AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES OF AMERICA

CARIBBEAN REGIONAL

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 83

February 1981

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

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INTRODUCTION AND KEY ISSUES

The FY 83 CDSS is an update of the document approved one year ago. While it contains no major departures in overall strategy, it brings into sharper focus some of the basic themes of the program being proposed for the decade of the 1980s, especially the increased emphasis on private sector development in industry and agriculture. It also raises important policy issues which must continue to receive attention in the year to come if momentum is to be maintained in dealing with the pressing development problems of the diverse countries that constitute the Caribbean region. The timing of the U. S. and Caribbean Group assistance build-up, particularly in the Eastern Caribbean where it coincides with emerging independence, already appears to have contributed to a tempering of political trends and to increased confidence in those groups who identify with the U. S. and western Eurcpe as opposed to Cuba and the USSR. The strong western, multilateral commitment to the region has helped create an atmosphere of collegiality and cooperation within the framework of stable democratic institutions, respect for human rights and for the strength of free enterprise economic development. However, deep seated economic problems exist and unless there is visible progress in resolving unemployment and improving the well being of the average citizen, these countries can be expected to seek more radical solutions.

The Caribbean Group: The Caribbean Group remains critical to the success of the U. S. development assistance strategy for the Caribbean region. The present document provides further information describing the important role of the Caribbean Group. Actions of donors have been mutually reinforcing; the sharing of the assistance burden has been openly arrived at. Cross fertilization among programs is virtually continuous. The leadership of the World Bank has been vital to the success of the Caribbean Group. RDO/C urges continued strong support for World Bank leadership and welcomes the new interest of the IMF in the Eastern Caribbean. Together, these two institutions, with other donor support can play an invaluable role in assisting the countries of the area in developing economic stabilization and development programs in defining investment priorities consistent with their fiscal capabilities, and in establishing policies that will encourage private initiative and maximum self-help efforts. In the Eastern Caribbean where the U. K. is intent on reducing its responsibilities, we should encourage the IBRD and IMF to establish a small office that could provide on-going technical advice and monitoring as well as administer structural adjustment loans.

The Role of the Private Sector: One of the successful initiatives of the Caribbean Group was the formation of the Task Force on Private Sector Development. The Task Force, chaired by UNDP Deputy Administrator, Arthur Brown, produced a comprehensive report highlighting the necessity of private sector initiatives and recommending specific action for stimulating investment and growth in the region's private sector in order to create productive employment and spur new economic activity. The recommendations have been influential in forging new initiatives within the Caribbean Group, and the proposed strategy contained in this document represents a high priority for all the countries of the region since governments have come face to face with their limited capacity to tap new revenue sources and create new jobs. The theme of the private sector as the engine of growth needs to be kept alive; this will be assisted by the obvious fact that the countries that have performed best in the 1970s were those who relied heavily on the private sector.

Our on-going and proposed programs give high priority to strengthening and supporting the private sector as the most efficient means to expand production and employment. This includes strengthening the indigenous private sector, encouraging a policy framework in which the local private sector can effectively operate, and establishing linkages with the private sector in the U. S. and other Western countries to facilitate access to markets, external investment and transfer of technology.

The Role of the Caribbean Development Bank: The Caribbean Development Bank should continue to develop as the pre-eminent public development financial institution in the region during the planning period. It is expected to improve its responsiveness to member states as its institutional capacity develops and play an increasing role in structural adjustments demanded of these small economies in the 1980s. Nevertheless, the CDB alone cannot be expected to meet the growing needs of the region within the next decade. We propose to support private sector financial requirements through a new private sector development bank, the continued use of the Latin America Agribusiness Development Corporation and other institutions such as the Windward Islands Banana Growers Association and the revitalized Caribbean Food Corporation. We should seek to strengthen the CDB by contributing directly to its Special Development Fund and allow our funds to be utilized, free from our legislative barnacles, according to CDB criteria and procedures. We should also continue to work closely with the CDB on special grant projects, such as the Technology Research Fund, which is already financing pilot appropriate technology projects; the Technical Assistance Fund, and the Alternative Energy Program - special areas where joint AID/CDB programming will aid in the development of the CDB.

Regional vs. Bilateral Programs: The arguments for and against bilateral USAID involvement in the development programs of the Eastern Caribbean mini states have been under review for nearly two years. The people and governments of the Eastern Caribbean states continue to seek bilateral assistance. RDO/C believes that assistance through regional institutional mechanisms should continue to be the cornerstone of our foreign aid to the area, but also believes that complementing this program with bilateral assistance would serve U. S. interests over the near to medium term. Use of bilateral assistance would enable greater selectivity among recipients and provide the flexibility to reward good performance. Regional institutions balk at programs designed to directly serve U. S. foreign policy objectives. Bilateral assistance would increase the visibility of our aid and enhance the U. S. image in the region. (The very limited levels of assistance under the Special Development Activities program and several individual PVO projects have had public impact far beyond their importance as a portion of the U. S. program). Moreover, bilateral assistance would enable us to reach the grass roots level through programs that regional institutions are not prepared to undertake. Finally, such assistance would enable us to more directly address the problems of absorptive capacity through expanded training and the assignment of operational experts on a contractual basis. However, we must recognize there are offsets, primarily a greater administrative burden for USAID and the potential of more direct dependence upon the U. S. from which it would be difficult to extricate ourselves.

The Need for Economic Support Funds: ESF is required to mount programs to address economic and political stability in the Eastern Caribbean. The small states of the Eastern Caribbean have been dealt severe setbacks by world economic conditions and recurring natural disasters. ESF funds are proposed to strengthen private sector initiatives and to complement IMF and IBRD economic stabilization and structural adjustment programs. Within the framework of these structural adjustment programs and appropriate policy and self-help measures, ESF will facilitate the provision of essential credit for the private sector, continuation of necessary imports for the productive sector, and special initiatives such as a land sale guarantee program and other measures to encourage increased participation in economic growth among all productive groups within the small island states of the Eastern Caribbean.

PART I. DESCRIPTION AND ANALYSIS

A. The Economic and Political Setting

1. General: The Caribbean members of the CGCED include Antigua, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, St. Kitts/Nevis, St. Lucia and St. Vincent. The region exhibits a rich diversity of history, culture, language and development. The area has a total population of only 15 million, ranging from about 5 million each in Haiti and the Dominican Republic to slightly more than 10 thousand in Montserrat. The average population density is high with over 320 persons per square mile and is projected to reach 500 by the year 2000. The countries also vary widely in land area, from 40 square miles in Montserrat to 83,000 in Guyana. Per capita income ranges from under $300 in Haiti, to an average of $790 in the Commonwealth LDCs, and about $3,500 in the Bahamas.

A number of economic characteristics are common to all. All the Caribbean countries have small market size which denies them advantages of economies of scale. Fragmented and isolated, they suffer the added burden of high transportation and communication costs associated with geographic dispersion. This further narrows their opportunities for production based on export trade and makes their import costs especially onerous. Most states have inadequately diversified economies, making them highly vulnerable to the vagaries of international economic developments/ and weather. Expenditures for infrastructure, especially in the LDCs, are very high on a per capita basis. Moreover, the narrow resource base, imposed by both geography and topography, seriously limits opportunities for productive investment, thus constraining growth. Consequently, unemployment, running at a rate as high as 30 percent of the labor force and rising, is one of the most pressing problems; an especially destabilizing aspect is its seasonality.

In addition, the private sector is developing in only a few states. Most states also have serious balance of payments difficulties; in many instances,they do not have access to private capital and, thus, must look to the donor community for help.

The economies of most Caribbean states have been severely disrupted over the past decade by turbulent global economic events. Two of the countries most seriously afflicted were Jamaica and Guyana, both of which embarked on ambitious programs to nationalize industry and redistribute income and wealth and increase economic centralization. In attempting to carry out a number of structural changes at a time of world-wide economic recession, they strained the financial capability of their public sectors and created a climate that gave rise to flight of private capital and skilled technicians, doctors and businessmen. Political concern for the welfare of the people was expressed by allowing levels of consumption to increase more rapidly than output. Domestic savings declined and investment became increasingly dependent on external borrowing. These factors, combined with rapid domestic credit expansion, resulted in serious balance of payment problems. These restrictions effectively curtailed new investment and denied needed raw materials to import-dependent industries and led to financial choas and political and general violence. Import restrictions also curtailed regional trade with their partners in the Caribbean Common Market (CARICOM), thereby damaging the garment and other industries of the LDCs and Barbados which had relied on the Guyanese and Jamaicanmarkets.

In order to extricate themselves from their economic woes, both states have turned to the IMF.The newly-elected Seaga government in Jamaica has reopened negotiations with the Fund. Early last year, the previous government had broken off negotiations for a new agreement; the country had failed to live up to the performance criteria established under a 1978 Extended Fund Facility (EFF) agreement. The linchpin of any new agreement will be curbs on public sector spending; the new government hopes to avoid a devaluation which would be highly inflationary.

In July, 1980 Guyana and the IMF completed negotiations for a 3 year, $130 million EFF agreement; this agreement replaced one negotiated a year earlier. The new agreement calls for a major new public sector investment program, including a hydro-electric project; improvements in resource allocation; removal of price distortions; an increase in agricultural yield; and elimination of obstacles to private enterprise. Prospects for economic progress, however, are likely to be dampened by the political policy environment which to date has not been conducive to investment and growth.

The LDCs--Antigua, Dominica, Grenada, Montserrat, St. Kitts, St. Lucia and St. Vincent--have been hard hit by a combination of factors: the virtual cessation of British budgetary help, the massive oil price increases, and, more recently, a spate of natural disasters. The resulting financial difficulties have impeded development progress that had been generated and the provision of government services has suffered. Most importantly, however, the states have encountered difficulties in maintaining infrastructure which is needed for a thriving private sector. Consequently, although the LDCs maintain a commitment for growth with equity, present economic conditions makes realization of such a commitment more difficult to fulfill each year.

Responsible and innovative economic management has enabled Barbados to be an exception to the overall bleak pattern in the Caribbean. The country has registered positive real growth over the past five years, reaching nearly 7 percent in 1979. Barbados has attached the highest priority to the development of efficient foreign exchange earning activities, particularly tourism and export manufactures; maintained over long periods well designed and managed policies to encourage the development of its private sector--whenever necessary in association with foreign partners; managed its public finances soundly and adopted well-conceived public sector investment programs; maintained a positive attitude towards the need to increase economic collaboration within the region (for instance, by establishing common services) and vis-a-vis the rest of the world; and stressed education, especially vocational services.

Barbados, however, is now beginning to show the strains of the massive, new OPEC oil price hikes which have drastically increased import costs and produced worldwide recession. Real economic growth is estimated to have declined to 4 1/2 percent in 1980 with a further decline to less than 1 percent anticipated for this year. The growth of tourist arrivals fell from 17 percent in 1979 to an estimated 5 percent in 1980 because of the stagnant state of Western economies, and an even worse performance is expected this year. Inflation has surged to nearly 15 percent due to sharply increased import costs, overheating in the construction sector and large wage hikes. In response, the government has tightened monetary policy. The government also remains concerned over negative real interest rates which are discouraging private savings and stimulating capital flight. In addition, even though the government's financial position has improved in recent months, mainly as a result of recent changes in tax administration, large public sector wage increases may cause it to weaken in the future. Bright spots are the development of domestic oil and natural gas resources and the successful program to attract enclave industries.

2. Developmental Impact of Oil Price Hikes

Skyrocketing energy prices continue to produce substantial economic strains within the region. The price hikes not only have increased the cost of oil and other imports but, by inducing recession in the developing nations, have cut back demand for the region's exports and discouraged tourism.

The oil price increases of 1973-74 caused current account balances to worsen dramatically in most states, a development that was excerbated by adverse performance both in the mining sector, especially bauxite and agricultural exports. Prudent economic management in several states(first and foremost Barbados), including fiscal and monetary discipline, produced some relief in 1976-78. However, balance of payments difficulties have been rekindled by the doubling of oil prices over the past 18 months. All states are now reporting current account deficits, some ranging as high as 60 percent of GDP (Montserrat). Moreover, according to an estimate by the Caribbean Group, the region will need external resources in the amount of $1.3 billion for this fiscal year. With prospects of further real increases in oil prices, countries will have to "run faster to stand still."

In the aftermath of the 1973-74 oil price hikes, output and standards of living declined throughout most of the region. For instance, the weighted average of real GDP for the CARICOM countries (excluding the oil-producing state of Trinidad and Tobago) is estimated to have fallen by about 5 percent per year during 1974-77. Innovative economic management produced a strong recovery in several states in 1978, especially Barbados, St. Kitts/Nevis, and St. Vincent. St. Lucia continued to fare well until internal political difficulties slowed the pace of investment and business in 1979 and 1980; the state experienced real growth in excess of 10 percent annually in 1976-78, a performance unsurpassed by any other state in the region.

These states increased agricultural production, diversified into light manufactures, and/or promoted tourism. The newest round of oil price increases, coupled with natural disasters, led to a sharp downturn in 1979, and economic conditions were depressed in 1980 throughout the region. In general, unutilized capacity has increased significantly, employment rates have fallen drastically, and many new entrants into the labor markets are unable to find jobs. The human costs of these recent economic events have been staggering in both social and economic terms.

