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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

3yr

Proposal and Recommendations For the Review of the Development Loan Committee

REGIONAL: CARIBBEAN DEVELOPMENT BANK

(SDF II)

AID-DLC/P-1071

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

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AID-DLC/P-1071

February 9, 1973

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Regional: Caribbean Development Bank (SDF II)

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed $12,000,000 to the Caribbean Development Bank to assist in financing the United States dollar and local currency costs of Borrower's development lending program.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Friday, February 16, 1973.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
Appendixes I-IV

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CARIBBEAN DEVELOPMENT BANK

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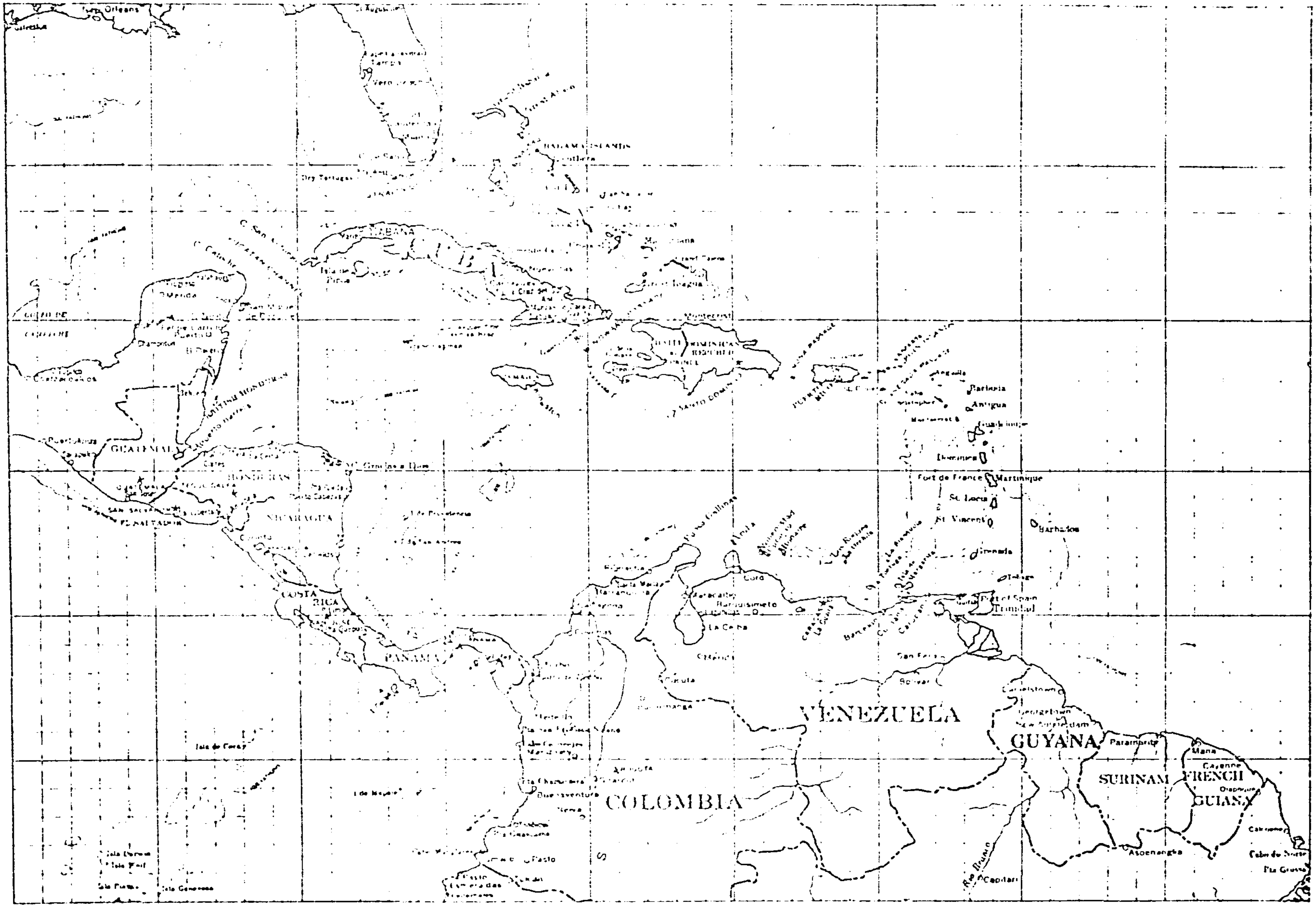

REFERENCE MAP FOR CAPITAL ASSISTANCE PAPER - CARIBBEAN DEVELOPMENT BANK

SECTION I - SUMMARY AND RECOMMENDATIONS

A. BORROWER

The Borrower of the AID Loan will be the Caribbean Development Bank (CDB), a regional development bank established in 1970 to contribute to the economic development and growth of its members, with special regard to the needs of the less developed regional members.

B. THE LOAN

Not to exceed $12,000,000, repayable within 40 years including a ten year grace period with an interest rate of two percent per annum during the grace period and three percent per annum thereafter.

C. PURPOSE

The principal purposes of the loan are to accelerate the economic growth and development of the CDB regional member countries, and promote economic cooperation and integration among them, with special attention to the needs of the less developed members of the region. These purposes are in strict accordance with the Caribbean Free Trade Association (CARIFTA) goals.

D. BACKGROUND

The CDB was established in 1970. In addition to its ordinary capital resources the Bank has a separate special fund known as the Special Development Fund which may be used to make or guarantee long term, low interest loans of high development priority. Initial contributions to the SDF included an AID Loan (538-L-001) of $10 million, interest free contributions from the U.K. and Canada of $5 million each, and a $2.5 million Canadian contribution (handled separately from the SDF but made available on the same terms) for agricultural development of the less developed members of the Bank. The Bank projects commitment of the AID portion of these initial SDF resources by April 30, 1973, and commitment of all SDF funds by August 1973. It has therefore initiated requests for a "second round" to enable it to continue its development lending operations.

In addition to the "regular" less developed members of the region recent circumstances have combined to move Barbados into the LDC range in regard to trading preferences. The Government of Barbados has, accordingly, recently requested the CDB to expand the SDF to include Barbados. The CDB has indicated its willingness to comply if additional resources, beyond those already earmarked for the regular LDCs, could be obtained.

E. PROJECT DESCRIPTION

The loan will provide supplemental financing to the CDB's Special Development Fund for subsequent sub-lending to the so-called "less developed" regional members. The CDB will use the proposed loan, along with funds forthcoming from the U.K., Canada, Venezuela, and West Germany, to replenish the original $20 million SDF, which the CDB estimates will be committed by August 1973. Sub-loans will be made for a broad spectrum of development activities including agriculture, small industrial credit, industrial estates, infrastructure, and tourism.

F. FINANCIAL PLAN

The CDB has examined the capital expenditure requirements of the less developed countries and has conservatively determined a firm need of $30 million of additional financing for the period 1973-75. The inclusion of Barbados adds an additional 1973-75 requirement of approximately $6 million. AID has been requested to provide $12 million towards replenishing the SDF for commitments planned for that period. This loan will be the second AID tranche[1/] to the SDF and represents a continuing U.S. commitment to the CDB's expansion of general development lending activities among the less developed countries of the region.

G. OTHER SOURCES OF FINANCING

The CDB will receive $5 million for the SDF from Venezuela upon its expected entry in June 1973. West Germany is in the process of effecting a $5 million contribution to the SDF. The U.K. and Canada are together expected to renew their original total $10 million commitments at approximately the same level.

1/ The CDB is presently implementing an AID loan of $10.3 million for primary and secondary housing in the region. It is administered separately from the SDF.

In addition, Canada is expected to commit between \$2 and \$3 million to replenish its Agricultural Fund. The proposed AID loan of \$12 million will provide a total of \$32 million and enable the CDB to almost reach its projected \$36 million SDF lending target (including Barbados) for 1973-75. Other sources of funding, such as Colombia, are expected to materialize in the near future.

H. VIEWS OF LA/CAR

The proposed loan to the Caribbean Development Bank is consistent with and supports U.S. policy for the Caribbean. Most of the less developed CDB members states are not at present economically viable as individual units and are able to maintain only precarious economic equilibrium, even with current levels of external assistance. These states have high rates of unemployment and underemployment (estimates range from 15 to 25 percent) and among the lowest standards of living in the Western Hemisphere (average annual per capita GDP's range from \$182 to \$370). These states have limited natural resources, very small internal markets, and are currently overly dependent upon export of a limited number of agricultural commodities for which the market outlook is doubtful. Economic and social progress will require close regional economic cooperation and higher levels of external assistance with more emphasis on increasing the productive sectors of the economy.

The CDB has a vital role to play in facilitating economic cooperation among the Commonwealth Caribbean countries. Efforts at regional economic integration have been focused in the Caribbean Free Trade Association and the CDB. The member countries have agreed to form a common market in 1973, but the ultimate success of economic integration is at least in part dependent upon a concerted effort to narrow the disparity in the levels of development among the various states. The CDB Special Development Fund was created for this purpose. Thus, the ability of the CDB to replenish its Special Development Fund has significance not only for the future of the Bank but for broader economic cooperation in the area. The CDB is the only indigenous regional institution providing soft term development financing for the less developed states. In fact it is the only source for such financing for these states other than bilateral U.K. and Canadian grant assistance. In addition, Barbados has requested to be included as a recipient of future Special Development Fund resources and the Bank has requested financing to permit the inclusion of Barbados, which like the lesser developed states, does not currently receive bilateral financial assistance from the U.S. It has been our policy to defer to the Bank on decisions concerning eligible recipients of the Special Development Fund and we would propose to continue such a policy as long as there is a demonstrated need for external assistance and the CDB has the capacity to administer such assistance. In this case the CDB, being physically located in Barbados, is a logical institution to administer financial assistance to that country.

The Office of Caribbean Affairs gives high priority to the proposed $12 million loan, which, along with other donor financing, will support the CDB in an important Caribbean initiative to strengthen the region's economies and facilitate regional economic cooperation.[1/]

I. STATUTORY CRITERIA

All applicable criteria of the Foreign Assistance Act, as amended, have been or will be met as indicated in the checklist of Statutory Criteria attached.

J. ISSUES

The principle issue analyzed and resolved during the intensive review was the level of financing to be provided by this proposed loan. That issue, in turn, was to be determined by resolution of the following issues raised in the CDB's implementation of AID loan 538-L-001 to the SDF. They were:

1. Broadening of the SDF
2. Composition of sub-projects
3. Benefits of low-income group
4. Use of local development corporations
5. Project management

Details of those issues are presented in Section V.

K. RECOMMENDATIONS

On the basis of the intensive review, the Project Committee has concluded that the proposed loan is technically, economically, and financially justified and recommends that a loan to the Caribbean Development Bank, in an amount not to exceed $12 million be authorized, subject to the following terms and conditions:

1/ During the Development Assistance Executive Committee review of this loan, the CIAP representative concurred fully with these views and expressed strong support for the proposed loan and its inclusion of Barbados.

1. <u>Interest and Repayment Terms</u>: The Borrower shall repay the loan to AID in U.S. dollars within forty (40) years from the first disbursement under the Loan, including a grace period on the repayment of principal of ten (10) years, with interest payable in U.S. dollars at two (2%) percent per annum during the grace period and three (3%) percent per annum thereafter.

2. <u>Other Terms and Conditions:</u>

a. Except for ocean shipping, goods, services and marine insurance financed under the loan shall have their source and origin in any country included in A.I.D. Geographic Code 941, Canada, the United Kingdom or any member country of the Caribbean Development Bank located in the Western Hemisphere. Marine insurance may be financed under the loan provided, however, that such insurance is obtained on a competitive basis and any claims thereunder are payable in convertible currencies. Ocean shipping financed under the loan shall be procured in any country included in A.I.D. Geographic Code 941, Canada, the United Kingdom or any member country of the Caribbean Development Bank located in the Western Hemisphere except the State or Territory of the site of the sub-loan.

b. United States dollars utilized under the loan to finance local currency costs shall be made available pursuant to procedures satisfactory to A.I.D.

c. Borrower will covenant to exert its best efforts to use funds made available by this loan for no more than twenty-five (25) percent of the total amount of all loans authorized by the Borrower in any one calendar year.

d. Borrower will covenant:

(1) to provide A.I.D. with copies of such summary loan documents as the Borrower's board receives in approving sub-loans financed with funds made available by the Loan;

(2) to obtain A.I.D.'s concurrence prior to authorizing any sub-loan financed with $500,000 or more of funds made available by the Loan.

e. The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

L. PROJECT COMMITTEE

Ronald F. Venezia, Chairman, LA/DR
Ronald E. Bobel, LA/DR
Leonard Rosenberg, LA/DR
James Cooperman, SER/ENG
Bruce Gair, LA/GC
William Wheeler, LA/CAR

SECTION II - The Project

A. Background

At the Canada/Commonwealth Caribbean Conference held in Ottawa in July 1966 it was decided that a study should be made of the possibility of establishing a financial institution to serve the Commonwealth Caribbean countries and territories. In November of the same year a conference of representatives of the Governments of Barbados, Leewards, Windwards, Canada, the United Kingdom and the United States of America was held in Antigua to consider the Report of a team of experts which had been commissioned by Canada, the United Kingdom and the U.S.A. to make an ecomomic survey of Barbados, Leewards and Windwards.

One of the recommendations in the Report was that there should be established a Regional Development Bank for the territories which were included in the Survey. However, representatives of the Conference, bearing in mind the decision of the Ottawa Conference, agreed that consideration should be given to the establishment of an institution to serve all the Commonwealth Countries and Territories.

With the concurrence of all Countries and Territories, the U.N.D.P. was requested to appoint a team of experts with the following terms of reference:

> "To undertake a study of the possibility of establishing a financial institution for regional development in the Caribbean which might be used as a method of financing projects of particular interest to the smaller areas as well as projects which would benefit the region as a whole."

The team, whose report was submitted in July 1967, recommended the establishment of a Caribbean Development Bank with an initial capital of US$50 million. The Report was considered at a Meeting of Officials in Georgetown, Guyana, in August, 1967 and its acceptance was recommended. At a Conference held in Barbados in October 1967, the Heads of Government of the Commonwealth Caribbean countries and territories accepted the Report and established a Committee of Officials to work out details for the establishment of the Caribbean Development Bank, including the preparation of a Draft Agreement.

The Draft Agreement Establishing the Caribbean Development Bank was submitted early in 1968 and was finally adopted after three Meetings at Ministerial level. In July 1969 a Preparatory Committee for the Establishment of the Bank was set up and a Project Director was subsequently appointed. The Committee was responsible for all arrangements leading up to the establishment of the Bank, including the Conference of Plenipotentiaries, ratifications and the Inaugural Meeting of the Board of Governors. The Committee received assistance from the U.N.D.P., International Bank for Reconstruction and Development and the Inter-American Development Bank.

The Agreement was signed at Kingston, Jamaica, on 18th of October, 1969, at a Conference of Plenipotentiaries of eighteen countries and territories and it entered into force on 26th January, 1970.

The Secretary-General of the United Nations acted as the Depository for the Agreement and the Government of Barbados was appointed as Trustee for the receipt of payments of the first installment of subscriptions towards share capital.

B. The Borrower

The borrower of the AID loan will be the Caribbean Development Bank (CDB) established on January 26, 1970 with headquarters in Bridgetown, Barbados.

1. Membership - The Bank's membership consists of the English speaking states and territories of the Caribbean, Canada, the United Kingdom, Venezuela and Colombia, the latter two to be admitted shortly. A listing of the Caribbean states follows:

Independent States -	Jamaica, Trinidad and Tobago, Barbados, and Guyana.
Associated States -	Grenada, St. Vincent, St. Lucia Dominica, Antigua, and St. Kitts-Nevis-Anguilla.
Crown Colonies -	British Honduras, The Bahamas, Montserrat, British Virgin Islands, the Cayman Islands, and the Turks and Caicos.

2. Purposes - The principal purposes of the Bank are to contribute to the economic development and growth of its member countries in the Caribbean and to promote economic cooperation and integration among them, with special and regard to the needs of the less developed members of the region. (i.e., the Associated States and Crown Colonies).

3. Organization - The Bank has a Board of Governors, a Board of Directors, a President, a Vice-President, and operating staff.

The Board of Governors consists of a representative of each member government and is headed by a Chairman elected by the Board at its annual meeting. The Board of Governors represents the highest authority of the Bank. It may delegate some of the powers to the Board of Directors. However, among the significant powers that it may not delegate are those regarding membership of the Bank, the election of Bank Directors and President, and the decision to terminate the operation of the Bank and to distribute its assets.

The Board of Directors is composed of ten (10) members of whom eight (8) are elected by Governors representing regional members and two (2) are elected by Governors representing non-regional members. The Board of Directors is essentially responsible for the general operations of the Bank. Its Chairman, who is appointed by the Board of Governors, also serves as the President of the Bank.

The Bank's operating documents have been carefully reviewed and approved by AID in connection with the CDB's compliance with the conditions precedent of AID Loans No. 538-L-001 and 538-L-002. These documents, on file in LA/DR, include the following:

i. Agreement Establishing the Caribbean Development Bank. (This document also serves as its Charter);

ii. By-laws of the Caribbean Development Bank;

iii. Agreement Between the Caribbean Development Bank and the Government of Barbados Regarding the Headquarters of the Caribbean Development Bank, and;

iv. The Bank's operating rules and regulations consisting of,

(a) Financial Policies,
(b) Loan Conditions,
(c) Guidelines for Procurement,
(d) Guidelines for Choice of Consultants, and
(e) Special Development Fund Rules

4. Staff - Staffing of the Bank - The Bank is most fortunate in having as its President, Sir Arthur Lewis, an internationally known and respected economist. Prior to his acceptance of the Bank's presidency, Sir Arthur had been, for the previous seven years, a professor of public and international affairs of Princeton University. He has published books in his field; held numerous positions with the United Nations as an economic advisor and consultant; served the Government of Jamaica as director of its Central Bank and as a member of its Industrial Development Corporation; and was an important figure in British academic life for more than twenty years. Sir Arthur is a West Indian, born on January 23, 1915 in St. Lucia. His formal professional education was British; he earned a Ph.D. from the London School of Economics and an M.A. from the University of Manchester.

At the end of CY 1972, the Bank had a total staff of 59 of which 27 were professionals and 32 non-professionals. Of the 27 professionals on the Bank's staff, 13 were recruited under an agreement whereby the United Nations Development Program (UNDP) undertakes to provide technical assistance to the Bank. A review of the Bank's staff leads us to the conclusion that it possesses the needed background and experience to successfully implement the development objectives set out in the Bank's Charter. Appendix IV, Exhibit 1, contains the staffing pattern of the Bank.

5. <u>The Role of The CDB-Regional Development Strategy</u> - The development strategy of the region is based on the objectives of the CARIFTA Agreement, the first phase of a drive towards the economic integration of Commonwealth Caribbean countries. The Agreement recognized from the outset that if economic integration or a high level of economic inter-dependence among the member countries were to be achieved the disparities in the levels of development had to be narrowed. The member countries therefore agreed to implement special measures for the benefit of the less developed countries (LDC's) relating to the development of industry and agriculture.

Of the CDB's total commitment of US $25.4 million at the end of 1972 on projects (including a contribution to a Secondary Mortgage Program for LDCs) some US $20.9 million or 82% will be assisting the LDCs in the following fields:

<u>Agriculture</u>		
Credit	2,120,000	
Production	1,166,739	
Processing	527,350	3,814,089
<u>Industry</u>		
Credit	1,275,000	
Estates	686,635	1,961,635
<u>Tourism</u> (Hotels)		1,227,085
<u>Infra-Structure</u>		
Ports	5,080,000	
Water Supplies	2,397,760	
Roads	803,760	
Electricity	1,528,320	
Telephones	718,080	
Airport	50,400	10,578,320
<u>Housing</u> (Secondary Mortgage Programe)		3,000,000
<u>Education</u> (Student Loans)		300,000
		20,881,129

The immediate objective of the above project lending is to reduce the disparities in the levels of development between the LDCs and MDCs (the "More Developed Countries" of Jamaica, Guyana, Trinidad and Tobago) so as to facilitate economic integration.

The CDB therefore strives to make a significant contribution to regional development strategy by its lending policy of giving special and urgent attention to the needs of the less developed countries in the fields of industry, agriculture and tourism and related infra-structure.

The CDB has also completed a survey of manufacturing possibilities in the LDCs with the assistance of industrial consultants; project lending from this survey is expected to begin in 1973.

Development Planning - Development planning activity as reflected in the production and up-dating of national plans for Commonwealth Caribbean countries has declined from the high level of the early 1960's to a level where few of these countries can claim to be pursuing policies based on a current national plan. The impact of the recent decision of the Seventh Commonwealth Caribbean Heads of Government meeting to establish a Standing Committee of officials in charge of National Planning Agencies, was to focus some attention on the importance of development planning at the highest level and to highlight the need for some measure of co-ordination at the planning stage if the integration of the economies of Commonwealth Caribbean countries is to be achieved.

Since most of the National Governments, particularly the LDCs, do not have current development plans, there is little planning on a regional basis by the CDB, the CARIFTA Secretariat or any other regional group. The UNDP Physical Planning Team has prepared physical development plans for most LDC's but these are only now in the process of being accepted by Governments and incorporated into the development planning process. As regards the LDCs, a recent meeting of the East Caribbean Common Market (ECCM) Council approved the establishment of an effective planning service in the ECCM Secretariat in the terms of Article 13 of the ECCM Agreement. The planning service is intended initially to assist in preparing development plans and establishing planning units in ECCM member territories and in ensuring that the planning function of each territory is put on a sound footing. It will be the responsibility of the ECCM Secretariat thereafter to dove-tail and co-ordinate planning activities in the Market Area and to prepare an over-all Development Plan setting out the main development and integration strategies.

CDB has not been in a position to prepare Development Plans for its LDC members; it has, however, produced substitutes. During 1972 the CDB sent missions to each LDC member to talk with Government department heads and other technical officers and the private sector to get their plans for expenditure over the next three years. The resulting summaries of project possibilities are available for use by LDC Governments as a programme to assist them in formulating priorities and hence development goals over the next three years.

The CDB has also assisted its LDC members in formulating development goals at the project and sector levels. At the project level, CDB's project identification, preparation and evaluation work demonstrates to LDC Governments criteria for the formulation of acceptable development goals. At the sector level CDB staff has, on request, prepared a draft of the agricultural sector of the development plan for one LDC.

C. Description of the Project

The proposed $12 million loan by AID would provide continuing financing for the Special Development Fund of the CDB.

To date, the SDF is comprised of contributions by the Governments of Canada, the U.K. and the U.S.A. The original committments were for Canada and the U.K. to contribute US$5 million each, and the U.S. $10 million, making a total fund of US$20 million. (See Section IV, Financial Analysis for a more complete description of the SDF).

Briefly, the CDB lends from this Fund only to LDC governments. The SDF represents their only source of long-term development loan financing. Given the small size of the majority of the LDC's it is unlikely that they will develop an individual capacity for dealing with the large international financing agencies, (and conversly, that the latter will ever deal directly with each LDC).

The CDB now projects that the SDF will be exhausted by the middle of 1973. Tables 1 and 11 show the probable allocations of present SDF resources respectively to the U.S.A., and the U.K. and Canada. They demonstrate that unless the SDF is replenished during 1973, further commitments must stop. This is not deemed advisable.

CDB country identification missions have identified the projects which CDB might support during the rest of 1973 and up to the end of 1975. (Table 111) Additionally, the LDC Governments are certain to identify further requirements between now and the end of 1975. There is also the question whether CDB should not make funds available for arterial roads, which are not included in this list.

Present indications and planning now call for the CDB to commit about US$10[1] million a year from the SDF. This is substantially less than the total given to the CDB country missions for expected expenditure (see Appendix III , Exhibit 3) which came to US$93 million, and which, even without roads, the sugar industry, banana loans and hotels (since the last three may be more appropriate to the ordinary resources fund) would still be US$62 million. Also, the lower CDB expectation of US$30 million over three years takes into account CDB estimates on the LDC's problems of absorptive capacity.[2]

The projects listed in Tables 1, 11 and 111 total just under $38 million for the three years 1973-75, as against a presently uncommitted balance of $9.7 million. The Tables first list the allocations of the unspent SDF balances, up to August 1973, and then show projects which could be financed from August 1973 to the end of 1975 by replenishment funds such as this loan.

1/ This and subsequent figures in this Section exclude Barbados which is treated as an add-on to present CDB projections. Inclusion of Barbados as an LDC and therefore eligible for SDF funding developed only recently and and its 1973-75 financing needs were not originally included in the CDB's projections. They are therefore treated in a separate description. (see p.10)

2/ See statement on page 58.

A more complete description of future SDF projects is contained in Appendix III , Exhibit 5

Special Development Fund

Table I. Allocated to U.S.A.I.D.

To December 1972	Brought forward	7,818,755
February 1973	Land Settlement, St. Kitts	100,000
"	Land Settlement, Dominica	130,000
"	Land Settlement, Nevis	250,000
"	Br. Honduras Rice Mills	750,000
"	Industrial Estates, Dominica	200,000
"	Industrial Estates, St. Vincent	200,000
"	Industrial Estates, St. Kitts	200,000
"	Grenada S.I.C.	200,000
April 1973	Land Settlement, Br. Honduras	400,000
"	Cayman Islands S.I.C.	180,000
"	Br. Virgin Is. S.I.C.	225,000
		10,653,755

Special Development Fund

Table II

Allocated to U.K. or Canada

December	1972	Brought forward	2,531,160
February	1973	Student Loans 5 others	450,000
"	"	Nevis, Airport Improvements	800,000
"	"	Dominica, Airport Improvements	200,000
"	"	St. Lucia, Airport Terminal	400,000
April	1973	Industrial Estate, Br. Honduras	300,000
"	"	Feeder Roads, St. Vincent (Bananas)	500,000
"	"	Feeder Roads, Dominica (Bananas)	500,000
"	"	Feeder Roads, St. Lucia	500,000
"	"	Grenada Abattoir	100,000
"	"	St. Vincent Airport Terminal	200,000
"	"	St. Lucia Bridges	400,000
"	"	Montserrat Port Improvements	250,000
"	"	Marketing Board, St. Vincent	100,000
June	1973	Marketing Board, St. Kitts	200,000
"	"	Marketing Board, Grenada	200,000
"	"	St. Kitts Feeder Roads	500,000
"	"	Montserrat Block-Maker	100,000
"	"	Road Maintenance Scheme, all LDC's	1,500,000
"	"	St. Kitts Water	600,000
August	1973	Turks & Caicos PWD equipment	120,000
"	"	Caymans Abattoir	60,000
"	"	B.V.I. Livestock & Abattoir	237,000
"	"	B.V.I. Market	120,000
			10,868,160

Special Development Fund

Table III

August 1973 to December 1975

Brought forward:	U.S.A.I.D. surplus	653,755
	U.K. and Canada	868,160
Replenishment of small industry loans to Development Corporations		1,200,000
Industrial Estates (factories)		1,800,000
Replenishment of loans for students		900,000
Land Settlement Schemes		2,400,000
Feeder Roads, Antigua		200,000
Feeder Roads, Montserrat		100,000
Land Conservation, St. Kitts		300,000
Land Conservation, Grenada		500,000
Land Conservation, St. Lucia		500,000
Water Supplies, Antigua		1,000,000
Water Supplies, British Honduras		1,500,000
Water Supplies, Br. Virgin Islands		400,000
Marketing Boards, Dominica		200,000
Marketing Boards, British Honduras		300,000
Airports, Montserrat		50,000
Airports, Antigua		50,000
Airports, British Honduras		600,000
Airports, Bequia, St. Vincent		600,000
Airports, Cayman Islands		1,500,000
Airports, Turks and Caicos Islands		200,000
Airports, Br. Virgin Islands		300,000
Ports, Turks and Caicos Islands		200,000
Ports, Br. Virgin Islands		50,000
Ports, British Honduras		5,000,000
Ports, Caymans		1,200,000
Ports, Grenada		1,000,000
Ports, St. Kitts		1,300,000
Telephones, Grenada (Carriacou)		100,000
Telephones, Antigua		500,000
Electricity, Antigua		800,000
Electricity, Turks and Caicos Islands		600,000
Electricity, British Virgin Islands		300,000
Tourism, Dominica		500,000
Tourism, Antigua		200,000
Tourism, Grenada		200,000
Tourism, British Honduras		100,000
Tourism, Br. Virgin Islands		1,000,000
		29,171,915

Barbados Sub-Projects - During the intensive review, the CDB made discrete inquires to the Government of Barbados (GOB) regarding an illustrative listing of sub-projects which the GOB foresaw in its 1973-77 investment plan and which would require long-term development financing.

At this stage of preparation of the GOB's 1973/77 Development Plan it was only possible to indicate some of the priority projects which the Barbados Government would like to finance with soft funds. The list is of a preliminary nature and in no sense final or exhaustive. Studies of a number of other important projects to be included in the Development Plan are in the pipeline and this document should be completed within a few months. Figures quoted below are therefore very much in the nature of rough estimates and are not based on any detailed costings. This applies especially to two projects identified by a recent OAS Employment Generating Mission to Barbados in the field of Pre-vocational Education and the Development of Craft Industries. Unfortunately, the Mission's report is not expected to be available until the end of February and this makes it difficult to provide more complete information in these areas.

The total amount identified for the five year period was approximately US$5.8 million. This includes:

1.	Agricultural Credit	US$ 1.2
2.	Land Settlement	.6
3.	Water	1.0
4.	Polytechnical	2.0
5.	Handicrafts	.5
6.	Pre-vocational Education	.5
	Total	US$ 5.8

A complete description of these projects is contained in Appendix III, Exhibit 5.

Technical Assistance - The CDB, in its analysis of some of the road blocks to effective sub-project approval has identified the need for pre-feasibility studies which, by their size and nature, are both outside CDB staff capabilities and the scope of other donor's in the area. The project therefore contemplates that up to $500,000 of the proposed loan may be used, at the Bank's discretion, for technical assistance in support of its project approval process.

<u>Other Sources of Financing</u> - When Venezuela joins the Bank early in 1973 it will contribute to the SDF $5 million in convertible currency. Colombia will contribute $3 million, but this will be in non-convertible pesos, and can only be spent for Colombian goods. Thus, if the original contributors (US, UK, Canada) replenished at their original levels, CDB would still be seeking other donors to make a total of $30 million for three years. To that end, preliminary discussions have been held with the Federal Republic of Germany and they have indicated to the CDB that they are willing to make a contribution of up to $5 million to the SDF.

The CDB will be hosting a donors' conference in Barbados in late February, 1973. AID has made initial inquiries to the U.K. and Canada as to their intentions regarding second tranche contributions. The U.K. has indicated that it plans to make an annual contribution of 800,000 pounds ($2 million) to the CDB through 1974/75. This would include annual contributions of 166,000 pounds to the U.K.'s equity. They also anticipate annual committments of $2.5 million to the CDB after 1974/75 and through 1976/77.

