PN-AAU-466

Country Development Strategy Statement

FY 1986

CARIBBEAN REGIONAL

SEPTEMBER 1984

Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE

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REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

FY86 REGIONAL DEVELOPMENT STRATEGY STATEMENT

EXECUTIVE SUMMARY

I. The Development Setting: An Analysis of Principal Constraints

A. Political Setting and Trends: A.I.D.'s Caribbean Regional program includes both bilateral and regional assistance. Bilateral programs benefit the democratic, English-speaking, less developed countries (LDCs) of the Eastern Caribbean.[1/] The regional program, through Caribbean regional development institutions, covers the broader Caribbean Community.[2/]

The proximity of the Caribbean to the United States is of obvious importance and gives rise to extensive economic, cultural, and security links. The United States has both a commercial and security interest in free access to the region's shipping lanes through which travels all traffic bound for the Panama Canal and a large portion of the South Atlantic traffic, including much of America's imported oil. It also is an operations area for the U.S. military and Coast Guard. In the English-speaking Eastern Caribbean, there is a shared tradition with the United States of a strong commitment to democratic institutions, individual freedoms, and human rights.

The Grenada crisis ushered in a new era in U.S. relations with the Commonwealth Caribbean, particularly with the Eastern Caribbean. The years ahead will test the U.S. commitment and effectiveness in helping Caribbean

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1/ Antigua and Barbuda, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines.

2/ Eastern Caribbean beneficiaries include the above LDCs, plus Anguilla, Barbados, Belize, Guyana, Jamaica and Montserrat.

countries improve their economic performance, enhance their security capabilities, and strengthen their fragile democratic processes.

Political constraints to development exist in terms of leadership and an embedded tradition of statism. For AID, policy dialogue will be slow in overcoming deeply rooted notions of governmental stewardship and expectations regarding governments' obligation to provide jobs, goods, and services. Small size and vulnerability to external pressure also affect development where leaders often must rely on the resource mobilization of friendly donors to make good on political promises. Furthermore, charismatic and personalist politics has subjected development decision-making to manipulation and is an obstacle to institution-building by de-emphasizing essential systems of management.

B. Social Setting and Constraints to Development: While on a world scale Eastern Caribbean countries cannot be considered among the most impoverished, the countries are plagued with high unemployment and underemployment and their economies are highly vulnerable to a potential erosion of the present standard of living. Per capita GNP varies from around $700 in St. Vincent to over $4000 in Barbados. Population growth rates also vary widely. Unemployment runs around 15-20% generally, but ranges as high as 50% among the volatile 15-25 age group. Emigration remains an important "escape valve" for all the LDC economies. Unfortunately, expected decreases in net emigration, coupled with rapid increases in entrants into the labor force points to significant increases in unemployment during the planning period, unless the pace of job creation can be accelerated.

Social organization and cultural patterns have their roots in colonialism and the plantation system. A psychology of dependency remains pervasive, exacerbated by the constraints of small size. Attitudes toward work are affected by the traditionally low status of agricultural labor and a preference for self-employment. Unmet expectations, especially among youth, have created a residue of resentment, and "occupational multiplitiy" has become the norm for large numbers of unskilled and semi-skilled people.

C. The Economic Context and Principal Constraints to Development

1. Financial Disequilibrium and Balance of Payments Considerations: At the February 1984 meeting of the Caribbean Group, the World Bank recorded growth rates down for Caribbean LDCs in nearly all cases over rates recorded for the preceding year. Recent dislocation has occurred in connection with intra-CARICOM trade constraints stemming from the suspension of the CARICOM Multilateral Clearing Facility under which Guyana was unable to fulfill payment obligations. This, along with past oil price increases and global recession has adversely affected economic performance during the past year. In addition, the linkage of the Eastern Caribbean currency to the U.S. dollar has contributed to exchange rates which are estimated by the World Bank to be 20-25% overvalued. Owing to the nature of measures required to deal with these problems, the region faces continuing balance of payments pressures for the remainder of the decade even with significant structural adjustment initiatives.

2. Insufficient Expansion of the Private Sector and Growing Unemployment: Faced with unemployment problems described earlier, accelerated job creation is a critical priority for each of the LDCs. Given the extreme

pressures on government budgets, any significant increase in the rate at which labor can be absorbed by these economies will depend on employment generation by the private sector. Enclave industries have had a positive impact already. There is a general consensus that prospects for private sector growth are positive as constraints in areas of policies and incentives, financing, human resource development, infrastructure and marketing are receiving increased attention.

3. Trade and Export Marketing Constraints: The Caribbean Basin Initiative provides a major opportunity for the countries of the region to increase employment and address balance of payment problems. Export opportunities are still constrained, however, by (1) traditional monoculture and fluctuations in world market conditions for primary export products; (2) problems of entry and marketing of non-traditional primary products and light manufactured products into industrialized states, due to trade restrictions, difficult compliance procedures and general lack of expertise in export marketing: and (3) high production costs of local industry because of miniscule domestic markets for industrial output. Trade and industrial incentives have been examined under the auspicies of the Caribbean Group and it is generally acknowledged that average levels of protection are high in all countries, including quantitative restrictions and that taxes, licenses and other restrictions impede trade within CARICOM as well as without.

4. Declining Performance of the Agriculture Sector: Among the LDCs of the Eastern Caribbean 25-50% of the labor force depends directly or indirectly on the agriculture sector as its main source of income. The

sector, however, has failed to adjust to changing social and economic forces over the past several decades as plantation agriculture has given way to small farm, mixed crop cultivation. Major constraints to development of the sector include limited access to markets at all levels, national, regional and international; inadequacy of the incentive and credit system; and inadequacy of technology.

5. Government Budgetary Pressures and Self-Help Performance: The per capita cost of the public sector in the micro-state economies is extremely high given the need for a certain basic minimum of public services. In addition, given the low levels of economic activity and historically low rates of private sector investment, public expenditure is viewed not only as necessary for essential services, but as a device for maintaining social and political and therefore economic stability. While revenue/GDP ratios are high for countries at this level of development, national savings performance has been relatively weak. All states, furthermore, have serious limitations in their capacity for policy and related budgetary analysis required for efficient resource management and allocation.

D. Institutional Framework and Constraints

Institution building pervades the mission's strategy in a bilateral/regional/multilateral combination supporting a variety of regional intermediaries alongside six country programs in support of national institutions. The Caribbean Community (CARICOM) founded in 1974 provides under its "functional cooperation and common services" mandate CARICOM institutions which cover a broad spectrum of specialized development

services. The largest and among the most successful is the CDB which incorporates both financial and technical assistance and has had a pervasive influence on development of the region. The CARICOM Secretariat and the smaller OECS Secretariat have not been key as development institutions though they potentially have a role in policy analysis and planning. Policy dialogue between the regional institutions and member states is inherently constrained by nature of the regional institutions being creations of the members they serve. Also the effectiveness of regional institutions often depends on the capacities of the national institutions with which they interface.

E. The Role of the Caribbean Group for Cooperation in Economic Development:

The public forum for policy dialogue for the countries of the region is the Caribbean Group. This consultative group of donors and recipients provides the analytical base and coordinating mechanism for establishing country development priorities and examining performance. The collective consensus of the Caribbean Group lends legitimacy to calls for reform, including conditionality dealing with policy changes needed to remove constraints to development. Many of the Caribbean Group's initiatives and special concerns have reinforced and supported U.S. objectives in the region, and promotion of the group's involvement in the policy reform process will continue as an important element of the mission's strategy.

II. Program Alternatives and Strategy

A. Strategy Framework: The Grenada liberation and the designation of the independent countries of the Caribbean as CBI beneficiaries marks a fresh

commitment to collaboration between the United States and its neighbors in the region. The Caribbean Basin Initiative encompasses the major developmental objectives and policies under which the USAID program operates. In support of the CBI and in response to the most critical developmental constraints of the region, the mission will be placing strong emphasis throughout the planning period on what may broadly be termed an employment and export development strategy.

As seen in the preceding section, the consultative group for the region, the Caribbean Group for Cooperation in Economic Development, provides a framework for mobilizing donor resources, analyzing development constraints and avoiding duplication of programs, and is essential to the success of our strategy. Also, a complementary relationship between regional and bilateral programs, and the necessity for both, particularly in the Eastern Caribbean, is a fundamental tenet of the RDO/C strategy. Not only has direct, higher impact assistance been called for in view of serious economic instability and related political uncertainty, but the leverage afforded by bilateral assistance in the Eastern Caribbean has led to expanded policy dialogue that has helped focus attention on necessary structural reforms. As a result, an Eastern Caribbean bilateral program during the rest of the decade will be critical as a companionpiece to the wider Caribbean regional development effort.

B. Regional Development Objectives and Strategy: Broadly stated, United States economic assistance objectives are (1) to promote an early return to healthy economic growth patterns that strengthen free institutions and enterprise in the region; (2) to foster economic self-reliance; and (3) to

encourage Caribbean regional cooperation where this will facilitate more efficient utilization of the area's human and natural resources.

The strategy in pursuit of these objectives is to combine necessary economic stabilization measures with longer term structural adjustment initiatives promoting private sector, market led growth and development. Primary program elements of private enterprise development, including productive infrastructure, and agricultural development are supported by human resources development and modest population and health programs. Resulting business and agricultural expansion is designed to lead to increased jobs and exports and ultimately self-sustaining growth.

1. Stabilization: As seen in Part I of this statement, and as the LAC Strategy Statement emphasizes, the small Caribbean states are particularly vulnerable to external economic forces leading to financial disequilibrium. The IMF and the CDB have retained the lead role in responding to balance of payments difficulties during a difficult period of energy crisis and global recession. They are expected to continue in this role so that USAID balance of payments support may not be necessary during the CDSS planning period, although at this time it cannot be ruled out. The strategy instead involves a concerted program of structural adjustment assistance tied to specific sectors and projects which go to the causes of financial disequilibrium.

2. Structural Reform: Export promotion and development of trade and investment opportunities consistent with the CBI, are a means of helping countries earn their way out of their balance of payments problems and increase employment opportunities. As key elements of the strategy, removing

constraints to export development goes hand in hand with productive employment generation through stimulation of the private sector. To pave the way for expansion in these areas, structural adjustments, involving policy modifications, are being promoted as conditions of assistance, particularly in bilateral programs. Specific criteria have been established to guide the mission in development of bilateral projects that complement the mission's regional development strategy. Policy dialogue is a feature of both regional and bilateral strategies and programs.

C. Sector Strategies: Policy reforms and structural adjustments that will stimulate expansion of employment and productive capacity can be identified in the various sectors of the LDC economies. The mission's strategy is implemented through specific elements designed to help overcome key constraints to development in particular sectors with conditionality generally focussed at the sectoral level, but also including the macro level.

