

ECLA/POS 71/7 ✓

11 June 1971



ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

Note

on the Functioning and Organisation of the
DEVELOPMENT CORPORATION IN SAINT VINCENT

Note

on the Functioning and Organisation of the
DEVELOPMENT CORPORATION IN SAINT VINCENT

<u>Table of Contents</u>		<u>Para.</u>	<u>Page</u>
I	INTRODUCTION	1-4	1-2
II	PRINCIPAL FEATURES OF THE LEGISLATION	5-17	2-6
	Objective and Scope of Activities	5	2
	Types of Activities	6	2-3
	Extent of Autonomy	7	3
	Funds and Resources	8-14	4-5
	Powers to Spend	15-16	5-6
	Maintenance and Submission of Accounts	17	6
III	RECOMMENDATIONS	18-49	6-16
	Need for Selectivity	18	6
	Determination of Priorities	19-20	7
	National Development Perspective	21-24	7-8
	An Already Emerging Pattern	25-31	9-10
	Demarcation of Boundaries	32-33	10-11
	Promotion	34-39	11-13
	Land Development and Construction	40-44	13-14
	Development Financing	45-48	14-16
	Organisation Chart	49	16
IV	SOME POSSIBLE QUESTIONS	50-63	17-21
	Initial Organisation	51	17
	Profitability	52-53	17-18
	Methods of Corporation Financing	54-56	18-19
	Administration of Tax Incentives	57-60	19-21
	Overlap with other Agencies	61-63	21
<u>Annex I:</u>	Prospects and Properties Already entrusted by the Government to the Development Corporation in Saint Vincent		22
<u>Annex II:</u>	Tentative Organisation Chart for Saint Vincent Development Corporation		23
Part 1			
Part 2	Tentative List of Functions of Various Divisions of the Corporation		24-25

Note

on the Functioning and Organisation of the Development Corporation in Saint Vincent

I Introduction

1. On request by the Government of Saint Vincent, the Regional Economic Adviser was asked to assist and advise the Development Corporation, a statutory body recently established in Saint Vincent, on its functioning and organisation.

2. The Adviser visited Saint Vincent from 15 to 17 February 1971 and held discussions with the Secretary of the Corporation. Early in March 1971, a tentative draft of this note was sent to the Secretary of the Corporation for his comments and observations. It is quite likely that on submission of this note, in its present form, there might arise a need for the elaboration of some of the issues raised herein. The Government is most welcome to raise whatever questions it wishes to raise, and if necessary a further visit by the Adviser would be arranged.

3. The legislation namely, the Development Corporation Act, 1970, providing for the establishment of a Development Corporation in Saint Vincent was enacted in April 1970. Pursuant to this legislation, the Corporation was established later during the year. Members of the Corporation were named. Of these, only two including the Chairman are civil servants. The other eight members are drawn from various walks of life but in their individual capacities and not as representatives of any particular sectional interest. An economist, already in a senior Government position, was appointed as full-time Secretary-cum-Manager of the Corporation.

4. Since the Corporation would be obliged to function and organise itself within the framework of the legislation already enacted, the procedure followed in this note is to start with a brief description of the salient features of this legislation

interspersed with observations, and to follow it up in the third section with recommendations as to the organisation and functioning of the Corporation. The fourth section deals with a few specific questions which are bound to arise in the implementation of the recommendations made in this note.

II PRINCIPAL FEATURES OF THE LEGISLATION

Objective and Scope of Activities

5. According to the aforementioned Act, the Corporation is entrusted with the tasks not only of stimulating and facilitating but also of undertaking "the development of Saint Vincent"^{1/}. The term "development of Saint Vincent" has been left undefined however. As it stands, therefore, the legislation makes the scope of activities of the Corporation as wide as possible. The Corporation could thus be involved in promotional and developmental work in any area of development, be it development of industries, tourism, agriculture, transport, communications, housing or any other sector or subsector of the economy.

Types of Activities

6. The Corporation has been given power to engage in any or all of the following activities in the discharge of its task:

- (a) to acquire such property or carry on such business as the Governor may direct it to acquire or carry on;
- (b) to carry on all activities the carrying on of which appears to it to be requisite, advantageous or convenient for or in connection with the discharge of its said function;
- (c) to promote the carrying on of any such activities by other bodies or persons, and for that purpose to establish or expand or promote the establishment or expansion of, other bodies to carry on any such activities either under the control or partial control of the Corporation or independently, and

^{1/} See Section 4(1) of the Act.

to give assistance to such bodies or to other bodies or persons appearing to the Corporation to have facilities for the carrying on of any such activities, including financial assistance by the taking up of share or loan capital or by loan or otherwise;

