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3/7/85

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

MARCH 15, 1985

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## I. SUMMARY

The Caribbean Basin Economic Recovery Act authorizes a unique one way free trade provision for designated Basin countries and AID activities designed to help the region develop. Twenty-one Basin countries have thus far been designated as eligible under the Caribbean Basin Initiative (CBI).

This report summarizes AID's efforts to support private sector development through the CBI and illustrates the broad range of undertakings of the Latin America/Caribbean (LAC) Missions and AID/Washington. It also illustrates a commitment of over \$ 2.0 billion in U.S. government financial and technical resources since the CBI was first conceived in Fiscal Year 1982. The impact of these activities will be sustained economic growth with equity, increased employment, and improved foreign exchange earnings, increased private sector investments and export trade.

At this stage of CBI implementation, AID's efforts are focused mainly on improving the business climate within the Basin. As a result of government-to-government dialogue on economic and social policy reforms, AID is seeing a number of positive changes leading to increases in private investment and export-led growth.

We are also encouraging the development and support of public and private institutions in the Caribbean Basin (trade associations, chambers of commerce, business training facilities, and financial institutions) that are needed to support free enterprise and private investment. These institutions will continue the trade and development process beyond this early period of program development marked by resource transfers from the U.S.

Finally, AID is collaborating with other U.S. government agencies and cooperating Basin countries to remove structural barriers to productive trade and investment. AID actively participates in the Interagency Caribbean Basin Task Force, made up of representatives of the key U.S. implementing agencies and chaired by Ambassador William Brock. The Task Force is comprised of members from most key U.S. government agencies including the U.S. Departments of State, Commerce, Transportation, Treasury, Agriculture and Labor as well as the EXIM Bank, The Overseas Private Investment Corporation, Peace Corps, Trade and Development Program, and the Office of U.S. Special Trade Representative.

## II. EXAMPLES OF RECENT CBI SUCCESSES

### Eastern Caribbean

The Caribbean Financial Services Corporation (CFSC), an AID-funded private sector intermediate credit institution headquartered in Barbados, has made \$1.5 million in loans since inception in late 1983. Five loans have been made as follows:

<u>Location</u>	<u>Type</u>	<u>Loan Amt.</u>	<u>New Jobs</u>	<u>Comments</u>
Barbados	Appliance Manufacture	\$220,000	11	New Technology Dev
Barbados	Pre-Fab Buildings	\$410,000	12	Inter-Reg. Supplier of Pre-Fab
Barbados	Crackers and Biscuits	\$200,000	13	Inter-Reg. Trade
St. Lucia	Copra & Coconut Proc.	\$210,000	26	Income for some 3000 sm.farmers
Antigua	Desalzation System	\$380,000	Mainten. of 200 jobs	Due to water Shortage-Restricted Employment

### Haiti

As a result of a \$5 million loan in 1983 the following projects are in full operation:

<u>Company</u>	<u>Type</u>	<u>Sale Volume</u>	<u>Loan Amount</u>	<u>New Jobs</u>
Russo Combette	Textile Assembly	\$550,000	\$ 70,000	95
DAK Int'l.	Electron.	\$740,000	\$110,000	100
PEC	Textile Assembly	\$414,000	\$140,000	40
EMIC	Floral Arrngmnts	\$350,000	\$120,000	40
Sejourne	Soft Drinks	\$2.5 mill.	\$150,000	25
J.Gardier	Distillery	\$150,000	\$150,000	350

## Panama

The National Investment Council of Panama (ICP) created with a \$3.7 million loan and \$200,000 grant in 1983, has been responsible for attracting 28 firms to Panama, with \$32 million in investment and over 4000 new jobs. This year, ICP has 7 additional firms in final negotiation stages for an additional \$4.9 million in new investments and an additional 1500 jobs.

Highlighting some of the nontraditional export projects indirectly funded by AID are:

<u>Company</u>	<u>Type</u>	<u>Loan Amount</u>	<u>New Jobs</u>
Panama Cigars	Cigar. Manuf.	\$100,000	80
Basin Agro Export	Melons	\$800,000	1,600

## Costa Rica

Policy dialogue between the Government of Costa Rica (GOCR) and AID has produced significant results with the passage of the 1984 monetary law. The new law permits the contracting of foreign loans in dollars instead of colones. A previously frozen credit system has thus reopened the flow of international credits. This has been the much needed stimulus to private banking in Costa Rica, which has since committed \$45 million in local currency lending. Other GOCR policy reforms include the acceptance of a new export contract for 12 year tax exoneration for nontraditional export businesses and the review of a new free zone law.