The private enterprise development strategy contains cross sectoral elements including investment and export promotion and associated reforms in incentive policies. It also includes productive infrastructure rehabilitation and development, credit, human resources development, and technology transfer and institution-building associated with the above. The agriculture sector strategy includes similar elements, particularly with respect to agro industry and investment incentives and adds measures to stimulate agricultural diversification. The human resources development strategy includes both public and private sector elements and is directed both at increasing the capacity of upper and mid-level managers and improving the quality of the

labor force through skills training and prevocational training. In energy, the strategy continues to be to support alternative energy resources development and policy planning aimed at reducing energy costs in order to induce expanded investment in productive enterprise. Population and health strategies, consistent with AID policy, seek to reduce population growth rates that threaten development and to trim the public sector burden of health costs while increasing the cost effectiveness of resource management.

D. Special Concerns: RDO/C has considerable capacity and experience with disaster preparedness and relief as the region is prone to natural disaster, particularly hurricanes. Although environmental protection is not a separate program area, it constitutes an element in both regional and bilateral programs. Research priorities include agricultural diversification, migration and unemployment, and demographic analysis in relation to public resource allocation. The mission's program evaluation plan is aimed at assessing effectiveness at both project and broader program levels. Coordination with Peace Corps includes joint programming and collaboration in various activities. Women in Development concerns are addressed in project design in each sector.

III. Resource Requirements

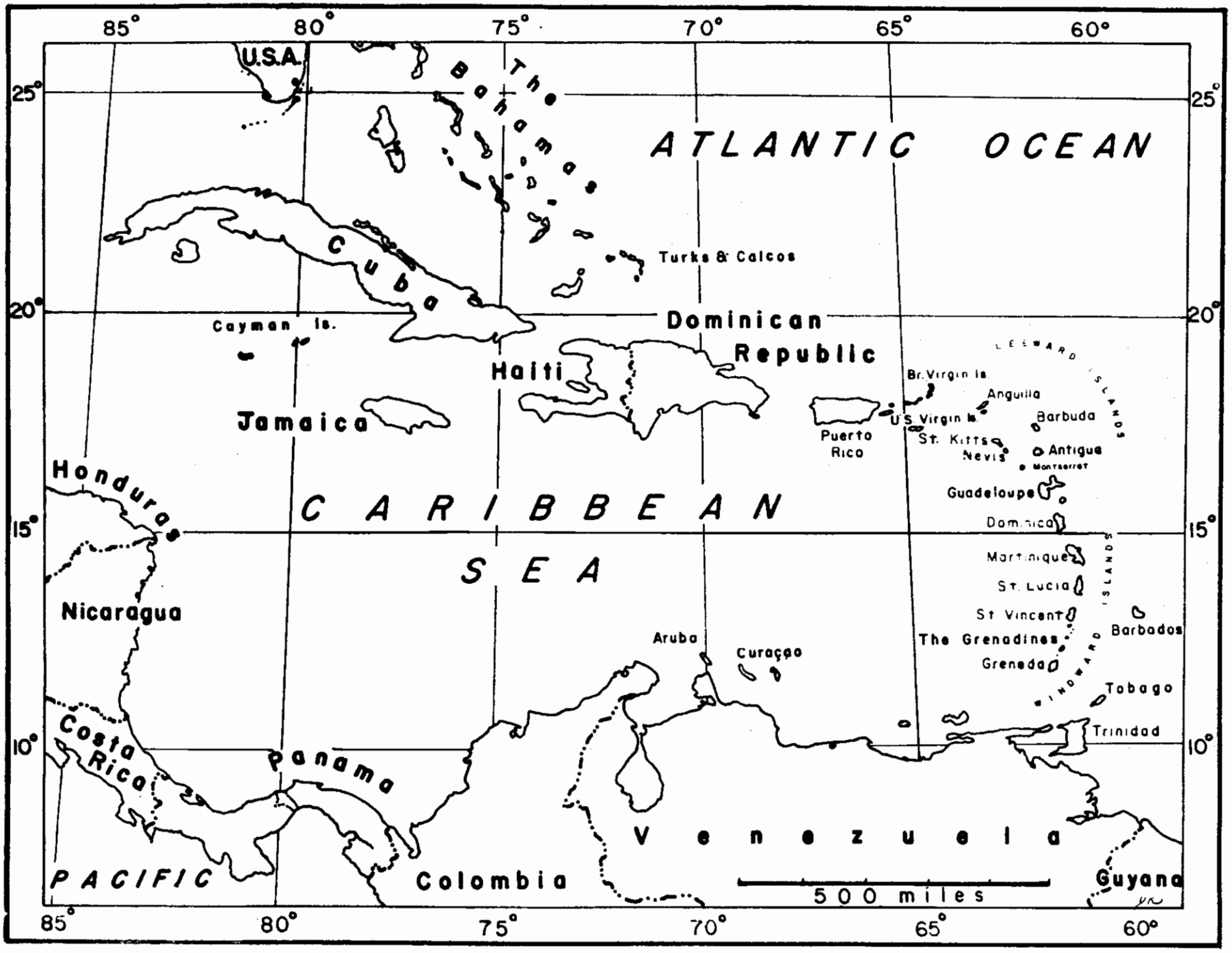
U.S. political and security interests warrant continued ESF assistance in the Eastern Caribbean to achieve funding levels that may not be justified solely on developmental or proverty grounds. Nevertheless, ESF resources are proposed to go, to the extent possible, to project assistance leveraging structural adjustment in the productive sectors and in the incentive structure

for private enterprise expansion. In this sense ESF objectives are the same as objectives under the Development Assistance program. A relatively high level of grant financing will be needed throughout the planning period since the limited debt servicing capacity of the LDCs requires that funds be provided on the most concessional terms possible.

Key planning issues for the RDO/C program include (1) a re-examination of the geographic scope of the program which recognizes that CARICOM regional cooperation will require funding more broadly than simply the Eastern Caribbean LDCs; (2) a continuing assessment of the relative emphasis on ESF resources; and (3) recognition and assessment of the implications for other bilateral programs with OECS members if we fail to return Grenada as planned to equal status among U.S. aid recipients.

Staffing requirements, following the temporary increase needed to handle the Grenada program, should return to present levels by the end of FY86. However, operating expense levels will need an adequate inflation factor since travel costs and personnel costs will rise in spite of relatively stable funding levels.

THE WEST INDIES



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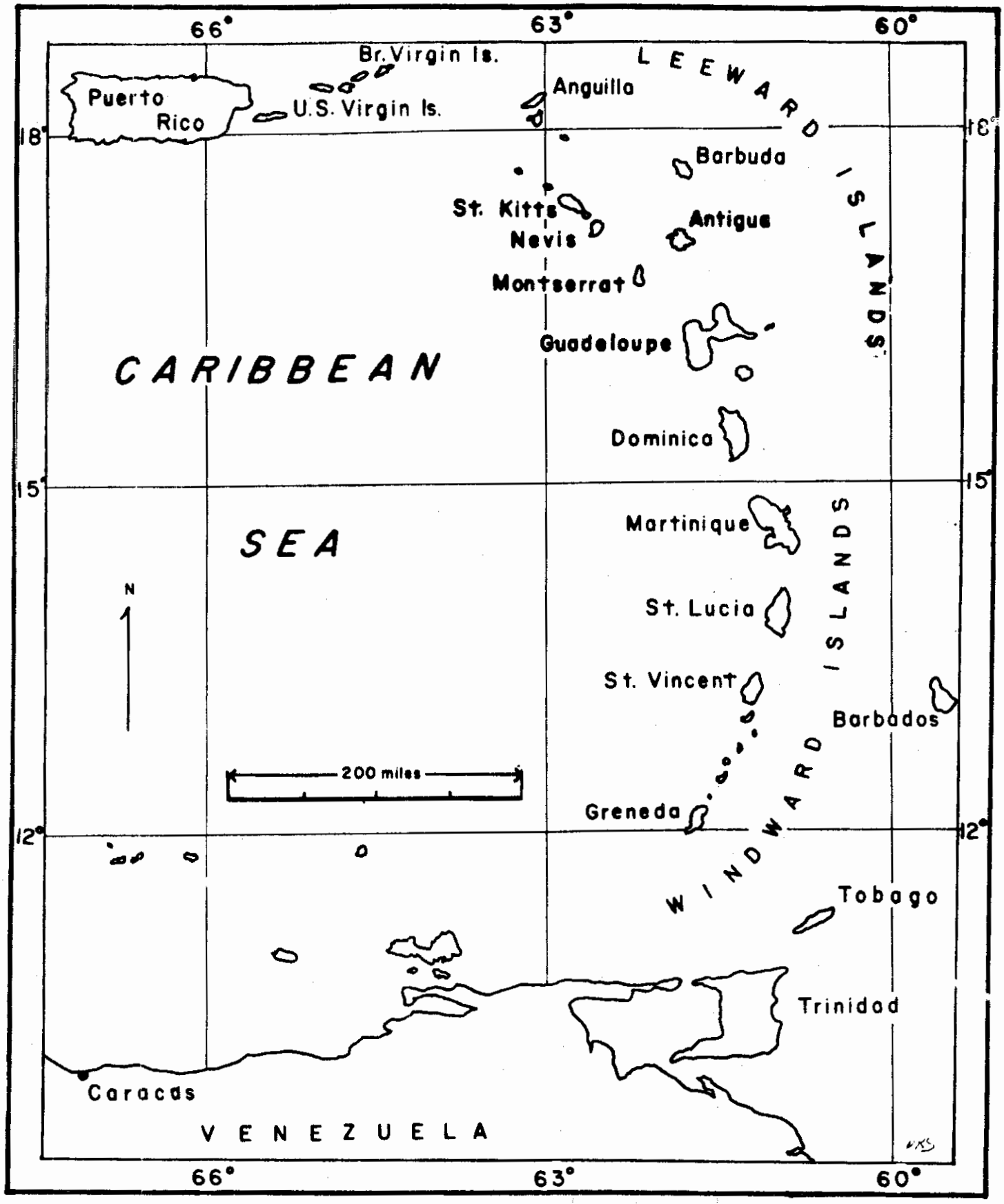
THE EASTERN CARIBBEAN



SELECTED ECONOMIC INDICATORS: ORGANISATION OF EASTERN CARIBBEAN STATES (OECS) AND BARBADOS

(1982)

	ANTIGUA	DOMINICA	GRENADA	MONTSERRAT	ST. CHRISTO-PHER/NEVIS	ST. LUCIA	ST. VINCENT	OECS TOTALS	BARBADOS
Area (sq. mi)	170	288	133	37	103	238	149	1118	166
Population ('000)	77.2	80.0	92.0	11.6	43.8	122.0	112.4	539.0	250.9
GDP (US$m)	137.1	72.7	110.1	29.0	42.8	134.1	77.6	603.4	1062.0
GDP average annual real growth 1978-81 (%)	5.7	1.6	1.9	7.4	4.1	3.9	5.6	4.0	3.2
GDP real growth rate (%)	2.7	3.3	4.7	1.1	4.1	2.1	2.3	3.0	-4.6
Central Government revenue as a proportion of GDP (%)	22.8	29.4**	25.1	25.7	42.5	29.2	31.8**	28.1	24.5*
Central Government surplus/ deficit as a proportion of GDP (%)	-6.4	-2.5**	2.7	2.4	-8.1	-2.7	-1.2	-2.4	1.0*
Gross Domestic Savings as a proportion of GDP (%)	-0.4	0.4	-2.7	-12.4	-15.3	8.7	-1.1	-0.4	10.5
Merchandise exports ($m)	34.4	24.5	18.6	2.6	21.2	41.6	25.9	168.8	220.8
Merchandise imports ($m)	115.6	47.5	69.3	20.3	44.6*	117.9	63.8	479.0	534.0
Tourist revenues ($m)	49.5	4.6	13.0	5.8	9.4	40.6	25.9	148.8	225.0

**Fiscal year 1982-83

I. The Development Setting: An Analysis of Principal Constraints

A. Political Setting and Trends

1. Aftermath of Grenada

The Grenada crisis ushered in a new era in U.S. relations with the Caribbean, particularly with the Eastern Caribbean. U.S. influence in the area, already growing through positive measures such as the Caribbean Basin Initiative (CBI) and increased assistance levels, has been given a significant boost. Cuban and left-wing influence has experienced a corresponding set-back. The latter half of the present decade will be a period of consolidation that will test the U.S. commitment and effectiveness in helping Caribbean countries improve their economic performance, enhance their security capabilities, and strengthen their fragile democratic processes.