(d) to carry on any such activities in association with other bodies or persons (including Government authorities) or as managing agents or otherwise on their behalf;

(e) to do anything and to enter into any transaction (whether or not involving expenditure, borrowing, granting of loans or investment of money in accordance with the provisions of any property or rights, or the disposal of any property or rights) which in its opinion is calculated to facilitate the proper discharge of its function or is incidental or conducive thereto;

(f) to do all other business approved by the Governor.^{2/}

Extent of Autonomy

7. The very fact that the Government has decided to create a statutory body outside of the civil service structure is a clear indication that the Government wishes the Corporation to work as an autonomous agency. It can be seen also from the manner in which the functions and activities of the Corporation are set out in the legislation that the Corporation will enjoy wide freedom with respect to the various areas and types of activities in which it can engage. At the same time, however, the Corporation is obliged by the legislation to "conform with any general or special directions"^{3/} which the Government might issue to it, through the Governor of the Territory. This, no doubt, imposes a limitation on the autonomy of the Corporation but it is perfectly understandable that the Government should, in the ultimate analysis, retain the power to ensure that the Corporation's activities are not in conflict with, but in furtherance of, the programmes and policies of the Government.

^{2/} See Section 4(2) of the Act.

^{3/} See Section 15 of the Act.

Funds and Resources

8. The legislative provisions with respect to the funds and resources which the Corporation can draw upon fall broadly into two groups: i) capital resources and ii) current resources.

9. On the Capital side, the Corporation might a) receive advances from the Government on such terms as to interest and repayment as the Government may fix; and b) raise loans from other sources but with the Government's approval as to their amounts, sources and terms.

10. Although the legislation does not draw any distinction between working capital and capital that the Corporation might need to finance specific projects, there is no gainsaying that the Corporation would have to have a certain minimum of working capital to start with. This initial working capital should, most appropriately, be advanced to the Corporation by the Government and on very soft terms as regards interest and repayment so that the Corporation is under no pressure, in the short run, to have to repay this advance or even to pay substantial sums by way of interest. It is the amount of this working capital and the terms on which the Corporation secures the advance which will largely determine the areas and types of developmental activities which the Corporation can engage in on its own.

11. However, the Government might, under the legislation, vest certain properties including mortgages, debentures and investments, in the Corporation. The legislation does not stipulate the terms on which those properties could be vested by the Government in the Corporation. The questions then arise: Is the Corporation to develop (using the term in the narrow sense of land preparation and construction where the property vested in the Corporation is landed property) and/or manage these properties on behalf of the Government? Or would the Government be transferring the ownership of these properties to the Corporation? If it is the former, on what terms would the Corporation develop and manage these properties? If the latter is the case, would the valuation set on these properties be regarded as a financial transfer to the Corporation? If it is to be so regarded, this too should be a further capital receipt for the Corporation whose

terms would have to be set in each case.

12. A distinction is necessary to make, however, between the transfer by the Government of property with a view to its development and/or management by the Corporation and the transfer to the Corporation of a property with a view to augmenting the resources available to the Corporation. In some cases, the transfer of one and the same property may be effected with a view to serving both the objectives whereas in other cases the transfer may be effected for only one of the two objectives.

13. On the Current side, the Corporation's receipts would be drawn from a) sums provided every year in the Government's Annual Estimates; b) earnings from properties acquired by, or vested in, the Corporation; and c) interest on loans and advances made by the Corporation.

14. For 1971, the Government Budget has allocated a sum of \$40,000 to meet the Corporation's current expenses. The Budget also provides for a sum of \$1 million in the Capital Account to be advanced to the Corporation during 1971. However, the terms and conditions of this advance do not seem to have been finalized as yet. It is presumed, however, that this particular advance is intended to serve as the Corporation's working capital.

Powers to spend

15. Under the terms of the legislation, the Corporation has been given powers to dispose its funds in the discharge of its functions. It is authorized to incur expenditures, to acquire properties, to take up share or loan capital and also to make loans and advances.

16. But the same legislation imposes what appears to be a perfectly legitimate restraint on the Corporation, whereby it is bound to invest funds in hand (i.e. funds not immediately required in the discharge of its own functions) only in "securities approved generally or specifically"^{4/} by Government and also to seek Government's approval in disposing of such investments. It is

^{4/} See Section 19 of the Act.

expected that the Government would lay down certain guidelines for the Corporation to follow in the above regard so that the Corporation can phase the investment of its unused balances and their disposal in accordance with its anticipated requirements of funds for developmental activities in the near future.