Inflation, which had declined in the aftermath of the 1973-74 oil price hikes, worsened dramatically in 1979 with the newest surge in oil prices. Sharp increases in inflation were recorded in almost every country, reaching the double digit level in many instances. Adding to the inflationary pressures were lower agricultural output, resulting from natural disasters and government policies including overly expansive fiscal monetary measures (mainly in Jamaica and Guyana) and measures such as administered prices that discouraged production. This recent surge in inflation has had an especially pernicious impact on the urban poor whose access to low cost food supplies and other basic amenities is seriously limited. Unless these inflationary pressures are brought under control, severe social and political instability could result.

In almost all states, the higher price of oil has meant that infrastructural repairs have been sadly neglected. States have not been able to generate sufficient public sector savings to maintain the economic infrastructure, much less expand it. This neglect, in turn, raises production costs and serves as a disincentive to new investment. As a consequence, private sector development, which is so very important in helping these states to move to the take-off stage, has been effectively curtailed. Moreover, the quality of the social services which depend on the maintenance of such infrastructure is declining. Basic structures and facilities most in need of repair in these island states include roads, school, health clinics, and water supply and sewerage systems. Although some donor efforts are underway to improve school and health facilities, actual needs still far surpass available funds. Perhaps the outstanding example is Dominica where practically all roads are in serious disrepair. The country simply does not have the funds required to maintain and rehabilitate an already precarious system which was further damaged by hurricanes over the past 18 months. The disrepair of the road system, in turn, has impeded seriously economic activity in other areas. For instance, farmers can no longer market bananas without significant losses due to damage while transported from farm to port.

3. Political Setting

The short-term political outlook in the Caribbean has improved markedly in the past year. It would be a mistake, however, to conclude that the countries of the region are well on their way to permanent stability.

The election of Edward Seaga in Jamaica represents disenchantment with the policies of Michael Manley - a charismatic populist - and an affirmation of a private enterprise-oriented development path. Eugenia Charles' relatively conservative government in Dominica is grappling with severe economic deterioration following a difficult period of natural disasters and political turmoil. Overwhelming public support for moderate pro-Western governments exists in Antigua, St. Kitts/Nevis, and St. Vincent; leftist parties were soundly defeated in all these countries.

However, the economic setback induced by recent oil price increases, the consolidation of the Cuban position in Grenada, the continued British withdrawal from the region, and the adverse impact of hurricanes David and Allen all contribute to a high potential for instability in the region. Declining output and falling standards of living in a period of rising expectations, combined with increasing numbers of people in the politically volatile 15-25 age group, has resulted in a number of potential leaders who either openly espouse or are willing to consider radical political and social change.

The challenge facing the governments of the region is to produce solid evidence of economic improvement in order to maintain the momentum of the shift away from radical experimentation and towards stability, strengthen the democratic process, and strengthen the private sector. RDO/C believes that the current situation gives the U.S. a unique opportunity. If governments can be assisted towards meeting improved standards of living, and if governments are willing to do their own fair share, extremely positive political and economic trends will result.

4. A Closer Examination of the LDCs

After enjoying modest economic growth of 2 to 3 percent annually in the 1960s, Caribbean LDCs stagnated with real GDP falling by about 1 percent per annum in 1971-76. The decline and then virtual cessation in the 1970s of budgetary assistance from the United Kingdom, on whom they have traditionally depended, emphasized the inherent weakness of LDC public sector finances, placing them in an especially precarious position--one that was exacerbated by the destabilizing world economic events unleashed by the global energy crises of 1973. Their small size made them particularly vulnerable to the ensuing international inflation and recession. Tourism and industry were affected adversely and agriculture continued its protracted decline. With population growth increasing because of reduced emigration possibilities, the decline in per capita income was even more severe. The higher rate of population growth aggravated unemployment, thereby placing increasing demands on LDC governments to adopt programs that their weak public finances could ill afford. Thus, the already fragile structure of these economies further weakened to the point that by 1976 the United Kingdom and Trinidad and Tobago had to establish a special "safety net" in the Caribbean Development Bank to bolster LDC public sector finances and to sustain their essential imports. A modest economic recovery ensued in several states, including St. Kitts, St. Lucia and St. Vincent.

LDC economic fortunes, however, have again taken a turn for the worse. The LDCs have been set back seriously by the massive oil price increases imposed over the past 18 months as well as natural disasters, including Hurricanes Allen, David, and Frederic and the La Soufriere eruption. Real growth fell from 6.4 percent in 1978 to a negative 1.4 percent in 1979; in Dominica alone real output fell a whopping 17 percent in 1979. Current account positions have worsened, falling from a minus 19 percent of GDP to a minus 24 percent. Inflation which has an especially destabilizing impact on the urban poor has surged, rising from 10 to

16 percent. Public sector finances also have weakened, reducing opportunities to invest in infrastructure. Moreover, according to preliminary data, LDC economies were depressed in 1980, with little if any improvement expected this year. Especially worrisome is the outlook for the tourist industry which is being hard hit by recession in western countries.

To generalize, however, is to obscure the fact that some LDCs have done much better than others. Those states that have fared especially well include Montserrat, St. Lucia (until 1979 political instability) and St. Vincent. Thier governments, in addition to strengthening public finances, adopted innovative economic policies. These three countries, however, have followed different developmental paths. St. Lucia and St. Vincent have chosen a pattern similar to Barbados and diversified their economies; starting from an agricultural base they have pushed into light manufactures and tourism. Montserrat, in contrast, has perhaps out of necessity elected to specialize in one area--retiree tourism.

However, the decline in U.K. assistance in real terms coupled with the renewal of the oil crisis have combined to produce serious financial difficulties for all the states. The small population of these islands mean that infrastructural investments are very expensive on a per capita basis, and this has magnified the paucity of funding. For instance, Dominica with a population of 80,000 must build a port which is capable of handling containerized ships. These fiscal problems are not susceptible to easy solutions. No significant increase in domestic revenue collections can be anticipated and increasing export tax rates would clearly be counter-productive. Increased government revenues to maintain and improve social services or finance needed public investment are not likely to be forthcoming unless the revenue base can be expanded through increased output in the productive sectors. Finally, the LDCs cannot turn to private capital markets for funds, as many of their counterparts in the Third World have done; most, if not all, are not considered sufficiently creditworthy.

All Caribbean LDCs continue to be plagued by a lack of absorptive capacity. This problem is basically one of a constraint of human resources. A shortage of middle and higher level managerial, administrative and technical personnel severely limits their capacity to seek out the assistance which is available. This problem is further intensified by the movement of higher-skilled persons from the LDCs to high-paying regional organizations, private firms or actual migration out of the region. At the project level, this is manifested by the country's inability to identify, design and implement projects. Moreover, a shortage of qualified administrative and technical personnel limits the ability of LDC institutions to make effective and timely use of the resources which are obtainable from the CDB and other donors.

Over the long-term, a solution may be found in a combination of changes to the education and civil service system. But in the short-term countries and private firms must seek means to upgrade the skills of their employees and make greater use of expertise both within and outside the region. Some programs directed at these problems have been initiated but address only certain aspects of the problem and will take effect slowly at the country level.

Emigration from the Caribbean, especially the LDCs, during the 1950s and 60s has been one of the most important regional economic developments. Estimates suggest that in no country of the English-speaking Caribbean was net emigration less than 5% of the total population and, on a regional basis, as much as 10% of the total population may have left. Since that time remittances from West Indians living outside the region have become a major source of income, often providing more than 25% of gross family income. In addition, substantial intra-regional migration exists, and this has increased substantially since Britain initiated its Immigration Act in 1962 and Canada and U.S. took a more rigid position on immigration. Vincentians insist, for instance, that in parts of the island women outnumber men 10 to 1, the result of male migration to Barbados and Trinidad for the most part.

Although emigration has removed from the region some of its most aggressive, capable people, resulting in a diminution in the supply of human capital for long run growth remittances into the region have provided substantial income flows, contributing to a more equitable distribution of income. These remittances may soon begin to decrease, however, as fewer people can enter developed countries and those already there pass their peak earning period and retire, return to the West Indies, or pass away.

Migration is of great importance for programs designed to provide training and general employment. Unless designed properly, LDC training programs may simply subsidize the labor force of the MDCs and the developed countries. For instance, Barbadians claim they are subsidizing business professions in the U.S., nursing personnel in Canada, and skilled trades in the United Kingdom.

The issue of migration points up to an important distinction between the LDCs and the MDCs, particularly Barbados. Although Barbados experienced a high degree of emigration in the past, this has slowed down with the trend reversing so that many people, now older, appear to be returning to the island or migrating to Barbados from elsewhere. The birth rate has also begun to decline and stabilize at a level far lower than that of other islands. Estimates place the 15-year old and younger population of Barbados at approximately 37 percent and holding while in the LDCs the figure stands at 45 to 55 percent and in some cases rising. Thus for the LDCs more children are being born and more young people are entering an already depressed labor market. Without income generating work they in turn become more dependent on their households and their societies.

5. Government Commitment and Progress

Both the MDCs and the LDCs have demonstrated an unusually high commitment to meeting the basic human needs of their citizens. Government revenues from domestic sources average just over 25 percent in the LDCs and progressive income taxes (except in Antigua and St. Kitts which have abolished income taxes) account for approximately one-fourth of these revenues. These rates, unusually high for countries of this level of development, enable governments to annually allocate large proportions of national budgets towards social and economic services. The LDCs have provided at least primary education for all their children and a broadly based, though inadequate,health system.

In the MDCs much attention is focused on increasing and/or upgrading existing educational facilities at all levels and, while Barbados has promised to further subsidize those students who fail to qualify for free secondary education, Guyana has already ambitiously undertaken to provide free education at all levels. Both countries have provided substantial funds for health. Social security schemes have been established in the MDCs and roads are fairly well maintained. This commitment to social welfare partly explains per capita consumption in excess of levels justified by the output of these economies.

B. The Target-Group: Causes of Poverty

The problems facing the AID target group in the Caribbean LDCs are not primarily those of access to government services nor of equity. Repressive governments and uncaring oligarchies similarly do not, for the most part, create a burden for the poor. Instead, the problems of the poor are as one with the tiny, vulnerable national economies in which they live. Low productivity, unemployment, an inadequate fiscal base, and a debilitating trade deficit caused by oil price increases and related price hikes for other imports are all macro-economic problems with a direct and immediate microeconomic link.

1. Inadequate Job Creation and Productive Investment

The economic conditions already cited translate, in the first instance, to a limited level of demand for labor. There is simply not enough productive employment for all who want to work, let alone sufficient growth to keep pace with increasing numbers of entrants into the labor force.* The latest unemployment rates show the magnitude of the problem: Jamaica (31%), Guyana (20%), Barbados (11%), and for the Eastern Caribbean Common Market (ECCM) states the estimates range from 13% to 23%. While these figures indicate the great extent to which human resources are underutilized, they reveal only part of an unemployment situation which is further exacerbated by high levels of seasonal and structural under-employment.

Data also indicate that work rates are significantly lower among the younger age groups and females, thus adding important social dimensions to the already difficult economic problems caused by unemployment itself. About half of the work-seeking population in the 14 to 19 years age category is unemployed, compared to 20 percent in the age 20 to 24 category. Throughout the region, there are nearly two and one half times the number of males employed as females.

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* Of total World Bank estimates of labor force growth in the region during 1970-1980, 65% occurs among those age groups (14-24) where unemployment runs highest.

The fact that the number of youth entering the labor force annually is increasing, both because of demographic variables and because fewer young workers are able to migrate to developed countries, suggest that the pressure for jobs will become more intense in the future.

The "target group" of employed and underemployed is complex, consisting of a great range of capabilities, aspirations and attitudes. RDO/C has commissioned or assisted studies of the unemployed, including youth and women in an attempt to better understand how to intervene appropriately with employment generating development programs. One recent study by Drs. Rosemary and Gary Brana-Shute of the University of Florida was conducted in St. Vincent, St. Lucia, Dominica and Barbados. The study adds a strong grass roots dimension to the mission's information about the unemployed, dramatizing the plight of people who must support themselves and their households in spite of the absence of formal job opportunities.

The Brana-Shute study supports earlier findings that while formal job holding may be preferred, it is seldom an option for large numbers - especially youth and women. For such people "occupational multiplicity" is the rule. This is the pursuit of a variety of productive activities including self-employment, multiple, part-time, formal or informal job holding as a strategy to insure that several avenues for access to cash are available to cope with economic uncertainty. Many such people have never held a formal job. It becomes clear in such cases that programs concerned with reducing unemployment through formal job provision need to be supplemented by those with a broader definition of the use of human resources. Thus vocational/artisanal skills training, micro-business credit, cooperative farming and other programs aimed at the "informal" sector and opportunities for non-wage and/or self-employment play an important role along with formal job creation in stimulating productive employment.

