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ACTIVITIES OF THE AGENCY FOR
INTERNATIONAL DEVELOPMENT IN SUPPORT OF
THE CARIBBEAN BASIN INITIATIVE

OCTOBER 10, 1984

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I. INTRODUCTION AND SUMMARY

The Caribbean Basin Economic Recovery Act authorizes a unique one way free trade provision for designated Basin countries as well as other trade and AID provisions designed to help the region to overcome the effects of both its incipient underdevelopment and the worldwide economic recession. As of this date, twenty Basin countries have been designated as eligible under the Caribbean Basin Initiative (CBI).

This report summarizes AID's efforts to date toward implementation of the CBI and illustrates the broad range of undertakings of both the LAC Missions as well as AID/W to support private sector development in the region. We feel that the Agency's program represents a clear example of how the Agency can respond to U.S. foreign policy directions. AID has moved swiftly to provide the financial and institutional private sector foundation to promote and take advantage of the new opportunities for trade and investment resulting from enactment of the Caribbean Basin Economic Recovery Act.

The report also illustrates a commitment of over \$ 2.0 billion in U.S. government resources since the CBI was first conceived in Fiscal Year 1982. The substantive impact of these resources, translated into financial and technical support, will be fully realized in the coming years as regional trade and economic development goals and objectives are met. These goals and objectives include sustained economic growth with equity, increased employment, and improved foreign exchange earnings, through increased private sector investments and export trade.

At this stage of CBI implementation, much of our effort is focused on improving the business climate within the Basin. As a result of government-to-government dialogue on the need for reforms in economic and social policies that affect private enterprise, we are seeing important changes in attitudes and policies toward private investment and export-led growth. Our economic aid in the form of balance-of-payments support is helping to make possible an economic environment that can sustain these policy changes that will lead to much-needed economic growth and stability for the region.

We are also encouraging the development of necessary public and private institutions in the Caribbean Basin, such as trade associations, chambers of commerce, business and trade training facilities, and financial institutions needed to support vigorous free enterprise and private investment. It is through these institutions that the positive and dynamic values of trade and development will continue beyond this early period of active resource transfer from the U.S. to cooperating countries.

Innovative approaches to export promotion and investment attraction, such as a gift and handicraft show at the Atlanta Market Center and the Coopers & Lybrand investor search program on behalf of the Eastern Caribbean, have begun to yield impressive results.

Finally, AID is collaborating with other U.S. government agencies and cooperating Basin countries to remove structural barriers to productive trade and investment. For our part, we are actively participating in the interagency Caribbean Basin Task Force, made up of representatives of the key U.S. implementing agencies and chaired by Ambassador William E. Brock, to address impediments to interregional trade and investment. Working closely with the U.S. and Caribbean Basin private sectors, the Task Force will continue to work to ensure the success of the Caribbean Basin Initiative.

II. AID's Activities in Support of CBI

Funding Summary:

- In FY 1982, the CBI Supplemental Appropriation of \$350 million provided funds for balance of payments support (totaling nearly \$300 million) as well as specific project activities (about \$50 million) with both the public and private sectors.
- In FY 1983, A.I.D. provided approximately \$736 million in Economic Support Funds (ESF) and Development Assistance (DA). (See Table).
- In FY 1984, A.I.D. will provide about \$600 million in ESF and DA. (See Table).

Projects in direct support of the CBI have been and will be undertaken both from Washington and through AID field offices.

- From Washington, ten projects (with funding at \$18 million) are ongoing; at least three more (estimated life of project funding of \$3 million) are planned during the remainder of FY 1984.
- In the field, twenty-three projects (with funding at \$164 million) are ongoing; at least nine more (estimated funding of \$90 million) are planned during the remainder of FY 84.

This does not include many projects, for example in health, primary and secondary education, agricultural research and extension, etc. because there is no direct linkage to the trade, investment and employment objectives of CBI. These projects are, of course, important as they assist in improving the overall standard of living and ultimately the business climate in Basin countries.

ECONOMIC ASSISTANCE LEVELS
(\$U.S. Millions) 4/

	FY 1982		FY 1983		FY 1984 6/	
	Supplemental DA 1/	ESF 2/	DA	ESF	DA	ESF
Belize	5.4	4.6	6.7	10.0	3.9	----
Costa Rica	1.3	73.7	27.2	157.0	15.2	70.0
Domin. Rep.	---	41.0	26.6	8.0	27.7	34.0
El Salvador	---	75.0	58.8	140.0	41.1	120.0
Grenada	---	----	----	----	---	54.9
Guatemala	---	10.0	12.3	10.0	3.4	----
Guyana	---	----	.1	----	----	----
Haiti	5.0	----	17.3	10.0	20.5	5.0
Honduras	---	38.0	31.23	56.0	31.3	40.0
Jamaica	2.0	50.0	22.2	59.4	32.6	55.0
Nicaragua	---	----	----	----	----	----
Panama	---	----	6.3	----	10.7	----
Regional 5/	7.0	32.0	42.6	35.0	61.0	27.0
TOTAL	50.7	299.3	251.4	485.4	247.9	405.9 3/

1/ Development Assistance (project assistance).

2/ Economic Support Funds (general balance of payments support.)

3/ Total does not include the approved supplemental ESF appropriations of \$290.5 for the following countries:

Belize	10.0	Costa Rica	60.0
El Salvador	90.0	Honduras	72.5
Panama	30.0	ROCAP	28.0

4/ Amounts are rounded to the nearest \$0.1 million.

5/ Regional totals include ROCAP, Regional and RDO/C.

6/ Sources for OYB FY'84 funding:

"Program Status Report, Office of Development Programs, 8/10/84.

"Memorandum for the Administrator from Kelly Kammerer, LEG, 8/10/84.

III. Key Ongoing and Planned Projects

The following section summarizes those projects which AID has underway to support the trade and investment objectives of the CBI.

A. Aid/Washington Activities Undertaken by LAC.

1. Private Sector Initiatives (598-0619). The following activities have been funded under this project:

a) Title: The Chicago/Caribbean Basin Promotion Center

Funding : \$750,000

The Center which is associated with the Chicago Association of Commerce and Industry provides professional service to U.S. companies and investors in locating manufacturing facilities or sources of products in the Caribbean Basin. The initial focus of the Center is on the Dominican Republic and Costa Rica.

Since being funded in 1982 the Center has helped generate \$16 million of trade and \$330,000 in direct investment in the two countries.

b) Title: The Ibero-American Chamber Export Project.

Funding : \$300,000

Description: The Ibero-American Chamber of Commerce (IACC) has just been funded to provide trade and investment promotion for agribusiness in selected Caribbean and Central American countries. It is expected that The IACC will generate \$5 million in exports involving 40 exporters from the CBI countries. Marketing and other Management services will be provided to owners and managers which produce, handle or process products in the region.

c) Title: The Chamber/New Orleans and the River Region.

Funding : \$260,420

Description: The purpose of this FY 1984 project is to provide trade and investment promotion for Belize and Honduras. The project is projected to develop ten new investment opportunities, to generate \$2,000,000 in investment and trade and develop markets for three new products. Support services will include a directory of Honduras and Belize businesses, a bulletin focusing on trade and investment, four trade missions to the countries and an exhibit at the New Orleans World Fair.

d) Title : Caribbean/Central American Action (C/CAA).

Funding : \$480,000 (FY 1982)

Description: C/CAA, a Washington based non-profit organization funded primarily by major U.S. corporations, is working with AID funds to provide support mechanisms for the growing leadership and economic development of Basin private sector organizations. The two-year AID cooperative agreement has three components: (1) to establish a technical assistance clearinghouse for the twin chamber network; (2) to create a Caribbean Basin data bank and information system; and (3) to create a mechanism to top the resources of the U.S. Chamber of Commerce as part of an investment and marketing outreach program from the region's private sector into the U.S. business community. An extension of this cooperative agreement and the possibility of additional financing through FY 1985 are currently under consideration.

e) Title : Export Promotion of Basin Handicrafts and Gift Items.

