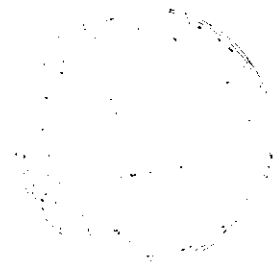


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ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean



Third Meeting
of the
Caribbean Group for Co-operation
in
Economic Development
(Washington, 23-27 June 1980)

Prepared
by
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Director

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The meeting of the CGCED had been preceded by a meeting of the Ad Hoc Advisory Committee in the Bahamas 7-8 May 1980 and by meetings of Donors in Washington and Paris. The primary objective of the third meeting was to consider:

- the development prospects and requirements of the Caribbean countries both at the national and regional levels;
- the external assistance requirements of non-donor countries in the context of the need for (a) financing in the framework of the Caribbean Development Facility (CDF); (b) financing of regional and sub-regional programmes;
- technical assistance at the national and regional levels.

Plenary sessions allowed for statements by representatives and for the discussion of the regional programmes; and sub-group sessions were held for each individual country. Individual project aid needs were considered at the sub-group sessions.

The Meeting was attended by representatives from:

- all CARICOM (non-donor) countries except St. Vincent and the Grenadines;
- non-CARICOM Caribbean countries: Bahamas, Haiti, Dominican Republic, Suriname, Netherlands Antilles;
- "donor" countries: Argentina, Brazil, Canada, Colombia, Finland, France, Germany, Japan, Netherlands, Norway, Spain, Trinidad + Tobago, United Kingdom, United States of America and Venezuela;
- regional organizations: Caribbean Community Secretariat, Caribbean Development Bank, Caribbean Tourism Association,

Caribbean Tourism Research + Development Centre,
ECCM Secretariat, ECCA, ECLA(CDCC), SELA,
Commission of the European Communities;

- international organizations; United Nations
Development Programme, European Investment Bank,
OPEC Fund, International Trade Centre, Inter-
national Fund for Agricultural Development,
OAS, World Food Programme;
- international financial institutions: IBRD,
IMF, IADB, IFC.

Development Prospects

The Chairman initiated the discussions with a review of the current situation facing the Caribbean countries. He emphasized the cumulated problems deriving from deterioration in the Terms of Trade, acute worsening in the Balances of Payments, the inadequacy of recommended stabilization measures, and remarked on the immediate financial needs and the fundamental adjustments that had to be made in the Economies. Regarding regional projects he summarized the status of ongoing CGCED activities in tourism, export promotion, private sector activities, energy, agriculture, transportation, and special programmes for the ECCM group of countries.

The President of the Caribbean Development Bank (CDB) after summarising the loan and financing performance of his institution in the previous year, and specific activities undertaken in support of the CGCED programme, stressed the urgency for a critical review of financing assistance. This review should, he said, cover both CDF-type assistance and programme-type financing needs, especially taking into account the necessity for financing on concessional terms with the minimum of procedural complexities.

The IMF Director, Western Hemisphere Department reviewed the economic growth performance of the Caribbean countries (which he described as sluggish), and the uncertainties of financing faced by the

group of countries. The two main points he stressed were that speed in providing financial assistance was as important as volume (sometimes more so), and the need for better economic management.

The IDB's presentation drew attention to the fact that the economic performance of Bahamas and Barbados had been good, but it was the contrary for the other Caribbean countries in the Group. The private sector in particular needed much more stimulation, and a necessary measure would seem to be the provision of guarantees for exportation.

The UNDP in stressing the need for greater collaborative efforts between donors and recipients, pointed out that the Latin American portion of UNDP funds was likely to decline in real terms during the third financing cycle, 1982-86. In the context of limitations on multilateral assistance, there was need for greater participation by non-traditional donors, and it was important that the Caribbean countries have a greater role in defining the investment and financing of their own countries. In this regard it was important that some priority programmes of CDCC should be financed by CGCED.

The single statement on behalf of the CARICOM countries was delivered by Antigua's Deputy Premier. The central factor for Caribbean countries was the necessity to obtain oil supplies on concessional terms, an aspect in which the Trinidad-Tobago Oil Facility was presently the only avenue, although note had been taken of the stated intentions of Venezuela and Mexico for oil on concessional terms. A primary requirement was the need for donor/recipient negotiation, instead of a pattern of proceeding on pre-conceived notions. He pointed out that in many of the countries the private sector had performed well, but are confronted by limitations on markets and trade; and as regards tourism, a rational evaluation was necessary.