Canada has responded that it sees no problem in matching (and perhaps surpassing) its first SDF contribution ($1 million of which was made in cash and put on deposit in a commercial bank) with an additional $5 million committment. They have also indicated they will replenish the Canadian Agricultural Fund with an additional $2.5 million.

Of greater interest to the CDB, however, is its request to the U.K. (as well as Canada) to increase their callable capital by a factor of 4 or 5 to be used as security for borrowing up to $10 million per year for CDB ordinary fund resources. This would, in effect, add $30 million to the U.K. and Canadian "contributions" over the period 1973/75. Both the U.K. and Canada are expected to agree to this proposal.

The U.K. and Canada anticipate that their bi-lateral assistance programs to the area will remain at about the same levels as in the past. (See Section III for a more complete description of these programs.)

SECTION III - ECONOMIC ANALYSIS

A. The Economy of the Region Served by the Special Development Fund

1. General Background

The islands of Grenada, St. Vincent, St. Lucia (the Windward Islands), St. Kitts-Nevis, Antigua, Monsterrat, Dominica (the Leeward Islands) and Belize (British Honduras) are classified by CARIFTA as lesser developed countries (LDCs). As such, the CDB has declared them eligible for the concessionary funds available in its Special Development Fund. The average per capita gross domestic product for these LDCs as presented in Table IV was $256 in 1969 with a total population of almost 600,000. In addition, the British Virgin Islands (pop. 11,000), the Turk and Caicos Islands (pop. 8,000) and the Cayman Islands (pop. 14,000) are also currently eligible for SDF financing. The addition of Barbados to the group eligible for SDF financing will increase the population (as of 1970) served by the fund to about 840,000.1/

All of the island LDCs in the region are classical open economies, heavily dependent on foreign trade for their economic survival. Aside from tourism, the foreign exchange earnings of the Leeward Islands have been traditionally based on sugar exports and the Windward Islands mainly bananas with nutmeg, arrow root, and cocoa of some additional significance. Agricultural growth in the islands has not only been stagnant in recent years but tended to decline in both relative and absolute significance. Both Antigua and Monsterrat are almost out of export agriculture. Tourism has tended to take up some of the slack of a declining agricultural sector but by itself is unlikely to be sufficient.

The development strategy of the CDB in regard to the LDC islands of the region is relatively simple. Any efforts to mount an import substitution program would be self-defeating. The national resource base and domestic market demands are insufficient to support such a development strategy. The openness of the economy, the dependence on exports in order to earn the foreign exchange required for necessary imports has to be

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1/ The gross domestic product by sector contribution for 1968 for the LDCs islands and Barbados are presented in Table V This is the latest date for which such a comparison is available. Unfortunately tourism as a sector is shown separately. Later piecemeal information does indicate the continued general decline in the agricultural sector contribution, an increase in government and in those sectors related to tourism (construction, rent of dwellings, distribution and services).

broadened and deepened. Aside from tourism, the key is the development of light manufacturing industry, possibly geared to multi-national firm operations and utilizing the only major resource of the islands, the abundant labor force. Such a development requires considerable investment in infrastructure facilities and that is evident from the CDBs commitments under the SDF.

Efforts to bolster the declining export sugar and banana industry and rationalize the agricultural sector are an integral part of CDB operations but within a rational framework of the total development strategy. The land settlement schemes financed by the CDB are related to the relative income opportunities available to individuals with primary school education (school leavers at 14-16 years old) who are capable of earning about U.S.$25 per week (E.C.$2.00 = U.S.$1.00) in other occupations and have the ability to operate and manage an efficient farm operation. The CDB believes that unless such income conditions are met, the agricultural sector will continue to drastically decline and the economic opportunities for agriculture development will be lost. The export sugar industry will also require mechanized cane cutting and the banana industry will need improved rural feeder roads and better facilities for packing and shipping the product. Total employment in agriculture pursuit will most likely continue to decline but stabilize at a point in which relative farm income compares favorably to alternative employment opportunities in the islands. Under current conditions, agriculture is looked down upon by many of the islands' population as a vestige of the colonial period. Peasant agriculture based on small private plots is not considered a feasible agricultural strategy by the CDB except for certain limited high value crops. The A.I.D. Team is in complete agreement with the CDB development strategy.

2. Unemployment and Population Pressure

The growth rate of the labor force has been relatively low in the 1960s because of large-scale emigration, particularly of young people and wage earners to the United Kingdom, North America and other Caribbean countries such as the U.S. Virgin Islands. The receiving countries have all in recent years adopted more restrictive attitudes toward immigration and it's not likely that as large a proportion of the population will be able to leave the area in the 1970s. Given the steady natural population increase, it is likely that the population rate of growth will be increased from the 1.5 percent annual average in the 1960s for the CARIFTA countries shown in Table The average population annual growth rates for the LDCs (including Barbados) was about 1.1 percent during 1960-1970.

Excluding Belize, the annual population growth rate for the island LDCs (including Barbados) is about 0.8 percent per annum for the 1960-70 time period.

Precise data on the rate of unemployment in these countries is unavailable. Table IV endeavors to present the implications for the year 1970 by making two gross assumptions: That 35 percent of the population is defined to be the labor force and that 20 percent of the labor force in 1970 was unemployed. Under these assumptions, unemployment in the West Indies Associated States plus Monsterrat would total 33,620, Barbados 16,660 and Belize 8,380 persons or a total of almost 59,000 unemployed.1/

Some indication of the unemployment pressures that are likely to be prevalent in the area can be briefly outlined. The EIU Study for the seven LDC East Caribbean States estimated that the labor force for these islands in 1970 was 168,000. With a 2 percent per annum increase, the 1977 labor force figure will be about 193,000. Based on a rule of thumb adopted by the EIU Study that one hotel bed generates four jobs, directly and indirectly in the tourist sector, the estimated total employment in tourism in 1970 was 24,000. If the maximum likely annual growth rate of tourism is of the order of 10 percent, in 7 years i.e., by 1977, the labor force supported by tourism could be 48,000 (12,000 beds). The construction effort involved in such a large-scale expansion would create 1,000 jobs in 1977, supporting a total of another 1,000 in secondary and service activities. This optimistic performance by the tourism sector would add 26,000 jobs and substantially reduce the level of unemployment from about 39,000 in 1977 (a simple 2 percent per annum increase) to about 13,000 for the seven LDC East Caribbean economies, assuming that there are no further declines in agricultural employment. The major point of this hypothetical calculation is not to minimize the unemployment problem but to illustrate that even under quite optimistic assumptions, tourism is not likely to absorb more than 25 percent of the available labor force in the seven island LDCs by 1977. There is no doubt that tourism is a major growth industry for the LDC islands and that the income and employment from this sector is necessary to the economic welfare of the LDC islands including Barbados. On the other hand, tourism tends to be a volatile industry that can be seriously affected by whims, rumors and innuendos, as well as economic conditions and international competitive tourist attractions.

1/ Most of the discussion of unemployment and labor force projections was obtained from the "Annex, Background Information on the Survey Area," Eastern Caribbean & British Honduras Industrial Survey. The Economist Intelligence Unit, Aug. 1972, p. 1-11. This study, financed by the UNDP for the CDB, is hereafter referred to as the EIU Study.

The CDB is clearly aware of the unemployment pressures and needs for productive employment in the area. Its policies are closely geared to financing investments that contribute to increasing the efficiency and productivity of the area's labor force. It fully comprehends the need to be competitive in the world markets.

3. U.K. Entry Into Common Market - Sugar and Banana Exports

a. Sugar

Traditionally the base of several economies in the Leeward Islands, the future of sugar cane production has recently been in doubt. Antigua sugar cane production (11,100 long tons in 1971) has almost ceased; Monsterrat sugar cane production has almost disappeared; and although St. Kitts is the largest producer in the Leeward Islands, its production has substantially declined in the past decade. With the introduction of some degree of mechanization in St. Kitts, the sugar cane output in 1972 increased over 1971 (from 25,000 long tons to 26,500 long tons). In 1970, exports of sugar cane were valued at about $4 million out of total merchandise exports of about $30 million for the West Indies Associated States (including Monsterrat).

Sugar cane is not a significant crop in the Windward Islands. British Honduras cane production and raw sugar production have increased in most years since 1960. A major factor underlying this growth is the introduction of mechanized harvesting for which the topography is suitable. The British Honduras sugar industry has just been given an additional boost by an increase (of more than double) to the quota supply to the U.S. The Barbados crop in 1972 fell to 113,000 long tons, down from the output of 134,600 long tons in 1971. In 1972, Jamaica with 380,000 long tons (down from 389,500 long tons in 1971), Guyana with 390,000 long tons (up from 368,000 long tons in 1971) and Trinidad-Tobago with 228,300 long tons (up from 213,200 long tons in 1971) remain the major producers in CARIFTA.

The declining trend in sugar production in the area is likely to have an unfavorable impact on the Caribbean case for the maintenance of its 725,000 ton share of the U.K. market after 1974 on a "continuing basis." Next year the European Economic Community (EEC) could produce up to 1.4 million tons in excess of its requirements (total output of 8.6 million tons, 1.2 million tons above the previous record output in 1970-71) but given the shortfall in world sugar supplies relative to world demand next year, the six original EEC members should be able to dispose of their export surplus outside their new partner, the U.K.1/

Even with this unfavorable factor in mind, it's probably too early to meaningfully speculate about the specific guarantees, if any, the EEC will give or the arrangements that will be made for the continued disposal of Commonwealth Caribbean sugar. At this stage, there is only the following Press Communique of the Meeting in June 1971 where the Commonwealth sugar producing countries joined the U.K. in issuing publicly an interpretation of the assurances received from the EEC in the course of the negotiations by the U.K.:

> "The British Delegation assured other delegations that the Community's proposals constituted a specific and moral commitment by the enlarged Community of which the U.K. would be a part. The British Government and other Commonwealth Governments participating regarded this offer as a firm assurance of a secure and continuing market in the enlarged Community on fair terms for the quantities covered by the Commonwealth Sugar Agreement in respect of all its existing developing member countries. The developing Commonwealth countries will continue to plan their future on this basis."

Broadly speaking, the Communique states that, after 1974, when the Commonwealth Sugar Agreement is due to expire and the EEC will implement its new sugar policy, the present levels of sugar exports to the U.K. market of developing Commonwealth countries under the agreement would be maintained at renumerative prices. Uncertainties remain as to the price to be offered, whether provision will be made for increases in exports to the EEC or indeed how these assurances fit into the EEC's own policy for sugar which aims at a net export position.

b. <u>Bananas</u>

Bananas remain an important export for the Windward Islands, St. Lucia and Dominica in particular, and to a lesser extent St. Vincent. Grenada has been rather less successful with bananas but still has a modest production. Bananas are also grown and exported from British Honduras. In the past, the British Honduras banana crop has not been tied to an international distribution (as is the case with the U.K. based

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1/ Quarterly Economic Review, "The West Indies, Bahamas, Bermuda, British Honduras, Guyana," No. 3, 1972, The Economist Intelligence Unit, p. 19.

banana company, Geest, for the ECCM countries) but is may be distributed by another U.K. company, Fyffes, in the future.

The ECLA[1] estimate for 1970 indicated that four members of the West Indies Associated States exported $8.2 million of bananas to the U.K. These member states were Dominica ($2.6 million), Grenada ($1.4 million), St. Lucia ($2.6 million) and St. Vincent ($1.6 million). This is a substantial decline from the $13.8 million level of exports in 1969, $13.6 million in 1968 and $12.0 million in 1967. In 1968, the latest date for which GDP contributions by sector are available, bananas for these four islands represented slightly over 60 percent of the value of the agricultural sector contribution. The agricultural sector contribution was, in 1968, about 30 percent of GDP and on the decline.

Assurances for banana exports fall within the framework of Part III of Protocol of the EEC Treaty of Accession: they are even less specific than those given for sugar. Plans for implementing a common organization for the EEC's banana market on January 1, 1970, have not come into effect and all member states have their own traditional suppliers and marketing arrangements. CDB member territories (Jamaica and the Windward Islands) dispose of all their export supplies in the U.K. market where they enjoy a tariff preference of £7.50 per ton plus quantitative restrictions limiting non-Commonwealth imports to some 4,000 tons per year. On association with the enlarged EEC they will enjoy a 20 percent tariff preference under the EEC's external tariff. Substantial differences in production costs are said to exist between Jamaica and the Windward Islands and some of the EEC's Associated States (notably the Ivory Coast) and between these two groups and lower cost third countries such as Ecuador. Moreover, there appears to be some secular tendency towards over-supply in the world banana market.

A regime that amounted to no more than duty-free entry for countries associated with the EEC could be disasterous for the banana industry of Jamaica and the Windward Islands since the 20 percent tariff preference would most likely be inadequate protection against highly efficient and low cost producers in Africa and Latin America. Suitable protection for the ECCM and

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1/ "CARIFTA Countries, Overview of Economic Activity, 1971," Economic Commission for Latin America, Office of the Caribbean, ECLA/POS 72/4, date: March 31, 1972, pp. 100-116. Bananas and sugar in 1970 accounted for 40 percent of the merchandise trade exports of the West Indies Associated States (incl. Monsterrat), and sugar related exports about 48 percent of Barbados merchandise exports.

Jamaica banana industry would require the negotiation of a preferential quota for traditional suppliers in the EEC countires or conclude an Association Agreement which allows the U.K. to reserve its market for traditional suppliers at prices no less favorable than those applicable to the most favored traditional suppliers (following the precedent of the Association Agreement with Morocco and Tunisia in respect the French market). Two other options are available and these, at least, can be unilaterally undertaken by the banana industries of Jamaica and the Windward Islands. These are (1) increasing the long-term efficiency of the banana industry (through appropriate finance programs for infrastructure, improved yields and handling equipment) to maintain its position in the U.K. market, and (2) diversify away from bananas.

The CDB is already reviewing projects in the Windward Islands aimed at increasing the long-term efficiency of the banana industry. These include the provision of banana feeder roads, banana field boxes and boxing plants and farm improvement credit. Success in raising the long-term efficiency of the banana industry could lead to a reduction in banana acreage and the transfer of marginal lands thus freed into the diversification effort to produce food crops, vegetables and new tree crops. The CDB is also reviewing projects directed toward introducing limited acreage of vegetables, flowers and orchard crops.

4. U.K.-Canadian Bi-Lateral Assistance in Area

a. United Kingdom

In the last three financial years from April 1970 to March 1973, U.K. capital aid for development in the Caribbean Commonwealth area is expected to total $65 million, budgetary aid over $14 million and direct technical assistance another $14 million. During this three-year time period, if indirect technical assistance is included, the U.K. has expended about $105 million in the area.

At the CDB Aid Donors Conference in 1970, the U.K. anticipated that budgetary aid would be steadily reduced over the near future. This has not happened, despite the general policy of the U.K.'s Overseas Development Administration (ODA) to eliminate budgetary aid as quickly as possible. Some progress has been made in the Associated States but in some dependencies, where Britain retains ultimate responsibility for administration, the situation has worsened largely because of the swift relapse into budgetary deficits of the British

Virgin Islands following the short-lived boom of the late 1960's and the need for the Turks and Caicos Islands to develop their services as they emerged from neglect.

A large number of major feasibility studies by consultants have been financed by U.K. technical assistance during the last three years, including studies of tourism development (and associated physical development) in Dominica, St. Vincent, British Virgin Islands, Turks and Caicos Islands and Anguila; main roads in Grenada and St. Vincent; airport development in British Honduras, Cayman Islands, Dominica and St. Lucia; and sugar industries in Antigua and St. Kitts. Capital aid has been largely concentrated on infrastructure, particularly the building and reconstruction of main and feeder roads, larger airports, and the education plant. Electricity is in many islands handled by the Commonwealth Development Corporation in association with local governments. Natural resource assistance has been dominated by the sugar industry equipment revitalization program in St. Kitts and a livestock program in Antigua. Dominica and St. Lucia have been helped in banana rehabilitation and British Honduras with cattle breeding stock.

The U.K. bi-lateral aid program in 1973/74 for the Associated States and Dependencies is still under review. From preliminary discussions, retention of the increased annual aid level of $30 million would appear to be a reasonable approximation.

b. Canada

The disbursements under Canadian bi-lateral aid (CIDA) program in the Caribbean has increased from about $10.8 million 1968-1969, to slightly over $19 million 1970-71. There has been a particular growth of the program in the Leeward and Windward Islands where in 1970/71, a total of $6 million in grant funds was allocated.

Water programs underway in six of the islands will provide important public health benefits and improve the general living conditions for local residents as well as supporting general economic activity. CIDA has undertaken four airfield projects in Antigua, Nevis, Dominica and St. Lucia. School construction activities have been financed by CIDA on Antigua, Dominica and St. Lucia. The Canadian assistance program has concentrated programs in the fields of transportation, water supplies, agricultural development and education.

For the Windward and Leeward Islands, the Canadian bi-lateral aid program has approved, for the next five years, about $10 million in education grants for capital and training programs. In addition CIDA has under consideration, also for the next five years, a $10 million water development and a $5-10 million airport development program. Combined with other technical assistance inputs, this tentative program will keep annual disbursements at approximately the 1970/71 level of $6 million. Canadian bi-lateral aid for the Commonwealth Caribbean area is likely to be maintained at that level during the next five years.

B. Capacity of SDF Recipients to Provide Counterpart Funds

1. Government Expenditures

Loans to the LDCs from the Special Development Fund of the CDB require a 20 percent counterpart contribution. The SDF loan covers only 80 percent of the total estimated project investment cost. SDF loans are designed, in general, to be self-financing and not require the borrower to cover operating costs or debt repayment requirements out of government revenues. The SDF investment cost counterpart, though, must be provided by government budget allocations and expenditures.

According to the CDB, the governments initially had difficulty in meeting the 20 percent counterpart not because the sums were large but because they were not expecting to be asked for it and had, therefore, not made provision in their budgets. (U.K. bi-lateral capital aid, for example, has been mainly on a 100 percent basis, including local costs.) Table VI provides information on government recurrent and capital expenditure for the West Indies Associated States, including Monsterrat, Belize and Barbados for 1968 through 1971.

The information is incomplete for 1968 but in 1969 total government expenditures were about $105.0. In 1971, estimated expenditures had increased to $166.7 or about a twenty percent per annum increase over the three year period. The 1971 total is to a considerable extent an estimate, not an actual figure. The capital expenditure figure in 1971 ($50.0) is almost double the $25.5 figure for 1970. In the following discussion as to the SDF counterpart requirements projected by borrowing entity over the 1973-77 time period, the 1970 government expenditure figure will be utilized in the comparison for these economies since it is based on actual expenditure levels.

2. Comparison of 1970 Budget Expenditure Levels and SDF Counterpart Requirements

Table VII endeavors to provide a proxy measure of the ability of the LDCs to meet the 20 percent counterpart requirements of the SDF. Column 2 contains the total government expenditures of the LDCs for 1970. Most of the LDC total government expenditures were taken directly from Table VI . Comparable 1970 budget expenditures for the Turks and Caicos Islands, Caymans and British Virgin Islands were obtained from information provided by the CDB. Column 3 contains the peak year requirements for SDF counterpart and is based on the 1973-1977 cash flow schedule of the SDF as projected by the CDB. The ratio in column 5 indicates the percentage increase required in 1970 total expenditures in order to meet the peak year counterpart requirement. For five of the LDCs, the peak year counterpart requirement occurs in 1977 and for the six remaining LDCs in 1976. The percentages shown in column 5 indicate that a relatively minimal increase in government expenditures will be adequate to cover the SDF counterpart requirements in the peak year. The Cayman Islands are the only eligible borrower for which the percentage increase exceeds 10 percent and that only by one percentage point.

Although incremental changes in government expenditures are considered by both the CDB and the A.I.D. Team as the appropriate measure of the LDC borrowers' ability to meet the CDB's counterpart requirements, the ratio of those peak requirements to the governments' capital expenditures is also shown in Table VII in column 6. The ratios in that column are considerably higher and range from 6 percent for Grenada to 33 percent for the Caymans. On the average they appear to be 2 to 3 times higher than the ratios of column 5 based on total government expenditures. Unless there is a major economic catastrophe in the area, given the 1970 base period comparison, they appear to be reasonable and attainable targets for 1976 or 1977.

If Barbados is included as an eligible borrower from the SDF, its counterpart requirement is unlikely to be burdensome. Assuming that SDF disbursement will be approximately \$2.0 for 1973-1977, the Barbados peak counterpart requirement is unlikely to exceed \$250,000 in 1976 or 1977. In 1970, Barbados governmental capital expenditure was \$15.6 million; total expenditure slightly over \$50 million. The \$250,000 peak year counterpart would appear to be de minimis.

C. Employment Generation Aspects of A.I.D. Loan Financed SDF Agricultural Land Settlement Projects

1. General Introduction

A.I.D. loan funds have been committed by the CDB to a variety of projects. The largest proportion of the initial $10 million A.I.D. loan was to port development (St. Lucia and Dominica ports). An electric power loan was made to Belize and small industry credit loans and loans for industrial estate development to most of the LDC members of the CDB. The measurement of the additional productive employment which may result from developing or improving of infrastructure, such as ports and electric power, was considered by the CDB as a difficult and not overly useful exercise. The impact of the port development loans on long-term employment (and income growth) is an integral element in the CDB's judgment as to the viability of the banana industry, tourism and light manufacturing industries. The Dominica port project loan was justified on a sophisticated micro-economic analysis utilizing an appropriate benefit-cost methodology, including shadow prices for labor and an opportunity cost of capital in computing the minimum attractive rate of return. The CDB decided that such improved port facilities were critical to the economic growth of islands dependent on external trade. To credit such an infrastructure facility with any portion of macro-employment growth without taking account of the other numerous investment and economic activities required to take advantage of such an improved port facility would appear to be a less than useful allocation of analytical resources.

Small industry and industrial estate loans fall into a similar measurability category. The staff of the CDB anticipates that each industrial estate will have a certain number of plants, employing an average number of persons and probably requiring a certain level of investment. These are informal estimates given the technicians knowledge of the islands economies. They are not made explicit in the project appraisal reports of the CDB. The CDB intends to institute a regular system of collecting data on the employment, investment, value added, etc., of the firms utilizing the industrial estates. Until this information is generated, collected and analyzed, no reasonably firm economic statistics will be available.

The only types of projects to be financed by the CDB with A.I.D. loan funds in which relevant information on projected employment and anticipated investment is available is in the agricultural land development area. The statistical information included in the following section was obtained from the project appraisal reports of the CDB. They are projected or forecasted estimates, not actual results of post project evaluations. Although based on the critical judgment of the competent CDB technical staff, they are subject to the numerous uncertainties and difficulties implicit in forecasts of the future.

2. CDB Land Settlement Project Philosophy

Governmental policy in the West Indies since 1895 has been to buy up large estates, break them up into 5 acre lots and sell these plots to small settlers. Unfortunately, the income that can be earned on a lot this size is generally too small to the primary school leaver on the land. This is part of the reason for the exodus from the countryside into unemployment or casual employment in the towns, leaving the land to revert to bush or to be squatted on by the less enterprising, with land fertility dissipated through soil erosion.

The starting point of the CDB settlement schemes is, therefore, to devise a holding and cropping pattern which will yield an income that can retain the intelligent primary school leaver on the land. The CDB takes as a benchmark the alternative that he can go to town to drive a taxi, earning thereby a net income of about $25 per week. The land settlement holdings or typical farm unit are designed to yield a minimum net income of $1,250 per annum (return on capital and management). If vegetables are the primary crop, this may be possible on about five acres; for orchard crops the size of the typical farm unit may increase to 20-30 acres; with beef cattle and/or dairy farms it may vary from 100 to 400 acres, depending on the quality of the land. In practice, the CDB staff indicated the net income objective from land settlement schemes lies somewhere between the minimum of $1,250 up to possibly $3,000 per annum depending on what one assumes as to the intelligence, background and efficiency of the farmer as applied to the land's resource capability.

The longer-term CDB aim is in the development of practical economic size farming units which will attract intelligent and capable owner-operators. There are, according to the CDB, substantial areas of under-utilized or idle lands which could be brought into full production through such a program. One further critical element in the CDB program is the adequate provision for conservation measures in the land settlement schemes. Much of the lands in the Caribbean, because of topography and climatic conditions could be severely affected by erosion if mismanaged. Such conservation measures are necessary to perpetuate the high level of production from agricultural lands while maintaining stable water balance in all catchments.

The CDB plans, subject to the experience of the initial land development schemes noted below, to tackle between 200 to 300 such farms in the next three years. By the end of Feb. 1973, the CDB should have had four projects of this type on its approved list, involving 67 farms in three states as follows:

Antigua - 20 (Approved)

St. Kitts/Nevis - 29 (To go to CDB Board for

Dominica - 18 (approval in Feb. 1973

3. Investment and Employment Aspects of Four Land Settlement Projects

The total investment in land settlement projects in which the SDF of the CDB will utilize USAID loan funds is presented in Table VIII. Columns 2 through 4 summarize project investments for four land settlement projects. These project investment estimates include the CDB loan, the twenty percent government contribution plus estimated costs of additional public infrastructure and the farmers contribution to the total project investment. The estimated incremental productive employment is presented in column 6 with the total project investment per unit of productive employment shown in column 7.

The highest per unit investment cost of about $10,000 is for the Antigua livestock development project; the lowest for the St. Kitts vegetable project at about $2,700. The twenty model farms are to be of 100 acres size with 55 percent of the farm income from dairy sales, 38 percent from live weight sales and 7 percent from vegetables, after the initial livestock build up period of about five years. The Dominica land development project consists of 20 acre farms devoted to bananas, grapefruits and some vegetable crops. The St. Kitts land development scheme consists of 10-6 and one 15 acre demonstration farm unit devoted to two crops per year of vegetables. The Nevis land settlement project consists of the development of 18 farms on four government owned estates. Of these 18 units, 11 will be 20 acre fruit and vegetable farms and seven livestock units with 80-100 acres per unit.

Each of the above land settlement projects was designed to maximize the agricultural technical alternatives consistent with the income objectives and comparative market advantages.

For example, the Dominica land settlement, with no flatland available, was devoted to citrus, coconuts, mangoes and avocadoes, which, at this time, are all profitable crops in the West Indies. St. Kitts has the necessary flatland and adequate quantities of water for irrigation. Antigua's rainfall is inadequate for many crops but natural pasture is available for livestock development.

The A.I.D. Team found it difficult to interpret the project investment ratios shown in column 7 of Table What comparisons are appropriate, if any? Are they themselves meaningful ratios reflecting the projected use or misuse of scarce resources to generate productive employment? Given the importance of job creation in the LDCs, how does one evaluate these ratios relative to the efficiency and increased productivity criterion (self-sustained income levels, economic import substitution, competitive exports and internal rate of return) adopted by the CDB? On balance, these project ratios appeared favorable to the A.I.D. Team and do reflect serious consideration by the CDB to the creation of productive employment.

D. Balance of Payments Effects of A.I.D. Loan

1. Background

The LDCs currently eligible for loans from the SDF and Barbados are all members of the British sterling exchange area. The parity of the local currencies with the British pound is maintained by currency boards which serve mainly as the clearing house for international financial transactions of the member countries. The discretionary powers of these boards are limited and they have a minimal control over the money supply. Contraction or expansion of the money supply is determined by the flow of private and public capital between London and the Associated States (incl. Barbados). An increase in local currency in circulation can, therefore, come about only through an increase in sterling assets of the boards. This also suggests that balance of payments deficits are largely self-correcting in the long run since the money supply will ceteris paribus contract if imports rise faster than exports.

The management of the external debt is a relatively simple process for these countries. Repayment of principal and interest will lead to a contraction of the money supply which can only be offset by more external borrowing or by increased exports. Hence, balance of payments pressures resulting from servicing of the external debt that cannot be offset by increased exports (or additional external borrowing or grants) are translated directly into a reduction of imports because of the decreased money supply.

The states reviewed herein are moving towards greater autonomy from Britain which will probably result in a revamping of their monetary structures. The currency boards will be given more discretionary powers, with greater authority over the banking system. Such a move would eliminate some of the self-correcting features of the present system.

2. Impact of A.I.D. Loan on Foreign Exchange Reserves of SDF Borrowers

The A.I.D. loan can possibly result in a net gain in the foreign exchange reserves of the U.K. since the conversion of U.S. dollars into local currency would be made through the London exchange market and the East Caribbean Currency Authority which would issue the East Caribbean (EC) dollars against the build up in its holdings of sterling. The variety of projects to be financed by the SDF from this USAID loan makes it difficult to project the proportion of such funds that are likely to be used to finance imports from non-sterling countries (e.g., Venezuela, Trinidad, Canada and the U.S.). The CDB portion of the project costs tend to be weighted toward the financing of machinery, equipment, construction, breeding cattle, etc., that do have a large component of foreign exchange costs given the nature of these economies. In some projects such as orchard development and conservation projects, SDF loans financed by the USAID loan are likely to have a relatively high proportion of local currency costs, e.g., labor inputs. On balance, therefore, the assumption that perhaps up to at least 50 percent of the USAID loan will be used for direct imports would appear to be reasonable. Given what must be the high marginal propensity to import for these countries, secondary effects are likely to increase this percentage.

Since A.I.D. will disburse the funds through a U.S. banking firm, the banking fees will partly be repatriated to the U.S. home office in the form of profits.

TABLE IV
Gross Domestic Product, Population, Labor Force and Indicative Unemployment Estimates for CARIFTA Countries

Country (1)	Gross Domestic Product (Millions of U.S. Dollars) (2)	GDP Per Capita (U.S. Dollars) (3)	Population (4)	Annual Growth Rate 1960-1970 Percent (5)	Labor Force (35 % of population (6)	Unemployment (20 % of Labor Force (7)	Employment (8)
Less Developed Countries (LDCs)							
Antigua	19.5	269	62,000	0.9	21,700	4,340	17,360
Dominica	13.2	189	70,302	1.6	24,600	4,920	19,680
Grenada	20.7	219	95,000	0.7	33,300	6,660	26,640
Monsterrat	4.0	268	12,300	0.1	4,300	860	3,440
St. Kitts, Nevis	13.3	232	50,574	0.1	17,700	3,540	14,160
St. Lucia	24.6	212	101,064	1.6	35,400	7,080	28,320
St. Vincent	17.0	182	89,000	1.1	31,100	6,220	24,880
Belize	45.6	370	119,645	2.9	41,900	8,380	33,520
Total LDCs	157.9	256	599,885	1.3	210,000	42,000	168,000
Barbados	108.4	408	238,100	0.3	83,300	16,660	66,640
Total Above	266.3	311	837,985	1.1	293,300	58,660	234,640
More Developed Countries (MDCs)							
Guyana	233.5	317	714,000	2.5	249,900	49,980	199,920
Jamaica	993.9	509	1,861,400	1.5	651,500	130,300	521,200
Trinidad	791.0	776	945,200	1.3	330,800	66,160	264,640
Total MDCs	2,008.4	571	3,520,600	1.7	1,232,200	246,440	985,760
GRAND TOTAL	2,274.7	494	4,358,585	1.5	1,525,500	305,100	1,220,400

NOTE: The population per square mile for the CARIFTA countries varies considerably. The most dense is Barbados with about 1,450 persons; the island LDCs vary from a minimum of 230 for Dominica to a maximum of 711 for Grenada; Jamaica and Trinidad are in the 420-480 range; and Belize and Guyana in the 9-13 range.