The Grenada rescue operation has accelerated the program of U.S. assistance for the Eastern Caribbean Regional Security System (RSS). A Military Assistance Program is providing annual support for training and equipping local defense forces and coast guards and supplemental resources have been channeled to support the Grenada peace keeping operation. The efforts planned and underway may be expected to have a very positive impact, not only on regional security, but on internal stability in the small island states of the Eastern Caribbean.

The new mood of cooperation and mutual support provides the U.S. with some new opportunities for closer relations and greater influence, but it also carries with it increased expectations regarding U.S. economic and security assistance and some risk of being held up as culpable if progress is not soon visible in overcoming deep seated socio-economic problems. This

burden is, of course, heaviest with respect to Grenada, but must be kept in mind consistently as we plan an even-handed regional development strategy for the remainder of the decade.

United States interests in the Caribbean clearly have increased in the aftermath of Grenada but are nonetheless familiar: the proximity of the Caribbean to the United States is of obvious importance and gives rise to extensive economic, cultural, and security links. U.S. direct investment is substantial. Annual export-import trade between the United States and the Eastern Caribbean approaches $1 billion. The United States has both a commercial and security interest in free access to the region's shipping lanes through which travels all traffic bound for the Panama Canal and a large portion of the South Atlantic traffic including much of America's imported oil. It also is an operations area for the U.S. military and Coast Guard. A significant number of U.S. citizens live, work, and vacation in the Caribbean islands, while at the same time a large number of West Indian citizens live, work visit, and study in the United States. In the English-speaking Eastern Caribbean, there is a shared tradition with the United States of a strong commitment to democratic institutions, individual freedoms, and human rights. This commitment was reaffirmed dramatically by the events surrounding the intervention in Grenada.

2. Cooperation from Other Outside Sources

In the circumstances, continued strong multilateral support for Caribbean development from traditional western sources is necessary. After some initial negative reaction to the Grenada rescue mission, interest outside the region in helping Caribbean countries appears to be on the upswing. The

British continue to evidence a willingness to cooperate, albeit from a position consistent with their much reduced profile in the wake of political independence for most of the region. Canadian and European Economic Community (EEC) sources continue to project strong programs. France, the Netherlands and Venezuela have vested interests in the region which mandate their continued involvement. The Caribbean Group for Cooperation in Economic Development (CGCED), discussed in more detail in a separate section, plays a key role in stimulating multilateral development cooperation. It is particularly important as a means of keeping World Bank and IMF attention focussed on the area in spite of the area's relatively small size.

3. Political Constraints to Development

(a) Political Leadership: The multicentennial colonization process has made an indelible imprint on every aspect of Eastern Caribbean life. Politically, systemic dependence and extremely small size have created a vulnerability to the full range of regional and international pressures. Political leadership, as a result, has often had a proclivity to view itself as relatively powerless to influence major events and directions in nation-building and development.

This orientation on the part of leaders places pressure on the political system. Leaders often must rely on the resource mobilization of friendly donors in order to make good on political promises. The vulnerability of leadership is exacerbated by small size where anonymity is difficult to achieve. Where an unpopular decision must be made in the national interest, many come to know who is responsible. Charismatic and highly personalist politics has subjected traditional

democratic systems and development decision-making in the Eastern Caribbean to manipulation and helps explain the Grenada experience among other things. Decision-making tends to be centralized among a few of the top leaders. This presents an obstacle to institution-building by de-emphasizing essential systems of management. Thus, political stability in the Eastern Caribbean depends importantly on the quality and strength of leadership operating in a highly sensitive political ecology.

(b) Role of Government and Statism: Governments' pervasiveness fuels the influence of political leaders and creates conditions which can and have fostered political abuse. The renowned St. Lucian economist, Sir Arthur Lewis, has written of the Eastern Caribbean that everybody depends on the government for something, however small, so most are reluctant to offend it. Civil servants are fearful, trade unions are tied to the political party, media depend on government for revenue, and so on. The ubiquitousness of government in small Eastern Caribbean states often stands in the way of private sector alternatives to development in both the social and the productive sectors.

A deeply embedded dependence on government and government solutions is a product of statism as well as small size. A view of the appropriate role and function of government is part of the British colonial heritage and also results from demands and pressures for new and improved services. Interestingly, a 1976 U.N. study including interviews with senior civil servants in Dominica, St. Kitts and St. Vincent found that a majority of the respondents perceived that a critical function of the civil service was to provide jobs. What exists is a strong tendency for governments to provide

services which in larger societies are often delivered by the private sector. For AID, policy dialogue will be slow in overcoming deeply rooted notions of governmental stewardship and expectations regarding governments' obligation to provide jobs, goods and services. The issue here is nothing short of a fundamental difference in orientation when it comes to decisions affecting the allocation of economic resources for the social good.

B. Social Setting and Constraints to Development

1. Quality of Life Considerations

The quality of life in the Eastern Caribbean, is above average for developing nations. The average life expectancy in the Eastern Caribbean of around 60 years, compares favorably with many developing countries, but is considerably less than most countries in the developed world. This is equally true with respect to literacy rates, which range around 80% and are higher than the average for developing countries. Although countries like Barbados have succeeded in approaching zero population growth, others such as St. Lucia and St. Vincent exhibit high annual population growth rates. Per capita GNP in the Eastern Caribbean varies from island to island ranging from around US$700 in St. Vincent to over US$4000 in Barbados. While on a world scale Eastern Caribbean countries cannot be considered among the most impoverished, the countries are plagued with high unemployment and underemployment and economies are highly vulnerable to a potential erosion of the present standard of living.

2. Demographic Profile 1/

The English speaking Eastern Caribbean population is approximately 800,000. The population profile is characterized by a wide range in fertility rates, coupled with relatively high emigration rates. The table below serves to illustrate this.

(1980 Figures):

Country	A Total Fertility Rate (Births Per Woman)	B Natural Increase Per 1,000 (Births-Deaths)	C Emigration Per 1,000	D Annual Population Growth Per 1,000(B-C)
Barbados	1.9	9	7	2
Antigua	2.4	11	3	8
Dominica	3.4	19	11	8
Grenada	3.5	20	20	0
St. Kitts	3.6	16	18	-2
St. Vincent	4.5	24	10	14
St. Lucia	4.5	22	13	9

Countries such as Barbados and Antigua have fertility rates which approximate the replacement rate of 2.1 children per woman. Dominica, Grenada, and St. Kitts have fertility levels that fall somewhere in the middle, and St. Vincent and St. Lucia have levels that are very high. With few exceptions, net emigration has historically been relatively high in the Eastern Caribbean, providing an "escape valve" for some of the population growth. A significant drop in net emigration (which may very well occur as a result of increased immigration restrictions in the U.S. and Canada) could result in a sharp increase in population growth.

1/ Population Reference Bureau has recently completed country by country population profiles and projections for the Eastern Caribbean. Much of the information in this section is derived from these reports.

Since most of the children born during the baby boom are now exceeding the school age (5-14), the Eastern Caribbean (with the exception of St. Lucia and St. Vincent with continuing high rates of natural increase) are experiencing stable to declining numbers of school age children. In the future, the number of elderly will increase sharply when those born in the baby boom years reach 65, and countries will need to begin soon to prepare health and other social services for the elderly. The area of greatest and most immediate concern, however, is the provision of employment for those aged 15-65, who are in and moving into the labor force.

(a) Labor Force and Employment: The problem of providing adequate employment opportunities for the labor force is now at a critical stage. Since the countries experienced high birth rates ("baby boom") in the 1960s and early 1970s, they will experience a particularly large increase in the labor force from now through the early 1990s. Although net emigration rates partially offset the need for new jobs, the fact remains that individuals who will be looking for work are already born and these numbers will continue to grow substantially in the near future.

Examination of the data available indicates that the unemployment rate in the 1970s and early 1980s ranged from 15-30% for the countries listed in the table above. However, decreases in net emigration, coupled with the rapid increases in entrants into the labor force, points to rapid increases in unemployment, unless there is a concomitant increase in new job creation. For example, assuming that net emigration rates do not decrease, the OECS countries plus Barbados must create 68,000 jobs in 1981-90 and an additional 59,000 in 1990-2000, if full employment is to be reached. On the other hand, a halving of the emigration rates would require 87,000 jobs in this decade followed by another 88,000 in the following decade to reach

full employment. Given a 1980 figure for actively employed of 216,000, the second -- more likely -- scenario means job creation at over 3 percent per year.

To attain economic growth rates above this employment growth target -- consequently raising productivity and real wages -- will not be an easy taks. And the likelihood of political and social unrest will increase if development efforts fail to meet the rapidly increasing demand for employment opportunities. Structural changes in these economies to provide the necessary employment opportunities are clearly a high priority.

Sectoral Employment: In the Eastern Caribbean the sector of the economy employing the greatest number is agriculture (with the exception of Antigua). While large numbers of agricultural workers are buffeted by intermittant and seasonal work, many others supplement meager income with gardens, remittances from abroad, and government road work. Although agriculture contributes 24% of the GNP of the Eastern Caribbean sub-Region and employs about 30% of the labor force, large numbers currently in the agricultural sector are expected to be displaced by the end of the decade. Services have rapidly expanded, particularly the informal sector, as people leave the countryside and migrate to the capital in search of more stable employment. The civil service has rapidly expanded; in many countries the public sector employs close to 20% of the labor force. Many governments are looking to manufacturing and tourism to open employment opportunities and expand the capital base of the economy.

Youth: Not surprisingly, unemployment in the region is strongly correlated with age, with unemployment levels of up to 50% for the 15-25 age group. An increasing number of youth leave school by age 15, and though they are not equipped with adequate job skills, nonetheless have high expectations for gainful employment. In some countries such as St. Lucia,

vocational skills training and literacy programs are necessary in order to prepare workers for an industrializing economy. Generally throughout the region countries face the paradox of a shortage of skilled labor in the midst of growing unemployment.