Maintenance and Submission of Accounts

17. For all the funds it raises, spends, invests or gives by way of loans and advances, the Corporation is obliged under the aforesaid legislation to render an account in a manner approved by the Government. These accounts would have to be audited annually by an auditor appointed by Government. Also the Corporation is obliged to submit an annual report to the Government (specifically to the Minister in charge of Planning and Development) within six months from the end of each calendar year. This annual report is required to contain an account of the Corporation's activities and transactions and also a statement of accounts.

III RECOMMENDATIONS

Need for Selectivity

18. It should be abundantly clear from the above description of its principal features that the legislation enacted by the Government of Saint Vincent is very wide with respect to the areas of development in which the Corporation can operate and the activities in each of these areas that can be undertaken by the Corporation. However, in the interest of making efficient use of the limited resources at its disposal (which the Government might either place at the Corporation's disposal or authorise it to raise on its own) the Corporation must, from the very outset, operate on the basis of a set of priorities. There is a danger in assuming excessive responsibilities even though the legislation is very wide. To undertake (or even to be entrusted with) excessive responsibilities is sure to result in blurring the Corporation's priorities, with the consequence that neither its capacity nor its will to perform well and effectively on any one of its multiple responsibilities would be strong.

Determination of Priorities

19. Granting the need for selectivity, the question still remains regarding context in which the priorities ought to be determined. There is also the secondary question: should the Government set the priorities for the Corporation or should the Corporation be free to set its own priorities?

20. To take up the second question first, one has to be realistic in this respect. The Government can, when it wants, set down the Corporation's priorities. Not only does the Government have the power to issue general or specific directions to the Corporation but it also holds the purse strings of the Corporation. But to the extent that the Corporation is allowed freedom to decide what activities to undertake and what to forswear, and this freedom, it is believed, would be quite substantial, the Corporation will have to set down its own priorities. Hence, the importance of the first question regarding the criterion or criteria for the determination of the Corporation's priorities.

National Development Perspective

21. The first and foremost point to note in this context is that the Corporation's priorities are set, within the framework of an overall perspective for national development. The Corporation's priorities cannot, and should not, be determined in isolation. Therefore, however wide may be the measure of freedom which the Government allows the Corporation to exercise in the selection of its activities, it is almost imperative for the Corporation to ensure that its priorities are in harmony with current national development objectives, which, it must be granted, the Government of the day alone is competent to set.

22. Whether or not the Government is ready with a formal development plan for the territory, the fact remains that, like every government, it has to have a broad perspective for the territory of the lines of economic and social advancement for the next few years. Be they four, five or six is not very significant. It is within this broad development perspective that the Government

formulates its own policies and allocates its own expenditures to various activities from year to year. It is only natural to expect that the activities of the Development Corporation dovetail appropriately not only with the Government's general policy but also with its direct activities.

23. To take a concrete case, it will be only appropriate that the Corporation's plans for industrial development conform with the Government's policy with respect to the type of industries to be encouraged and their location. Likewise, it might be perfectly right to expect that the Corporation's programme for hotel expansion, for instance, should not diverge from the Government's policy on the role of tourism in the strategy for development for the territory or from the priorities which the Government assigns to the development of different parts of the territory when it comes to location of additional hotel capacity. At the same time, the timing of industrial and hotel expansion will have to be so phased as to accord with the construction of related infrastructure by Government departments. The Government might even have a definite policy on the extent and form of alien involvement in business activity which the Corporation should take into account in the matter of industrial and hotel finance and management.

24. However, within the framework of overall development perspective, there should be considerable room for the Corporation to set its own priorities. For instance, in the field of industries the Corporation might decide to undertake, or assist in, the training of local labour in industrial skills. It might even decide to establish special facilities for small scale industries. In the first case, the objective would clearly be to expand employment opportunities for local labour and in the latter case the objective would be to increase local participation in industrial development and that too on a broad base.

An Already Emerging Pattern

25. A broad pattern of priorities seems to be emerging from a) the type of projects which the Government has already entrusted to the Corporation and b) the type of properties that the Government has vested in the Corporation. (See Annex I for the list of projects and properties entrusted already to the Corporation).

26. As a body entrusted with stimulating and facilitating development, a major pre-occupation for the Corporation would have to be the promotion of entrepreneurial interest in the development of the territory. This task itself, as we shall note subsequently, could take on quite big proportions. But there are bound to be other urgent development tasks to be undertaken. Hence, the continuing need to be selective in the choice of the Corporation's activities.

27. It appears that the Government of Saint Vincent is anxious that the Corporation should be equally actively involved in land development entailing establishment of individual estates, construction of urban residential cum-tourist-cum-commercial complexes and preparation of land for new farm settlements. In fact, it appears that land development would have to be a major preoccupation of the Corporation in Saint Vincent in the foreseeable future while the territory is still engaged in the early phase of development.

