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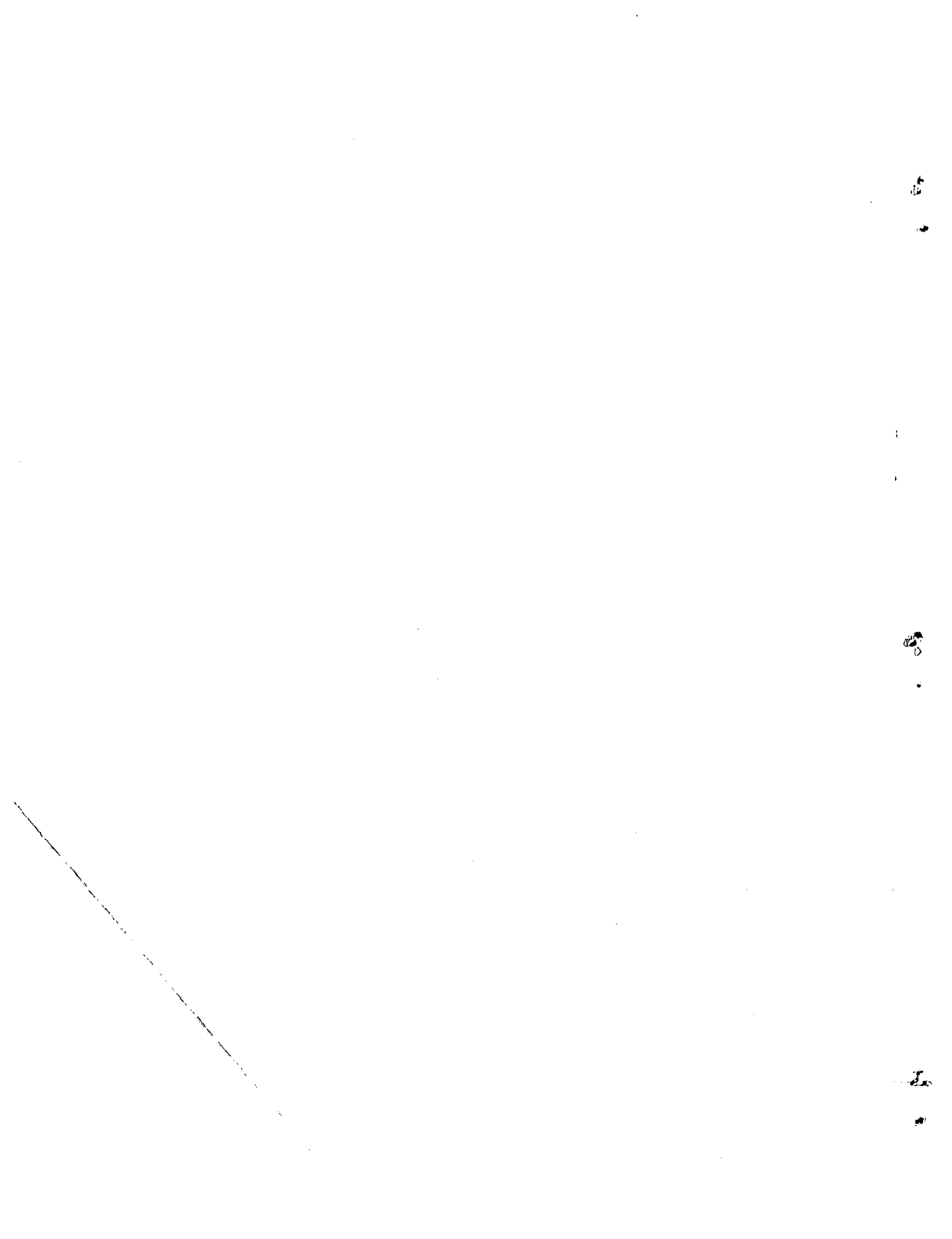


ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

NOTE ON FIRST MEETING OF THE
CARIBBEAN GROUP FOR CO-OPERATION IN
ECONOMIC DEVELOPMENT

Washington, 19-24 June 1978

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Director



Note on First Meeting of the
Caribbean Group for Co-operation in
Economic Development 1/

Washington, 19-24 June 1978

1. For all practical purposes there was acceptance by the main parties concerned 2/ that this meeting marked the beginning for a special group within the framework of the World Bank, to administer specially contributed funds earmarked for assisting with current and developmental problems of the Caribbean countries. 3/

2. The basic premise for the whole exercise is that serious balance of payments problems, (due to rising import prices coupled with falling export earnings), high unemployment and under-employment levels, shortages and instability in several of the economies resulting in slow-downs or suspension of on-going investments, dictated the need for a special programme of interim financing. These finances would be for assisting with immediate balance of payments problems, the financing of essential imports and the provision of supplementary financing for execution of some key developmental projects.

3. The formula proposed by the World Bank was the establishment of a Caribbean Development Facility (CDF), that would be administered by the Bank co-jointly with the IDB, the IMF and the CDB.

1/ A Consultative meeting was held at Washington, December 1977 followed by the fielding of technical teams to prepare a series of economic papers, then a meeting of donors, Paris. May 1978.

2/ The international financial institutions, USA, Canada, UK, Colombia, Venezuela comprise the hard core supporting the exercise.

3/ Caribbean here means the CDCC group minus Cuba and Suriname.

Nature of the CDF:

4. The main features of the CDF which is to have a five year tenure, are:^{4/}
- (a) the special assistance required in each year for CDF operations would be determined by a Working Group or Steering Committee;
 - (b) the working group would make recommendations on the eligibility of individual recipient countries for CDF financing;
 - (c) eligibility would be determined on the basis of country programmes and policies as assessed by the financial institutions;^{5/}
 - (d) pledging conferences of donors will be held annually;
 - (e) each donor may select the development programmes or projects which would be financed with their CDF assistance;
 - (f) the Working Group would co-ordinate the selection of projects and programmes to avoid duplication and ensure financing of high priorities;
 - (g) the Working Group would assess performance in the execution of projects and report its findings to the donor countries involved, and to the Caribbean Group;
 - (h) each donor country would reach separate loan and/or grant agreements with each relevant recipient country, or with the CDB where donors wish to use the CDB as the channel for assistance;
 - (i) the IBRD, IDB and the CDB would conclude co-financing arrangements where any of the three become involved in the financing of the same projects or programmes.

^{4/} See the paper entitled "A proposal to establish a Special Facility to provide supplementary financing for development projects and programmes", attached as Annex 2.

^{5/} IBRD, IDB, IMF, CDB.

5. Contributions can be made by donors either in the form of: long-term credits and grants for financing of essential imports with the counterpart in local currency available for financing of development projects and programmes; or long-term credits or grants taking the form of essential commodities such as petroleum and food, the counterpart in local currency derived from the sale of these commodities also to be used for financing of development projects and programmes.

6. Preliminary estimates of required level of assistance suggest a disbursement of US\$650m over the period 1978-1980 (compared to similar assistance of US\$272m in 1974-1976), of which US\$350m would be in projects and US\$300m in programmes; and the programmes component divided US\$175m to balance of payments support and US\$125m to local costs. These estimates were derived from reviews of the current state of the economies of individual Caribbean countries and appraisals for regional approaches to transport, agriculture and industry. ^{6/}

7. A further aspect was that the CDB could be the channel for the English-speaking group of recipients, ^{7/} while the IDB could be the channel for the Dominican Republic and Haiti.