The establishment of the Private Investment Corporation (PIC) has attracted new investments. To date, some \$3.0 million in private capital has been committed and \$5.0 million from CINDE for new ventures.

A \$100,000 grant to the Chicago Association of Industry and Commerce generated some \$3.7 million in new business and 143 new jobs.

Loans through the AID-funded BANEX has preserved various companies and jobs as well as earned foreign exchange during the recent severe recession. Notable are:

Vanilla Process	\$500,000 Loan	75 jobs
Hotel Project	350,000 Loan	35 jobs

## Latin America Agribusiness Development (LAAD) Project

Working from a \$12 million loan base as well as private capital, LAAD's agribusiness projects now total 210 with over \$75 million in loan funds disbursed. These loans have created over 14,700 jobs with an AID loan/job ratio of approximately \$820 per job and over 13,000 small farmers benefiting from new market opportunities. The following 1984 projects are representative of LAAD's projects:

### 1984 Projects

<u>Country</u>	<u>Company</u>	<u>Type</u>	<u>Loan Amount</u>	<u>New Jobs</u>
Turks & Caicos	Trade Wind Ind.	Conch	\$150,000	80
St. Vincent	ECA	Food Export	\$350,000	120
Belize	Bowman	Citrus	\$200,000	60
Dom. Rep.	Southland	Okra	\$765,000	950
Haiti	Conassa	Cannery	\$425,000	580
Panama	Intermetra	Shrimp	\$300,000	100
El Salvador	Alimentos del Pacifico	Sesame Seeds	\$200,000	400
Guatemala	Cardinsa	Cardomom	\$400,000	300
Costa Rica	American Flowers	Ferns	\$340,000	150
Honduras	Madeca	Wood Products	\$200,000	150

### III. FUNDING LEVEL SUMMARY

#### Fiscal Year 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 \$774 million in Economic Support Funds (ESF) and Development Assistance (DA). (See Table).
- ° In FY 1984, A.I.D. provided approximately \$723 million in ESF and DA. (See Table).
- ° In FY 1985, A.I.D. plans to provide above \$1,398 million in ESF and DA. (See Table)

#### Projects in support of the CBI implemented through Washington and AID field offices:<sup>1/</sup>

- ° From Washington, eight projects (with funding at \$19 million) are ongoing; two major and thirteen subprojects under the Private Sector Initiatives Project are planned during the remainder of FY 1985.
- ° In the field, fifty-three projects<sup>2/</sup> (with funding at \$425 million) are ongoing; some twenty-three more (estimated funding of \$248 million) are planned during the remainder of FY 85.

The above totals do not include PRE financed activities nor some activities in health, education, or agriculture that may indirectly support the CBI.

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<sup>1/</sup> Major projects with funding in excess of \$100,000  
<sup>2/</sup> Project totals do not include ESF additions at \$726 million obligated; \$294 million planned

ECONOMIC ASSISTANCE LEVELS  
( \$U.S. Millions ) 1/

	FY 1982		FY 1983		FY 1984		FY 84 Supp.	FY 1985 <u>6/</u>		ESF FY 85 Cont. Res.
	Supplemental							DA		
	DA <u>2/</u>	ESF <u>3/</u>	DA	ESF	DA	ESF		FY 85 Cont. Res.	FY 84 Supp.	
Belize	5.4	4.6	6.7	10.0	3.9	--	1.5	6.0	10.0	4.0
Costa Rica	1.3	73.7	27.2	157.0	15.4 <u>4/</u>	130.0	5.9	13.4	--	160.0
Domin. Rep.	--	41.0	26.6	8.0	30.3	34.0	--	27.0	50.0	45.0
El Salvador	--	75.0	58.8	140.0	48.1	120.2	23.3	69.7	90.0	195.0
Grenada	--	--	--	--	47.0	--	--	--	--	8.0
Guatemala	--	10.0	12.3	10.0	4.4	--	16.6	36.6	--	12.5
Guyana	--	--	0.1	--	--	--	--	--	--	--
Haiti	5.0	--	17.3	10.0	20.6	5.0	--	22.7	--	5.0
Honduras	--	38.0	31.23	56.0	31.0	40.0	7.3	41.6	72.5	75.0
Jamaica	2.0	50.0	22.2	59.4	32.6	55.0	--	25.5	--	70.0
Panama	--	--	5.3	--	10.7	--	4.0	20.0	30.0	20.0
Regional <u>5/</u>	7.0	32.0	64.5	50.0	61.7	32.8	9.2	101.6	28.0	92.0
TOTAL	50.7	299.3	273.3	500.4	258.7	464.0 <u>4/</u>	67.8	364.1	280.5	686.5