While the need for more training for productive employment has begun to be addressed by governments of the region, measures that discourage employment, including administered prices, wage policies, export and import taxes, and interst rate ceilings, present an important obstacle to additional progress. This list of measures is not exhaustive nor have all governments been guilty. Administered prices in discouraging production have an adverse impact on employment. They have been used widely in the region, especially in the agricultural sector which is labor intensive, and their use in this sector has discouraged food production. Minimum wage legislation affects adversely the hiring of unskilled labor, the poorest segment of the populace, and countries which have adopted such legislation include Antigua, St.Vincent Guyana, Jamaica and St. Lucia. As for export taxes, the Windward Islands, in particular St. Lucia, have imposed export taxes on banana shipments, which has had an adverse impact on production in that sector. Governments also should be moving towards eliminating interest rate ceilings on deposits which are prevalent throughout the region; removal of ceilings would help mobilize savings and make available more credit to small and medium-size business enterprises.

Aside from needed policy reforms, governments should be taking a more active role in promoting employment. Such a role would emcompass (1) furnishing requisite economic data in order to enable businessmen to make more informed decisions; (2) generating sufficient public sector savings to provide for and maintain economic infrastructure that is required for a flourishing private sector; (3) encouraging intra-regional migration of workers; and (4) maintaining a positive attitude towards foreign investment with elimation of any unnecessary regulations.

This section that follows outlines major constraints to development in specific key sectors of the Caribbean regional economy and areas of AID program emphasis.

(a) Role of the Private Sector

In reaffirming the importance of the private sector in contributing to economic and social development in the region, the Caribbean Group in 1979 established a "Task Force on Private Sector Activities", which was chaired by Arthur Brown, Deputy Administrator of UNDP, and included prominent government and private individuals from nine Caribbean countries.

The underlying conclusion of the June, 1980 Task Force report was that despite some differences in the development strategies of Caribbean Group countries, the private sector must be relied upon to provide a large proportion of the additional production and employment needed for the economic and social development of the region. To realize the potential and essential contribution of the private sector to the development of the region, a number of obstacles must be overcome, including: (1) limitations of existing financial institutions; (2) uncertain investment climate; (3) human resource constraints and (4) trade and factor mobility problems.

The Caribbean region is relatively well endowed with financial institutions to serve the private sector; however, several facts stand out: (a) equity capital is in short supply; (b) term loans are difficult to arrange or non-existent; (c) development finance corporations (DFCs) and public lending institutions are not sufficiently responsive to the business community and (d) project analysis, identification and development services are weak.

The investment climate is a complex combination of subjective "confidence" factors and objective "incentive" factors. Although some countries in recent years have enthusiastically courted investors, uncertainties about government policy and particularly the future of the private sector in several countries, has reduced private sector confidence (and therefore investment) in the region as a whole. In addition, government incentives to stimulate investment such as fiscal concessions and subsidies are many and extremely varied throughout the region and often are offset by other tax, legal, regulatory and administrative provisions. The investment climate resulting from inconsistent government policy and incentives is not conducive to private sector growth.

In terms of human resource constraints, the Private Sector Task Force report states that "a shortage of entrepreneural talent and managerial and skilled labor is one of the major if not the single most important obstacle to private sector development." The Task Force called for a major regional effort to upgrade management and technical training institutions at all levels. A critical need also was further identified for more direct contact between skills training programs and the business world.

Constraints on trade, payment and factor mobility continue to require far sighted regional leadership. The Private Sector Task Force noted that up to the present, no region-wide understandings have been reached within CARICOM to facilitate the mobility of labor, capital and entrepreneurship. A recent step in this direction was CARICOM's appointment of a high level group to examine opportunities for closer economic integration within CARICOM region, including the aforementioned issues.

Finally, to foster a stronger voice for the business community in regional issues stronger ties between national private sector organizations is essential. The revitalization of the Caribbean Association of Industry and Commerce (CAIC) over the last year should provide a mechanism to bring these organizations together.

(b) Agriculture

Tha agriculture sector remains one of the most important in the Eastern Caribbean, both in terms of income generated and employment opportunities. Over the past several decades, however, Caribbean agriculture has failed to adjust to the changing social and economic forces in the Region. Once dominated by large estates dedicated to mono-crop cultivation of traditional export commodities, the structure of the agricultural sector is now characterized by farms of less than five acres that typically grow several commodities using mixed stand cultivation. The performance of agriculture in the wake of this structural shift has been disappointing, and constitutes a central concern of RDO/C's development assistance strategy in the Region.

The failure of these small farmers to achieve increased productivity in food crops as well as traditional export commodities, has contributed to the substantial and growing trade gap in all countries in the Region. Food imports account for 20 and 40 percent of total commodity imports in the Region. Traditional agriculture commodity export subsectors have demonstrated little growth in the recent past, and some have slightly declined. As a result, the countries' balance of payments' deficits are exacerbated, employment is constrained, and nutritional well-being of many low income groups is made more precarious.

Agricultural development and food production in the Eastern Caribbean are constrained by a constellation of inter-dependent factors that elude simplistic analysis and require carefully designed interventions. Major constraints may be grouped into six categories as described below.

1) Limited Availability of Useful Knowledge and Technology that Make Possible Higher Levels of Productivity of Agricultural Resources, Both From Land and Labor:

The key concept here is technology and knowledge useful to the farmers who ultimately must make the on-farm resource management decisions. This concept is particularly important in the Caribbean where the problem primarily is the limited understanding of how the adaptation of improved technologies will affect the overall small farm operation.

2) Inadequate Incentives for Farmers to Invest to Enhance Productivity:

The constraints identified here include uncertain land tenure arrangements, administratively controlled product prices which often entail a force resource transfer from rural producers to urban consumers, poorly managed and erratic delivery of public sector services in rural areas, and the generally low priority assigned to agriculture by national policy makers as evidenced by budget allocations. Idle and underutilized agricultural land, particularly evident in Antigua and Dominica, can be attributed in great part to this set of constraints.

3) Limited Access to Markets, at the National, Regional and International Levels:

At the national level, most of the LDCs have limited networks of poorly maintained roads in rural areas that seriously restrict primary assembly of farm products.

Moreover, the absence of frequent and reliably scheduled inter-island sea transport isolates most farmers from dependable markets in the more populous countries of the Region, as well as dependable transshipment to Europe and North America. Other necessary marketing elements like storage facilities, market information systems, and well organized trading companies are also seriously deficient. Hence, lack of both the physical infrastructure and the appropriate trading organizations, require simultaneous interventions to successfully influence production. Problems associated with agricultural marketing are consistently mentioned by farmers and Government officials alike as representing the region's most serious constraint to improved agricultural output.

4) Inadequate or Undependable Supply of Modern Inputs:

A growing and dynamic agricultural sector in the Eastern Caribbean will necessarily require greater supplies of high quality seeds, fertilizers, plant protection materials and selected equipment. Utilization of these inputs implies the need for appropriate credit for both long-term investment and current production activities. Entities responsible for input supply (both public and private) are frequently poorly organized, have limited distribution capacities, and often offer only erratic availability. This is true of entities that supply commodities as well as credit. The economic benefit attributable to modern inputs is as dependent on timely application as it is on technical specification.

5) Limited Natural Resource Endowments which Reduce Agricultural Alternatives in the Eastern Caribbean:

A large proportion of agricultural lands in the Windward Islands are located on steep slopes and are exposed to seasonally heavy rainfall, while the Leeward Islands are typically more arid and have limited ground water resources. These factors, plus the small size of the islands, preclude some production alternatives including most cereal grain production, large livestock enterprises, and usual methods of machine cultivation. This set of constraints has important implications not only for the management and mix of the individual fram enterprise, but also for the national management of soil and water resources. It is in this context then that forestry cannot be ignored in the mico-states of the Region. The problem is to protect and promote a judicious mix of trees, both for timber and food, that will preserve natural endowments and at the same time will accommodate the economic needs of the small farmers.

6) Limited Quality of Life in Rural Areas:

This constraint goes beyond the biological and economic considerations directly associated with physical productivity and monetary income from agriculture to the social and political systems that determine how rural people, including all segments of the farm family, share in the economic growth of their countries. Access to educational opportunities, medical facilities, and other services must be reasonably available in rural areas as in urban centers. Appropriate technologies or services must be found to lessen some of the drudgery and "back-breaking" task associated with traditional farming methods. Opportunities for off-farm employment, including light manufacturing, should be promoted in rural areas to the extent feasible so that rural communities can achieve at least a modest level of commercial diversity. In summary, the gap, both real and perceived, in the quality of life between urban and rural areas must be reduced.

In certain commodity subsectors, many of the constraints discussed above have been partially addressed and the productivity is impressive. The banana industry in the Windward Islands, which is estimated to employ about 40 percent of the labor force in Dominica and St. Vincent, is a good example of how the agricultural potential of the Region can be developed. Sugar production in Barbados and St. Kitts, citrus in Dominica and nutmeg in Grenada are additional examples of relatively successful commodity subsectors. The RDO/C believes that continued efforts to resolve the fundamental constraints outlined here will both strengthen existing key commodity groups and foster the establishment of additional commercial commodity subsectors, and thereby contribute to the growth, diversity and stability of each state's agriculture in the Region. Presently, however, much of small holder agriculture is excessively labor intensive, uncertain and unprofitbale on a full-time basis. Until the constraints outlined here are addressed, efforts to expand agricultural output and rural employment will meet with limited success at best.

2. Access to Relevant Education and Training

The orientation of the Region's educational system remains its primary problem. Almost all children have access to at least six years of schooling, and a significant proportion continue their education beyond the basic level. Literacy rates are high.

From the perspective of the poor, however, the education system has significant qualitative deficiencies. Educational content and methodology reflect the high academic and elitist British grammar school model implanted during the colonial period. Instructural materials are in short supply and too often reflect non-Caribbean social, economic and physical environments. Facilities in poor areas are often noisy and overcrowded, in which up to eight classes are offered simultaneously, in unpartitioned areas, to as many as 300 children. Overall, the learning and techniques used (e.g. rote memorization) do not correspond to the economic opportunities available to the majority of the poor who are not able to enter the higher levels of education for which the system attempts to prepare them. Rather than helping the poor to become adaptive workers and responsible citizens, the education system appears to lead to unrealistic expectations, frustration and unemployment.

Training courses, most of which exist only in the MDCs, tend to be overly formalized and there are few opportunities for in-service training in either the public or private sectors in management, project development and related areas. This weakness in practical training has predictable adverse consequences in efficiency and adaquacy of public services which play such an important role in meeting basic needs in all the countries of the Region. Trained manpower is scarce at the policy, planning and budgetary levels in all countries.

As noted in the private sector discussion, above, levels of trained manpower are low enough to adversely affect the capacity of Caribbean LDCs to utilize development assistance funds and even private investment. Lack of capacity to identify and implement projects is a constraint to timely disbursement of AID funds. In addition, while new investment in industry and tourism is taking place, some countries face the paradoz of a shortage of skilled labor in the midst of growing unemployment, because new jobs require skills which the unemployed have no way of acquiring. In addition to emphasizing education and training programs, therefore, countries and donors also will need to focus on improved workforce planning in order to quantify training gaps.

3. Health and Nutrition

Considerable progress has been made in recent years in the Caribbean with regard to access to at least minimal health services and improvements in health status indicators. Problems, however, persist: half the LDC children under five are underweight by age, infant mortality ranges from the high teens to the low forties per thousand for most to the LDC's, and gastroenteritis and respiratory diseases continue to be the leading causes of death among children. Typhoid fever, dengue fever, and measles are prevalent and present a potential threat to tourism as well as to the health of the population.

The effects of the "brain drain" on both access to and quality of health services is becoming increasingly evident, especially in the smaller islands. Emigration both of highly trained physicians and allied health personnel such as laboratory technicians, x-ray technicians, and nursing staff, reduces the efficiency of existing services and impedes access to them. Inefficient health management systems, including disease surveillance and health information systems deplete scarce resources. The lack of resources, combined with insufficiently trained health staffs and the inability of small island economies and populations to support the requisite specialists has also slowed region-wide progress towards improved health status.

Inadequate sanitation, lack of access to clean/potable water supply, and poor methods of solid waste disposal throughout the region increase levels of communicable disease and are the cause of much of the unnecessarily high levels of infant mortality.

4 Population

The population density of the Caribbean islands is among the highest in the world. In the Eastern Caribbean, the annual population growth rate remains between 0.6% and 3.7% higher, in some cases, than the prevailing rate during the 1960s when migration outlets were rapidly available. Real population growth, particularly in the LDCs is very high. With limited natural resources and an already high dependence on imported food the rate of increase of population has a significant impace on economic growth. Some of the employment consequences have already been discussed.

Governments in the region either openly espouse the importance of population limitation or tacitly permit the operation of family planning programs. Thus, from 1970-1975, the unweighted average birth rate for the LDCs and Barbados dropped from 31.1% to 27.0%. Despite this progress, the decline must continue if it is to have a positive impact on real economic growth. In addition, donors like the UNFPA are playing a decreasing regional role in family planning, thus affecting the quality and availability of population services throughout the Caribbean.

5. Energy

All the Eastern Caribbean countries are extremely dependent on imported petroleum to meet energy demand; imported fuels typically meet 70% to 90% of overall energy consumption. Petroleum requirements will continue to be met in the future largely through imported petroleum because of the lack of significant and readily exploitable indigenous resources. Conservative estimates of future petroleum price increases and energy demand show that petroleum imports of the countries

by 1983, will exceed 25% of project foreign exchange earnings. The cost of imported energy is thus considered a major constraint to economic growth. The adverse impact to date has already been discussed.