Women: Throughout the Eastern Caribbean female unemployment is 5% - 10% higher than for males. There also is a high proportion of female headed households (45%), which means that female unemployment is a serious social problem given the large numbers of children they support. However, women in Eastern Caribbean countries do have high rates of participation in the paid labor force in relation to many developing countries. For example, in Antigua and Barbuda, they comprise over 38 percent of public sector employment and over 44 percent of private sector employment. Yet for most of these women employment is unstable and seasonal, and wages are lower than for men.

There are growing numbers of women, particularly young women 15-19, who are unemployed and heading families. Fully 32% of all first births occur among this age cohort. In addition, teenage mothers account for 30% of all second births. Women in the Eastern Caribbean are not yet truly cognizant of the link between early pregnancy and poverty; many do not yet view themselves as individuals with options. Recognition of this factor is resulting in the creation of contraceptive programs which are holistic in nature, linking family planning projects with women in development programs in an attempt to break a major cause of the poverty cycle of the region.

Cost of Labor: The link between the Eastern Caribbean economies and North America creates relatively high wage expectations. In concert with reasonably strong and influential labor unions, these expectations have given impetus to wage rates that are high when compared to other third world countries, although the trainability and consequent

productivity of labor in the region compare favorably. Labor and management and government often must struggle with the conflicting demands of management's need to minimize the cost of wages and unions seeking to keep pace with inflation. Effective strategies for dealing with these conflicting demands will require further analysis on the part of governments dealing not only with their international competitiveness but with employment polices and incentive systems as part of development planning.

(b) Migration Patterns: Migration has not only been a way of life for a significant percentage of the population of the Eastern Caribbean, but historically migration patterns have altered the development process in both positive and negative ways. Migration has produced structural changes in island societies leading to sex, age and skill imbalances. Historically, most migrants either permanently left the islands or only returned after long absences. The majority were male, who left behind parents and women of child bearing age. Since the majority of migrants were men in the prime of life, many islands suffered serious shortages of male labor, particularly in the countryside. Since the 1960's patterns have changed. Women now have an equal propensity to migrate and it is the most skilled who feel compelled to do so.

One scholar estimates that from 1960-70, emigration reduced the natural population increase of the Commonwealth Caribbean by half -- enough to cause a 12% decline in the size of the labor force. In general, emigration reduces unemployment but also reduces skilled manpower. At the same time, while remittances are an important source of foreign exchange and individual well-being, they have largely not had economic development impact. In fact, some analysts contend that remittances have been detrimental to economic development by contributing to importation of consumer luxuries and additional emigration. Clearly reduced migration flows in future years will impact on national development plans and programs in a variety of ways. Even

at greatly reduced levels of migration, more policy and program analysis is justified of the relationship between migration and economic development in the English-speaking Caribbean.

3. Social Organization and Cultural Patterns

(a) Psychology of Dependency and the Constraints of Size: In the Commonwealth Caribbean the characteristics of small size affect attitudes and behavior at all levels and throughout the social system. Choices are perceived as limited; alternatives few. The perception that one's choices are limited affects behavior at a number of levels. (The effect on political leadership was discussed earlier). Individuals are less likely to take risks, particularly in business ventures. The fact that people perceive that there are few alternatives conditions attitudes to work and employment. In the civil service, for example, where promotions and turnover are rare, motivation is low. This perception also leads to a high propensity to migrate as the only way to improve one's economic opportunity.

Despite the new nationalism, self-assertiveness and pride, the colonial ideology, which denigrated all things local and looked toward the mother country for everything from institutions to consumer items, continues to manifest itself in attitudes toward oneself, the community and the outside world. Families depend on remittances and consumer items from abroad while political leaders institutionalize the concept of external aid in all development programs and plans. Constituents are dependent on the party in power for patronage in all aspects of their lives, and government is perceived as being responsible for meeting one's needs. These psychological factors constrain the development process and impede the creative thinking necessary to see beyond the constraints imposed by size and to come to grips with adaptive approaches that turn small size to its best advantage.

(b) Social Relations

Present social and political relations within and among the island states of the Commonwealth Caribbean have their historical roots in physical, economic and social factors inherited from colonialism and the plantation system. Structural inequalities predicated on race and color are less of an impediment to personal advancement than in the colonial era for those with personal resources. Nonetheless, continuing tensions exist between both the descendants of European settlers and East Indian and Syro-Lebanese groups who remain economically dominant throughout the region and West Indians of African descent who have become politically dominant but who for the most part have not been able to move successfully into the productive sectors on a large scale.

The break-up of the plantation system, internal migration and the construction of road systems has broken the isolation of most rural communities and allowed for the development of a network of inter-connected villages, with the exception of Dominica. As a result, the polarity between large cities and under-developed rural areas as exists in Latin America, is not a feature of West Indian social ecology, since most West Indians who reside in the capital continue to have roots in the villages. However, those countries that are composed of more than one island - Antigua and Barbuda, St. Kitts and Nevis, and Grenada and St. Vincent with the Grenadine dependencies - have an additional set of political, social and economic tensions, with the smaller islands in each case having historically different economic bases than the plantation economies of the larger islands where the central government is located.

(c) Attitudes Towards Work: The plantation system, which provided work that was alienating, degrading, and often precarious, has left its mark on the West Indian attitude towards work. As a result, there is a

general disdain for menial work, and a strong interest in self-employment. With the encouragement of their parents to move up the social-economic ladder (i.e. away from historial patterns) both boys and girls at a very early age exclude all forms of unskilled labor, farming, and marketing from their occupational horizons. But as the young people leave school (often before age 15) they also leave behind their ambitions to become professionals (teachers, nurses, doctors, mechanics, etc)[1/] and their aspirations are downgraded to semi-skilled work such as carpentry, shoemaking, plumbing, and even farming - with a strong emphasis on self-employment. In the absence of training, credit, and opportunities the downgrading trend continues as the worker becomes older, the options more limited, and economic necessity increases. The downshifting of aspirations from professional to semi-skilled to unskilled, leaves a residue of resentment which remains as a predominant feature in the overall attitude towards work. The rapidly increasing numbers of youth entering the workforce who are ill-prepared to meet realistic job opportunities and disillusioned from not meeting expectations present serious implications in terms of unemployment and social unrest.

Given that full time, formal employment is not an available option to large numbers of people, working life for many of the unskilled is characterized by "occupational multiplicity". 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

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1/ Out migration, with the perceived unlimited opportunities that it entails, long remains on the occupational horizon.

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.

C. The Economic Context and Principal Constraints to Development

The East Caribbean LDCs uniformly are small, very open economies. Their combined population -- 550,000 in 1982 -- is not evenly distributed, and ranges from St. Kitts/Nevis (44,000 in 1982) to St. Lucia (126,000 in 1982). In terms of per capita GDP, the countries also differ, with the low end being St. Vincent (US$690 in 1982) and the high being Antigua (US$1776 in 1982). By comparison, Barbados' population was about 250,000 and per capita GDP was about US$4,000. The savings rate in all the LDCs is negative or only neglibily positive, a reflection of consumption levels that are close to or exceed domestic production. Remittances from abroad assume an important place in the LDCs, amounting to a huge 12 percent of GDP in 1982, and serve as a reminder of the large migration away from the LDCs to more developed countries. This source of savings notwithstanding, the LDCs depend heavily on external resources to finance investment, both public and private sector.

The openness of the LDCs can be a positive feature, in that goods can be purchased in international markets that diseconomies of small-scale would preclude their efficient production at home. However, the tradition of undiversified exports and the importance of tourism as a foreign exchange earner have rendered the economies vulnerable to external shocks. And the small size of the LDCs has contributed to the relatively large size of

government in these countries, partly because provision of a minimum level of services costs as much as it would in larger countries. Governments participation in investment has grown, and is a driving factor in current account balance of payments deficits.

Economic growth rates have fallen in the east Caribbean. GDP grew at 4.8 percent in 1980 but dropped to 2.7 percent in 1981 and was a negative 1.1 percent in 1982. This 1982 performance dictated over a two percent drop in GDP per capita. The major contributor to this poor showing was Barbados, where GDP dropped 2.8 percent in 1981 and 4.6 percent in 1982. The LDC's growth rates, weighted by GDP, averaged 4.0 percent in 1978-81 and dropped to 3.0 percent in 1982.

In general, the governments recognize the need for private sector to provide the impetus in diversifying the economies. Diversification is critical to bringing the LDCs onto stable economic growth paths that provide jobs for the rapidly growing pool of unemployed and that buffer the countries against external economic shocks. While the potential for realizing growth of this type is clear, equally clear are a variety of constraints that must be overcome.

1. Financial Disequilibrium and Balance of Payments Considerations

The small states of the East Caribbean, particularly the Eastern Caribbean LDCs, were hard hit in the mid 1970s by dramatic oil price increases. Between that time and the late 1970s, most had successfully reduced balance of payment deficits. Early in the 1980s, however, balance of payments problems resurfaced, with the current account deficit in 1981 more than doubling to $240 million from $110 million the previous year. The deficit for 1982 dropped only very slightly.

A combination of problems led to this reversal. First, natural disasters (a volcanic eruption and hurricanes) affected economic activity in general and agricultural production in particular. Second, the last round of oil price increases raised imports, most dramatically in Barbados and Grenada. Third, the global economic recession led to a reduction in tourism revenues. Fourth, after rising somewhat in 1980, prices of bananas and sugar dropped in the following two years.

It should be noted that the sharp current account deficit increase for the region was almost exclusively a result of movements in Barbados's external payments. In OECS states, there was a small increase in the deficit, but Barbados's current account went from a surplus of $40 million in 1980 to a deficit of over $80 million in 1981. The primary contributors were a rise in full and food imports (by $28 million and $14 million, respectively) and a drop in exports of sugar (by $31 million). And the improvement in the current account for the region as a whole in 1982 was completely to the credit of the OECS LDCs.

In 1983, new difficulties arose associated largely with the CARICOM states of Trinidad and Tobago and Guyana. Trinidad and Tobago introduced an import licensing scheme which severely disrupted intra-CARICOM trade. In Guyana, economic mismanagement resulted in inability to fulfill payment obligations to the CARICOM Multilateral Clearing Facility (CMCF) which was thus suspended in April 1983. Although member countries have since been seeking ways to reinstate the CMCF, over a year has passed with little progress toward that end.

In addition to, global recession and a weakening of the CARICOM trade regime, there has been difficulty associated with the linkage of Caribbean currencies to the U.S. dollar and the latter's appreciation. This has driven down export proceeds in EEC markets and has had a strong negative

effect on tourism from these countries and Canada to the Caribbean. The fact that most of the imports of Caribbean countries are from the U.S. has meant that the terms of trade have continued to decline. Sharp devaluations in major Latin American countries, moreover, have served to reduce further the competitiveness of Caribbean exports. In part because of this linkage to the U.S. dollar, the World Bank estimated in early 1984 that exchange rates for the OECS states were overvalued by 20-25% with respect to their major trading partners. In the case of the OECS countries, with a common central bank, unanimous agreement is required for adjustment. Given the persistent balance of payments disequilibria which have characterized the region in the past few years, the need for exchange rate adjustment is being studied carefully, but the Eastern Caribbean Central Bank (ECCB) has delayed action thus far.