- 1/ Amounts are rounded to the nearest \$0.1 million.  
2/ Development Assistance (project assistance).  
3/ Economic Support Funds (general balance of payments support.)  
4/ Includes \$60 million of ESF and \$0.35 million DA from FY 84 Supplemental  
5/ Regional totals include ROCAP, Regional and RDO/C.  
6/ Source for FY'85 Budget: "Economic Assistance to LA"; LAC/DP; D. Erbe 1/09/85.

#### IV. 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 - LAC Bureau

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

a) The Chicago/Caribbean Basin Promotion Center

Funding Level: \$1,100,000

Description: Associated with the Chicago Association of Commerce and Industry, the Center provides professional service to U.S. companies and investors in locating manufacturing facilities or sources of products in the Dominican Republic and Costa Rica. Since 1982, the Center has helped generate \$19 million of trade and \$33 million in direct investment.

b) The Ibero-American Chamber of Commerce Program

Funding Level: \$350,000

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

c) The Chamber/New Orleans and the River Region

Funding Level: \$260,000

Description: This FY 1984 project provides trade and investment promotion for Belize and Honduras. The project is expected 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. To date \$4 million in contractual agreements in secondary wood products and other manufactured items have been made.

d) Caribbean/Central American Action (C/CAA)

Funding Level: \$480,000

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 development of Basin private sector organizations. The AID/CCAA cooperative agreement has three components: (1) the establishment of a technical assistance clearinghouse for linking U.S. and Basin Chambers of Commerce; (2) the creation of a Caribbean Basin data bank and information system; and (3) the creation of a mechanism to tap 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.

e) Export Promotion of Basin Handicrafts and Gift Items

Funding Level: \$311,000

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 43 Basin producers gained valuable insight on the intricacies of selling in the U.S. marketplace. The project confirmed the usefulness of merchandise marts as a marketing device for Basin exports and a variety of follow-on activities by AID Missions are being planned.

f) Activities planned for FY 1985 include :

- ° In conjunction with the International Executive Service Corps, we will establish a joint venture feasibility study fund to assist U.S./Basin joint ventures in formulation of business plans for development of export products.
- ° We will explore the prospects for increased leveraging of export capital reflows through development of a privately funded insured export credit guarantee mechanism.
- ° We will establish new linkages between U.S. trade associations and basin businesses to foster increased technical interchange and joint ventures.
- ° We plan to evaluate the impact of development finance corporations as a tool for promoting continued business expansion.

- ° A study of the progress of country investment promotion activities resulting from CBI activities.
- ° Development of a computer model of the economic effects of various policy reform actions.

## B. AID Mission Activities by Country

### A.I.D. PROGRAM FOR BELIZE

#### 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.
- ° Increase export earnings through improved management and technical efficiency in export industries, increased the local value-added to local products and an expanded range of goods produced for export.
- ° Substitute (and expand) local production for imports thereby increasing employment opportunities and 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.

## CBI Related Private Sector Projects

### Ongoing Projects

#### 1. Economic Support Funds

Funding Level: \$10.0 million obligated FY 1983,  
\$14.0 million planned FY 84, 85

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.

FY 1985 loan funds will provide balance of payments support to the economy of Belize via a cash transfer of U.S. \$10 million. The local currency equivalent to the cash transfers will be deposited in the Central Bank of Belize. Disbursements from the local currency account will be for general budget support.

#### 2. Livestock Development (505-0006)

Funding Level: \$12.9 million (L)

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.

