribbean economies, are easily serviced and maintained, do not require high levels of education or training to operate, and utilize locally available materials. It is expected that the program will be directly responsive to Section 107 of the International Development and Food Assistance Act of 1975 that mandates expanded efforts to promote the development and dissemination of technologies appropriate for developing countries.

#### B. Description of the Proposed Program

The program proposed herein for inclusion in FY 1978 funding will continue and expand earlier AID efforts to assist regional institutions deal more effectively with the severe Caribbean employment problems as well as revitalize rural areas. The program will build upon previous AID projects with the three principal regional institutions -- CARICOM, UWI, CDB -- and it will be jointly implemented by all three institutions. The purpose of the program will be two-fold: first, to establish within the Caribbean Region a policy environment that will promote the development and adoption of labor-intensive technologies appropriate for the small and fragmented Caribbean economies, and, second, to assist the Caribbean public and private sectors establish the institutional mechanisms necessary to develop and disseminate appropriate technologies that can provide expanded employment opportunities and production possibilities for the Caribbean rural and urban poor. It is expected that the program will be composed of three major components as follows:

-- Caribbean Regional Policy Environment: Public policy in the Caribbean as in other LDC's has tended to favor capital-intensive technology. Policies with respect to foreign exchange rates, licenses for imported materials and components, interest rates, wages, allocation of investment funds, and other measures are often biased in favor of larger, capital intensive methods. The program will assist CARICOM carry out long-range studies required for formulating a regional policy on the development and dissemination of appropriate Caribbean technologies. Special emphasis will be placed on analyzing those policy constraints that may be restricting the development and adoption of more labor-intensive technologies such as artificially low interest rates, policies that hold wages above marginal productivity, and lack of funding for research and development. By the end of the program, it is expected that detailed data, special studies and a policy-making process will be in place so that regional technological policies can be implemented. Up to \$500,000 of grant funds will be made available for this element of the program.

-- Appropriate Technology Development Center: While correcting policy distortions that have limited development and adoption of labor intensive technologies may be necessary, it is generally recognized that such actions alone are insufficient. Both the public and private sectors require institutional research and development that can produce new products and processes that better utilize local resources, information on alternative mixes of technology, assistance in adopting technologies to existing factor endowments; and conditions, attitudes, markets and incentives which will lead to the development and adoption of tools and machines that fit the special economic and social environments of the Caribbean.

It is therefore expected that a major component of the program will finance the establishment within UWI of an Appropriate Technology Development Center (ATDC) that will provide a focal point for basic and applied research for developing new labor-intensive technologies suited to the small and fragmented Caribbean economies. The Center will serve to coordinate and expand current Caribbean research and design work on alternative technologies that have a particularly important impact on the rural and urban poor. Research work by the ATDC would be undertaken on developing (or adopting from other parts of the world) simple technologies in fields such as: increasing the productivity of rural village industries and small agro-industries, expanding the labor-intensity of industrial enterprises, investigating alternative energy sources such as windmills and solar energy convertors, developing simple tools and machines for Caribbean agricultural development, and improving the methods of managing large numbers of Caribbean workers in various productive processes. Possible assistance from Dr. Schumacher's Intermediate Technology Development Group (ITDG) in London, England for various aspects of this activity will be investigated during program development.

The Center would also provide information to the Caribbean public and private sectors on worldwide technological developments and connect the Caribbean with development centers in other areas of the world. Strong linkages between the ATDC and the Caribbean private sector will be encouraged. A major aim will be to provide Caribbean industries with new marketable products and more efficient production processes that have a direct impact on improving the lives of the rural and urban poor.

Up to 2.0 million will be provided for the development of this Center. Approximately \$1.0 million may be necessary for construction and equipment and \$1.0 million for technical assistance related to establishing and operating the Center. By the end of the program it is expected that an Appropriate Technology Development Center will have been established in UWI that is providing (through the Caribbean public and private sectors) a regular source of new labor intensive technologies and products that

deal with the problems of the poorest majority. This element of the program will continue AID financing for the UWI initiated with a 1975 AID Loan of \$8.5 million and it will continue to support the policy goal of making the UWI more relevant to the development needs of the Caribbean Region. In addition, this part of the program will provide a Caribbean structure through which the appropriate technology activity in an FY 1977 Small Rural Industry and Agribusiness Development Loan can be institutionalized.