Meanwhile, at the February 1984 meeting of the Caribbean Group, the World Bank recorded growth rates down in nearly all cases over rates recorded for the preceding year. Current dislocation associated with constraints in intra-CARICOM trade and exchange rate problems will adversely affect the region's economic performance throughout the CDSS planning period even if they can be dealt with promptly. Achieving structural reforms that contribute to reducing the cost of energy and beginning to capitalize on the CBI and global economic recovery are long term prospects, as are making inroads in expanding employment, productive investment and exports. In short, the remainder of the present decade will see continuing balance of payments pressures in the region, and in particular among the fragile Windward and Leeward Islands of the Eastern Caribbean.

2. Insufficient Expansion of the Private Sector and Growing Unemployment

"The gravity of the unemployment situation, especially as it affects young people, is the most explosive problem facing the region today".

This statement appears in the 1981 report, The Caribbean Community in the 1980s, which was produced by a team of eminent experts, including G. Arthur Brown, Deputy UNDP Administrator, Alister McIntyre, Deputy Secretary General of UNCTAD and Sir Arthur Lewis, Nobel prize-winner and professor of Economics at Princeton University. The CARICOM study raises the spectre of growing alienation among youth, crimes of violence and political restlessness, all readily predictable unless CARICOM countries improve their record of dealing with the problem of unemployment.

The characteristics of the labor force and the broad impact of population growth are discussed in the social analysis section. We have seen that because of the existing demographic profile in the region, the labor force during the rest of the decade will grow at a faster rate than the population. The obvious conclusion is that barring very far-reaching action to alleviate the problem, there will be a dramatic increase in the rate of unemployment in the next ten to fifteen years when the much larger accession to the labor force takes place.

The governments of the region are already aware of the need to attack the problem from various directions - improved vocational and technical education and skills training; promotion of labor-intensive technologies; increased support for self-employment and small business; and emphasis on expansion of industry and tourism. The fundamental reality however, given already extreme government budgetary pressure, is that any significant increase in the rate at which labor can be absorbed by the region's economies will depend on new job creation by the private sector.

One approach for the Eastern Caribbean, given the need for export growth, has been participation in the labor intensive stages of the production processes of more industrialized countries. Thus, as noted in the deliberations of the 1984 Caribbean Group, the current system of incentives

for nontraditional exports outside CARICOM is centered around the concept of enclave industries which generally import all their inputs and export mostly to the U.S. under the 806 and 807 categories of the U.S. Customs Law. Such fully export-oriented industries generate considerable employment, and should continue to be strongly supported by the countries. However, there are other industries -- existing and potential -- that can contribute to further industrial development and employment. These "local" industries are also the ones which have in the past benefitted from protection on CARICOM and domestic sales, and they are essential to domestic capital formation and in balancing industrial growth and diversification.

The weakness of the agriculture sector, for reasons discussed elsewhere, has greatly aggravated unemployment and urban congestion. The limited and relatively dated information on the region in general suggests that the percentage of the labor force in agriculture has fallen approximately 40% in the past 20 years. At the same time the largest percentage increase is related to the services sector which has registered increases in tourism, domestic service, petty trading, and government employment. The growth in public sector employment has, in fact, been an unfortunate contributor to the fiscal difficulty and financial disequilibrium that characterizes the economies of the region.

There is a general consensus that prospects for private sector growth in the region are positive. Owing in part to increasing U.S. influence, including the CBI, the political environment in the English-speaking Caribbean has become very positive and Caribbean political leaders are looking to the private sector as a principal source of economic expansion, including accelerated job creation. The major constraints to further growth of the private sector are discussed below:

(a) Government and Regional Policies and the Investment Climate: Most countries have encouraged foreign investment. Nonetheless, the role of government in the economy in some instances has proven to be a significant impediment to private sector activity. The governmental machinery and policy framework that steer relationships with the private sector have a critical impact on the "investment climate", that complex combination of objective "incentive" factors, and more subjective "confidence" factors. In some countries, the lack of clearly articulated economic policies is a negative factor. Export and industrial incentive policies are discussed in the section on trade.

(b) Financial Constraints to Private Sector Growth: In the course of designing the Caribbean Financial Services Corporation (CFSC) project, a market survey was undertaken by A.D. Little, Inc. which focussed on the Eastern Caribbean. The analysis revealed three key financial constraints to development and expansion of the productive private sector. First, absence of liquidity in the financial system has been an obstacle. Prevailing commercial bank policy greatly limits the ability of banks to move funds from territories with excess liquidity to those with liquidity shortages. In periods of tight liquidity, commercial banks favor larger established customers to the detriment of new applicants and new projects. Large public sector borrowings also have diverted savings away from private investment. Secondly, loan terms present an obstacle related to liquidity. Banks are seldom willing to assume the liquidity risk associated with funding a long term loan with short term deposits as this may leave them illiquid if deposits decline in the future. Lack of term financing then impedes capital intensive industrial projects or projects with lengthy pre-start up periods. Finally, obstacles exist in relation to collateral requirements, both what banks will accept as collateral and the amount needed to secure a loan. Because of the

conservative values the banks assign to their borrowers pledgeable assets, and in part because of the banks' desire for 100% security or more, the loan to collateral ratios in the region are very low and seriously constrain new investment. It should be emphasized that smaller scale enterprises are especially encumbered by the above constraints.

(c) Human Resource Constraints: The shortage of entrepreneurial, managerial and technical talent as well as skilled labor is one of the most important obstacles to private sector development. This in part is a consequence of out-migration. However, upgrading and expanding the availability of managerial and technical training is necessary at all levels. Entrepreneurship is even more scarce than managerial or skilled manpower.

(d) Public Infrastructure Investment: LDC governments face a significant burden in financing and maintaining the minimum infrastructure (deep water ports, roads, airports) required for economic growth and private sector expansion. The costs and scale of these investments are dictated by technical and topographical considerations rather than the size of the economy or population being served. While some adjustment of scale is possible, governments must finance costs which are significantly out of proportion to public sector revenue potential. Provision of utilities (electricity, water and sewage, telephones) also strains public sector resources. Again, the small scale of these systems results in high costs per unit of output or consumer served. In addition, most systems now require significant capital expansion (as well as major institutional strengthening) to serve full current demand and provide for future growth. While private ownership of utilities in the LDCs would lead to maximum economic efficiency, the deteriorated conditions of the utilities in the LDCs, and the high costs which will have to be incurred to improve them, provides little incentive to a private investor. Therefore, in most cases, the public sector must bear the burden of improving both the efficiency of the utilities and their capital expansion.

3. Trade and Export Marketing Constraints

The Caribbean Basin Initiative recognizes that the most fundamental step toward achieving better balance in the balance of payments is to generate increased growth in exports. In spite of changes in the structure of the economies of the Eastern Cribbean LDCs in recent years with growth in manufacturing, tourism and allied service sectors, export opportunities are still constrained by familiar limitations. These may generally be summarized as follows: (1) traditional monoculture and fluctuations in world market conditions for primary export products; (2) problems of entry and marketing of non-traditional primary products and light manufactured products into industrialized states, due to trade restrictions, difficult compliance procedures, and general lack of expertise in export marketing; and (3) high production costs of local industry because of miniscule domestic markets for industrial output.

(a) The Agriculture Sector: In the Eastern Caribbean, the net trade balance in agriculture has deteriorated dramatically over the past two decades. Production of many traditional export commodities -- notably bananas and sugar -- has declined, while the food import bill continues to rise. In most states, agriculture now contributes a smaller proportion of GDP than it did in the mid-1970s. Moreover, foreign exchange receipts generated in the sector have declined in real terms in several states.

Caribbean sugar industries are in deep crisis. Most sugar growers in Barbados and St. Kitts are losing money, in spite of the U.S. sugar quota system and the ECC's Lome Convention. The two marketing arrangements enable the countries to dispose of nearly all their production at preferential rates, but these are still well below costs of production. Moreover, continued pressure exerted by competition from beet sugar and high fructose corn syrup along with continuing wage increases do not augur well for the future of the industry in the Caribbean.

Bananas are the most important crop in the Windwards (Dominica, Grenada, St. Lucia and St. Vincent). The crop contributes a significant portion of the total value of exports, uses large amounts of agricultural land, and provides employment for a large part of the agricultural labor force. However, yields are low owing generally to (a) inadequate management practices and husbandry, (b) widely scattered and small size holdings and (c) difficult terrain and accessibility. In recent years, the industry has also been hard hit by hurricanes as well as the depreciation of the pound sterling. In sum, the industry would not be viable if output could not be sold to the U.K. at a preferential price higher than world market prices.

Meanwhile, markets for non-traditional agricultural exports have not been tapped in any significant way owing largely to production and transportation constraints discussed in Section 4.

(b) Manufacturing: Manufacturing is assuming increased importance in the English-speaking Eastern Caribbean. The sector is now making a sizeable contribution to GDP in most states. Manufacturing concerns have been attracted by the region's relatively competitive wage structure and readily trainable labor forces, attractive fiscal incentives, proximity to the U.S., and liberal treatment under the Multifiber Agreement (MFA).

(c) Export Promotion: As another approach in dealing with balance of payments problems, Caribbean countries are taking a fresh look at the structure of trade and industrial incentive policies. Although all the countries of the Eastern Caribbean have endorsed the principles of private sector led development, some fundamental issues stifle incentives and create inefficiencies. Accordingly, CARICOM commissioned, with USAID support, a study by a group led by Gustav Ranis of Yale University to examine the fiscal incentive system. As a result of this investigation the following conclusions

have been put forward: (1) Despite a substantial increase in regional trade since 1967, the trade structure of Caribbean countries is still overwhelmingly directed towards the outside world. (2) The average level of effective protection is high in all countries. The Common External Tariff of CARICOM has not had the effect of generating viable local production, rather CARICOM countries still look to the outside for consumer goods imports in spite of high costs resulting from the tariff wall. (3) In addition to the "outside wall" around CARICOM, substantial "inside walls" exist within CARICOM, including tariffs, other taxes, import licenses, interest subsidies and tax holidays. (4) Quantitative restrictions (particularly on consumer goods) have also been an important factor in creating high effective protection levels.

Governments of the region have thus far been slow to address these issues. At the Conference of Heads of Government of the Caribbean Community in July 1983, structural adjustment measures were reviewed for the economies of the region. On the basis of this review, an action program for export expansion, suitable as a basis for donor support, is under consideration by CARICOM. At the July 1984 Heads of Government Conference, a communique on structural adjustment was issued. While the communique outlines worthy aims, implementation is not clearly spelled out, and the message argues for more forceful government action on topics such as price determination.

(d) Tourism: The Eastern Caribbean has a comparative advantage in tourism with its climate, beaches and scenery. Tourism is thus important to virtually all the small island economies and is a major foreign exchange earner. Tourism earnings in the Eastern Caribbean as a proportion of total export earnings range from 19 percent in Dominica to 71 percent in Montserrat. Even though tourism contributes minimally to GDP in several states, the job opportunities that the sector provides are not inconsequential. For example, in St. Kitts tourism contributes 5 percent of GDP but accounts for more than 12 percent of all job opportunities.