#### 3. Credit Discount Fund (505-0005)

Funding Level: \$5.0 million (L)

A.I.D. is encouraging increased private sector productive, export-oriented investment in agriculture and related industry under a \$5 million ESF Private Sector Rediscount Facility (505-0005). Other objectives include institutional development in the form of a discount fund and a change in banking policy to include access to long-term credit.

## Planned Projects

### 1. Export Promotion

Funding Level: \$2.0 million

This project continues the export promotion activities undertaken in earlier private sector and rural development projects and broadens activities in those areas to include adaptive research in alternative crops, cadastral modernization, industrial processing expansion, and export market investigation.

### 2. Small Business Development

Funding Level: \$500,000

Small loans will be made for micro-enterprises through an operational program grant in accordance with suggestions of the U.S. National Bipartisan Commission on Central America. The possibility of creating a small business bank will be examined.

## A.I.D. PROGRAM FOR COSTA RICA

### Objectives of Private Sector Support

- ° To help reestablish dynamic growth in the Costa Rican economy.
- ° 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:

Economic Stabilization and Recovery  
Financial System Strengthening  
Export and Investment Expansion  
Public/Private Sector Coordination  
Policy Formulation and Administrative Reform

### CBI Related Private Sector Projects

#### Ongoing Projects

1. Economic Stabilization & Recovery (515-0192)

Funding Level: \$145 million (L) in FY 84  
\$160 million (L) in FY 85

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. 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 currently complicated procedures required to invest in and export products from Costa Rica.

2. Private Sector Productivity (515-0176)

Funding Level: \$10.0 million (L)

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

3. Private Sector Export Credit (515-0187)

Funding Level: \$10.0 million (L)

Description: The Project's threefold purpose is 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.

4. Private Investment Corporation (515-0204)

Funding Level: \$4.8 million(L), \$1 million(G)

Description: The Project establishes a Private Investment Corporation (PIC) which provides loan financing, equity financing, and corporate services for export-oriented projects. The PIC provides resources to potential U.S. investors as well as to the Costa Rican business community. AID's loan is matched by \$5 million of equity capital from PIC shareholders.

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

Funding Level: \$350,000(G)

Description: The project strengthens the human resources needed for Costa Rican private sector development. Training opportunities are provided through CINDE to persons employed in the nontraditional productive sector, as well as the country's financial and university systems. The Project provides a basis for developing the institutional capacity to address human resources development needs.

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

Funding Level: \$4.5 million (G)

Description: The purpose of the Project is to make inputs to private sector policy formulation, planning, design, and implementation of management and administration systems. Three interrelated categories of assistance have been defined: economic policy formulation, private sector performance, and administrative and managerial improvement.

7. Coalicion Costarricense de Iniciativas de Desarrollo (CINDE)

Funding Level: \$5 million

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 in dollars for the operation of its programs. The development of CINDE as a business and industry-oriented local private voluntary organization is the centerpiece of the Mission's CBI strategy.

## A.I.D. PROGRAM FOR THE DOMINICAN REPUBLIC

AID's strategy in the Dominican Republic for the next several years will draw its 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 analysis, private sector feasibility and pre-feasibility studies, investment and export development and credit programs.

### A. Objectives of Private Sector Support

AID's CBI strategy pursues the short-term objectives of alleviating current foreign exchange shortfalls by providing immediate balance of payments assistance. Medium to long term objectives include restructuring the Dominican economy so as to make Dominican goods and services competitive in terms of quality and price in the world market as well as to provide productive job opportunities to the unemployed and underemployed. These objectives will be achieved through a strategy consisting of three approaches:

1. Establish a favorable economic environment for investment and foreign exchange earnings by encouraging a unified exchange rate and reform of governmental policies on interest rates, taxes and price controls.
2. Promote export expansion of nontraditional goods and services that have a relative advantage by providing timely credits and appropriate technical assistance in manufacturing and marketing know-how, by encouraging joint ventures with foreign investors and by eliminating administrative impediments for export-earning investments.
3. Improve human resources and public infrastructure by providing opportunities for basic and technical education, by making available essential public health services, and by upgrading transportation, communication and power systems.