The small East Caribbean countries, he said, were a special case, especially as they had received no additional aid as the result of CGCED; and in future CGCED figures should be so presented as to show the CGCED assistance to them in terms of CDF and in terms of country disbursements. Further, these countries should participate more in preparation of the Group's annual economic evaluations, and for this purpose there should be ECCM Secretariat/CDB/Country teams in the future. Related to this was the need to expedite establishment of the pools of experts in the ECCM Secretariat,

and to strengthen also its capabilities in export promotion.

The Dominican Republic and Suriname representatives also spoke, the former mentioning its interest in developing complementarity in its economic activities with Haiti through joint projects, and the need for Caribbean countries to have wider access to the CDF, while the latter stressed the necessity for orientation to current Caribbean priorities and for the CGCED to cover all the Caribbean.

The main points emerging from the statements of donor countries were that:

- there should be faster disbursements;
- more full use should be made of counterpart;
- untied aid was desirable;
- short-term projects should be correlated with long-term projects, a matter not yet tackled by CGCED;
- longer term development should receive more attention than had been the case so far. Of the non-traditional donors, Brazil stated its willingness to help and Venezuela gave further endorsement to its earlier financial commitments to the CGCED, while EEC and OPEC drew attention to these various financial aid activities outside the precise CGCED framework.

External Assistance requirements

It emerged that of the commitments made by donors to the CDF, \$533m (total for the two CGCED financial years 1978/9 and 1979/80) some \$394m had been disbursed. Further, such assistance had not been large enough to meet the need of the Caribbean countries. This was due to the sharp deterioration in their terms of trade, which was largely determined by the oil price increases since 1979, the effects of natural disasters, problems of economic management and

other internal difficulties.

These factors also explain the sharp increase in the preliminary estimates of CDF requirements (for 1980/81 some \$734m) over comparable figures for the two previous periods. Non-CDF type financing requirements for 1980/81 has been estimated at \$590m. The country estimates of net financial requirements for 1980/81 taking together private sector and public sector (both CDF and non-CDF) were estimated as: Jamaica \$350m, Dominican Republic \$268m, Haiti \$152m, Guyana \$72m, ECCM \$59m, Belize \$25m, Bahamas \$20m, Barbados \$16m.

It was recognized that while CDF-type financing will continue to be a major focus of attention, there was also need to place increased emphasis on long-term project financing. The general objective should be to present a more comprehensive and detailed picture of external assistance to the Caribbean, within the framework of the Group.

Various donor country delegations and institutions' delegations responded, the former giving forecasts of their aid flows and the latter stating more generally the avenues open for obtaining their assistance. In some cases the figures quoted related to the 1980/81 period indicating prior commitments and new pledges, but more generally it was in reference to aid to particular countries for specific projects. Further, the figures were mostly quoted in national currencies. All these elements together precluded, arriving at an estimate of total pledges in respect of 1980/81 requirements.

However, it was clear that the pledges for CDF-type assistance were not in the amounts necessary to satisfy the needs of the Caribbean countries. It was felt that this was in part due to some recipient countries not having completed the preparation of medium-term development programmes, and in part to some new aid schemes like the oil facility announced by Venezuela not yet being in place.

Regional Programmes

Situation of regional projects

Seven topics were before the Group for discussion and decisions, each supported by relevant documentation:

- Tourism
- Export Promotion
- Private Sector
- Energy
- Agriculture
- Transportation
- Special programmes for the ECCM countries.

These project areas determined at the Second Session of the CGCED and elaborated in the intervening period, were brought forward in progress reports, and indicated the unmet needs for financing.

A review of the problems of tourism promotion had been undertaken, and recommendations for joint promotional efforts had been prepared by the World Bank and UNDP jointly with the Caribbean region tourism bodies, CTRC, CTA and ECTA.^{1/} The proposals were that: (a) the CTA should continue to be the main promotional body, (b) special measures be incorporated for promotion of the ECCM group by strengthening ECTA; and (c) that CTRC provide some technical assistance while carrying out priority studies on the impact of tourism on the development of the countries. The estimated overall costs of these programmes was \$17m over a five year period. The EEC had expressed interest in some aspects of the programme, but funds were still needed to meet the expenditures for tourism promotion.