While countries are concerned about the growing energy problem, administration and regulation of energy use in the islands is generally dispersed among various government institutions and energy-related objectives are normally not taken into account in economic development planning. In addition, there is a lack of management and technical expertise or data on which to develop integrated energy development/conservation plans.

The petroleum sector has generally been adversely affected by energy pricing subsidies and the lack of policies to stimulate private exploration as well as government inability to mobilize technical and capital resources required for such. The electricity sectors of the countries generally suffer from low investment, inadequate maintenance, staffing problems, and subsidized tariff structures. Inadequate electrical rate structures and the refusal to correct them for political reasons, have prevented the Caribbean Development Bank from approving loans for electrical generation and distribution expansion. Finally, with the exception of hydropower generation in some countries, and some oil production in Barbados, there is no indigenous commercial energy production, though there exists excellent potential for use of solar, wind, mini-hydro electric sources of energy.

The individual countries of the region, particularly the LDC's, are not capable of mobilizing the financial and technical resources required for optimal energy management and development, Thus, substantial international technical and financial assistance is required for institutional development and conventional, non-commercial and non-conventional energy development programs.

6. Appropriate Technology

Nearly every sector of the Caribbean regional economy has opportunities for the application of new and capital-saving technology. Improved methods of production and development of commercially viable industries using the renewable natural resources available would increase productivity, employment and income, and would reduce the substantial dependency for imported manufactures and agricultural products.

The principal barrier to the development and increased application of appropriate technologies in the small island countries is the lack of opportunities for using the natural resources available for the application of alternative methods, and insufficient technical and financial capacity to utilize the results of the significant research going on around the world, including the Caribbean. Also, the government incentives for innovation and adaptation of new technology have been systematically examined, and therefore are lacking as a potential stimulus.

The most pressing need is for direct assistance to interpret and analyze the problems or questions and guide and actively help in gaining access to sources of of possible answers or help.

7. Environment

The very limited natural resources of the Caribbean result in increased pressure on the environment. Natural resource management and environmental protection are thus required for optimal policy programming in industry, agriculture, health and tourism.

The various islands differ widely in geography, topography and demographic characteristics. Thus, to a greater or lesser extent, soil depletion and erosion, shortages of wood, a lack of potable water, and waste disposal that threatens mariculture and tourist areas impose a burden on the poor of the region.

The region does not possess the institutional capability to assess the extent of the problem and develop a program to begin to arrest the degradation of terrestrial and marine resources. The tourist industry, particularly important in the Caribbean, imposes additional standards on the natural environment. The addition of esthetic criteria to environmental planning can thus result in increased regional avenues and supplies of foreign exchange.

Part I. C The Regional Institutional Framework

The FY 82 CDSS document devoted considerable space to discussion of the major regional institutions and their record and capacity for dealing with the development problems of the Caribbean. Generally, conditions are much as described last year. The following discussion is meant to summarize briefly the general progress, or lack of it, among certain principal regional institutions.

The CARICOM Secretariat has made good progress in implementing regional development activities including those funded by AID. AID project activities in regional training, health management and delivery, and energy assessments are having increasing impact in the region. The Secretariat has also taken the leadership in attempting to form longer range strategies for regional integration. A panel of distinguished experts was formed in 1980 to study the integration movement and recommend a strategy for the decade of the 80s for the Caribbean Community. The report of this team is due out in mid 1981. Prominent members of this eleven-man team are Sir Arthur Lewis, Nobel Proze-winning economist; Arthur Brown, Deputy Administrator of the UNDP; Edwin Carrington, Deputy Secretary General of the African, Caribbean, and Pacific (ACP) Secretariat; Silbourne Clarke, Director of the U.N. Economic Commission for Latin America; William Demas, President of the Caribbean Development Bank; and Dr. Kurliegh King, Secretary General of the CARICOM Secretariat.

The ECCM Secretariat, on the other hand, has until recently been stalled. Largely because of inability to reach agreement among member states as to the levels of compensation to be offered West Indian staff of the Secretariat, the organization has not begun to implement activities under its "pools of experts" program. With this issue now settled, the training project will be commencing activities shortly. However, increased costs may delay and even cause restructuring of the Agricultural Planning Project.

The Caribbean Development Bank continues to play a vital role in financing capital development in the region. Its expeditious handling of the Basic Human Needs Fund has been widely recognized and appreciated in the eastern Caribbean, while the quick disbursing CDF funds have greatly helped the economic stabilization and structural adjustment of the MDCs.

The important resuscitated regional institutions have gained considerable momentum in the past year. Both should figure prominently in RDO/C's future programs. These are the Caribbean Association of Industry and Commerce (CAIC) and the Caribbean Food Corporation (CFC). The CAIC is a private sector association of Caribbean businessmen and organizations interested in promoting expansion of commercial enterprise in the region. Although it has existed since the 1950s, only in the past year has the decision been made to give substance to assistance and support activities such as lending to small businesses, training, project evaluation, information exchange and research. RDO/C is supporting this expanded development outreach capacity with grant funds to establish CAIC's capacity as a private development institution. The CAIC has attracted strong support from key Caribbean business people, and other donors are also supporting it. A package of possible joint ventures with the Canadian Association for Latin America and the Caribbean (CALA) was initiated in early 1981 and joint committees are expected to implement various projects. CAIC's role in the mission's regional strategy is discussed in Part II.

The CFC was established by agreement of the twelve Commonwealth Caribbean governments in 1976 to plan, finance, and execute projects to spur intra-regional trade and development of agriculture. In 1980 core management staff became fully operational. A long range strategy has been set, and project plans are being formulated. Initial capitalization of TT$10 million (US$8.3 million) contributed by Trinidad & Tobago, Jamaica, and Guyana, and the focus of activity is equity and venture capital financing, currently in short supply from traditional financial institutions in the region. Preliminary plans for a marketing subsidiary are proceeding with the large Grace Kennedy Company of Trinidad, and other companies have expressed interest in joint ventures. The plans and objectives of the CFC coincide with AID's objectives in the region, and the relationship to our private sector and agriculture strategies are discussed in Part II.

An additional new participant in the Eastern Caribbean LDCs, is the Latin American Agribusiness Development Corporation (LAAD). LAAD is a privately owned development institution which has established a good performance record in Latin America with previous AID loans. In late 1980, AID signed a US$6.0 million loan agreement with LAAD with US$4.0 million earmarked for projects in the CARICOM LDCs. Under that program, LAAD is opening an office in Barbados. RDO/C thus expects to see LAAD play an expanded role in the region's efforts to stimulate private sector growth, particularly employment and production in agriculture.

Other regional institutions making good progress with AID financed development programs include the University of the West Indies, the Caribbean Examinations Council (CXC), Caribbean Epidemiology Center (CAREC), the Caribbean Family Planning Affiliation (CFPA), the Caribbean Food and Nutrition Institute (CFNI), the Caribbean Agricultural Research and Development Institute (CARDI) and in the past few months, the Windward Islands Banana Growers Association (WINBAN).

PART II. STRATEGY

A. Regional Objectives and Strategy

1. Overview of Long Range Strategy

The long term goal of the Caribbean regional program is viable, progressive, democratic societies in which the basic human needs of all citizens are met. A commitment to this goal currently exists among English-speaking countries and in many other Caribbean countries. However, the ability to achieve such development separately will continue to be severely constrained by the small size of these countries and their economic fragmentation. Consequently, consistent with Section 209 of the Foreign Assistance Act, fostering regional development cooperation to achieve economies of scale is accorded high priority in the provision of U.S. assistance to the area.

AID's strategy is to encourage the formulation of complementary regional and national policies and selectively to aid programs essential to achieving them, strengthen regional development institutions, support appropriate common services for the mini-states of the Eastern Caribbean, foster increased cooperation among all English-speaking countries and promote collaboration over the longer term among the English and non-English-speaking countries of the region.

Initially, this strategy focuses principally on the Commonwealth Caribbean with special emphasis on the Eastern Caribbean. This focus reflects the fact that currently local initiatives in regional cooperation are found predominantly among the English-speaking countries. Also, their historical, economic and cultural affinity provides a ready-made framework for collaboration and enhances the chances for successful regional programs. Moreover, the smallness of the individual Commonwealth Caribbean countries demands priority in seeking economies of scale.

The proposed long range strategy continues to give priority to strengthening the role of the Caribbean Development Bank (CDB) as the principal regional development finance institution. The CDB will continue to be the channel for most of the development lending to the public sector under the regional program during the planning period. Initially, emphasis will be given to working collaboratively with the CDB and LDC host governments to facilitate the Bank playing an expanded and more effective role in the LDCs, including the rendering of more technical assistance to help alleviate local absorptive capacity constraints. Secondly, we propose to support a more extensive CDB role relative to the CARICOM MDCs as the capacity of the Bank permits. In this regard, we proposed continued contributions to the Caribbean Development Facility through FY 83, encouraging other donors to do likewise, and we propose increased participation of the MDCs through regional programs. Finally, as the Bank's capacity grows, we will encourage its participation in more comprehensive regional projects, including projects benefiting other Caribbean countries that are not currently CDB members. An expanded role for the CDB will be phased over the planning period and will include additional AID support to the Special Development Fund, the CDB's concessional lending facility, rather than continuing a proliferation of special funds incorporating the multiple requirements of AID and other donors.

The strategy also involves maximizing Caribbean capabilities to address development problems through strengthening regional institutions that provide research, training and other technical services to member countries where availability of technical expertise or cost efficiency makes such pooling arrangement desirable. Development of pools of experts and additional common services among the smaller Eastern Caribbean countries will be supported. Especially important will be economic and physical planning, specialized engineering services, tax administration, as well as perhaps strengthening the Eastern Caribbean Currency Authority. Other common services such as continuation of a common judiciary and combined external representation will be encouraged but fall beyond the scope of AID programs.

Although the institutions being supported by RDO/C are primarily Commonwealth Caribbean institutions, they will be encouraged to coordinate research and share results and expertise with the non-English speaking countries where appropriate. The program will draw upon the institutions and expertise of Puerto Rico and U. S. Virgin Islands where relevant. In addition, broader collaboration among countries of the

Caribbean archipelago and institutional ties to Central America and other basin countries will be supported where appropriate. Transport, communication, energy, fisheries and environment are important to the development of the broader Caribbean area and lend themselves to multinational solutions. Cooperation through educational exchanges, dissemination of research results, and information on appropriate technology will be supported.

2. Interim Bilateral Measures

The deterioration of economic and political stability in the Eastern Caribbean suggests that we supplement our longer term regional development assistance activities with bilateral programs. An exclusively regional program will not allow us to assist selectively those countries that are most committed to democratic forms of government, human rights and equitable social and economic development. Other important limitations are: (1) regional institutions cannot and should not involve themselves in the full range of activities that governments must undertake; (2) the managerial and technical capability of regional institutions is still limited, and it will take time to strengthen this capacity; (3) existing regional institutions have limited capability to work with the private sector, and (4) the channelling of aid through regional intermediaries obscures the identity of the donor in the eyes of the recipient countries. For these reasons RDO/C proposes that assistance to the Eastern Caribbean be expanded to include bilateral assistance where such an approach will speed the impact and delivery of services to the target population. Bilateral activities will be undertaken only when they are compatible with regional efforts and, if possible, supportive of regional efforts. The focus of the bilateral strategy is immediate, relatively quick disbursing assistance which hits high priority needs that must be addressed early, while longer-term (regional) solutions are given time to take hold. Thus, bilateral projects will frequently be undertaken to increase the capacity to absorb development resources which are or will be available through regional institutions such as the Caribbean Development Bank. Labor intensive development programs are to be emphasized where possible and encouragement and strengthening of the private sector, both commercial and PVO, will be given high priority.

3. The Caribbean Group

The Caribbean Group for cooperation in Economic Development (CGCED), chaired by the IBRD, provides the framework for our Caribbean strategy. The Group is made up of 31 donors and recipient countries and 16 international and regional institutions. It involves both Caribbean countries and donors in a consultative mechanism that serves as a forum for the analysis of development priorities and assistance requirements, the support of initiatives in regional cooperation, and the efficient coordination of external assistance. The Group has been successful in securing additional development resources for the region, mobilizing resources from international financial institutions as well as traditional and new bilateral donors.

Country reviews of the recipient's development and performance are an essential part of the process to increase assistance flows and to assess progress. These views are carried on the basis of detailed country studies which have been prepared by the World Bank with assistance from the IMF, UNDP, and CDB. High quality economic analysis has been prepared which has greatly facilitated the Caribbean Group's deliberations.

The CGCED has begun to create a longer term regional policy framework for Caribbean development. In addition to preparation of the CARICOM strategy for the 1980s, studies have been prepared or are now underway on many of the region's common problems. Energy, agriculture and transportation are receiving substantial emphasis. Discrete agricultural projects are being developed in areas such as harmonization of agricultural research, improvement of intra-regional food marketing, feasibility of a regional purchasing/distribution system for agri-inputs, and use of EEC food sales to generate funds for agricultural projects. Transportation projects under development include, among others, a system to facilitate use of container shipping, improving the inter-island freighter system and airport safety modernization. The private sector is also receiving high priority and various initiatives have emerged following the report of the Private Sector Task Force discussed more fully in sections on private sector development. The Caribbean Group is also an important catalyst in the critical field of energy policy development and planning and serves as a coordinating mechanism for energy projects. RDO/C will continue to collaborate closely with CGCED working groups and will utilize in program design information generated from the various studies.