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

#### Ongoing Projects

##### 1. Private Enterprise Sector Development

Funding Level: \$83 million (1982-1984)

Description: There are three main development activities funded under this loan. The \$83 million provides immediate balance-of-payments relief to the Dominican economy. The

Central Bank utilizes dollar funds to pay for imports of U.S. goods and services for the private sector. The GODR provides, as counterpart funding, the peso equivalent of the \$83 million to help finance priority development needs as follows:

a. Credit Facility

A total of RD\$35 million has been channeled through the Economic Development and Investment Fund (FIDE) mechanism in the Central Bank for agroindustry investment and export promotion. The credit, provided to small, medium and large businesses, is mainly used for medium term loans for infrastructure, equipment and other capital investments needed to expand the existing production and marketing facilities for the export of nontraditional agricultural and manufactured products.

b. Productive Infrastructure

The RD\$27 million pesos allocated to this facility is used to support projects critical to the expansion of the Dominican private sector and the GODR's investment program. Projects which have been supported thus far include, inter alia, a key IBRD highway project, rural roads projects funded by the IDB and AID, and upgrading of the Haina port facilities and irrigation projects.

c. Institutional Strengthening

Under this rubric several high priority areas for the private sector are supported, such as (a) the development and construction of industrial free zones in Puerto Plata, San Pedro de Macoris and Bani; (b) studies to support an in-depth examination of various areas of potential growth and investment for private sector businessmen and enterprises; (c) the construction of a building to house the Faculty of Administration at the Catholic University; and (d) support of local and U.S. based private voluntary organizations in programs in the areas of small and micro business, productive agriculture, health and education mainly in rural areas of the Dominican Republic.

2. Graduate Management Training

Funding Level: \$5.0 million (G)

Description: The project supports the establishment of a graduate management education, training and research program at the Catholic University. It is designed to provide both practical and theoretical education of managers and administrators in both the private and public sectors of the Dominican Republic.

3. Small Industry Development

Funding Level: \$5.0 million (L)  
\$0.85 million (G)

Description: This project, implemented through the Central Bank, is providing credit, technical assistance and training to small entrepreneurs in the Dominican Republic.

4. Private Enterprise Sector Expansion

Funding Level: \$50 million (G)

Description: The project provides balance-of-payments relief to the Dominican economy. The funds have two purposes. First, through the country's financial system, dollars are made available to the private sector for the importation of raw materials, spare parts, machinery and equipment from the U.S. Secondly, the GODR will provide, as counterpart funding, the peso equivalent of the \$50 million to help finance priority development needs as follows:

a. Credit Facility

An additional RD\$22.5 million in credit for agro-industry and export related businesses utilizing the same FIDE mechanism described earlier.

b. Trust Fund Account

A trust fund was established to support economic assistance programs in the Dominican Republic at a level of RD\$15 million.

c. Development Assistance Projects

High priority, on-going development assistance projects are supported to ensure their timely implementation and completion; RD\$7.5 million is provided for this activity.

d. Institutional Support

An additional RD\$3 million was programmed for special projects by private sector groups involved in business development and investment promotion, and for studies involving project feasibility and policy analysis.

Planned Projects:

1. Agribusiness Promotion

Funding Level: \$18.0 million (L) \$1.8 million (G)

Description: This project will finance investment credit, and feasibility studies to increase agroindustrial production for the domestic and export market.

2. Export and Investment Promotion

Funding Level: \$3.0 million (G)

Description: This project is designed to address investment and export policy constraints, and promote light industry and agribusiness expansion through the Investment Promotion Commission.

3. Mineral Export Promotion

Funding Level : \$3.73 million (G)

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 minerals as well as an analysis of policy constraints which impede exports and investments in the mineral sector. Classification of mineral resources as to type, location, commercial viability, estimated reserve quantity and 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. RDC/C's projects focus on programs which provide support to new business development, investor search, technical assistance, training, credit and infrastructure.

### 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 major 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.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

1. Caribbean Agriculture Trading Company

Funding Level: \$4.0 million (L) \$.225 million (G)

Description: This project is assisting in establishing a regional trading company for agricultural commodities. The company is expected to play a major role in transforming a

high cost and poorly coordinated marketing system for fruit and vegetables in the Eastern Caribbean.