Funding : \$275,000 (FY 1984)

Description: This contract with the Atlanta Market Center (AMC) provided technical advice on the design, quality control, pricing and marketing of handicraft and gift items to Caribbean Basin producers. This effort culminated in a special Caribbean Basin Exhibit at the July 1984 National Gift Show at AMC. More than \$260,000 in initial export sales were confirmed and the Basin producers gained valuable insight on the intricacies of selling in the U.S. marketplace. The project confirmed the usefulness of merchandise fairs as a marketing device for Basin exports and a variety of follow-on activities by AID Missions and LAC/DR are being planned.

2. Caribbean Project Development Facility (CPDF)

The CPDF is a project appraisal unit which assists Caribbean businessmen in examining the feasibility of their projects. CPDF is an experimental activity funded by several donors under the auspices of the Caribbean Group; it is designed to increase the number of private investments undertaken in the Caribbean and to assist in arranging financing for these investments. CPDF operates out of the International Finance Corporation (An affiliate of the World Bank) and it services the Eastern Caribbean Islands as well as Trinidad and Tobago, Guyana, Haiti, Dominican Republic, Jamaica and the Bahamas. (AID contribution - \$ 1 million.)

B. AID/Washington Activities Undertaken by the Bureau for Private Enterprise

The following outlines Bureau for Private Enterprise (PRE) activities, planned or underway, in support of the Caribbean Basin Initiative. Several are region-wide (i.e., the Basin countries), while others focus on one or more of the individual countries.

In summary, the Bureau's overall program in the Caribbean consists of several mutually supportive elements:

1. Technical Assistance: The Bureau provides assistance to host governments, businesses and business organizations, and other public and private institutions in six principal areas. These areas have been targeted because they represent the most critical constraints to private enterprise development while at the same time representing areas in which private businesses have the resources and technical expertise required to eliminate them. They are:

i) Policy Dialogue: The Bureau has developed services which assist in reviewing host country laws, regulations, policies and practices which affect business operations and investment decisions, providing recommendations on needed changes to improve the overall private business and investment climate. For example, PRE funded analyses undertaken by Business International on the overall investment climate in selected Caribbean countries (Jamaica, Haiti). PRE also developed a strategy for AID support to private enterprise development in Grenada which emphasized the need to resolve critical policy and regulatory issues.

ii) Capital Market Development: PRE promotes the development of a broad range of capital market institutions (e.g. venture capital, insurance companies, pension funds, stock markets, leasing firms, secondary markets, and commercial/merchant/ investment development banks) which must function effectively to mobilize local resources for debt and equity financing of productive investments. Institutions that service small businesses, cooperatives, and farmers are particularly emphasized. Assistance in this area is particularly evident in our project financing facility described under section 3 below.

iii) Transfer, Adaptation and Commercialization of Technology: An area the Bureau is just beginning to develop, we will be promoting the transfer, adaptation and incorporation of appropriate product/process technologies into LDC businesses which will result in the

private manufacture and marketing of new and/or improved products in developing countries. The Bureau already has several programs, described more fully below, which promote the transfer of technology from the U.S.

to Caribbean nation businesses, such as the International Executive Service Corps (IESC) and the Joint Agricultural Consultative Corporation (JAC Corp).

iv) Investment Promotion: The Bureau's objective in this area is to provide assistance in the promotion of new business investment. Under this category, SRI International completed an analysis which developed a methodological framework for analyzing, evaluating and developing LDC investment promotion programs. The Bureau also has a feasibility study cost sharing program described more fully in section 2 below.

v) Non-Traditional Export Promotion: Related to investment promotion, the Bureau provides assistance which promotes export businesses resulting in local value added, increased productivity and the creation of additional jobs. Such assistance also imparts the required marketing skills to generate additional foreign exchange earnings. We are currently developing a guide on the use of export processing zones as a way to encourage investment in export products. This will be generally applicable to countries throughout the Caribbean.

vi) Training Entrepreneurship: The Bureau provides assistance in technical and management training responsive to business needs and in the promotion of entrepreneurship. For example, in Jamaica, the Young Presidents' Organization is providing assistance in business problem solving to entrepreneurs through a series of seminars, round-table discussions, lectures and plant site visits.

In addition to providing the technical assistance outlined above, the Bureau provides funding to two ongoing projects which are very active in providing assistance to private businesses and business organizations in the Caribbean. They are:

i) International Executive Service Corps (IESC): IESC provides services to private sector clients by assisting them in strengthening their management, marketing and technical competence. Assistance is provided through a corps of retired U.S. business executives (IESC has several thousand from which it may select the appropriate person given the nature of the assignment). To further its efforts, IESC has country

Directors in several Caribbean Basin nations and is expanding its assistance in the region. Clients are expected to pay (travel and expenses) for the services rendered by IESC volunteers.

ii) Joint Agricultural Consultative Corporation (JAC Corp): The purpose of the JAC Corp is to facilitate the transfer of U.S. agribusiness technology, marketing and managerial skills, and resources to private commercial agribusinesses in selected developing countries. The Caribbean Basin is a target region for the JAC Corp and they are in the process of developing more formal relationships with the agribusiness community in several Caribbean nations, including the Dominican Republic, Honduras, Costa Rica and other.

2. Feasibility Study Cost Sharing Program: The purpose of this program is to promote the formation of private, for-profit businesses by providing financial assistance--in the form of refundable grants-- for the performance of feasibility studies for potential business ventures in selected sectors. These studies help fill the existing gap between (a) the conception of an idea and (b) the actual investment in a business with the much needed, but often lacking, intermediate step of pre-investment analysis. This analysis identifies, among other things, the appropriate technology, the type and availability of labor skills, the extent of management strengths and weaknesses, the highs and lows of financial vulnerability, the market attractiveness, and the availability and quality of raw materials. This information enables the entrepreneur to devise a successful business implementation plan and to attract the financing necessary to success. Even if such an analysis demonstrates that a proposed venture will not be viable, the project will have helped avoid the creation of an inefficient, non-competitive business enterprise and misallocation of scarce financial resources.

To qualify, a request must be made by the developing country private entrepreneur and must project a total investment of less than \$10 million along with significant management and investment participation by local individuals or private enterprises. The program will cost share to 50% of the total cost of the study or \$50,000, whichever is smaller.

To date, the Bureau has participated in the following feasibility studies in Caribbean Basin countries:

- i) Export of frozen vegetables project in Costa Rica;
- ii) Animal husbandry (pig farm operation) in the Dominican Republic;

iii) Export of fresh vegetables project in Costa Rica; and

iv) Coffee pulp processing also in Costa Rica.

The Bureau recently participated in the capitalization of the pulp processing venture. While no other investments have resulted to date from the remaining studies, the outlook on all of them is promising from the sponsors' perspectives.

In addition to the completed studies, several are currently under review for possible Bureau funding including:

i) Papaya latex processing in Costa Rica; and

ii) Farming and processing of fruit, vegetables in Costa Rica.

3. Project Financing: Loan project financing, another major area for the Bureau, represents an important mechanism for the Bureau to carry out part of its mandate of experimenting with innovative private mechanisms for achieving development objectives. Institutionalized through the establishment of the Revolving Fund, the enacting legislation as well as PRE Policy has dictated the parameters for financing under the Fund. Some of the most important aspects include:

--Debt only (no equity), though such debt may be structured to act as equity;

--Term of up to 15 years with an appropriate grace period;

--Interest rates generally pegged near the U.S. Treasury Note rate of corresponding maturity;

--Leveraging of 3:1 (non-government sources:PRE) is generally required;

--Substantial local ownership, usually majority;

--Only 20% of outstanding obligations may be in direct loans, the remainder in intermediate institutions;

--Only 20% of outstanding portfolio in a given country; and

-- Substantial development benefit to the host country.

To date, loan project financing has focused in two sectors. First, resources have been provided to agribusinesses which incorporate technical extension services to limited resource farmers and/or which transfer and incorporate an appropriate technology in a developing country private business. Second, innovative financing mechanisms with and through intermediate

financial institutions (including co-financing) have resulted in loan resources being made available to numerous micro-, small and medium sized private business activities in selected countries.