Source: Columns 2 and 3 from Table 2, "Gross Domestic Product of CARIFTA Countries (1969), "Overseas Business Reports, OBR 72-058, U.S. Department of Commerce, November 1972, p. 15. Columns 4 through 8 were taken from Table 1, "Population, Labour Force and Employment Estimates for the Survey Area and Other CARIFTA Countries, 1970," Annex-Background and Information on the Survey Area, Eastern Caribbean and British Honduras Industrial Survey, the Economist Intelligence Unit Ltd., August 1972, p. 2.

TABLE V

Gross Domestic Product By Sector Contribution, 1968
West Indies Associated States and Barbados
(US Million Dollars)

Sectors (1)	Antigua (2)	Dominica (3)	Grenada (4)	Monsterrat (5)	St.Kitts (6)	St.Lucia (7)	St.Vincent (8)	Total (Cols.2-8) (9)	Barbados (10)
(US Million Dollars)									
Export Agriculture	0.5	2.4	3.9	-	2.9	4.6	2.3	16.6	14.3
Domestic Agriculture	-	2.2	2.7	0.8	2.2	1.7	2.2	11.8	6.6
Sub-Total Agriculture	0.5	4.6	6.6	0.8	5.1	6.3	4.5	28.4	20.9
Construction & Engineering	4.9	1.4	1.8	0.8	1.2	2.5	1.0	13.6	10.0
Maintenance & Mining	0.6	1.3	0.6	0.1	0.4	1.0	0.7	4.7	10.5
Hotels & Guest Houses	2.7	0.2	0.9	0.3	0.3	0.6	0.3	5.3	4.0
Distribution	2.5	1.1	2.7	0.8	1.6	3.5	2.5	17.2	25.0
Government	3.3	2.9	3.7	0.9	2.5	3.5	3.0	19.8	15.0
Other	4.0	3.9	3.9	0.9	2.5	4.2	3.7	19.8	23.0
GRAND TOTAL	18.5	14.6	20.2	4.6	13.6	21.6	15.7	108.8	108.4
Percentage Distribution									
Sectors									
Export Agriculture	2.7	16.3	19.1	--	21.3	21.2	14.6	15.3	13.2
Domestic Agriculture	--	15.0	13.2	17.4	16.2	7.8	14.0	10.8	6.1
Sub-Total Agriculture	2.7	31.3	32.3	17.4	37.5	29.0	28.6	26.1	19.3
Construction & Engineering	26.5	9.5	8.8	17.4	8.8	11.5	6.5	12.5	9.2
Manufacturing Mining	3.2	8.8	2.9	2.2	2.9	4.6	4.5	4.3	9.7
Hotels & Guest Houses	14.6	8.8	4.4	6.5	2.2	2.8	1.9	4.9	3.7
Distribution	13.5	1.4	13.2	17.4	11.8	16.1	15.9	15.8	23.1
Government	17.8	7.5	18.1	19.6	18.4	16.1	19.1	18.2	13.8
Other	21.6	19.7	19.1	19.6	18.4	19.3	23.5	18.2	21.2
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE V

NOTE; In Dominica, Grenada, St. Lucia and St. Vincent the major agricultural export is bananas but with significant amounts of cocoa, arrowroot, nutmeg and sweet potatoes.

In St. Kitts and Barbados the major agricultural export is sugar.

SOURCE: Table III, Gross Domestic Product 1968, Sector Contribution, p. 113, CARIFTA Countries, Overview of Economic Activity, 1971, Prepared by Economic Commision for Latin America, Office of the Caribbean, ECLA/POS 72/4, Date March 31, 1972.

TABLE VI

Government Expenditures by LDCs Eligible for SDF Financing, Including Barbados 1968-1971

(Millions of Dollars)

	Antigua	Dominica	Grenada	St. Kitts	St. Lucia	St. Vincent	Total W.I. Associated Stated(cofs 2-7)	Mont-serrat	Belize	Barbados	Grand TOTAL
Recurrent Expenditure											
1968	6.8	4.0	6.1	4.5	5.7	4.3	31.4	1.7	na	26.0	na
1969	8.3	4.6	7.3	4.0	5.9	4.6	34.7	1.9	10.6	36.6	83.8
1970	10.0	5.0	8.6	6.1	7.6	5.1	42.4	2.2	9.9	42.8	97.3
1971	14.1	6.6	10.6	7.7	9.3	7.1	55.5	2.4	9.3	49.5	116.7
Capital Expenditure											
1968	1.5	1.0	2.0	1.3	0.8	0.7	7.2	0.3	na	4.4	na
1969	1.4	1.2	3.2	1.3	1.2	2.3	10.8	0.4	4.5	5.5	21.2
1970	0.5	2.0	4.8	2.0	2.2	2.2	13.7	0.6	3.4	7.8	25.5
1971	1.4	4.2	7.2	6.2	3.2	5.5	27.6	1.0	5.8	15.6	50.0
Total Expenditure											
1968	8.3	5.0	8.1	5.8	6.5	5.0	38.7	2.0	na	30.4	na
1969	9.7	5.8	10.5	5.4	7.1	6.9	45.5	2.3	15.1	42.1	105.0
1970	10.5	7.0	13.4	8.1	9.8	7.4	56.1	2.8	13.3	50.6	122.8
1971	15.5	10.9	17.8	14.0	12.5	12.6	83.1	3.4	15.1	65.1	166.7

1/ Estimates for 1969 and 1971. Approved estimate for 1970.

2/ Includes governmental commercial departments

3/ For 1968 and 1969, capital and recurrent expenditures tend to overlap. Only in 1970 will the two categories clearly differentiated.

4/ The 1968/69 fiscal year was assumed as equivalent to the year 1968 and carried forwarded on that basis. The 1971 figure is estimated expenditure.

SOURCE: "CARIFTA Countries, Overview of Economic Activity, 1971", Prepared by Economic Commission for Latin America, Office for the Caribbean, ECLA/POS 74/4, dated March 31, 1972.

TABLE VII

Ratio of Projected Peak Year Requirements for SDF Counterpart During 1973 - 1977 to Total Government Expenditures In 1970 for Individual LDC Borrowers

Country (1)	1970 Total Government Expenditures (Million Dollars) (2)	1970 Capital Expenditures (3)	Peak Year Requirements for SDF Counterpart (000$) (4)	Ratio of Col 4 to Col 2 (%) (5)	Ratio of Col 4 to Col 3 (%) (6)
Antigua	10.5	1.2 2/	238	2	17
Dominica	7.0	2.0	425	6	21
Grenada	13.4	4.8	288	2	6
Monsterrat	2.8	0.6	63	2	10
St. Kitts-Neves-Anguila	8.1	2.0	313	4	15
St. Lucia	9.8	2.2	400	4	18
St. Vincent	7.4	2.2	238	3	11
British Honduras	13.3	3.4	668	5	18
Turks and Caicos 1/	1.7	0.5	100	6	20
Caymans 1/	3.6	1.2	400	11	33
British Virgin Islands 1/	6.3	2.9	225	4	8

NOTE: Country distribution covers about $42 million of CDB disbursements. Excluded are about $4.2 million of disbursements that, as yet, have not been assigned to any specific country. Peak year counterpart requirements might, therefore, be increased by 10 per cent if these were assigned on the basis of previously assigned disbursements.

1/ Obtained from Basic Data sheets compiled by CDB.

2/ Average of capital expenditures for 1968 through 1971.

TABLE VIII

U.S.A.I.D. LOAN FINANCED LAND SETTLEMENT PROJECTS
CALCULATION OF PROJECT INVESTMENT
PER UNIT OF INCREMENTAL PRODUCTIVE EMPLOYMENT

Name of Project (1)	PROJECT INVESTMENT CDB Loan (2)	Government 1/ Contribution (3)	Farmer's Contribution (4)	Total (5)	No. of Productively Employed (6)	Project Investment per Unit Productive Employment (7)
Antigua Livestock	$178,400	$44,600	$178,000	$401,000	40	$10,025
Dominica Land Development	163,870	137,673	--	321,543	60	5,359
St. Kitts Land Development	95,000	45,335	--	140,335	52	2,699
Nevis Land Settlement	99,240	85,740	22,400	207,380	36	5,761

NOTE: The Antigua Livestock project has been approved by the Board of Directors of the CDB. The St. Kitts, Nevis and Dominica projects approved by the Board in February 1973.

1/ Includes 20 percent government counterpart contribution plus projected expenditures on upgrading infrastructure, if necessary, (roads, water supplies, electricity) in the project area.

SOURCE: Project Appraisal Reports and Technical staff of CDB.

SECTION IV FINANCIAL ANALYSIS

A. Capitalization

The Caribbean Development Bank initiated operations with an authorized capital stock of U.S.$50 million, of which U.S.$25 million was to be paid-in. (See Appendix IV , Exhibit 2 for breakdown of shareholdings by member.) The paid-in capital was to be contributed in six installments, the first 20 percent (U.S.$5,000,000) of which was paid-in when the Bank initiated operations. The balance was scheduled to be paid-in at the rate of 16 per cent per year over the next five years.

At the end of CY 1972 paid-in share capital amounted to U.S. $14,114,284; subscriptions in cash amounted to U.S.$9,261,036 and in non-negotiable Promissory Notes U.S. $4,853,248. (See Appendix IV , Exhibits 4,5 and 6 for CDB Balance Sheets for CY 1970, 1971 and 1972). In addition, it is expected that Venezuela and Colombia will become members of the Bank in early 1973 and, thus, increase the paid-in capital by approximately U.S.$1,800,000. During 1972 the Bank's authorized capital was also increased from its original level of U.S.$50 million to U.S.$100 million.

In addition to its Ordinary Resources, which consist of the Bank's share capital, reserves and ordinary commercial borrowings, there are four separate funds which are administered by the Bank - the Special Development Fund, the Canadian Agricultural Fund, the Housing Fund and the Secondary Mortgage Fund.

The Special Development Fund presently has available resources of U.S.$20 million consisting of an AID loan of U.S.$10 million and contributions of U.S.$5 million each from Canada and the United Kingdom. The latter contributions are interest free and repayable only if the Fund is terminated. The Canadian Agricultural Fund consists of U.S.$2.5 million provided by the Canadian Government for agricultural credit. This contribution is also interest free with repayment requirements similar to the Canadian contribution discussed above. The Housing Fund is a sum of U.S.$6.3 million made available by AID (as part of a $10.3 million loan) to finance the construction of urban working class houses. The Secondary Mortgage Fund consists of U.S.$4 million lent by AID plus U.S.$3 million transferred from the Bank's ordinary resources.

Other than its Ordinary Resources, the Bank now has available some U.S.$32.8 million in long-term commitments for its various funds.

Considering the above discussed financing, the picture which emerges of the Bank's financial structure is one of considerable strength. With a callable capital of U.S.$27.14 million, the only debt thus far contracted is the existing AID loans of U.S.$20.3 million. With the proposed third AID loan the long term debt of the Bank will increase to U.S.$32.3 million, the entire amount to carry a forty year amortization period, including a ten year grace period with interest rate of 2% increasing to 3% after the grace period. The contributions of U.S.$12.5 million from the U.K. and Canada can be considered as virtual equity as there are no repayment requirements as long as the Funds exist. Contributions under consideration from these sources would be provided on the same basis.

B. Financial Operations

The Bank completed its third year of operations on December 31, 1972 and is now beginning its fourth year.

Lending operations were limited in the first year as staff recruitment, drafting of operating documents and initial review of loan proposals dominated the activities of the Bank. The number of loan commitments accelerated in 1971 as the Bank approved 20 loans with a total commitment of U.S.$6,099,027 bringing the total commitment level to $7,163,410 by the end of CY 1971. The breakdown of these commitments were as follows:

CDB Commitments	CY 1970-71
Source	Amount
Ordinary Resources	U.S.$3,385,455
Special Development Fund	2,427,955
Canadian Agricultural Fund	1,350,000
	U.S.$7,163,410

The operations of the Bank more than doubled in CY 1972 as it approved 35 loans with a total commitment of U.S.$15,167,417 and committed U.S.$3 million of its ordinary resources to the secondary mortgage scheme to bring the total commitment level to approximately U.S.$25.3 million at the end of CY 1972. The breakdown of loan commitments during CY 1972 were as follows:

CDB Commitments	CY 1971-72
Source	Amount
Ordinary Resources	U.S.$9,595,457
Special Development Fund	7,921,960
Canadian Agricultural Fund	650,000
	U.S.$18,167,417

Within the total for the three years the first AID loan to the Bank was utilized as the source of financing for loans under the Special Development Fund in the amount of U.S.$7,818,755 through CY 1972.

C. Profitability

As a public development Bank whose chief clientele are the lesser developed member islands of the region, profit maximization is not the chief objective of the CDB. On the other hand, it is important that the Bank maintain a reasonable profit so that it can obtain long-term debt financing on the competitive world money market as well as from the international development institutions on more concessionary terms. Thus, the Bank takes a careful look to assure an adequate spread on its lending operations so that it does not operate in the red.

During the first three years of operations the Bank has managed net incomes of U.S.$14,514, U.S.$10,485 and U.S.$25,457. In addition, it has established a solid reserve against losses on loans and guarantees amounting to U.S.$79,351 in 1971 and U.S.$209,329 in 1972 for a total of U.S.$288,680. (See Appendix IV Exhibits 7, 8 and 9 for CDB Profit and Loss Statements for 1970, 1971 and 1972) The policy of building up these reserves rather than Net Income is both sound banking procedure and partly based on the desire of the Board of Directors to avoid possible pressure from shareholders to distribute earnings rather than retain them.

The profitability of the Bank is based entirely on its Ordinary Resources or "hard window". During the first three years its Ordinary Resources consisted entirely of paid-in equity and reserves. There is, of course, no interest paid on these resources and the Bank has paid no dividends. Thus, the interest rates charged on loans from this source of between 7½% and 10% are the spreads which accrue to the Bank's net income after administrative expenses are charged off. Interest rates are based on what it would cost the Bank to borrow money for ordinary resources. (As explained below the Bank plans to borrow from the commercial market starting in 1973). At these rates the Bank will, for the time being, earn enough on its equity to meet administrative expense and build adequate reserves. The present interest rate structure for loans from Ordinary Resources are as follows:

To Public Borrowers

Governments and Public Agencies other than financial institutions	-	8%
Government financial institutions lending to the private sector	-	7½%

To Private Borrowers

Agriculture	-	8½%
Other	-	9%

The "soft window" of the Bank is made up of the Special Development Fund, the Canadian Agricultural Fund and the two Housing Funds. Except for the AID loans of 2% the other contributions to these funds are interest free. As these funds are only used for lending to LDC members, the Bank charges only a 4% interest rate. From an accounting standpoint these funds break even as the Bank arbitrarily charges administrative expenses to them only in the amount of income received from them. However, in reality a much higher amount of administrative time is given to operations under these fund than to operations under the Ordinary Resources.

D. Financial Projections 1973-75

A major increase in equity and debt capital will be required during the next three years to permit the Bank to meet identified loan demand over the period. The requirements are divided rather equally between the Bank's Ordinary Resources and its Special Development Fund. Additional funding will also be required for the Canadian Agricultural Fund.

Special Development Fund - At the end of CY 1972 loans committed under the Special Development Fund totaled U.S.$10,349,915. In the pipeline are projects for which the balance of the existing U.S.$20 million in the Fund will be committed by mid-1973. Unless the Fund is replenished during 1973, further commitments must be suspended.

The CDB has completed an arduous round of country identification missions and has identified the projects which it is likely to support during the balance of 1973 and up to the end of 1975. Although the needs of the LDC members are much greater the Bank believes a commitment level of some U.S.$10 million per year from the Special Development Fund is appropriate considering the absorptive capacity of the LDCs. (The needs for 1973 are somewhat higher due to the large amount required for the British Honduras deep water port).

As the rollover of existing money in the Fund will be negligible over the three year period, the entire U.S.$30 million must be provided by donors. The sources of this financing are expected to be the following:

Source	Amount
AID	U.S.$10 million +
U.K.	5 million
Canada	5 million
Venezuela	5 million
Germany	5 million
	U.S.$30 million

\+ excludes U.S.$2 million allocation for Barbados.

The German contribution is by no means certain and, although indications are favorable that the U.K. and Canada will contribute

U.S.$5 million apiece, the exact amounts have not as yet been determined by these donors. Thus, although progress is being made, attainment of the U.S.$30 million level is not yet firm. Added to this amount is an allocation by the Bank of U.S.$2 million of the AID loan for Barbados.

Ordinary Resources - As previously mentioned, the Ordinary Resources of the Bank consist of its share capital, reserves and ordinary commercial borrowings. The Bank has not yet borrowed commercially, and its reserves are still small (about U.S.$340 ,000), so essentially the ordinary resources consist of the share capital.

The total share capital to be paid-in to the Bank (excluding Colombia and Venezuela) will be U.S.$27.14 million.1/ However, the regional members may reserve half their capital to be spent only on goods and services produced in their countries. Since they produce very little capital equipment, the Bank does not expect to be able to use more than U.S.$25 million of its share capital over the next five years. Capital is paid in annually until January 1976; however, it could all be committed now, since most schemes involve disbursement over several years. The accession of Colombia and Venezuela alters the immediate situation rather little. Together they contribute only U.S.$2.25 million in convertable currency, to be paid in over the next six years.

The Bank's ordinary resources are borrowed and lent at commercial rates. It is unlikely that it could borrow at or below 8% (the preference of the Bank would be to borrow for at least 10 years, and preferably 15 years).

As shown in Appendix III, Exhibit 9 , the ordinary resources will be exhausted during CY 1973. The program is as follows:

Committed at 31/12/72	U.S.$12,686,632 2/
Projects listed for 1973	13,100,000
	U.S.$25,786,632

This amount exceeds the Bank's spendable $25 million so it will have to borrow during 1973.

The Bank believes that the sum required for 1973 is higher than normal. Its 1973 program is dominated by the request from British Honduras to finance a deep water port costing U.S.$8 million;

1/U.S.$25 million to be paid-in is calculated in 1969 U.S. dollars. Thus, figures above increased due to devaluation of U.S. dollar.
2/ Includes U.S.$3 million reserved for secondary mortgage market.

of this amount U.S.$3 million will be utilized from ordinary resources. The Bank would expect a normal year of ordinary resource commitments in its LDC's to appear as follows:

Category	Amount
Agriculture and processing	U.S.$2.5 million
Hotels	2.0 million
Industry	1.5 million
Infrastructure	1.0 million
	U.S.$7.0 million

There will also be other years of extraordinary expenditure; the Bank notes in particular that the St. Kitts sugar industry is reported as needing U.S.$2.3 million, and that the countries interested in bananas believe that the industry could absorb U.S.$6 million. If all this were made available from ordinary resources, the average required by the LDC's would rise to U.S.$10 million per year.

To this must be added commitments to the MDC members of Jamaica, Guyana, Trinidad and Tobago and the Bahamas. The amount would depend on whether the Bank will be able to borrow more cheaply for them in the world's capital markets than they can borrow on their own account. If the Bank is going to lend substantially to its MDC members, its whole capital structure will have to be reviewed.

The Bank's Charter does not permit it to borrow more than the sum of its callable capital plus its reserves. Its callable capital is now U.S.$27.14 million. However, if it is to be able to borrow cheaply in the world's capital markets, it must first undertake not to borrow more than the callable capital of its developed members. The callable capital of the developed members, the U.K. and Canada, adds to U.S $10.857 million. This is effectively all that the Bank can borrow this year (CY 1973) for its ordinary resources. Next year the Beard of Governors will be asked to increase the callable capital - otherwise new lending from ordinary resources will be drastically reduced. International development banks increase their capital at regular intervals so as to increase their borrowing power. How big an increase in callable capital the Bank will require will depend on the extent to which MDC members use it. If a big increase is decided upon, some increase in the issued capital will also be appropriate.

Disbursement.

Related to the Bank's projected commitment figures are the follow-on disbursements. The disbursement level is of prime importance as it alone represents the real transfer of resources to the capital short less developed members and, to a limited extent, the other regional members (limited to ordinary resources). As shown in the Projected cash flow (see Appendix IV , Exhibit 10) total Bank loan disbursements increase gradually from CY'73 through CY'77 in the following manner: U.S.$8.6 million; U.S.$14.5 million; U.S.$22.1 million; U.S.$27.5 million; and U.S.$31 million.

Once the Bank has reached its full level of operations, disbursements should average between U.S.$20 million to U.S.$30 million per year. Which end of this scale will be approached will depend upon the decision to borrow on the commercial world money market to augment Ordinary Resources. Regardless, the figures do show that development financing from the Bank will channel a healthy amount of outside resources into the Caribbean. In fact, the figures are comparable to the existing levels of the British bilateral aid program for the LDC members of the Bank.

Profitability

The financial projections indicate that the Bank will continue to operate in a sound financial manner. See Appendix IV , Exhibits 11 and 12 for five year pro-forma Profit and Loss and Balance Sheets.) It is anticipated that reserves will show a yearly increase of the following extent from CY '73 through CY '77: U.S.$280,765; U.S.$312,604; U.S.$549,884; U.S.$1,474,318; and U.S.$2,232,074. Thus, during the next five years the Bank should increase its present reserves (U.S.$339,133) by U.S.$4,849,643. In viewing these projections, however, it must be kept in mind that they are based on the anticipation that the LDCs will repay their loans as scheduled. The Bank's strict review criteria and general policy of limiting loans to revenue producing projects should obviate any major arrearage problems. Nevertheless, we must not be blind to factors which may arise to require rescheduling in certain cases and, therefore, it is necessary for the Bank to build as high a level of reserves as possible. In summary, the Bank's projected operating statements lead us to the conclusion that its financial management is sound considering its institutional objective of serving as a major lending source of investment capital to the LDCs.

SECTION V **ISSUES**

The Development Assistance Executive Committee approved an Intensive Review Request for a second tranche to the Special Development Fund of the CDB.

The exact level of funding was to be determined during the intensive review and was to be based upon resolution, to the team's satisfaction, of several issues. These have, for the most part, been treated at length in the CAP narrative.

There remains, however, several issues which were identified by the DAEC and to which the narrative does not fully respond. These include:

1. Broadening of SDF Activities
2. Composition of Sub-Projects
3. Benefits of Low Income Groups
4. Use of Local Development Corporations
5. Project Management

1. Broadening of SDF Activities

The CDB Board of Directors approved for publication in December 1970 a paper Financial Policies, paragraph 6 of which reads as follows:

> Article 1 of the Charter requires the Bank to have "special and urgent regard to the needs of the less developed members of the region". Accordingly while the Bank will conduct ordinary operations with all its members, it will for the time being confine financing by special operations to the less developed members, namely the Associated States, British Honduras, Montserrat, the British Virgin Islands, the Cayman Islands and the Turks and Caicos Islands".

The list of less developed countries was chosen by the Board itself, on the basis of per capita national income, except that the smallest territories, which all have relatively high per capita national incomes, were included because of their relative size. There is now a CARIFTA list of LDC's, but at the time that the Board was making its decision, a number of CDB members, notably British Honduras, were not members of CARIFTA. The Bank's list of MDC's and CARIFTA's list of MDC's now coincide (except that the Bank's list includes the Bahamas).

The most recent exception to this pattern is that Barbados has recently acquired an in-between status in CARIFTA. Under new CARIFTA regulations agreed to at the Heads of Government Conference in October 1972, and subsequently adopted by the CARIFTA council in November, 1972, certain practices of a "dumping" nature are prohibited if goods are to be eligible for free trade treatment. LDC's, however, may dump; but they may not dump in Barbados. Under Article 39 of the CARIFTA agreement, the ECCM (i.e., the LDC's) may have their own tariff on goods coming from Barbados, Trinidad and Tobago, Jamaica, and Guyana. Trinidad, Jamaica, and Guyana cannot retaliate against the LDC's, but Barbados can. Finally, the MDC's may grant only 9 year tax exemptions on new industry, Barbados 10 years, and the LDC's 15 years. Thus, Barbados has moved closer to the LDC's in the past few years. Any extension of the Bank's SDF should be examined in the light of these changes in preferential trading agreements.

A further consideration is that if the SDF would be extended to all the Bank's members it would immediately be negligible. Jamaica alone could take the whole amount in a single year. Therefore if an extension is to be made, and the CDB principle is retained that SDF funds are mainly for places rather than for "sectors", the question becomes whether any of the MDC's has a better claim than any other to CDB soft funds.

There are two possible bases for claims: (a) G.D.P. per head; (b) restricted access to other sources of soft funds.

The 1969 figures of G.D.P. per head were: Trinidad and Tobago US$775; Jamaica US$510; Barbados US$410; Guyana US$315. An exact figure for the Bahamas is not available, but it is either the highest or second highest. On this criterion Barbados and Guyana emerge for special consideration.

In terms of access to other soft funds, Barbados receives aid from Canada and the IDB; Guyana receives soft funds from the U.S., Canada, the U.K., China and the I.B.R.D., but not from the IDB. A case could more easily be made for on-lending CDB soft funds from AID and the U.K. to Barbados, which is not otherwise eligible for loans from these sources, than for on-lending to Guyana, with which the U.S. and the U.K. already negotiate directly.

The attitudes of those countries who make the soft funds available are also relevant. In informal discussions the U.K. has indicated no objection to a partial broadening of the SDF. The Canadian position is to exclude at least some of the MDC's. The Germans in their discussions with the CDB indicated they would have preferred to be aiding only independent members, since they claimed that German policy forbids giving German aid to British colonies.

As a spur to discussion of the issue, the CDB has just received a letter from the Government of Barbados (Appendix III, Exhibit 2 ,) asking the Bank "to recognize the special position of Barbados in its (the CDB's) operating policies". The CDB is studying the request with interest and considering its options.

The Annual Report for 1970 stated that the Board had decided to reserve the soft funds to the LDC's. At that time the Alternate Governor for Jamaica protested that the Board of Directors had no power to make a decision discriminating between members of the Bank. His assertion was not challenged at the time; it was instead agreed to say that the more developed members had agreed not to borrow soft funds for the time being.

The CDB now feels that the Alternate Governor's assertion is of doubtful legality. The Charter delegates to the Board of Directors the decision who shall and shall not get loans. Whatever legal powers the Board of Governors has in this respect the Board of Directors also has. But, legal powers apart, the Board of Directors would certainly want any decision on such a controversial question as this to be made by the Governors.

This assumes that the Governors have the power to decide to make a discrimination of this sort. If the reservation of soft funds to LDC's derives only from voluntary agreement of the part of the MCD's, presumably any MDC can withdraw from the agreement and by this act alone become eligible to borrow soft funds. The Directors have been advised not to raise this question, but to assume that the Board of Governors has the power to decide.

All of the above indicates that the exclusive access to SDF funds now enjoyed by the LDC's is not a closed question. In discussions with the CDB during the intensive review, the Bank indicated its desire to broaden the SDF base, but stressed that this could not be accomplished without additional funds beyond the present LDC three-year projections. It also cautioned against over-extending the CDB beyond its present operating capacity. The CDB's conclusion was that:

a. if additional funds (i.e., beyond the $30 million expected on the second "round" for the next three years) were made available; and

b. given the fact that Barbados has been assigned new CARIFTA status and has therefore moved into the "range" of the SDF; and

c. if Barbados'lack of bi-lateral assistance from the U.S. and the U.K. denied its legitimate access to available development funds; then given the Bank's location in Barbados, the CDB felt that it could properly administer a loan program there in the near future.

Therefore, the Bank, in its application to AID for replenishment of its SDF, requested an additional $2 million for sub-lending to Barbados. The AID team supports the Bank's desire to widen its SDF lending base.

2. <u>Composition of Sub-Projects</u>

The CDB pointed out to the AID team that the predominance of infrastructure in the SDF programe is due to four factors:

a. Direct investment in productive industry is financed from ordinary resources rather than from the SDF.

b. Agricultural credit comes from a separate fund. (Canadian)

c. Housing is also in a separate fund (AID 538-L-002)

d. The CDB is not lending money for non-self-liquidating purposes, such as primary schools or hospitals.

What remains for the SDF, apart from loans to small business and land settlement, is therefore primarily water, electricity, telephones and transportation. The CDB considers these essential to the general development of the economy, whether for industry, agriculture or tourism. The CDB noted to the AID team that even in the U.S. direct productive commercial investment does not exceed 40 per cent of total investment. Given that CDB finances direct productive commercial investment mainly from ordinary resources, it seems inevitable that most of CDB's soft resources will go into productive infrastructure - especially electricity, water and communications.

Furthermore, it is not CDB's intention to ask A.I.D. to finance any more ports. Leaving these out, the SDF programe for 1973-75 (excluding Barbados) breaks down as follows:

Industry	$ 3.0
Student Loans	.9
Agriculture and Feeder roads	4.5
Water	2.9
Telephones	.6
Electricity	1.7
Tourism	2.0
Airports	3.3
	$18.9

3. Benefits to Low Income Groups

CDB programes for helping low income groups fall into four categories:

a. Direct lending to small enterprise

(i) Farm Improvement Scheme (Canadian financed) makes soft loans and technical advise available to small farmers.

(ii) Small Industry Loans Scheme (A.I.D.) makes soft loans and technical advice available to small industry and small guest houses or other tourist facilities.

b. Infrastructure for small enterprise only

(i) Land Settlement and Land Conservation Schemes settle small farmers on land, using soft resources (A.I.D.)

(ii) Feeder roads go into districts inhabited exclusively by small farmers (U.K. financed) Large farms are on main roads.

(iii) Loans to Marketing Boards (Canadian soft funds) deal almost exclusively in the produce of small farmers, especially foodstuffs.

(iv) Loans for building workshops on small industrial estates are for small industrialists only (A.I.D.).

c. Assistance to Low income consumers

(i) The CDB programe for building urban working class houses for sale on hire purchase terms (A.I.D.) is confined to persons earning less than $25 per week.

(ii) Loans for water supplies and for electricity benefit especially the poorer consumers, by extensions into the villages and poorer urban communities.

d. Providing low income group employment

This is the CDB's principal objective. The CDB Board of Directors took note, at its first meeting, that while the

LDC's were receiving a fair amount of bilateral assistance, its general effect was to increase the welfare of the people (primary schools, hospitals, water) rather than to increase their productive capacity or provide more employment. Hence its very first policy statement, entitled <u>Financial Policies</u> reads as follows:

> "The Bank gives priority to productive enterprise, and to infrastructure which contribures to productive enterprise. The Bank will not lend money to finance budget deficits or balance of payment deficits; for purchase of equities or speculation in shares; for working capital; or for purchase of land or of existing enterprises. It will not for the time being finance retail or wholesale trade, office construction, housing, urban development, schools (other than technical) or hospitals. Priority will be given to investments in agriculture, livestock, fisheries, manufacture, mining, tourism, transportation, and the infrastructure related to the development of these sectors of the economy."