2. Employment Investment Promotion

Funding Level: \$8.4 million (L) \$3.0 million (G)

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

3. Project Development Assistance Program (PDAP)

Funding Level: \$11.9 million (G)

Description: This project provides both long-term and short-term advisors to expedite private sector project development. 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.

4. Private Sector Investment Assistance Program

Funding Level: \$2.0 million (G)

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

5. Caribbean Project Development Facility

Funding Level: \$1.0 million (G) An additional \$1 million is planned for FY 1985

Description: Funding under this project, along with support from other donors, provides resources to the International Finance Corporation, 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.

6. Banana Industry Rehabilitation

Funding Level : \$1.7 million (G)

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.

7. Caribbean Financial Services Corporation

Funding Level: \$12 million (L)

Description: The CFSC provides medium and long term capital 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 smaller island states of the Eastern Caribbean, Jamaica, Guyana and Belize. The bank is designed to complement the leading operations of the region's commercial banks which do not currently provide term credits to the smaller and medium sized industries.

8. Regional Development Training II

Funding Level: \$5.0 million (G)

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

9. Private Sector Industrial Infrastructure

Funding Level: \$14.0 million (L)

Description: This project is being 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:

Small Enterprise Development Project

Funding Level: \$9.6 million (L) \$1.9 million (G)

Description: The proposed project is focused on small and micro businesses and small farmers. Loan and grant funds will provide needed infrastructure support, training and marketing assistance. The project supports agricultural and manufacturing activities of the small entrepreneur by increasing the export volume of commodities. The project will support credit expansion through expansion of national development foundations.

## A.I.D. PROGRAM FOR EL SALVADOR

### Objectives of Private Sector Support

The main focus of the Mission remains industrial stabilization and recovery. Project goals are to generate employment, increase incomes, and earn foreign exchange for El Salvador. This will be accomplished by developing the capacities of the Salvadoran public and private sectors to provide policy support and technical assistance, technology transfer, and training to exporters of nontraditional products.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

#### 1. Balance of Payments and Private Sector Support (ESF)

Funding Level: \$140.0 million FY 1983  
120.2 million FY 1984  
65.0 million FY 1985 obligated; \$120 million additional planned

Description: To continue to allow El Salvador to import raw materials and intermediate goods for its private sector. This continues to help to provide support to the private sector.

#### 2. The Industrial Stabilization and Recovery (ESF)

Funding Level: \$9.5 million

Description: The Project has two components. Component I supports current Government of El Salvador (GOES) efforts to develop and implement an export and investment promotion strategy including law and policy revisions, improved support mechanisms to carry out the approved strategy, and the reactivation of the San Bartolo Free Trade Zone.

Component II strengthens private sector export capacity by financing a trade and investment promotion service, an office to coordinate private sector association strengthening activities, and a section to manage policy and research development studies, within the Salvadoran Federation for Economic and Social Development (FUSADES). FUSADES offers technical assistance, information services, market searches, economic research, and limited travel grants to private entrepreneurs and business associations working in El Salvador's nontraditional export sector.

3. 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.

## A.I.D. PROGRAM FOR GUATEMALA

### 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

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

#### Economic Support Fund (ESF)

Funding Level: \$10.0 million (L)

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 to stimulate private sector production.

#### Planned Project

##### 1. Small and Medium Business Project

Funding Level: \$10 million (L)

The project will facilitate trade and encourage investment. It will provide export financing; market intelligence; guidance on product design and technical assistance on preparation of documentation.

## A.I.D. PROGRAM FOR HAITI

### 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 agroindustry 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.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects:

##### 1. Haitian Development Foundation

Funding Level: \$2.2 million (G)

Description: The Foundation trains loan extension workers and disburses loans to small businesses and artisans to meet their productive 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. Development Finance Corporation

Funding Level: \$5 million (G)

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

3. Technical Consultants and Training

Funding Level: \$1 million(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) that perform functions vital to a healthy and progressive economy. The project focuses on both revenue-generating and resource-programming functions in support of private sector activities.

4. Haitian Mortgage Bank

Funding Level: \$1.7 million(G)

Description: The Haitian Mortgage Bank was established to provide low-cost loans for low-income housing in Haiti. The grant finances 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 bank is controlled by the private sector.

Planned Projects

1. Private Enterprise/Management and Productivity Center

Funding Level: \$2.3 million(G)

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 small scale entrepreneurs, as well as loan recipients of the HDF and the DFC.