Unlike some Western Hemisphere tourist destinations, the Eastern Caribbean does not rely exclusively on the U.S. for tourists, attracting significant numbers from Canada, the U.K., and other Western European Countries. In relation to non-U.S. tourism, the region has been hit hard by the strengthening of the U.S. dollar which makes the English-speaking Eastern Caribbean a more expensive destination for travellers from countries other than the U.S., most of whom also tend to stay longer than their U.S. counterparts.At the same time, states such as Martinique, whose currency is the French Franc, have become highly attractive to U.S. travellers.

Other constraints to tourism income and growth include insufficient and often inefficient promotion and marketing, shortages of skilled professional and sub-professional personnel, under-utilization of local supplies of food, and inadequacy of supporting infrastructure. These constraints are similar to those of the private sector discussed above.

4. Declining Performance of the Agriculture Sector

As noted above in the discussion on unemployment, the percentage of the labor force engaged in agriculture in the Caribbean has declined significantly over the past twenty years. Nevertheless, for the LDCs of the Eastern Caribbean 25-50% of the labor force depends on the agriculture sector as its main source of income. Only Antigua, with its large services sector (tourism and government) is an exception. The agriculture sector remains the major contributor to GDP and in all LDCs (again excluding Antigua) it is the largest foreign exchange earner in the economy. Furthermore, food imports account for a significant share (20-40%) of total imports.

Over the past several decades, Caribbean agriculture has failed to adjust to 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 except for St.

Kitts is now characterized by farms of less than five acres that typically grow several commodities using mixed stand cultivation. However, support services including physical infrastructure, research, and extension as well as agricultural marketing and support enterprises have not kept pace with this shift. Thus while many of the food crops and livestock products could be expanded to meet a larger share of the regional needs, they are currently by passed for more readily available imports from extra-regional sources. 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.

Major constraints to agricultural development among the LDCs of the Eastern Caribbean that effectively reduce the competitiveness of locally produced commodities are related to a variety of inter-dependent factors. Among the most important is 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 transhipment 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.

Another serious constraint exists at the policy level which affects the adequacy of incentives for farmers to invest to expand or improve production. The constraints identified here include uncertain land tenure arrangements, administratively controlled product prices which often entail a forced 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, for example,in Antigua as a result of government ownership, can be attributed in great part to this set of constraints.

Inadequacy of technology a credit and modern input supply seriously constrains agricultural productivity. In the Caribbean the problem primarily is the limited understanding of how the adaptation of improved technologies will affect the overall small farm operation and the availability of necessary 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.

Many of the constraints that confront the small farmer also confront the artisinal fisherman, who is also faced with inadequate credit and technology, as well as limited access to external markets.

5. Government Budgetary Pressures and Self-Help Performance

The following discussion deals exclusively with the OECS, or Eastern Caribbean LDCs, whose problems associated with public management and

investment are relatively unique. In this context, the performance of the LDCs is examined with respect to self-help, or the extent to which the LDCs are making the optimum development mobilization effort consistent with availability of human and natural resources.

(a) Public Sector and the Budget Deficit: The per capita cost of the public sector in these small economies is very high and this is usually attributed to the fact that there are diseconomies of small-scale in providing public services. There is also a high cost associated with maintaining the full range of government bureaucracies on the scale inherited from colonial times. Furthermore, infrastructure maintenance costs are also high, again largerly because of the small size of the economies and need to deliver a minimum of services.

Consequently, the democratically elected governments often are said to be "living beyond their means," with recurrent budget outlays in excess of revenues. The lack of public savings is an important contributor to the small or negative rate of savings in these economies, and governments depend almost exclusively on external grants and concessionary loans to finance their public sector investment programs.

Public sector deficits are not, however, a function of light tax burdens so much as they are of inefficiencies in the public sector. A high priority -- and one which these states have begun to focus on -- is tax reform: existing tax systems were built up in piecemeal fashion and, in many respects, are not conducive to current development goals. A more difficult problem is the other side of the fiscal "coin": expenditures. Although there is a certain minimum size of the public sector, its size arguably has grown too fast. In part, it is a result of governments self-image as an "employer of last resort", and in part it is a consequence of government inefficiency.

Although public sector investment costs are currently -- and will probably continue to be -- financed by concessional external resources, future maintenance and operating costs of these projects must be considered in planning future fiscal policy. This will be especially critical in the period between project completion and actual revenue generation.

In short, the public sector dilemna is that an increased tax burden would likely be a disincentive to the activities that the government hopes will generate future revenues. Resolution lies in (a) restructuring tax systems to provide the maximum incentives to private sector production and (b) reducing expenditures by raising government efficiency.

(b) Revenue/GDP Ratio: When a basic minimum of public sector services must be sustained on low levels of production leading to high revenue/GDP ratios, as generally found among the LDCs, the tax effort is by definition relatively strenuous. In fact, among the LDCs, government tax revenues average about 25% of total GDP, with progressive income taxes accounting for up to 40% of this amount. Both rates are high for countries at this level of development. A most significant source of revenue for these states, however, is indirect taxes, including import duties. Indirect taxes are regressive. They are contained (at constant levels) in the prices of final products which are purchased by the rich and poor alike.

The states also have used proceeds generated from social security schemes to finance current expenditures. Since most schemes are in their infancy, monies paid in have far exceeded benefits paid out. In the future, however, as benefits accelerate, states will encounter difficulties in coming up with the requisite funds.

(c) National Savings Performance: Consumption as a percent of GDP ranges as high as 115 percent. In no state does gross savings as a percent

of GDP exceed 10 percent. Consumption has been sustained by high levels of private remittances from abroad while public sector investment has been dependent almost entirely on substantial external assistance. In many instances, governments have not been able to cover their recurrent expenditure, let alone a portion of their capital budgets. In addition, while not a problem at this time, artifically low domestic interest rate structures, which have prevailed in the recent past have influenced negatively the private sector component of national savings encouraging capital outflows. The paucity of domestic savings in the Eastern Caribbean has impeded capital formation critical to the development effort.

(d) Policy Analysis and Planning Constraints: All the English-speaking Eastern Caribbean states have serious limitations in their capacity for policy and related budgetary analysis required for efficient resource management and allocation. According to a study undertaken by the Inter-Agency Resident Mission, there is a severe shortage of trained, professional managers at the policy formulation level in all LDC governments. While considerable policy analysis has been undertaken through the Caribbean Group, local capacity in this area deserves increased emphasis and concrete action through the Caribbean Group. USAID training and institution building programs need to recognize and continue to help tackle the problem.

D. Institutional Framework and Constraints

Institution-building pervades the Mission's strategy in a bilateral/multilateral combination supporting a variety of regional intermediaries alongside six country programs in support of national institutions. Individual country CDSS documents deal with national and local institutions in greater detail. The following brief analysis is an attempt to summarize important regional institutional constraints and assess the relationship between regional and national institutions in the

English-speaking Caribbean. (A list of principal organizations is provided on the following page).

The Caribbean Community (CARICOM) founded in 1974, has been the primary instrument for economic integration of the Commonwealth Caribbean. Caricom has three major policy categories designed to meet the goals and objectives of the Treaty of Chamaguaramus which established the Caribbean Community. These are: (1) Cooperation and Common Services (commonly referred to as functional cooporation), (2) Economic Integration, and (3) Coordination of the Foreign Policies of the Member States.

1. Functional Cooperation and Common Services

There is a consensus in the analytical material to date on the performance of Caricom that, in the three areas of activity listed above, functional cooperation represents the area where progress can best be measured. For purposes of this discussion, functional cooperation is broadly defined as the development programs of regional institutions affiliated with CARICOM, including those which have emerged independently to serve the CARICOM region. These institutions provide a broad range of common services to the member states, as the list below (which is by no means exhaustive) indicates. (Asterisk indicates USAID supported):

Development Sector	Type of Activity	Organization
Sea and Air Transportation	Sea Transport	West Indies Shipping Co. (WISCO)
	Air Transport	Leeward Island Air Transport (LIAT)
Health	Epidemiological Surveillance, diagnosis, and training	Caribbean Epidemiological Center (CAREC)*
	Nutrition Education Research and Policy Development	Caribbean Food and Nutrition Institute (CFNI)*
	Family Planning	Caribbean Family Planning Affiliation (CFPA)*
Agriculture	Agricultural production	Caribbean Food Corp. (CFC)*
	processing & marketing	
	Applied Agricultural research	Caribbean Agricultural Research and Development Institute (CARDI)*
Education	Professional education	University of the West Indies(UWI)*
	Curriculum development and testing	Caribbean Examinations Council (CXC)*
Meteorology	Weather analysis and forecasting	Caribbean Meteorology Institute (CMI)
Development Finance	Private Sector development bank	Caribbean Financial Services Corporation (CFSC)*
	Identify, develop, and fund public and private sector projects	Caribbean Development Bank (CDB)*
Private Sector	Umbrella for national Chambers of Commerce	Caribbean Association of Industry and Commerce (CAIC)*
Private Sector	TA training & support services to national credit union leagues	Caribbean Confederation of Credit Unions (CCCU)*
Tourism	Cooperation in tourism promotion	Caribbean Tourism Association (CTA) and Eastern Caribbean Tourism Association(ECTA)
	Tourism research	Caribbean Tourism Research and Development Center (CTRC)

Whether public sector or private, the common objective is cost effective sharing of technical and financial resources in order to effect economies of scale in assistance delivery and development institution building. Institutional analysis of Mission assisted institutions has been a feature of project development and evaluation.Several key institutions are examined below.

(a) Caribbean Development Bank: The premier regional development institution within the CARICOM framework is the Caribbean Development Bank. Not only has it been successful in providing large amounts of development finance, but also has provided needed technical expertise in a wide variety of productive areas, including agriculture, energy and private enterprise. The CDB has been successful in mobilizing a significant portion of the region's public sector development finance requirements. As of December 31, 1983, resources available to the Bank totalled $480 million, most of which was generated from outside the Commonwealth Caribbean through contributions of other members and donors. The Bank's resources are used to finance the Bank's two loan "windows"; one for hard-term lending (10 1/2% interest); and a second for soft-term lending (4% interest). Most of the soft lending has gone to governments of the LDCs, while the harder terms have been required of the MDCs and private borrowers. The CDB also acts as administrator of a specific trust fund established by the Government of Venezuela which is used for hard-term lending.

The projects developed by the Bank represent an effective programming response to a number of the region's needs. Of the $480 million of resources available to the Bank, net approved loan and grant financing for projects in its member countries amounted to $464 million of which $253 million or 55% was in the LDCs. Approximately 35% of these involve infrastructure development, 8% are in the agriculture sector, 19% are in

industry, 19% in financing and distribution, 7% in social and personal services, and 9% in miscellaneous projects, including tourism and student loans. Of the total of $464 million, the private sector has received loans totalling $116 million, or 27% of the total. Of that, $25 million was in the form of direct lending and $91 million was on-lent through National Development Finance Corporations (DFCs).

