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Washington, D.C.

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McNamara Papers

Contracts
Caribbean Development Bank
(1970)

Folder 1

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Contacts with member countries: Caribbean Development Bank - Correspondence 01

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CARIBB. DEV. BANK

CARIBBEAN DEVELOPMENT BANK

	2/22/70 (Montebello Conf.)	Sir W. Arthur Lewis, President, Caribbean Development Bank
1.	6/17/70	" " " " " " " "

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara **DATE:** June 17, 1970

FROM: E. Peter Wright EPW

SUBJECT: Caribbean Development Bank

With reference to paragraph 4 of my memorandum to Mr. Knapp of June 8 about the Caribbean Development Bank, I was informed by the State Department this morning that the U.S. Administration expects to raise the initial U.S. contribution to the soft loan funds of the Caribbean Development Bank to $10 million, as against the $6 million previously proposed. With contributions from Canada and the United Kingdom of $5 million each, this would raise to $20 million the special funds available to the Caribbean Development Bank. Present intention is to allocate the whole of the $10 million out of the aid appropriation for the current U.S. fiscal year ending June 30, though this is not yet certain. No specific time limit will be set on the use of the U.S. money, but arrangements will be made for periodic review of the Caribbean Development Bank's special fund operations.

President has seen

cc: Messrs. Knapp
Gutierrez
Diamond

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 17, 1970

FROM: J. Burke Knapp

SUBJECT: Caribbean Development Bank

Please find attached a copy of Sir Arthur's letter to you dated May 25, in which he renews his suggestion that "the World Bank might use the Caribbean Development Bank as a conduit for IDA lending to the smaller Caribbean territories which are not themselves members of the World Bank".

First of all Sir Arthur does not propose that we use the Caribbean Development Bank as a conduit for lending to the major countries of the Caribbean which are members of both our institutions such as Jamaica, Trinidad and Tobago and Guyana. The remaining territories in his jurisdiction only have a population of about 1,000,000; all but the Bahamas are dependent territories of the U.K. and receive very substantial bilateral subsidies from that source; and they are relatively advanced economically (per capita income in $250-$400 range).

Despite prodding from the U.K. we have never lent to any of these territories, mainly on the grounds that individually they were too small for us to bother about. This was one of the reasons why the Caribbean Development Bank was set up to cater to them.

It is clear, especially if the Caribbean Bank concentrates upon these territories rather than upon its larger members, that the resources of that Bank are more than ample to take care of their needs for some time to come. Quite aside from its ordinary capital ($25 million to be paid in over the next five years plus another $25 million of callable capital) the Caribbean Bank will dispose of soft loan funds of $16 million to be made available over the next five years. (i.e. over $3 per annum per capita for the smaller territories).

In these circumstances I see no case whatever for providing IDA funds to the Caribbean Development Bank. As for a loan from the World Bank, Sir Arthur certainly does not need it now and I do not really see the case for it even in the longer-run unless it is in a small amount extended merely for the sake of "good relations".

Copies to: Mr. Wright
Mr. Diamond

President has seen

Princeton University WOODROW WILSON SCHOOL
OF PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON, NEW JERSEY 08540

May 25, 1970

Mr. Robert McNamara
President, International Bank
for Reconstruction and Development
Washington, D.C. 20433

Dear Mr. McNamara:

In accordance with previous correspondence I spent May 12-14 in various departments of the Bank. This exercise was most profitable, and I am grateful to have had the opportunity. Your officers are most kind.

I refer now to the suggestion in my letter of March 24 that the World Bank might use the Caribbean Development Bank as a conduit for I.D.A. lending to the smaller Caribbean territories which are not themselves members of the World Bank.

In a sense this is roughly the same as asking that the World Bank treat the Caribbean Development Bank as the development bank for those particular territories, on the same footing as the other 20 or so development banks which your Mr. Diamond is already helping. The situation is that Jamaica has a development Bank, to which the World Bank will make a loan; and Trinidad is on the verge of establishing a development bank, with a promise of assistance from the World Bank. The other Caribbean territories are too small to establish their own development banks, and will use the Caribbean Development Bank for this function, It would, therefore, almost be anomalous if the World Bank supported the development banks of Jamaica and Trinidad, but refused to support the Caribbean Development Bank's development banking functions in the rest of the Caribbean.