The CDB maintains that is has adhered to this all along. They pointed out that if one is asked "What have you done to help the poor," and one replies "I found a man who was willing to build a factory and lent him $500,000.", this answer may seem irrelevant to the uninitiated; but knowing that the major problems of this region are unemployment and low productivity, the CDB feels that its best contribution to the area is to increase productive capacity directly in industry, agriculture and tourism.

4. <u>Use of Local Development Corporations</u>

The CDB strongly urges the creation and subsequent support of a local development corporation in each small territory. The CDB maintains that each territory needs to have at least one "independent" public agency, which is highly efficient, and capable of managing the commercial activities of the territorial government. Specifically:

a. <u>Structure</u>

These corporations are not a part of the civil service or departmental machinery. Each is created by a statute, which provides for a board of directors headed by a non-political chairman. This is meant to have two effects:

(a) The corporation's decisions are not so political as decisions made directly by Ministers.

(b) The corporation's professional staff is insulated from Ministerial control, and can act with less interference. This attracts some professionals who find working in small political machines somewhat irksome.

These objectives are specially important in cases where the corporation is making a lot of small loans to a lot of small people, or supervising enterprises which employ a lot of people, since these are two spheres which need to be insulated from politics in the interest of efficiency and economic viability. The corporation does not wholly achieve these objectives; but the situation is usually better with it than without it.

A third aspect of the corporation's structure is that its employees are not civil servants. Civil service pay scales for professionals are very low in the LDC's, in comparison with professional pay in Trinidad or Jamaica, so LDC governments have great difficulty in attracting or holding efficient professional staff.

b. Functions

(i) Industrial Promotion. The primary purpose for which governments have established most of these corporations is industrial promotion. The CDB and the ECCM are expected to drum up potential investors from outside the area, but there is plenty of work which only the territories themselves can do. A development corporation must

(a) Compile and publish brochures indicating to potential industrialists the facilities offered by the territory: natural resources, infrastructure, consumer markets, and so on. Also clear statements of rules and regulations.

(b) Identify potential new industries in which the territory has a comparative advantage, and where necessary, commission feasibility studies.

(c) Answer a stream of inquiries from business men overseas, including those stimulated by the CDB and ECCM Promotions Officers.

(d) Meet visiting business men and show them around.

(e) Negotiate with business men who have decided that they wish to establish a factory in the territory.

(f) Pilot such business men through the maze of government licensing, especially import licenses, building licenses, pioneer status, registration with exchange control.

(g) Help with necessary contracts, especially with electric power, water, trade unions, and the finding and hiring of supervisory personnel.

The CDB points out that all this kind of work could be done by an efficient Ministry of Trade, without creating a new agency; but in fact experience in most of the third world indicates that the job is done most effectively by a special agency.

(ii) Financial Intermediation. Most Governments (including the U.S.) have a special agency for small business loans. The development corporations in the Associated States and British Honduras perform this function, using both CDB money and money supplied by the territorial governments. CDB provides technical assistance in that its Small Industry Loan staff processes the applications from small business, and advises both the applicant and the corporation.

CDB is now also asking these corporations to administer loans to students, because they have the necessary accounting and legal framework, as well as the non-political approach.

(iii) Operating or supervising government enterprises

All governments have a number of enterprises which should be run commercially; these may include water, electricity, farms, factories, housing projects and so on. It is not feasible for one corporation to manage all these enterprises, though recently the Guyana Government has created one super-corporation which supervises all other government corporations. The actual responsibilities of development corporations under this heading vary from territory to territory.

In all, the corporation builds and manages industrial estates.

In one case (St. Vincent), the corporation is also responsible for the Government's commercial farms, as well as investments in hotels and in industrial enterprises.

Appendix III, Exhibit 8 provides a profile on each development corporation now in existence.

5. Project Management

A major gap in CDB operations is the time between project approval and the appointment of the Project Manager, sometimes up to 18 months, which then adds to the period from commitment to final disbursement on a project.

CDB staff work up to project approval is well managed. It has the staff with which to help governments prepare projects. But between project approval and the appointment of a Project Manager the government Department sponsoring the Project has to do a number of things. Engineering projects for example require:

a. The government to sign the loan contract, and to meet the pre-requisites, legal and financial.

b. Advertise for consultants, choose them and brief them.

c. Design the project, or approve consultants' designs.

d. Prepare contract documents for going to tender, or approve such documents.

e. Choose a contractor.

f. Advertise for and appoint a Project Manager.

The Public Works Departments of the LDC territories staff do much of this work for the CDB projects. For example, the PWD in Dominica now has or will soon have to cope with the following CDB projects:

Citrus packing plant
Deepwater port
Banana feeder roads
Airport improvements
Cabritts tourist infrastructure
Water supplies
Road maintenance unit
Industrial estates

In most of these cases, the actual construction will be done by contractors, but the PWD has to get it off the ground.

The problem does not end with the appointment of a Project Manager. It is eased considerably. But the PWD still remains responsible for supervision, and for smoothing out with CDB and others the problems which arise in the operation of the project.

Most other PWD's are in the same position.

CDB feels that it could improve this situation by adding to its staff three engineers to be stationed in the field, to advance projects after approval. (IDB has [illegible] engineers in the field for this purpose.)

They could do a number of the jobs enumerated above, including getting the government to sign the contract, drafting the documents for prerequisites, drafting advertisements, doing simple designs, reporting on consultants' designs, preparing tender documents and so on. They could also inspect (jointly on behalf of CDB and the governments) the construction when it begins (or rather the work of the supervising consultants) and generally be the CDB watchdog.

Three field engineers would probably be allocated one to Grenada, St. Vincent and St. Lucia, (spending say a month in each in turn) one to the islands from Dominica to the Br. Virgin Islands, and one to British Honduras, Caymans and Turks and Caicos.

CDB agricultural projects raise the same kinds of problems, whether in the private or in the public sector. The private sector is better at getting itself off the ground, but both private and public projects require constant supervision by CDB staff - even more so than engineering projects, since the capacity of the Project Managers is more doubtful, and there is no group corresponding to the private consulting engineers to supervise what they are doing. CDB's agricultural appraisals all assume higher levels of technology than the current average in this region. These levels will not be achieved unless CDB agronomists are constantly at hand to inspect what is being done and advise.

CDB feels that it needs at this stage 2 field agronomists, one in the Associated States and one in British Honduras. These would have three main functions:

(a) Help get the project off the ground, as with engineering projects.

(b) Be the men at the elbow of project Managers, seeing that the planting and cultivation are done according to the best practices set out in the appraisal document.

(c) Be the CDB's watchdog in government projects, especially land settlement projects, where they would sit on Land Management Authorities and recommend to CDB when to apply its veto.

The CDB intends to request AID to provide the CDB with 18 man-years of technical assistance for this stable of field engineers and field agronomists. They would expect to be able to recruit all 6 persons within the region from the MDC's. The CDB views this request as filling a need which the CDB cannot cover out of its present operating costs, but they anticipate having the necessary resources generated by its own lending operations within three years. The AID grant would cover this period. The AID team recommended that this request be dealt with during the coming donor's conference.

SECTION VI - RECOMMENDED FUNDING LEVEL

A. SDF Lending Operations

The AID team reviewed the CDB's Special Development operations and concluded that the best interests of the Bank and the region would be served by an additional AID tranche of US $10 million, plus $2 million for Barbados (see below).

Our review concluded that the CDB has moved with deliberate speed, consistant with good management, towards organizing itself and committing its initial SDF resources.

The physical distances in the region (the equivalent of London to Beirut), the initial weakness of both regional and local institutions to complement and further the Bank's activities, the disparities of economic and social development patterns among its members, and the serious gap in trained manpower throughout the region caused by excessive out-migration, have all combined to produce serious obstacles to the Bank's initial operations and subsequent project implementation. Its progress to date, in light of these difficulties, has been outstanding. The team noted, moreover, a growing momentum both within the CDB and among its LDCs to utilize the unique resource which the CDB represents in the region. This momentum stands threatened by a lack of committable SDF resources. By August, 1973, the CDB will have committed all of its present SDF. Good management would indicate that the Bank's SDF donors, including the US, move swiftly to initiate steps to guarantee that the CDB's momentum not be checked at that time.

The CDB has amply demonstrated the existing demand for development financing among its LDCs, none of whom have access to any other source of long-term concessional credit. It has then taken that demand and judiciously reduced it to meet what the Bank's experience led it to believe was capable of being accomplished in the 1973-75 time period, given the constraints operating in the region. The team found no reason to question the Bank's judgement on this issue.

Our analysis of the absorptive capacities of the LDCs shows sufficient counter-part capabilities over the projected 1973-77 disbursement period. The Bank's policy of concentrating SDF sub-lending in revenue producing projects provides sufficient guarantee, given normal economic conditions, of debt-service. Economic projections regarding long-term economic trends in the area show consistant growth in spite of some dislocation due to changing of normal Commonwealth trade patterns. The serious problem of the lack of human resources to implement CDB programs is not seen as an insurmountable obstacle to efficient CDB operations. Indeed, the Bank's presence and its expanding portfolio provide one of the most important magnets for both preventing out-migration and attracting back to the region the highly trained professional and entrepreneural people who have previously looked elsewhere for opportunities. To that end, we are also recommending that up to $500,000 of the $12 million be available, at the Bank's discretion, for use in expanding its technical assistance and pre-feasibility work in the region.

The team's review of the Bank's portfolio of sub-projects demonstrated to our satisfaction that there was not an undue or unwarranted focus on purely infrastructure and industrial projects. The SDF program for 1973-75 contains more for agriculture ($4.5 million) than it does for industry ($3.0 million). Given the Bank's proclivity to revenue producing projects, its portfolio necessarily does not include such social welfare items as schools, health, etc. However, the CDB explores the outer limits of its policy by extending high risk subloans for land settlement and student loan schemes. Its landmark efforts in Small Industrial Credit and Industrial Estates for the region have no precedent there and are based upon high risk assumptions. The Bank has embarked upon these schemes on its own initiative. In comparison, the infrastructure projects are largely in response to demands from its members who would clearly prefer this kind of capital assistance rather than the high risk schemes mentioned above. The present balanced portfolio represents, in this light, a clear indication of the Bank's sincere effort to spread its effects beyond infrastructure-type projects.

The CDB's estimates regarding its lending needs over the 1973-75 period of US $12 million per year were seen by the team as reasonable projections of what the Bank and the region require. In our view, it represents a minimal US commitment to a prudent policy of strengthening the CDB's role as one of the major institutional fibers in the Caribbean integration movement framework.

The CDB has managed its financial affairs with a banker's restraint and a gambler's resolve. On the one had, its prudent and stringent lending policies have forced some LDC governments to better arrange their sometimes weak financial affairs. On the other, it has aggressively prodded these same governments into a more development-oriented approach to utilization of their existing resources and has sparked new institutional arrangements to facilitate decision-making and resource allocation. In this role as banker and leader among the LDCs, the CDB has had the firm support of its MDC membership and other donors. This new loan to the Bank's SDC, along with other "second round" contributions, should be viewed as a further indication of that support.

Finally, the level recommended is quite independent of the expected contributions of the other donors, specifically the UK and Canada. Original contributions to the SDF from the US, UK, and Canada were made in the light that the US had decided not to become an equity member of the CDB. Since that time, the UK has increased its bi-lateral assistance to the region and Canada has unilaterally provided the CDB with $2.5 million for agricultural credit in the LDCs. Additionally, all three government's financial operations differ considerably making any comparison of "contributions" difficult and illusionary. The Canadians literally "put the money in the bank" by depositing their annual contribution into a Canadian savings account. The US "obligates" its funds which are then more or less permanently ear-marked for CDB use. The UK operates on a yearly disbursement schedule and any funds not expended at the end of the fiscal year are returned to the Treasury. The net result of mingling these funding sources is that any decision to stick by an arbitrary formula of 2:1:1 becomes unmanageable and perhaps unworkable. The "spirit" of the original commitments was that all three -- plus whoever else could be encouraged to contribute-would maintain their interest in the region on a fairly proportionate basis. The team's review of the responses from the UK and Canada regarding second round contributions leads us to conclude that the original "spirit" prevails. There does not, in our view, exist the danger that the SDF will bear the overwhelming mark of one donor. We could expect the Canadians, based upon their response to our inquiry, to perhaps surpass what would be expected under the original "formula". At the same time, the UK is expected (as well as Canada) to approve a considerable increase in their callable capital accounts to enable the CDB to use this as collateral for borrowing on the world money markets. This "contribution" of callable capital will enable the bank to borrow an additional $30 million over the next three years for ordinary fund activities.

In sum, our recommendation of a $12 million loan is based upon our review of the Bank's needs for its SDF operations over the period 1973-75 and not some arbitrary ratio whose original basis has perhaps been overtaken by new requirements.

B. Barbados

The AID team concluded that the Bank's requirements for its ongoing SDF operations required an additional AID tranche of $10 million. During the intensive review, whenever mention was made of widening the list of eligibel SDF countries, the CDB reiterated that its lending projections (and subsequent requests for additional SDF contributions) for the 1973-75 period covered only those countries now included as LDC's. Any broadening of that list would depend, in large measure, upon the availability of additional resources.

Negotiations with the CDB resulted in the joint AID/CDB decision to include Barbados as eligible for AID second tranche funds, contingent upon AID providing resources over and above the estimated $10 million needed for normal SDF lending. Consultations with the Government of

Barbados (who had already requested access to SDF resources) identified $5.8 million of projects which the GOB planned to execute in 1973-75. The CDB concluded, and the AID team concurred, that an additional $2 million "add-on" to the AID second tranche would represent what the Bank felt itself capable of implementing over the 1973-75 commitment period.

The CDB has formally requested (See Appendix III ,Exhibit 1) that AID consider this additional $2 million within this proposed loan. The AID team strongly recommends positive consideration of this request.

SECTION VII - IMPLEMENTATION

A. Disbursement Schedule

The project contemplates the commitment of the proposed loan funds over the three-year period of 1973-75. The CDB estimates that approximately $12 million per year of total SDF funds can be effectively committed. Initial disbursements for these new resources are optimistically estimated to begin in mid-1974. (The CDB's cash flow for the period 1973-77 conservatively estimates disbursements of "second round" resources beginning in 1975.) The CDB has privately assured the AID team that the Bank will strive to accellerate this rate. In any event, their most conservative estimate shows terminal disbursements in 1977.

Local currency requirements under the proposed loan are estimated at approximately 50% of the total project. Many of the sub-projects affecting low-income groups which the Bank assigns to AID funds have a high local cost component. This has been determined as best serving the objectives of the CDB and, in fact, assures the fact that AID funds have a greater impact in the lower income range.

B. Monitoring/Reporting Requirements

The loan shall be monitored by AID/W since there is no Mission in the Caribbean area served by the SDF. AID will also depend upon the assistance of the considerable number of UNDP staff assigned to the Bank as full-time operating personnel.

Under Loan 538-L-001, the CDB has instituted a system of quarterly reports which will now incorporate activities accomplished under this loan.

AID will continue to require the CDB to submit to AID for prior approval any project utilizing AID funds in excess of $500,000.

C. Evaluation

The CDB will arrange for a yearly joint AID/CDB review and evaluation of progress under the proposed loan. Each year, the CDB will prepare an annual progress report of its activities funded under this proposed loan. This will also include activities financed under loan 538-L-001. Such annual reports, the exact format of which will be developed in joint consultation, will; 1) detail activities accomplished to date; 2) establish targets for the coming twelve month period; 3) analyze the impact of AID-funded projects in terms of (where applicable) employment, investment, people affected, value added, etc., and 4) discuss any significant variations from previously established targets as well as problems of implementation, disbursements, etc.

This report will be forwarded to AID and will be subject to an annual field review by an AID team of appropriate composition.

The timing of such annual reviews will be determined in joint CDB/AID consultations.

D. Procurement/Mutual Untying

As established under Loan 538-L-001 and 538-L-002, this proposed loan to the CDB would be untied to Code 941 and all member countries of the CDB. The latter include Great Britain and Canada. This policy is based upon the agreement of the U.K. and Canada to permit all funds made available by them to the CDB to be eligible for procurement of goods and services of U.S. source and origin.

The letter of commitment procedure will be used to effect payments for the dollar cost component of the proposed loan. AID has already established a reimburseable revolving fund with the CDB under Loan 538-L-001 for local currency disbursements. This procedure will be continued under this proposed loan.

E. Pari-Passu Disbursements

Loan 538-L-001 called for the CDB to commit all SDF contributors' resources on a pari-passu schedule. Preliminary indications were that AID funds were being utilized in a disproportionate manner. Discussions with the CDB revealed that they understood that the AID loan had to be committed over a three-year period ending in 1973. The U.K. and Canada had provided five-year commitment terms. The CDB therefore moved to commit AID funds in an honest effort to comply with their understanding of AID terms. Moreover, investigation showed that in calendar year 1972, the CDB authorized loans totalling $15,167,417 (excluding $3 million earmarked for purchasing secondary mortgages). Of this amount, only $5,390,800 was attributed to the AID loan. The CDB has assured us that they will continue to commit funds from all donors in a balanced manner consistent with good portfolio management.

F. ENVIRONMENTAL CONSIDERATIONS

The Caribbean Development Bank in its appraisal of projects examines the impact the project would have on the environment of the project area and country. In all projects attention is paid to such aspects as sewerage and waste disposal, storm drainage, utilities, transportation of personnel to and from the project area, and the overall change in the economic and social life of the area.

A CDB engineer represented the Bank at the U.N. Conference on the Human Environment held in Stockholm from June 5 to June 16, 1972.

In the case of port development and waterfront facilities, special attention is given to the ecological and environmental aspects of each project. These include such matters as marine life, siltation, the accretion and erosion of beaches, pollution of adjacent land and water areas, the esthetic appearance of project layout, structures, and the adjacent land areas, and the general overall landscaping of the completed project. Due consideration is also given to any changes in existing land uses, such as the resettlement or relocation of any housing affected by the project and its functions.

G. ABSORPTIVE CAPACITY

The proposed loan is the second AID loan to the CDB's SDF. To date, while the Bank's commitment rate has accelerated its rate of disbursements has not kept pace. The reasons for this delay are fully discussed in Section V - Issues, and Section VIII, B, 13 - Performance to Date. Of equal concern is the future absorptive capacity of the Bank's staff and its clients to utilize the full proceeds of the "second round," within the proposed time frame.

From its own point of view, the Bank is already moving quickly to increase its staff resources in preparation for the coming heavy lending program. Beyond that, there are two other constraints, which because they exist within the LDCs, are beyond the Bank's immediate reach, i.e., counterpart required and administrative manpower. The Bank's experience to date has taught it to implement its programs in a manner which takes these two factors into consideration. It feels, and the AID team concurs (see Section III, B) that the counterpart requirement should not prove to be a serious obstacle to the Bank's operations. The Bank, as explained elsewhere, concentrates its lending resources almost exclusively upon revenue producing projects. The emphasis on revenue producing projects, given good management, would indicate adequate repayment ability and will not require increased recurring budgetary costs. The problem of management is alleviated somewhat by the Bank's preference of implementing its projects either through development corporations (which after initial start-up problems, now seem to be gaining strength), or through specialized local authorities (i.e., a land settlement authority). Almost all construction is accomplished through private contractors. Therefore, the Bank strives to reduce the burden its program places upon the normal public services and resources. The cooperative required from the LDC government machinery, such as signing a loan agreement, approving a guarantee, etc., are fast being resolved as the LDCs become accustomed to CDB procedures. Finally, the Bank's activities serve as a major stimulent to attracting back to the region those qualified and highly trained individuals who have migrated out for lack of professional opportunities.

SECTION VIII - PERFORMANCE TO DATE

Loan 538-L-001 called for a review of the CDB's progress to date when its commitments under that Loan exceeded $5 million. That point was reached in September, 1972. It was agreed then to conduct the review as an integral part of the intensive review for this second loan to the SDF. Meanwhile, the CDB was authorized to continue commiting AID loan funds; the total commitment figure then being $7,818,755 on December 31, 1972.

In effect, this entire CAP may be read as a comprehensive view of the CDB's activities to date. Accordingly, this portion will deal with a review of the CDB operating criteria, activities, and identified problem areas which the USAID loan team and the CDB singled out for discussion. Additionally, while the review was directed generally at the over-all operations of the CDB, activities and problems related to the AID loan were of specific interest.

A. Operating Criteria

The CDB has not considered itself an all purpose bank. Its resources are small, relatively to those of other financial institutions in the area, including other banks and foreign aid agencies. To act strategically then the CDB has adopted a policy of confining itself to limited tasks. At an early stage three important decisions were taken.

(1) CDB would make only limited loans in its More Developed Countries (MDC's)

(2) In LDC's, CDB would lend only long-term finance to private business, and limit its sectors.

(3) In LDC's, CDB would lend to governments only for self-liquidating investments.

1. Lending to MDC's

CDB lends only to Governments in MDC's. It does not lend to private enterprise as MDC's have their own financial intermediaries (agricultural, industrial, mortgage) for lending to their own private citizens. CDB is willing to lend to such intermediaries at 7¼ per cent out of ordinary resources, and has made such a loan to the Trinidad Agricultural Bank.

CDB also lends direct to MDC governments at 8 per cent from ordinary resources only (soft resources being available only to LDC governments). Every MDC government has received a loan from CDB, except Buyana.

2. Lending to LDC Private Enterprise

CDB lends to private enterprise only in its LDC's. It lends long term finance only, from 7 years upwards (loans to small business are done through intermediaries: these are referred to in the next section. This section refers only to loans in excess of EC$100,000). These direct loans are all out of ordinary resources. They are confined to agriculture, manufacturing and tourism. The rate for agriculture is 8½%, for others 9%.

In agriculture the CDB is faced with a strong demand for loans from family estates, especially in the Windward Islands and British Honduras. The number of such loans, granted or now in an advanced stage of preparation, has been 18, averaging US$88,000 a piece. The CDB has also done two private agricultural processing projects, and has two private fishery projects in process.

CDB's success in this area is due to three elements. First, it takes the initiative and travels to the farms pointing out what can be done. Secondly, it does all the farm planning that is required, and gives the borrower rather precise indications of both expenditure and expected cash flows. And thirdly, for orchard crops, which take a long time to bear, it grants long grace periods. The CDB is the only institution which lends the farmer money for 15 years, with no repayments during the first five years.

It expects to do much the same for manufacturing and for hotels, but these have been slow in getting off the ground.

3. Loans to LDC Small Enterprise

The smallest loan handled by CDB directly from its headquarters is US$50,000. The CDB considers even this too small, since the cost of processing such loans is high.

CDB lends money to financial intermediaries in the territory (Government agricultural banks, government development corporations), which they in turn on-lend to small business or small farmers. This money is soft, and they may lend it only to "small" people (whose net worth is less than EC$100,000). (See CDB statement "Meanings of 'Small' in S.D.F. Projects" in Appendix III Exhibit 6)

Money can be on-lent only for capital improvements; a CDB officer must certify the purposes of the loan; and the borrower's spending must be supervised. These programs are rather expensive to CDB, and somewhat irksome to the governments (who complain against the invasion of their sovereignty).

4. Lending to LDC Governments

CDB lending to LDC Governments is subject to two constraints:

(a) Many of the governments are running budget deficits or have no reserves. They are not therefore in a position to add CDB debt charges to an already over-strained general revenue. CDB therefore lends only for self-liquidating projects which will earn enough from their own revenues to pay for themselves.

(b) The U.K. and Canada have large bilateral aid programs in the LDC region. CDB does not wish to displace or duplicate or compete in any way.

In general these two constraints complement each other in that CDB finances the self-liquidating, and the U.K. and Canada the non-self-liquidating, but the edges are not neat.

CDB finances: electricity, ports, small airport improvements, telephones, water, student loans, land settlement infrastructure, feeder roads, land conservation, marketing boards, tourist infrastructure, industrial estates, working class housing - all at 4 percent. CDB's activity is restricted in electricity and telephones, because of overlap with activities of the Commonwealth Development Corporation (CDC) and the Cable and Wireless, Ltd.

CDB does not finance schools, public health, hospitals, sewerage, urban redevelopment, large jet airports or arterial roads.

Water and feeder roads present a special problem. Water is supposed to be self-liquidating, but in all the LDC's the water authority runs at an enormous loss, so CDB debt charges fall on the general revenue. (CDB's Board of Directors has expressed concern about this, and considers each water project request with this in mind).

Feeder roads are considered for lending because the CDB is anxious to raise productivity in bananas, and has been advised that bad roads are a major constraint. The argument is that bananas are so badly bruised on the way out that the net farm gate price is too low to justify the cost of fertilizers and other inputs which would raise productivity. On this argument better roads would produce an increase in productivity that would raise national income so much that even the additional government revenue would exceed the debt charge.

CDB is thus financing feeder roads in banana areas.

The LDC Governments seem more or less resigned to the fact that CDB finances only self-liquidating projects (other than water and feeder roads) but there is one category which they keep urging upon the CDB, namely arterial roads. In the series of country identification missions which CDB staff made, roads were always at the top of the list, and the sum for the LDC's excluding feeder roads, came to $16 million over three years.

Currently the chief source of aid for roads is the British Development Division (BDD), but the input of that source is a mere fraction of what is being asked.

The budgets of the LDC Governments limit their ability to borrow money for roads, and CDB intends to stay out of this category. (One reason why the roads require such large inputs is that there is no organized system of road maintenance. The CDB and the BDD are currently considering an approach, which they may jointly finance, to the problem.)

B. Activities

As of December 31, 1972 the following SDF projects had been committed to the AID loan:

Table IX SDF Projects Financed by AID as of December 31, 1972

Borrower	Activity	Amount
Government of Antigua	Land Settlement	$ 178,000
Belize Electricity Board, B.H.	Electrification	1,528,320
Development Corp. St.Vincent	Ind. Credit & Estate	333,000
Dominica Ag & Ind Dev Bank	Ind. Credit & Estate	260,500
Nat.Dev.Corp. St. Lucia	" " "	290,000
Dev. & Fin.Corp. St. Kitts	" " "	206,135
Montserrat Dev.&Fin. Mktg.Corp.	" " "	100,000
Dev.Fin. Corp. B.H.	" " "	372,000
Dominica Harbor Authority	Wharf improvement	1,850,000
St. Lucia Harbor Authority	" "	2,250,000

Government of Grenada	Airport Extensions	50,400
Turks & Caicos Dev.Corp.	Industry Credit	150,400
Nat. Dev. Corp. St. Lucia	Medium-sized Indus. Estate	250,000
	TOTAL	$ 7,818,755

The activities carried out under the AID loan fall essentially into the following categories:

1.	Land Settlement	(1)
2.	Electrification	(1)
3.	Small Industrial Credit	(7)
4.	Industrial Estates	(6)
5.	Harbor Facilities	(2)
6.	Small Airports	(1)

All of the above activities have been limited to what is known in the area as the Less Development Countries (LDC's), i.e. the Associated States of Grenada, St. Vincent, St. Lucia, Dominica, Antigua, and St. Kitts-Nevis-Anguilla; and the so-called Crown Colonies of British Honduras, Montserrat, and the Turks and Caicos Islands, (Appendix III, Exhibit 4 provides a geographic break down of past and proposed SDF lending)

Appendix III Exhibit 7 , outlines, in detail, the progress to date of each sub-project.

An over-all view of CDB operations at the end of 1972 highlighted the following major activities:

1. Loans

During the year the Bank made 35 loans, with a total commit ment of $15,167,417. Appendix III, Exhibit 10 lists the commitments entered into during 1972. The Bank also earmarked $3,000,000 for the Secondary Mortgage Program for AID Loan 538-L-002. When previous commitments are brought in, the total commitments of the Bank at December 31, 1972, stand as follows:

Ordinary Resources			
Loans	(23)	9,686,632	
Secondary Mortgage		3,000,000	
Guarantees	(1)	341,085	13,027,717
Special Dev. Fund	(24)		10,349,915
Canadian Agric. Fund	(9)		2,000,000
	(56)		25,377,632

2. Agriculture

The CDB experienced increasing demand for loans to private agriculture; mostly in the region of $50,000 to $150,000. The Bank made 3 in 1971 and 9 in 1972. Another 9 are being processed for the first four months of 1973. Dominica and British Honduras lead with projects of this kind, but other territories, especially in the Windward Islands, are also now showing interest.

The Bank made its first loan for a land settlement project to the Government of Antigua. This provides for settling livestock farmers on lands owned by the Government. Similar schemes now being processed for other Governments relate to vegetables, orchard crops, bananas and livestock. The typical farm is about 20 acres for orchard crops, but much more for livestock (100 acres in Antigua).

There were three loans for livestock production during the year, and one for meat packing plant. Other schemes included avocadoes, mangoes and anthuriums, as well as the traditional coconuts, citrus and cocoa. The Bank has earmarked considerable sums for the Windward Islands banana industry. which is ailing, but is awaiting results of negotiations now being carried out in London before it moves ahead. Meanwhile, the Bank is embarking on a small program of financing feeder roads in banana areas. The first such loan was made to Grenada, and others are being processed.

All LDC territories have received a first tranche for agricultural credit from the Canadian Agricultural Fund, except the Cayman Islands and the Turks and Caicos Islands. These loans are extended by territorial agricultural banks to small farms only, for schemes approved by Farm Improvement Officers, who visit the small farmers and help the small farmers to make their plans. CDB has also begun to make a series of loans to the agricultural banks from ordinary resources, for on-lending to large farms whose need falls below the CDB's own minimum limit of $50,000.

3. Hotels

During the year CDB made about 50 contacts with small hotels interested in expansion; and is now processing some loans, but none materialized during 1972. Part of the problem is that the Bank has not been adequately staffed to handle this business. (The CDB is finding, as do all development banks, that people who want to borrow $100,000, whether for agriculture, hotels, or manufacturing, need much more technical help than people who want to borrow $1,000,000). New arrangements are being made to intensify technical assistance in this area.

4. Manufacturing.

CDB continued its series of loans to the territorial Development Corporations for on-lending to small industries, and for building workshops for leasing to small business. A new series of loans was also begun, to build industrial estates with large factories for leasing at subsidized rents; the first such loan was made to St. Lucia in December 1972.

The Development Corporations will shortly begin making small loans in their territories, but the Bank itself has not yet made a loan directly to a manufacturing firm. Neither has it taken any initiative to promote such enterprises, since it was waiting on the report of the Economist Intelligence Unit (E.I.U.) on industries suitable for establishment in the LDC territories of the Bank.

The E.I.U. report, received in September, identified 16 industries which could be established on a large scale in the LDC territories. These are:

For North American or European Markets: Costume jewellery; sports goods; leather goods; canned fruit; plush toys; men's underwear; intimate apparel; outer garments; knitted piece goods; electronics; electrical accessories.

For the Carifta Market: Bicycles; footwear; builders hardware; hand tools and cutlery; domestic dinnerware.

The E.I.U. has written a separate prospectus of each of these industries, dealing with markets, raw materials, equipment, labor requirements and costs, and ending up with cash flows and profit computations. Any potential investor can be sent a copy if he writes to the Bank stating the nature of his interest.

In addition, the E.I.U. identified about 40 small scale industries which can be developed for the local LDC markets themselves.