2. Investment Authority (521-0164)

Funding Level: \$3 million(G)

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.

### 3. Non-Traditional Exports Program

Funding Level: \$1.3 million(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 proposed program:

(a) A Handicrafts Export Center will provide longer-term assistance to institutionalize the more sophisticated elements of product design, packaging, and export marketing.

(b) An agroindustry program will broker a limited number of agroindustrial projects in order to provide evidence that successful investments in this subsector 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 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 a national export and investment promotion strategy.

## A.I.D. PROGRAM FOR HONDURAS

### Objectives of Private Sector Support

1. To establish a basis for a recovery of economic activity by reducing the Government of Honduras' fiscal deficit and by ensuring that sufficient foreign exchange and domestic credit is available for exporters of nontraditional 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 nontraditional 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.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

##### 1. Economic Support Fund

Funding Level: \$134 million

Description: The Economic Support Funds (ESF) Program helps 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.

2. Export Development and Services

Funding Level: \$16 million (L), \$6 million (G)

Description: The Project will increase the quantity and quality of nontraditional exports and seeks to create a policy environment that favors export development. The Project will improve the private sector's capability to increase exports of nontraditional products, support increased investment promotion and provide the foreign exchange and financing needed for investment export enterprises.

3. Agricultural Research Foundation

Funding Level: \$20 million (G)

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 nontraditional crops for export. The Project provides needed analytical and technical services, and the long-term financial viability of a private sector research institution.

4. Small Business Development

Funding Level: \$600,000(G)

Description: The Project is 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 provides technical assistance to the small entrepreneur.

5. Aid to Artisans (OPG)

Funding Level: \$350,000(G)

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.

6. GEMAH (OPG)

Funding Level: \$800,000(G)

Description: The Project assists a Honduran organization, Gerentes y Empresarios Asociados de Honduras (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, GEMAH 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.

7. Advisory Council on Human Resources Development (OPG)

Funding Level: \$975,000(G)

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. A key project component is a pilot activity designed to introduce skills certification standards and competency-based instructional materials to meet these standards.

Planned Projects

1. Small Farmer Organizational Development

Funding Level: \$6,000,000(G)  
\$24,000,000 in local currency

Description: The project purpose is to establish viable systems for channeling productive resources (i.e. credit, entrepreneurial expertise, inputs, technical assistance, and marketing services) to enhance small farmer production and productivity. Existing small farmer organizations will be used and strengthened to achieve the above purpose.

## 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.

### Objectives of Private Sector Support

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

1. Improved information flow through activities such as technical consultancies and feasibility studies.
2. Business development based on project merit.
3. New ventures through risk sharing and packaging of investment requirements.
4. Private market improvement.
5. Export marketing development.
6. Policy reforms to facilitate efficient market mechanisms.

### CBI-Related Projects and AID's Private Sector Development

#### Ongoing Projects:

1. Production and Employment IV (ESF)

Funding Level: \$50 million (L)

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.

2. Technical Consultants and Training

Funding Level: \$8.5 million (G)

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. An additional grant is planned for FY 1985.

3. Agro-Industries Development

Funding Level: \$10.5 million (L)

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; and, (3) training for agribusiness-related staff of selected financial institutions involved in agribusiness investment.

4. Jamaican National Development Foundation

Funding Level: \$.500 million (G)

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.

5. Agro 21

Funding Level: \$1.5 million (G)

Description: Agro 21 is a comprehensive program of the GOJ for revitalizing the agricultural sector, thus permitting it to make its full contribution of foreign exchange. It entails the selection of crops and agricultural activities with significant development potential, the organization of the requisite resources and infrastructure for their development; land, capital, manpower, technology and markets, and the removal of existing and potential bottlenecks in the way of their development. The program places emphasis on the private sector as the engine of change with the GOJ role being the creation of an environment in which the private sector can succeed in making the agricultural sector a growth pole in Jamaica's economy.

6. Private Sector Investment Fund

Funding Level: \$20 million (L) \$1.2 million (G)

Description: The project supports Jamaica's economic recovery by providing investment funds needed by medium-size private sector enterprises for equity and debt financing. The project provides (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, (3) establishing an investment program.