The plenary discussions:

8. The "recipient" countries emphasised continually two aspects - additionality and concessionality. Their view was that unless the CDF in fact was a source of assistance additional to what is currently being received, then there was no purpose in pursuing the exercise.

^{6/} See list of documents attached to Revised Agenda attached as Annex 1.

^{7/} Caricom plus Bahamas and other CDB borrowing members.

Also, if the terms were not sufficiently concessional so that they could utilize the funds, then the purpose would be frustrated. This generated analyses of tabulated figures of aid up to 1976. The West Indies Associated States stressed in particular that special provision should be made for them for balance of payments support, (which problem shows up as budgetary deficits since they do not conduct normal central banking operations).

9. From the side of the donors the main argumentation was to demonstrate what already was being done, in some cases anticipating the purposes of the CDF; and in some cases to indicate the level of donation which was immediately being pledged for the CDF. There was confusion as to whether some of the amounts quoted were not already committed to projects against which disbursements had not yet been made. Consequently while the donors appeared to feel that the additionality criterion was being met, some recipients were even stronger on the point that if anything was being added the amount was not significant.^{8/} In his final summing up, the Chairman stated that of the \$125m CDF required in 1978 some \$111.8m had been pledged, and final calculations would need to take in the USA and Venezuela margins of 30% and 10% respectively.

10. Most of this discussion was between the West Indies Associated States and the United Kingdom. The Canadian position was to assist but some clarifications were needed which it was generally accepted could emerge only in the detailed considerations of the Working Groups. The French position was essentially that they would continue to assist

^{8/} The precise figures for pledges under CDF, as distinct from projects and other programme assistance has to be obtained from the Bank's report on the meeting when it becomes available. For example: (a) USA pledged US\$20m for CDF in the current year from AID funds, also up to 30% of all the facility if other donors respond accordingly; (b) Canada pledged US\$15m within which \$7m was earmarked for Jamaica, \$3m for Guyana, \$3m for the LDC's; (c) Venezuela pledged \$10m (at interest rates), \$5m under IDB for share capital in private sector projects, \$3m for cost over-runs also up to 10% of CDF; (d) Colombia pledged \$2m for 8 years at 5% line of credit.

Haiti, but could not agree to untied aid; Germany was sympathetic but would pursue their bilateral approach coupled with assistance through EDF; the Dutch would consider later its possible role in CDF; Japan would not participate in the CDF but would conclude bilateral project support with selected countries. The Commission of the European Community, OPEC, etc. stated that they would maintain their provisions for the Caribbean group of countries under their respective schemes.

11. Most of the exchanges were concentrated on the CDF proposal, and very little on the regional papers. Some expressed views were that: CDF is a five year programme, and there would be need to guard against it becoming institutionalised; the additional assistance is meant to result in improvements so that aid could fall back to current levels after the five year period. Other views were along the lines that CDF should encourage Caribbean co-ordination and the promotion of sectoral regional economic co-operation; focus should be on the creation of productive employment and the strengthening of the external positions of the Caribbean countries.

The Working Groups:

12. Aside from the plenary ("Regional Group") discussions, there were a series of working groups to consider the individual country reviews and the corresponding lists of projects. Primary attention focussed on groups dealing with the ECCM sub-group Jamaica, Guyana and Barbados.

13. In the Working Group on the ECCM, the essential issue was to determine how the CDF would affect them as a group and how it might operate. After lengthy analyses of the figures, it emerged that there was not in fact significant additional financial support derivable from the pledges so far made under the CDF. In terms of operations, the general view emerged that a special fund should be created within the CDF that would attend to the requirements of the ECCM sub-group. Also, the ECCM countries made it clear that they would wish any assistance being given them under CDF, to be channelled through the CDB.

There was continued concern that the terms of granting assistance funds should be such that the countries could utilise.^{9/} In fact concessionality emerged to be even more important than additionality.

14. The Working Group on Jamaica had perhaps the fullest and most complete documentation, the IMF having only recently concluded its country review and submitted its report. After normal IMF loan financing the gap left to be covered by CDF type funds in 1978 was estimated as US\$58m; and it was immediately apparent that Jamaica had already been negotiating with possible donors. US\$51m was pledged for Jamaica under CDF to be disbursed in 1978 mainly in balance payments support, with some related project financing.

15. The Working Group on Guyana was informed that US\$27m was needed to close the gap of CDF type funds. Several financial agencies acting as a consortium ^{10/} pledged US\$10m for project support to agriculture; and USA, Canada and OPEC a further \$7.5m. Having regard to Guyana's high external annual debt charges, concessionality was a serious factor which the donors agreed to take into account.

16. In the Working Group on Barbados the point was made that newly introduced fiscal policies had worked so as to limit the extent of Balance of Payments and related problems, with the result that the need for CDF type assistance was less acute. A gap of US\$6-7m was identified for CDF assistance after account was taken of project and programme support already committed by various donors and financial bodies. USA announced that US\$1.5m of AID funds earmarked for CDF could be allocated to Barbados. Canada, UK and Venezuela, while not announcing any particular sums agreed to consider specific allocation for Barbados within their CDF contribution. In his summing up the

^{9/} It is the fact that within the contributions to CDB operations there are some where the conditions have so far prevented utilization, e.g. the Japanese contribution.

^{10/} CIDA, IBRD, IDB, CDB, IFAD

Chairman expressed the hope that these three countries could each similarly locate US\$1.5m of CDF for Barbados.

17. In addition to the discussion for the ECCM countries as a group, the Caricom LDC's were considered individually - these working group meetings running simultaneously. The prime aspect was project financing. Not much new commitments beyond what CDB, CIDA, BDD and AID were already doing, emerged.

CEPAL concerns:

18. The resolution adopted at the third session of the CDCC which requires the CEPAL Office for the Caribbean to examine and implement mechanisms for co-ordinating the activities of the World Bank Caribbean Group with the CDCC work programme was the most urgent aspect. The content and purpose of that CDCC mandate was brought to attention of the meeting in a statement by the Director of the Caribbean Office. The first obvious step was that CEPAL in its capacity as Secretariat to CDCC should participate in the CDF Working Group, and this was proposed in the statement by the Deputy Prime Minister of Barbados which was delivered on behalf of all the English-speaking Caribbean countries. ^{11/} Only the USA and the UK expressed an initial reaction to this proposal; respectively that "there should not be a multiplicity of organizations in the Working Group", and that "the Working Group should not be top-heavy". In the final discussions it was decided that the CDF Working Group (or Steering Committee) would comprise IBRD, IMF, IDB, CDB, UNDP, CEPAL Office for the Caribbean, Caricom Secretariat. The first step of ensuring participation in the CDF mechanism has, therefore, been achieved.

19. The next concern of having the World Bank take some cognisance of the CDCC programme and priorities, was tackled initially by notifying

^{11/} He proposed too that the Caricom Secretariat should be included in the CDF Working Group.

to the meeting on-going activities in maritime and air transportation, the field of regional projects on which the Bank had the clearest ideas. ^{12/} In fact, the Bank proposals for regional projects in agriculture and industry are very tentative, the emphasis being on national production projects.

20. It is of some significance that the organization of the meeting was such that the discussion of regional projects was where the best impact could be made of introducing CDCC considerations. The speaking schedule for discussion of financing generally and the CDF in particular was confined to the participating countries and the financial institutions. Though there was the opportunity to introduce CDCC into the discussion of technical assistance, (in effect the second schedule for interventions) the orientation there was in terms of UNDP and bilateral assistance. Whatever could be achieved under that head was covered by UNDP's stress on the need for the World Bank Caribbean Group to co-ordinate their activities with on-going programmes in the Caribbean, notably the CDCC.