Projects in the Caribbean currently receiving Bureau financing include:

i) Antigua Shrimpery (Antigua): This project was co-financed with a local bank and provides resources for the development of 25 acres of shrimp ponds for the local market (\$150,000 PRE Bureau loan out of a total financing Package of \$600,000).

ii) Sub-Productos de Cafe (Costa Rica): This project takes coffee by-products, utilizing existing proprietary technology, to transform these into animal feed, alcohol and caffeine for export outside the region. If successful, it will be replicated other coffee-producing countries. (\$1.0 million Bureau loan for initial Project; \$2.5 million total contemplated with a similar amount from other investors to make a \$5.0 million pool.)

iii) FINADE Investment/Development Bank (Dominican Republic): This project provides financing to allow the creation of a trading company which provides financing, export marketing and other needed services to small and medium sized agribusinesses (\$2.0 million PRE loan and \$50,000 grant to help establish the trading company out of a total \$6.0 million capitalization).

iv) Women's World Banking (selected countries): Loan funds are used to provide collateral for loan guarantees and/or extra loan capital to micro and small businesses in various service, retail, handicraft production, health care, and other fields. The money is disbursed through local commercial lenders identified by WWB affiliates in the target countries. The project integrates low income businesswomen into their country's financial structure, helping them to develop management skills and proving to local banks that they are good credit risks. (Program is underway in the Dominican Republic - \$100,000 - and planned for Jamaica and Haiti.)

v) Royal Bank Jamaica (Jamaica): This is a guaranty project under which loan funds are provided entirely by Royal Bank Jamaica for lending to Jamaican-owned agribusinesses or other small enterprises having no other access to loans at commercial rates and located outside the corporate areas of Kingston and St. Andrew. A small business is defined as one with a total net worth not to exceed J\$100,000. The maximum guarantee is J\$50,000 (about U.S. \$17,000) or 50% of the loan whichever is

less. The major purpose of the guarantee facility is to provide direct assistance in developing small agribusinesses and rural enterprises while, at the same time, bringing these small rural businesses into the capital markets of Jamaica (\$20 million in guaranty authority provided by PRE).

In addition to these investments, several others are currently under review:

i) Venture capital for businesses in Caribbean Basin countries;

ii) Export financing through an intermediate financial institution in Jamaica;

iii) Private development bank in Grenada;

iv) Export financing for small farm products in the Dominican Republic;

v) Manufacture of low cost housing construction materials in Jamaica; and

vi) Irradiation technology project in Costa Rica.

C. Activities Undertaken by the Trade and Development Program (TDP)

1. St. Lucia - TDP financed \$350,000 for a feasibility study to be conducted by the Los Alamos National Laboratory on the Development of St. Lucia's geothermal reserves. The follow-on project is expected to involve an investment of \$40-50 million, most of which will be in the form of equipment and services from the U.S.

2. Dominica - TDP provided \$96,000 as a 50% contribution toward the cost of a feasibility study involving the movement of fresh water from Dominica to water-short countries of the Caribbean and the Middle East. Follow-on sales in Dominica and the Middle East could involve \$200 million.

D. Activities Undertaken by AID Missions.

AID Missions in the Caribbean Basin have each prepared a CBI implementation plan, supplementary to their CDSS, which addresses actions to be taken to foster the in-country changes that will support export trade as well as local and foreign investment in productive private enterprise. The following descriptions of Mission programs includes a summary of private enterprise and economic policy reforms, ongoing private enterprise projects through fiscal year 1984 and planned projects through fiscal year 1985.

A.I.D. PROGRAM FOR BELIZE

A. Objectives of Private Sector Support

AID's development strategy is to assist Belize in achieving basic economic stability and growth. The seven priority objectives are:

- Stabilize the economy through balance-of-payments support and improved management.
- Increased export earnings through improved management and technical efficiency in export industries, increasing the local value-added to products and expanding the range of goods produced for export.
- Substitute (and expand) local production for imports thereby increasing employment opportunities, saving foreign exchange and contributing to the stability of the economy.
- Diversify the economy (particularly away from sugar) to achieve a broader base for growth, employment creation and improved stability.
- Reduce poverty by improving productivity, expanding employment opportunities and improving the capacity of the labor force to respond to job opportunities.
- Increase social development for productive purposes by improving access to jobs for women who are single-parent heads of household.
- Improve regional economic cooperation through the promotion and support of more active Belizean participation in regional activities.

B. CBI Related Projects and AID's Private Sector Development

On-Going Projects

1. Title of Project: Economic Support Funds

Funding Level: \$4.6 million

In FY 1983, A.I.D. focused attention on economic stabilization and fiscal improvement. A \$4.6 million ESF Counterpart Fund was established to assist the GOB to address its balance-of-payments shortfall, low level of foreign exchange reserves, deteriorating fiscal situation, and the central government's cash flow deficits. The goal is to achieve in Belize FY 1983-1984 a savings on current account (current account revenues minus expenditures) of \$7 million equivalent with additional savings in following years.

2. Title of Project: Livestock Development

Funding Level: \$12.9 million

In FY 1983, a \$3 million Livestock Production project (505-0006) was initiated to improve small and medium farmers' production efficiencies in livestock husbandry and to expand market outlets for these products. The Ministry of Natural Resources has instituted policy changes which decontrol beef prices, free the livestock market to the fullest extent, and result in some exportation of live animals to the Caribbean. A \$5.4 million Rural Access and Bridges project also was initiated in FY 1983 to upgrade the Ministry of Works' capability to build, maintain, and protect its rural access roads and bridges. This project should help increase and diversify agricultural production and increase the income of and delivery of technical and social services to small farm families in rural areas. These activities will be continued in FY 1984. A \$3.5 million Agricultural Production and Diversification project (505-0008) also is scheduled to begin in FY 1984. It will assist GOB efforts to diversity away from sugar.

3. Title of Project: Credit Discount Fund

Funding Level: \$5.0 million

Consistent with CBI emphasis, A.I.D. encouraged increased private sector productive, export-oriented investment in agriculture and related industry under \$5 million ESF Private Sector Rediscount Facility (505-0005). Institutional development in the form of a discount fund and a change in banking policy to include long-term credit is taking place for the first time.

Planned Projects

1. Title of Project: Economic Stabilization

Funding Level: \$14.0 million

Balance-of-payments assistance will be used to continue the stabilization effort undertaken in FY 1983. We propose \$10 million in FY 1984 supplemental ESF assistance and another \$4 million of ESF in FY 1985 to increase Belize's international reserves. The foreign exchange assistance will support policy and structural adjustments and will include a plan to reduce the budget deficit through divestiture or restructuring of those public enterprises which have been a current account drain for the government.

2. Title of Project: Export Promotion

Funding Level: \$2.0 million

We are requesting \$100,000 under the Selected Development Activities account and \$1.9 million under the Agriculture, Rural Development and Nutrition account for FY 1985 to continue the export promotion activities undertaken in earlier private sector and rural development projects and to broaden activities in those areas to include adaptive research in alternative crops, cadastral modernization, industrial processing expansion, and export market investigation.

3. Title of Project: Small Business Development

Funding Level: \$500,000

(\$500,000, FY 1985). Small loans will be made for micro-enterprises through an operational program grant from the Selected Development Activities account in accordance with suggestions of the Bipartisan Commission. The possibility of creating a small business bank will be examined.

A.I.D. PROGRAM FOR COSTA RICA

A. OBJECTIVES OF PRIVATE SECTOR SUPPORT

1. To help reestablish dynamic growth in the Costa Rican economy.
2. To assist in the reorientation of the Costa Rican economy from its present industrial import substitution bias to export growth.

The five principal areas of concentration are:

- a) Economic Stabilization and Recovery
- b) Strengthening the Financial System
- c) Export and Investment Expansion
- d) Improved Public/Private Sector Coordination
- e) Improved Policy Formulation and Administrative Reform

B. CBI RELATED PROJECTS & AID's PRIVATE SECTOR DEVELOPMENT

On-going Projects

1. Project: Private Sector Productivity (515-0176)

Implementing Institution: Agro-Industrial and Export Bank (BANEX)

LOP Funding: \$10,000,000(L); PACD: FY 84

Description: The Project established BANEX, an integrated program of credit, export management assistance, and export-oriented banking services for producers, manufacturers and brokers of non-traditional exports to world markets. The project established a wholly owned subsidiary trading company, TRACO, to provide support services to non-traditional exporters.