I would welcome the opportunity of discussing this with you before leaving to take up residence in the West Indies on June 30. Any day after June 7 would suit me. I shall telephone your office at the end of this week to find a time convenient to you.

With best wishes,

Yours sincerely,

W. Arthur Lewis
President, Caribbean Development Bank

*6/1/70 Copies to: Messrs. Christoffersen
Gutierrez
Cope
Coudol (w/copy of routing sheet)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: June 17, 1970

FROM: William Diamond

SUBJECT: Caribbean Development Bank

1. You asked advice on Sir Arthur Lewis' request that the World Bank lend to the Caribbean Development Bank "on the same footing as the other 20 or so development banks" which we are already financing.

Should the World Bank Lend to a Public Sub-Regional Development Bank?

2. In principle, yes. Doing so would relieve us of the burden of relatively small-scale business and would help strengthen regional institutions. The Bank can play a role in both building and financing such institutions to deal with retail business, while we deal with the large-scale and the complex projects and assist in mobilizing loan resources for them.

3. A variety of techniques could be used for providing resources to a regional bank. For instance:

(a) using it as a channel for specific bank loans for specific projects—which would not serve the purpose mentioned above;

(b) establishing a special Bank fund to be administered by the regional bank for a fee in accordance with standards laid down by the Bank—which might meet part of the purpose, but not all of it;

(c) providing a line-of-credit to the regional bank.

Each of these methods has legal and policy implications, and practical advantages and disadvantages, which require exploration. A preliminary exploration is being prepared for consideration by the Loan Committee in connection with a proposal to lend to the Central American Bank for Economic Integration to finance industrial projects in Central America.

4. We should now be aware, however, of some principal factors that will have to be taken into account when deciding on a specific case. For instance, regional financial institutions have been conspiciously subject to political deal-making among their member countries. Consequently, particular care will have to be taken, before a loan is made, to assure ourselves about the regional bank's policy orientation, quality of management and staff, appraisal and follow-up procedures, and financial position and prospects. Such assurance should be based, not on statements and plans, but on a critical examination of performance. It follows that, if we are to lend to a regional bank, we ought not to do so until it has been in operation for a reasonable time so that we can evaluate actual performance.

President has seen

5. A second factor concerns attitudes of member countries. For we would have to forego direct lending (entirely, or for specific sectors, or below certain amounts) to the area which the regional bank serves. Member countries in that area might complain about loosing eligibility for borrowing from the World Bank, of which they are also members.

What Does CDB Want?

6. Sir Arthur's letter leaves the impression that he wants to borrow for the same purposes for which we lend to development finance companies: i.e., principally for productive private enterprise, primarily in industry and tourism. This impression is confirmed by the fact that he told us, during his visit, that he proposed to focus on financing investments in agriculture, industry, fisheries and tourism, leaving infrastructure to bilateral agencies (and the World Bank?). I suggest that you specifically ask Sir Arthur if this is, in fact, his wish. For, if it is, I think he may be placing an important restriction on CDB with which his shareholders may not agree. Moreover, the answer will affect the timing of CDB's need for new capital and will influence the amount of lending we can "delegate" to CDB.

Does CDB Need Funds?

7. CDB's capital (both $25 million of share capital and $16 million of soft loan from Canada and the U.S.) is intact; it has made no commitments to date. So far as we know, there has been no realistic assessment of CDB's prospective volume of operations or any clear lending program. Indeed the operational policies which will, in part, determine the rate of commitment of resources, have yet to be decided upon. There is thus no justification, in terms of need for resources, for a World Bank commitment in the near future.

8. Sir Arthur must be aware of this fact, and his approach at the present time must be motivated by some other reason—which no doubt is the public relations value of obtaining World Bank financing as part of the original capitalization of CDB. I can see the glamour of it to him; but it cannot be a good enough reason for us.

Specific Issues and Procedures

9. A variety of specific questions need to be considered when it becomes appropriate to consider a loan to CDB. For instance:

(a) Should the Bank or IDA provide the capital needed?