21. Given the financial orientation and donor/recipient relationship, there seems to be no doubt the pattern will emerge in the future that co-ordination of CDF and CDCC will be in terms of regional projects. A consideration here is the strict emphasis on purely economic projects in IBRD/CDF thinking, as against CDCC's wider orientation with emphasis on mutual technical cooperation with the bias in favour of socio-economic activities. A preliminary judgement is that when the possibilities for regional projects come to be fully examined by the World Bank, the subject areas will not differ much from what is contained in the CDCC work programme priorities designated by the Ministers at CDCC third session.

^{12/} This was largely due to inputs from the Caribbean Office when the Bank team on transport visited the Caribbean sub-region.

22. Of great importance is the point reiterated in the various papers, that the World Bank needs to ascertain what activities are acceptable to the Caribbean Governments collectively. CEPAL is in the position of being able to inform the Bank on this through the formal decisions of the CDCC, especially the Constituent Declaration and the Work Programme. Realistically however, there is the question of the Bank's acceptance of CDCC involvement and orientation. A vital factor in this situation is that the Bank's exercise is essentially no different from the traditional metropolitan/Caribbean relationship, with the metropolitans dictating the pace and the choices; which is in direct contrast to the CDCC approach of the Caribbean countries charting the course and deciding the strategy for cooperation among themselves.

The CEPAL role:

23. The styles of Bank, IMF, IDB operations as contrasted with the style of the United Nations Regional Economic Commission, are sufficiently different to make close co-ordination of work priorities a delicate matter. When to this, is added the fact that the CDF exercise reinforces the old metropolitan/Caribbean relationships (rather than multi-lateralise them) the gap in which CEPAL will need to be the bridge is very evident. There is no prior reason to expect the IBRD, IMF and IDB to accept the CDCC mandates as a point of reference in administering the CDF.

24. Ensuring that the CDCC priorities are harmonised with CDF operations, in fact will mean assisting the Caribbean countries to bring their priorities (as they perceive them) to bear on the decisions of the metropolitan countries in choosing projects that they will support. Some support in this can be expected from Caricom, CDB, and UNDP. These three bodies have followed the evolution of the CDCC very closely, and already are positively co-ordinating some of their activities with the CDCC programme.

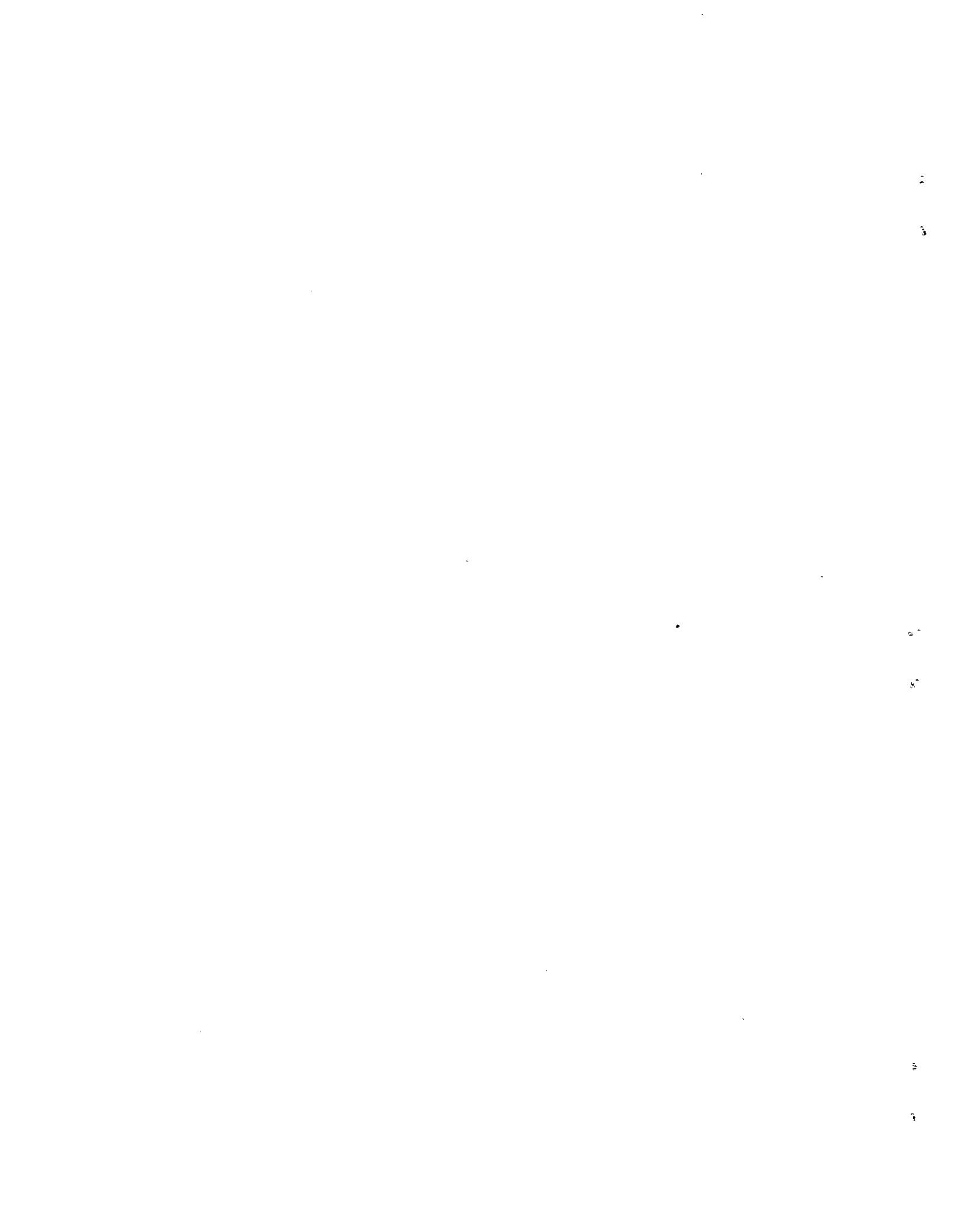
In essence harmonising CDF with CDCC means shifting the focus of the financial institutions away from essentially static projects, to the more dynamic projects which facilitate the structural, social and economic changes which the countries seek to improve intra-Caribbean cooperation.

25. The prime purpose of CDF, (which minimum need is estimated at \$125-\$175m in 1978 and totalling \$575m for five years) is to enhance income and export earning capacity of the countries. All the countries involved have narrow export commodity range and narrow external market range. Both the prices at which they sell and the prices at which they buy are externally determined. To be able to eliminate CDF assistance within five years merely means, doing more efficiently what they are now doing. The period is not long enough to achieve diversification in export products on sufficiently large scale to significantly change their trading situation. Also from the standpoint of the donors, their interest is partly motivated by protection of their markets and other interests in the Caribbean. The CDCC objectives of higher self-reliance, horizontal cooperation, mutual protection against transnational corporations etc., will at some points inevitably conflict with donor interests. Gaining the understanding and sympathy of donors become a prime need. CEPAL should endeavour to help shift the balance in favour of the Caribbean countries.