The Bank now has a staff of four officers working on industrial development, and hopes to commit its first large scale loans during 1973.

5. Infrastructure

Two deep water ports emerged from the pipeline this year, one in Dominica and the other in St. Lucia. Substantial wharf improvements in St. Vincent were also approved. Proposals from other territories have involved prolonged investigation and discussion, and are still under consideration.

Other infrastructure loans have included telephones (St. Kitts-Nevis-Anguilla), airport (Grenada) water supplies (Grenada, Dominica, St. Lucia) and feeder roads (Grenada).

6. Student Loans

The Bank has begun a new program of loans to the Governments, to be on-lent to students aged 15 and over. The loans cover board and lodging and travel expenses as well as fees, and are repayable at 6 per cent during the ten years after graduation. These loans are not available for courses in humanities, law or social science; but are available for other university courses, for teacher training, for technical and vocational training, for business studies and for para-professional training.

7. Housing

At the end of the year CDB signed the Loan Agreement for Loan 538-L-002 for $10.3 million to initiate two housing programs.

The first is a program to build subsidized urban working class houses, to be sold to their occupants on lease-purchase terms. The rent includes a sinking fund element, as well as interest at 4 percent per annum, so the house will belong to the applicant after paying rent for 20 years. It is expected that the rents will not differ substantially from market rents on houses which do not pass to the occupant. The Bank's aim is to keep building costs down to EC$10 per square foot, by bulk buying of materials, and by carefully planned construction of houses in large groups. $6 million are allocated to this program.

In the second program, the CDB will buy mortgages from indigenous cooperative and worker banks in its LDC territories. These banks use short term funds, so their mortgages do not usually exceed 5 years or 50 per cent of appraised valuation. It will also facilitate the building of complete housing estates, and so help to reduce the cost of building. To be eligible for this scheme, the selling price of a house with land must not exceed US$12,000. The CDB has earmarked $3 million from its ordinary resources to match the US A.I.D. portion of the loan for $4 million.

Both schemes will come into operation early in 1973.

8. Loans to More Developed Country Members

The Bank has now made one loan to each of its more developed regional members, except Guyana. All these loans are from Ordinary Resources.

How much business the Bank will do ultimately with its more developed members will depend mainly on whether it can borrow more cheaply than they can in the world's capital markets, and, if so, how much it can borrow on such terms. This question will be tested during 1973, when the Bank makes its first borrowings in the commercial market.

9. Participation in Equity

The Bank is for the time being prohibited by Article 13 of its charter from investing in equity capital. It has, however, noted with pleasure the decision of the Caribbean Heads of Government Conference in October 1972 to establish an Investment Company which will purchase equity of new industrial firms in the less developed member countries of the Carifta region.

10. Preferential Procurement

In accordance with the resolution passed by the Bank's Board of Governors in April 1972, the Board of Directors has decided that, in contracts financed from ordinary resources, manufactured goods of Carifta origin will be accorded a preference of 15 per cent or the import duty thereon, whichever is the less.

11. Identification of Member Country Programs

The Bank sent special missions to each LDC member territory during the course of the year to identify proposed capital expenditures by Governments during each of the years 1973, 1974 and 1975. This was partly to initiate engineering investigations and other preparatory work, and partly to establish what the Bank's own programs might be over the three-year period. The Bank considers that the missions were highly successful. They identified some US$93 million of projects within the normal range of Bank lending. This is about three times as much as the Bank expects to be able to spend out of its Special Development Fund during these three years. The information is being used, inter alia, as a basis for seeking further soft finance.

12. Technical Assistance

The Bank carries a heavy load of technical assistance since it prepares, as well as appraises, nearly every loan which it processes, whether for private or for public borrowers. The Bank's experience here is that it is merely a matter of semantics whether the institution is regarded as a technical assistance agency which also lends money, or as a bank which also prepares projects.

In view of this, and of the fact that the Bank is still building up its staff, the opportunity to do technical assistance not related to projects has been small. The Vice-President continues to serve as a consultant to the Eastern Caribbean Currency Authority. The Senior Project Analyst was assigned to UNESCO for a study of technical education in Guyana. An agricultural team has written a report on the cultivation of coconuts in Dominica. The Bank has surveyed the statistical services of the Associated States, Montserrat and British Honduras, and reported on ways of improving them. A report has also been issued on the regional demand and supply for vegetable oils.

13. Disbursements

At the end of the yea the Bank has disbursed only $448,680 as against commitments up to December 31, 1972 of $22,377,632 (excluding the secondary mortgage commitment).

The Bank is well aware of its slow disbursement rate and has identified the following reasons:

(a) Most development projects involve expenditure over from three to five years. The first year's disbursement would seldom be as much as 30 percent, even if disbursement started on the day the loan was approved.

(b) Many projects involve construction. This has to be designed; tenders are issued; contracts are awarded; and contractors mobilize on site. With large projects a whole year will normally pass before actual construction begins.

(c) In private projects, the borrower has to provide a mortgage before the Bank disburses. In the Caribbean region legal procedures involve a long waiting period to complete this part of the business.

Disbursements from the CDB are also held up for two other special reasons:

(d) CDB lends only a part of the project cost. Some private borrowers ask the CDB for a loan before they have mobilized all the rest of their finance. In fact they count on the CDB's preparation and appraisal of the project and especially CDB's expressed willingness to make a loan, to help them in convincing others to make finance available. Some government borrowers are in the same position. This is a legitimate function for the CDB, but it lengthens the period between approval of the loan and first disbursement.

(e) A number of the CDB's first loans have been to Development Corporations in individual member territories. These Corporations have been identified by the CDB as playing a crucial part, both as financial intermediaries and as development promotion agencies; so the CDB is very anxious to seek ways to strengthen their position. Accordingly, it is lending them money for on-lending to small industries, for industrial estates and for student loans. However, in some territories the corporation did not exist until CDB indicated its willingness to finance such an institution; legislation had to be passed, and Boards of Directors appointed. In nearly all cases, whether new or already existing, senior staff had to be found and appointed. Several of these agencies are still not yet fully staffed. That it will take some time to get all these financial intermediaries off the ground is to be expected.

The CDB also has to contend with hold-ups due to administrative failure. There are two of these:

(a) The long period it takes for loan contracts to be signed. CDB sends out each loan contract within one month of Board approval. The contract, however, is sent not to the officials who have participated in preparing the project, and who are waiting anxiously for the money. It goes to the official "channel of communication," and may then get held up in any of various offices, including that of the Attorney General. As Governments become more familiar with CDB contracts and their standard pattern, this process will be speeded up, but at present the average time between the dispatch of the loan agreement and its signing exceeds six months.

(b) After the loan agreement is signed, there are various prerequisites to disbursement, and various procedures in choosing consultants, international advertising, etc., with which the Bank's new borrowers are not familiar. The CDB has now prepared a special brochure spelling out in detail how to proceed after signing a loan agreement. Copies have been distributed to all borrowing Governments.

Internally, the Bank's Treasurer prepared a monthly report on the status of all projects approved by the Board. This is scrutinized by the Investments Committee of the Bank, and action is taken to speed up implementation.

15. Implementation

The principal implementation problems faced by the CDB in its SDF lending operations have been:

(a) The inability of borrowers to prepare their investment plans;

(b) initial shortage of counter-part funds;

(c) shortage of adequate project supervisory and management personnel for monitoring at the field level;

Inadequate Planning. The principal impediment to CDB lending has been the inability of borrowers, private or public, to prepare their development plans. This is being resolved as the CDB's staff resources expand.

The CDB is moving to overcome this impediment in agriculture; a staff of 6 agronomists at headquarters, and of 6 Farm Improvement Officers attached to the agricultural credit societies, help borrowers make their plans.

The CDB has not overcome this problem in the field of tourism, as is indicated by the fact that none of the 50 possible investment contacts made by the Bank during 1972 was brought to a head. A full-time CDB staff member is being assigned to this activity in 1973 and activity is expected to increase sharply.

The CDB is staffing up to handle the problem in manufacturing industry. Two Small Loans Industry Officers render technical assistance to small borrowers. Two Industry Officers, with support from the Bank's Economics Division, are now prepared to help large scale industry.

With Governments, the need is to prepare programs for infrastructure. The CDB has 3 civil engineers who provide assistance to Governments in designing small public works (paving a small airstrip, widening a feeder road, or lengthening a jetty).

A major problem is encountered in pre-investment work which is beyond the capacity of a CDB staff officer working on it directly; i.e. where a firm of consultants is required which would charge US$50,000 or more, if the borrower is a private person, CDB requires him to hire a consultant with his own funds. These maybe added to the cost of the loan if there is a loan, but if there is no loan the cost of is on the borrower.

If the borrower is a Government, the CDB advises him to seek technical assistance from the British Development Division (BDD) CIDA, PAHO, or UNDP. This worked well when CDB was first formed; a number of agencies had in fact paid for investigations in anticipation that the results would be presented to CDB. This is considered fortunate in that the cost of large pre-investment surveys is well beyond the ambit of CDB and of the governments. CDB expects this collaboration to continue.

It should, finally, be noted that CDB is able to function as a technical assistance agency only because a UNDP grant pays for many of its project staff. Currently the UNDP provides 14 staff members, at a cost of US$420,000. This is due to taper off and eventually end in 1977.

Counterpart Funds. The second impediment to CDB operations is the fact that CDB lends LDC governments not more than 80 per cent of the project cost, and, having limited or no budget surpluses and reserves, they have difficulty producing the remaining 20 per cent from their own revenues.

CDB recently pointed out to these Governments that its expected volume of lending from the Special Development Fund would require them to put into their capital budgets, on an annual routine basis, for matching CDB projects, a sum equal to EC$8 per head of population; i.e. $400,000 a year for a 50,000 population or $800,000 a year for a 100,000 population.

Actually, the capital budgets of these Governments now run between $5 million and $10 million apiece. No difficulty is expected to include in these budgets $8 per head for matching CDB projects. Past difficulties have been due rather to the fact that this item was not expected, and therefore not provided for in advance. CDB does not expect it to be a source of much trouble in the future. Table VII of Section III provides a country by country view of counterpart requirements and their relationship to each capital investment budgets.

After the February, 1973 donors' meeting, the CDB will formally inform each borrowing country what counterpart requirements will be necessary over the next three year period. Each Government is then expected to plan accordingly.

Project Supervision and Management. CDB lending is all supervised, either by the CDB itself or by outside consultants.

Lending to small farmers and small business through the territories' financial intermediaries is supervised by Farm Improvement Officers and Small Industry Loans' Officers. Land settlement projects will be run by a Land Management Authority, or some such body. The CDB will insist on having a seat on this body, where its man can have certain rights of veto, and from which he can advise the CDB of project progress.

For this CDB needs another 2 or 3 agronomists on its staff. (See Section V, Issues, for recommendations on this point.)

Lending for housing under AID Loan 538-L-002 will be supervised by a CDB Architect, assisted by firms of consulting engineers.

Lending to governments for infrastructure is supervised by CDB engineering staff, in association with consulting engineers. The present project work load, however, is placing a heavy strain upon the small CDB staff. Here too, expansion is required.

Lending to private enterprise for agriculture is supervised by CDB agricultural staff.

For lending to large scale manufacturing industry. the EIU report (more fully described in Economic Analysis Section) proposed the establishment of a small team of management consultants (4 rising to 6) who would be available to advise private enterprise (whether CDB-financed or not), and whom CDB might also use for some project supervision. UNIDO was contemplated as the possible source of this team, but UNIDO and the ECCM have entered into discussions whereby such a team would operate out of the ECCM Secretariat. The CDB is awaiting developments on this arrangement before establishing its own team.

In the area of project management, the CDB has several projects approved which do not move because the Government has difficulty producing the person who is to manage the project.

In a number of these cases the Government has turned to BDD, or CIDA, or UNDP and asked for a project manager. Thus assistance has been forthcoming, but on a project-by-project approach.

It would seem simple for CDB to undertake the provide project amangers, if it were given a fund for this purpose. (The CDB, effectively, provides the project managers for its housing scheme, and the technical officers for its small business and small agricultural loans).

However, the problem is not one, but two: to find the money and to find the person. This problem will be the subject of discussion at the forthcoming donor's meeting.

C. <u>Capacity to Execute</u>

To implement an approved project CDB has a 15 member technical staff divided into two divisions. Projects in agriculture and related fields are placed in the Agriculture Division headed by Dr. L. Campbell, and those in the industrial field in the Industry Division headed by Mr. A.T. Wason.

Since the countries serviced by the Bank do not as a rule have all the necessary trained personnel to manage projects, one of the functions of the Bank is to provide technical assistance to its regional members, their agencies, private firms, and regional institutions. The technical personnel, therefore, not only review and analyze the loan request but in many instances monitor the project until the borrower finds a project manager satisfactory to the Bank.

To help the Bank carry out its loan as well as its technical assistance program the UNDP has provided 12 of the 15 staff members in the two divisions. However, the Bank finds that it still needs additional personnel to effectively implement and monitor projects (as well as strengthen local development authority) as its loan portfolio expands, and plans to request assistance from AID for additional staff.

For small industry projects and estates which do not require very much detailed engineering time, a member of the Bank's technical staff acts as the borrower's consultant and helps him contract with approved construction firms to build the project.

For larger industrial project costing over $50,000 and requiring detailed engineering specifications and drawings the Bank requires that the borrower advertise for and employ a consultant to make a feasibility study as well as provide the necessary engineer specifications and drawings for construction purposes. Before a loan is approved the consultant's feasibility report is reviewed and analyzed by the appropriate technical staff. When the feasibility study is approved, disbursements are only authorized when the borrower appoints an approved Project Manager.

In all of the above, the Bank's highly professional staff employ's rigorous analytical standards. Project approval procedures are more fully described in Appendix IV, Exhibit 3.

AID 1240-2 (4-7.')

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1972.

MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. *FAA § 208; §.251(b).*	
A. Describe extent to which country is:	The proposed loan is to a regional intermediate credit institution and not to a country. The activities of the CDB, however, are directed toward or consistent with the realization of country characteristics considered desireable under the statutory criteria.
(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.	The Caribbean Development Bank (CDB) places a high priority on agricultural activities.
(2) Creating a favorable climate for foreign and domestic private enterprise and investment.	The CDB acts in such a manner as to promote foreign and domestic private enterprise and investment.

AID 1240-2 (4-7?)

(3) Increasing the public's role in the developmental process.	The Governments of the Caribbean are democratic and concerned about increasing the public's role in the development process.
(4) (a) Allocating available budgetary resources to development.	The COB works with Regional member countries in maximizing budgetary resource allocation to development.
(b) Diverting such resources for unnecessary military expenditure (See also Item No. 16 and intervention in affairs of other free and independent nations.) (See also Item No. 14.)	The Regional members are not diverting budgetary resources for unnecessary military expenditures.
(5) Willing to contribute funds to the project or program.	The Regional members contribute 60% of the Bank's ordinary Capital Resources.
(6) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.	The rule of law, freedom of expression and of the press exists in the Caribbean countries. Individual initiative and private enterprise are encouraged and stimulated.

AID 1240-2 (4-7')

(7) Adhering to the principles of the Act of Bogota and Charter of Punta del Este.	The Caribbean countries adhere to the principles of the Act of Bogota and Charter of Punta del Este.
(8) Attempting to repatriate capital invested in other countries by its own citizens.	One of the purposes of the Bank is to create a climate which would encourage repatriation of capital for investment in the Caribbean.
(9) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.	The establishment of the Bank itself is a powerful demonstration of the self help measures being undertaken by the Caribbean nations.
B. Are above factors taken into account in the furnishing of the subject assistance?	Yes.

Treatment of U.S. Citizens

1. FAA § 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?	Assistance is not directly to a Government. None of the Regional member Governments, however, is liable as such a debtor or guarantor.

AID 1240-2 (4-7)

3. *FAA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?*	Assistance is not directly to a Government. None of the Regional member Governments, however, have taken the described actions.
4. *FAA § 620(o); Fishermen's Protective Act. § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,*	No regional member has taken such actions.
a. has any deduction required by Fishermen's Protective Act been made?	
b. has complete denial of assistance been considered by A.I.D. Administrator?	

AID 1240-2 (4-72)

Relations with U.S. Government and Other Nations	It is not contemplated that the proposed assistance will result in competition in the U.S. with U.S. enterprise.
5. *FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan?*	
6. *FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?*	The Regional members have protected and tried to prevent damage or destruction by mob action of U.S. property.
7. *FAA § 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?*	No. Many of the Caribbean countriesare too small to institute such a program.
8. *FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?*	None of the Regional members are in such default.

AID 1240-2 (4-7?)

9. *<u>FAA § 620(t)</u>. Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?*	None of the Regional member countries have severed diplomatic relations.
10. *<u>FAA § 620(u)</u>. What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?*	None of the Regional members who belong to the U.N. are in arrears.
11. *<u>FAA § 620(a)</u>. Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?*	None of the Regional members do so.
12. *<u>FAA § 620(b)</u>. If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?*	The Secretary of State has determined that none of the Regional member countries are controlled by International Communist movement.

AID 1240-2 (4-72)

13. *FAA § 620(f). Is recipient country a Communist country?*

None of the Regional member countries has a communist government.

14. *FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?*

None of the Regional member countries are so involved.

15. *FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?*

None of the Regional member countries do so.

16. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

The Regional members have taken steps to cooperate in the prevention of narcotics and other controlled substances being produced or processed in or transported through their territories, or sold illegally there, or entering the United States. These steps are not now regarded as inadequate.

Military Expenditures

17. *FAA § 620(s)*. What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)	Regional member country military expenditures are insignificant.

CONDITIONS OF THE LOAN

General Soundness

18. *FAA § 201(d)*. Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan.	The terms and conditions of the loan are considered reasonable and consistent with the laws of the Regional member countries and the United States.
19. *FAA § 251(b)(2); § 251(e)*. Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?	The activity is considered economically and technically sound and the Bank has submitted an application for the Loan.
20. *FAA § 251(b)*. Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.	The Borrower has made an application for such assistance and has provided assurance to indicate that the funds will be used in an economically and technically sound manner. The borrower is considered capable of repaying the loan.

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21. ***FAA § 611(a)(1).*** Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?	All necessary plans for the project have been prepared. The cost to the U.S. has been firmly estimated.
22. ***FAA § 611(a)(2).*** If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?	No legislative action is required.
23. ***FAA § 611(e).*** If loan is for Capital Assistance, and all U.S. assistance to project now exceeds $1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?	This is a regional project for which there is no responsible Mission Director. However, AID concludes that the CDB is capable of effectively maintaining and utilizing the project.
24. ***FAA § 251(b).*** Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.	Other free world sources are providing complementary financing for the project. However, it is not possible for them to provide a sufficient amount to cover the project's needs for external financing.

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Loan's Relationship to Achievement of Country and Regional Goals

25. _FAA § 207; § 251(a)._ Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntray Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws.	The Bank's proposed program reflects consideration of such needs.
26. _FAA § 209._ Is project susceptible of execution as part of regional project? If so why is project not so executed?	The project is a regional project.
27. _FAA § 251(b)(3)._ Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.	The project is clearly consistent with other development activities in the Caribbean and contributes to reliable long-range objectives.
28. _FAA § 251(b)(7)._ Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.	As reflected in the paper the activity will partially contribute to the achievement of self-sustaining growth.

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29. *FAA § 281(a)*. Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.	The Bank will take such factors into consideration in its sublending programs.
30. *FAA § 281(b)*. Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.	The Bank will take such factors into consideration in its sublending programs.
31. *FAA § 601(a)*. Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	The Bank's subloans will encourage such efforts.

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32. ***FAA § 619.*** If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?	The Bank is itself a multilateral organization.
33. ***FAA § 251(h).*** Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.	The activity is consistent with the recommendations of the CIAP.
34. ***FAA § 251(g).*** Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.	The Bank's sublending program will take appropriate cognizance of the cooperative movement.
35. ***FAA § 209; § 251(b)(8).*** Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.	This project is one for regional development and for encouraging economic and political integration.

Loan's Effect on U.S. and A.I.D. Program

36. ***FAA § 251(b)(4); § 102.*** Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.	The proposed loan will not have an adverse effect on the U.S. economy or areas of labor surplus. The loan will not adversely affect the U.S. balance of payments position.

37. *FAA § 601(b).* Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. private trade and investment abroad will be indirectly encouraged through the development of additional U.S. exports stimulated by this loan.

38. *FAA § 601(d).* If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?

It is anticipated U.S. firms will be so used.

39. *FAA § 602.* Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.

The Loan Agreement will contain the standard provisions that U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.

40. *FAA § 620(h).* Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?

No.

41. ***FAA § 621.*** If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.	The loan will finance the procurement of goods and some services from private enterprises on a contract basis. Utilization of the services of federal agencies is foreseen and conclusions asked for have been made.
42. *FAA § 252(a).* Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.	The total amount of the loan is for an intermediate credit institution. An indeterminate amount will be for the use of private enterprise.

Loan's Compliance with Specific Requirements

43. *FAA § 201(d).* Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?	Yes.
44. *FAA § 608(a).* Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.	Not applicable.

45. *FAA § 604(a)*. Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President?	Commodity procurement will be from U.S., Western Hemisphere countries south of Canada except Cuba. Procurement may also be from the U.K., Canada and U.K. territories and dependencies that are Regional members of the Bank.
46. *FAA § 604(b)*. What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?	The loan agreement will provide for compliance with bulk commodity procurement regulations.
47. *FAA § 604(d)*. If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan?	Yes, as applied to member countries of the Bank.
48. *FAA § 604(e)*. If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?	The project does not contemplate the off-shore procurement of any agricultural commodity or product.
49. *FAA § 611(b); App. § 101*. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?	Not applicable.

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50. ***FAA § 611(e).*** If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?	**The Bank will have such a policy in its sublending programs.**
51. ***FAA § 620(g).*** What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?	Funds of the proposed loan will not be used to compensate for expropriated or nationalized property.
52. ***FAA § 612(b); § 636(h).*** Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.	The Regional member countries furnish 60% of the Ordinary Capital Resources of the CDB. In addition, each sub-loan requires a 20% counterpart contribution.
53. ***App. § 104.*** Will any loan funds be used to pay pensions, etc., for military personnel?	No.
54. ***App. § 106.*** If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?	Not applicable.
55. ***App. § 108.*** Will any loan funds be used to pay U.N. assessments?	No.

61. ***MMA § 901.b.*** Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.	The loan agreement will provide for compliance with the 50 percentum U.S. flag shipping and gross revenue requirements.

56. ***App. § 109.*** Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (A.I.D. Regulation 7).	Not applicable for loan to an intermediate credit institution.
57. ***FAA § 636(i).*** Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?	No.
58. ***App. § 501.*** Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by the Congress?	No.
59. ***FAA § 620(k).*** If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed $100 million?	No.
60. ***FAA § 612(d).*** Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?	No. The U.S. does not own excess foreign currency in the countries in which the Bank will operate.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR

LOAN AUTHORIZATION

Provided from: Alliance for Progress
Regional: Caribbean Development Bank

Pursuant to the authority vested in the Administrator of the Agency for International Development by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan ("Loan"), pursuant to Part I, Chapter 2, Title VI, Alliance for Progress of said Act, to the Caribbean Development Bank ("Borrower") of not to exceed twelve million United States dollars ($12,000,000) to assist in financing the United States dollar and local currency costs of Borrower's development lending program, the Loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment: Borrower shall repay the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the Loan interest of two (2) percent per annum during the grace period and three (3) percent per annum thereafter.

2. Other Terms and Conditions:

a. Except for ocean shipping, goods, services and marine insurance financed under the loan shall have their source and origin in any country included in A.I.D. Geographic Code 941, Canada, the United Kingdom or any member country of the Caribbean Development Bank located in the Western Hemisphere. Marine insurance may be financed under the loan provided, however, that such insurance is obtained on a competitive basis and any claims thereunder are payable in convertible currencies. Ocean shipping financed under the loan shall be procured in any country included in A.I.D. Geographic Code 941, Canada, the United Kingdom or any member country of the Caribbean Development Bank located in the Western Hemisphere except the State or Territory of the site of the related sub-loan.

b. United States dollars utilized under the loan to finance local currency costs shall be made available pursuant to procedures satisfactory to A.I.D.

c. Borrower will covenant to exert its best efforts to use finds made available by this loan for no more than twenty-five (25) percent of the total amount of all loans authorized by the Borrower in any one calendar year.

d. Borrower will covenant:

(1) to provide A.I.D. with copies of such summary loan documents as the Borrower's Board Receives in approving sub-loans financed with funds made available by the Loan;

(2) to obtain A.I.D.'s concurrence prior to authorizing any sub-loan financed with $500,000 or more of funds made available by the Loan.

e. The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Administrator

Date

AID-DLC/P-1071

CARIBBEAN DEVELOPMENT BANK
P.O. Box 408 · Treasury Building ·
Bridgetown · Barbados · W.I.
Telephone: 61152 · Cable Address: "Caribank"

Appendix III
Exhibit 1

19th January, 1973

Mr. Frank B. Kimball, Director
Office of Development Resources
Latin American Bureau
Agency for International Development
Department of State
Washington, D.C. 20523
U.S.A.

Dear Mr. Kimball,

When our Board of Directors meets next month it will make further commitments from our A.I.D. loan which will bring the total committed to US$9,316,000; and the meeting after that, in April, will commit the rest of the $10 million. (The exact amounts will depend on the rate at which sterling is stabilised).

By August we shall also have fully committed the US$5 million obligated to us by Canada, and the US$5 million obligated by the U.K.

We have examined the capital expenditure programmes of our LDC's, and have established that we could use another US$30 million of soft finance rather effectively over the next three years, in our Special Development Fund. We have made a list of projects for the next three years which is in the Statement for our Aid Donors Conference which we have already sent to you.

Our Bank will receive $5 million for this Fund from Venezuela, when it becomes a member; is in advanced negotiation with Germany for $5 million; and has good reason to expect that the U.K. and Canada will each make new commitments of $5 million for the next three years. If therefore the U.S.A.I.D. will make a new commitment of $10 million, our Special Development Fund will reach the $30 million target.

I therefore now make formal application for a loan from A.I.D. for our Special Development Fund, in the amount of $10 million.

I understand that U.S.A.I.D. would like the list of countries eligible to receive aid through the Caribbean

Development Bank to be widened. Barbados has approached us to be included, mentioning the fact that it is the only one of our more developed member countries not in receipt of bilateral U.S. aid. The Bank would be happy if U.S.A.I.D. could add $2 million to the $10 million of my preceding paragraph, specifically for Barbados. We have a list of appropriate Barbados projects totalling $5.8 million.

Canada and the U.K. are coming to our Aid Donors Conference on February 13-14. We shall approach them formally for a replenishment as soon as that Conference is over, or as soon as we receive a favourable response from you, whichever may be the earlier.

With best wishes,

Yours sincerely,

W.A. Lewis
President

No. 5129/23

In replying, the above number and date of this letter should be quoted.

Ministry of Finance,
Bridgetown,
Barbados.

CARIBBEAN DEVELOPMENT BANK
12 DEC 1972

9th December, 1972

Dear Sir Arthur,

At the Seventh Conference of Heads of Commonwealth Caribbean Governments held in Trinidad last October Heads of Governments recognised the special position of Barbados in relation to the L.D.C's and the M.D.C's of the Carifta area. Barbados unlike Guyana and some other M.D.C's has no access to A.I.D. funds.

I have noted that the Bank has recently raised a loan of over US $10 million from the United States Government, and I should be grateful if the Bank would also recognise the special position of Barbados in its operating policies.

Yours sincerely,

Errol W. Barrow

Minister of Finance.

Sir Arthur Lewis,
President,
Caribbean Development Bank.

PROPOSED EXPENDITURES BY LDC AS IDENTIFIED
BY CDB PROJECT TEAMS 1973-75, BY COUNTRY

	Grenada	St. Vincent	St. Lucia	Dominica	Montserrat	Antigua	St.Kitts/ Nevis	British Virgin Is.	Turks & Caicos	Cayman Islands	British Honduras	TOTAL
Roads		2,513	4,075	1,500			1,125	800		1,560	3,180	14,753
Feeder Roads	1,500	1,000	750	750	187		800				300	5,287
Bridges		154	395	750								1,299
P.W.D. equipment		105	100	150	328	405	125		144	240	733	2,330
Airports		1,750	500	225	50	50	2,225	300	252	2,160	1,500	9,012
Ports	1,840	382			275			50	240	1,560	7,700	12,047
Shipping	100	100										200
Telephones	137					1,580	2,350					4,067
Electricity						1,075		305	782			2,162
Water supplies		1,250	1,236	325	50	2,200	1,000	515			3,000	9,576
Land conservation	225		2,000									2,225
Land settlement		300	325	825	250						630	2,330
Government farms				150		505	750	112				1,517
Agricultural Machinery	283				125							408
Loans to banana farmers	1,500	750		500							2,100	4,850
Banana boxes	425	450	400									1,275
Sugar industry							2,250					2,250
Marketing boards, boxing	300	150	325	1,105	75		300	120				2,375
Industries, processing	625	150						120		72	450	1,417
Fisheries				50							150	200
Forestry											1,230	1,230
Industrial estates		200	200	200			800				720	2,120
Tourist infrastructure	210	250	100	1,151	75	100	750	2,050			150	4,836
Hotels		200			100		1,750				600	2,650
Technical Education	250	625		50			150					1,075
Urban drainage, sewerage			1,500									1,500
TOTALS	7,395	10,329	11,906	7,731	1,515	5,915	14,375	4,372	1,418	5,592	22,443	92,991

Appendix III
Exhibit 3
Page 1 of 1

CDB SDF LENDING, BY COUNTRY, 1970-75

	CDB Projects Requested by Member Govts.	CDB Projects already authorized 12/31/72	CDB Projects to be authorized Jan 73 to Aug. 73	Totals (1)&(2)	CDB Projects to be authorized Aug.73 Dec. 75	Total projects contemplated 1972/75	Estimated Disbursements 1973	1974	1975	1976	1977
Antigua	5,915	428		428	2,750	3,178	150	250	425	850	950
Dominica	7,731	[illegible]	[illegible]	[illegible]	1,525	7,468	650	1,300	1,700	1,650	1,600
Genada	7,395	[illegible]	[illegible]	[illegible]	1,800	4,547	200	325	850	900	1,150
Montserrat	1,515	200	350	550	400	950	50	125	225	250	200
St.Kitts-Nevis-Angvilla	14,375	1,174	2,750	3,924	1,600	5,524	125	550	1,025	1,250	1,175
St.Lucia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	150	1,300	1,500	1,600	1,200
St. Vincent	[illegible]	[illegible]	[illegible]	[illegible]	900	3,179	150	300	725	950	875
British Honduras	22,443	2,503	1,550	4,053	8,200	12,253	350	725	1,600	2,000	2,650
Barbados											
Turks & Carcos	1,413		120	120	1,000	1,120	50	150	350	350	400
Caymans	5,592		290	290	2,700	4,990	50	250	650	900	1,600
British Virgin Is.	4,372	100	582	682	2,050	2,732	50	125	550	900	650
PLUS											
Road Maintenance (all LDCs)			1,500			1,500	50	100	200	500	400
Replenishment - SIL					1,200	1,200	50	100	150	250	400
Ind. Est.					1,800	1,300	100	100	300	400	500
additional Stnd.Loans					900	900	25	50	100	250	250
	92,991	17,385	11,172	27,560	27,650	58,210	2,900	5,750	10,350	13,000	14,000

Appendix III
Exhibit 4
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APPENDIX

Sub-Project Description

1. SDF Ordinary Operations

A. Agriculture

Land Settlement - CDB is planning to participate in the financing of the development of small farms of appropriate size to give the desired incomes which will attract and retain operators of high level management ability. The magnitude in which this will take place depends on many factors, but it is hoped that within the next three years it will be able to tackle between 200 and 300 such farms ranging in size between 20 and 30 acres for orchard type crops and up to 100 acres for extensive livestock in the drier areas in the islands and 300 acres in British Honduras.