28. A question that, we believe, is being seriously considered is to ask the Corporation to function also as a development financing institution. The idea seems to be to entrust the Corporation with the task of administering funds, raised both internally as well as externally, for the purpose of making loans and advances to small, and possibly medium-sized, industrial and other development enterprises engaged in such of the economic activities as qualify for encouragement in the light of the priorities established for the territory's development.

29. In this connection, it may be pointed out that there is a tendency in larger communities to set up separate institutions for providing different types of developmental services. This is particularly true with respect to development finance. But this tendency is quite understandable because of the very volume involved for each of the services to be provided in the larger countries. At the same time, there is an increasing appreciation allround of the need for an integrated approach and harmonious working of these separate institutions towards goals which are common.

30. In a small community, however, there is much to be gained, in terms of effective contribution to development, by entrusting to one central agency the task of providing as many of the developmental services as possible. Functional co-ordination, and therefore harmonious working, would thereby be so much easier to ensure. Also, this approach would entail far less administrative expense than if the Government in a small community were to set up several small institutions.

31. Thus broadly speaking the activities of the Development Corporation in Saint Vincent would, in the first phase of the territory's development at least, fall into three distinct categories: I Promotion, II Land Development and Construction and III Development Financing.

Demarcation of Boundaries

32. It is important that in each of the major spheres of the Corporation's work boundaries are demarcated as clearly as possible. Firstly, clear definition of boundaries under each category would contribute to efficient operations within the Corporation. Secondly, this would obviate any overlap in work, and consequential duplication, with Government departments and other institutions e.g. Tourist Board or Land Mortgage Bank etc. already operating in the Territory.

33. In defining the major activities of the Corporation under the three major heads mentioned above, namely Promotion, Land Development and Development Financing, the attempt is made

in this note to highlight such of the activities that, in our judgment, would, in the territory's present phase of development, call for action in the immediately foreseeable future. There is no doubt that as development proceeds demands for a larger volume and a wider range of services are bound to arise and the effectiveness of the Corporation's role in the development process might well be measured by the extent to which it can anticipate these demands in the future and arrange to meet them.

Promotion

34. One of the first promotion tasks that the Corporation would have to direct its attention to is the building up of an adequate information service. Such an information service should aim at not only giving adequate publicity to the investment opportunities that the territory has to offer in different fields of economic activity but also providing sufficiently detailed and authentic information on the special facilities and incentives that the territory offers to enterprises entering those fields which fall within the scheme of development priorities. At the same time, the information service should provide prospective investors with information with regard to the various rules and regulations which govern the establishment and operation of enterprises on matters such as factory licensing, land zoning, import licensing, price controls, enforcement of standards, health and safety standards and settlement of labour disputes. Any potential investor would want to know fully the restraints under which he would have to operate just as he would be anxious to be fully informed on the incentives and facilities that the territory offers. The Corporation's information service should be ready with information of both types so as to give a potential investor a complete picture.

35. As part of its promotional work, the Corporation should actively seek out potential investors from within as well as outside of the territory and get them interested in establishing enterprises in the territory, particularly in the fields which are

accorded a high priority in the scheme of development for the territory. This would entail a sort of sales effort on the part of the Corporation.

36. To be able to do an effective sales job, it will be necessary for the Corporation to identify projects which it would like particularly to promote. For this purpose, the Corporation may have to undertake, or commission, pre-investment studies. It is on the basis of these studies that the Corporation will be in a position to determine, within the framework of overall development priorities, the projects on which to concentrate its sales efforts. The Corporation may also undertake pre-investment studies with the specific purpose of identifying projects which would hold remunerative prospects for small local enterprises. This assumes, no doubt, that the Corporation would specially want to encourage small local enterprises.

37. Practically, every new enterprise, but more so a small enterprise would want assistance in the choice and acquisition of a suitable site which is adequately provided with certain basic facilities and services. Whether or not the Corporation is involved in the zoning of parts of the territory for the location of various types of development enterprises, it should be in a position to assist prospective investors in the choice and acquisition of suitable locations for these enterprises. It is in this very context that the development of an industrial estate providing requisite utilities, roads and other communications and perhaps even factory buildings would be of particular help in attracting small enterprises.

38. Small industrial enterprises in particular may welcome advice on matters of organisation and management. Also, they may from time to time need advisory assistance to solve some of their technical problems of engineering and production. Such assistance should fall within the ambit of the Corporation's promotional work.

39. Another important aspect of the Corporation's promotional work would be to effectively liaise for the potential investors with the Government Departments and other agencies for the completion of formalities or the fulfilment of requirements prescribed for the siting, establishment and operation of their particular enterprises.