26. The CDF focus presently is on the English-speaking Caribbean. There were no working groups for Haiti, Dominican Republic, Netherlands Antilles. Suriname is not so far a participant. The CDCC role of CEPAL would require moving the World Bank etc., in a direction that takes in all these countries. Also, that the collective and multi-lateral approaches should be given more prominence. Obviously, choice of projects and co-financing mechanisms can set in motion fuller participation of all the Caribbean countries, and weakening of the traditional fragmentation deriving from old metropolitan/Caribbean ties. A more effective approach would be to have CDCC priorities reflected in the mandates of the financial institutions.

27. In summary, then the CEPAL role can be enumerated:

- i) endeavouring to ensure that appropriate priority is given to regional projects, consistent with the priorities within the CDCC;
- ii) linking up (where feasible) of national projects to the sub-region as a whole;
- iii) promoting the correlation of financing to the CDCC work programme;
- iv) co-ordinating the activities of the CDCC and the World Bank Group.



CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT

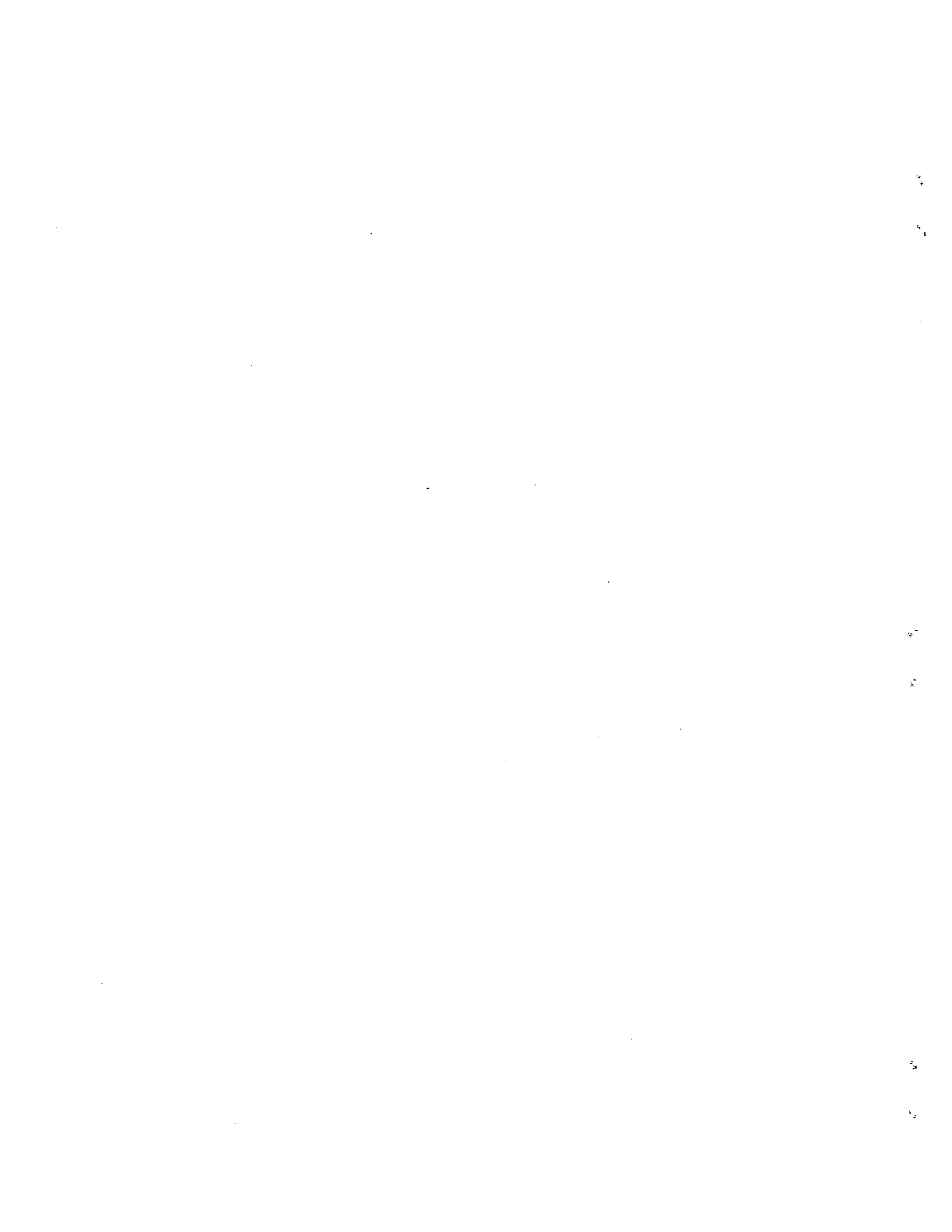
First Meeting, June 19-24, 1978

REVISED AGENDA

<u>Room</u>	<u>Date and Time</u>	<u>Meeting</u>
Eugene Black Auditorium	June 19, 9:30 a.m.	<u>Regional Group</u> Chairman's opening statement Statements by International Financial Institutions, Representatives of the Caribbean region, and donor countries. External requirements and availabilities and the proposed Caribbean Development Facility.
	June 19, 3:00 p.m.	<u>Regional Group</u> Statements by International Financial Institutions, Representatives of the Caribbean region, and donor countries (continued) Technical assistance Regional policy issues in Transportation
Eugene Black Auditorium	June 20, 9:30 a.m.	<u>Subgroup A: CARICOM's Less Developed Countries</u> Chairman's opening statement Common services Other subregional policy issues
Eugene Black Auditorium	June 20, 4:00 p.m.	<u>Regional Group</u> Regional policy issues in Agriculture Regional policy issues in Industry
Eugene Black Auditorium	June 21, 9:30 a.m.	<u>Subgroup B: JAMAICA</u> Chairman's opening statement Statement by Jamaica's delegation General discussion Statements by donors

<u>Room</u>	<u>Date and Time</u>	<u>Meeting</u>
C-1006	June 21, 9:30 a.m.	<u>Subgroup A: Working Party on ST. LUCIA</u>
	11:00 a.m.	<u>Subgroup A: Working Party on ANTIGUA</u>
Eugene Black Auditorium	June 21, 3:00 p.m.	<u>Regional Group</u> Preliminary conclusions of regional discussions
	4:30 p.m.	<u>Subgroup B: JAMAICA</u> Chairman's conclusions
C-1006	June 21, 3:00 p.m.	<u>Subgroup A: Working Party on ST. VINCENT</u>
	4:30 p.m.	<u>Subgroup A: Working Party on DOMINICA</u>
Eugene Black Auditorium	June 22, 9:30 a.m.	<u>Subgroup C: GUYANA</u> Chairman's opening statement Statement by Guyana's delegation General discussion Statements by donors
C-1006	June 22, 9:30 a.m.	<u>Subgroup A: Working Party on MONTSERRAT</u>
	11:00 a.m.	<u>Subgroup A: Working Party on ST. KITTS-NEVIS-ANGUILLA</u>
Eugene Black Auditorium	June 22, 4:30 p.m.	<u>Subgroup C: GUYANA</u> Chairman's conclusions
C-1006	June 22, 3:00 p.m.	<u>Subgroup A: Working Party on GRENADA</u>
	4:30 p.m.	<u>Subgroup A: Working Party on BELIZE</u>
Eugene Black Auditorium	June 23, 9:30 a.m.	<u>Subgroup D: BARBADOS</u> Chairman's opening statement Statement by Barbados' delegation General discussion Statements by donors

<u>Room</u>	<u>Date and Time</u>	<u>Meeting</u>
Eugene Black Auditorium	June 23, 3:00 p.m.	<u>Subgroup A: CARICOM's Less Developed Countries</u> Chairman's conclusions
	5:00 p.m.	<u>Subgroup D: BARBADOS</u> Chairman's conclusions
Eugene Black Auditorium	June 24, 9:30 a.m.	<u>Regional Group</u> Final statements by participants Chairman's conclusions