By the end of February, 1973 CDB hopes to have had four (4) small projects of this type on its approved list, involving 67 farms in three states as follows:

Antigua	20
St. Kitts/Nevis/Anguilla	29
Dominica	18

By April, 1973 it hopes to add one such project for British Honduras involving 20 farms.

The general scheme involves financing some of the long term investments including development of the land and establishment of crops, buildings, roads, conservation measures, drainage and irrigation facilities, purchase of machinery and equipment and livestock.

Government participates by making the land available and providing 20% of the development cost. The farmer's contribution includes some of the livestock and some of the labour involved in the development.

The selection of farmer is crucial and CDB will be closely involved in this to ensure that the wrong people are not selected and kept on the project. The selected farmers are required, apart from providing some of the inputs into the project, to demonstrate, within a specified time, that they possess the skills and management ability to the levels prescribed in the project for success. Failing this, they are not kept on.

In order to prevent political interference in the administration of the project, CDB is requiring as a condition of loan that they be put under the responsibility of Land Management Authorities whose operations will be free of political dictates after policy formulation, and have a high degree of flexibility in their management procedures and decision making and sound financial control in their undertakings.

The Land Management Authorities are to recover the full cost of the project from the farmers and meet the debt service. The farms' returns must be adequate to repay tbe full cost of the project, including land value, over a specified time (up to 20 years) while allowing a good living income to the farmers.

The farms will be leasehold or freehold depending on the land policies of the individual governments. In the case of leasehold tenure it must be of sufficient duration and security to allow the farmers to use the farms to facilitate the raising of operating finances, while also giving them enough interest to run them well.

Catchment Conservation - Most of the islands are volcanic in origin with easily eroded soils on steep topography and have high intensity rainfalls. Without due attention to prevention of erosion, the catchments can suffer severe erosion when opened up for agriculture. In many areas serious soil losses have occurred in the last 150 years or so. Although the situation is bad it is not irreparable. Many of these lands can be improved by suitable measures to reduce runoff rates and thus prevent soil erosion, water loss, flood damage along watercourses and irregular stream flows.

CDB proposes to initiate a program of conservation on catchments which have to support large populations with food and water supplies. This will either be regarded as infrastructure provision to be justified on the degree of benefits to be derived, or integrated in a program of catchments redevelopment concerned with land reform and new farms establishment. For the next three years it is hoped to be able to attend to about 4,000 acres of land requiring such conservation treatment in the less developed islands.

B. Industrial Projects

CDB estimates that it will lend about $1.4 million in the 1973 - 1975 period for various industrial projects.

(1) British Honduras requested a loan of $750,000 for a rice drying, milling and storage facility. The mill will be installed in a rice growing area which suffers a substantial loss of rice because of the lack of such a facility.

(2) The Governments of Grenada, Caymans, and British Honduras have requested loans totalling $400,000 to install small abattoirs. These will replace the small unsanitary slaughter houses now in operation in these countries. These loans are being processed by the Agriculture Division.

(3) The Government of Montserrat requested a loan of $100,000 for a block making factory. The initial analysis showed this project to be uneconomical, but CDB is suggesting modifications which should make this a viable project.

(4) The Government of Turks and Caicos has requested a loan of $120,000 for equipment for its public work division. CDB is in the process of making the necessary analysis of the request.

C. Industrial Estates

To December 1972 CDB has approved loans for Industrial Estates amounting to $687,000. The Bank has now received request for loans for industrial estates amounting to $900,000, and estimates additional requests for $1.8 million by December 1975. Originally industrial estates were meant for small industries up to $50,000, but since the Economist Intelligence Unit report (EIU) recommended estates for larger as well as foreign entrepreneurs, CDB now lends money for this purpose also.

In general loans for industrial estates are for the buildings. The government provides the graded site and installs the access as well as the internal roads. In some cases portion of the loan pays for the installations of power, water and telephone services. The only difference in the estates for large and small industries is the sizes of the buildings. For either size the entrepreneur rents space by the square foot, installs his own equipment and pays for the services he uses.

CDB has loan requests for industrial estates from the following countries:

Country	Amount	Purpose	States
British Honduras	$ 72,000	Small Ind.	Site Earmarked
Dominica	110,500	Small Ind.	Site being developed
Dominica	200,000	Large Ind.	Site being selected
St. Lucia	83,000	Small Ind.	Site being developed
St. Lucia	200,000	Large Ind.	Site being developed
St. Kitts	81,000	Small Ind.	Site Earmarked
St. Kitts	200,000	Large Ind.	Site Earmarked
St. Vincent	84,000	Small Ind.	Site being developed
St. Vincent	200,000	Large Ind.	Site being developed

D. Feeder Roads

CDB approves loans for feeder roads to facilitate the delivery of the island's agricultural products to the markets. These are roads into the rural areas, connecting them with the main highways. Much of the decline in the income from bananas is blamed on the damage the fruit suffers when it is delivered to the seaports over bumpy roads.

The two roads thus far approved or about to be approved are coral base roads covered with a thin layer of asphalt. Since these roads do not carry heavy loads, especially in the rainy seasons, they are expected to be almost maintenance-free for about 20 years. The average cost is about $50,000 per mile.

The Bank approved an $800,000 loan for a feeder road in Grenada which will serve about 875 families who live in the area, many of whom earn their living from bananas. The Bank has an appraisal ready for the Board of Directors approval for a similar type of road in St. Vincent where 2200 families will be the beneficiaries.

Two additional roads are now under active consideration. However, CDB has asked the governments of St. Lucia and Dominica for a more detailed survey and cost estimates before considering the loan applications.

CDB has been informed that Antigua and Montserrat will be requesting feeder road loans amounting to $300,000 in the near future.

F. Telephones

CDB approved a loan of $718,080 to St. Kitts-Nevis-Anguilla to finance part of the cost of a telephone expansion program. The Bank anticipates requests for loans amounting to $600,000 by December 1975.

The Canadian International Development Agency has completed a survey of the telephone extensions needed in St. Johns, Antigua and estimated an expenditure of $1,580,000 is needed for an additional 3,000 lines to the system. CDB anticipates that Antigua will ask for a loan of $500,000 for this project.

The Government of Grenada proposes to reconstruct the telephone system in Carriacou and install 150 automatic exchangeswith 3 microwave links to St. George. The system will be installed and operated by the Grenada Telephone Co. in which the Government has a majority interest. The Government will ask for a loan of $100,000 to help meet the $140,000 extimated project cost.

F. <u>Water supply</u>

CDB has approved loan requests amounting to $2.4 million to three islands to improve their water systems. For Grenada and Dominica the original feasibility studies were made with the assistance of PAHO/WHO who planned for the water requirements of these islands to 1990. St. Lucia requested its loan to finance the expansion of the water supply system for city of Castries and the North-west area of St. Lucia. The capital cost of these three projects is estimated at $4.85 million.

For the period to 1975 CDB anticipates approving loans to three countries totalling $2.9 million. The largest will be to British Honduras for $1.5 million to expand and improve the water system of the city of Belize. The present water comes from shallow wells which depend on rainwater and is not dependable in an extended dry spell. The present water supply from the wells plus rainwater storage provides 20 gallons of water per capita per day (GPCD). The expanded water system will draw water from the Sebun River which has relatively pure water year round. The final system will supply 50 GPCD which will be large enough for a sewage as well as a fire fighting system. The total cost is estimated at $2.5 million.

A request for a loan of $1.00 million is anticipated from the Government of Antigua to expand its present water system by the construction of a large storage dam and main supply line to the tourist development area. The cost of expansion is estimated at $2.00 million.

The Government of the British Virgin Islands is asking for a loan of $400,000 to develop a reliable water source and construct distributive lines for the villages of East End & Long Look. Water will be obtained from wells drilled in Paraquitu Bay. The total cost is estimated at $500,000.

G. Tourism

To December 1972 loans for tourism amounted to $1,972,000 all from ordinary resources. The loans were mainly for small hotels or expansion of small hotels for the middle income tourist. The two exceptions were in St. Vincent and Antigua where large hotels under International Chain Company Management are being planned.

(1) British Virgin Island has requested a loan for $1 million to construct the physical facilities for a handicraft factory and market at Tortola.

(2) British Honduras, Grenada and Antigua have each requested $500,000 in loans to install beach facilities, and refreshment and toilet facilities at historic sites and points of interest which have retail sale outlets for local handicraft.

(3) Dominica has requested a $500,000 loan towards the cost of installing the infrastructure for a tourist centre on the Cabrits Peninsula. The centre will have hotels, a yatch marina, recreation facilities and some residential development.

In reviewing tourist loans, CDB's analysis is based on information gathered with similar projects in the past.

H. Electricity

CDB has approved one loan for the expansion of the electrical generation and distribution facilities in British Honduras. Tenders are being placed for equipment.

The proposed loans for electricity to December 1975 is $1.7 million to three countries:

(1) Antigua is asking for an $800,000 for a $1.5 million project to install a 4000KW power plant and improve its transmission and distribution lines.

(2) Turks and Caicos Islands have requested a loan of $600,000 to expand and improve its transmission and distribution lines and install a small 400KW power unit. The estimated total cost of the project is $1.0 million.

(3) British Virgin Islands requested a loan for $200,000 to install a 1,200KW power plant and storage tanks for fuel.

Since the Bank has only recently received these loan requests it has not started to process them yet.

I. Airports

CDB does not make loans for Major Airports but does make them for small feeder airports and for their improvement. The Bank estimates loan requests amounting to $4.8 million during the 1973-75 period for these purposes.

(1) CDB has a request from the Government of St. Vincent for a $600,000 loan for a small airport with a 2500 ft. strip on the island of Bequia. Bequia is a small island 9 miles off St. Vincent with tourist potential.

(2) The Government of Nevis, Dominica, St. Lucia, St. Kitts, British Honduras, Turks and Caicos, Cayman Islands, British Virgin Islands and Montserrat have asked for loans totalling $4.2 million runway extensions and safety devices to improve their airstrips. The extensions of the strip are made to take larger planes while the safety improvements are being made to comply with ICAD standards.

J. Ports

To December 1972 CDB has approved three port projects for a total of $6.35 million. The Bank is now in the process of reviewing and analysing loan requests of approximately $8.75 million for new ports or improvement of existing ports to 1975.

(1) The largest loan request is $5,000,000 for a new port at Belize, British Honduras. The present port can only accommodate lighters drawing about 6 ft. of water. The proposed deep water port of about 30 - 32 ft. water depth will be capable of accommodating moderate size ocean going freighters and cruise ships.

The Bank has been provided with a consultant's feasibility study, prepared in July 1970, by the British Development Division of the Caribbean. The estimated cost given in the study was $7,476,400 but this is expected to be more in the study to update the previous one. The updated study is expected to early 1973. CDB is making the economic and engineering based on the 1970 study. This will be revised when the updated study is completed.

(2) The Government of Cayman Islands has applied for a loan of $1,200,000 for a deep water port at Prospect Point on the coast shore of South Sound in Grand Cayman. The present port cannot accommodate any ocean going liners. CDB has been provided with feasibility studies made by a consulting engineering firm which are now being reviewed by the engineering and economic staff of the Bank. The total cost is estimated at $2,900,000.

(3) The Government of Grenada requested a loan of $1,000,000 to expand its port facilities. It plans to construct a 725 ft. wharf wall, build two transit sheds and accommodations for inter-island vessels. These plans were developed by the U.N. Physical Planning Unit. The total cost is estimated at $1,750,000. The plans are now being reviewed by CDB staff.

(4) The Government of St. Kitts-Nevis-Anguilla has requested CDB for a loan for a deep water port at Basseterre, St. Kitts. A consultant's cost estimate of the project is $2,620,000. The loan will be $1,300,000.

The Bank has been provided with a consultant's engineering report dated January 1970, amended March 1971 by the British Development Division in the Caribbean. CDB carried out an economic and engineering analysis and the CDB Board of Directors gave a condition approval in December 1971. Full approval will be given when the export tonnage reaches the minimum target set by the Bank.

(5) The amount of cargo being put through the port at Grand Turk does not warrant the building of a deep water facility, but the Government is asking for a loan of $200,000 to extend the jetty at the U.S. Naval facilities to a water depth of 18 to 20 ft., so that most cargo vessels calling at Grand Turk can be berthed along side. CDB is reviewing the Proposal and construction is planned for 1974 - 1975.

(6) The Government of British Virgin Islands requested a loan of $50,000 to install Cathodic protection of its existing port at Tortola.

2. <u>Sub-Project Description - Barbados</u>

A. <u>Small Farm Credit Principally for Agricultural Diversification</u>

Although in recent years the Barbadian economy has become more diversified with the expansion of the tourist and manufacturing sectors, agriculture continues to be a significant contributor to the Gross Domestic Product (about 15% in the last few years) and a major contributor to export earnings (65% - 70%) and employment (15%). Sugar continues to dominate the agricultural sector but continuous efforts are being made to expand the output of vegetables, root crops and livestock products in an effort to reduce dependence on imports and eventually build up an exportable surplus.

Over 80% of the land on the farms is in 193 holdings of more than 100 acres. These farms make up the plantation sub-sector of the country's agricultural economy in which sugar cane is the dominant crop.

Discussions are currently proceeding with an international institution to obtain a loan of EC$ 1.2 million to assist 500 farmers in this group and there is substantial requirement for additional credit for those not covered by the proposed project. In addition, there are a substantial number of farmers who are not catered for either by the above mentioned project or by existing indigenous financial institutions. There is a real need for finance for other activities, for example, in the livestock field poultry, pork and beef (feedlot) operations.

Principal capital improvements to be financed with these credits would include farm machinery and related equipment, farm buildings, animals, irrigation equipment, crops, access roads and other items normally eligible under the Caribbean Development Bank Farm Improvement Credit schemes. The terms of these credits are more comprehensive than those which would be available under the proposed complementary scheme. A study titled "Analytical Study of the Agricultural Sector in Barbados" carried out by a firm of international Consultants indicates that there would be a requirement for credit for diversified agriculture over and above the loan under negotiation of approximately EC$ 2.5 million over a four year period. This is therefore the amount currently required.

B. Land Development Project for Lease to Small Farmers

Historically, holdings of agricultural land in Barbados have been concentrated in the hands of a relatively few landowners. Because of the scarcity of land and the need to ensure maximum productivity from the use of this scarce resource it has been necessary to guard against uneconomical sub-division. However, Government has, in recent years, acquired a number of plantations in various parts of the Island and is currently negotiating for the acquisition of another 1,500 acre plantation in the north. A portion of this land is located in areas which are not ideal for the growing of sugar cane but which could appropriately be used for the growing of vegetable and root crops and for livestock development. This is especially true of those areas where ground water for irrigation is available. This scheme, which has not been definitively defined, would be operated on the basis of the lease of lots of various sizes to bona fide farmers for mixed farming and livestock development. The size of the lots would vary according to the location of the land and the type of agricultural activity being conducted. The project would, if possible, be tied in with the exploitation of the Comfith research and feed and various other services like transportation would be provided to farmers on a cooperative basis. Funds would be needed for infrastructural development and for credit to farmers. Associated with the scheme there would be a requirement for expenditure on related research, processing, storage and marketing facilities. The approximate cost of such a scheme as identified in the Sectoral Study earlier mentioned would be in the region of EC$ 1.2 million.

C. Water Supplies

With the help of PAHO/WHO, Barbadian engineers have prepared a long-term program for the development of the Island's water resources.

Stage II of the project is currently being implemented and involves increasing supplies of water to areas of hardship, bringing water to areas presently without and improving the service in areas of recent development. It is proposed to erect five reservoirs of 6 million gallon capacity and lay 62.6 miles of water mains.

It is tentatively projected that expenditure of the order of EC$ 7 million would be required during the implementation of Stage II of the program. Another aid donor (CIDA) is currently assisting with the project but there is need for additional funds to finance the project and the sum required is about EC$ 2 million

D. Pre-vocational, Vocational and Technical Education

The project in this area which would lend itself to concessional financing is the Samuel Jackman Prescod Polytechnic. This is a trades training school which provides certificated training in a wide variety of industrial skills and is at present housed in temporary quarters. Because of the lack of adequate facilities at the present site the student intake and the range of courses offered are restricted. Funds would be used to build and equip a new Polytechnic and provide technical services.

Present estimated cost of the Project, EC$ 4 million.

E. Development of the Handicraft Industry

The O.A.S. Employment Generating Mission of which mention was made earlier indicated that present efforts in Barbados in the field of the development of craft industries are woefully inadequate. There are good prospects for the development of a dynamic and efficient craft sector within the industrial sector. Although the project at this stage lacks final definition, funds would be required to build and equip one or more centers, to provide technical services and to assist in marketing. A project of this nature would have immediate employment benefits and would raise the average earnings of the cottage workers appreciably. A very rough first estimate of costs involved here would be about $500,000 (E.C.).

F. Proposal for Six Pre-Vocational Training Centers and Youth Camp (outlined by OAS Employment-Generating Projects Mission to Barbados)

The proposals for six pre-vocational training centers and a Youth Camp are intended to meet the needs of the estimated 2,500 young persons of the 14 to 16 year age group who are caught in the interface between completion of formal education and involvement in gainful employment.

Pre-vocational training programs of a duration of approximately one year are envisaged as a means of motivating young persons towards relevant types of gainful employment. An essential component of the program is the conduct of aptitude testing activity which will be used to determine the capacity of individuals to assimilate particular skills.

Persons with an aptitude for mechanical and industrial skills can be directed towards programs of relevant training. The rationale for this form of guidance, is that if the necessary skilled manpower is seen to be available it may serve as a stimulus for a greater inflow of investment activity.

As a corollary to facilitating the orientation of youth towards industrial occupations, attempts will also be made within the program to engender a commitment to engaging in agricultural occupations. In furtherance of that objective, the interests and activities of the youth will be directed towards cooperatives and communal settlement schemes.

It is also proposed that a Youth Camp be set up for some 400 to 450 boys. These individuals will be involved in relevant types of training programs. It is estimated that the operation of the Youth Camp will require an average expenditure of $600 to $700 per person.

In the absence of the Mission's report and evaluation no accurate estimates are available but a figure of EC$ 1 million for construction and equipment of the centers is suggested.

CDB Statement - Appendix ___

Meaning of "Small" in S.D.F. Projects

Land Settlement

Government policy in the West Indies since 1895 has been to buy up large estates, break them up into 5-acre lots, and sell these lots to small settlers. Unfortunately, the income that can be earned on a lot of this size is too small to hold the primary school leaver on the land. This is part of the reason for the mass exodus from the countryside into unemployment or casual employment in the towns, leaving the land to revert to bush, or to be squatted on by the less enterprising, and disappear through soil erosion.

The starting point of the CDB settlement schemes is therefore to devise a holding and a cropping pattern which will yield an income that can retain the intelligent primary school leaver onthe land. We take as benchmark the alternative that he can go to town to drive a taxi, earning thereby US$25 a week. Our holdings are therefore designed to yield a minimum income of US$1,250 a year. If vegetables are the crop, this is possible or about five acres; with other crops, mixing arable with orchards, the model is about 20 acres; with beef cattle it may be anything from 100 to 400 acres, depending on the quality of the land.

There is some resistance from our agricultural staff to the choice of the primary school leaver as our target farmer, since they claim that the high yields which West Indian agriculture needs if it is to survive require that the farm be attractive to the high school leaver. This just about doubles the required income. In practice the income from our holdings lies somewhere between US$1,250 and US$2,500 a year, depending on what one assumes as to the intelligence, background, and efficiency of the farmer.

/...

Industrial Projects

Our S.D.F. loans are formally available only to persons whose net worth (including husband and wife) is less than US$50,000.

In practice there are very few people at the US$50,000 level. Compared with Europe or North America, the British Caribbean has virtually no middle class. The few landowners, merchants and industrialists are worth much more than $50,000 while probably 98 per cent of the population is worth less than $20,000.

Our typical S.D.F. borrower operates a small workshop hiring less than five persons. His problem is that his net worth is so low that he is hard put to provide enough security for a $10,000 loan.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 1 FOR PERIOD ended 31/12/72

LOAN NO: 1 — DATE OF COMMITMENT 14-15/12/72

COUNTRY: St. Lucia — DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Government — DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$250,000 OTHER FINANCING: EC$62,500 TOTAL PROJECT $312,500

PURPOSE: For Construction of two large factory buildings

TERMS: Interest 4% on amount withdrawn and outstanding, payable quarterly. Amortization in 30 semi-annual instalments begining five years after first disbursement.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER Govt.

DISBURSEMENTS TO DATE: NIL

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NIL

NARRATIVE STATUS REPORT:

Specifications, tender invitations to be written and issued during next three months.

SPECIAL PROBLEMS: None at present

REQUIRED FUTURE ACTION: Loan Agreement to be signed

THIS LOAN ADMINISTERED BY: Waddington
(signature) Ag. Treasurer

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1

DATE OF COMMITMENT 16 June 1972

COUNTRY: BRITISH HONDURAS

DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Dev. & Finance Corp.

DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 72,000 OTHER FINANCING: US$22,500 ~~DFC~~ TOTAL PROJECT 94,500

PURPOSE:

Credit for Industrial Estate.

TERMS: 4% - 20 years - 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: Nil

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS:

NARRATIVE STATUS REPORT:

1. It has been necessary to reorganise the DFC to enable it to administer CIE. This organisation has been or is nearly completed.

2. The site has been earmarked by the Government.

SPECIAL PROBLEMS:

1. Lack of adequate institution.

REQUIRED FUTURE ACTION: Establishment of necessary institution.

THIS LOAN ADMINISTERED BY: Boddington
(signature) y. Leomer

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 27 October 1971

COUNTRY: MONTSERRAT DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Dev. Mark. & Finance Corp. DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 100,000 OTHER FINANCING: NIL TOTAL PROJECT 100,000

PURPOSE: 1. Small Industries Credit

2. Credit for Industrial Estate.

TERMS: 4% - 20 years - 5 year grace period

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

1. The lack of a Manager for the DMFC has delayed all activity. A manager is expected to assume duties mid-January.

2. Site has been picked for the Industrial Estate.

SPECIAL PROBLEMS:

1. Delay in appointing a Manager.

REQUIRED FUTURE ACTION: -

THIS LOAN ADMINISTERED BY: [illegible signature]
(signature) G. Treasures

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1

DATE OF COMMITMENT 17 December 1971

COUNTRY: St. Kitts-Nevis-Anguilla

DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Dev. Finance Corp.

DATE OF ESTIMATED TERM. DISB. 1975

AMOUNT: CDB: US$ 125,000 OTHER FINANCING: NIL TOTAL PROJECT 125,000

PURPOSE:

Small Industry Credit.

TERMS: 4% - 20 years - 5 year grace.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: None

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: US$ 25,000

NARRATIVE STATUS REPORT:

1. DFC has a staff capable of administering SIC with technical assistance from SILO.

2. Several good projects are in the final process of being appraised.

SPECIAL PROBLEMS:

1. Delay in completing the pre-requisites for disbursement. Most pre-requisites have been completed.

REQUIRED FUTURE ACTION:

THIS LOAN ADMINISTERED BY: [signature]
(signature) ap. Treasurer.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 27 October 1971

COUNTRY: ST. VINCENT DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Development Corporation DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 250,000 OTHER FINANCING: - TOTAL PROJECT 250,000

PURPOSE:

Small Industry Credit for Onlending.

TERMS: 20 years 4% 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: US$ 14,000

NARRATIVE STATUS REPORT:

The Development Corporation has a Board of Directors and a Chairman. It is staffed for the moment sufficiently with a Manager, 2 Assistants in accounting and office work and 1 Secretary-Typist. The signature of the Government Agreement is still missing.

4 projects are in the pipeline, all 4 applications are being evaluated, total US$41,000. They look good and should be in operation shortly.

SPECIAL PROBLEMS:

Delay was caused through change of Government and in Management.

REQUIRED FUTURE ACTION:

Project preparation to be finished.

THIS LOAN ADMINISTERED BY: E. Codrington
(signature) Ag. Treasurer.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 11 February 1972.

COUNTRY: ST. LUCIA DATE OF INITIAL DISBURSEMENT NIL

BORROWER: National Dev. Corp. DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 90,000 OTHER FINANCING: 75,000 NDC TOTAL PROJECT 165,000

PURPOSE:

Credit for Industrial Estate.

TERMS: 20 years - 4% 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

The National Development Corporation has assigned Mr. L. Augier (Chief Engineer, Public Works) as local Project Manager. The site ($4\frac{1}{2}$ acres) has been vested by Government in the National Development Corporation. The access road has been built, the site is being developed, advertising internationally for the first building has been started.

SPECIAL PROBLEMS: None.

REQUIRED FUTURE ACTION: Construction.

THIS LOAN ADMINISTERED BY: [signature]
(signature) H. Lessne.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 17 December 1971

COUNTRY: DOMINICA DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Agric. & Indust. Dev. Bank. DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 110,500 OTHER FINANCING: AIDB $30,000 TOTAL PROJECT 140,500

PURPOSE:

Credit for Industrial Estate.

TERMS: 4% - 20 years - 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

The Agricultural and Industrial Development Bank has assigned Mr. W. Lawrence (Chief Engineer, Public Works) as local Project Manager. The site has been vested into the Bank by Government (1 acre). The development of the site (canalisation) has started, also international advertising for the first building.

SPECIAL PROBLEMS:

None.

REQUIRED FUTURE ACTION: Construction.

THIS LOAN ADMINISTERED BY: [illegible signature]
(signature) ag. Treasurer

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 1 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 20 October 1972.

COUNTRY: TURKS AND CAICOS DATE OF INITIAL DISBURSEMENT NIL

BORROWER: ______ DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 150,000 OTHER FINANCING: - TOTAL PROJECT 150,000

PURPOSE:

Small Industries Credit

TERMS: 4% - 20 years - 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

1. Turks and Caicos are now in the process of establishing an institution to administer SIC.

SPECIAL PROBLEMS:

1. No institution to administer SIC.

REQUIRED FUTURE ACTION:

Establishmnet of necessary institution.

THIS LOAN ADMINISTERED BY: [signature]
(signature)

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 17 December 1971.

COUNTRY: St. Kitts-Nevis-Anguilla DATE OF INITIAL DISBURSEMENT -

BORROWER: Dev. Finance Corp. DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 81,135 OTHER FINANCING: US$20,000 DFC TOTAL PROJECT 101,135

PURPOSE:

Credit for Industrial Estate.

TERMS: 4% - 20 years - 5 years grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: US$ 20,000

NARRATIVE STATUS REPORT:

The DFC is now in the process of receiving second tenders. They are expected to award the contract for the steel shell by February 1. Construction should start by mid-March.

SPECIAL PROBLEMS:

The need to ask for a second tender has delayed the project.

REQUIRED FUTURE ACTION:

THIS LOAN ADMINISTERED BY: [signature]
(signature) ag. Treasurer.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 27 October 1971

COUNTRY: DOMINICA DATE OF INITIAL DISBURSEMENT 28 Dec. '72

BORROWER: Agric. & Indust. Dev. Bank DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 150,000 OTHER FINANCING: - TOTAL PROJECT 150,000

PURPOSE:

Small Industry Credit for Onlending

TERMS: 20 years 4% 5 years grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: $5,000

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: US$30,000

NARRATIVE STATUS REPORT:

The AIDB has only an acting manager and a Typist but an active Board of Directors and Chairman. All legal proceedings are done. 5 projects are in the pipeline totalling US$ 70,000 of which 3 have applied and are being evaluated by SILO. They should be soon in production and have good scope.

SPECIAL PROBLEMS:

A permanent manager of the AIDB has to be found.

REQUIRED FUTURE ACTION:

Project preparation to be finished.

THIS LOAN ADMINISTERED BY: Boddington
(signature) H. Treasurer

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 27 October 1971

COUNTRY: ST. VINCENT DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Development Corporation DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US $ 83,000 OTHER FINANCING: 55,000 Dev. Corp. TOTAL PROJECT 138,000

PURPOSE:

Credit for Industrial Estate

TERMS: 20 year 4% 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

The Development Corporation has assigned Mr. Dalrymple (Chief Engineer, Public Works) as local Project Manager. The site has been vested in the Development Corporation by Government (30 acres). The access road to the site has been built. International advertising for the first building has been started, development of the site can begin.

SPECIAL PROBLEMS: None.

REQUIRED FUTURE ACTION: Construction.

THIS LOAN ADMINISTERED BY: [signature]
(signature) A. Fraser.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD DECEMBER 1972

LOAN NO: ~~4/SF-K-D~~ DATE OF COMMITMENT 2 Sep. 1972 (USAID Ltr.)

COUNTRY: DOMINICA DATE OF INITIAL DISBURSEMENT Nil to date

BORROWER: GOVERNMENT DATE OF ESTIMATED TERM. DISB. March 1975

AMOUNT: CDB: EC$4,320,000 OTHER FINANCING: (GOVERNMENT) 1,080,000 TOTAL PROJECT 5,400,000

PURPOSE: Construction of a 1000 ft. long by 40 ft. wide deepwater wharf facility and associated works at Woodbridge Bay, Dominica, W.I.

TERMS: EC$3,700,000 from CDB's Special Funds Resources at 4% p.a. with repayment over 20 years after a 5 year moratorium.

FUNDING SOURCE: AID EC$3,700,000 BRITISH - CANADIAN - OTHER EC$620,000 (CDB Ordinary Resources)

DISBURSEMENTS TO DATE: Nil

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: Nil

NARRATIVE STATUS REPORT:

1. Government of Dominica issued notice calling for prequalification of consulting engineers on 22 October 1972; replies to be received not later than 29 November 1972.

2. Replies to above notice were evaluated during December and are under joint review with CDB

SPECIAL PROBLEMS: None at present

REQUIRED FUTURE ACTION:

1. Selection of Consulting Engineers for project design etc.

THIS LOAN ADMINISTERED BY: H. Goodington
(signature) a/ Treasurer.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 1 FOR PERIOD NOV-DEC 1972

LOAN NO: 1

DATE OF COMMITMENT 20 OCTOBER, 1972

COUNTRY: ST. LUCIA

DATE OF INITIAL DISBURSEMENT NONE

BORROWER: GOVERNMENT

DATE OF ESTIMATED TERM.DISB. JUNE 1975

AMOUNT: CDB: EC$5,120,000 OTHER FINANCING: EC$1,280,000 TOTAL PROJECT EC$6,400,000

PURPOSE: Construction of two deep water wharves and ancillary works at the Port of Castries, St. Lucia.