-- Credit Fund for the Design, Adoption and Marketing of Appropriate Technologies in the Caribbean: The design, final development and marketing of new tools and machines, and the adoption of improved production processes, is usually undertaken by private industry in its own R&D Departments. Working with the basic and applied research results and prototypes generated by public sector research centers such as the proposed ATDC, private industry moves research ideas from the laboratory to the marketplace and the production process. Here profitability and availability of private sector research and development funding play critical roles in the final dissemination of appropriate technologies.

To complement the two previously described program components, a private sector R&D Credit Fund will be established in the CDB for providing Caribbean industries with loans for activities such as: new product design and marketing, the adoption of existing capital intensive technologies to more labor intensive methods, the development of new technologies for small rural industries and agri-business, and the establishment of R&D units in private industry that can provide a regular source of marketable new technologies appropriate for the Caribbean economies.

This credit fund will be administered by the CDB. It is expected that the ATDC will provide technical support to the CDB in developing criteria for subgranting and that the ATDC/CDB will jointly approve most subloans. This relationship will serve to develop linkages between the ATDC and the Caribbean private sector. By the end of the program it is expected that the following results will have been achieved: one, a number of Caribbean private firms will have marketed new products, tools and machines that deal directly with the needs of the rural and urban poor; two, more labor-intensive processes will have been adopted by a number of Caribbean industries, and three, R&D Departments will have been established by a selected number of Caribbean industries and they will have developed close ties with the UWI's Appropriate Technology Development Center. Up to \$3.0 million of AID loan funds will be provided for this credit element of the program.

### III. FINANCIAL REQUIREMENT

The program proposed herein will require an input of approximately \$5.5 million of combined loan and grant financing distributed as follows: CARICOM (\$500,000), UWI (\$2.0 million) and CDB (\$3.0 million). It is expected that the Caribbean Regional institutions will provide a combined counterpart contribution of approximately \$1.5 million mainly for operating and local support costs for the program. Program funds will be disbursed during the period 1979-82.

An AID loan of up to \$4.0 million and local contributions from the Caribbean Regional institutions of at least \$1.5 million will provide the major resources for this program. The AID loan will allocate up to \$3.0 million for the Appropriate Technologies Credit Fund in the CDB and up to \$1.0 million for necessary capital costs related to the establishment of an Appropriate Technology Development Center at UWI. However, because the program will involve extensive costs for technical assistance, institution-building, special studies, and research and development, some grant funding will be necessary. It is therefore expected that the Caribbean Regional institutions (CARICOM and UWI) will request for the program in FY 1977 complementary grant funding of \$1.5 million from the private Appropriate Technology Organization to be created by AID in response to Section 107 of the International Development and Food Assistance Act of 1975. Because these grant funds will be critical to the implementation of the proposed program, approval of this grant project will be a major condition precedent to the signing of an AID loan agreement for funds described in this PID.

### IV PROGRAM DEVELOPMENT

#### A. Studies

The development of this program during the coming years will involve extensive study and organizational work by the Caribbean Regional Institutions and AID. If the program is to be developed, close assistance from AID will be required for mobilizing local support and for further defining the scope of this effort. To bring the program to full feasibility will require the following studies:

-- A survey of ongoing efforts in the Caribbean to develop more appropriate technologies.

-- An analysis of national and regional policies that impact on appropriate technology development and the Caribbean unemployment and underemployment problem.

-- Identification of specific appropriate technologies that could be developed and disseminated and their potential benefits for the rural and urban poor.

-- Development of models which could be used for establishing the ATDC and the Private Sector R&D Credit Fund, and detailed feasibility studies for these activities.