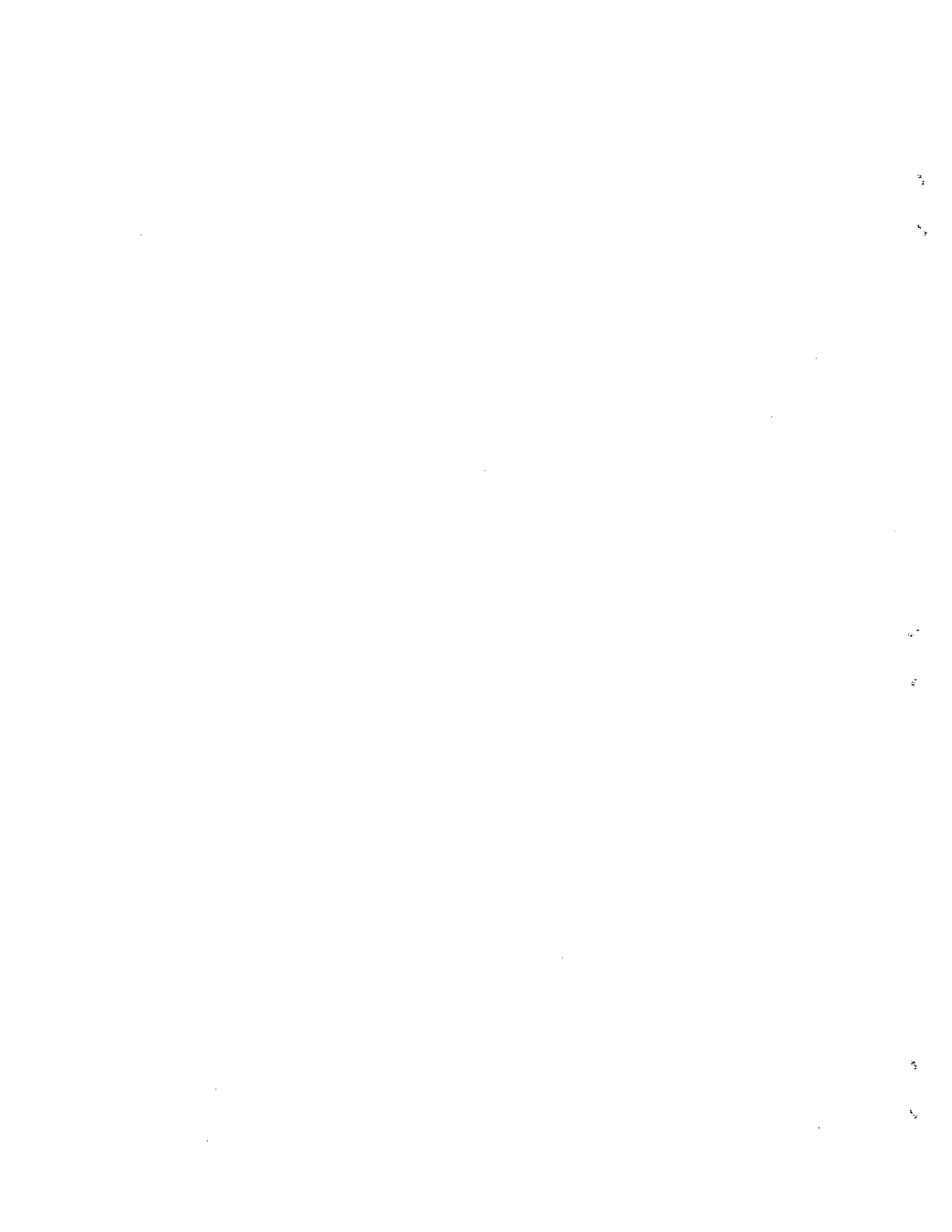
DOCUMENTS

Regional Group Meeting

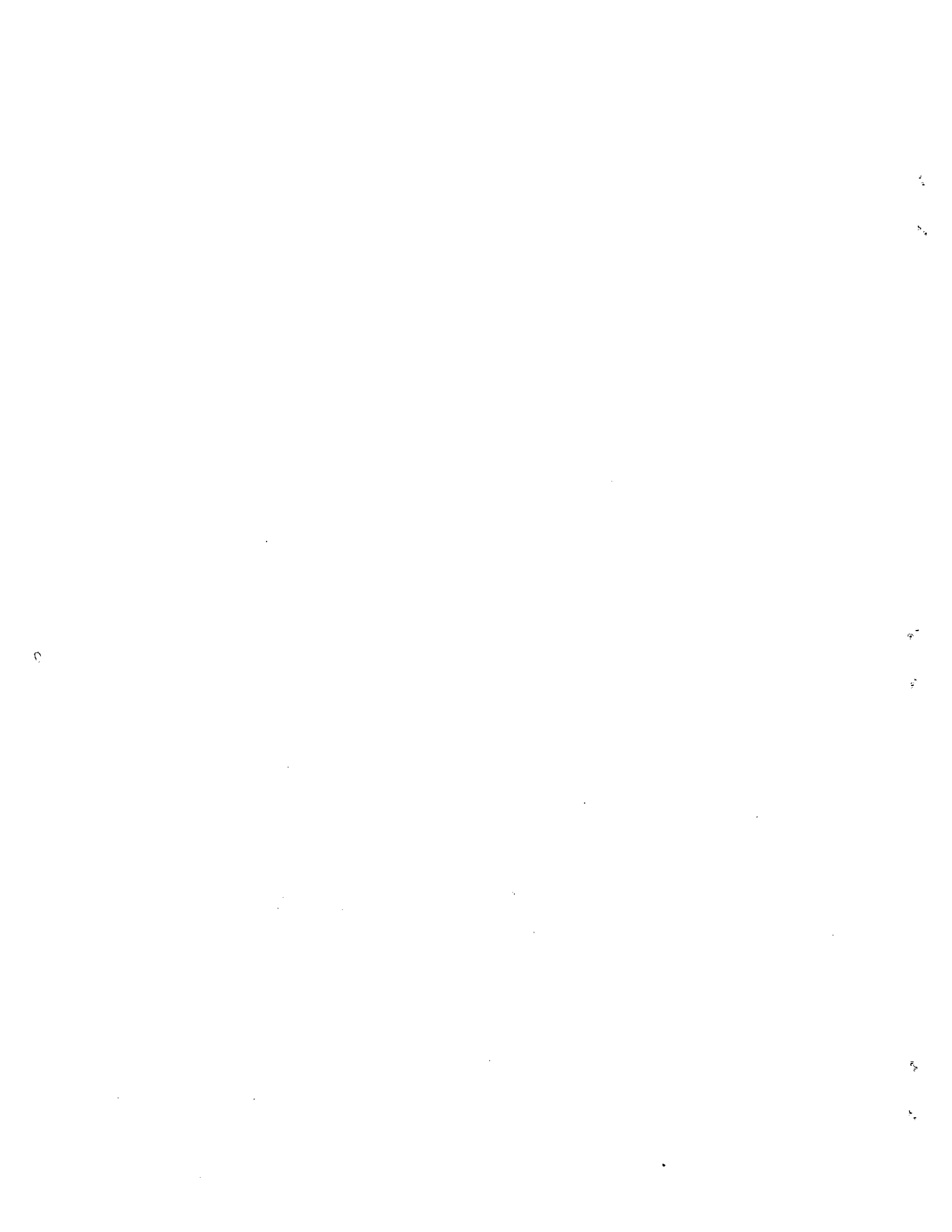
Transitional External Financing Requirements for the Caribbean Group	Report No. 2041-CRB	4/20/78
Regional Agricultural Development and Food Production in the Caribbean	Report No. 2064-CRB	5/9/78
Caribbean Regional Transport Review	Report No. 2004a-CRB	4/24/78
Industrial Development and Development Finance Companies in the Caribbean	Report No. 2043-CRB	5/8/78
A Proposal to Establish a Special Facility to Provide Supplementary Financing for Development Projects and Programs		
Technical Assistance Proposal		
Proposal for Channelling Additional Funds on Concessionary Terms Through the Caribbean Development Bank	CDB Report	