TERMS: EC$4,500,000 from CDB's Special Funds Resources at 4% p.a. repayable over 20 years after 5 years moratorium; EC$620,000 from CDB's Ordinary Capital Resources at 8% p.a. repayable in 15 years after 3 years moratorium.

FUNDING SOURCE: AID EC$4,500,000 BRITISH - CANADIAN - OTHER 1,280,000 (Government)

DISBURSEMENTS TO DATE: None

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: None

NARRATIVE STATUS REPORT:

1. Project approved by CDB Board of Directors on 20 October 1972.
2. Loan Agreement between CDB and Government of St. Lucia awaiting signature.
3. Awaiting Government's compliance with conditions of loan.

SPECIAL PROBLEMS: Some delay by Government of St. Lucia.

REQUIRED FUTURE ACTION: 1. Advertising for prequalification of interested consulting engineers.

THIS LOAN ADMINISTERED BY: [signature]
(signature)

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 7 FOR PERIOD 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 19th April, 1972

COUNTRY: Antigua DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Government DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: $178,400 OTHER FINANCING: $44,600 Govt. TOTAL PROJECT $223,000

PURPOSE:

Livestock Development

TERMS: 30 equal half yearly instalments, 5 year moratorium. 4% per annum.

FUNDING SOURCE: AID ✓ BRITISH - CANADIAN - OTHER Govt.

DISBURSEMENTS TO DATE: NIL

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NIL

NARRATIVE STATUS REPORT: The Loan Agreement has not yet been signed.

SPECIAL PROBLEMS: We understand that the Ministry of Agriculture is still feeling that the CDB should change some of its terms and conditions of loan to be less restrictive. Their wishes cannot be entertained.

REQUIRED FUTURE ACTION: Get them to act on the loan agreement as it stands.

THIS LOAN ADMINISTERED BY: T. Eddington
(signature) ap. Lissma

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1

DATE OF COMMITMENT 11 February 1972

COUNTRY: ST. LUCIA

DATE OF INITIAL DISBURSEMENT NIL

BORROWER: National Development Corp.

DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$200,000 OTHER FINANCING: - TOTAL PROJECT 200,000

PURPOSE:

Small Industry Credit for Onlending.

TERMS: 20 years 4% 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

The National Development Corporation has a Board of Directors, a Chairman and his Typist-Secretary. A Peacecorps man is helping out. 4 projects totalling US$60,000 are in the pipeline, of which application has been made for 1 project (guesthouse).

Regulations have to be approved by the Board of Directors, Legal Opinion of Government Guarantee to be sent to CDB as pre-condition of disbursement.

SPECIAL PROBLEMS:

No staff at the National Development Corporation.

REQUIRED FUTURE ACTION:

Legal proceedings to be done.
Applications to be made and evaluated.

THIS LOAN ADMINISTERED BY: [illegible signature]
(signature) [illegible]

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD ended 31/12/72

LOAN NO: 1 DATE OF COMMITMENT 19 April 1972

COUNTRY: BRITISH HONDURAS DATE OF INITIAL DISBURSEMENT NIL

BORROWER: Dev.& Finance Corp. DATE OF ESTIMATED TERM.DISB. 1975

AMOUNT: CDB: US$ 300,000 OTHER FINANCING: - TOTAL PROJECT 300,000

PURPOSE:

Small Industry Credit.

TERMS: 4% - 20 years - 5 year grace period.

FUNDING SOURCE: AID X BRITISH - CANADIAN - OTHER -

DISBURSEMENTS TO DATE: NONE

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: NONE

NARRATIVE STATUS REPORT:

1. It has been necessary to reorganise the DFC to enable it to administer SIC. We believe this reorganisation has been completed or nearly completed.

SPECIAL PROBLEMS:

1. Lack of adequate institution to administer SIC.

REQUIRED FUTURE ACTION: -

THIS LOAN ADMINISTERED BY: [signature]
(signature)

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 2 FOR PERIOD Nov-Dec 1972

LOAN NO: 1 DATE OF COMMITMENT 27 October 1971

COUNTRY: British Honduras DATE OF INITIAL DISBURSEMENT 27/12/72

BORROWER: Government of Br. Honduras DATE OF ESTIMATED TERM. DISB. Dec 1978

AMOUNT: CDB: US$1,528,320 OTHER FINANCING: US$ 382,080 TOTAL PROJECT US$1,910,400

PURPOSE: To expand generating capacity and distribution of Electrical System.

TERMS: US$1,528,320 @ 4% from CDB's Special Funds Resources

FUNDING SOURCE: AID US$1,528,320 BRITISH - CANADIAN - OTHER US$382,080 (Government)

DISBURSEMENTS TO DATE: US$ 2,352.97

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: US$30,000

NARRATIVE STATUS REPORT:

1. Subsidiary Loan Agreement between Belize Electricity Board and Government of British Honduras dated 20 December 1972 - signed original received by CDB and is in order.
2. British Honduras has completed compliance with conditions precedent to first disbursement of funds.
3. Tenders for material due by December 15, 1972, under review (see Report No. 1).
4. UNDP forwarded names of four persons for selection of permanent Distribution Engineer. Selection in process.

SPECIAL PROBLEMS: None

REQUIRED FUTURE ACTION: None

THIS LOAN ADMINISTERED BY: E. Codrington
(signature) Ap. Liesner.

CARIBBEAN DEVELOPMENT BANK - SPECIAL DEVELOPMENT FUND

SUB-LOAN STATUS SHEET - REPORT # 1 FOR PERIOD Nov-Dec, 1972

LOAN NO: 1
DATE OF COMMITMENT October 20, 1972
COUNTRY: Grenada
DATE OF INITIAL DISBURSEMENT None
BORROWER: Government
DATE OF ESTIMATED TERM.DISB. ______

AMOUNT: CDB: EC$100,800 OTHER FINANCING: EC$ 25,200 TOTAL PROJECT EC$126,000

PURPOSE: Extension of Carriacou Airport

TERMS: EC$100,800 equivalent from Special Funds Resources; interest @ 4% p.a.; repayable in 18 years after 2 year moritorium.

~~TERMS~~:

FUNDING SOURCE: AID US$ 50,400 BRITISH - CANADIAN - OTHER EC$25,20 (Government)

DISBURSEMENTS TO DATE: None

ESTIMATED NEXT THREE MONTHS DISBURSEMENTS: None

NARRATIVE STATUS REPORT:

1. Project approved by CDB Board of Directors on 20 October, 1972.
2. Selection of consulting engineers in process.

SPECIAL PROBLEMS:

REQUIRED FUTURE ACTION: Government of Grenada to engage a firm of consulting engineers approved by CDB for detailed design of project and for supervision of construction.

THIS LOAN ADMINISTERED BY: ______
(signature)

PROFILES OF LOCAL DEVELOPMENT CORPORATIONS

APPENDIX ___

Profile of the:

DEVELOPMENT CORPORATION OF ST. VINCENT (DC)

1. Established 1970 under Act No. 7 of 70 the DC has a Board of Directors of 10 persons; Chairman is Mr. Hugh McConnie. There is a Manager, Mr. Arnhim Eustace, an Economist, an assistant Manager, 2 accounting assistants and a Typist to do day-to-day's work.

2. Actually a credit line of US$250,000 is extended by CDB for small industry credit. The legal pre-conditions are complete but one (Government Guarantee).

3. The counter part contribution towards DC's own funds comes from the Government, that earmarked US$ 125,000 in its estimates for this purpose.

4. The Government of St. Vincent is extending a grant up to US$ 25,000/year towards the operating expenses of DC.

5. A sub-committee screens potential projects for small industry.

6. 4 projects are under consideration in detail:

Bakery	US$ 17,000	For building and machines.
Garment Factory	US$ 5,000	For machines.
Metal Factory	US$ 15,000	For machines.
Upholstered Furniture Factory	US$ 4,500	For machines.

Initial disbursements for sub-projects are projected for April 1973.

7. For construction of an industrial estate (6,000 sq.ft. building) CDB has loaned the DC US$ 83,000. Construction could be finished by June 1973.

8. The DC is also involved in executing several other CDB projects like Feeder Roads and Student Loans. Also Ottley Hall Estates, Lowman Bay Settlement, Land Reclamation Programme Kingstown, Electricity Plant, Land Development Canouan and other commercial activities of the Government.

Profile of the:

DOMINICA AGRICULTURAL AND INDUSTRIAL DEVELOPMENT BANK (DAIDB)

1. Established in July 1971 under Act No.22 of 71 the Bank has a Board of Directors of 9 persons, of whom 5 are ex-officio members (Financial Secretary, being Chairman, Attorney General, Secretary for Planning & Development, Secretary for Agriculture, Secretary for Trade & Industry). Two are representatives of Agricultural and two of Industrial interests in the state. There is an Acting Manager, Mr. Patrick Pierre and a Typist to do day-to-day's work.

2. Actually a credit line of US$150,000 is extended by CDB for small industry credit. The legal pre-conditions are all complete. The CDB has dibursed an advance of US$5,000 to the DAIDB for sub-lending operations.

3. The counter part contribution towards DAIDB's own funds comes from the Dominica National Provident Fund at 6½% interest. The contribution right now is US$200,000.

4. The Government of Dominica is extending a grant up to US$15,000/year towards the operating expenses of DAIDB.

5. A sub-committee (Secretary for Trade & Industry and two representatives of industrial interests) screens potential projects for small industry.

6. 3 projects are under consideration in detail:

Iron work shop,	$25,000	For building and machines.
Furniture shop,	$23,000	For building and machines.
Ice cream cone manufacture	$ 8,000	For machines.

Initial disbursements for sub-projects are projected for April 1973.

2 projects are in the pipeline:

Bakery	$17,500	For building and equipment.
Art studio-commercial	$ 3,000	For equipment.

7. For construction of an industrial estate (6,000 sq.ft. building) CDB has loaned the DAIDB US$110,500. Construction could be finished by July 1973.

8. The bank is also involved in the executing of CDB Farm Improvement Credit, Student Loans etc.

9. The DAIDB is presently seeking a permanent Manager for the Bank.

Profile of the:

NATIONAL DEVELOPMENT CORPORATION OF ST. LUCIA (NDC)

1. Established in 1971 under an Act the NDC has a Board of Directors of 5 to 7 persons. Chairman of the Board is Sir Allen Lewis. A typist does the day-to-day's work otherwise there is no staff as yet.

2. Actually a credit line of US$200,000 is extended by CDB for small industry credit. The legal pre-conditions are complete but one.

3. The counter part contribution towards NDC's own funds comes from the Government that has earmarked US$100,000 in its 1972 estimates for this purpose.

4. The Government of St. Lucia is extending a grant up to US$15,000/year towards the operating expenses of NDC.

5. 4 projects are in the pipeline:

Iron work shop	$ 7,500	For machines.
Garment Factory	$ 7,500	For machines.
Bakery	$15,000	For machines.
Guest house	$30,000	For building and equipment.

Initial disbursements for sub-projects are projected for June 1973.

6. For construction of an industrial estate (6,000 sq.ft. building) CDB has loaned the NDC US$83,000. Construction could be finished by July 1973.

7. The Corporation is also involved in the executing of CDB Student Loans.

8. The NDC is presently seeking a Manager for the Corporation and staff.

Profile of the:

DEVELOPMENT FINANCE AND MARKETING CORPORATION (DFMC) MONTSERRAT

1. The DFMC was established by Ordinance 15 of 1971. It is to be controlled by not less than five or more than seven members as the Administrator may determine. To date the DFMC has not functioned; however, a Manager has been appointed and assumed duty in mid-January.

2. A credit of US$ 100,000 has been extended to DFMC for SIC projects and the establishment of an industrial estate for small industries.

3. The Government has pledged matching funds of US$ 37,500 to the DFMC and will annually budget US$ 15,000 for administrative purposes.

4. 2 projects are under preliminary consideration:

Garment making (expansion)	US$ 5,000	
Guest-house	US$ 10,000	Equipment.

5. Other activities of the DFMC include the Farm Improvement Credit.

January 19, 1973.

Profile of the:

DEVELOPMENT AND FINANCE CORPORATION (DFC)
BRITISH HONDURAS

1. The Government has been in the process of re-organising the DFC from a quasi private to an entirely public entity which will enable it to administer CDB funds. The reorganisation is nearly completed and DFC will soon begin to actively process SIC projects. A Manager has been appointed.

2. An SIC loan of US$ 300,000 has been extended to the DFC which will be matched with existing funds already invested in the DFC. The Government will annually budget US$ 15,000 for administrative purposes.

3. A loan for US$ 72,000 has also been made to the DFC for the construction of an industrial estate for small industries. The site has been earmarked.

4. Projects in the pipeline include:

(4) Guest-houses	US$	150,000
(3) Tourist facilities		50,000
Fishing co-operative		7,500
(3) Sawmilling operations		112,500
Spaghetti manufacturing		7,500
		332,500

Profile of the:

DEVELOPMENT AND FINANCE CORPORATION (DFC)
ST. KITTS-NEVIS-ANGUILLA

1. The DFC was established under Act No.8 of 1968. Five persons comprise the Board of Directors: three are from the private sector and two represent the public sector. The staff consists of a Manager, Accountant, Secretary, ODA Industrial Advisor, ODA Engineer and a Peace Corps Volunteer.

2. SIC credit of US$ 125,000 has been extended to the DFC. Most all legal pre-disbursement conditions have been completed.

3. The Government has pledged matching funds of US$ 62,500 to the DFC and will annually budget US$ 15,000 for the administration purposes.

4. 4 projects are under detail consideration:

Furniture shop	US$ 10,000	Machines
Carpentry/furniture	US$ 7,000	Machines
Tyre recapping	US$ 20,000	Machines
Automobile repair	US$ 10,000	Machines and building.

Initial disbursements are projected for April 1973.

5. CDB has loaned DFC US$ 81,135 for construction of an industrial estate for small industries. The tenders have been received for the steel shell and site development should begin by March.

6. Other activities of the DFC include Farm Improvement Credit at Frigate Bay, a large resort development.

January 19,1973.

Profile of the:

DEVELOPMENT CORPOATION OF GRENADA. (DCG)

1. Established in 1972 under Development Corporation Act the DCG has a Board of Directors of 5 to 10 persons. The Board has not yet been appointed. No staff is existing, the Corporation not yet in operation.

2. Actually a credit line of US$200,000 is proposed by CDB to its Board of Directors February 15,1973 for small industry credit.

3. The counter part contribution towards DCG's own funds seems to present difficulties.

4. The Government of Grenada is supposed to extend a grant up to US$ 15,000/year towards the operating expenses of DCG.

5. No projects are under consideration right now.

6. For construction of an industrial estate, the Government of Grenada has applied for a loan at CDB but the site has to be found first.

7. The DCG has to get its Board of Directors and staff.

January 19,1973.

Profile of the:

SIC PROJECT - TURKS & CAICOS.

1. CDB approved SIC credit for US$ 150,000 to be administered by a statutory body which will be established. The Government will provide a minimum of US$ 37,500 to the agency for matching funds. It is anticipated that the project will be in operation by June 1973.

January 19,1973.

LIST OF E[illegible]UTING AGENCIES, AS RECIPIENTS OF SPECIAL FUND LOANS FROM CDB.

Territor[illegible]	For Small Industry	For Farm Improvement
Associate State[illegible]		
Antigua	None as yet	Agricultural Development Bank
Dominica	Agricultural & Industrial Development Bank	Agricultural & Industrial Development Bank
Grenada	Grenada Agricultural & Industrial Bank	Grenada Industrial Bank +
St. Kitts	Development Finance Corporation	Development Finance Corporation +
St. Lucia	National Development Corporation	Agricultural & Industrial Development Bank
St. Vincen[illegible]	Development Corporation St. Vincent	Agricultural & Industrial Co-operative Bank
U.K. Depe[illegible]		
British [illegible]	Development Finance Corporation	Development Finance Corporation
Montserra[illegible]	Development, Finance & Marketing Corporation	Development, Finance & Marketing Corporation
Turks an[illegible]ands	Tourist & Industrial Development Board	None as yet
Britis[illegible]ds	Development Bank of the Virgin Islands ++	Development Bank of the Virgin Islands ++
Grand Ca[illegible]	None as yet	None as yet

+ Loans are made directly to the Government but administered through executing agency

++ Being established.

January 1973.

Appendix

Possible Ordinary Resources projects during 1973

		US $
Agriculture		
New Florida Estate, Dominica	75,000	
Balthazar Estate, Grenada	60,000	
Mango Creek, B.H.	100,000	
Ramdhanny, Grenada	50,000	
Bourkes, St. Kitts	43,000	
St. George's, Nevis	50,000	
B.H. Fisheries	350,000	
Hope and Mirabeau, Grenada	100,000	
Dannenborg Farms, Montserrat	200,000	
Not yet identified	500,000	
Banana Boxes, WINBAN	1,000,000	2,528,000
DFC on-lending		
Dominica, St.Kitts and others	400,000	400,000
Hotels		
Emerald Isle, Montserrat	100,000	
Espat Hotel, B.H.	82,800	
Browne Hotel, Antigua	90,000	
Yepton Hotel, Antigua	400,000	
Canouan Hotel, St. Vincent	150,000	
Ottley Hall Hotel, St. Vincent	500,000	
True Blue, Grenada	150,000	
In process	500,000	1,972,000
Manufacturing		
In reserve		750,000
Infrastructure		
St. Kitts Port	596,000	
B.H. Port	3,000,000	
Docking facilities, St.Vincent	150,000	
West Indies Shipping	500,000	
Water supply, Bahamas	3,204,000	7,450,000
		13,100,000
Add Committed at 31.12.1972		12,686,632
		25,786,632

LOAN COMMITMENTS MADE BY THE BANK DURING 1972.

(i) ORDINARY RESOURCES.

Country and Purpose	Borrower	Amount US$	Rate p.a.
BARBADOS			
Industrial Estates	Government	1,624,000	8%
BRITISH HONDURAS			
Livestock	Silver Creek Research Ltd.	59,940	8½%
Livestock	Belize Sugar Co.	123,187	8½%
Agricultural Credit	Development Finance Corporation	120,000	7¼%
DOMINICA			
Agriculture	Leo. H. Narodny (L'Imprevue Estate)	59,625	8½%
Agriculture	Rosalie Estate Ltd.	120,492	8½%
Agriculture	L.A. Brand and A.C. Winston	100,000	8½%
Agriculture	D.S. McKenzie (Corlet Estate)	50,000	8½%
Livestock	H.D. Shillingford	80,000	8½%
Packing plant	Government	427,350	8 [illegible]%
+ Port	Government	310,000	8%
+ Water supplies	Government	996,400	8%

+ Project financed jointly from Ordinary Resources and from the Special Development Fund.

GRENADA			
Agriculture	G. Brathwaite (Bon Accord Estate)	62,423	8½%
ST. KITTS			
+ Telephones	Government	668,080	8%
ST. LUCIA			
+ Port	Government	310,000	8%
+ Water supplies	Government	383,960	8%
ST. VINCENT			
Meat packing	St. Vincent Packers Ltd.	100,000	8½%
TRINIDAD and TOBAGO			
Agricultural credit	Agricultural Development Bank	1,000,000	7¼%
		6,595,457	

(ii) SPECIAL DEVELOPMENT FUND

ANTIGUA			
Land settlement	Government	178,400	4%
BRITISH HONDURAS			
Small industry loans	Development Finance Corporation	300,000	4%
Small industry estates	Development Finance Corporation	72,000	4%

DOMINICA			
+ Port	Government	1,850,000	4%
Student loans	Government	100,000	4%
+ Water supplies	Government	36,000	4%
GRENADA			
Carriacou Airport	Government	50,400	4%
Feeder Roads	Government	803,760	4%
Water Supplies	Government	921,400	4%
ST.KITTS			
+ Telephones	Government	50,000	4%
ST. LUCIA			
Small industry loans	(National Development	200,000	4%
Small industry estates	(Corporation	90,000	4%
Large industry estates	- do -	250,000	4%
+ Port	Government	2,250,000	4%
+ Water supplies	Government	60,000	4%
Student loans	Government	100,000	4%
ST. VINCENT			
Student loans	Government	100,000	4%
Port improvements	Government	360,000	4%
TURKS and CAICOS ISLANDS			
Small industry loans	Government	150,000	4%
		7,921,960	

(iii) CANADIAN AGRICULTURAL FUND

ANTIGUA			
Farm Improvement	Antigua Development Bank	250,000	4%
BRIT. VIRGIN ISLANDS			
Farm Improvement	Government	100,000	4%
BRITISH HONDURAS			
Farm Improvement	Development Finance Corporation	300,000	4%
		650,000	

CARIBBEAN DEVELOPMENT BANK

STAFF LIST
(As of 1st September, 1972)

PRESIDENT

Professor Sir Arthur Lewis, B. Comm. Ph.D., M.A., L.H.D., LL.D. (St. Lucia)

VICE-PRESIDENT & ECONOMIC ADVISER

Mr. Roy A. Jones, A.A.C.C.A., A.I.S., B.Sc.(Econ.) (Jamaica)

DIVISIONAL HEADS

Secretary	Mr. N.E. Venner, O.B.E., B.Sc.(Econ.)	(St. Vincent)
Acting Treasurer	Mr. Godfrey Codrington, A.A.C.C.A.	(Trinidad & Tobago)
Legal Adviser	Mr. Neville Nicholls, B.A., (Econ.) Barrister-at-Law	(Barbados)
Head, Agriculture Division	Dr. Lewis Campbell, D.I.C.T.A., B.Sc.,Ph.D.	(Grenada)
Head, Industry Division	Mr. A.T. Mason, O.B.E., B.A.Sc.	(Guyana)

SENIOR PROFESSIONAL STAFF

Senior Project Analyst	Dr. V.A. Richardson, B.Sc.(Eng.) Ph.D.	(Trinidad & Tobago)
Accountant	Miss Gloria Derrick	(Antigua)
Agricultural Officer	Mr. Vernon Sergeant, D.I.C.T.A., B.Sc.(Agric.) M.Sc.(Agron.)	(Barbados)
Senior Economist	Vacant	

Livestock Officer	Dr. Robert Ayre-Smith, M.R.C.V.S., Dip.Agric., M.Sc., F.R.C.V.S.	(U.K.)
Ports Engineer	Mr. J.M. Luttman-Johnson, P.E.	(U.S.A.)
Small Industry Loans Officer	Mr. Werner Voeth, Dip.Ing.	(Germany)
Small Industry Loans Officer	Mr. Gerald Faust, B.Sc., M.A.	(U.S.A.)
Tourist Development Officer	Mr. Roger Doswell	(U.K.)
Food Production Officer	Mr. Graham Gooding, M.A.(Cantab.), F.L.S., F.I.Biol. F.I.F.S.T.	(B'dos.)
Agricultural Economist	Dr. Wendell McMillan, B.S., M.S., Ph.D.	(U.S.A.)
Industry Officer	Mr. Alfred Strauss, B.Sc., (Elec.Eng.)	(U.S.A.)
Snr. Admin. Officer	Mr. William D.S. Fraser	(U.K.)

JUNIOR PROFESSIONAL STAFF

Project Analyst	Mr. Christopher Barham, B.S., Elec.Eng. M.P.A.	(Jamaica)

FARM IMPROVEMENT OFFICERS x

Mr. Hugh McConnie, M.B.E., D.I.C.T.A., B.Sc.	(St.Vincent)
Mr. A.M. Cruickshank, D.I.C.T.A., M.Sc.	(Grenada)
Dr. J. Elwin, B.Sc., M.Sc., Ph.D.	(Dominica)

x Seconded from Service of Respective Governments

NON-PROFESSIONAL STAFF

Executive Assistant	Mr. Hallam Gill	(Barbados)
Accounting Assistant	Vacant	
Personal Secretaries:		
	Mrs. Lorna Austin	(Guyana)
	Miss Shirley Richards	(St.Vincent)
	Mrs. Norma Archer	(Barbados)
	Mrs. Lorraine McGeary	(Barbados)
	Mrs. Norma Lorde	(Trinidad & Tobago)
	Mrs. Leonora Benjamin	(Barbados)
Senior Clerk:		
	Mrs. Anita Gittens	(Barbados)
Stenotypists:		
	Mrs. Tessa Lee	(Trinidad & Tobago)
	Mrs. Marie Jones	(Barbados)
	Miss Barbara Taitt	(Barbados)
	Mrs. Maria Herbert	(Trinidad & Tobago)
	Mrs. Monica Green	(Barbados)
Typist:	Miss Beverley Clarke	(Barbados)
Junior Clerks:		
	Mr. Philip Tull	(Barbados)
	Mr. Archibald Husbands	(Barbados)
	Mr. Ulric Sealy	(Barbados)
	Mrs. Shirley Henry	(Barbados)
	Miss Rowena Watson	(Barbados)
Librarian:	Mrs. Nancy St. John	(Barbados)
Receptionist:	Miss Faye Sobers	(Barbados)

Messengers:		
	Mr. Courtney Franklyn	(Barbados)
	Mr. Joseph Thomas	(St.Lucia)
	Mr. Lionel Jones	(Barbados)
Maid:	Mrs. Deborah Gittens	(Barbados)
Chauffeurs:		
	Mr. Adolphus Drakes	(Barbados)
	Mr. Alfred Hurdle	(Barbados)

CARIBBEAN DEVELOPMENT BANK

ORGANISATION

President: Sir Arthur Lewis
Vice-President: Mr. Roy Jones

Economics and Project Evaluation: Mr. Jones

Senior Economist
Economist
Senior Project Analyst, Dr. Richardson
Project Analyst, Mr. Barham

Agriculture: Dr. Campbell

Agricultural Officer, Mr. Sargeant
Livestock Officer, Dr. Ayre-Smith
Food Production Officer, Mr. Gooding
Agronomist, Dr. Yankey
Agricultural Economist, Dr. McMillan

Industry: Mr. Wason

Ports Engineer, Mr. Luttman-Johnson
Civil Engineer
Architect, Mr. Gouveia
Industry Officer, Mr. Strauss
Industrial Promotion Officer
Tourist Development Officer, Mr. Doswell
Small Industry Loans Officer, Mr. Voeth
Small Industry Loans Officer, Mr. Faust

Administration: Mr. Venner

Senior Administrative Officer, Mr. Fraser

Finance: Mr. Courington

Accountant, Miss Derrick
Accountant

Legal: Mr. Nicholls

Counsel
Housing Loans Officer

FUNCTIONS AND RESPONSIBILITIES OF DIVISIONS OF BANK

1. **Economics and Project Evaluation**

   General economic analysis; economic analyses of projects submitted to the Bank; social cost-benefit analysis; scheduling of project investigations and preparation of project papers for the Board; etc.

2. **Agriculture**

   Advises on agricultural aspects of projects under investigation; helps prepare projects and writes project papers; advises on and supervises the execution of agricultural projects approved by the Board of Directors.

3. **Industry**

   Advises on the engineering aspects of projects under investigation; helps prepare projects and to write project papers with special responsibility for infra-structural projects, tourism and industrial projects; advises on and supervises execution of projects approved by the Board of Directors; maintenance etc. of Bank buildings.

4. **Administration**

   Deals with committees, administration, personnel, establishment, travel arrangements, public relations, meetings, membership of the Bank, non-professional staff, buildings, equipment, etc.

5. **Finance**

   Deals with accounts, pensions, receiving and investing the Bank's funds, raising new loans, financial analysis of projects submitted to the Bank, supervision of loans and projects approved by the Board; etc.

6. **Legal**

   Handles the legal work of the Bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY RESOURCES

STATEMENT OF SUBSCRIPTIONS OF CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 1971

EXPRESSED IN UNITED STATES (1969) DOLLARS (NOTE A)

MEMBER	AUTHORISED CAPITAL			PAID UP CAPITAL	AMOUNT RECEIVED OR TO BE RECEIVED					VOTING POWER	
	Shares	Percent of Total	Amount	Amount	In Convertible Currency	In Currency Of Member	In Non-Negotiable Interest-Bearing Demand Notes	In Non-Negotiable Non Interest-Bearing Demand Notes	Callable Portion of Authorised Capital	Number Of Votes	Per Cent Of Total
Regional States & Territories											
Jamaica	2,240	22.4	11,200,000	5,600,000	1,008,000	—	—	1,008,000	5,600,000	2,390	19.52
Trinidad & Tobago	1,540	15.4	7,700,000	3,850,000	693,000	693,000	—	—	3,850,000	1,690	13.80
Bahamas	660	6.6	3,300,000	1,650,000	297,000	—	165,000	132,000	1,650,000	810	6.61
Guyana	480	4.8	2,400,000	1,200,000	216,000	—	216,000	—	1,200,000	630	5.14
Barbados	280	2.8	1,400,000	700,000	126,000	70,000	—	56,000	700,000	430	3.51
Antigua	100	1.0	500,000	250,000	45,000	45,000	—	—	250,000	250	2.04
British Honduras	100	1.0	500,000	250,000	45,000	45,000	—	—	250,000	250	2.04
Dominica	100	1.0	500,000	250,000	45,000	25,000	—	20,000	250,000	250	2.04
Grenada	100	1.0	500,000	250,000	45,000	45,000	—	—	250,000	250	2.04
St. Kitts/Nevis/Anguilla	100	1.0	500,000	250,000	45,000	45,000	—	—	250,000	250	2.04
St. Lucia	100	1.0	500,000	250,000	45,000	25,000	—	20,000	250,000	250	2.04
St. Vincent	100	1.0	500,000	250,000	45,000	45,000	—	—	250,000	250	2.04
Montserrat	25	.25	125,000	62,500	11,250	—	6,250	5,000	(62,500		
British Virgin Islands	25	.25	125,000	62,500	11,250	11,250	—	—	(62,500	250*	2.04
Cayman Islands	25	.25	125,000	62,500	11,250	11,250	—	—	(62,500		
Turks & Caicos Islands	25	.25	125,000	62,500	11,250	11,250	—	—	(62,500		
Non-Regional States											
Canada	2,000	20.0	10,000,000	5,000,000	900,000	500,000	—	400,000	5,000,000	2,150	17.55
United Kingdom	2,000	20.0	10,000,000	5,000,000	900,000	500,000	—	400,000	5,000,000	2,150	17.55
	10,000	100.0	50,000,000	25,000,000	4,500,000	2,071,750	387,250	2,041,000	25,000,000	12,250	100.00

*In accordance with Article 3 Section 4 of the Agreement Establishing the Bank, these territories are considered as a single member of the Bank.

CARIBBEAN DEVELOPMENT BANK

PROJECT PROCEDURES

I. ADMINISTRATIVE ARRANGEMENTS

1. All the work on projects up to the point of approval by the Board of Directors is co-ordinated by the Vice-President, on behalf of the Loans Committee. The Loans Committee consists of Heads of Divisions and the President. Its meetings are normally attended by project officers whose projects are on the agenda.

2. All the work on projects after the point of approval by the Board of Directors is co-ordinated by the Treasurer, on behalf of the Investments Committee. The Investments Committee consists of Heads of Divisions and the President. This Committee, which meets weekly to handle a wide range of matters, invites any other officer to attend when necessary.

