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NOTE ON
CARIBBEAN INVESTMENT CORPORATION
FOURTH ANNUAL MEETING OF THE BOARD OF GOVERNORS
GUYANA, 28 APRIL 1978

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CARIBBEAN INVESTMENT CORPORATION

Fourth Annual Meeting of the Board of Governors

Guyana, 28 April 1978

Background

The Caribbean Investment Corporation (CIC) was established as a joint activity between the public sector and the private sector of the CARICOM MDC's, to stimulate private sector activity in the LDC's. 60 per cent of the capital was contributed by MDC governments with 40 per cent allotted to the private sector. In CIC's operations, the focus is on providing risk capital for projects in industry, agriculture and tourism, following the industry allocation decided within the framework of CARICOM and the ECCM.

The CIC based at St. Lucia works in close collaboration with the Caribbean Development Bank (CDB), in project preparation and evaluation, and has the specific tasks of monitoring the implementation of these projects. Regarding the latter CIC draws on United Nations bodies, particularly UNDP and UNIDO, for technical support.

At their third annual meeting in 1977, the Board of Governors had noted that while the Governments had honoured their undertakings, the private sector had not subscribed the part allotted to them. It was also recognised then, that additional funds were needed to stimulate faster industrialization in the LDC's.

Discussions at Fourth Meeting

The Chairman of the Board of Directors in submitting the Annual Report on activities since the Third Annual Meeting, drew attention to the increase in funds achieved through an additional issue of share capital and loans from the Caribbean

Development Bank (CDB) and the European Investment Bank (EIB) to be utilised for making equity and quasi-equity investments. He also mentioned that the private sector had taken up the bulk of their allotted share capital although their portion was not yet fully subscribed.

In recounting the problems encountered during the year, he stressed the assistance given by United Nations bodies and the CDB in project preparation, evaluation and implementation. He identified the lack of and low level of management and business accounting as the main problems in the LDC's, together with related problems which derived from lack of appropriate company legislation and provisions for inspection; and urged that action on these aspects should be given priority within the CARICOM and ECCM Councils.

Speaking on behalf of the Caribbean Association for Industry and Commerce (CAIC), the representative recounted various problems faced by the private sector which restricted the extent of their participation. He stressed that processing of applications by governments should be more prompt, as delays had been encountered of up to several months.

In addition, there was not yet adequate machinery to facilitate transfers of capital between countries, movement of which was restricted on the one hand by fiscal measures, and by the other, by currency controls. To this he added, unavailability of sufficiently regular transport for the movement of supplies and end products; and the lack of clear governmental policies on the movement of technical and skilled personnel from the MDC's to the LDC's.

Perhaps, more important, were the comments that everyone would benefit greatly if there were policy statements by governments on the role of the private sector. The experience, he pointed out, was that conditions for investment change with changes of governments; and this was an important factor since the projects involved are

medium to long term in nature. Furthermore, the position is aggravated by the present uncertainty of the regional market, as there are doubts about the strength and the future of CARICOM.

The Governors in making their addresses, highlighted these points which they felt needed prompt CARICOM attention:

(i) the processing of documents while essentially an administrative matter at the national level would be facilitated by the uniformity of procedures;

(ii) transfer of capital and movements of funds generally, which are essential to the integration process, depend on effective and uniform exchange control, a matter that had been before the appropriate CARICOM institutions, and on which decisions should be expedited;

(iii) a common policy needs to be worked out regarding work permits, for only with the movement of capable personnel could management problems in the LDC's be solved, and there was consequently a need for a common policy from the Standing Committee of Ministers of Labour;

(iv) transport availability could be made adequate only by well defined policy for surface and air cargoes in the Eastern Caribbean which was the responsibility of the Standing Committee of Ministers of Transport;

(v) a clear definition should be made of the role of the private sector in the economy, since entrepreneurs cannot operate effectively in an atmosphere of uncertainty;

(vi) a change in the image of the CIC must be effected (for there is the impression that CIC is rescuing sick companies), and a vibrant portfolio developed.

Adoption of Financial Statements

The Board of Governors in adopting the Financial Statements and Auditor's Report observed that the Auditor's Report was limited, in that in some instances, balances were based on unaudited information supplied by investee companies. The explanation was that in various cases, the financial year of the investee companies coincide with the financial year of the CIC, and hence the reliance on some unaudited company statements in preparing the CIC balance sheet and report.

The view of the Board of Governors was that the investee companies should adjust their financial years to facilitate the CIC, so that their accounts can be audited before the financial statements of CIC are prepared.

Finally, there was concern that the provision for losses constituted so significant a part of the total operations of CIC. Against this background they stressed that a more critical examination of accounting in the investee companies must be given first priority.

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Port of Spain