Land Development and Construction

40. It has been noted earlier that land development and construction would become a major pre-occupation of the Corporation and would possibly remain so at least in the foreseeable future. This being so, it is in this field of its activities more than in any other field that the Corporation should be very clear on what activities it will engage in and what activities it will forswear.

41. It is extremely doubtful if in its preference for the Corporation to undertake major land development projects, the Government ever wanted the Corporation to develop into an agency parallel to the traditional Works Department of the Government with a whole cadre of engineers, technicians and workmen executing actual works. The presumption is that the jobs involved in land development and construction projects, ranging as they might from land surfacing to construction of fairly sophisticated buildings, will be contracted out by the Corporation and the Corporation's principal task would be that of planning and overall supervision; the latter to ensure that the various jobs are executed in accordance with approved specifications and according to the timetable laid down for various jobs. The latter is quite important to avoid not only delays in completion of projects but also to economise on costs.

42. Also, it is doubtful if the Corporation would be expected to be involved in the actual day-to-day operation of any of the projects, once they are completed. The Corporation may, for instance, be entrusted with the overall responsibility of not only developing sites for hotels but also for their construction;

but it cannot be expected that the Corporation would also be involved in the management of the hotels. Commercial operation of hotels, it will be appreciated, is a different kettle of fish than development of hotels.

43. If the above line of reasoning is accepted, it would follow that when the Corporation undertakes a land development project its tasks would be to formulate the project, to determine the mode or modes of execution and finally to supervise the actual execution. Once the project is satisfactorily completed, the Corporation's involvement should, it is felt, cease except that the Corporation might maintain a financial interest. Thus, if on completion of a viable project a limited liability company is formed and entrusted with its commercial operation, the Corporation might continue to hold whole or part of the shares of such a limited liability company and exercise the rights and responsibilities which go with the ownership of capital stock.

44. To ensure a proper transfer of a project when it becomes operational, it will be extremely important for the Corporation, to set up, from the very outset, a system of accounts whereby the assets of each project can be satisfactorily costed at the time of its transfer from the Corporation to a limited liability company. This is even more important, should it be the general objective that the development costs be fully recouped by the Corporation from the projects of this nature within a reasonable period of time.

Development Financing

45. Development financing is very closely related to the promotion of development. In fact, it might be difficult to draw a line and say where promotional work ceases and development financing starts. Still the type of operation required for development lending is so different than the one required for what is traditionally called promotional work that even when development financing is undertaken by the same institution as is entrusted with promotion, it would have to be undertaken as a

distinct operation. There will of course, be many common grounds where the two wings of the Corporation would gain enormously by regularly getting together, exchanging information and pursuing mutually consistent policies.

46. Development financing, it must be emphasised, is an operation very different from traditional type of commercial lending. The latter tends to focus on safe applicants and short term lending. The former, on the other hand, is supposed to select borrowers on the basis not of safety but of their potential to develop and contribute to the economy. This, of course, does not amount to saying that development finance involves taking unnecessary risks. Also, development lending is largely mentioned as of long and medium term and on moderate rates of interest. It often requires less reliance on a traditional control such as collateral. Instead it depends upon a careful monitoring of accounts, periodic field checking of operations and other procedures to ensure that funds lent are being employed productively. No doubt the immediate objective of these periodic field checkings may be to ensure that funds lent are repaid on schedule. At the same time, however, there should be a readiness on the part of the Corporation to advise and assist on technical and organisational matters should the enterprise need any such advice or assistance as will help the enterprise become more productive. Here is one area where promotional and financing wings could fruitfully collaborate with each other.

47. Of course, within the framework of its legislation, the Corporation need not confine its development financing to only small or medium sized concerns. Nor does the legislation bind the Corporation to only making long and medium term loans. The Corporation may provide short term credits to meet the working capital requirements of enterprises. It may also assist an enterprise by under-writing its borrowing or by taking up its shares or debentures. But it can happen that some of the funds the Corporation might draw upon, say from the Caribbean Development Bank, are specifically earmarked for lending to only

small and also possibly medium sized concerns. In that case, such funds will naturally have to be used in the manner and for the purpose for which they are specifically earmarked. But the development financing operations of the Corporation need not be restricted to the disposition of such earmarked funds only; at least the legislation imposes no such restriction.

48. It will be necessary to set up a separate system of procedures and accounts for various types of development financing that the Corporation might decide to undertake. It will be extremely important that in setting up these procedures and accounts, the need for timely recoveries of principal and interest is adequately highlighted. Nothing could be more damaging to the effective operation of its development financing, than a high rate of delinquency or default in loan repayments. Of course, no system of procedures and accounts can achieve much by itself unless it is matched by timely and effective action to ensure repayments on time.

