

ANNUAL REVIEW

CDB/AID
April 1-4, 1975

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not attached

E. ATTACHMENTS: "USAID PROJECTS IN PROGRESS" and
FCH MEMORANDUM DATED MAY 12, 1975

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The following constitutes the overall comments and results as recorded during the Annual Review and subsequent AID action, if appropriate:

A. GENERAL IMPLEMENTATION PROBLEMS

1. Source/Origin Waiver. The CDB has requested that AID again review the current limit of \$2,500 on purchases of machinery and equipment from the Free World.

Action: AID will again raise the issue in AID/W but it is unlikely that the limit will be raised. Meanwhile, the CDB is requested to forward requests for waivers above the present limit, either on a quarterly basis or otherwise, in a manner which allows AID to process them in bulk.

Resolution: AID regrets it is unable to raise the limit.

2. Letter of Commitments/Letter of Credit Procedures. The CDB will arrange for a short course on AID procedures and will invite LDC representatives. AID/W will send an expert in such matters. Hopefully, Bank of America will also be represented. The exact timing of such a course will be discussed by the CDB Treasurer with AID/W in his upcoming visit to Washington. (The difficulties involved with amending the TAM's L/C are being resolved by an exchange of letters between TAMs and the Government of Dominica).

Action: AID will discuss directly with CDB Treasurer.

Resolution: A two-day course has been scheduled for early June. Mr. Joseph O'Neill from AID/W will attend.

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3. Extension of Terminal Commitments Date (TCD) and Terminal Disbursement Date (TDD) for Loan 001. The present TCD is June 30, 1975 and TDD is 12/31/75 (original).

A review of CDB terminal date for disbursements shows only two projects beyond 12/31/77. A review of expected CDB disbursements shows an optimistic projection of completed disbursements by 12/31/76. Given the possibilities which exist for potential delays, any request for a TDD extension should take into account the fact that only one extension of the TDD will be authorized. The issue is whether the current TDD should be extended to 12/31/76; 6/30/77 or 12/31/77. Under Loan 003, the current TCD and TDD (6/30/77 and 12/31/77) appear reasonable. Only \$2.1 million remain uncommitted by the CDB to specific subprojects.

Action: The AID team will consult with AID/W on extension of 001 and inform the CDB of its determination. The CDB will continue to expedite commitment of Loan 003 and will take into account the TDD of 12/31/77 in making such commitments.

Resolution: AID will agree to a one-time eighteen-month extension of the TDD until June 30, 1977. Letter of Implementation issued.

4. Outstanding AID Approvals. AID has still not concurred in the St. Lucia and Belize Electricity add-on loans.

Action: The AID team will review the additional requested materials on these projects and communicate its decision to the CDB formally.

Resolution: A letter approving the St. Lucia Port and Belize add-ons has been sent to the CDB.

5. Equity Financing under Loan 003. The CDB had requested AID approval of up to \$500,000 under Loan 003 to finance equity investment within the region. During the review the CDB informed AID that the IBRD had recommended expansion of this concept to include an institutional arrangement within the CDB comparable to the IBRD/IFC structure. After review, the CDB has now decided to further investigate this possibility and has requested CARICOM to determine the feasibility of this proposal through a special study. This study is due O/A August 1975. AID agreed to the CDB request to hold consideration of its equity proposal in abeyance until the results of the study become available.

B. SUBPROJECT DISCUSSIONS

1. Industry.

a. General Observation: Engineering and construction projects visited are well done, with a tendency to perhaps over design.

b. While delays in execution of large projects are understandable, the AID team noted that several industrial estates subprojects have remained idle for several years. The CDB was encouraged to expedite these requests. While it was understood that some subprojects were dependent upon finding potential industries, the CDB was encouraged to periodically review these commitments to determine whether the funds so committed might better be allocated to other projects.

c. AID noted that present CDB staffing and organizations seem to isolate agro-industrial projects from the Industry Division during their planning stages. The CDB pointed out that the system of project committees ensured that adequate industrial competence existed for each project. AID encouraged the CDB to expand its agro-industrial activities.

d. The construction of the Dominica Port appears to be proceeding satisfactorily. The AID team noted, however, the lack of a fire protection system and recommended that the CDB undertake to convince the Government of Dominica to install such a system in the near future.