Within client countries, the Bank's points of contact are throughout the system both at the level of planning and implementation, including parastatals such as Industrial Development Corporations. Lack of coordination among departments within CDB with respect to country programs has been a source of concern for member countries and slows implementation. However, the formulation of country strategies is being introduced within CDB to assess member countries' development potential, priorities and constraints, and the role of CDB in national development. CDB country strategy development promises to strengthen policy dialogue, monitoring and evaluation on a country-by-country basis as the process involves formalizing lines of communication and linkages with ministries of Finance and Planning. This mechanism is being implemented in conjunction with reorganization of CDB's management systems as recommended in a recent major management audit of the bank's operations.

Institutional capacity in the LDC's has been strengthened through the CDB. One of the difficulties that regional intermediaries face is weakness of counterpart national institutions, and in the case of the CDB, this has been true with the national Development Finance Corporations (DFCs). In response to this, CDB has assisted in restructuring DFCs along sound management and accounting lines. CDB has provided experts, such as Industrial Development Advisors, Banking Advisors, and Farm Improvement Officers to buttress local institutional capability in identifying, preparing and

appraising projects. The CDB Standardized Accounting Manual has been fully implemented in seven DFC's and is nearly completed in three others. CDB initiative, control and monitoring of the restructuring of national development banks has provided a framework and mechanism for autonomous development which removes local banks from the vagaries of political interference and misuse.

With respect to direct lending, CDB is predominately public-sector oriented and is the major financer of infrastructure (including industrial estates) in the region. The quality of CDB's analysis and its ability to articulate, coordinate and leverage sound economic decision-making at the project level has been effectively demonstrated. Introducing the concept of economic rents for factory space is the clear example of its efforts to create sound regional policies implemented by individual island states.

CDB's successes in the area of policy leverage and structural adjustment, however have been tempered by the peculiarities of its structure. The borrowing members on its Board of Directors have significant influence on its policy direction, therefore it is difficult for CDB to interpose itself in areas of economic concern (such as administered prices) without a concensus among its Board that reform of economic policy is politically acceptable at the national level. While the consensus building process inhibits dramatic short-term policy leverage, it can provide a unique regional forum for policy dialogue. The broadening of CDB's focus from narrow project analysis to include sector and country strategies should enhance the consensus-building process. The Mission will seek opportunities to encourage this process and provide resources to finance projects which will implement policy reform.

While RDO/C has renewed the assistance relationship with CDB following the build-up of bilateral programs, the relationship is in transition. It is unlikely that the CDB will return to implementation of a number of discrete new AID projects. It views the Basic Needs Trust Fund as unique. Instead CDB will renew earlier requests that the U.S. contribute to the Unified Special Development Fund (USDF) a multidonor resource pool for the LDCs. While RDO/C supports a contribution to that fund in principle, we face a number of difficult procedural issues, including our procurement rules, participation in CDB's project approval process and attribution of assistance. CDB also has expressed interest in direct U.S. membership in the Bank. On two occasions, the USG considered membership (most recently in 1979) and has declined based on the U.S. Treasury's view that the USG should not join "subregional" banks. Charting the course of our future relationship will require an on-going dialogue with CDB. On our part, we will have to explore ways of being responsive to participation in the USDF and should again examine the possibility of Bank membership. Membership in the Bank would contribute significantly to pursuing a policy dialogue within the context of CDB's overall development strategy and programs.

(b) Caribbean Association of Industry and Commerce: Private sector development institutions, for reasons discussed elsewhere in the analysis, do not have a tradition within CARICOM of strong policy leverage or operational strength. RDO/C has begun the process of revitalizing and strengthening a number of key private sector institutions such as the Caribbean Association of Industry and Commerce. CAIC administers programs and projects through four departments: Organizational Affairs and Business - Government Relations, Training, Economic Development, and Technical Assistance/Research and Data Collection. These four departments were established to provide expertise and broker services to chamber affiliates, manufacturer's associations and individual businesses.

CAIC is administered by a Board of Directors whose membership is made up from each Commonwealth Caribbean nation. The members of the Executive Committee are constituted of an elected group of prominent regional businessmen. Thus linkages are established between individuals from all member states. While the Board of Directors and Executive Committee set policy, the Executive Director is the full time chief administrative officer of the Association, and through the mechanism of the four departments, is responsible for developing and maintaining effective communications and relationships between and among affiliates.

While CAIC is widely recognized as having succeeded in promoting a vibrant private sector image in the region and been successful in drawing attention to the need for policy dialogue within CARICOM, in areas of functional cooperation its effectiveness is mixed. According to recent evaluations this is largely due to the following factors:

(1) CAIC's administrative structure needs further integration of departments and services and better communications on an iterative basis with affiliates. Many affiliates are unaware of CAIC's services.

(2) Particularly in the LDC's, the affiliates are in need of more CAIC assistance with institution building and establishment on a sound financial footing in order to take advantage of CAIC programs and projects.

(3) CAIC needs to place more emphasis on the development of constructive dialogue between the merchant and manufacturer factions at both the regional and national levels.

The CAIC leadership was instrumental in providing financial and technical assistance and political support of the development of what some regard as a sister institution, the Caribbean Financial Services Corporation (CFSC). The two relatively newly formed institutions provide a

strong framework for the region's private sector to generate its own expansion. The acid test will be the ability of these organizations to aggressively serve the development needs of the LDCs. The record of performance in this respect will only be clear as the present planning period draws to a conclusion. Institutional links to and among the LDCs that help mobilize resources for new private investment will only be forged with a strong commitment from the region's private sector to strengthen its developmental role. Much will also depend on human resources development in the private sector which the Mission has begun to serve through in-plant and specially tailored training for the LDCs implemented by the Barbados Institute of Management and Productivity (BIMAP).

2. The CARICOM Secretariat: CARICOM has largely not been effective in carrying forward ideas and programs that promote regional integration as distinct from functional cooperation and common services initiatives. The political side of CARICOM needs envigorating as much as the economic side. The machinery for policy-making and consultation lies with the Heads of Government Conference, the Ministers of Standing Committees, and the Common Market Council of Ministers. Consultation is infrequent and relatively bland. From an operational standpoint, many observers feel an important problem in the CARICOM Secretariat is its location in Guyana, which has led to the flight of the most skilled technicians and thus weakened the institution. The over-riding constraint in recent years, however, has undoubtedly been the global recession which has exascerbated intra-regional trade difficulties already discussed.

There has been some success in achieving joint action in extra regional trade. CARICOM has effectively negotiated broad concessions and assistance from the European Economic Community through the Lome Agreements. Other donors, including the U.S., have channelled technical and training

assistance through the Secretariat. As a policy analysis and planning body the Secretariat has been able to help influence discussions in Caribbean Group fora.

3. The Organization of Eastern Caribbean States: A relatively weak CARICOM Secretariat in contrast with the collective Eastern Caribbean action to deal with Grenada, has resulted in increased interest in tapping the Organization of Eastern Caribbean States (OECS) as a way of implementing CARICOM's special emphasis on the LDCs. According to the Treaty of Basseterre inaugurating the OECS, the seven LDC States are mandated to harmonize and pursue joint policies in a number of sectors and fields. In addition to recognizing their commonalities and financial constraints as micro states in the area of foreign affairs, central banking, the judiciary and defense, the OECS states have agreed to establish specialized common services. Presently, the Economic Affairs Secretariat in Antigua, with a very small staff of technical experts, cannot effectively deal with all policy areas and, therefore, is focusing on the following areas of functional cooperation: export promotion; fiscal planning and policy formulation; technical assistance in taxation and national accounts; harmonization of fisheries legislation and development of a sub-regional fisheries project; and training in public administration and management under a USAID funded project. Discussion and decisions on areas of concentration to avoid duplication with CARICOM or other programs have yet to be agreed upon. What may lie ahead is a formal division of labor which would complement one another's areas of expertise and member state priorities.

The central bank for the OECS states is the East Caribbean Central Bank (ECCB), whose authority was expanded from its previous "currency authority" status in 1983. Because of the ECCB's legislated cover ratio requirement -- currency plus deposits in OECS states must be at least 60

percent backed by foreign exchange -- monetary policy is effectively emasculated and money supply is primarily a function of the states' external economic transactions. The ECCB is permitted to loan to governments but very strict guidelines on such loans prevent governments' turning to the printing presses to defray spending deficits. The ECCB charter commits the bank to a role in economic development, a function that donors will probably encourage in the future.

Conclusions: From the assessment of current performance of Caribbean regional development institutions, the Mission is able to draw the following conclusions:

(1) Policy dialogue among member contries at the CARICOM regional level is a feature of Heads of Government Conferences and the Standing Committees of Ministers. While this machinery provides broad policy direction to functional cooperation institutions, there has not been a strong capacity in the Secretariat to monitor and analyze the implementation of policy. In this circumstance, the functional cooperation institutions have made progress in maintaining policy dialogue and analysis within the Caribbean Group including AID, but as we have seen with CDB, they are constrained by being creations of the membership they serve. They can intellectually affect policy but have limited power to enforce it. As a result, the Caribbean Group has been a vital link in maintenance of policy dialogue in relation to regional cooperation and integration, and the CDB has gained strength as macro policy analyst and development strategist for the region.

(2) The effectiveness of the regional institutions is limited by the capacities of the national institutions with which they must interface. While there is a continued need to maximize economies of scale in the region, there is a need to strengthen the capacity of national institutions to effectively interface with the regional institutions, if the

latter are to be effective. Therefore bilateral approaches directed at improving national institutions will be required in the short run, to improve the effectiveness of longer term regional approaches.

(3) The relationship between OECS and CARICOM has yet to be worked out. The Inter-Agency Resident Mission appears to be helping to define a constructive partnership.

(4) Regional private sector institutions are largely still in the formative stages. Their developmental role will require formal linkages, not only with country clients but at the regional policy level in order to effectively influence development of employment, trade and investment policies and regional cooperation.

E. The Role of the Caribbean Group for Cooperation in Economic Development

The public forum for policy dialogue for the countries of the Caribbean region is the Caribbean Group for Cooperation in Economic Development. This consultative group, chaired by the World Bank, is comprised of 31 donor and recipient countries and 16 international institutions. It provides the analytical base and coordinating mechansim for donor support and identification of recipient country development priorities. Country review of development problems and the recipients' performance in implementing required stabilization measures have been an essential part of the process of increasing assistance to the Caribbean since founding of the group in 1978. These reviews have been carried out jointly on the basis of detailed studies prepared by the World Bank with assistance from the International Monetary Fund, the UNDP and the CDB.

The Caribbean Group is invaluable for both donors and recipients. For donors it not only helps avoid duplication and serves to promote appropriate division of resources, but also it provides important leverage for rationalizing donor programs and legitimizing general recommendations for

policy change or modification. The Caribbean Group also serves as a means of comparing relative country performance and provides a certain incentive for recipients to show progress and to select generally accepted priorities for their appeals for assistance. Finally, it permits donors to state publicly their own areas of priority interest and thereby to minimize unrelated requests.