An answer will depend, not only on legal issues (guarantee problem), but also on the lending terms that would be appropriate.

(b) What degree of freedom should CDB have in deciding on specific uses of the loan proceeds?

Some aspects of our procedure with national development banks would be appropriate. But we need not be limited by that

procedure, for a regional bank is different from our standard financial borrower.

(c) What financial covenents would be required?

Here, too, we will have to be guided by CDB's peculiar character as an inter-governmental institution.

10. Answers to these questions need not be given at this time, and no effort is being made here to suggest answers. Although specific answers will be influenced by the specific case, some thought should be given to the general issues in connection with the exploration referred to in paragraph 3.

11. I suggest that you inform Sir Arthur that:

(a) The Bank Group is willing to consider finance to CDB in a manner consistent with the Bank Group's general policies, and to enable CDB to carry on its business in accordance with its Charter.

(b) As usual, recommendation of a loan will depend upon our satisfaction with CDB's policies, staff, appraisal and follow-up procedures, and financial position and prospects. Thus, a loan recommendation will have to be based on an evaluation of actual performance over a reasonable period.

(c) In any case, the Bank would expect to consider a loan only when a need for it is evident. At the present time, CDB has all its original resources; their prospective rate of commitment is not known and, indeed, depends upon policies which must still be worked out by CDB's shareholders, Board and management.

(d) Until need for capital arises and CDB has a record of performance, the Bank Group will continue the technical assistance already begun, in order to help CDB to build up its capacity to use capital effectively.

12. You might also wish to tell Sir Arthur that we have some home-work to do, in considering the form of our financial relationship with a regional bank, legal issues, attitude of affected member countries, proceedures to be used, etc.

cc: Mr. Knapp,
Mr. Demuth
Mr. Gutierrez

WDiamond:bda

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: June 16, 1970

FROM: J. Burke Knapp

SUBJECT: Caribbean Development Bank - Visit of Sir Arthur Lewis

Regarding your meeting with Professor Arthur Lewis tomorrow afternoon, I have not yet had a chance to put my thoughts down on paper and will do so tomorrow morning. In the meanwhile you might like to be looking over the attached papers for background purposes. In short, my view is that the Caribbean Bank has plenty of money to be going on with for at least two or three years and that if and when they need help from us to finance operations in the smaller Caribbean territories it should be from the Bank and not from IDA.

Attachments

President has seen

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. J. Burke Knapp DATE: June 8, 1970

FROM: E. Peter Wright

SUBJECT: Caribbean Development Bank: Briefing for Sir Arthur Lewis' Meeting with Mr. McNamara

1. Sir Arthur Lewis is visiting the Bank on Wednesday, June 17, to discuss with Mr. McNamara the possibility of the World Bank Group lending to the Caribbean Development Bank. The purpose of this memorandum is to draw attention to some of the issues involved and to obtain your guidance on the line to be followed in the briefing for Mr. McNamara. The memorandum has been prepared after discussion with the DFC Department and the Legal Department, but it has not been cleared with them or with any other Department in the Bank.

2. In his letter to Mr. McNamara of May 25, Sir Arthur Lewis suggests "that the World Bank might use the Caribbean Development Bank as a conduit for IDA lending to the smaller Caribbean territories which are not themselves members of the World Bank". As he sees it, "this is roughly the same as asking that the World Bank treat the Caribbean Development Bank as the development bank for those particular territories, on the same footing as the other 20 or so development banks which your Mr. Diamond is already helping". However, the CDB is a different sort of animal from national development banks like the Jamaican Development Bank and the proposed DFC in Trinidad to which Sir Arthur refers, and the fact that it is an intergovernmental organization, with a majority of its Board of Directors drawn from member countries of the World Bank, suggests that any relationship we may establish with it will be of a rather different character from that visualized, for example, in the Operational Memorandum on development finance companies.