Action: CDB will consult with the Government of Dominica on this issue and inform AID of the results.

2. Small Industry Credit. The program is progressing smoothly and the CDB has hired additional staff. Two concerns are the level of staffing at the country level and additional sources of financing after the AID loan funds are expended.

Action: The CDB will continue to strengthen the local development corporations. The CDB will also begin to seek other donor financing to continue the program.

3. Electricity. The project is progressing well but has experienced a significant cost increase. The CDB has approved an additional loan of \$992,160 from AID Loan 003 to cover these increases. AID has approved this subloan and will so inform the CDB by letter.

Action: AID will send letter of approval.

4. Agriculture. Discussion centered on a discussion of the CDB proposal to extend land settlement schemes and the possibility of AID financing to support this expansion. AID expressed its desire to work with small farmers currently engaged in agriculture. It was agreed to undertake a small farmer study, in cooperation with the Bank and CIDA, to define the characteristics and needs of small farming operations in the LDCs.

Action: A scope-of-work acceptable to all parties will be drafted and AID will undertake to finance one-third of the costs involved. Estimated AID cost is \$33,000.

C. LOW COST HOUSING

1. Staffing. The CDB is recruiting a replacement for the departing (6/30/75) staff member. The FCH is recruiting an additional technician. A growing problem is the shortage of qualified expertise at the country level.

Action: FCH will arrange for a candidate to be interviewed by the CDB within one month. CDB will endeavor to recruit and hire a staff replacement so that he may overlap with the present staff member. CDB will review its restrictions on use of AID loan funds to allow for hiring of needed local expertise for each project.

2. Scheduling. The program is underway. The need now exists for an estimate as to when each step in further project execution should take place.

Action: The CDB will prepare and submit to AID by September 31, 1975, a time-phased plan for project execution and its recommendations as to the need, if any, for an extension of the current TDD of 12/31/77 for the low cost primary program.

3. Target Group/Income Level. The CDB is currently reviewing data reflecting the low income group the program was designed to serve. Some increase in income levels above the EC\$65 weekly now in force is foreseen.

Action: The CDB will review the information and experience gained from its on-going program and forward to AID/W its recommendations in this regard. Such a report is expected by June 30, 1975.

4. Interest Rates. The CDB is considering whether the current 4% interest rate on subloans should not be increased to reflect current market conditions and begin to build a program which could be ultimately financed by funds from the regular capital markets. AID encouraged the CDB to investigate this possibility and forward to AID its recommendations.

Action: CDB will review its interest rate structure for low cost housing and forward to AID its recommendations.

5. Additional Financing. Related to issue #4 is the question of additional financing to support an adequate annual level of CDB lending in this area. AID encouraged the CDB to seek Housing Guarantee funds and informed the CDB that it was unlikely that AID concessional funds would be available beyond 002 for this purpose.

Action: The CDB will continue its contacts with AID's Housing Guarantee Office.

6. Letter of Commitment. The low cost program will require approximately \$2.4 million in foregoing exchange costs.

Action: The CDB will prepare and forward to AID in the next month, a request to open a Letter of Commitment in the above amount.

7. Reference is made to the Dean/Venezia Memorandum of May 12, 1975 for additional comments.

D. SECONDARY MARKET

1. Staffing. The need for a full-time Secondary Officer was discussed. It was decided that Andre Iton would be appointed to that position. The need for an overall plan for use of technical assistance was discussed and it was agreed that the Bank would provide a plan to AID in the near future.

2. Servicing Fee. AID agreed to an increase of up to 1% in the service fee allowable to sellers of secondary mortgages.

3. Limits. AID agreed to an increase of the property value on existing mortgages to EC\$40,000. New construction limits were increased to EC\$30,000.

E. The attached book entitled "USAID Projects in Progress" is hereby made a part of the official records of the Annual Review, as well as the FCH Memorandum of May 12, 1975.

not attached { Attachments: 2

1. USAID Projects in Progress
2. FCH Memorandum dated May 12, 1975