B. Economic Structural Adjustment

The success of any proposed program requires (1) arresting the financial deterioration of the region, caused by escalating oil prices and associated recession in Western nations, and (2) resuming economic growth with such growth to be accompanied by expanding employment, particularly among politically volatile young adults in the 15-24 age range. This will require a developmental strategy emphasizing the productive sectors, stressing export performance as well as efficient import substitution. While longer term viability and growth will depend primarily upon private sector development, over the short run, special measures will be required to offset the consequences of new oil price increases.

Despite austerity and self-help efforts, the most recent IBRD estimates indicate that the Caribbean Group states will need financing of roughly $1.3 billion during the current year. Of that total, disbursements of roughly $900 million are projected, leaving an unfinanced gap of nearly $400 million. Official external capital inflows for the previous year had amounted to about $700 million.

Given the pressing financial needs of the Caribbean, we propose that the U.S. support economic structural adjustment programs that are predicated on appropriate self-help measures by recipient countries and participation by other donors. In the past, the U.S. has contributed 30-35 percent of estimated requirements of the Caribbean Development Facility (CDF), the structural adjustment program instituted under the Caribbean Group. We believe that the U.S. should continue our present level of CDF contributions through 1983, complemented by specific project activities. In addition we suggest that the U.S. program Economic Support Funds (ESF) as special assistance to be provided annually until 1986. These funds, in addition to responding to the critical financial requirements of the region, would give the U.S. added political leverage and focus primarily on the LDCs - the English-speaking Windward and Leeward Islands.

1. The Role of Economic Support Funds (ESF)

The need for greater flexibility in responding to the region's pressing financial needs and for structural economic adjustment on the part of the region's states was stressed in last year's CDSS; ESF responds to those requirements. ESF also has political stabilization objectives, giving the U.S. political leverage in the region and the flexibility to support and strengthen governments with whom we have political affinity.

In FY 82, ESF is expected to be channeled largely to stimulate private sector activity in concert with a technical assistance program through CAIC and other institutions. The initial year of ESF will focus on the establishment of a private development bank for the region. In subsequent years, substantial ESF monies would also be furnished to promote private sector initiatives, including industrial and agricultural projects. The ESF will provide the flexibility to assist with a range of employment generating private investment, including equity financing, term and limited collateral lending, and subsidies for management and skills training, including collaboration with the U.S. and Caribbean private sector.

The use to which ESF is put will be quite distinct from uses under programs of regular development assistance (DA) funding. In the first instance, high impact, relatively quick disbursing programs and projects will be sought. Related to this, the direct, bilateral involvement of the United States is being proposed to heighten the visibility of the AID program. ESF permits direct grant support without the 25 percent host country contribution required under the regular DA program. The LDCs of the Eastern Caribbean simply do not have the resources for such a financial contribution. The accelerated grant assistance in community development and training will permit non-traditional initiatives such as specialized participant training and on the job training programs for private as well as public sector managers and skilled workers, and it will allow bilateral initiatives selectively tied to progress by individual countries in providing substantive support to private sector economic development.

ESF, which like CDF will be administered under the umbrella of the Caribbean

Group, will favor those countries making the most progress in adopting self-help measures. These measures include: (1) reduction in government deficits; (2) steps to decrease consumption and increase savings; (3) action to stimulate private sector production including agricultural output; (4) support for common services providing economies of scale at the regional and sub-regional levels; and (5) conservation and development of energy resources. Such measures would facilitate adjustment to the new global economic realities.

Under the ESF framework, it is tentatively proposed that approximately $10 million be provided annually in 1983-84 for a commodity import program for the LDCs involving essential inputs necessary to sustain private sector production and employment and tied to the IBRD/IMF structural adjustment program. Local currency generation from this program would be used for credit for the productive sectors and to underwrite a land sale guarantee fund to facilitate farm purchase by small farmers who otherwise would not have access to credit. We also propose that up to an additional $10 million be made available yearly for FY 83-86 on a bilateral basis to the Eastern Caribbean countries in support of additional private sector programs as well as high impact activities that can best be carried out at the community level, thus reducing the dependency on already extended central governments.

In summary, the regional approach of Caribbean development continues to be the cornerstone of RDO/C strategy, but urgent economic and political considerations dictate a flexible program of both regional and bilateral assistance to support selectively those governments making strongest progress in meeting basic human needs and adopting economic reforms.

2. Caribbean Development Facility (CDF)

The CDF - the most prominent feature of the first three years of cooperation under the umbrells of the Caribbean Group is a five-year program planned through fiscal year 1983 designed to offset some of the severe balance of payments consequences of the 1973-74 oil price increases. Under the program, the U.S., which through FY 81 has made available US$60 million, is to provide US$20 million annually in 1982 and 1983. A strong economic case would exist, for prolonging U.S. support of the LDC's through CDF if the IBRD and /or the IDB would begin bilateral lending to those states. Administered by the Caribbean Development Bank (CDB), the CDF links English-speaking CARICOM countries to announced policies designed to achieve stability while sustaining medium-term development projects.

Support of the CDF is contingent upon IBRD and IMF approval and Caribbean Group endorsement of country investment plans and fiscal programs, as well as commitments from other donors necessary for success of the program. The World Bank and other members of the CDF Working Group determined this past year that recipient countries were indeed making necessary admustments and self-help efforts to justify continued Caribbean Group support through the CDF; the third Caribbean Group meeting was held in June, while ad hoc meetings were held in December, 1980 on Dominica, St. Lucia and St. Vincent.

3. <u>Special Development Fund (SDF)</u>

At last year's annual meeting of the Caribbean Group, the World Bank noted that while CDF-type financing will remain a major focus of attention in the near term, the Group must begin placing more emphasis on long-term project financing. The World Bank expressed the hope that Caribbean Group coordination of activities would promote gradual evolution towards more traditional consultative Group concerns, where the main focus is on long-term development requirements. RDO/C proposes to support continued structural adjustment in part by following up CDF support with $10-15 million contributions in both 1984 and 1986 to the Special Development Fund of the CDB. Such assistance would also have the effect of moving in the direction called for above, of project financing in relation to longer-term development requirements with the CDB coordinating donor inputs in relation to national development plans.

The proposed SDF contributions with agreed upon criteria will support high priority infrastructure projects, including both industry and agricultural investments. These contributions will also coincide with CDB's expanding role in the region.

4. Other Donors

As a fundamental part of the Caribbean regional development strategy, AID supports the increased activity and leadership of the IBRD and the IMF. Their intervention during the planning period will be a vital element in shaping assistance policies and coordinating donors. AID supports initiatives of these organizations, aimed in particular at better coordination of development policies for the Eastern Caribbean. The formation of a Bridgetown-based coordination unit has been proposed which would include membership of the IBRD, IMF, CDB and UNDP to assist donors and recipients in identification of assistance priorities and continuity and collaboration in programs. IMF, for example, is formulating important LDC performance criteria which will assist AID and other donors in monitoring individual country progress. The idea of creating a Caribbean Group coordinating unit in Barbados was greeted favorably by all representatives at the Bridgetown sub-group meeting in December 1980. Regardless of whether or not such a unit is formed, RDO/C considers the most critical element in the continued success of the Caribbean Group is an IBRD commitment to continue its leadership role.

The IBRD, which has been lending over $100 million annually to the region, is considering a $12 million Structural Adjustment Loan (SAL) to the ECCM states. A new form of IBRD funding, the SAL would be tied to government measures to strengthen public finances, revitalize agriculture, conserve and/or develop sources of energy. If adopted, such measures would help ensure the successful utilization of aid flows. The IMF, for its part, was involved in significant new initiatives in the region during 1980. Dominica, Grenada, Guyana, Jamaica, St. Lucia and St. Vincent either have or plan to have Extended Fund Facilities (EFF) agreements with the IMF in place. The EFFs include medium term development programs requiring substantial economic adjustments. EFF agreements of $130 million for Guyana and $12 million for Dominica have already been negotiated.

Other major global donors, as an outgrowth of the Caribbean Group mechanism, are making a strong commitment to the region. The Inter-American Development Bank (IDB), which in 1979 lent $71.8 million to the English-speaking Caribbean, continued providing funds at approximately the same rate in 1980. By September the IDB had lent $30.4 million, andlarge loans to Jamaica during an active fourth quarter are expected to raise the total to at least the 1979 level. The UNDP is continuing its $14 million 1979-81 regional and bilateral technical assistance program in the Eastern Caribbean and has established a new office with a Resident Representative in Barbados. Canada is planning to boost sharply its aid to the region over the next several years' it is providing $35 million in the current year to the Commonwealth Caribbean. The United Kingdom has furnished over $60 million in assistance to the Commonwealth Caribbean in 1979, while the Eurpoean Economic Community has budgeted under the Lome Convention $140 million to the Commonwealth Caribbean for the 1981-85 period. The Netherlands, France, Germany, Japan, Brazil and Columbia also have become contributors to the region through their association with the Caribbean Group.

Venezuela and Mexico, jointly, and Trinidad and Tobago have established oil aid facilities. Under the Venezuelan-Mexican proposal, the states would share equally in providing all oil requirements for Central American states and Barbados. Thirty percent of the oil would be furnished in the form of a five year, four percent loan that could be converted into a 20 year, 2 percent development loan. The program, which had been slated to be implemented at the end of last year, appears to be running into administrative difficulties because the Venezuelans and Mexicans produce different kinds of oil which cannot be used in an interchangeable manner by recipients because of differing refining capacities. (In other regional aid endeavors, Venezuela, as a non-borrowing member of the CDB, has provided more than $30 million for on-lending to CDB member countries, in addition to CDF contributions and a major program for the Dominican Republic.) The Trinidad and Tobago facility would provide concessional funding for the incremental costs of oil retroactive to the beginning of 1980 for all ECCM states, Barbados, Guyana and Jamaica. Implementation of the program is well underway and disbursements should begin later this year. Any backsliding under either of these proposals, however, would have grave implications, magnifying sharply the region's financial needs.

C. Employment Generation and Productive Investment

The main theme of RDO/C's program, both long and short term, is directed at increasing employment and output in the productive sectors. The program is designed to promote the development of the private sector and to support those public sector activities essential to a viable private sector.

The Caribbean Group's Private Sector Task Force, discussed in Part I, identified four general areas of constraint to more rapid private sector growth. RDO/C is addressing each of these areas, in consonance with findings and recommendations of the Task Force and in keeping with the commitment of the Caribbean private sector. Principal emphasis is on those areas where external donor intervention is most able to effect fundamental change, namely the development and strengthening of the region's development finance institutions, both public and private and the training and upgrading of human resources in management and technical skills necessary to a growing private sector. Government incentives and trade and factor mobility constraints are also being addressed regionally through technical assistance and consultant services being developed by key regional institutions. The broad outlines of the RDO/C long-term strategy are as follows:

Policy Analysis

An important initial element of the Mission's strategy involves strengthening the development policy and planning machinery in the region. Policy makers too often do not have the information nor the expertise to weigh clearly the employment impact of public investment much less the impact of public sector decisions (taxes, subsidies, interest rates, etc.) on the employment/capital mix in private sector investment planning. A regional grant project is being initiated in the ECCM countries and Barbados to improve planning and analysis in the agricultural sector. RDO/C, working through the CARICOM Secretariat, plans to undertake employment surveys in member countries and to further develop common technical services which will address both public and private sector development policies, emphasizing regional cooperation and greater integration. Among the most important policy areas RDO/C will address is government incentives to private investment. Key institutions we expect to assist in this are the CARICOM Secretariat, CAIC, and the CDB. Also appropriate avenues for investment promotion will be studied in preparation for strengthening regional capacity to stimulate new private initiative. Labor intensive enclave industries appear particularly promising in view of the advantages enjoyed by the region vis-a-vis the Far East (including proximity to markets and preferential treatment afforded to CARICOM countries by the EEC). Prior to the current planning period, RDO/C will have placed senior planners under contract working in each Eastern Caribbean country except Montserrat and Grenada, specifically to assist in project identification and development and to develop public policy recommendations.

Although the public sector has an important facilitating role, we believe the private entrepreneurs of the region must take the lead in export promotion. Technical assistance, training and other support will be considered for private sector groups (such as the CAIC) to identify and develop export markets for regionally produced goods. This assistance will be coordinated within the Caribbean Group which also has this area under active study.

Private Financial Sector: As discussed above, the existing financial system and particularly public sector financial institutions have not been fully responsive to the needs of private sector development. While the public sector has a critical role to play in terms of developing the infrastructure and policy framework needed to support private initiatives, requirements such as term loans, equity financing and project analysis/implementation support are lacking. In concert with others in the Caribbean Group, therefore, RDO/C plans to expand its assistance to the private sector through the development of a private sector development bank (or analogous mechanism) to support and finance private sector investment in the Caribbean. In addition to financing, a mechanism will be developed to provide assistance to identify sound investments, prepare "bankable" projects, and make available management assistance as necessary during project start-up.