2. Project: Private Sector Export Credit (515-0187)

Implementing Institution: Corporacion Costarricense de Financiamiento Industrial Internacional (COFISA)

LOP Funding: \$10,000,000(L); PACD: FY 85

Description: The Project's threefold purpose was to assist with the resolution of the current private sector liquidity crisis, to enhance this sector's capacity to earn foreign exchange, and to reestablish COFISA as a development-oriented financial institution.

3. Project: Economic Stabilization & Recovery (515-0192)

Implementing Institution: Central Bank of Costa Rica

LOP Funding: \$70,000,000(1/2 L & 1/2 G) in FY 84

Description: The purpose of the ESF Program is to provide additional balance of payments support to aid stabilization efforts in Costa Rica, to provide credit to the local private sector, and to promote the objectives of USAID/Costa Rica's Caribbean Basin Implementation Plan by encouraging policy and structural reforms aimed at reestablishing dynamic growth in the economy through private sector investment-led growth. Improved private sector participation will be assisted by the recent creation of a one-stop export and investment promotion center by the Ministry for Export and Investment (MINEX) designed to streamline the current complicated procedures required to invest in and to export products from Costa Rica.

4. Project: Private Investment Corporation (515-0204)

Implementing Institution: Private Investment Corporation

LOP Funding: \$20,000,000(L), \$1,000,000(G); PACD: FY 88

Description: The purpose of the Project is to establish a viable Private Investment Corporation (PIC) which will provide loan financing, equity financing, and corporate services for export-oriented projects. The PIC will provide resources to potential U.S. investors as well as to the Costa Rican business community. AID's \$20 million loan will be matched by \$10 million worth of equity capital raised by PIC shareholders. The Project Paper was reviewed and approved by the DAEC on July 17, 1984. Obligation of funds are expected to be made prior to the end of FY 84.

5. Project: Training for Private Sector Development
(515-0212)

Implementing Institution: Costa Rican Coalition for Development Initiatives (CINDE)

LOP Funding: \$5,000,000(G); PACD: FY 89

Description: The purpose of the Project is to strengthen the human resources needed for Costa Rican private sector development. Training opportunities will be provided to persons employed in the non-traditional productive sector, as well as the country's financial and university systems. The Project will provide a basis for developing the institutional capacity to address human resources development needs beyond the end of project funding. The Project Paper was presented and approved by the DAEC on July 18, 1984. Obligation of funds are expected to be made prior to the end of FY 84.

6. Project: Policy, Planning, and Administrative Improvement (515-0190)

Implementing Institutions: Ministry of Exports and Investment (MINEX), Ministry of Finance (MH), Social Security Institute (CCSS), Central Bank of Costa Rica (BCCR), Ministry of Planning (MIDEPLAN), Coalicion Costarricense de Iniciativas de Desarrollo (CINDE)

LOP Funding: \$4,500,000(G); PACD: FY 86

Description: The purpose of the Project is to make inputs to policy formulation, planning, design, and implementation of management and administration systems, changes which are required to achieve the goals and objectives of the Caribbean Basin Initiative in Costa Rica. Three interrelated categories of assistance have been defined: Economic Policy Formulation, Private Sector Performance, and Administrative and Managerial Improvement.

7. Other: Coalicion Costarricense de Iniciativas de Desarrollo (CINDE)

Description: In March 1983, a group of prominent Costa Rican businessmen and distinguished professionals organized the Costa Rican Coalition for Development Initiatives (CINDE). USAID has supported CINDE by providing the equivalent of \$11 million in ESF local currency and \$600,000 from PPAI for the operation of its programs. The development of CINDE as a business and industry-oriented local private voluntary organization is the center piece of USAID's CBI strategy.

A.I.D. PROGRAM FOR THE DOMINICAN REPUBLIC

USAID's strategy involvement in the Dominican Republic for the next several years will draw its major impetus from the CBI, with the major emphasis placed on strengthening the private sector's role in development of the country's resources. AID is supporting policy studies, private sector feasibility and prefeasibility studies, trade shows and export marketing programs all in support of CBI activities.

A. Objectives of Private Sector Support

AID's CBI strategy pursues the objectives of increased income in private enterprises, improvement in the Dominican Republic's foreign exchange position, and promotion of non-traditional exports. These objectives will be achieved through the following actions:

1. Improve the environment within which the business community operates by encouraging removal of legal and policy obstacles and encouraging appropriate incentives to private enterprise.
2. Develop access to financing for high priority private sector requirements for credit, technical assistance, training and planning studies, as well as private voluntary activity and productive infrastructure necessary to expanded private sector participation in the economy and increased productivity.
3. Improve the productivity of selected sectors of private enterprise which have a high potential for contribution to the nation's economy.

B. CBI Related Projects and AID's Private Sector Development

Ongoing Projects

1. Private Enterprise Sector Development

Implementing Institution: Dominican Central Bank
Funding Level : \$41 million (Loan)

Description: There are three main development activities funded under this loan. The \$41 million provides immediate balance-of-payments relief to the Dominican economy. The Central Bank utilizes these funds to pay for imports of U.S.

goods and services for the private sector. The Central Bank provides, as counterpart funding, the peso equivalent of the \$41 million to help finance priority development needs as follows:

a. Four Facilities totaling \$29.5 million were established within the Dominican Central Bank to provide credit and technical assistance for activities which directly and significantly assist private sector development. The emphasis has been placed on activities supporting agricultural investment and export promotion and will include: (a) a credit facility (\$25 million), particularly for smaller firms which offer significant opportunities for development in agriculture, export promotion, and small industry; (b) a technical assistance facility (\$1.0 million), which promotes Dominican exports and the flow of investment capital into the country; (c) a training facility (\$3.0 million), which finances short term, in-country training of public and private officials.

b. Private voluntary organizations involved in education, health, small business, and agriculture are supported by \$1.5 million.

c. Up to \$10 million is used to fund investments in infrastructure in such fields as agricultural exports, transportation, irrigation, etc.

2. Graduate Management Training

Implementing Institution: Catholic University
Funding Level : \$5.0 million (Grant)

Description: The project supports the establishment of a graduate management education, training and research program at the Catholic University.

3. Small Industry Development

Implementing Institution: Central Bank
Funding Level : \$3.5 million (Loan)
\$.600 million (Grant)

Description: The project is providing an institutional mechanism for credit, technical assistance and training to small entrepreneurs in the Dominican Republic.

Planned Projects:

1. Agribusiness Promotion

Implementing Institution: Ministry of Agriculture
Funding Level : \$8.5 million (Loan) \$1.3 million (Grant)

Description: The project will finance investment credit, feasibility studies, and training and applied research and extension services to increase agroindustrial production for the domestic and export market.

2. Export Investment Promotion

Implementing Institution: Central Bank
Funding Level : \$4.0 million (Grant)

Description: The project is designed to address export policy constraints, deal with currency control and promote free zone expansion. Emphasis will be placed on satisfying pre-export, short term working capital needs for private sector production of non-traditional exports.

3. Mineral Export Promotion

Implementing Institution: U.S. Geological Survey
Funding Level : \$5.0 million (Grant)

Description: The project will finance a mineral survey to be undertaken by the U.S. Geological Survey to explore the possibilities of new sources of exportable resources as well as identifying policy constraints which impede exports and investments in the mineral sector. Complete classification of all mineral resources as to type, location, commercial viability estimated reserve quantity quality and is expected to become a basis for attracting increased foreign investment.

A.I.D. PROGRAM FOR THE EASTERN CARIBBEAN

Strengthening of the private sector is central to the long term objectives of export promotion and employment generation. RDO/C's projects focus on programs which provide support to new business development, investor search, technical assistance, training, credit and infrastructure.