3. A project begins with discussion or correspondence between an applicant for a loan and a project officer. The project passes through the stages of "identification", "appraisal" and "supervision".

4. The initial contact may be a letter which goes direct to the Vice-President, or it may be made directly with a project officer. In the latter case the Vice-President should be informed in writing; he keeps a record of all approaches made to the Bank. He decides which project officer should handle the project in the first instance.

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5. In the stage of identification the project officer is finding out (consulting such colleagues as he thinks necessary) whether the basis for a loan exists. When satisfied as to this, he writes a short report for the Vice-President with a positive or negative recommendation to proceed to appraisal, and, in the former case, a draft "Notification of a Project Under Consideration". "Notifications" are considered by the Loans Committee, and if approved, are communicated to the Board of Directors for information only. If the project officer's recommendation is negative, the Vice-President will communicate with the applicant, after consultation with the President or the Loans Committee.

6. The project is now in the appraisal stage. The "Notification" before the Loans Committee (but not the version which goes to the Board of Directors) lists the officers whom the Vice-President is nominating to appraise the various aspects of the project, (technical, marketing, financial, legal and so on). One of these is to be designated as Co-ordinator of the project.

7. The Co-ordinator is responsible for keeping the project moving through the appraisal process. He should hold at least two meetings of the officers assigned to the project. At the first of these meetings a time schedule should be agreed for the various parts of the project, and this schedule should be reported to the Vice-President. The time schedule is the Co-ordinator's basic tool, and his basic duty is to keep his project on schedule. The Co-ordinator is also responsible for putting together the appraisal report. He should hold a meeting of his team to eliminate errors and inconsistencies from the draft appraisal report before sending it to the Vice-President for the Loans Committee.

8. The Loans Committee issues a list of projects under appraisal, with the dates they are supposed to reach the Board for approval. The Committee meets every two weeks to review the progress of appraisals. The Co-ordinator reports to these meetings any difficulties he is having in keeping to schedule.

9. Most of the less developed member countries have been assigned Country Liaison Officers. The Liaison Officer's main task is to ensure that the Bank has an adequate flow of project applications from his country, and that his country is well represented in the Loans Committee's list of projects under appraisal. He also keeps in touch with political and economic events in the country to which he is attached and keeps the Bank informed. He writes a quarterly report for the Loans Committee on the matters within his terms of reference. The following are the Liaison Officers, with the dates of their quarterly reports:

Antigua, Montserrat: Mr. Wason (A)
British Honduras: Dr. Campbell (B)
Dominica: Mr. Barham (C)
Grenada: Mr. Venner (A)
St. Kitts: Mr. Sargeant (B)
St. Lucia: Dr. Richardson (C)
St. Vincent: Mr. Gooding (A).

A = Jan. 31, April 30, July 31, Oct.31.
B = Feb. 28, May 31, Aug. 31, Nov. 30.
C = March 31, June 30, Sept.30, Dec. 31.

II. PROJECT IDENTIFICATION

10. Most applications reach the Bank in rather vague form. By agreement with the Vice-President, they are handled initially by a technical officer who specialises in the sector of the economy to which they belong.

11. The first task is to identify whether the project merits serious consideration, and if so, whether it could be eligible for a CDB loan. The conditions for eligibility are summarised in the CDB memorandum "Aide Memoire for Officers in the Field".

12. If the project is eligible, the project officer must estimate the amount of time and the kind of specialised expertise which would be required to make it ready for appraisal. In the light of this he must advise whether the project should be prepared by CDB staff or by outside consultants.

13. CDB is willing to prepare projects both for private and for public applicants. However, a project should not normally be taken on by CDB staff if more than two man-weeks of CDB time are required to make it ready for appraisal. If more time than this is required, the work should be done by outside consultants.

14. Outside consultants may be hired by the applicant at his own expense, or may possibly be obtained free of charge from the UNDP, the BDD, or CIDA.

15. Because of the availability of such technical assistance, CDB resists paying the cost of outside consultants, and does not even have a regular item for this purpose in its own budget. It can obtain consultants from the UNDP (either directly or through the World Bank) free of cost to itself, but even when it does so, will consider whether the cost should not be added to the amount of the loan. Projects involving the use of outside consultants under this paragraph should, for the time being, be referred to the President.

III. PROJECT APPRAISAL

16. A project must be technically sound. However, having regard to the scarcity of capital and the high rate of technical obsolescence, a project should not be more sound (or more expensive) than it needs to be for its purpose. Particular regard should be had to the ratio between capital cost and employment generated, since a low capital/employment ratio will normally increase the net national income by more than a higher ratio (even though it may do less for gross domestic product).

17. A project must meet cost/benefit tests, with a minimum internal rate of return of 9 per cent. Private projects do not need cost/benefit analysis unless they are producing goods for import substitution (if they pass the financial test they will pass the cost/benefit test).

18. All private projects must be financially self-supporting, in the sense that they will earn enough to repay the CDB loan with interest over not more than 15 years (preferably fewer).

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19. CDB avoids public projects which are not financially self-supporting, for three reasons:

(a) The BDD and CIDA provide a lot of grant money for non-self-liquidating projects;

(b) Most of the LDC governments are fully stretched financially, and could not meet interest and amortisation charges from general revenue; and

(c) CDB takes a government guarantee, but since most LDC governments have neither surpluses nor reserves, they would be very embarrassed if it became necessary to honour a guarantee.

There is only one firm exception to this policy, viz., roads, (CDB and BDD are currently discussing what should be their respective roles in financing roads). Normally, water supplies should be self-liquidating, but this may not always be politically feasible. In all other cases, government projects must pass the same financial tests as private projects.

20. The legal aspect of projects is important. Private borrowers must possess legal capacity, be free to do what they are proposing to do without legal constraints, and have first class security. Public agencies must, in particular, have the legal right and duty to levy such charges as are required for financial self-sufficiency (unless the project is a road or a water supply).

21. Private applicants should be informed, within three months of filing the application, whether the President is proposing to recommend the application to the Board. This information should be hedged with provisos (e.g., if the security offered proves to be sound) and be put in a form in which CDB cannot be sued if new evidence causes a change of mind. But there should be a serious effort to give a decision one way or the other.

22. The appraisal report is essentially in seven parts:

An introduction stating the project's purpose;
A technical description, including management;
Market analysis;
Financial analysis and cash flows;
Cost/benefit analysis;
Legal aspects;
Terms and Conditions of Loans.

The text should not exceed 25 pages. Additional technical detail and statistics should be in appendices.

23. An appraisal report on a public project is a public document, but appraisal reports on private projects are confidential and should not under any circumstances be communicated to any person outside the CDB. In particular, the report contains our confidential appraisal of the borrower, based on information given to us in confidence by his bankers and others, and should not be shown to him.

24. The Loans Committee advises the President whether or not to recommend the project to the Board of Directors. The Board may not approve a project unless it is personally recommended by the President. Only the Board of Directors may authorise a loan: CDB staff must always make this crystal clear to applicants for loans. The President may authorise a staff member to say that the loan will be recommended to the Board, but such indication should not be given without prior indication from the President that he is indeed prepared to recommend the loan. This indication should be sought as early as possible, so that the terms of the loan can be negotiated with the applicant before the appraisal report is sent to the Board.

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III. PROJECT SUPERVISION

25. At the moment of Board approval, the project passes into the control of the Treasurer. He (and only he) formally notifies the applicant that the Board has approved the loan, and states the terms.

26. In the meantime, CDB counsel have been preparing an appropriate loan contract. A draft of this is sent to the applicant within one month of Board approval of the loan. Counsel have also been taking the steps necessary for execution of a mortgage, or other items of security.

27. The Treasurer, in association with the Head of the Industry Division, ensures that the Borrower receives very precise instructions on the rules for advertising for consultants, going to tender, and choosing consultants and contractors. A project officer is designated to be responsible for this aspect of the project and for any construction which has to be done. He should take special care not to commit the Bank without the approval of the Treasurer.

28. At the end of each month the Treasurer sends to the Investments Committee a return showing the progress of each project up to the point of first disbursement. The latest of these goes to the Board of Directors. The Investments Committee assists the Treasurer in resolving difficulties which are holding up completion of this phase.

29. At the appropriate moment the Investments Committee designates a staff member to be the Supervisor of a project, with or without the assistance of other specified staff members. If the borrower is a corporation (private or public) on which CDB is to have representation, the Supervisor or some other person (not necessarily a staff member) will be appointed as the CDB representative (or director).

30. The Supervisor makes a quarterly report on the progress of his project. This is reviewed by the Treasurer and the Investments Committee.

31. SIC schemes are divided geographically between the Small Industry Loans Officers. Each writes a quarterly report on the progress of the SIC loans which he is supervising; this is reviewed by the Investments Committee.

32. Farm Improvement Officers write to the Treasurer on financial matters; to the Head of the Agriculture division on technical matters. Each writes a report on the progress of the FIC loan which he is supervising, which is reviewed in the first instance by the Head of the Agriculture Division, and then by the Investments Committee.

IV. SUMMARY LIST OF CONTROL DOCUMENTS

1. Vice-President's List of Applications Received (# 4).
2. Notification of a Project Under Consideration (##5,6).
3. Co-ordinator's time schedule of appraisal operations (#7).
4. Loans Committee's List of projects under Appraisal (# 8).
5. Liaison Officers' quarterly report (# 9).
6. Appraisal report (# 22).
7. Loan contract (# 26).
8. Return of project implementation (# 28).
9. Supervisor's quarterly report (30).
10 SILO's quarterly report (#31)
11. FIO's quarterly report (# 32).

14 Nov 1972

CARIBBEAN DEVELOPMENT BANK

BALANCE SHEET, DECEMBER 31, 1970

EXPRESSED IN UNITED STATES DOLLARS (NOTE A)

LIABILITIES, RESERVES AND CAPITAL

LIABILITIES		
Accounts payable	11,432	
Accrual for Bank's contribution to Pension Scheme (Note E)	10,000	21,432
RESERVES		
Exchange Equalisation Reserve (Note F)		69,032
CAPITAL (Note G)		
Capital Stock		
Authorised — 10,000 shares of $5,000 par value each	50,000,000	
Less callable shares (5,000 shares)	25,000,000	
Paid up shares (5,000 shares)	25,000,000	
Less subscription instalments not due	20,000,000	
Subscription instalments matured	5,000,000	
Advance payment on subscription	448,000	
	5,448,000	
Net income (to be allocated by the Board of Governors) ..	14,514	5,462,514
TOTAL ..		$5,552,978

ASSETS

CASH IN HAND		5
CASH IN BANKS AND DEPOSITORIES		
Commercial Banks	32,752	
Government Depositories	69,143	101,895
INVESTMENTS		
Government Securities, at cost (face amount, $1,235,660)	1,162,541	
Time Deposits and certificates of deposits	3,326,694	
Accrued Interest	59,494	4,548,729
DEMAND OBLIGATIONS OF MEMBERS (Notes B & G)		
Non-negotiable, non interest-bearing demand note ..	560,000	
Non-negotiable, interest-bearing demand notes	289,566	
Accrued Interest	10,472	860,038
DEBTORS AND PREPAYMENTS (Note C)		19,618
LAND AND BUILDING (Note D)		
Deposit on purchase of property	4,308	
Rehabilitation of building	4,324	8,632
OTHER FIXED ASSETS	15,143	
Less Provision for depreciation	1,082	14,061
TOTAL		$5,552,978

W. ARTHUR LEWIS, President

M. D. McCONNIE, Treasurer

CARIBBEAN DEVELOPMENT BANK

ORDINARY RESOURCES

BALANCE SHEET DECEMBER 31, 1971

EXPRESSED IN UNITED STATES (1969) DOLLARS (NOTE A)

LIABILITIES, RESERVES AND CAPITAL

		1971	1970
LIABILITIES			
Accounts payable and accrued expenses ..	21,204		11,432
Accrual for Bank's contribution to pension scheme	—		10,000
		21,204	21,432
RESERVES			
Ordinary reserve (Note G)	14,514		—
Reserve against losses on loans and guarantees and from currency devaluations, less amount utilised ..	64,485		—
Exchange equalization reserve	—		69,032
		78,999	69,032
PENSION SCHEME FUND (Note E)		30,420	—
CAPITAL			
Capital Stock (Note F)			
Authorised — 10,000 shares of $5,000 par value each	50,000,000		50,000,000
Less: Callable shares (5,000 shares) ..	25,000,000		25,000,000
Paid up shares (5,000 shares)	25,000,000		25,000,000
Less: Subscription instalments not due ..	16,000,000		20,000,000
	9,000,000		5,000,000
Advance payment on subscription ..	896,000		448,000
	9,896,000		5,448,000
Net income (Note G)	10,485		14,514
		9,906,485	5,462,514
		$10,037,108	$ 5,552,978

ASSETS

		1971	1970
CASH IN BANKS AND DEPOSITORIES			
Commercial banks	129,038		32,757
Government depositories	522,798		69,143
		651,836	101,900
INVESTMENTS			
Government securities, at cost (face amount $1,652,160)	1,533,697		1,162,541
Time deposits and certificates of deposits ..	4,622,704		3,326,694
Accrued interest	97,836		59,494
Share holding	2		—
		6,254,239	4,548,729
ACCRUED CHARGES ON LOANS ..		2,750	—
RECEIVABLE ON ACCOUNT OF PAID UP CAPITAL			
Non-negotiable, non-interest bearing demand notes (Note B)	2,411,899		560,000
Non-negotiable, interest bearing demand notes (Note C)	358,939		289,566
Accrued interest	26,102		10,472
Amount required to maintain value of currency holdings (Note D)	195,616		—
		2,992,556	860,038
DEBTORS AND PREPAYMENTS		39,037	19,618
LAND AND BUILDINGS, at cost			
Purchase of land and building	44,106		4,308
Rehabilitation of building	6,526		4,324
	50,632		8,632
Less: Provision for depreciation	1,266		—
		49,366	8,632
OTHER ASSETS, at cost	20,798		15,143
Less: Provision for depreciation	3,894		1,082
		16,904	14,061
PENSION SCHEME ASSETS (Note E) (Segregated and held in trust)			
Investment, at cost	27,525		—
Cash in hand	2,895		—
		30,420	—
		$10,037,108	$ 5,552,978

Appendix IV, Exhibit 5
Page 1 of 1

CARIBBEAN DEVELOPMENT BANK

ORDINARY RESOURCES

BALANCE SHEET AS AT DECEMBER 31ST, 1972

EXPRESSED IN UNITED STATES DOLLARS (1972)

LIABILITIES		1972	(1972 US $)
Accounts Payable and Accrued Expenses		17,934	23,021
RESERVES			
Ordinary Reserves	24,999		15,758
Special Revenue Reserve	3,525		
Reserve against losses on loans and guarantees and from currency devaluation	270,289		70,012
Staff Fund Reserve			-
		298,813	85,770
PENSION SCHEME FUND		44,560	33,027
CAPITAL			
Capital Stock			
Authorised - 20,000 shares of $5428.571 par value each	108,571,420		54,285,710
Issued Capital 10,000 shares	54,285,710		
Less: Callable shares	27,142,855		27,142,855
Paid-up shares (10,000 shares)	27,142,855		27,142,855
Less: Subscription instalment not yet due	13,028,570		17,371,427
	14,114,285		9,771,428
Advance payment on subscription	917,171		972,800
		15,031,456	10,744,228
NET INCOME FOR THE PERIOD		25,454	11,384
	15,418,217		10,897,431

ASSETS		1972	(1972 US$)
CASH			
In Hand	50		-
At Commercial Banks & Govt. Depositories	83,202	83,252	707,708
INVESTMENTS			
Government Securities at cost (face value $4,002,799)	3,950,363		1,665,157
Time Deposits and certificates of deposits	5,303,826		5,018,935
Accrued Interest	154,138		106,222
Share holding	2		2
		9,408,329	6,790,316
LOANS			
Loans approved by the Board	12,686,632		
Less: Amounts undisbursed	12,285,840		
Disbursements	400,792		
Accrued Charges on Loans	26,597	427,389	2,986
RECEIVABLE ON ACCOUNT OF PAID UP CAPITAL			
Non-negotiable, non-interest bearing demand notes	4,322,260		2,618,633
Non-negotiable, interest bearing demand notes	303,836		389,705
Accrued Interest on Demand Notes	29,569		28,339
Amount required to maintain value of currency holdings	649,857		212,383
		5,305,522	3,249,060
DEBTORS AND PRE-PAYMENTS		77,678	42,383
LAND AND BUILDING AT COST:			
Purchase of Land and Building	44,749		47,887
Rehabilitation of Building	10,633		7,085
	55,382		54,972
Less Provision for Depreciation	3,972		1,375
		51,410	53,597
OTHER ASSETS at Cost	25,444		22,581
Less Provision for Depreciation	5,367		4,228
		20,077	18,353
PENSION SCHEME ASSETS (Segregated and held in Trust)			
Investment at Cost	43,725		
Accrued Income	835	44,560	33,027
		15,418,217	

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND

BALANCE SHEET AS AT DECEMBER 31ST, 1972

EXPRESSED IN UNITED STATES DOLLARS (1972)

ASSETS		
Cash at Monetary Authorities		118,581
Fixed Deposits at Monetary Authorities and Commercial Banks		1,084,839
Accrued Interest on Investments and on Cash Balances		23,596
Amounts receivable from Contributors		18,849,588
Loans:		
Loans Approved by CDB	10,349,915	
Less: Undisbursed loans	10,342,504	7,411
		20,084,015
LIABILITIES		
Fund		20,000,000
Reserve against losses on loans and guarantee and from Currency Devaluation		39,193
Accrued Charges		890
Due to Ordinary Resources		43,932
		20,084,015

CARIBBEAN DEVELOPMENT BANK

STATEMENT OF INCOME AND EXPENDITURE
FROM JANUARY 26TH, 1970 TO DECEMBER 31, 1970

EXPRESSED IN UNITED STATES DOLLARS (NOTE A

INCOME:		
Investment Income	210,849	225,521
Income from Interest-bearing Demand	14,672	
EXPENDITURE:		
Administrative expenses		
Board of Governors	13,421	
Board of Directors		
Travel	7,598	
Staff		
Salaries	86,000	
Contributions to staff benefits	13,246	
Allowances	20,730	
Travel	48,912	
Consultants	465	
	169,353	
Other Administrative Expenses		
Supplies and equipment	3,792	
Communications	5,137	
Publication and printing	2,903	
Depreciation	1,082	
Insurance	235	
Other expenses	7,486	
	20,635	
TOTAL EXPENDITURE		211,007
NET INCOME		$ 14,514

CARIBBEAN DEVELOPMENT BANK
ORDINARY RESOURCES
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1971
EXPRESSED IN UNITED STATES (1969) DOLLARS (NOTE A)

			1971	1970
INCOME				
Income from investments			406,331	210,849
Income from interest bearing demand notes ..			36,266	14,672
Income from loan — Commitment charge ..			2,750	—
			445,347	225,521
EXPENDITURE				
Administrative expenses				
Board of Governors	7,198			13,421
Board of Directors	16,028			7,598
		23,226		21,019
Staff				
Salaries	169,764			86,000
Contributions to staff benefits	20,819			13,246
Allowances	31,742			20,730
Travel	27,710			48,912
Consultants	7,078			465
		257,113		169,353
Other administrative expenses				
Supplies and equipment	9,151			3,792
Communications	11,124			5,137
Publications and printing	9,567			2,903
Office occupancy	3,245			800
Depreciation	4,078			1,082
Insurance	843			235
Other expenses	12,540			6,686
		50,548		20,635
Contribution to United Nations Development Programme cost		40,000		—
		370,887		211,007
Less: Allocated to:				
Canadian Agricultural Fund	11,325			—
Special Development Fund	4,051			—
		15,376		—
			355,511	211,007
			89,836	14,514
Reserve against losses on loans and guarantees and from currency devaluations			79,351	—
NET INCOME			$10,485	$ 14,514

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR 1972

EXPRESSED IN 1972 UNITED STATES DOLLARS

		1972			1971	(1972 US$)
INCOME		$	$	$	$	$
Investment Income		558,265			406,331	441,159
Income from Interest Bearing Notes		23,575			36,266	39,375
Income from Loans		26,314			2,750	2,986
			594,689		445,347	483,520
EXPENDITURE						
Administrative Expenses:						
Board of Governors		5,116			7,198	7,815
Board of Directors		12,743			16,028	17,402
		17,859			23,226	25,217
Staff						
Salaries		181,128			169,764	184,315
Contribution to Staff Benefits		29,435			20,819	22,603
Allowances		34,634			31,742	34,463
Travel		30,338			27,710	30,085
Consultants		-			7,078	7,685
		275,535			257,113	279,151
Other Administrative Expenses						
Consumable Office Supplies		9,780				
Office Cleaning		4,093			3,245	3,523
Interest		7,887			-	-
Contract Studies		4,089			-	-
Supplies and Equipment		1,310			9,151	9,935
Communications		16,924			11,124	12,077
Publication and Printing		16,551			9,567	10,387
Depreciation		6,179			4,078	4,428
Insurance		828			843	915
Bank Charges & Transfer Fees		1,668				
Audit Fees		2,428				
Other Expenses		18,707			12,540	13,615
		90,444			50,548	54,880
Contribution to United Nations Development Programme Cost		20,000			40,000	43,429
		403,838			370,887	402,677
Less Allocated to:						
Canadian Agricultural Fund				11,325		
Special Development Fund	43,932			4,051		
		43,932	359,906	-	15,376	16,694
			234,783		355,511	385,983
Reserve against losses on					89,836	97,537
loans & guarantees etc.		205,894		79,351		
Special Revenue Reserve		3,5[illegible]5	209,32[illegible]	-	79,351	86,153
NET INCOME			25,454		10,485	11,384

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDING DECEMBER 31ST, 1972

EXPRESSED IN UNITED STATES DOLLARS (1972)

Income from Investment and Cash Balances		59,745
Less: Administrative Expenses	44,830	
Transfer to Reserve against losses on loans and guarantee and from currency devaluation	14,915	59,745
NET INCOME		-

SPECIAL DEVELOPMENT FUND OPERATIONS

PROJECTED CASH FLOW

	1973	1974	1975	1976	1977
U.S. Loan	2,000,000	3,500,000	4,500,000	-	-
U.K. Grant	400,000	1,500,000	1,600,000	1,500,000	-
Canadian Grant	1,009,000	241,000	1,250,000	1,500,000	1,000,000
New Resources	-	-	3,000,000	10,000,000	13,000,000
	-	-	-	-	-
	3,409,000	5,241,000	10,350,000	13,000,000	14,000,000
Loan Disbursements	2,900,000	5,750,000	10,350,000	13,000,000	14,000,000
Investments	509,000	(509,000)	-	-	-
	3,409,000	5,241,000	10,350,000	13,000,000	14,000,000

CARIBBEAN DEVELOPMENT BANK RESOURCES

PROJECTED CASH FLOW

	1973	1974	1975	1976	1977
Ordinary Resources (Capital)	12,209,944	2,171,428	2,171,428	5,000,000	5,000,000
Housing Loan (USAID)	2,000,000	4,000,000	4,000,000	-	-
Housing Loan (Technical Assistance)	50,000	60,000	30,000	-	-
Special Development Fund Resources	3,409,000	5,241,000	10,350,000	13,000,000	14,000,000
Canadian Agricultural Fund	1,250,000	88,000	68,000	482,000	-
Loans Ordinary(Resources)		10,000,000	10,000,000	10,000,000	10,000,000
	18,918,944	21,560,428	27,231,428	28,482,000	29,000,000
Loan Disbursements:					
Ordinary Resources (Capital)	3,000,000	4,000,000	5,000,000	7,000,000	7,000,000
Housing Loan(USAID)	2,000,000	4,000,000	4,000,000	-	-
Housing Loan(Technical Assistance)	50,000	60,000	30,000	-	-
Special Development Fund Resources	2,900,000	5,750,000	10,350,000	13,000,000	14,000,000
Canadian Agricultural Fund	668,000	670,000	680,000	482,000	-
Ordinary Resources (Loan Fund)	-	-	2,000,000	7,000,000	10,000,000
Investments:					
Ordinary Resources (Capital)	9,209,944	(1,828,572)	(2,828,572)	(2,000,000)	(2,000,000)
Special Development Fund Resources	509,000	(509,000)	-	-	-
Canadian Agricultural Fund Resources	582,000	(582,000)	-	-	-
Loan Fund Investments	-	10,000,000	8,000,000	3,000,000	-
	18,918,944	21,560,428	27,231,428	28,482,000	29,000,000

SPECIAL DEVELOPMENT FUND OPERATION
PROJECTED BALANCE SHEETS

	1973	1974	1975	1976	1977
Special Development Fund	20,000,000	20,000,000	23,000,000	33,000,000	46,000,000
Reserve against losses on loans etc.	29,000	115,000	305,500	625,500	1,085,500
Profit	-	-	-	-	81,877
	20,029,000	20,115,500	23,305,500	33,625,500	47,167,377

	1973	1974	1975	1976	1977
Fund Contributions outstanding	16,591,000	11,350,000	4,000,000	1,000,000	-
Loans	2,900,000	8,650,000	19,000,000	32,000,000	46,000,000
Investments	509,000	-	-	-	-
Cash	29,000	115,500	305,500	625,500	1,167,377
	20,029,000	20,115,500	23,305,500	33,625,500	47,167,377
Loss borne by CDB Ordinary Resources	292,170	328,623	235,123	88,123	-

CARIBBEAN DEVELOPMENT BANK RESOURCES
PROJECTED BALANCE SHEET

	1973	1974	1975	1976	1977
Ordinary Resources(cap)	18,457,141	22,799,997	27,142,855	27,142,855	27,142,855
Ordinary Resources (Loans)	-	10,000,000	20,000,000	30,000,000	40,000,000
Special Development Fund	20,000,000	20,000,000	23,000,000	33,000,000	46,000,000
Housing Loans	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Housing Loans (Tech.Asst)	50,000	110,000	140,000	140,000	140,000
Canadian Agric.Fund	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Reserves -Ordinary Resources	251,763	477,867	837,751	1,980,608	3,323,465
Spec.Fund Res.	29,000	115,500	305,500	625,500	1,085,500
Can. Agric.Fund	-	-	-	-	19,210
Net Profit	-	-	-	11,461	421,468
	51,287,904	66,003,364	83,926,106	105,400,424	130,632,498

	1973	1974	1975	1976	1977
Fund Contributions outstanding					
Special Dev.Fund	16,591,000	11,350,000	40,000,000	10,000,000	-
Housing	8,000,000	4,000,000	-	-	-
Canadian Agric.Fund	1,250,000	1,162,000	482,000	-	-
Non-negotiable notes	6,247,197	8,418,625	10,590,055	5,590,055	590,055
Loans - Ord.Resources (Cap.)	30,000,000	7,000,000	12,000,000	19,000,000	26,000,000
Ord.Resources (New)	-	-	2,000,000	9,000,000	19,000,000
-Spec.Dev.Fund	2,900,000	8,650,000	19,000,000	32,000,000	46,000,000
-Housing	2,000,000	6,000,000	10,000,000	10,000,000	10,000,000
-Can.AgricFund	668,000	1,338,000	2,018,000	2,500,000	2,500,000
Investments - Ordinary Resources (Cap)	9,209,944	7,381,372	4,552,800	2,552,800	552,800
-Ord.Resources(New)	-	10,000,000	18,000,000	21,000,000	21,000,000
-Spec.Dev. Fund	509,000	-	-	-	-
-Can. Agric. Fund	582,000	-	-	-	-
-Reserves Profit	280,763	593,367	1,143,251	2,617,569	4,849,643
Housing(Engineers)	50,000	110,000	140,000	140,000	140,000
	51,287,904	66,003,364	83,926,106	105,400,424	130,632,498

Note: Payments into HOusing Scheme Fund are not shown here.

SPECIAL DEVELOPMENT FUND OPERATION
PROJECTED PROFIT AND LOSS STATEMENTS

	1973	1974	1975	1976	1977
Interest on loans	20,000	75,000	185,000	360,000	590,000
Admin. Expenses:-					
50% CDB costs	338,123	338,123	338,123	338,123	338,123
U.N.D.P. staff	120,000	120,000	120,000	120,000	120,000
Less paid by UNDP	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Land Settlement Officers	10,000	60,000	75,000	90,000	90,000
Reserve 1%	29,000	56,500	190,000	320,000	460,000
	397,123	559,623	788,123	1,108,123	1,478,123

	1973	1974	1975	1976	1977
Interest received	58,000	231,000	553,000	1,020,000	1,560,000
Interest on investment	46,953	-	-	-	-
Loss(borne by CDB Ordinary Resources	292,170	328,623	235,123	88,123	(81,877)
	397,123	559,623	788,123	1,108,123	1,478,123)

CARIBBEAN DEVELOPMENT BANK RESOURCES
PROJECTED PROFIT AND LOSS STATEMENTS

	1973	1974	1975	1976	1977
Interest on loans					
Special Development Fund	20,000	75,000	185,000	360,000	590,000
Housing Loans (U.S.A.I.D)	20,000	80,000	160,000	200,000	200,000
- do - (Tech. Assistance)	500	1,000	2,500	2,500	2,500
Engineers (Housing Loans)	70,000	140,000	210,000	-	-
Admin. Expenses	676,246	797,000	915,000	938,000	994,500
U.N.D.P. staff	240,000	210,000	180,000	150,000	120,000
C.A.F. Admin. Expenses	54,600	70,200	70,200	70,200	70,200
New Resources (Ordinary)	-	800,000	1,600,000	2,400,000	3,200,000
Land Settlement Officers	10,000	60,000	75,000	90,000	90,000
Reserves:					
Ordinary Resources	251,763	226,104	359,884	1,142,857	1,342,857
Special Fund Resources	29,000	56,500	190,000	320,000	460,000
C.A.F.	-	-	-	-	19,210
Profit	-	-	-	11,461	410,007
	1,372,109	2,546,404	3,948,484	5,686,218	7,499,574

	1973	1974	1975	1976	1977
Interest received					
Ordinary Resources	240,000	560,000	960,000	1,520,000	2,080,000
Special Development Fund	58,000	231,000	553,000	1,020,000	1,550,000
Can. Agricultural Fund	13,360	40,120	67,120	90,360	100,000
Housing (U.S.A.I.D.)	50,000	200,000	390,000	480,000	480,000
New Resources (Ordinary)	-	-	160,000	720,000	1,520,000
Investment Income:-					
Ordinary Resources	644,696	516,696	318,696	178,696	38,696
Special Dev. Fund	46,953	-	-	-	-
Can. Agricultural Fund	29,100	14,550	-	-	-
New Resources (Ordinary)	-	700,000	1,260,000	1,470,000	1,470,000
Engineers (Housing	50,000	60,000	30,000	-	-
Income from investment of reserves etc.	-	14,038	29,668	57,162	130,878
U.N.D.P.	240,000	210,000	180,000	150,000	120,000
	1,372,109	2,546,404	3,948,484	5,686,218	7,499,574