Needs of the Caribbean Development Bank

3. Perhaps the first question to ask is "Will the Caribbean Development Bank need our money?" The answer cannot be given now: it will depend on the CDB's operational policies, which have still to be formulated; on the extent to which Sir Arthur Lewis succeeds in resisting pressure for its funds to be made available to its larger regional members (particularly Jamaica, Trinidad and Guyana), rather than being concentrated in the Associated States in the Windward and Leeward Islands and British dependencies in the Caribbean; on the readiness of the non-regional members (Canada and the U.K.) and the U.S. to make additional soft funds available; on the absorptive capacity of the borrowing countries; and on the ability of the Caribbean Development Bank itself to process project loans. Sir Arthur Lewis does not consider it to be the business of the CDB to finance development projects in Jamaica and Trinidad, or for that matter in the Bahamas, and he does not therefore see the CDB

substituting for the World Bank, the IDB or other international organizations in lending to the independent countries in the Caribbean. However, if we accept his concept of the CDB's functions, it will be difficult to justify the World Bank Group lending much to the CDB because the population of the Windward and Leeward Islands, British Honduras and other British Caribbean dependencies is only about 700,000 (i.e. less than the population of Guyana). A better case might be made for our lending if the CDB takes a larger view of its role and is prepared to assume some responsibility for financing projects in its more developed member countries. Its Board is likely to be divided on this issue.

4. The Caribbean Development Bank will start with $25 million of ordinary capital to be paid in six installments over five years and probably another $16 million of soft loans from Canada, the U.K. and the U.S., which are supposed to be made available to a Special Development Fund also over five years, but which might be released quicker if there was demand for them. These funds should be adequate to support the $15 million of lending which is Sir Arthur Lewis' present (and possibly rather optimistic) idea of what the CDB might achieve during its first two years.

5. A larger volume of lending might be possible if the CDB was ready to finance major infrastructural investments (e.g. roads and airports); according to estimates prepared by the British Development Division in the Caribbean, the need for public investments in economic infrastructure in the Associated States and British dependencies alone over the next five years will exceed $100 million. However, Sir Arthur Lewis has indicated that he wants the CDB to concentrate its operations on productive investments in agriculture, fisheries, industry and tourism, leaving most of the public investment in economic and social infrastructure to be financed as at present from bilateral sources, principally Canada and the U.K. If he succeeds in persuading his Board that the CDB's operations should be limited mainly, if not exclusively, to directly productive enterprises in the Associated States and British dependencies, no additional funds should be needed for at least the next year or 18 months. After that, if the CDB gets off to a good start in identifying and preparing projects, there might be enough business in tourism and agriculture, including agro-industries, to justify setting up more of the "special funds" for which Article 8 of the Bank's Charter provides.

Bank Loan or IDA Credit?

6. If the World Bank Group should decide to contribute funds to the CDB, there are several reasons why an IDA credit would appear to be more appropriate than a Bank loan:-

(a) none of the Associated States or British dependencies in the Caribbean could be regarded as creditworthy by Bank standards, and while their present per capita GNP (probably for the most

part in the range of $300-$400 a year) would barely qualify under the existing IDA poverty criterion, this criterion will presumably be relaxed somewhat after the Third Replenishment;

(b) the CDB itself is going to be hard pushed to make a profit because its overheads will be high in relation to its lending, it will probably have difficulty in establishing its credit in the market, and its capacity for servicing loans on conventional terms, without calling on the guarantees of its non-regional members, must be assumed to be rather limited; and

(c) an IDA credit would not raise the problem of the government guarantee, which would be required for a Bank loan. IDA's Articles of Agreement moreover, unlike the Bank's, specifically provide for lending to a "public international or regional organization" (see Mr. Cancio's memorandum attached). This is not however to say that a Bank loan need be complicated, since the guarantee of the U.K. alone would presumably suffice to cover a loan to the Caribbean Development Bank for use in territories whose international relations are handled by the U.K.

7. Given the attractiveness of IDA funds, it might be held that an IDA credit to the Caribbean Development Bank would create an undesirable precedent which would make it difficult to resist similar requests for IDA assistance from other regional or sub-regional development banks. This is certainly a consideration to be borne in mind. It should be recognized, however, that IDA lending to the CDB would probably have the full support of three of the principal contributors to IDA, namely Canada, the U.K. and the U.S.