A. Objectives of Private Sector Support

1. Seek commitment and mobilization of Caribbean private sector resources which, together with A.I.D. and other donor assistance, can address the principal constraints to equitable economic growth patterns;
2. Create or expand opportunities which involve the U.S. private sector with its Caribbean counterpart to stimulate increased investment, enlarge markets, and facilitate the transfer of managerial and technical skills;
3. Undertake such regional or country specific initiatives that will support private sector growth utilizing both AID and non-AID tools of development; and
4. Encourage and facilitate coordination of other donor and USG agencies involved in development of the region's private sector.

Within the framework of the Caribbean Group for Cooperation in Economic Development, the RDO/C strategy includes expansion of the private sector role in development, export led growth through investment promotion and export development, employment generation, increased energy, self-sufficiency, increased food production and improved commercial viability of small farm agriculture. Fundamental to all strategy and program elements will be the continuing policy dialogue with the various governments and the strengthening of selected national and regional institutions.

B. CBI Related Projects & AID's Private Sector Development

Ongoing Projects

1. Caribbean Agriculture Trading Company

Implementing Institution: CATCO
Funding Level : \$4.0 million (Loan) \$0.225 million (Grant)

Description: This project is assisting in establishing a regional trading company for agricultural commodities. The company is expected to play a major leadership role in transforming a high cost and poorly coordinated production marketing system for fruit and vegetables in the Eastern Caribbean.

2. Caribbean Regional Training Development

Implementing Institution: Caribbean Community Secretariat
(CARICOM)

Funding Level : \$4.0 million (Grant)

Description: This project provides training assistance, including private sector support, through CARICOM. It is directed at upgrading technical and managerial skills through training grants and special services.

3. Employment Investment Promotion

Implementing Institution: Caribbean Development Bank (CDB)

Funding Level : \$8.4 million (Loan) \$3.0
million (Grant)

Description: This project finances the construction of factory shells for industry in the Eastern Caribbean developing countries, small industry credit programs, advisors for small business, and an export promotion program.

4. Project Development Assistance Program (PDAP)

Implementing Institution: Coopers and Lybrand (in process
of rebidding)

Funding Level : \$5.8 million (Grant)

Description: This project provides for both long-term and short-term advisors to expedite private sector project development in the productive sectors. Principal areas of focus are industrial investment promotion, agribusiness, alternative energy, and infrastructure in support of productive enterprise. An important dimension of the project is the linking of U.S investors with local opportunities.

5. Private Sector Investment Assistance Program

Implementing Institution: Caribbean Association of
Industry and Commerce (CAIC)

Funding Level : \$2.0 million (Grant)

Description: This project is designed to strengthen the Chamber of Commerce network in the Eastern Caribbean by assistance to CAIC, an indigenous Caribbean private sector institution.

6. Caribbean Project Development Facility

Implementing Institution: International Finance Corporation (IFC)
Funding Level : \$1.0 million (Grant)

Description: Funding under this project, along with support from other donors, provides resources to the IFC, the World Bank Group's private enterprise bank, to identify, appraise, and seek financing for private investment in the \$500,000 to \$3.0 million range throughout the region.

7. Banana Industry Rehabilitation

Implementing Institution: Government of Dominica
Funding Level : \$1.7 million (Grant)

Description: This project is assisting the private Banana Growers Association in Dominica to regain a sound financial footing, to reorganize their management and to help the Association in market expansion.

8. Productive Infrastructure Rehabilitation

Implementing Institution: Government of St. Lucia and St Vincent
Funding Level : \$7.6 million (Grant)

Description: Road networks in the islands are critical to continued stable economic development and for the support of new private investment opportunities and employment. This project provides financing for road reconstruction in St. Lucia and St. Vincent to serve industrial estates and productive agricultural areas.

9. Dominica Road Rehabilitation

Implementing Institution: Government of Dominica
Funding Level : \$9.6 million (Grant)

Description: This project responds to a major constraint to the expansion of private investment and the rehabilitation of the agricultural sector in Dominica

10. Caribbean Financial Services Corporation

Implementing Institution: CFSC, Barbados
Funding Level : \$12 million (Loan)

Description: The CFSC provides medium and long term capital, in the form of equity or debt, to agricultural, industrial and other productive businesses based in the Caribbean. The bank operates on a regional basis with authority to invest in Barbados, the small islands of the Eastern Caribbean, Jamaica, Guyana and Belize. The bank is designed to compliment the lending operations of the region's commercial banks, which do not currently provide term credits to the smaller and medium sized industries.

11. Regional Development Training II

Implementing Institution: Barbados Institute of
Management and Productivity
Funding Level : \$5.0 million (Grant)

Description: This project assists the private sector in training and upgrading management and technical skills which are critical for business expansion, new investment, and employment opportunities.

12. Private Sector Industrial Infrastructure

Funding Level: \$14.0 million (Loan)

Description: This planned project will be implemented in conjunction with other AID activities that promote private enterprise development. The project will finance factory shells, industrial estates, marketing and transportation infrastructure, and export promotion.

Planned Projects:

1. Graduate School of Business and Management

Implementing Institution: University of the West Indies
Funding Level : \$8.0 million

Description: The proposed project will establish a School for Business and Management which will promote market-oriented policies and management solutions. Through this approach, sound business management and education technologies will be transferred to West Indian faculty and students, respectively, and ultimately private and public sector entities. The proposed project will provide (a) funds for the construction of the physical facilities necessary to establish a graduate school for business and management in the region; (b) funds to establish a West

Indian institution to be linked with an American business school to train faculty, to design curriculum and to establish the operational aspects of the school; and (c) partial operational costs during the initial years of starting the school.

2. Private Sector Industrial Infrastructure

Funding Level: \$14.0 million (Loan)

Description: This planned project will be implemented in conjunction with other AID activities that promote private enterprise development. The project will finance factory shells, industrial estates, marketing and transportation infrastructure, and export promotion.

A.I.D. PROGRAM FOR EL SALVADOR

A. Objectives of Private Sector Support

AID's objective is to support the CBI through building El Salvador's government and private sector resources to stabilize the economy. The country's real GDP downward trend was arrested in 1983. The present strategy is designed to rebuild and provide for recovery.

B. CBI Related Projects and AID's Private Sector Development

Ongoing Projects

1. Title of Project: Balance of Payments and Private Sector Support
Funding Level : \$140.0 million

Description: To continue to allow El Salvador to import raw materials and intermediate goods for its private sector, AID programmed support funds of \$140 million in FY 83. This is helping to provide support to the private sector.

2. Title of Project: Private Sector Input to Public Policy
Funding Level : \$500,000

Description: AID will continue to support the Salvadoran Foundation for Economic and Social Development (FUSADES), a private sector organization funded in FY 84. It provides a vital link between the Salvadoran private and public sectors by adopting political positions on issues of national importance. FUSADES will also be actively involved in the development of small scale enterprise.

3. Title of Project: Private Agricultural Sector Reactivation
Funding Level : \$19.5 million

Description: EL Salvador's traditional crops, coffee, cotton and sugar, are responsible for generation of the majority of its foreign exchange and employment and a substantial portion of its GNP. Accumulated debt, an overvalued exchange rate and the inefficiency of centralized marketing of these crops are a constraint to revitalization of these sectors. AID is supporting, through FY 84 funding, implementation of a program for refinancing producers' debts for these crops through local currency generations, realigning the exchange rate, and eventually passing the marketing of export crops to the private sector.

Planned Project

Title of Project: The Industrial Stabilization and Recovery

Funding Level : \$26.0 million

Description: The recuperation of the industrial sector is a major AID priority. AID is currently planning for FY 85 to obligate \$26 million for industrial recovery and export promotion to be disbursed over a two year period. Major elements of the program include provision of short and medium term credit and technical assistance for small scale enterprises, technical assistance for exporting firms, rescheduling of local currency debts and the development of an adequate incentive structure to promote non-traditional exports.

AID will support financial and technical assistance private sector efforts in crop diversification and creation of new agroindustries which generate non-traditional exports to extra regional markets or which substitute for food imports.