An export promotion programme had been prepared by the World Bank and ITC with recommendations for changes in the system of export incentives and proposals for marketing studies, a regional export potential survey, the strengthening of trade information services, and the development of training programmes. The UNDP and the EEC were interested in financing part of the programme; the World Bank and CARICOM were agreeable to act as executing agencies on the aspect of revising export incentives (to be done jointly with a study of CARICOM's tax harmonization system); while the ITC could be

^{1/} CTRC - Caribbean Tourism Research Centre
CTA - Caribbean Tourism Association
ECTA - East Caribbean Tourism Association

executing agency for the rest of the programme.

Regarding the private sector, the CGCED received the report of the Task Force that had been set up with the IFC as co-ordinator to prepare an analysis of its structure, role, and needs, and to formulate proposals to promote private sector activities nationally and regionally. The removal of impediments to private sector development was given special attention by the Task Force.

As regards energy a regional survey of projects had been prepared by the IDB, and missions had been carried out by the World Bank to review the possibilities for accelerating oil and gas exploration and development, the preparation of legislation, and training. As a result a programme was prepared covering:

- geological data gathering evaluation and bid evaluation assistance;
- technical assistance for monitoring the activities of foreign oil companies;
- technical assistance for preparing and/or revising petroleum legislation and regulations;
- training and exploration activities;
- special geological and other studies.

UNDP and the OPEC Fund had indicated preliminary interest in funding the studies and the World Bank in being the executing agency.

Concerning agriculture, the proposals to the first CGCED on "regional agricultural development and food production in the Caribbean" and the subsequent survey of national and regional research institutions initiated by the TASC and undertaken by FAO in co-operation with IICA, CDB and CARICOM, had resulted in recommendations for:

- establishment of a Caribbean Agricultural Research Co-ordinating Committee (CARCC) to co-ordinate the

planning and financing of a regional agricultural research programme^{2/};

- strengthening research and development activities of CARDI especially concerning its programme on major food crops;
- establishing a training programme for managers of agricultural research;
- commencing regional research programmes (under CARCC) relating to coconut, banana, plantain, sugarcane, livestock and sheep breeding.

Concerning agricultural marketing, the CDB/TASC convened meeting had made recommendations for improving the operations of National Marketing Boards, strengthening private traders' export activities, establishing marketing information systems, improvement of ports and airports facilities, improvement of small vessels for transport of agricultural products, and the establishment of a market research and export promotion unit in the Caribbean Food Corporation.

In the transportation sector, the CGCED had to consider progress in the eight regional technical assistance projects prepared by the TASC and accepted at CGCED II. In summary:

- the shipping statistics project being executed by ECLA Office for the Caribbean was in the final stages of completion;
- the development of shipping/small vessels and schooners project to be financed by UNDP and executed jointly by UNCTAD and IMCO was to commence shortly based at St. Lucia;

^{2/} Membership proposed for CARCC would include the national directors of agricultural research and representatives of Caribbean regional institutions. Associated members would include International Research Centres such as CIMMYT, CIAT, CATIE, also FAO and the World Bank.

- UNCTAD and IMCO consultants under agreement with CDB should shortly complete their study of the main priorities for improvement of port organization, structure and legislation;
- the ICAO team contracted by CDB had completed the assessment of maintenance of facilities and organization at fourteen airports in the region;
- EDF had agreed to finance the study of LIAT fleet requirements and routing structure;
- consideration was still being given to the Caribbean Container Distribution and Load Centre Port Study, and possibilities for establishment of a Caribbean Air Transportation Council.

Concerning the special programmes for the ECCM countries:

- the original proposals for establishment of revolving funds for inputs to agriculture on regional basis had been modified and efforts were being concentrated on developing input revolving funds in each of the Windward Islands as a component of a comprehensive banana development programme; and the possibilities for agricultural inputs to the Leeward Islands were being studied;
- the proposed establishment of a special food aid programme on a grant basis for the ECCM area was being considered by the EEC (estimated at US\$7m to cover powdered skim milk, butter, oil and grains), the objective being to generate proceeds to help finance the local costs of agricultural development programmes;
- the ECCM Secretariat, with support from UNDP, the World Bank, CDB and the CARICOM Secretariat,

is engaged in defining more precisely the assistance required from donors for establishing the Pools of Experts and Common Services, that would provide some of the basic services required for planning and implementation of development activities.