The scopes of work for these studies and surveys will be developed and carried out with the relevant regional institutions in order to maximize their ultimate impact on the shape of the program. It is estimated that up to \$200,000 in grant funds will be necessary for developing the program to the PP stage. Funding for program preparation costs will be requested from AID's new Private Appropriate Technology Organization.

#### B. Program Development Schedule

- |         |             |
|---------|-------------|
| 1. PRP: | Due 3/31/77 |
| 2. PP : | Due 3/30/78 |

#### V. ISSUES

1. Availability of Grant Funds for the Program: In response to Section 107 of the International Development and Food Assistance Act of 1975, AID is creating a private non-profit appropriate technology organization that will provide grants directly to R&D institutions and universities in the LDC's. It is understood that this organization will be in operation and funded in FY 1977. However, it cannot now be determined whether this new organization will have sufficient funding so that a \$1.5 million grant can be provided for the program proposed in this PID. Thus, the ABS review should determine whether some LA Bureau grant funds can be made available for this program.

2. Appropriation Source: It is recommended that the proposed program be assigned to Section 106 funding (Selected Development Problems) rather than to Section 103 (Food Nutrition and Rural Development). While a major thrust of the program will be on developing and disseminating appropriate technologies that can revitalize the rural sector, this focus alone is perhaps too narrow for adequately dealing with the Caribbean employment problem. As described earlier, a significant part of the problem involves the highly capital intensive nature of Caribbean industries and extensive urban unemployment and underemployment. Thus, to adequately deal with the problem, the program must be able to assist local urban industries adopt more labor intensive production processes that efficiently utilize additional Caribbean labor resources. This element of the program would be in accordance with the Agency's new directive (PD-67) which assigns priority to programs which seek to demonstrate successful methods and approaches for helping the urban poor in areas of employment generation.



PROJECT IDENTIFICATION DOCUMENT

Project: Trained Manpower Improvement  
No. 538-11-660-008-(C)

Sub Activity: Regional Training for Development Assistance

I. Summary of the Problem\*

The shortage of managerial and technical skills is one of the major constraints to development in the Commonwealth Caribbean. An indication of the magnitude of the problem is given in 1970 census data which recorded only 1% of the regions labor force as university graduates with the vast majority of these in the MDCs. The problem is particularly acute in the smaller, less developed states where the inability to prepare feasibility studies and then provide the necessary managerial and technical personnel to implement programs is impeding the utilization of resources available through the Caribbean Development Bank (CDB). However, the CDB experience is only symptomatic of the broader problem. Surveys of governments in the area show that 8-12% of established positions are not filled because of lack of qualified candidates. Many of the currently employed are not really qualified, and there are large numbers of expatriates recruited for positions in the public and private sectors. Included, among others, are agricultural technicians, health personnel, and educators. Further evidence of the problem is seen in the estimated 4,000 work permits issued to expatriates in an area with large-scale unemployment.

The UK's Development Ministry reports that it is presently providing

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\* For additional analysis of this problem as it relates to the overall development needs of the region, see the Regional "Overview" issued separately as a classified document 7/27/76.

some 200 professionals to the Commonwealth Caribbean region while hundreds of additional foreigners are recruited by West Indian governments to fill positions as teachers, doctors and agricultural technicians, and many of these receive salaries which are augmented by the U.K.

These figures hint at but do not otherwise describe the magnitude of the problem that exists at lower levels of public and private employment filled by managers and technicians only partially trained to carry out their responsibilities.

Comprehensive studies of the manpower situation in the LDCs have yet to be made. On the basis of initial analysis, however, the CDB and the UWI have identified the need for a Center for Training and Development Studies.\* The UWI has simultaneously taken steps to establish an External Studies Program to provide academic needs not otherwise obtainable in many of the territories. The UWI will provide university undergraduate, graduate and general studies courses through the new External Studies activity. The CDB (with UWI assistance) may train, for example, at the Center: financial officers, engineers and economists in how to design and carry out studies, prepare loan applications and manage development projects. Both of these activities are being assisted by AID as separate subactivities under the trained Manpower Improvement project. There remains uncovered, however, an extensive gulf of training needs; selected academic, non academic and technical training, and regional seminars. The sub activity described in this PID - Regional Training for Development Assistance - is designed to support this requirement and to provide initial