8. Whether the funds were provided to the CDB through a Bank loan or an IDA credit, certain restrictions might have to be placed on their use to prevent them being relent to countries which are not members of one or the other institution. Barbados, which is a fully independent country, is a member neither of the Bank nor of IDA, although it may still join. Jamaica and Trinidad are not members of IDA, although Trinidad has applied for membership (this could be an advantage in helping to ensure that any IDA funds made available to the CDB were used only for the benefit of what are described in the CDB's Charter as "the less developed members of the region").

Purposes of Loan or Credit

9. Another question that would arise in the event of the World Bank Group deciding to lend to the Caribbean Development Bank would be whether the funds thus provided should be available for whatever purposes the CDB,

consistently with its Charter and its operational policies, might wish to use them, or whether their use should be restricted to specific sectors. Traditionally, lending by the World Bank Group by way of financial intermediaries has been largely confined to industry (including tourism) on the one hand and agriculture on the other. The pattern of our industrial credit operations, where primary emphasis has been put on the institution through which we lend rather than on the ultimate borrowers, has been quite different from the pattern of our agricultural credit operations, where much more attention has been given to the purposes for which the sub-loans are made, to prescribing the terms of the sub-loans and to providing technical assistance to farmers for project preparation. It has been accepted in principle that the DFC-type of operation, which has in practice been generally geared to lending for industry, is applicable to multi-purpose development banks, and whatever purposes we might agree that our funds should be used for, it is this type of operation which would provide the obvious model for lending to the Caribbean Development Bank. Indeed, the Standard DFC Loan Agreement now being drawn up by the Legal Department might serve, with certain modifications, as a basis for negotiating a loan or credit to the CDB.

10. While tourism is likely to be a key sector of development for some parts of the Eastern Caribbean, and thus an important focus of CDB activities, it is doubtful whether there will be any comparable demand for capital from manufacturing industries, particularly since the creation of CARIFTA tends to put manufacturers in the smaller islands at a disadvantage. We should presumably therefore be thinking of a DFC-type operation which permitted the funds we provided to be relent for commercial agriculture and fisheries as well as for manufacturing industries and tourism. An alternative approach would be to go the whole hog and let the CDB use our funds for anything, including infrastructural projects. A modified version of the DFC Standard Loan Agreement would still be applicable, but there is no obvious advantage to be gained by relaxing our control over the use of the funds to this extent, and some Executive Directors would be opposed to it.

11. Article 1 of the Charter of the CDB states that "the purpose of the Bank shall be to contribute to the harmonious economic growth and development of the member countries in the Caribbean ..... and to promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the region". If regional projects can be developed (e.g. in fisheries, air transport, shipping, telecommunications, higher education), we should be particularly interested in supporting them. However, if the project was a sizeable one, this might be a case where direct lending by the World Bank Group could be justified, perhaps as a joint operation with the CDB.

Conditions of Lending

12. In making a loan or credit to the Caribbean Development Bank we should presumably attach some importance to obtaining a Statement of Policy from the borrower in amplification and support of its Articles of Agreement. Rules would have to be laid down governing the extent, if any, to which sub-loans would require our prior approval. Financial covenants would include a debt limitation clause. Since procurement for the ordinary operations of the CDB will normally be limited to the territories of its member countries, we would need an understanding that our funds could be used for procurement in any IBRD member country plus Switzerland. But none of these provisions should create any particular difficulty.

Conclusions

13. If, as Sir Arthur Lewis presently intends, the CDB confines its lending mainly to the Associated States and British Caribbean dependencies, it is unlikely to need additional resources for a year or two, and even then it could probably obtain all the resources it could use without assistance from the World Bank Group. At best, therefore, the case for Bank or IDA lending is a marginal one, and the amount of lending would have to take into account the small size of the populations to be served. An IDA credit would be more appropriate and simpler from a legal point of view than a Bank loan. The uses of the credit could be limited to specified areas of the CDB's operations, including - but not confined to - industry and tourism, and the credit could be extended on conditions similar to those usually applied in our lending to DFCs. It could not be used, however, for financing projects in countries which were neither members of IDA in their own right nor included in U.K. membership.