Subgroup A: CARICOM's Less Developed Countries

Regional Economic Survey of East Caribbean Common Market Countries	Report No. 2044a-CRB	5/22/78
Regional Agricultural Development and Food Production in the Caribbean	Report No. 2064-CRB	5/9/78
Caribbean Regional Transport Review	Report No. 2004a-CRB	4/24/78
Industrial Development and Development Finance Companies in the Caribbean	Report No. 2043-CRB	5/8/78
Economic Memorandum on Antigua	Report No. 1997-CRB	5/1/78
Economic Memorandum on Belize	Report No. 1995-CRB	5/1/78
Economic Memorandum on Dominica	Report No. 2001-CRB	5/1/78
Economic Memorandum on Grenada	Report No. 1994-GRD	5/1/78
Economic Memorandum on Montserrat	Report No. 1996-CRB	5/1/78
Economic Memorandum on St. Lucia	Report No. 1999-CRB	5/1/78
Economic Memorandum on St. Kitts-Nevis- Anguilla	Report No. 1998-CRB	5/1/78



Economic Memorandum on St. Vincent	Report No. 2000-CRB	5/1/78
<u>Subgroup B: Jamaica</u>		
Economic Memorandum on Jamaica	Report No. 2076-JM	5/26/78
Jamaica - List of Projects for External Financing	Report No. 2050-JM	5/2/78
<u>Subgroup C: Guyana</u>		
Economic Memorandum on Guyana	Report No. 2081-GUA	6/13/78
Guyana - List of Projects for External Financing	Report No. 2063-GUA	5/9/78
<u>Subgroup D: Barbados</u>		
Economic Memorandum on Barbados	Report No. 1618a-BB	3/21/78



A PROPOSAL TO ESTABLISH A SPECIAL FACILITY TO PROVIDE
SUPPLEMENTARY FINANCING FOR DEVELOPMENT PROJECTS AND PROGRAMS

Background and Objectives

1. One of the most common themes developed during the December Conference on Economic Development in the Caribbean was the one of tight investment resources in the context of needed stabilization programs. The conflict between the need to stabilize the domestic and external accounts, on the one hand, and to avoid even higher levels of unemployment than the present ones, on the other, was in the forefront of many participants' statements. In many cases this does not relate only to the need for new investment projects, but even to the need to avoid slowdowns or suspension of ongoing investments.
2. It is for this reason that a useful initiative, on which agreement could be reached at the first meeting of the Caribbean Group, would be the establishment of a mechanism for channeling new foreign resources to help finance essential imports and, through the use of the local currency generated by this assistance, to offer supplementary financing--mainly for local costs-- to assist in the execution of development programs and projects. While this could be done in a number of ways, a regional facility for this purpose would be the most suitable, given the regional character of the Caribbean Group.
3. The establishment of a Caribbean Development Facility (CDF) would have, among others, the following important advantages:
 - a) The operational decisions concerning the CDF would be adopted taking into account whether the recipient country has acceptable short- and medium-term economic programs;
 - b) The operation of the CDF--which, where appropriate, would be closely coordinated with the IMF, and with country subgroups--would be likely to support needed improvements in the economic policies of several countries in the region;
 - c) The financing of local costs provided by the CDF, coupled with continuing project assistance from bilateral and multilateral sources, would make it possible to achieve, on a stable basis, public investment levels substantially higher than otherwise would be possible, given the stabilization policies required in most of the Caribbean countries;
 - d) The kind of financing provided by the CDF would improve directly the balance-of-payments situation of the recipient countries. This might be conducive to an early lifting of the import restrictions which, among other effects, are having a negative impact on intra-CARICOM trade.

4. As indicated above, the main purposes of the CDF operations would be to help finance essential imports and to provide supplementary financing of projects and programs for which international institutions or other external lenders are financing foreign exchange components. Such projects and programs would be identified within the country subgroups or--between meetings of the subgroups, and in cases where no subgroup exists--through more informal consultations of the World Bank staff with the Government concerned, donor countries, the IMF, the IDB, and the CDB.

5. The special kind of financing to be provided by the CDF should not be considered as a new permanent type of foreign assistance. It is, rather, an instrument to help the recipient countries during an adjustment period in which special external assistance is needed for maintaining acceptable levels of development while executing economic policies directed toward achieving sustained financial stability. This type of financial assistance should not be needed for more than five years, provided that the recipient countries adopt appropriate and timely economic policy decisions.

Operational Aspects

6. The amount of special external assistance required each year for the CDF operations would be preliminarily estimated by a Working Group formed for that purpose by the World Bank, the IMF, the IDB and the CDB. In estimating those requirements, the Working Group will take into account:

- a) the short-and medium-term economic policies and programs adopted by the Government of each recipient country, and-- in the framework of such policies and programs--the overall external financial needs of those countries; and
- b) the availability of development projects and programs eligible for CDF financing.

7. The Working Group will make recommendations on the eligibility of individual recipient countries for CDF financing and on the amounts it would be desirable to provide in each case, based upon the existence of appropriate short- and medium-term economic policies. In the case of countries which have financial programs accepted by the IMF and investment programs accepted by the World Bank, such programs would suffice to fulfill this requisite. The policy decisions and intentions indicated by the recipient Government will be recorded in the final statement of each subgroup meeting, as the basis for future CDF assistance. In other cases, it is suggested that a decision on country eligibility be based upon information on country programs and policies provided by government representatives and assessed by the staff of the World Bank, the IMF, the IDB and--in the case of its borrowers--the CDB. Whenever possible, the eligibility decision would be confirmed during the

subgroup meetings. Attention will be given to the relative priority attached within each country economic program to the need to increase regional economic cooperation.

8. The CDF would be formed by amounts pledged by interested donors. It is expected that most of the amount required by the CDF during its first year (July 1, 1978 to June 30, 1979) would be pledged by several donors in the first meeting of the Caribbean Group to be held on June 19-24, 1978. Similar pledging sessions would be held each year, during the five-year period referred to in paragraph 5 above. However, in some cases, particularly when there is an urgent need to provide additional resources, for CDF purposes, to specific recipient countries, it would also be appropriate for donors to commit their CDF assistance on an ad hoc basis to those recipient countries.

9. Each donor may select the development programs or projects which would be financed with their CDF assistance. In cases where the recipient country has economic and financial programs which have served as a basis for financial agreements with multilateral agencies, donors may also opt for allocating, in general, the local currency generated by their assistance to the financing of the approved investment programs without earmarking it for specific projects. The Working Group referred to in paragraph 6 above will coordinate the selection of projects and programs in order to avoid duplication and to ensure the financing of high priority projects. The Working Group would also assess performance in the execution of projects and programs for which CDF assistance is offered, and would report its findings to the donor countries involved, and to the Caribbean Group. Each donor country would reach separate loan and/or grant agreements with each relevant recipient country--or with the CDB where donors wish to use that institution as a channel to provide assistance to its members. The World Bank, the IDB and the CDB would be prepared to assist in the administration of such loans and grants by concluding cofinancing arrangements in all cases in which any of those three institutions is involved in the financing of the same projects or programs.