A.I.D. PROGRAM FOR GUATEMALA

A. Objectives of Private Sector Support

AID's objective is to assist Guatemala in its return to a pattern of long term private sector-led growth with greater participation of the poor in the benefit of that growth. The strategy includes:

- increased rural income and productivity.
- balance of payments equilibrium
- greater emphasis on private enterprise

Restrictions on the FY 1984 Program. In response to unfavorable human rights developments in Guatemala, Congress restricted assistance funds for Guatemala in FY 1984 (under the Continuing Resolution of November 14, 1983) to development activities carried out by private voluntary organizations (PVOs). In accordance with this limitation, A.I.D. has budgeted only \$1.6 million in FY 1984. Progress on several ongoing projects has been adversely affected by this funding hiatus.

B. CBI Related Projects and AID's Private Sector Development

On-Going Projects

Title of Project: Economic Support Fund (ESF)

Funding Level : \$10.0 million loan

A \$10 million Economic Support Program loan (520-0309) was provided to Guatemala under the FY 1982 Caribbean Basin Initiative supplemental appropriation to help alleviate the balance-of-payments deficit. The loan helped finance imported products.

Planned Projects

1. Title of Project: Economic Stabilization

Funding Level : \$35.0 million

ESF in the amount of \$35 million is requested for the Economic Stabilization project in FY 1985 (520-0308) to provide foreign exchange for essential imports needed to maintain national

production and employment. Primary consideration will be given to importing raw materials, intermediate goods and equipment needed by producers of nontraditional exports, particularly in the agriculture sector.

2. Title of Project: Rural Enterprises and Export Development

Funding Level : \$6.8 million

ARDN funds in the amount of \$5,000,000 has been obligated for the Agribusiness Development project to promote and develop agribusinesses and small farm production. For FY 1985 an additional \$3,000,000 is requested. The project will stimulate agroindustrial processing and will develop new markets offering higher value for farm products. A project development fund will provide credit through private banks for agroindustry businesses.

3. Title of Project: Small Business and Export Policy Concerns

Funding Level : \$1.0 million

For FY 1985, \$1,000,000 in the Selected Development Activities account is requested for the Policy Studies project to study a series of policy impact issues including constraints to the development of nontraditional exports, incentives for agribusiness and other business investment:

A.I.D. PROGRAM FOR HAITI

A. OBJECTIVES OF PRIVATE-SECTOR SUPPORT:

1. Provide sound foundations for sustained economic growth thereby increasing opportunities for gainful employment and foreign exchange earnings.
2. Maximize A.I.D. funds available for private sector development over a longer time frame and wider range of activities than exists at present.
3. Promote investment and exports, especially agro-industry and labor-intensive industrial operations.
4. Strengthen public and private institutions so that they can operate efficiently without perpetual subsidy.
5. Support infrastructure and human resource development.

B. CBI RELATED PROJECTS & AID'S PRIVATE SECTOR DEVELOPMENT

On-going Projects:

1. Project: Haitian Development Foundation (521-0144/0181)

Implementing Institution: Haitian Development Foundation

LOP Funding Level: \$2.2 million (G), PACD: FY 86

Description: The Foundation trains loan extension workers and disburses loans to small businesses and artisans to meet their credit needs. The Foundation was created in 1979 by a group of prominent Haitian businessmen concerned that small businesses were crippled by inadequate business management skills and non-availability of credit from the regular commercial lending sources.

2. Project: Development Finance Corporation (521-0154)

Implementing Institution: Development Finance Corporation

LOP Funding Level: \$5 million (G), PACD: FY 86

Description: The Project has established a private investment bank providing both medium and long term credit as well as technical services to industrial and agro-industrial enterprises.

3. Project: Technical Consultants and Training (521-0167)

LOP Funding Level: \$1,000,000(G)

Description: The project will upgrade the capabilities of various ministries (most notably the Secretariat of State for Finance and Economic Affairs, which administers customs and tax regulations of the Government) performing functions vital to a healthy and progressive economy. The project focuses on both the revenue-generating and resource-programming functions in support of private sector activities.

4. Project: Haitian Mortgage Bank (521-0163)

Implementing Institution: Haitian Mortgage Bank

LOP Funding Level: \$1,750,000(G); PACD: FY 88

Description: The Haitian Development Bank was established to provide low-cost loans for low-income housing in Haiti. The grant finances the initial technical assistance costs as well as some of the costs of sites and services for low-income housing. This institution should generate a substantial number of jobs in the construction industry, while at the same time help to address the country's long-standing shelter problem. The GOH and The Bank's ownership is controlled by the private sector.

Planned Projects

1. Project: Private Enterprise Productivity Center (521-0183)

Implementing Institution:

LOP Funding: \$2,500,000(G); PACD: FY 89

Description: The new Center will deliver management training and other business services in response to the need for improving management and entrepreneurial skills. The Project will target its training courses to the needs of upper and middle management, supervisors, and

micro-enterprises. The PID was presented to the DAEC on August 11, 1984 and a decision was made to proceed with project preparation in FY85 the writing of the PP, expected to be submitted to AID/W in FY 85.

2. Project: Investment Authority (521-0164)

Implementing Institution: A new institution will be created

LOP Funding: \$2,250,000(G); PACD: FY 85

Description: The Project will help develop the capacity of local private business organizations in Haiti to identify, promote, and secure new investment opportunities for Haiti. The Project is scheduled for FY 85.

3. Project: Non-Traditional Exports Program

Implementing Institution: Contractors to be chosen

LOP Funding: \$2,400,000(G)

Description: The objectives of the Program will be to increase opportunities for rural and urban employment, as well as increasing foreign exchange reserves. There are at present two components to the Program:

(1) The Handicrafts Export Center which will provide longer-term assistance to institutionalize the more sophisticated elements of product design, packaging, and export marketing (\$150,000)

(2) An agro-industry program which will broker a limited number of agro-industrial projects in order to provide evidence that successful investments in this risk-oriented sub-sector are possible. Although some initial projects may focus on medium to large scale farm enterprises, the long-term strategy is to achieve small-farmer mobilization to respond to expanded market opportunities with new products, greater productivity, and with higher returns to labor (\$2,250,000).

4. Project: Presidential Commission for CBI Implementation

Implementing Institution: A task force composed of public and private sector representatives

LOP Funding: \$41,308

Description: AID is funding technical assistance to this task force. This group plans to address industrial policy formation through regular consultations on broad economic and social issues, as well as the fundamental differences that exist between government and private sector objectives. AID-funded technical assistance will assist the Task Force to examine the constraints affecting the industrial sector and investment climate in Haiti, and to coordinate an national export and investment promotion strategy.

A.I.D. PROGRAM FOR HONDURAS

A. OBJECTIVES OF PRIVATE SECTOR SUPPORT

1. To establish a basis for a recovery of economic activity by reducing the GOH fiscal deficit and by ensuring that sufficient foreign exchange and domestic credit is available for exporters of non-traditional exports.
2. To create a policy environment and to provide appropriate incentives to facilitate and promote private sector investment and exports, and to reduce to a minimum government regulations and controls.
3. To create institutional structures (1) in the private sector that provide needed technical and other support services for private sector producers and exporters and (2) in the GOH that improve coordination, simplify procedures, and reduce the time and expense of getting government actions and approvals required for private sector activities.
4. To improve GOH's financial system's capability to service, in particular, small and medium size producers and exporters of non-traditional products and to establish new mechanisms when necessary.
5. To support human resource development through specific management and skills training programs.
6. To develop specific exports in which Honduras has a comparative advantage, particularly products that are labor intensive and/or based on available natural resources and products that can be produced by artisans and small industries.

B. CBI RELATED PROJECTS & AID's PRIVATE SECTOR DEVELOPMENT

On-going Projects

1. Project: Export Development and Services (522-0207)
Implementing Institutions: Entrepreneurial Research and Development Foundation (FIDE), Federation of Agricultural Export Producers of Honduras (FERROEXAH)
LOP Funding: \$22,000,000 (\$16 million Loan, \$6 million Grant);
PACD: FY 89

Description: The Project will increase the quantity and quality of non-traditional exports and seeks to create a policy environment that favors export development and helps the private sector to take advantage of that climate immediately and over the long run. The Project will improve the private sector's capability to increase exports, of non-traditional products in areas which have good prospects for achieving commercial success, and the foreign exchange and financing needed for investment in, and efficient operation of, the enterprises created through the above activities.