On a smaller scale, RDO/C is also actively pursuing ideas among a number of U. S. and local PVOs for expanded credit for small entrepreneurs and micro-businesses whose access to credit is restricted by lack of collateral. One such project for low-income women in Barbados has met with some success and will be closely evaluated for possible replication.

Public Financial Institutions: The planned program will continue to rely on traditional public institutions as well. The CDB has been, and will continue to be, active in supporting private sector growth particularly through financing of needed infrastructure. Its institutional capacity is growing and its technical assistance resources will continue to provide much needed feasibility and advisory services. RDO/C is making a strong contribution to increasing the CDB's capacity to absorb a growing project workload through the Institutional Development Project. In addition, under the ongoing Employment/Investment Promotion Program with CDB, considerable progress has been made in building new factory space in the region and in provision of credit to local business through the various Development Finance Corporations (DFCs). Some on-lending via commercial banking system has begun as well, with the strong encouragement of AID. Recently agreement was reached to provide $1.5 million under the Employment/Investment Promotion program to the Bank of Guyana for on-lending by commercial financial institutions.

There will be a continuing requirement throughout the planning period for capital development programs via the CDB for physical infrastructure in support of the private sector. Requirements have been identified for additional roads, port facilities and other transportation infrastructure, as well as storage capacity, factory shells and utilities needed to attract investors. An important avenue of support for such projects will be the Special Development Fund of the CDB described in the previous section.

The Caribbean Food Corporation (CFC) is also expected to become an important institution for stimulating increased private investment in agro-industry, largely through equity financing which is not now available through the CDB. AID has made one agribusiness loan to CDB in the past, but plans in the future to concentrate such resources on private sector institutions, mindful that one of the serious constraints has been the problem of project preparation and adequate feasibility analysis. CFC also recognizes this need which, as noted earlier, has been highlighted by the Private Sector Task Force. Technical assistance for investors is therefore included among CFC services. RDO/C is addressing this important constraint with all direct private sector assistance programs and will continue to support project development and analysis services in the public sector including support to DFCs in the region.

The private sector will also benefit from AID funded initiatives in appropriate technology. Several ongoing activities encourage the utilization of technology appropriate to the region's labor supply and natural resources. The CDB, under existing grant has established a Technology Information Unit which will provide information on alternative technologies to public and private sector investors and will review loan requests to the Bank for the appropriateness of the technology to be employed.

Human Resource Development and Skills Training: In concert with other donors, we propose to provide assistance in organizing and financing of training programs for managers, technical personnel and skilled workers. Further discussion of the human resource development strategy appears in the section so titled.

Finally, it should be emphasized that RDO/C will turn to the private sector wherever appropriate in the development of activities in all sectors, particularly agriculture. For example, we believe that the critical problem of inter-island transport can best be resolved through reliance on the private sector. This and other potential areas of cooperation with the private sector are discussed in more detail in conjunction with the agriculture and rural development strategy.

D. Agriculture and Rural Development

1. Objectives and Focus

The strategic objectives of RDO/C's agricultural program are to increase the per capita output of food and other marketable commodities, and to expand employment opportunities for rural families, thereby increasing farm family income. To achieve these objectives, the strategy includes two parallel areas of focus. First, the strategy focuses heavily on activities aimed at increasing traditional export commodities. Second, over the longer term, the strategy is to promote commercial agricultural diversification both to achieve greater food production for regional requirements and to establish new commodities aimed at extra-regional trade.

An agricultural strategy for the Eastern Caribbean emphasizing exports and diversification is appropriate in light of the region's natural resource endowments and economic structure. The small size and tropical climates of these micro-economies give them a comparative advantage in the intensive production of bananas, sugar, spices, Sea Island cotton, and certain tropical fruits, in addition to a variety of tropical food crops. These same natural attributes impose serious comparative disadvantages in the production of cereal grains, red meat, dairy products, and edible oils which account for more than half of the value of foods imported into the region. For these and other reasons, the Eastern Caribbean is, and will continue to be, dependent on trading patterns for much of its essential food.

2. Strategy Methods and Implementation

The RDO/C program relies on two different methods for implementation of the strategy. The first method promotes incremental change in existing agricultural sub-systems. For example, research, extension and credit-related projects are essentially designed to improve ongoing activities. The second method seeks to establish radical innovations in existing sub-systems where bottlenecks exist. For example, the establishment of regular inter-island sea transport services, which we seek to fund in 1981, or the establishment of land sale guarantee programs, represent innovations that add fundamentally new elements to the region's agricultural sector. While the opportunity for innovative projects is necessarily more limited than are opportunities for incremental projects, RDO/C believes strongly that the innovative activities represent the best opportunities for accelerating agricultural development in the region and increasing the effectiveness of projects addressing incremental development. The RDO/C will continue to maintain a balanced implementation approach by supporting a judicious mix of implementing agencies. To the extent that the regional states have common problems which can be cost effectively addressed through semi-autonomous institutions supported by regional governments, the RDO/C will channel its assistance to foster these initiatives. A good example of this approach is AID's support of the Caribbean Agricultural Research and Development Institute (CARDI) to implement the Small Farm Multiple Cropping Systems Research Project in all countries in the region. Other institutions supported by the regional governments, including the Caribbean Development Bank (CDB), the University of the West Indies (UWI), and the Caribbean Food Corporation (CFC), will continue to play key roles in AID supported agricultural projects in credit, extension and marketing.

Implementation of the agricultural strategy also includes support to private sector entities that provide crucial services to the agricultural sector. Examples include commodity producer groups like the Windward Islands Banana Growers' Association (WINBAN), that represents banana farmers in four countries. In addition, the RDO/C will seek to support private sector activities engaged in input supply, storage, processing and transport for agricultural commodities. Finally, the RDO/C believes that selected development opportunities in fisheries, small livestock, and certain cooperative groups are appropriate for PVO assistance especially to promote self-employment and community development in support of the productive sectors.

3. Strategy Elements

The elements of the agricultural strategy correspond to constraints in major functional areas of the agricultural sector, and are summarized as follows:

(a) Production: Increased productivity from both land and labor resources is essential. An ongoing RDO/C project assists CARDI in adaptive on-farm research on the development of economic small farm cropping systems. Closely linked to this project, RDO/C is currently assisting (UWI) in collaboration with a Title XII Institution, to develop the national agricultural extension services' capacity, so that useful knowledge flowing from research is adequately delivered to small farmers. During the FY 83 - 87 planning period, RDO/C will continue to assist these research and extension activities. In addition, RDO/C will examine ways to assist development of national agricultural education and training institutions and programs. Thus pragmatically designed research, extension and training will continue to be the primary basis for influencing the on-farm resource management decisions of small farmers.

(b) Planning/Policy: RDO/C is currently providing assistance to improve agricultural statistics, planning and project design capabilities at both the regional and national levels. The ECCM Secretariat, with assistance from a Title XII Institution, is providing coordination and specialized technical services on a regional basis, while national planning offices are being established or strengthened to perform project analysis and develop policy alternatives. Over the FY 83 - 87 planning period, RDO/C will continue support to this activity. In addition, RDO/C will seek to support selected governments to institute land reform and land use planning policies, as well as restructure selected pricing and market control policies that have high impact on the incentives for farmers and other private sector participants to invest in the agricultural sector. For example, a workshop on land tenure problems in the Eastern Caribbean, scheduled during FY 81, and to be conducted jointly by UWI and the University of Wisconsin Land Tenure Center, is expected to produce specific recommendations that both the host governments and RDO/C can support.

(c) Marketing: The difficult and persistent problems associated with marketing will constitute a major thrust of RDO/C development assistance over the planning period. Planned assistance in reliably scheduled regional sea transport services will be followed up by actions to: (1) strengthen private and public organizations engaged in agricultural trade, (2) improve physical handling and storage of agricultural products, (3) expand agroindustrial sub-sectors, and (4) institute market facilitating services such as price information networks and uniform grading standards.

(d) Input Supply and Credit: Provision of physical production inputs will continue to be supplied by private sector entities, and RDO/C will explore ways to assist certain private producer associations or cooperatives to improve their input supply services. For example, RDO/C plans to investigate the feasibility of strengthening the capacity of WINBAN to establish a revolving input supply fund that would support an adequate inventory of chemicals, tools and fertilizer needed by banana growers. This action would address the often cited problem of untimely availability of recommended inputs. Similar opportunities are evident with other commodity producer groups. Agricultural credit, both short and medium term will be carefully reviewed in collaboration with the CDB during the planning period. In light of our recent experience, more emphasis is likely to be placed on strengthening institutional credit operations at the country level and less emphasis placed on providing credit funds.

(e) Infrastructure and Natural Resources: Assistance in physical infrastructure, aside from that aimed specifically at marketing improvements, will concentrate on expansion and improvement of feeder roads and improved trails in rural areas. This fundamental infrastructure improvement will facilitate primary product assembly, input distribution, and contribute to efforts to prevent soil erosion that so often accompanies unimproved paths on steep hillside. The Basic Human Needs (BHN) Fund will be directed to this type of activity as well as projects designed to establish and protect the natural resource base of the islands. Under BHN mixed food forest, e.g. mangoes, citrus, avocados, will be established on critical slopes in selected water catchment areas. This action will help prevent soil erosion, improve water retention, and provide farmers with an additional cash crop in the medium-term.

(f) Employment Generation and Institution Building: The RDO/C agricultural strategy includes employment generation and institution building as prominent sub-elements in almost all project activities. Regarding employment generation, the aim of export promotion and agricultural diversification to which the overall strategy is directed, will contribute to increased employment in at least two ways. First, diversification is likely to expand and spread agricultural labor requirements more evenly over the year. Second, export activities almost always require more labor to perform assembly, packing, grading and other marketing functions, than does non-export activity. Indeed, a major research aim of the CARDI Small Farm Cropping Systems Project is to optimize labor utilization in production and marketing recommendations.

Institution building sub-elements are similarly featured in most RDO/C development assistance projects. This is particularly true of research, extension, planning, credit and marketing activities.

E. Education and Human Resources Development

West Indian educational leaders are well aware of the qualitative deficiencies in their educational systems and of the need for expanded training opportunities, but the limited human and financial resources of each territory prevent effective unilateral action. Although no state has been willing to relinquish internal control of education, several important activities have been ceded to regional organizations. First, the University of the West Indies (UWI) was created to serve fifteen English-speaking states. Second, the UWI Department of Education has been given a major role in primary and secondary teacher training and curriculum development for eight Eastern Caribbean states and Belize. Third, the entire English-speaking Caribbean has collaborated to create the Caribbean Examinations Council (CXC) to develop and administer exams and to develop appropriate West Indian syllabi. Finally, various regional and national entities provide in-service training programs on a regional basis. RDO/C's strategy is to support and build upon these initiatives which foster regional cooperation and strengthen regional development institutions, while at the same time to increasingly move toward assistance which supports the productive sectors.

In FY79, RDO/C initiated two major regional programs to address the problems outlined above. First, RDO/C is supporting the regional initiatives of the UWI School of Education and the CXC. Support to the UWI Faculty of Education is allowing that institution to increase its technical assistance to the Ministries of Education and to develop more effective regional collaboration in educational planning and administration, teacher education, curriculum revision and instructional materials development at the primary and secondary level. Assistance to the CXC is helping it to effectively administer regional exams and develop teaching materials, and is placing a heavy emphasis on practical subject areas such as agricultural, technical and business education as well as home economics. A third program element - assistance with the construction and refurbishing of primary schools - is administered by CDB.

Secondly, RDO/C is financing programs with the CARICOM and ECCM Secretariats in in-service training directed at public sector employees to improve their managerial and technical expertise.

With the exception of ECCM, which only recently was able to resolve certain organizational problems, the regional institutions implementing the above projects have already demonstrated their technical competence and management skills. Also, participating countries have met their obligations and shown their commitment to the projects. As a result, the projects are progressing on schedule toward the accomplishment of their objectives.

In FY 80 RDO/C provided financial assistance to the OAS - supported Skills Training Project in Barbados and also developed an OPG with a U. S. PVO to assist the Government of St. Lucia with a major Youth Development Program. Both of these programs, although different in scope and content, provide employment generating training for unskilled and unemployed young men and women.

For the 1983-1987 period the educational assistance "package" is being designed to meet the expressed needs and priorities of the Caribbean region while at the same time to closely support the overall RDO/C assistance strategy which focuses on the productive sectors and accordingly, program activities in non-formal education, particularly for out-of-school youth and young adults, will be expanded. In collaboration with OAS on a regional basis, RDO/C plans to continue present skills training activities in Barbados and St. Lucia and to expand these programs to other LDCs in the Eastern Caribbean. To this end, a feasibility study in FY 81 is expected to lead to a joint OAS/U.S. AID regional Skills Training Project. It is further intended that LDCs which are not included in this first regional skills effort will be covered in a subsequent project.