Organisation Chart

49. It is in the light of the foregoing that a tentative chart has been drawn up for the internal organisation and functioning of the Corporation (See Annex II). What is being suggested in the chart is that the Corporation should set up three distinct wings or divisions for its substantive functioning, each wing to be headed by a manager. In addition, there will be a section to deal with internal administration and the maintenance and submission of the Corporation's accounts. A list of the principal functions of each of the wings has also been drawn up in the light of the foregoing discussion. The overall supervision will rest with the General Manager who will also be the Secretary of the Corporation and report to the Corporation at frequent intervals, which it is hoped will not ordinarily be longer than a month each.

IV SOME POSSIBLE QUESTIONS

50. A number of questions are bound to arise on the recommendations made in the preceding section, some of which this note anticipates and attempts to answer in this section. But there will be many others that are sure to arise when these recommendations are actually implemented and which will have to be resolved in the local context.

Initial Organisation

51. Probably, the very first question that would be raised would relate to the initial organisation of the Corporation. In the initial stages, the work of the Corporation is bound to be limited and its initial activity may not be considered enough to justify an organisational structure on the pattern recommended herein. What is important in the initial stages is not to proceed to set up each and every wing or division but to work on a broad and flexible basis. At the same time, however, it is necessary to keep the ultimate organisational pattern in mind and to work towards it as the demands on the Corporation expand.

Profitability

52. One of the basic questions that may be raised would concern the profitability of the Corporation's operations. Should the Corporation be expected to operate as a commercial concern and thereby seek to earn enough income to make it financially independent? As should be quite explicit from the recommendations made in this note in connection with the performance of its land development and construction functions, the Corporation should, in the discharge of some of its tasks, operate on commercial lines. But at the same time it will be undertaking tasks where profitability is either unwise to aim at as e.g. would be the case in almost all of its promotional activities, or difficult to achieve as e.g. would be the case in the disposition of development finance. The danger in aiming at overall profitability is that the Corporation would feel compelled to give higher priority to such of its tasks as promise to be profitable at the

expense of those which, though quite urgent from the point of view of the development of the territory, promise little profit or may even entail a loss. For an institution like the Corporation, it is unreasonable to suggest profitability alone as a criterion of efficiency. Criteria other than that of profitability will have to be devised in terms of development objectives and relied upon to evaluate the overall efficiency or effectiveness of such an institution.

53. In fact, the way the legislation is framed it does not enjoin on the Corporation to attempt at making an overall profit, not even in the long run. On the other hand, it is quite to be expected that the Government will, from time to time, want to be reassured that the subventions or allocations it is making to the Corporation through the Annual Estimates are fully justified, just as the Government would want to be satisfied that capital funds or properties entrusted by the Government to the Corporation are efficiently employed in the achievement of development objectives.

Methods of Corporation Financing

54. Closely related to the question raised above is the problem of the financing of the Corporation. Within the framework of the legislation, the Corporation should be receiving grants or subventions and loans from the Government. Also, the Corporation can raise loans from outside. In due course, the Corporation may have some income of its own which arises from its profit-making operations.

55. The first question that arises in this context relates to the commitment of the Government in making grants or subventions to the Corporation. If the Government commits itself to making these grants on a year to year basis, this may come in the way of the Corporation making any longer term plans for their non-profit making activities. On the other hand, a Government might be reluctant to make longer term commitments not only because,

formally speaking, Government accounts are maintained on a year to year basis but also because the Government might not want to forego this yearly opportunity of requiring a sort of appraisal of the Corporation's performance. While there is, no doubt, that the performance of the Corporation should be appraised at frequent intervals, there is still a strong case for the Government to make a sort of commitment of funds for a period of 3 to 5 years in advance to enable the Corporation to plan their operations, especially the non-profit making ones, on a longer term basis.

56. As regards capital funds, whether they are raised from the Government or from outside, these funds will have to be eventually paid back by the Corporation. The terms on which various loans are raised by the Corporation will no doubt, be a matter of negotiation between the Corporation and its financier in each case. But the Corporation will have to finance only such of its activities out of these loans, and also in such manner, as promise, at least, to be remunerative enough to enable the Corporation to pay back the principal and interest in accordance with the terms of each of the loans.