2. Project: Agricultural Research Foundation (522-0249)

Implementing Institution: Honduran Agricultural Research Foundation (FHIA)

LOP Funding: \$20,000,000(G); PACD: FY 93

Description: The Project establishes the Honduran Agricultural Research Foundation (FHIA), which will expand and improve the agricultural research system in Honduras and enable it to be more responsive to the needs of farmers, particularly those producing non-traditional crops for export. The Project provides needed analytical and technical services, and the long-term financial viability of a private sector research institution.

3. Project: Small Business Development (522-0205)

Implementing Institution: Financiera Industrial y Agropecuaria, S.A. (FIA)

LOP Funding: \$600,000(G); PACD: FY 87

Description: The Project develops a source of financial and technical assistance for Honduras' small and medium scale entrepreneurs. In addition to creating a small business finance company, the Project aims to provide technical assistance to the small entrepreneur by constantly monitoring and updating their TA programs. Small business funding is also provided.

4. Project: Aid to Artisans (OPG) (522-0250)

Implementing Institution: A U.S. PVO

LOP Funding: \$350,000(G); PACD: FY 86

Description: Aid To Artisans's (ATA) staff, supported by Peace Corps volunteers and Honduran counterparts, will be identifying product lines with export potential produced by artisans and small businesses. Based on knowledge of U.S. market requirements, ATA's staff will (1) develop prototype Products incorporating necessary design and quality features, (2) assist Hondurans to produce these products, and (3) place these products into appropriate market outlets. ATA is also assisting in the establishment of a Private export company which will provide the necessary financing for producers, export packaging, and shipping.

5. Project: GEMAH (OPG) (522-0256)

Implementing Institution: Gerentes y Empresarios Asociados de Honduras (GEMAH)

LOP Funding: \$800,000(G); PACD: FY 87

Description: The Project assists GEMAH to become a self-financing institution with the capability to provide a range of management services to its members and to Honduran managers in general. Under the guidance of the American Management Association, GHEMA will strengthen its institutional base, expand its membership, initiate an active management training program, develop a management library and reference service, and take an active role in convincing its members of the importance of upgrading their management skills.

6. Project: Advisory Council on Human Resources Development (OPG) (522-0257)

Implementing Institution: Entrepreneurial Research and Development Foundation (FIDE)

LOP Funding: \$975,000(G); PACD: FY 87

Description: The Project promotes the active participation of the Honduran private sector to rationalize the employment training system in Honduras and make it more responsive to private sector needs. The key project component is a pilot activity designed to introduce skills certification standards and competency-based instructional materials to meet these standards.

7. Project: Economic Support (522-0230)

Implementing Institution: Central Bank of Honduras

LOP Funding: \$112,500,000 (\$95,625,000 Grant, \$16,875,000 Loan) in FY 84

Description: The Economic Support Funds (ESF) Program will help to meet essential working capital needs for the private sector while providing balance of payments support. The foreign exchange component of the ESF assistance will be made available through the Central Bank for private sector needs, particularly capital goods for new ventures.

Planned Projects

1. Project: Alternative Agricultural Service Delivery Channels
(522-0252)

Implementing Institutions: Not yet determined.

LOP Funding: \$15,000,000(G)

Description: The proposed project will establish mechanisms for delivering productive resources (e.g. land, capital, technology and entrepreneurial skills) to the lower strata of the agrarian population, thereby increasing both productivity and family incomes, while helping to incorporate the lower strata into the mainstream of agricultural economic activity. The Project will accomplish this by addressing specific constraints which currently prevent access by the majority of rural households to productive resources such as access to capital, land, and production technology. The Project is planned for FY 85.

2. Project: Agricultural Marketing Assistance (522-0271)

Implementing Institution: Not yet determined.

LOP Funding: \$2,500,000(G)

Description: The proposed project (1) strengthens the participation and effectiveness of private sector market forces, and (2) develops a detailed plan for the long-term improvement of the agricultural marketing/food distribution system in Honduras. The Project is envisioned as the first phase of a two-phase

effort in agricultural marketing for Honduras. The Project will provide funding for an intensive technical assistance for private sector agricultural producers and marketers with effective TA and on-the-job training in organizational development, general principles of marketing, cost and waste reduction, product storage and handling, equipment and facilities management, and utilization of market information. The Project is planned for FY 85.

A.I.D. PROGRAM FOR JAMAICA

Economic stabilization and structural adjustment activities to remove constraints impeding economic development remain key to Jamaica's recovery. Reform of policies that permit free market forces to determine the allocation of resources within the private sector continue to be a major focus of reform activities.

A. Objectives of Private Sector Support

The private sector strategy of USAID/Jamaica is to promote a competitive, free-market domestic environment, to attract new foreign investment and to stimulate new domestic investment and increased Jamaican exports. Six areas are targeted for action:

1. Financing for activities to improve information flows, such as technical consultancies and feasibility studies.
2. Financing for business development based on project merit.
3. Development of new ventures through risk sharing and packaging of investment requirements.
4. Improvement of private markets.
5. Export marketing development.
6. Policy reforms to facilitate the development of efficient market mechanisms.

B. CBI-Related Projects and AID's Private Sector Development

Ongoing Projects:

1. Agro-Industries Development

Implementing Institutions: Agricultural Credit Bank

Funding Level: \$10.5 million (Loan)

Description: The project promotes agribusiness enterprises in Jamaica by restoring their productivity. The project provides (1) foreign exchange and credit needed by existing agribusiness and a guarantee mechanism for insuring a portion of the subloans extended by participating commercial banks; (2) consultant services for agribusiness to assist in improving operations and management; (3) training for agribusiness related staff of selected financial institutions involved in agribusiness investment.

2. Production and Employment IV

Implementing Institution: Bank of Jamaica
Funding Level: \$50 million (Loan)

Description: This economic stabilization loan to the Government of Jamaica provides (1) immediate balance-of-payments support to allow critically needed imports of spare parts, industrial and agricultural inputs and capital goods; and (2) stimulates production, exports and employment in the country. An additional loan is planned for FY 1985.

3. Technical Consultants and Training

Implementing Institution: Jamaica National Investment
Promotion Ltd.
Funding Level: \$8.5 million (Grant)

Description: This project compliments the Production and Employment loan discussed above. It provides technical assistance, training, and studies to address key bottlenecks to private sector recovery in Jamaica. The Project addresses such areas as improvements in management of infrastructure, ports, airports and enterprises and the institutionalization of various agencies involved in promoting exports, tourism expansion, and feasibility studies.

4. Agricultural Marketing Development

Implementing Institution: Ministry of Agriculture
Funding Level: \$13.8 million (Loan)

Description: The project is developing and implementing improved marketing practices for food crops and meat and fish products for domestic and export markets. This is being accomplished by (1) strengthening the institutional capacity of the Ministry of Agriculture by creating a Marketing and Credit Division and (2) construction of a marketing system composed of four subterminal wholesale distribution markets and 25 assembly and grading stations for farm organizations. The Marketing and Credit Division will provide a range of services to facilitate greater efficiencies in the marketing system (including market research and information, support for producers' organizations, and the establishment of grades and standards).

5. Jamaican National Development Foundation

Implementing Institution: Pan American Development
Foundation
Funding Level: \$.500 million (Grant)

Description: The purpose of this project is to build a National Development Foundation in Jamaica which will respond to the need for technical assistance and credit by the small business sector and create jobs and raise incomes for marginal entrepreneurial groups. A.I.D. resources finance external technical assistance and training needs of the foundation, a portion of its initial operating costs and a revolving loan fund for small business sector Projects of proven feasibility.

6. Basic Skills Training

Implementing Institution: National Training Board
Funding Level: \$8.5 million (Loan) and \$4.9
million (Grant)

Description: The project will establish an improved skills training system responsive to Jamaica's economic recovery objectives and labor market needs. The project will (1) establish the National Training Board to ensure better coordination among skills training institutions and increase the relevance of training provided by institutions involved in meeting Jamaica's labor market requirements, (2) strengthen the capacity of selected institutions to provide skills training in Jamaica, and (3) assist private and voluntary organizations to carry out skills training programs of particular interest to the Board. The Board will be composed of representatives from both the public and private sector to ensure that private sector needs are reflected in the training programs offered.