Also planned is an extension of the Regional Training Project component administered by the CARICOM Secretariat in order to continue to upgrade the managerial and technical competence of the region's human resources. This second phase activity will focus more closely on employees in the private sector and will coordinate closely with the Caribbean Association of Industry and Commerce as well as other initiatives of RDO/C in promoting private sector development.

Assistance to formal education will move into development of programs with a more practical bias in terms of the knowledge, skills and attitudes required as preparation for the world of work, concentrating on the 12-15 age group of whom approximately 80 percent do not go beyond the senior "All Age" primary level. This will be accomplished through a three year extension of the Primary Education project which at the same time will be designed to insure that materials developed in pilot schools for the 7-11 age group under the current project are utilized by all the schools of the region.

Agricultural education, mentioned in last year's CDSS, will be addressed within the context of existing programs and planned new initiatives. For example, the St. Lucia Youth Development Program for out-of-school youth, which may later be replicated elsewhere, includes training centers both for agricultural production and agro-processing; the proposed extension to the senior level of the UWI Primary Education Regional Project includes an introduction to agricultural training as part of its pre-vocational activities; the USAID/CXC Secondary Education Project is developing a course in Agricultural Science for students at the secondary level throughout the English-speaking Caribbean region' and the UWI/USAID Faculty of Agriculture project provides for the preparation and upgrading of agricultural extension staffs in the region. Finally, a study of agricultural manpower supply and demand is being planned to determine additional activities to be undertaken to rationalize and enhance agricultural education in the region.

There are currently no other donor assisting the LDCs of the English-speaking

Caribbean in either formal or non-formal education other than the OAS technical assistance mentioned previously (with which RDO/C is closely collaborating) and some limited, country-specific efforts of UNESCO and the British Development Division.

F. Health and Nutrition

RDO/C intends to continue to build on its existing strategy of institutional strengthening and service delivery in the fields of health and nutrition. Ongoing support of the Caribbean Epidemiological Center (CAREC), a highly successful regional disease surveillance and control institution, is an important feature of the program. RDO/C plans to effect, through CAREC, initiatives in national immunization, vector control, and disease surveillance. The CAREC model is an excellent and successful example of shared services.

Following the development of a health manpower plan for the region and the establishment of a health manpower unit at the CARICOM Health section, RDO/C plans to build on the Model District Health Team (MDHT) approach devised under the Basic Health Management project by provision of training for allied health personnel including nurse practitioners, auxilliaries, public health inspectors and others. Training will be conducted on a regional basis with curricula designed at levels appropriate for the needs of the LDCs. Emphasis will be placed on training these workers to fit into the MDHT roles providing the full range of primary health care services including nutrition (surveillance and education), health education, and family planning services. Promotion of regionalized medical specialist services will also be encouraged by RDO/C as part of its effort to foster regionalism and shared services.

G. Population

Increased emphasis on the provision of family planning services throughout the region will be one of AID's high priorities during the planning period. Support to both private family planning associations and government family planning/MCH services will be increased. RDO/C is presently supporting increased activity through private family planning (FP) associations. Due to high levels of government commitment and interest in increasing FP activity a new program of support for government programs is being developed.

Assistance during the planning period will be provided in the development of community-based distribution systems, while feasibility of expanding the commercial retail sales programs currently operating in Jamaica will also be explored. Technical assistance in population planning as well as increasing emphasis on information dissemination and family life education will also be supported.

Strengthening of regional institutions to assume greater responsibility for family planning and population services throughout the region will remain an AID priority within the regional program. Training of health professionals in provision of MCH services/family planning as an integral part of the primary health care program will also represent an important part of the RDO/C population strategy.

H. Energy

An RDO/C regional Alternative Energy Systems Project with the CDB and CARICOM is providing assistance in energy consumption assessment, policy planning and alternative energy resource assessment. Technical assistance and training is being provided to expand local technical capacity for energy analysis and management and alternative energy pilot projects are being carried out to demonstrate economic and technical viability of such systems.

To date, the program has supported various energy assessment and energy audit training courses for regional participants, and energy consumption assessments in Barbados, Guyana and Antigua. Alternative energy activities or pilot projects currently programmed or underway include a passive solar building, biogas, mini-hydro and biomass energy demonstrations, a regional solar and wind energy resource assessment, and a study of possible hotelier energy cost savings from using solar hot water heating. The project funding of $7.2 million is considered limited over the four-year life of the project considering that there are eight Eastern Caribbean countries being served, plus Guyana, Jamaica, Haiti and the Dominican Republic to a minor extent. The regional energy program serves to complement bilateral energy assistance programs in the latter four countries.

Other donor activities in the Eastern Caribbean for the most part do not address the general lack of institutional capability for urgent policy and macro-economic energy development planning which is critical for long term development. RDO/C therefore proposes to take a stronger leadership role in promoting and facilitating country, regional and international agency coordination and cooperation in energy development in the region by providing the services of a regional energy and technology advisor based at RDO/C. The advisor would facilitate assistance to the countries to prepare and evaluate country energy and technology programs, proposals, and institutional development activities, coordinate available U. S. energy training opportunities, and assist RDO/C in programming energy and technology assistance to the region. The advisor would serve as a catalyst for the establishment of a regionally integrated approach to energy development, working towards and maintaining continuous contacts with all organizations in the region to promote cooperative cost-effective efforts.

The CDB and CARICOM will continue to be important institutions in energy development in the region. RDO/C expects to provide loan funds during the planning period in concert with the various initiatives of other donors, to provide resources for cost effective response to countries' needs for capital development in the energy sector, particularly alternative energy. An energy resource which has tremendous potential in certain countries but generally requires large capital investment is mini-hydropower. The recent Caribbean sub-group meetings for St. Lucia, St. Vincent and Dominica stressed the significant potential for mini-hydropower in those countries. While the European Investment Bank plans to provide assistance to Dominica for hydro-power development in the order of $10 - $15 million, the need of the countries is such that there is substantial requirement for additional lending to the LDCs for energy development.

I. Appropriate Technology

RDO/C considers the potential to be excellent for capital saving technological applications in many sectors fo the region to improve performance in terms of employment, income, and overall productivity and development. With RDO/C funding, the CDB has established a Technology and Energy Unit (TEU) which provided assistance to the region in appropriate technology information dissemination and also provides funds for technology studies and pilot demonstration projects. The Unit now handles all energy and technology activities of the Bank regardless of funding source; the Unit is implementing projects with funds provided by Venezuela, the IDB, New Zealand, the EDF, UNDP and the CDB itself, besides AID funds. An information unit within the TEU now publishes a quarterly newsletter which provides relevent technology and energy information as well as information on on-going or planned activities in the region. Also, the Unit serves as a clearing house for technical information and provides assistance upon request; the CDB now has contacts with more than 100 regional and extra-regional individuals and organizations who are dealing with appropriate technology.

Examples of the TEU studies and projects planned and underway in the region include technical assistance for a clay tile pilot plant, a mechanical harvesting of arrowroot project, a banana defibering pilot plant, a crop pest control activity, a demonstration in solar drying of chili peppers, and an assessment of the potential for the use of marine organic wastes for fertilizer. The technology activities are oriented towards the adaptation of known technology rather than basic research.

RDO/C plans to continue to support the research dissemination and application of cost-saving, appropriate technologies to support rural development and industrial and agricultural productivity through the TEU. It is expected that the CDB will provide SDF loan funds for larger projects that may spring from pilot activities supported by USAID. This support will be available as a component of our private sector program in such possible areas as locally manufactured construction materials (such as bagasse based fiber-board and other indigenous materials) and in possible alternative energy projects and agriculture projects where institutions such as CARDI and others are conducting applied research and experimentation to adapt modern technologies to Caribbean conditions.

As already stated in the Energy Strategy section, the proposed RDO/C energy and technology advisor is expected to facilitate assistance to the countries in appropriate technology development.

J. Environment

RDO/C environmental strategy is still under study. The emphasis is expected to be on land and marine resource management, including deforestation and soil erosion, and water management for both agriculture and drinking water supplies. These areas are all critical to tourism, agriculture and health.

As mentioned in the agriculture sector strategy, in natural resource management, RDO/C plans to support national and regional land use planning efforts, aimed in part at reversing the trends of deforestation and soil erosion that increasingly plague the region. Natural resource management includes both the conservation of existing resources and a more rational exploitation of existing resources. This is particularly true in the area of mariculture, where RDO/C plans to encourage and support marine resource planning, reef protection, and the fishing industry.

The environmental health field offers opportunities to meet critical needs through high impact activities at the community level. RDO/C plans micro-project initiatives in village water supply improvements and sanitary disposal of human and solid waste. This will likely involve support to the maintenance of existing water supply, solid waste collection and sewage disposal systems as well as innovative village level initiatives.

K. Housing Guarantee Program

The housing stock for the urban and rural poor is deteriorating, and formal sector production is lagging far behind the pace of new household formations. Squatting is a growing response in some of the Eastern Caribbean due to the inability to acquire tenure of land sites. Central towns are becoming increasingly congested, with attendant increasing infrastructure costs. Shelter delivery systems are underfinanced, badly managed, and fail to address the needs of the poor. The attitude that public sector housing expenditures cannot be recovered condemns the scale of activity to token levels.

In early 1981 AID commissioned a preliminary examination to determine the feasibility of a Housing Guarantee (HG) program in Barbados and/or in the LDCs of the Eastern Caribbean. The results of this study are being reviewed carefully to determine whether an HG financed program should be initiated in the near future.

L. Disaster Preparedness and Assistance

The Caribbean islands are subject to a constant threat of natural disasters, including hurricanes, volcanic eruptions and the potential for earthquakes. In the past two years there have been two devasting hurricanes and a volcano eruption in the region, and recently, Antigua has had an earthquake (5.5 Richter), though no major damage occurred. The fragile economies of the countries hit by the recent hurricanes have been severely strained; in certain countries, most recently in St. Vincent, the normal annual heavy rain has also caused flooding and damage to infrastructure. In the last two years USAID has provided bilateral disaster-related assistance to the Eastern Caribbean islands amounting to $6.0 million. The bilateral relief and rehabilitation programs, particularly the Dominica Housing Materials Distribution and Works Program, have had a very high impact in terms of early reconstruction and improved living conditions. Also, the recent disasters have raised an awareness in the region of the need for disaster preparedness plans and programs, but the lack of organization, expertise and financial resources, in the LDCs in particular, has prevented adequate measures.

The AID Office of Foreign Disaster Assistance (OFDA), with full RDO/C support and cooperation, has taken the lead in coordinating and providing disaster preparedness assistance in the region. OFDA presently chairs an ad-hoc Caribbean Disaster Preparedness Committee. Activities have included two regional seminars/workshops in disaster preparedness planning and identification of projects, the installation of a regional emergency communications network, proposed projects to develop a regional uniform building code and to provide, in cooperation with other donors, long-term technical assistance to the LDCs through ECCM in disaster preparedness.

The countries in the region, and RDO/C itself, have benefitted greatly from OFDA's immediate response to disasters and its leadership and active involvement in disaster preparedness activities. RDO/C proposes to improve its own disaster response planning with continued OFDA assistance and will continue to assist in OFDA disaster preparedness plans and programs.

PART III. PROPOSED ASSISTANCE PLANNING LEVEL

The Proposed Assistance Planning Level (PAPL) of $288.7 million for the period 1983-1987 represents a strong commitment to a continued U. S. leadership role in the Caribbean Group, with both a magnitude and a structure which is intended to impact on the most critical development problems of Caribbean countries during the 1980s. The AID program proposed is a vital element in promoting continued Caribbean commitment to human rights and democratic institutions. While attacking some of the most urgent economic and social development needs with relatively quick impact programs, the emphasis on fostering regional approaches to common problems, remains the corner stone of the long range strategy.

Parallel with CDF and ESF stabilization programs, the regional program will focus on productive employment and growth by supporting private sector development, particularly in agricultural and small and medium scale industry. Export development and marketing programs are planned to include joint efforts among all CARICOM members. Priority will also be given to energy planning and conservation as well as development of alternatives to oil dependency. The program of human resources development is designed along with regional economic planning and public administration services activities, to feed these important sectors or problem areas with the necessary technical workforce and management capacity needed to sustain growing programs on a regional scale.

Bilateral programs are recommended for the seven LDCs and Barbados at a level of $35 million during the planning period through 1986. The bilateral program will be coordinated closely with the Peace Crops and maximum use will be made of PVOs to achieve significant grass roots, people-to-people contact not attainable through most regional institutions. These quicker impact programs will serve to meet critical needs not immediately conducive to regional responses.

The PAPL includes nearly $15.0 million in grant funds in FY 83 for projects which have received, or will receive approval prior to the planning period. This same carry-over requirement for FY 84 is $12.0 million and for FY 85 about $8.0 million.

Staffing Implications

The recommended program, embracing at least eight countries that have extremely limited project preparation and implementation capacity, will require an increase in staff resources. Anticipating a continuing protfolio of 30-35 projects (not counting disaster assistance projects but including PVO initiatives) the average of new projects per year is projected to be at least eight to ten through FY 1986. Even with maximum use of PVO grants, Peace Corps participation, and contract assistance there will be a need to assign direct hire officers to coordinate programs for the individual islands. RDO/C's 1981 ceiling of 19 USDH (including a regional legal advisor and one officer serving with the JAO), plus three IDIs and seven FSN professionals is not adequate to manage the proposed program. We foresee an additional need by the beginning of 1983 for three "country coordinators", a rural development officer and an additional financial management officer, bringing the USDH level to 24 plus a continuing complement of three IDIs. We also anticipate the need for additional FSNs, including four professionals (one to work with PVOs, one for capital development and two accountants), plus six new secretarial and administrative staff. This will allow organization of staff for geographic as well as institutional and functional responsibilities.