Administration of Tax Incentives

57. Another question which is bound to be raised is whether or not, as part of its promotional work, the Corporation should be entrusted with the administration of the territory's tax incentive laws. In the larger CARIFTA territories which have had Development Corporations in existence for some time, the practice is that the Corporation processes applications for the grant of approved status for incentive purposes and makes its recommendations to the Government department concerned but the actual granting (or rejecting) of these applications rests with the latter. In some cases, e.g. in Trinidad and Tobago, the final decision on each of such applications is taken by the Cabinet.

58. The complaint in some of these larger territories against the existing practice is that it leads to great delays and consequential frustrations. In other territories, however, this procedure has not worked too badly and there are not many complaints. The fault, it would appear, lies not so much in the procedure as in the manner of its implementation.

59. Whether or not the power to actually grant approved status for incentive purposes is delegated by the Government to the Development Corporation, there is no doubt that the Corporation should at least process such an application. In fact, a prospective investor would ordinarily expect the Corporation to assist him in the speedy processing of his application, just as he would expect the Corporation to liaise for him with the Government in several other matters.

60. The point is whether the Corporation should act merely as a liaison agency between the investor and the Government or it should evaluate the investor's application and forward it to the Government department concerned with its independent evaluation. That an application will have to be appraised before it is either granted or rejected goes without question.^{5/} The questions posed really boil down to asking who could be best entrusted with the task of making the evaluation. In this connection it has to be borne in mind that the expertise required for such evaluation is rather scarce in this region. In actual practice therefore, neither the Corporation nor the Government department may be in a position to undertake such evaluation; hence the suggestion for the less developed member territories of CARIFTA to set up a common agency to conduct such evaluation.^{6/}

^{5/} It would be quite relevant to refer here to the scheme of harmonized regional incentives which is now under active consideration by the CARIFTA Governments. The basic plank of this scheme is the evaluation of local value added at the national level.

^{6/} The establishment of a joint evaluation agency for the less developed member territories of CARIFTA is recommended by the UN study on Harmonization of Fiscal Incentives for Industries in CARIFTA.

If this common approach were adopted, the Corporation's task would be reduced to that of first transmitting the application to the evaluation agency and then to communicate the results of the evaluation to the Government with the Corporation's recommendation.

Overlap with other Agencies

61. There already exist a number of other agencies in the territory with which there is bound to arise some overlap of functions for the Development Corporation. It will be useful for the Corporation to co-ordinate its work in such spheres with these agencies. Also, duplication would have to be avoided.

62. By way of illustration, let us take the case of the Tourist Board which exists already and is charged with the task of promoting tourist traffic to the territory. A question might therefore well arise as to whether the Development Corporation should at all have any promotional responsibilities with respect to tourist industry. In this connection, it would be helpful to draw a distinction between promotion of tourist traffic and the promotion of tourist industry. The former promotes demand for and the latter promotes supply of tourist facilities. The proper function of a tourist board is to promote demand and this is the task to which the effort of such an agency should be directed. The promotion of tourist industry would, along with the promotion of manufacturing industry, then be the job of the Development Corporation. Of course, there would be much to be gained by a close working relationship between the two agencies but the danger of duplication of efforts can be easily overcome by a clear division of responsibilities on the above lines.

63. What has been said above with respect to the Corporation's working relations with the Tourist Board applies also in relation with other agencies and institutions charged with development. It is important that in order to avoid duplication of effort and consequential waste, wherever there is overlap there should be a clear, and mutually agreed upon, delimitation of functions in the areas of overlap.

Projects and Properties already entrusted by the
Government to the Development Corporation in
Saint Vincent

The Government has already entrusted six projects together with related properties to the Development Corporation. These projects fall into the following three categories:

I Urban and Tourist Complexes

- 1) Ottley Hall Development Project - a project for developing a residential-cum-tourist site within two to three miles of Kingstown, the capital of Saint Vincent.
- 2) Canouan Development Project - a composite project for the development of one of the Grenadine islands as a resort area.
- 3) Kingstown Harbour Reclaimed Land Development: a project for the development of reclaimed land into a commercial-cum-residential centre; a hotel is also projected for this site.