7. Private Sector Investment Fund

Implementing Institution: An Intermediate Credit
Institution and Local
Commercial Banks.
Funding Level : \$20 million (Loan) \$1.2 million
(Grant)

Description: The project will support Jamaica's economic recovery by providing investment funds needed by medium-size private sector enterprises for equity and debt financing. The project will provide (1) credit and equity investment for medium-size enterprises for improving productivity, and (2) technical assistance and training for

upgrading the skills of the institution and establishing an investment program.

Planned Projects:

8. Management Training

Implementing Institution: Two private and one public
Training Institution
Funding Level: \$4.0 million (Grant)

Description: The project will develop and strengthen local management training institutions through the transfer of modern administrative and management technologies. The project provides increased training opportunities in management and planning for middle and senior level managers of the public and private sectors. These new skills should result in greater productivity and expanded employment opportunities.

A.I.D. PROGRAMS FOR PANAMA

USAID support for the private sector includes: policy development, institutional development, capital mobilization, infrastructural development and human resources development. The Government of Panama recognizes the constraints to increasing industrial development in Panama and the AID Mission is responding to the GOP's request for assistance in improving the situation.

A. Objectives of Private Sector Support

Panama's assistance strategy is directed to support achievement of the following objectives:

1. Maintenance and Improvement of a Favorable Investment Climate.
2. Creation of Market Linkages and Exporter/Investor Services.
3. Strengthening the International Competitive Advantage of the Private Sector.

B. CBI Related Projects & AID's Private Sector Development

Policy Dialogue: AID, working in close cooperation with the World Bank, has actively encouraged redirection of interventionist policies and public investment in areas supportive of productive activities in the private sector. The new policy directions which have emerged in 1984 reflect, in part, the Mission's continuing policy dialogue with the GOP and the private sector. Panama's CBI designation provides a policy alternative to members of the private sector that demand overly protective price and quota policies and remain non-committal with respect to new local investment. The GOP is using the CBI to reverse its protectionist policies and to utilize its geographical and dollar economy advantage. The newly created Investment Council of Panama (ICP) is a key institution to implement CBI policy initiatives.

Ongoing Projects:

1. Employment Planning and Generation

Implementing Institution:	National Bank of Panama
Funding Level:	\$5.0 million (Loan) \$.975 million (Grant)

Description: The project provides loans to small and medium businesses of Panama and assists the Ministry of Commerce in review of policies which affect the business community.

2. CBI-National Investment Council

Implementing Institution: National Investment Council
Funding Level: \$3.7 million (Loan) \$.200 million (Grant)

Description: This project supports the organization and operation of the National Investment Council which will establish and implement national investment promotion policy and provide "one-stop" investor services.

3. Cooperative Marketing

Implementing Institution: COAGRO and the Ministry of Agriculture
Funding Level: \$5.9 million (Loan) \$2.3 million (Grant)

Description: This project provides resources to cooperative members for marketing of their produce. Project funds also provide technical assistance for the strengthening of the cooperative organization.

Planned Projects:

4. Small Business Development

Implementing Institution: Ministry of Commerce/National Banking Council
Funding Level: \$6.0 million (Loan) \$2.3 million (Grant)

Description: This project will establish an institutional mechanism within commercial banks to provide guaranteed financing and complementary technical assistance for small business development.

5. Export Promotion

Implementing Institution: Government of Panama
Funding Level: \$.500 million (Grant)

Description: The proposed project would help the GOP establish a special high-level public-private sector Organization which will prepare a master action plan for the land and assets reverting to Panama from the Panama Canal Company. The project would assist the Ministry of Commerce in market identification and access and provide technical assistance to trade associations in producing export goods to international specifications.

6. Private Enterprise Training

Implementing Institution: Private Sector Foundation
Funding Level: \$2.2 million (Grant)

Description: The project will establish a foundation under the direction of a broadly based Panamanian private sector businessmen's organization which will select trainees and administer financial assistance.

7. Workforce and Productivity Development

Implementing Institution: Private Sector Association
Funding Level: \$10 million (Grant)

The project will establish an on-the-job training program to be responsive to private sector needs and to improve the first line supervisory skills of Panama's workforce.

AID PROGRAM FOR ROCAP

OBJECTIVES OF PRIVATE-SECTOR SUPPORT:

1. Restoring intraregional trade activities.
2. Stimulation of non-traditional exports through policy reform and credit extension.
3. Increase of productivity and employment through human resources development.

ON-GOING PROJECTS:

1. Project: INCAE EXPANSION (596-0113)

Implementing Institution: Central American Institute for Business Expansion (INCAE).

Funding Level: \$4,000,000.

Description: The project consists of three components. Component I will fund the construction of a second INCAE campus. The second component will set up a private sector program to offer training courses in Guatemala, Honduras and El Salvador. Finally, under the third component, a Non-Traditional Export Management Program will be established offering seminars in export strategy, operations, finance and marketing.

2. Project: Export Promotion Fund -BLADEX (596-0109).

Implementing Institution: Banco Latinamericano de Exportaciones (BLADEX).

Funding Level: \$25,000,000.

Description: This project will improve the balance of payments in Central America by increasing exports of non-traditional commodities from the region. BLADEX will provide short-term credit to finance importation of working capital required by export firms to import raw materials, intermediate goods, and spare parts needed to produce export commodities. The creation of 22,000 new jobs is estimated to be one result of this project.

3. Project: Agribusiness Employment/Investment Promotion-LAAD
(596-0097)

Implementing Institution: Latin American Agribusiness
Development Corporation, S,A,
(LAAD).

Funding Level: \$6,000,000 (FY 1979).

Description: This project is structured to promote private agribusiness investment and development in Latin America through LAAD. The project will focus on supporting private, labor-intensive, processing-type enterprises in order to provide guaranteed markets for non-traditional small farmer crops. Matching funds of \$6,000,000 have been acquired from private sources. It is expected that 3,000 new jobs will be generated through the support of LAAD activities.

PLANNED PROJECTS:

1. Project: Crop Diversification for Export (596-0108)

Funding Level: \$8,000,000.

Description: The project will concentrate on market intelligence services, technical service and seminars and technical information collection and dissemination. The Project will function as a clearinghouse for accurate and timely information on market condition and regulations which govern the import/export process. The principle beneficiaries of the project will be private agribusiness and farmers who produce for export.

2. Project: Export Agribusiness Development/Promotion
(596-0123)

Implementing Institution: LAAD

Funding Level: \$10,000,000 (FY 1986).

Description: The project will provide credit to finance capital improvement, expansion and raw material procurement for businesses that process non-traditional crops for export. The focus will include processors of fruits and vegetables, general foods, poultry, meat and dairy products. Private agribusiness is expected to benefit from this project as will as small farmers and landless workers who will be encouraged to increase productivity.

3. Project: Regional Export Training and Promotion (596-0124).

Implementing Institution: INCAE

Funding Level: \$2,000,000.

Description: This project will encourage the further development of human resources for the purpose of increasing non-traditional exports. The project plans are to support INCAE's further development of programs geared toward encouraging export sector activities. Included in this project's objectives are training seminars aimed at private and public officials, information services, and technical assistance outreach programs.

4. Project: Export Promotion Fund II (596-0125).

Implementing Institution: BLADEX

Funding Level: \$30,000,000.

Description: This project will focus exclusively on helping meet the short-term need required by the industrial sector. Fund use will concentrate on financing working capital, foreign exchange needs and post-export financing. The final borrower will be exporters of non-traditional manufactured or agricultural commodities. A revolving fund will finance credit needs and will be capitalized through loan repayments.

5. Project: CABEI Expansion (596-0126).

Implementing Institution: Central American Bank for
Economic Integration (CABEI)

Funding Level: \$20,000,000.

Description: The project will focus on the provision of credit to those industries in the region that have export potential and need to modernize or expand their productive capacity. CABEI subloans will be used for short and medium term financing of modern machinery and equipment and is expected to generate an additional \$600 million in capital transfers.