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\* The Center for Training and Development Studies was to have gotten underway in FY 1976 but problems in obtaining full agreement by all member governments have delayed initiation. An additional problem remains, the availability of the world-renowned economist Sir Arthur Lewis to head the Center. Should the coordination and management problems continue into FY 77 it may prove expedient to seek - though Prior Notification to the Congress - to begin this new sub activity before FY 78 and seek to provide some of the training programs that are more properly the province of the Center to project preparation and management.

steps to help institutionalize a regional capacity to carry out training for development needs in the area.

II. Proposed Response

A. Project Description

This sub-project will provide training in skills which are directly related to priority economic and social development needs of the countries and territories of the Eastern Caribbean. Specifically, training will be considered in disciplines such as those related to agriculture, agribusiness, intermediate technology, health planning and services, education. This regional, multi-year, sub-activity is designed to address development needs not provided by the UWI or its proposed External Studies Programs and the Center for Training and Development - as noted above and as described in their respective Project Papers. Training requested will include a statement on its potential contribution to development, relation to AID strategy, potential impact on the poor majority, and the institutional effect of the proposed training. Training plans will be reviewed in the AID Affairs Office for completeness and for clarity of justification.

Trainee selection and project criteria will require the cooperation of the AID Affairs Office and the host countries.

Nearly all of the countries and territories have as a part of the Ministry of Development, Education - a Training Office. Traditionally these offices, under a fairly high-level civil servant, exist to coordinate the selection of individuals for degree and non-degree training at host government or UK expense. This training to take place in country, in neighboring countries of the Commonwealth Caribbean, in the UK, Canada

and occasionally other countries - including the USA. These Training Offices are expected to offer the best opportunity for institutionalizing this proposed activity. The UWIs External Dept. which has facilities and resident tutors in each of the territories offers another possibility.

Annual training proposals setting forth training priorities and participant recommendations will be established by each participating LDC through in-country committees. Implementation procedures will be devised to insure selection of the most appropriate and competent personnel for training who at the completion of their programs will return to their ministries or other places of former employment to implement rural development programs.

The training activities will fall within four categories: The four categories selected for attention by AID are listed in order of priority - as seen at this initial stage of project development. The figures shown in brackets represent an initial estimate of allocation of AID resources to each type of training. More precise analysis, to be carried out with the PRP will of course result in a closer determination of both the importance of each category and the proportion of AID and host country resources that will be recommended; (a) Special in-country training. (40%) It is envisioned that many territories will need special courses in planning, management analyses, health delivery, nutrition, in-service training in taxation, administration, marketing, etc. Courses will be conducted by experts from the U.S. or the Caribbean, will generally be of short duration but could be as long as six months; (b) (20%) Short-term technical training in the U.S. for on the job or observation purposes.

(c) Special academic training in the United States. (25%)

Participants selected for this program will in all probability be employed in the public and private sectors. They will have certain educational and skill levels that require additional polishing in key disciplines. Special programs will be developed in U.S. institutions for up to one year's study. Upon completion the participant will return to his home territory and previous employment; (d) Degree and certificate training in Caribbean institutions. (15%) Participant training program will be developed for up to three years training in Caribbean territory institutions such as the University of West Indies, the Samuel Jackman Polytechnic Institute in Barbados, the College of Arts, Science and Technology in Jamaica or other such institutions.

The outputs necessary to achieve the project purpose are:

1. Trained individuals possessing modern managerial skills for planning, developing, and implementing, social and economic development projects aimed at benefiting the rural poor; and
2. Placement of these individuals in development-related jobs where their training can be utilized directly. The kinds of technical and physical resources required are institutions which can provide specialized (non-degree) training and graduate degree training as required. In-country or Caribbean area training will be programmed in the developmental areas where it is more feasible and effective to bring the trainers to those sites for short periods of time.

The estimated disbursement period of this activity will be four years (FY 1978-1981).