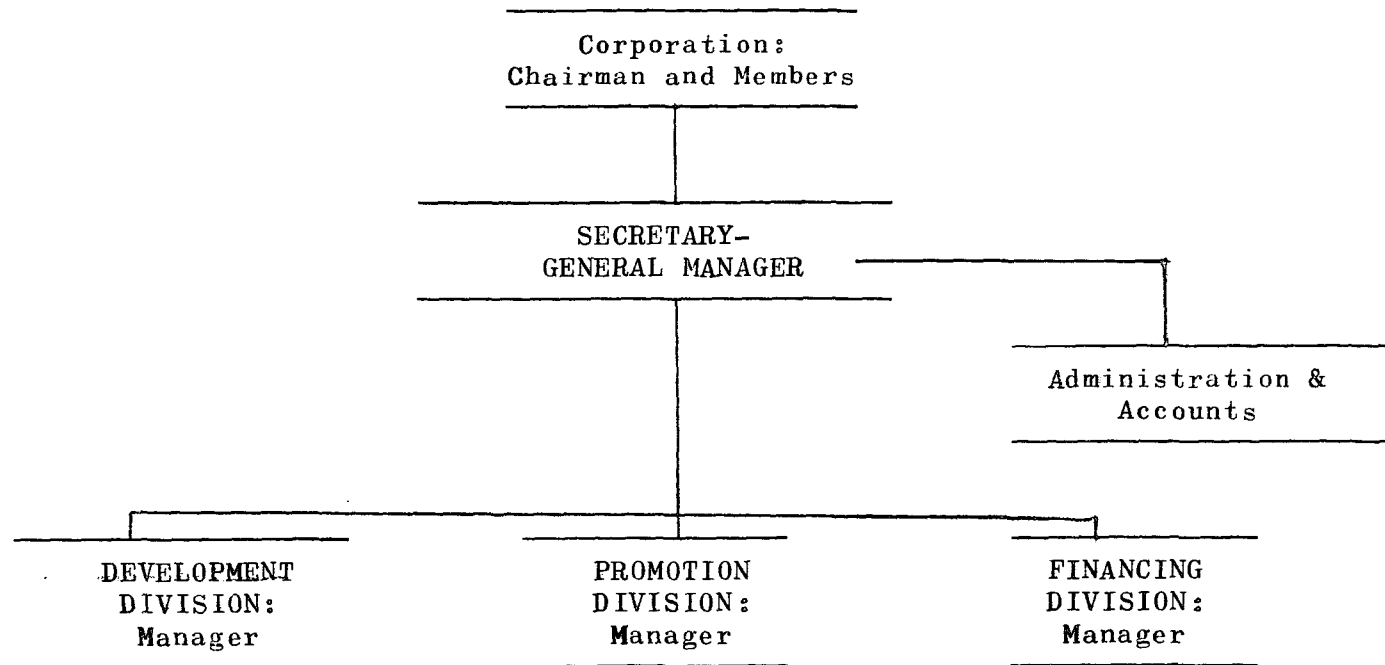
II Farm Settlement

- 4) Two estates with a total area of approximately 3000 acres altogether are to be developed for agricultural purposes for the settlement of farmers.

III Investment Management

- 5) 50% Government shareholding in Lowmans Bay Project.
- 6) 49% Government shareholding in Saint Vincent Electricity Company.

Tentative
ORGANISATION CHART
for
SAINT VINCENT DEVELOPMENT CORPORATION



100

100



Tentative List of Functions of Various
Divisions of the Corporation

Promotion

- i) disseminate information on investment opportunities, facilities and incentives offered by the territory and provide information on rules and regulations to be complied with by enterprises operating in the territory;
- ii) seek out clients within and outside of the territory and encourage them to invest in priority areas;
- iii) assist in and even conduct, pre-investment studies;
- iv) assist small local investors in matters, technical and organisational, in setting up industrial and other enterprises in priority areas;
- v) manage industrial estates;
- vi) liaise with concerned Government departments with respect to grant of applications for approved status under the territory's incentive laws and for other purposes.

Land Development and Construction

- i) prepare, or commission the preparation of, projects for land development and/or construction including the development and construction of industrial estates;
- ii) contract out jobs in approved projects in accordance with an approved division of each project into viable jobs;
- iii) supervise work on projects to ensure that they are being executed in accordance with approved technical specifications and that they conform to the approved time table;
- iv) maintain accounts in proper commercial form for each project until its completion;
- v) hand over a project as and when it becomes operational to an autonomous body for purposes of management.

Development Financing

- i) assist financially enterprises engaged in approved development fields by:
 - a) granting loans, on reasonable terms, of various durations;
 - b) guaranteeing borrowings by such enterprises from other sources;
 - c) taking up the equity of such enterprises;
- ii) assist, in particular, small local enterprises engaged in manufacturing and other approved fields by way of loans and other financial assistance on concessional terms taking into account their potential contribution to the economy;
- iii) co-ordinate with the Promotions Division in the provision of technical and/or managerial assistance to small local enterprises.

Administration and Accounts

- i) take care of the internal administration including personnel management within the Corporation;
- ii) prepare annual budget for the Corporation;
- iii) take care of the finances of the Corporation and maintain regular accounts of receipts and disbursements;
- iv) manage the investments of the Corporation in equities or securities;
- v) submit to the Government the annual statement of activities and accounts as prescribed under the legislation.