14. However we may come out eventually, there is no need to take a definite position with Sir Arthur Lewis at this stage. The case for Bank or IDA lending to the CDB will have to depend on the CDB being able to demonstrate a clear need for additional funds, and this it cannot do at present, particularly since Sir Arthur Lewis is insisting that its operations should be largely confined to its smaller regional members. If he is pushed by his Board, as he probably will be, to allocate a significant share of the CDB's presently available resources to the larger countries, he could probably make a more convincing case for us to help him, but then it might well be that a Bank loan would be more appropriate than an IDA credit.

cc: Messrs. Broches
Demuth
Mathew
Cancio
Ellsworth Clark
Wyss

Attachment

FORM NO. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. E. Peter Wright

DATE: June 5, 1970

FROM: Leopoldo Cancio

SUBJECT: Possible IDA lending to Caribbean Development Bank (CDB)

I discussed the issues raised by you with Messrs. Broches and Clark. There is no doubt that under IDA's Articles, IDA can provide financing to CDB. CDB is, of course, a "public international or regional organization" which can be provided financing under Section 2 (c) of Article V of IDA's Articles. The majority of the members of CDB are also members of IDA, or are included in the U.K. membership of IDA.

Funds from any such financing would have to be channeled to CDB's members who are also members of IDA in order to comply with the requirement in IDA's Articles that its financing would be provided "to further development in less-developed areas of the world included within the Association's membership" (emphasis added). Contractually, IDA and CDB could limit the use of such financing to the areas of IDA members of CDB.

I am attaching hereto a paper written by Mr. Nurick which discusses the above points in detail.

LC:bmc
encl.

cleared with Mr.Broches

cc: Mr. E.E.Clark

CARIBBEAN DEVELOPMENT BANK

Introduction

1. The Caribbean Development Bank (CDB) was formally inaugurated on January 31, 1970 at a meeting of its Board of Governors in Nassau, Bahamas. The headquarters of the CDB are located in Bridgetown, Barbados.

2. Preparations for setting up the CDB took place during most of the second half of the 1960's. The preparatory efforts were closely linked to the development of the Caribbean Free Trade Area (CARIFTA) arrangements which were generally expected to profit the major semi-industrialized islands of the former British West Indies: Jamaica and Trinidad and Tobago, as well as Guyana and Barbados. The CDB, on the other hand, was to foster primarily the development of the small dependent UK territories.

3. The UNDP provided considerable assistance during the preparation work; Mr. Ellsworth Clark of the Bank was consultant on all legal matters related to the CDB proposal.

Purpose of CDB

4. The stated objective in establishing the CDB was to provide the Caribbean area with an institution which can contribute to the balanced economic growth and development of the region and which will promote economic cooperation and integration, with special and urgent regard to the needs of the least developed members. In addition to lending, the Bank's functions are (1) to assist regional members in the coordination of their development programs, with a view to promoting the orderly expansion of international trade, in particular intra-regional trade; (2) to mobilize within and outside the region additional financial resources for development; (3) to provide appropriate technical assistance to regional members; (4) to cooperate and assist in other regional efforts designed to promote regional and locally controlled financial institutions and a regional market for savings; and (5) to stimulate and encourage the development of capital markets within the region.

Membership and Capital

5. Membership is open to all states and territories of the region as well as to states outside the region that are members of the United Nations or any of its specialized agencies.

6. At present, contributions to the initial equity capital of US$50 million are as follows: (for comparison, population, GNP and per capita GNP are also shown)

	Capital Contribution in US$ million	Population (in 1,000) 1/	GNP (in million US$) 1/	Per Capita GNP (in US$) 1/
Jamaica	11.2	1,876	860	460
Trinidad and Tobago	7.7	1,010	800	790
Bahamas	3.3	144	230	1,570
Guyana	2.4	680	225	330
Barbados	1.4	249	105	420
British Honduras	0.5	113	40	360
Grenada	0.5	101	21	210
St. Lucia	0.5	105	22	210
Antigua	0.5	61	19	310
St. Vincent	0.5	91	18	200
Dominica	0.5	70	18	250
St. Kitts, Nevis, Anguilla	0.5	57	16	270
Montserrat, British Virgin Islands, Cayman Islands, Turks and Caicos Islands	0.5	n.a.	n.a.	n.a.
Total of region	30.0	4,557 2/	2,374 2/	520 2/
U.K.	10.0			
Canada	10.0			
Total	50.0			

1/ From World Bank Atlas, 1969 edition.