B. Major Assumptions

1. Host government policy is to up-grade when possible the managerial and technological expertise of its officers who are directly employed in social and economic development positions.
2. Host governments involved will identify and release candidates for training under this project and continue their salaries while in training.
3. Host governments will insure utilization of trainees by having appropriate positions available when they return.
4. Participants trained outside their country agree to return home on completion of training to utilize the training received.

C. Similar Activities

While training assistance is provided by other bilateral donors and international organizations to some of the recipient countries, this activity focus is primarily on the rural poor and does not conflict with or duplicate these other training efforts.

D. Alternatives

There is no realistic alternative to providing carefully developed training programs for qualified Caribbeans who can be effective in designing and implementing priority economic and social development problems which will directly benefit the rural poor. It would be unrealistic to believe that the quality of developmental programs will improve either in the short or long term without an upgrading of personnel expertise.

E. Beneficiaries

The trained persons provided by this project will enable the various Caribbean governments to plan and implement development projects which will benefit the poor majority by assigning project-trained personnel to key development-related projects.

F. Spread Effect

The project should have a multiplier effect in that trainees will return to or be placed in positions where their training will be utilized to its maximum effectiveness in social and economic projects for the entire country. The recipients of this training will also be in a position to pass on their skills to fellow workers through in-country training programs.

II. Financial Plan

AID funding will cover all costs of student training in the U.S. and third-countries. These costs include course tuition, contractor costs to provide in-country or Caribbean area training, transportation within the U.S., student allowances and per-diem as set forth in the Participant Training Handbook. The host government will continue participant's salary while he is in training. International travel costs will be paid by the host government.

Funds may be provided for seminars or workshops to introduce new ideas or technologies in specialized areas where it is more advantageous to bring trainers to the host country or Caribbean region to train larger groups of up to 30 persons rather than to send them out of the country or region for individual or group training.

DETAILED BUDGET (to be developed during preparation of PRP \*PP)

\$000

<u>PARTICIPANTS</u>	<u>FY-78</u>	<u>FY-79</u>	<u>FY-80</u>	<u>FY-81</u>	<u>LOP</u>
Special In-Country Training					
Short-Term Technical Training (US)					
Special Academic Training (US)					
Degree or Certificate Training in Caribbean Inst.					
Total	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>1,000</u>

III. Development of the Project

A. Studies

AID's focus in development of the project would be to work closely with West Indian authorities to identify and quantify the priority training requirements necessary for effective implementation of development programs, with particular emphasis on those being supported by AID and the Caribbean Development Bank. To accomplish this, it is proposed that a study be undertaken to:

- Identify priority training requirements, initially concentrating on training related to approved programs of the CDB or other CARICOM institutions;
- Identify existing training programs within the region;
- Catalog training opportunities provided by other donors;

- Make recommendations on the scope and nature of additional training programs (either within or outside of the region) needed to meet priority requirements;
- Identify those programs that require external assistance and make recommendations as to the appropriate nature of AID assistance in this training program.

B. Technical Assistance

It is estimated that up to 5 person/months of consultants' services will be required to perform the study, at a cost of up to \$25,000. AID/W direct hire NTE 20 days.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT IDENTIFICATION DOCUMENT FACESHEET**  
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE  
 A = ADD  
 C = CHANGE  
 D = DELETE

PID  
 2. DOCUMENT CODE  
 1

3. COUNTRY/ENTITY  
 CARIBBEAN REGIONAL

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)  
 011

6. BUREAU/OFFICE  
 A. SYMBOL LA B. CODE

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)  
 Improved Tax Administration

8. PROPOSED NEXT DOCUMENT  
 A.  2 = PRP  
 3 = PP

B. DATE  01/4/77

9. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = )

FUNDING SOURCE	6465266
A. AID APPROPRIATED	713
B. OTHER U.S.	1. 2.
C. HOST COUNTRY	314
D. OTHER DONOR(S)	
TOTAL	1,027

ESTIMATED FY OF AUTHORIZATION/OBLIGATION

a. INITIAL FY  7/8 b. FINAL FY  8/1

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
2) E&HR				150		713	
		TOTAL		150		713	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.)