In an effort to keep direct hire personnel levels at a minimum, RDO/C plans to make maximum use of contractual arrangements in designing approaches to new projects. However, RDO/C cannot manage the proposed program adequately without additional personnel. The Mission's present position was recently characterized in a report by AID's Auditor General. The report states, "We noted that although the RDO/C maintained one of the largest programs in the Latin America/Caribbean Bureau, commensurate staff was one of the smallest in number." The additional personnel required are associated with both project and non-project assistance. The project assistance, in effect, constitutes small country programs requiring island coordinators and program managers, with programs tailored to country needs. In an effort to achieve maximum personnel "efficiency" in the circumstances, RDO/C is not proposing to place any USDH in residence on islands other than Barbados.

	Fiscal Years ($000)					
	1983	1984	1985	1986	1987	TOTAL
Economic Recovery	35,000	10,000	-	-	-	45,000
CDF Loans	20,000	-	-	-	-	20,000
ESF (Eastern Caribbean Stabilization)	15,000	10,000	-	-	-	25,000
Agriculture	3,000	3,000	23,000	3,000	13,000	45,000
Project Loans	-	-	20,000	-	10,000	30,000
Common Services/Institutional Building Grants	3,000	3,000	3,000	3,000	3,000	15,000
Education and Human Resources Grants	3,000	3,000	3,000	3,000	4,000	16,000
Common Services/Institutional Building/Training	3,000	3,000	3,000	3,000	4,000	16,000
Health and Population Grants	2,000	2,000	1,000	1,000	2,000	8,000
Delivery Systems, including FP	1,000	1,000	500	500	1,000	4,000
Common Services/Institutional Building/Training	1,000	1,000	500	500	1,000	4,000
Productive Employment	10,000	18,500	18,000	18,000	18,000	82,500
Intermediate Credit	6,000	-	15,000	-	15,000	36,000
Common Services/Institutional Building Grants	4,000	3,500	3,000	3,000	3,000	16,500
CDB Special Development Fund Loans	-	15,000	-	15,000	-	30,000
Regional Economic Planning Grants and Common Public Administration Services	1,000	1,500	1,500	1,500	1,000	6,500
Alternative Energy/Appropriate Technology	1,500	11,500	2,000	17,000	11,000	43,000
Project Loans	-	10,000	-	15,000	10,000	35,000
Common Services/Institutional Building Grants	1,500	1,500	2,000	2,000	1,000	8,000
Environmental Management/Conservation	200	500	500	5,500	1,000	7,700
Project Loans	-	-	-	5,000	-	5,000
Common Services/Institutional Building Grants	200	500	500	500	1,000	2,700
Multisector Eastern Caribbean Bilateral Grants	5,000	10,000	10,000	10,000	-	35,000
SUB-TOTALS (DL)	26,000	25,000	35,000	35,000	35,000	156,000
(DG)	14,700	15,000	14,000	14,000	15,000	72,700
(ESF)	20,000	20,000	10,000	10,000	-	60,000
GRAND TOTAL	60,700	60,000	59,000	59,000	50,000	288,700

ANNEX I

CARIBBEAN STATES [1]: GROSS DOMESTIC PRODUCT

	Population (000)	GDP at Current Prices (US Million $)		GDP Per Capita (US $)		Population: Average Annual Growth %	Real GNP Per Capita: Average Annual Growth %	Gross National Savings as a Proportion of GDP %		Consumption as a Proportion of GDP %	Imports as a Proportion of GDP %
CARICOM	1979	1978	1979	1978	1979	1970-78	1970-78	1978	1979	1979	1979
Less Developed Countries:											
Antigua	74.9	73.5	83.2	993.2	1110.8	1.3	-2.1	5.9	5.2	100.6	72.7
Belize	133.7	120.3	135.1	911.4	1010.5	0.9	5.4	NA [2]	NA	91.6	117.3
Dominica	77.8	37.6	33.9	488.3	435.7	1.8	-1.8	NA	NA	NA	66.1
Grenada	108.0	61.8	71.1	538.0	658.3	1.6	-1.4	1.4	19.3	104.7	88.2
Montserrat	9.9	10.4	12.3	971.9	1242.4	-1.0	NA	12.3	8.7	104.8	113.6
St. Kitts/Nevis	50.3	35.4	39.9	712.2	793.2	0.1	2.1	1.3	NA	101.6	68.9
St. Lucia	122.4	86.7	97.7	722.5	798.2	2.3	0.8	30.8	27.7	80.3	82.8
St. Vincent	107.4	45.9	51.9	437.1	483.2	2.3	-0.1	12.4	3.9	114.3	101.0
More Developed Countries											
Barbados	253.2	482.6	535.0	1915.1	2113.0	0.5	6.0	NA	NA	81.0	73.9
Guyana	829.0	487.3	509.0	594.3	614.7	1.8	0.2	13.6	9.5	72.5	60.4
Jamaica	2165.1	2683.2	2554.7	1261.5	1198.8	1.7	-1.2	NA	NA	87.4	40.6
OTHER STATES											
Bahamas	231.2	677.3	804.4	2956.9	3479.2	2.6	-2.1	NA	NA	68.8	77.1
Dominican Republic	5276.7	4695.0	NA	889.8	NA	2.9	1.6	16.4	16.1	NA	NA
Haiti	4913.1	1341.8	NA	277.7	NA	1.7	1.4	NA	NA	NA	NA

1. Excluding Trinidad and Tobago

2. Not available

CARIBBEAN COUNTRIES: INCIDENCE OF OIL IMPORTS[1/]

	1977		1978		1979	
	Oil Imports (Million U.S. Dollars)	Current Account Deficit (Million U.S. Dollars)	Oil Imports (Million U.S. Dollars)	Current Account Deficit (Million U.S. Dollars)	Oil Imports (Million U.S. Dollars)	Current Account Deficit (Million U.S. Dollars)
CARICOM						
Less Developed Countries						
Antigua	10.8	7.9	12.5	8.0	NA[2/]	9.1
Belize	11.7	20.0	11.0	15.6	NA	38.7
Dominica	1.4	5.2	1.7	5.8	1.4	8.3
Grenada	3.0	0.0	3.3	5.3	NA	5.7
Montserrat	0.5	2.6	0.8	4.5	NA	7.4
St. Kitts	1.9	5.7	2.0	6.0	2.3	5.9
St. Lucia	4.6	14.3	5.4	28.0	10.0	16.8
St. Vincent	2.1	7.9	2.5	2.0	3.1	15.6
More Developed Countries						
Barbados	36.0	34.3	36.2	4.7	NA	17.1
Guyana	62.9	97.6	66.7	27.5	90.2	72.1
Jamaica	235.0	92.0	194.0	114.0	346.0	228.0
OTHER STATES						
Dominican Republic	177.0	496.0	200.0	429.3	NA	483.2
Haiti	23.6	101.0	24.8	109.2	NA	144.6

1/ Bahamas are excluded from this table because it is running a current account surplus.
2/ Not available.

ANNEX II

CARIBBEAN STATES[1]: GROSS DOMESTIC PRODUCT
REAL GROWTH RATES
(Percent)

	1974	1975	1976	1977	1978	1979
CARICOM						
Less Developed Countries:						
Antigua	NA[2]	NA	-0.8	5.8	5.0	0.0
Belize	8.9	4.2	3.0	5.4	6.5	3.3
Dominica	NA	-7.0	7.3	0.4	3.9	-17.0
Grenada	NA	NA	9.0	5.5	5.5	2.0
Montserrat	NA	NA	4.7	-5.0	0.0	5.2
St. Kitts/Nevis	2.5	2.5	-0.1	-1.0	4.5	2.0
St. Lucia	NA	NA	17.7	10.0	11.8	-1.0
St. Vincent	NA	NA	8.3	4.0	14.6	-0.7
More Developed Countries						
Barbados	NA	-0.0	4.2	3.7	6.2	7.3
Guyana	NA	6.4	4.7	-5.3	0.2	-3.0
Jamaica	-0.7	-2.3	-8.3	-1.9	-1.7	-2.3
OTHER STATES						
Bahamas	NA	NA	1.7	3.5	8.6	8.4
Dominican Republic	6.0	5.2	6.4	4.4	3.6	4.3
Haiti	4.3	3.5	6.2	3.3	3.5	NA

1. Excluding Trinidad and Tobago
2. Not available

ANNEX III

CARIBBEAN STATES[1]: INFLATION RATES

(Percent)

CARICOM	1974	1975	1976	1977	1978	1979
Less Developed Countries						
Antigua	13.0	8.6	15.6	8.5	7.3	19.5
Belize	27.8	15.8	9.4	6.6	6.2	7.4
Dominica	NA[2]	14.3	8.2	8.5	9.3	NA
Grenada	35.0	10.0	17.0	15.0	14.0	20.0
Montserrat	NA	25.4	13.1	16.4	9.4	16.3
St. Kitts/Nevis	29.8	9.6	12.4	19.4	12.2	9.6
St. Lucia	25.5.	14.6	10.3	8.8	8.6	15.4
St. Vincent	NA	12.0	12.2	7.4	11.1	17.5
More Developed Countries						
Barbados	38.9	20.3	5.0	8.3	9.5	13.1
Guyana	19.7	6.0	8.7	10.8	19.5	19.6
Jamaica	20.6	15.7	8.1	14.1	49.4	19.8
OTHER STATES						
Bahamas	13.1	10.3	4.3	3.3	6.0	9.1
Dominican Republic	17.6	17.1	2.7	8.7	NA	NA
Haiti	14.9	16.8	7.0	6.5	6.0	13.0

1. Excluding Trinidad and Tobago
2. Not available

ANNEX V

CARIBBEAN STATES[1/]: CURRENT ACCOUNT BALANCE AS A PROPORTION OF GDP

(Percent)

	1974	1975	1976	1977	1978	1979	Current Account Balance (US Million $) 1979
CARICOM							
Less Developed Countries							
Antigua	NA [2/]	-23.4	-10.3	-12.6	-10.9	-10.9	-9.1
Belize	-18.4	-19.7	-25.7	-19.2	-12.9	-28.5	-38.7
Dominica	-16.2	-20.0	-13.3	-15.5	-15.4	-24.5	-8.3
Grenada	NA	-1.4	-4.2	0.0	-8.6	-8.0	-5.7
Montserrat	NA	-40.6	-42.6	-28.0	-43.3	-60.2	-7.4
St.Kitts/Nevis	NA	NA	-10.4	-18.9	-17.0	-14.8	-5.9
St. Lucia	NA	-29.9	-19.6	-20.5	-32.3	-17.2	-16.8
St. Vincent	NA	-23.4	-14.0	-20.2	-4.4	-30.1	-15.6
More Developed Countries							
Barbados	-4.8	-7.8	-10.2	-7.3	-1.0	-3.2	-17.1
Guyana	NA	-3.2	-30.9	-22.3	-5.5	-13.9	-72.1
Jamaica	-6.7	-9.8	-11.1	-2.8	-4.2	-9.1	-228.0
OTHER STATES							
Bahamas	NA	8.8	8.1	9.6	6.9	4.7	38.2
Dominican Republic	-6.3	-2.1	-6.2	-5.9	-7.8	-7.5	483.2
Haiti	-8.3	-8.0	-7.7	-7.5	-7.4	NA	-144.6

1. Excluding Trinidad and Tobago
2. Not available

ANNEX VI

CARIBBEAN STATES[1/]: PUBLIC SECTOR SAVINGS AS A PROPORTION OF GDP

(Percent)

	1974	1975	1976	1977	1978	1979
CARICOM						
Less Developed Countries						
Antigua	NA[2/]	2.4	-0.3	-3.3	-0.9	-3.6
Belize	4.8	5.6	3.3	0.9	4.0	3.8
Dominica	-3.3	-6.4	-5.4	-8.2	-6.6	NA
Grenada	NA	-4.3	-5.9	-0.3	-5.0	1.4
Montserrat	NA	-0.5	10.4	5.6	2.9	1.8
St. Kitts/Nevis	NA	NA	15.4	9.0	4.0	3.4
St. Lucia	NA	1.7	1.2	3.4	3.6	0.5
St. Vincent	NA	-4.7	-1.6	3.9	-1.1	0.1
More Developed Countries						
Barbados	2.8	5.9	1.6	2.5	7.5	7.6
Guyana	NA	NA	2.0	-2.4	5.4	3.2
Jamaica	0.4	-11.1	-19.4	-17.3	-15.3	-14.8
OTHER STATES						
Bahamas	NA	3.2	2.4	1.3	2.7	5.0
Dominican Republic	8.0	13.2	10.2	8.1	4.9	3.8
Haiti	2.7	-2.1	-1.0	-2.0	NA	NA

1. Excluding Trinidad and Tobago.

2. Not available.