10. The donor countries would be able to make their contributions in two forms:

- a) in long-term credits or grants, for the financing of essential imports with the counterpart in local currency available for the financing of development projects or programs;
- b) in long-term credits or grants, taking the form of essential commodities such as petroleum and food; the counterpart in local currency derived from the sale of these commodities would also be used for the financing of development projects or programs.

The foreign exchange provided under the first modality could be disbursed: (i) immediately after the loan or grant is approved; (ii) in several tranches, according to a predetermined schedule; or (iii) pari passu with the execution of development projects and programs. It would be highly desirable if each donor could make available as large a part of its contribution as possible in the form of untied credits or grants. Each donor's assistance within the CDF framework should be provided with a significant element of concessionality.

11. In the case of CARICOM's Less Developed Countries (LDC's), which are facing a particularly difficult fiscal situation, the definition of development projects and programs which qualify for CDF assistance should be understood to include current development expenditures, provided that such expenditures:

- a) are related to specific high-priority investment projects and programs, or
- b) are part of common services to be established by Caribbean countries.

The allocation of those resources to specific LDCs would be made, where appropriate by CDB, following the joint recommendations of the staffs of the World Bank, the CDB and the IMF, based upon their assessment of the short- and medium-term economic programs prepared by each country.

TECHNICAL ASSISTANCE PROPOSAL

I. The Need

1. The preparatory work for the Caribbean Group for Cooperation in Economic Development has - in the review of individual country development programs, the subregional economic survey of the Eastern Caribbean countries and the regional industrial, agricultural and transportation sector reviews - identified some of the technical assistance needs of the region. The needs for technical assistance may be grouped into four general categories.

2. A. Project Preparation. Most of the countries of the region have experienced difficulty in preparing projects to standards which would meet the criteria of international financing agencies. They often do not have the technical expertise to prepare projects, the financial resources to hire consultants, or the experience to use the resources available in existing pre-investment funds.

3. B. Project Execution. The countries of the region have also had difficulties in project execution, which have led to delays in the completion of projects, the unnecessary payment of commitment fees to lenders and the costly immobilization of scarce capital resources. Although unavailability of local currency counterpart has been a major cause of delays in the execution of internationally financed projects, delays are also caused by inadequate management and technical expertise, particularly in the smaller countries.

4. C. Regional Sector Studies and Technical Assistance. Regional sector reports have been prepared for the Caribbean Group meeting in the transportation, agriculture and industry sectors. Various pre-investment studies and other technical assistance proposals which would promote regional economic development and integration have been identified in the reports. Initiation and execution of regional pre-investment studies and other technical assistance will not only require adequate financing, but the establishment of priorities in selecting the pre-investment studies and other technical assistance to be financed, and subsequent supervision of the activities selected for financing.

5. D. Common Services. In a region containing countries with small populations and sharing some common features and problems, many opportunities exist for providing common services on a regional or subregional basis. The subregional survey of the eastern Caribbean countries has identified areas where common services would reduce the cost of services, provide improved services, and in

some cases make services available that would be impossible to provide otherwise in a very small country. The regional sector papers in agriculture, transportation and industry also contain suggestions for the establishment of common services.

6. Execution of a program of technical assistance, which will meet the foregoing needs will include, in addition to pre-investment studies, the strengthening of national and regional institutions through advisory services, skill training, and other forms of support.

II. Financing Requirements

7. If all the technical assistance proposals identified in the preparatory work for the Caribbean Group were found to be viable, it is estimated that US\$25 million would be required for their financing over the next two years, distributed in the following manner:

	(US\$ million)
(i) Project preparation and execution	8.0
(ii) Agricultural Sector studies and other technical assistance needs	3.0
(iii) Industrial Sector studies and other technical assistance needs	3.0
(iv) Transportation Sector studies and other technical assistance needs:	
Maritime Subsector	4.0
Air Transport Subsector	3.0
(v) Common Services	<u>4.0</u>
Total for 2 years	<u>25.0</u>

8. It is not now clear how much of this could be financed from the several sources of funds that are available for financing technical assistance and pre-investment studies in the Caribbean. Available sources of financing include bilateral, as well as multilateral programs under the auspices of the IDB, CDB, UNDP, OAS and other agencies. Their focus has principally been on national programs, and it is therefore possible that of the US\$8 million estimated for project preparation and execution under (i) above, some portion could be met from resources already available. In respect of regional and sub-regional projects, however, the amounts estimated under (ii), (iii), (iv), and (v) above may come closer to representing additional financing requirements. Interest in financing such projects is only recent and therefore less is known about the availability of funds and the conditions governing their use.

III. The Proposal

9. The estimates given above notwithstanding, the information on financing requirements for technical assistance needs in the region, and on the existing resources to meet such requirements have not been quantified sufficiently to identify a precise financing gap. It is also not clear, if this information were refined, and if such a financing gap for technical assistance were identified, that any new financing mechanism such as a technical assistance fund would be necessary, since existing financing mechanisms might provide adequate channels for additional resources to the region. As a result, it is not recommended at this time that a technical assistance fund be established, other than the CDB fund described below. This is not meant, however, to preclude later consideration of establishing such a fund by the member countries of the Caribbean Group.

10. A need does exist, however, for better utilizing the resources already available for technical assistance and for identifying and securing additional financing through existing channels. It is therefore recommended, that as an initial measure, a mechanism be established for the foregoing purposes. Such a mechanism would supplement, but not replace, existing arrangements for providing technical assistance and would help secure financing of regional technical assistance projects and programs.

11. UNDP should have an important role in such a mechanism because it is a leading source and channel for international technical assistance, and because it has representatives in the field who maintain a close relationship with all of the Governments of the region. It is therefore proposed that the sponsoring international development institutions of the Caribbean Group (i.e., World Bank, CDB, IDB) and the UNDP should, if the members of the Group agree, establish a Steering Committee provided with the necessary support to carry out the following:

- (a) Preparation and maintenance of an inventory of identified technical assistance projects requiring financing. This will permit a coordinated review of the technical assistance needs of the region as a whole.
- (b) Establishment of priorities in consultation with countries and regional organizations, for technical assistance projects consistent with national and regional development programs and plans.
- (c) Assistance to countries in developing a greater capacity to prepare technical assistance project documents. Until such capacity is developed, countries will receive assistance in the preparation of project documents required in order to obtain financing. These documents would describe

the technical assistance activity, its objectives, manpower requirements and costs. In many instances, inability to prepare adequate project documents has prevented financing of technical assistance projects.

- (d) In preparation for country subgroup and full Caribbean Group meetings, the Steering Committee will cause to be prepared technical assistance project profiles or summaries to be presented along with the project profiles on capital projects that are presented to donors and recipients.
- (e) Assistance to countries and regional organizations in obtaining financing.