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

14. SECONDARY PURPOSE CODE

PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To increase revenues for development of the region to give impetus to projects impacting on the rural poor.

PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)

To upgrade the tax administration capacity of the LDC members of CARICOM to collect more revenues to achieve the stated goal.

15. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE

Signature: LA/DR

Date Signed: MM DD YY

19. DATE DOCUMENT RECEIVED FOR AID/W, OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION

MM DD YY

P. I. D. NARRATIVE

1. Summary of the Problem to be Addressed and the Proposed Response

a. The Problem

The problem being addressed in this proposed project can be alleviated to a significant degree through the attainment of its goal and purpose. The goal is to increase revenue source availability in support of CARICOM-member plans for the development of the region with emphasis on projects impacting on the poor majority. The Purpose is to upgrade the tax administration capacity of the CARICOM members to collect more revenues needed to achieve the stated Goal.

The Caribbean Community (CARICOM) nations have shown a strong interest in improving their tax administrations as evidenced by the establishment of the Caribbean Organization of Tax Administrators (COTA) as an instrument of CARICOM for the improvement of tax administration. Several of the more developed countries (MDC's) have made particular efforts within the past few years in advancing the capability of their tax administrations, using technical assistance from the United States Internal Revenue Service: Jamaica and Guyana by means of AID funding in the amounts of approximately \$276,000 and \$216,000 respectively. Trinidad and Tobago by funding through its own budget in the amount of over \$400,000.

While this interest in tax administration improvement and its concomitant efforts have significantly increased the institutional capacity of three of the MDCs of the region, the less developed countries (LDCs), have not enjoyed similar progress in tax administration. A principal reason is the difficulty in creating a viable organization with all the essential requirements for effective tax administration, in countries and territories with population range

from 200,000 down to 14,000. In this regard, below a certain minimum size it is difficult to develop the various trained specialists essential to carrying out the broad array of tax administration functions. The following table is illustrative:

CARICOM Area, Population, and Per Capita GDP 1971

<u>Country</u>	<u>Area (Square Miles)</u>	<u>Population (1,000)</u>	<u>Per Capita GDP (U.S. \$)</u>
*Barbados	166	250	884
*Guyana	83,000	800	400
*Jamaica	4,411	2,100	860
*Trinidad	1,980	1,000	1,100
**Belize	8,966	125	550
**Antigua	170	70	434
**Dominica	305	75	277
**Grenada	133	110	346
**Montserrat	32	14	538
**St. Kitts	118	65	368
**St. Lucia	238	110	370
**St. Vincent	150	95	220

\* MDCs

\*\* LDCs

In a recent COTA study of tax administration in the LDCs the major problems were identified as follows:

(1) Tax Agencies continue reliance on outdated and unsuitable systems methods and procedures. Management training and skills are lacking with the result that there is insufficient utilization of existing resources through weak organization structures and crossing of functional lines. Lines of authority and areas of responsibility are not clearly defined.

(2) Tax Administration is totally assessment oriented, resulting in an imbalance of compliance programs. Field audits of tax returns are not generally conducted and the collection on outstanding

\*\*\*Less Developed Countries Tax Administration Survey, COTA, September 11, 1975 (Restricted Distribution).

taxes and the pursuit of delinquent returns are neglected.

(3) Resources are inadequate, particularly trained and experienced human resources. The latter results largely from the small size of the Tax Agencies which limit career opportunities and the insufficient attention given to training of staff.

(4) A lack of awareness in the problems of tax administration at the highest Governmental levels resulting in inadequate attention given to the resources requirements of Tax Agencies.

#### 1. Project Proposal

CARICOM responding to the expressed needs of its membership and working through COTA plans to pursue the advantage of a common services approach to achieve greater uniformity in the level of efficiency and effectiveness of tax administration throughout the region. A fundamental step to achieving that end will be the centralization of common services that can be made available to all CARICOM countries--services that in the individual LDCs are not now performed or are achieved at a very low level of efficiency and effectiveness. This would make possible greater use of specialized talent than is possible to achieve in each of the individual countries. At the same time, efforts at continuing improvement within the more developed countries (MDCs) will place the MDCs in a better position to provide assistance, either bilateral or through COTA, to the LDCs as well as technical leadership in the attainment of the CARICOM objective in tax administration improvement.