Conclusions on regional projects

There was no discussion of the content of the regional projects, the statements being mainly oriented to the possibilities for financing and executing the projects. In fact the tourism project was the only one that generated any kind of exchange and entirely on the point of strengthening the promotional arm for the ECCM countries, ECTA. The general approach was to note the progress that had been made since the second session of the CGCED, and to give further endorsement to preliminary expressions of interest that had previously been made either at the level of the Ad Hoc Committee or in the meeting of donors. The text of the intervention by the ECLA (CDCC) representative is at Annex.

..... In particular, the report of the Task Force on the private sector was well received and endorsed. It was decided that the Task Force should be asked to continue as an advisory body to the Caribbean Group; and that the Task Force should complete the individual country studies (on the private sector) for submission to the Caribbean Governments concerned and to appropriate private sector organizations. It was also agreed that the IFC be asked to prepare a concrete proposal on the project identification and development facility proposed by the Task Force. The proposal would be submitted to possible donors for funding.

The programmes identified in the energy sector were noted. The World Bank undertook to consider the inventory of energy projects prepared by IDB and to collaborate in the co-ordination of efforts in the energy sector. In particular, the IBRD would act as executing agency for a proposed UNDP project (with OPEC Fund Assistance) for regional oil exploration. Some emphasis was placed on the need for energy conservation in the Region.

It was noted that the export promotion programme was ready to be launched; that the ITC would play an important role in that programme; and that the IBRD, CARICOM Secretariat, OAS, UNDP and USAID would collaborate in a study of export incentives in the Region.

The proposals on tourism promotion were found to be generally acceptable although certain organizational questions required resolution. It was agreed that these would be resolved at the regional level and that the CARICOM Secretariat would make the formal approach to potential donors in respect of the tourism programme. The EEC indicated a willingness to finance most of the programme.

The Technical Assistance Steering Committee's recommendation on improving agricultural research in the Region through the establishment of a Caribbean Agricultural Research Co-ordinating Committee was noted. The Inter-American Institute for Agricultural Science indicated support for the project and willingness to assist in its implementation.

It was noted that one of the projects in the regional transport programme had been completed, that others were in process of implementation and that there were still two projects for which no funding had been forthcoming.

The meeting supported the view that external assistance should be provided for implementation of the Agricultural Input Fund for the ECCM States and recognised the need for early action. The EEC indicated its approval of a Food Aid Programme for the ECCM countries; and notified that a Mission would visit the subregion to decide on its implementation.

The Pool of Experts and Common Services (for the ECCM States) Scheme was discussed. And the hope was expressed that any remaining obstacles to its implementation would be removed shortly.

Future of the CGCED

On its establishment it was expected that the CGCED would promote emergency balance of payments financing; promote project-related development assistance; co-ordinate external technical and financial assistance; promote increased regional co-operation.

The evaluation of its performance is that while it has succeeded in obtaining pledges for substantially increased balance of payments assistance from bilateral and multilateral donors disbursements have been slower than expected, and less attention has been devoted to financing of new projects than originally anticipated.

While there has been directly by the UNDP and through the TASC, improved promotion, co-ordination and financing of technical assistance, and also co-ordination of financial assistance, both these efforts need further strengthening through more systematic and continuous aid co-ordination efforts. However, not much progress has been achieved by the CGCED in promoting regional co-operation among the Caribbean countries.

The prospects are that substantial additional CDF-type financing to compensate, at least partly, for the sharp deterioration in the terms of trade of Caribbean countries, will constitute a prime requirement for execution of viable economic programmes. CDF should, however, continue to be considered a transitional type of financing. Accordingly, more attention should be given to development financing requirements of the individual countries.^{3/}

Regarding co-ordination of regional technical assistance programmes, the functions previously performed by TASC should be carried out by UNDP in direct collaboration with CARICOM, CDB, ECLA(CDCC), the World Bank and participating donor countries and international agencies as required, under the guidance of the Ad Hoc Advisory Committee. And as regards co-ordination of financial assistance, the need for more efficient and systematic flow of information among donors could be met by donors providing to the World Bank quarterly reports on commitments and disbursements for processing, supplemented by informal meetings of donors' field staff with government officials to review the execution of projects and aid programmes.

Concerning regional programmes, concentration should be on the items identified at CGCED II and reviewed at CGCED III including proposals emerging from the Private Sector Task Force, along with greater technical

^{3/} The Guyana hydro-electric/aluminium smelter project and the Suriname hydro-electric project were quoted as examples.

support to strengthen CDB, ECCA, CARICOM, ECCM. Within this framework a gradual transference of the economic work required by CGCED could be transferred from the World Bank to the CDB, thus giving the latter body a more expanded role.