2/ Excluding Montserrat, British Virgin Islands, Cayman Islands, Turks and Caicos Islands.

member of IDB

Out of the initial capital, 50 percent will be paid up and 50 percent is payable by call. The paid up portion is payable in six installments. The first 20 percent (totalling US$5 million) was due 90 days from the inauguration date (payable in cash or xxxxxxxxxxxxxxxx notes) and the remaining five installments (16 percent each) are to be paid in each succeeding year.

7. In addition to the resources made available through equity, a soft loan fund is to be set up. Promises have been received from the United States (US$6 million) and from Canada and the U.K. (US$5 million each). These funds are scheduled to be made available over five years.

Organization and Management

8. The CDB has a Board of Governors who is to meet once a year. The Board of Directors, consisting of 5 regional and 2 non-regional representatives, will meet as frequently as business requires. Day-to-day operations will be executed by a President, who is both chairman of the Board of Directors (without right to vote except in case of an equal division) and chief executive officer of the Bank. At the inauguration meeting in January, the Board of Governors elected Sir Arthur Lewis as CDB's first President for a five-year term.

9. Sir Arthur Lewis is now beginning to set up the Bank's organization. He will formally start operating out of Barbados from this summer onward. He has selected Mr. Lorne Dyke, formerly Deputy Minister of the Manitoba (Canada) Department of Industry and Commerce, as Vice President responsible for "Operations". The only other person now engaged is Mr. Noel Venner, Secretary of CDB. According to Sir Arthur, a staff of about fifteen will be engaged by the end of 1970 when the CDB should become fully operative.

UNDP Financed "Pre-Investment Unit"

10. The CDB has asked UNDP for assistance (US$1.8 million over a five-year period) in starting out its operations. The Governing Council of UNDP will consider the request in its June 1970 session. The World Bank has been asked to act as Executing Agency.

11. The exact nature and role of this assistance program has been discussed initially with Sir Arthur in mid-May. Sir Arthur expects that the program would consist of a pool of experts on which CDB would draw as required. He sees the need for such an assistance primarily from the point of view of the severe budget restraints of CDB in its initial period. He is also very conscious that CDB would not be capable for quite a while to offer sufficiently attractive salary conditions to staff without creating serious problems with member countries where top officials are generally paid much less than in international organizations.

Initial Lending Operations

12. CDB's plans for lending operations could not at present be expected to be more than very tentative. Sir Arthur hopes CDB will concentrate all its lending during the initial few years to the small Windward and Leeward islands. He feels that sufficient external assistance, mainly from the U.K. but also Canada, is assured for infrastructure investments. Therefore, CDB should devote its resources to fostering "productive sectors", principally agriculture, small industry and, to the extent needed, tourism. He hoped that the level of lending could be of the order of US$15 million for the first two years combined. This level of lending could be well sustained, even if all loans could be disbursed within one year, by the sources already available.

13. In order to provide CDB with a sound basis for lending, Sir Arthur planned to have pre-investment reviews made of the productive sectors on all the "small islands" during 1971. He insisted that if there was no or only very limited scope for such investments, he would doubt the economic viability of these islands and therefore also of the CDB, at least to the extent that CDB was designed to help the small islands.

Relations with Bank

14. Sir Arthur has indicated that in addition to looking to the Bank as Executing Agency of the UNDP financed program and as friend and advisor on many aspects of CDB activities, he wished to discuss with Mr. McNamara the prospect for future Bank/IDA lending to CDB to help in the development of CDB member countries, principally the small islands, in which the Bank has not been active. Unless CDB would step up its lending beyond what Sir Arthur mentioned to us recently, the earliest possible time for a need for resources in addition to those mentioned in paragraphs 6 and 7 would be in 1972.

May 21, 1970
Hans Wyss