12. The Caribbean Development Bank will participate in the Steering Committee actions affecting CARICOM countries. Because of its existing involvement in technical assistance project preparation and as a source of finance, it has valuable expertise and provides a framework for accepting technical assistance inputs. For these reasons the proposal calling for the creation within CDB of a Project Preparation and Technical Assistance Fund of US\$4.1 million for four years is endorsed within the framework of the proposal made here. The CDB proposal is already at an advanced stage, and is under consideration by several donor countries. While the US\$4.1 million fund does not purport to cover the global needs of the region, the importance of such a fund for CDB member countries is recognized, especially for the less developed members. It is proposed to provide through this fund technical advisory services and training in the areas of general development, project preparation and implementation.

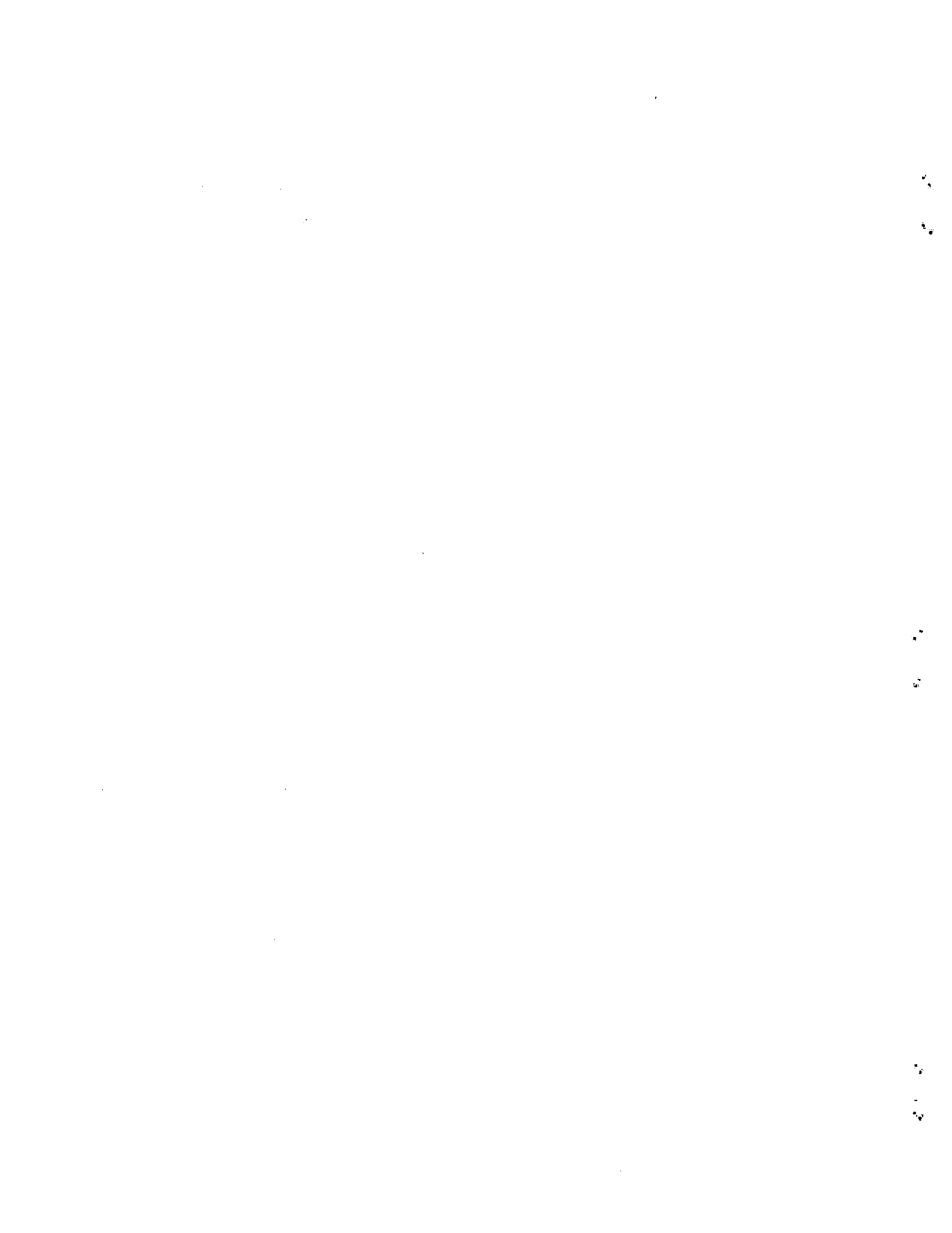
IV. Conclusions

13. The coordinating mechanism proposed here should be regarded as an interim arrangement, that will be kept under review for its effectiveness in channelling needed technical assistance resources to the Caribbean region. Should the mechanism prove inadequate to meet all the financing needs, and should substantial financing gaps appear, for example in respect of regional projects, it may then be appropriate to propose alternative arrangements such as a special fund for regional projects and programs.

14. For the time being, the proposed coordinating mechanism has certain advantages. Principal among them is that it makes maximum use of existing institutions. In particular, it should be noted that the coordinating activities are to be performed in a way that supplements the usual arrangements through which

technical assistance is provided to the countries in the region, and not to replace them. They are not intended therefore to interfere with customary country-donor relationships, and should not cause any delay in the flow of technical assistance financing. At the same time the mechanism gives donors the opportunity to provide more resources for technical assistance by permitting an overall view of national and regional technical assistance programs and by helping to speed the process of getting from general identification to disbursement.

15. If the donors and recipients agree, IDB, CDB, World Bank and UNDP would take the appropriate steps to establish such a mechanism, and to identify more precisely requirements for its proper operation.



TECHNICAL ASSISTANCE

It was agreed by the Group that the Steering Committee recommended to be established in the Technical Assistance Proposal of June 14 be established to perform the functions stated in the Proposal and that the Committee be under the Chairmanship of UNDP. At the suggestion of the distinguished delegate from Barbados, it is agreed that CARICOM and the Caribbean Development and Co-operation Committee of ECLA participate in the Committee and that the valuable staff resources of those organizations be utilized to support the work of the Committee. In addition the ECCM will be associated with the work of the Committee with regard to the LDCs. The Group endorsed the creation of the Project Preparation and Technical Assistance Fund within CDB, which was referred to in the Technical Assistance Proposal, as a matter of high priority.

The UNDP has agreed to make available the necessary secretariat services to the Committee and all of the members of the Committee shall cooperate in making technical staff available to the Committee from time to time so it may carry out its functions.

It is agreed that the Committee shall meet at least twice a year, and as frequently as may be necessary to carry out its business. The first meeting will take place in the Caribbean within four to six weeks of the conclusion of this meeting and shall be called by UNDP. It will have the following principal objectives:

- (a) Organizational. Development of a work program, formulation of operating procedures and determination of staff requirements.
- (b) Regional Programs. A review will be made of the regional technical assistance proposals contained in the three sector papers prepared by the World Bank for this meeting. The purpose

of the review will be to identify the technical assistance proposals which require further documentation; agree on how and by whom such documentation shall be prepared; determine the procedures by which financing of the projects would be sought; and where projects are ready to be financed, initiate requests for such financing.

- (c) National Programs. A communication will be prepared for sending to Caribbean country members Governments of the Group which will describe the next steps to be taken in preparing technical assistance projects for financing. Donor countries and institutions will be appropriately informed of actions to be taken.

The Committee will make reports on its progress to future Caribbean Group and Subgroup meetings. The Committee will at all times be guided by the principle that its actions will supplement, but not replace, existing arrangements and prospective arrangements (such as the CDB Technical Assistance Fund), for providing technical assistance in the region. The success of the Committee in helping provide additional resources to the region will depend on the cooperation and support of the members of the Caribbean Group.