Finally, there should be a reduction in the number of CGCED sponsored meetings to just three - annual meeting of CGCED at mid-year, Ad Hoc Advisory Committee meeting about November/December, meeting of donor countries and institutions after the CDB Board of Governors Meeting about April/May. It was also decided to make the schedule of meetings more flexible so that it would not be absolutely necessary to hold a sub-group meeting for each country every twelve months. Rather, sub-group meetings could be held as and when there are problems requiring joint review. It was felt, however, that most sub-group meetings would continue to be held at the annual meeting of the CGCED.

Statement by S. St. A. Clarke, Director
ECLA Office for the Caribbean
at Third Session of CGCED -
(27 June 1980)

Mr. Chairman, Distinguished Representatives:

It is not my wish in this brief statement to make specific comments on the sector programmes. Rather, I am required to address my comments to the crucial question of co-ordination of the numerous activities and initiatives being pursued in the Caribbean.

First however, on behalf of the United Nations Economic Commission for Latin America, permit me to convey this expression of recognition for the continuing attention being given by this group to the process of Caribbean development.

The difficult economic situation facing the Caribbean countries makes it very necessary that the financial and technical assistance that can be mobilised by the international community should be both adequate and timely; and I believe it is of significance that some speakers have made the point that speed is as important as volume.

ECLA has been privileged, through participation in the work of the TASC, to submit for consideration by this group, a range of project proposals in priority areas identified by the Caribbean countries within the framework of the CDCC; and we have had the satisfaction of seeing some of those proposals accepted and in some cases the advances that have been made on them.

In one case the implementation of the project was entrusted to the ECLA Office for the Caribbean. I refer to the Shipping Traffic Data Survey. From the paper on current Situation and Prospects before you, you would note at para 34(b) that this survey is completed and that the tabulations will shortly be distributed.

The ECLA Office for the Caribbean, where it has been able, has also assisted in the formulation of other projects not only in the Transport

Sector but also in the productive sectors. In every such case, the serious concern of the Caribbean countries that there should be optimum co-ordination between CGCED and CDCC projects, has been for us the matter of special focus.

Ever since the establishment of the CGCED, there has been concern by the Caribbean countries within the CDCC framework that whatever activities are pursued should respond to the priorities of the Caribbean countries, and should wherever feasible embrace all of them. This concern continues to be maintained, and has in some ways become more acute. In particular, ECLA's non-participation in most of the continuing CGCED activities preclude the maintenance of the level of co-ordination that had been achieved within the Technical Assistance Steering Committee. I am therefore constrained to bring to the attention of this group this concern of the CDCC that closer and better co-ordination should be achieved.

The recent fifth session of the CDCC at Kingston was a further occasion when the Governments emphasized this point in face of the new pressures and tending towards fragmentation of the Caribbean. They indicated that activities such as those contemplated in trade information, agricultural research and export promotion, should endeavour to achieve the same level of co-ordination that has been achieved in transportation.

Mr. Chairman, there is one further matter on which I would remark before concluding. It is the question of growth and development in the Caribbean, to which references were made by several speakers in their general statements.

ECLA was privileged last month to be able to bring together at Barbados a group of experts from CDCC countries to consider the strategy that may be suitable for Caribbean countries in the Decade of the Eighties. One of the most notable elements for me, was that the experts considered it necessary to preface the strategy alternatives with a definition for development. The experts observed that the Caribbean countries share certain common characteristics which are responsible for the specificity of the process of development they are experiencing, and of the perspectives open to them. Due to the size and structure of their economies these countries are in a weak position to control the rate of expansion of their productive

systems. A development strategy suitable to their circumstances therefore demands a peculiar emphasis on enhancing the sophistication of the inputs into the process, while establishing mechanisms for the adequate distribution of the outputs. The experts also pointed out that projected structural transformations in their internal organization, must therefore be primarily geared toward the achievement of a more equitable society rather than merely a wealthier one. Without the achievement of more acceptable levels of equity, there are few possibilities of achieving sustainable growth, although recognition also has to be given to the alternative that without some growth acceptable redistribution will be very difficult to achieve. I believe Mr. Chairman, it would be valuable for this group to bear these aspects in mind when thought is being given to medium-term and longer term perspectives. As you would expect the ECLA Office for the Caribbean remains willing to participate fully in and assist with initiatives oriented to co-operation and development in the Caribbean.