The purpose of the proposed project will be to support this region--wide improvement in tax administration. Towards this end, the following are indicative of the estimated outputs and technical resources requirements to meet project purpose.

#### 1. Training

Training should be considered at three levels: (a) Policy level, (b) Management level, and (c) Technical level.

(a) Policy Level - The policy group would include Vice-Ministers (perhaps Ministers also), Commissioners of Revenue, and those at similar levels. This recommendation responds to the LDC survey conclusion that top decision makers are insufficiently aware of problems in tax administration.

This orientation could consist principally of short, less-than-a-week, seminars presented either in-country or abroad by CARICOM Secretariat Advisors, Commissioners from some member countries, and outside advisors, especially for seminars conducted abroad. These seminars would be useful in helping top executives to focus on local tax administration problems, relationships, and linkages with other areas, and the crucial role of tax administration in fiscal reform. Also, observation trips abroad to review other tax administrations systems would be very informative for this group. The estimated number of officials is 24.

(b) Management Levels - This would cover middle level managers. The U.S. Internal Revenue Service offers a seven week middle-management course in the United States, which provides a grounding in basic management and supervisory principles as well as on-site observation of the application of these principles at IRS field offices. This course can be modified as needed to meet specific requirements of CARICOM members. The estimated number of participants is 45.

(c) Technicians - Specialized on-site training courses will be initiated or continued, as the case may be in three primary functional areas--audit, collections, and management analysis. To the extent available, CARICOM members' training resources will be used, and supplemented by outside assistance. Estimated: 2 audit techniques courses for 30 auditors; 2 collection techniques courses for 30 collection officers; 1 management analysis course for 15 analysts.

(d) Overall Training - In planning and programming all training the use of regional resources to the extent they are available and adequate in quantity and quality, will be emphasized.

## 2. Technical Assistance

The major goal of technical assistance will be the establishment of administrative structures for centralizing common services, that will efficiently serve tax administration needs of the CARICOM community. Specific advisory assistance to operations will follow functional priorities such as: Audit, data processing, collection, and taxpayer identification registries. Competent outside advisory assistance, including the U.S. Internal Revenue Service which can provide technical assistance in all aspects of tax administration will be supplemented by qualified assistance where available from CARICOM members.

## 3. Contribution to Project

In addition to AID-supported training and technical assistance, the CARICOM Secretariat will seek the contribution of technical and financial assistance from the Organization of American States, (OAS), relevant agencies of the Government of Canada (CIDA) and the United Kingdom as well as the United Nations, the International Monetary Fund, and Inter-American Development Bank. The Secretariat, through COTA and its assigned Tax Advisor, will be the principal counterpart with responsibility for coordinating assistance efforts.

The principal assumption for project success is that interest within CARICOM will continue working seriously toward a significant upgrading of tax administration capability in its member countries. Indications of such interest are the following:

- The receptivity of the CARICOM countries to technical assistance in tax administration. In addition to the three MDCs that have received technical assistance from US/IRS, the other MDC, Barbados, is now receiving technical assistance in tax administration from a U.N. representative--the latter based upon a survey conducted by US/IRS in 1971. Many of the LDCs have requested and received assistance from the United Kingdom and Canada and in some instances from the MDCs within the region. The OAS has sponsored three tax administration courses in recent years (two in audit techniques and one in training management) and has provided tax administration-related technical assistance in Trinidad and Tobago for the past four years.

- The establishment of COFA generated with:

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3. Development of the Project

To develop the technical basis for preparation of the PRP, two staff months of advisory services will be needed starting on or about November 1, 1976 to assure submission of a PRP to AID/W by January 1977.

For the preparation of the PP which we anticipate will be due in Washington on or about August 1, 1977, three staff months of TDY assistance will be needed starting on or about May 1, 1977.