Planned Projects

1. Management Training

Funding Level: \$5.0 million (G)

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.

2. Industrial Development Foundation

Funding Level: \$2.0 million (G)

Description: A new foundation will be designed to assist private enterprises in expansion and new starts. The foundation will fund technical assistance, special equipment purchases and support services.

## A.I.D. PROGRAM FOR PANAMA

### Objectives of Private Sector Support

AID's 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.

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.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

##### 1. Employment Planning and Generation

Funding Level: \$5.0 million (L) \$1.0 million (G)

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

Funding Level: \$3.7 million (L) \$200,000 (G)

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

Funding Level: \$5.9 million (L) \$2.3 million (G)

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.

4. Small Business Development

Funding Level: \$6.0 million (L) \$2.3 million (G)

Description: This project establishes an institutional mechanism within which commercial banks are able to provide guaranteed financing and complementary technical assistance for small business development.

5. Private Enterprise Training

Funding Level: \$2.5 million (G)

Description: The project has established a foundation under the direction of a broadly-based Panamanian private sector organization which will select trainees and administer financial assistance for management training.

Planned Projects

1. Export Bank

Funding Level: \$10.0 million (L) \$2.0 million (G)

Description: The project will provide a new private sector facility for export credits. Eligible borrowers include nontraditional exporters and agriculture projects. The new institution will have a broad private sector economic base insuring greater participation of various segments of the Panamanian private sector. Consideration is being given to establishment of a trading company in conjunction with the banking services.

2. Export Sector Support

Funding Level: \$6 million (G)

Description: Using a sector project approach, this program combines needed governmental infrastructural support with private sector group expansion. The project will identify export markets, adjust regulations and programs for exporters.

3. Workforce and Productivity Development

Funding Level: \$10 million (G)

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

## AID PROGRAM FOR ROCAP

### Objectives of Private Sector Support:

The ROCAP regional program is concerned with:

- ° Restoring intra-regional trade activities.
- ° Stimulating nontraditional exports through policy reform and credit extension.
- ° Increasing productivity and employment through human resources development.

### CBI Related Projects and AID's Private Sector Development

#### Ongoing Projects

##### 1. INCAE Expansion

Funding Level: \$4 million (L)

Description: The project consists of three components. Component I funds the construction of a second campus for the Central American Institute for Business Administration (INCAE). Component II sets up a private sector program to offer training courses in Guatemala, Honduras and El Salvador. A third component, a Non-Traditional Export Management Program, has been established offering seminars in export strategy, operations, finance and marketing.

##### 2. Export Promotion Fund BLADEX (596-0109).

Funding Level: \$25 million (G)

Description: This project improves the balance of payments in Central America by increasing exports of nontraditional commodities from the region. BLADEX is providing 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.

##### 3. Agribusiness Employment/Investment Promotion-(LAAD)

Funding Level: \$6 million (L)

Description: This project promotes private agribusiness investment and development in Latin America through LAAD. The project focuses on supporting private, labor-intensive,

processing-type enterprises in order to provide guaranteed markets for nontraditional small farmer crops.

### Planned Projects

#### 1. Agricultural Export Support

Funding Level: \$8 million (G)

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

#### 2. Regional Export Training and Promotion

Funding Level: \$2 million (G)

Description: This project will encourage the further development of human resources for the purpose of increasing nontraditional 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.

#### 3. Export Promotion Fund II

Funding Level: \$30 million (L)

Description: This project will focus exclusively on helping meet the short-term credit needs of the industrial sector, including working capital, foreign exchange needs and post-export financing. The final borrowers will be exporters of nontraditional manufactured or agricultural commodities. A revolving fund will finance credit needs and will be capitalized through loan repayments.

#### 4. CABEI Expansion

Funding Level: \$50 million (L)

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 are expected to generate an additional \$600 million in capital transfers.

### C. AID/WASHINGTON ACTIVITIES - 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 utilize 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 (JACC).

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 (JACC): The purpose of the JACC 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 JACC 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 from Costa Rica;
- ii) Animal husbandry (pig farm operation) in the Dominican Republic;
- iii) Export of fresh vegetables from Costa Rica; and
- iv) Coffee pulp processing operations 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 fruits and 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);
- ° Terms 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.

D. 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.

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