For recipient countries the Caribbean Group puts them in direct touch with an impressive array of donors. Even where certain donors have in the past been constrained from providing bilateral assistance for the LDCs (e.g. AID and the Inter-American Development Bank), the consultative mechanism permits dialogue regarding specific needs. In the case of joint initiatives such as the Inter-Agency Resident Mission, donors have provided OECS countries with technical assistance that would not have been made available by any single donor working alone. In addition, the leverage afforded by acting together works equally effectively for recipient governments as for donor governments. Collectively, West Indian countries have mobilized international attention and assistance that could not have been expected independently of the Caribbean Group.

Since political independence, the countries in the region have subjected themselves to considerable study and analysis by a variety of donors and have generally been receptive to policy recommendations that have been put forth in Caribbean Group meetings. This receptivity to deal with policy issues, however, must be translated into action by program and project designers representing the individual donors. Leverage must come from both bilateral and multilateral sources prepared to deal with issues of conditionality in a substantive way, so that structural reform is integrated into development plans and programs. Caribbean Group endorsement of necessary reforms lends legitimacy to calls for reform, including conditionality dealing with policy changes needed to remove constraints to development.

The Caribbean Group (as a collective sponsor) is in fact, doing what it realistically can to facilitate the policy analysis and reform process. It has sponsored special studies, it has established a resident mission in the Eastern Caribbean to help rationalize country public investment programs, and it has sponsored and promoted joint project activities. The latter includes, among others, the Caribbean Project Development Facility which has completed preparatory work on 12 private sector projects valued at almost $40 million. Prior to the advent of the CBI, the Caribbean Group convened the Private Sector Task Force out of which have grown a number of new private sector development programs for the region. The proposed Regional Energy Action Plan is a product of group support as is the creation of a Caribbean Agricultural Project Information Clearing House and a proposed regional tourism program to be implemented through the Caribbean Tourism Association. Many of the Caribbean Group's initiatives and special concerns have reinforced and supported U.S. objectives in the region, and identification of policy constraints will continue to be a key function of its analysis. Promotion of the group's involvement in the policy reform process in the Caribbean will continue as an important element of our total program throughout the CDSS planning period.

II. Program Alternatives and Strategy

A. Strategy Framework

The year 1983 was by all accounts an historical watershed for the Eastern Caribbean. The aftermath of the Grenada liberation, including the designation of the independent countries of the region as CBI beneficiaries marks an unmistakeable, fresh commitment to a shared destiny on the part of the United States and its neighbors in the region. Coinciding as it does with economic recovery in the U.S., this new era presents unprecedented opportunities for Caribbean development as well as unprecedented challenges. The development assistance strategy on which RDO/C has embarked recognizes this new U.S. partnership in the region.

The Caribbean Basin Initiative and its developmental objectives, provide the broad policy framework against which the USAID program operates. In support of the CBI, the Mission will be placing strong emphasis throughout the planning period on what may broadly be termed an employment and export development strategy. In so doing, AID's policy priorities -- private sector development, policy dialogue, institution-building, and technology transfer-- are integral to the planning and implementation of the program, as well as to the agenda for coordination with other donors.

As seen in the preceding section, the consultative group for the region, the Caribbean Group for Cooperation in Economic Development, provides an essential framework for mobilizing donor resources, analyzing development constraints and avoiding duplication of programs. While the U.S. has become the most influential donor in the Caribbean Group, the additional analysis and development support coming from other traditional donors, including the World

Bank, Canada, the U.K. and the European Economic Community, is absolutely critical to the success of the USAID development assistance strategy over both the short and long term.

Finally, a complementary relationship between regional and bilateral programs, and the necessity for both, particularly in the Eastern Caribbean, is a fundamental tenet of the RDO/C strategy. RDO/C bilateral programs exist with Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, all Eastern Caribbean LDCs. Regional programs generally cover a broader clientele based on the membership of the particular regional institution receiving assistance. Often this membership extends to the entire English-speaking Caribbean, and in some cases, to non-English speaking states. While in no way intended to supplant initiatives in regional cooperation and common services, the bilateral program has brought an important added dimension to the U.S. assistance program. One aspect of this new dimension is the strengthening of official relationships between the U.S. and the small states of the region. Not only has direct, higher impact assistance been called for in view of serious economic instability and related political uncertainty, but by bilateral assistance it has led to expanded policy dialogue that has helped focus attention on necessary reforms that countries must institute to restore and sustain positive growth and development patterns. As a result, the bilateral program during the rest of the decade will be critical as a companionpiece to the wider Caribbean regional development effort. New CDSSs for the Eastern Caribbean LDCs in which RDO/C conducts bilateral programs will elaborate fully on the complementarity of the regional and bilateral programs and the strategy for employing both during the planning period.

B. Regional Development Objectives and Strategy

United States economic assistance objectives are (1) to promote an early return to healthy economic growth patterns that strengthen free institutions and enterprise in the region; (2) to foster economic self-reliance; and (3) to encourage Caribbean regional cooperation where this will facilitate more efficient utilization of the area's human and natural resources. In short, we seek to preserve and protect the democratic traditions we share with the region and to foster political and economic stability and sustained development.

More specifically, the RDO/C program for at least the next five years is being directed at:

(1) providing support for the Caribbean Basin Initiative to ensure that its full benefits are realized, especially by the LDCs;

(2) helping to build the production and export base in the LDCs that will maximize employment, underwrite development investment requirements and finance energy imports necessary for long-term viability;

(3) encouraging the economic structural adjustments necessary to achieve longer term economic viability and strengthening the national institutions needed to implement reforms;

(4) supporting the Caribbean Group emphasis on responsible economic management through free and democratic institutions;

(5) strengthening and taking advantage of efficiencies offered by the existing regional institutions.

In essence, the RDO/C strategy in pursuit of these objectives is to combine necessary economic stabilization measures with longer-term structural adjustment initiatives promoting private sector, market led growth and

development. Primary program elements of private enterprise development, including infrastructure, and agricultural development are supported by human resources development, population and modest health programs. Resulting business and agricultural expansion is designed to lead to increased jobs and exports and ultimately self-sustaining growth.

1. Stabilization

As seen in Part I of this statement, and as the LAC Strategy Statement emphasizes, the small Caribbean states are particularly vulnerable to external economic forces leading to financial disequilibrium. The relative magnitude of the necessary adjustment process is also such for these small states -- potentially involving deep declines in incomes and sharp increases in unemployment -- that they run the risk of serious political instability without comprehensive external assistance to cushion the shock.

The World Bank, on behalf of the Caribbean Group, has consistently attempted to evaluate and quantify the external financing needs of recipient countries, including balance of payments gaps. In response to this, collaboration among donors has been instrumental in stabilizing a difficult adjustment period surrounding the energy crisis and global recession. The IMF and the CDB have retained the lead role in responding to balance of payments difficulties, the latter through the Caribbean Development Facility (CDF) which assisted primarily in the MDCs with local currency support for priority development projects financed by other external donors.

The Mission recognizes the requirement for this type of assistance will likely exist throughout the remainder of the decade. The first line of response will continue to be the IMF and CDB with full support from Caribbean Group donors. If global economic recovery continues and

public and private investment programs begin to yield increased foreign exchange earnings and economic growth, USAID balance of payments, or non-project support, may not be necessary during the CDSS planning period, although at this time it cannot be ruled out. The strategy instead involves a concerted program of structural adjustment assistance tied to specific projects which address the causes of financial disequilibrium, thereby complementing necessary stabilization and austerity measures that accompany multilateral balance of payments assistance. The focus is thus on longer-term assistance that will facilitate institution-building and structural reform and include expansion of exports and related investment necessary to overcome balance of payments difficulties in a lasting fashion.

2. Structural Reform:

In concert with essential stabilization assistance, the strategy being employed by RDO/C, which in fact antedates the CBI, is fully consistent with the current LAC Strategy Statement and with the letter and spirit of the CBI.

(a) CBI Support: Export Promotion/Employment Generation: Export promotion, and development of trade and investment opportunities consistent with the CBI, are a means of helping countries earn their way out of their balance of payments problems. Export development is essential to expansion of the productive sectors and to increased economic opportunity and employment.

Productive employment generation pervades the strategy and planned program. The analytical section of this CDSS clearly identifies unemployment, particularly among youth, as a critical and explosive problem for the region. We recognize also, that employment creation is not

necessarily a by-product of general economic growth. The Mission's strategy for employment generation is therefore not confined to any one sector or program but must include, among other things, policy analysis, workforce planning, industrial rationalization, technology adaptation, small business assistance,and management education and skills training. As a priority for policy dialogue, the Mission will encourage the formulation of employment-oriented development strategies for each of the LDCs. Furthermore, in the context of new program development, additional assessment will be undertaken to identify and quantify employment needs and gaps in individual countries and recommend approaches to filling such gaps. (This is discussed further in the section on research priorities, below).

In the meantime, major employment benefits will result from the successful implementation of the strategy. The Caribbean Congress of Labor, in appealing for a rethinking of regional development strategies, has stated that an appropriate strategy must give emphasis to the building up of institutions for financing and promotion of exports, particularly manufactures. The CCL also seeks more emphasis on indigenous industry and investment to complement foreign investment and induce greater local capital formation. The RDO/C strategy responds to this in the context of a broad program for stimulating the private sector as the engine of growth and new job creation.

(b) Bilateral Programs and Policy Dialogue: The productive sectors of agriculture and energy, along with the development and rehabilitation of productive infrastructure, are essential to bilateral strategy to promote private enterprise growth, productivity and employment generation, as well as to reduce fiscal pressures on the mini states. Policy

reforms and structural adjustments are being leveraged with bilateral programs in a number of countries, and by FY 1986, each of the six independent LDCs of the Eastern Caribbean will be implementing policy modifications.

The following general criteria will continue to govern consideration and development of bilateral assistance programs and projects during the planning period:

i. The proposed project should be designed to have a measurable impact in a priority sector in a relatively short period of time. The impact should take the form of an increase in revenues generated by that sector and have some positive impact on the balance of payments, either through increased export earnings or import substitution.

ii. The project should be geared to addressing key development constraints in a priority sector including the principal policy changes needed to bring about increased productivity and employment generation. These policy changes would include such areas as tax reforms, pricing regulations, land tenure policies, incentives for energy conservation, etc. Any proposed infrastructure needs should be supportive of these policy changes and increased productivity and productive employment generation.

iii. The project should stimulate the growth and expansion of private sector activities and related institution-strengthening. Investment in essential support infrastructure should be designed also to result in increased private sector production.

iv. The project should not create a management or financial burden on the public sector. Programs should be designed so that management and ownership could eventually be assumed by the private sector. If public ownership is necessary, the project should not represent an undue financial burden on the public sector.

v. The project should not duplicate or compete with those of Caribbean regional institutions, but rather should be complementary in a way that acknowledges the cost effectiveness of the chosen delivery mechanism.

(c) Regional Policy Dialogue and Institution-Building. The support of democratic institutions, through both regional and bilateral programs, provides the implementing framework for the strategy. Regional development institutions receiving RDO/C support have been identified in the analytical sections above. National counterpart institutions will be discussed in individual country CDSS documents. Strengthening traditions of democracy and free enterprise in the region finds expression in the development programs of all AID-supported regional and national institutions that serve the English-speaking Caribbean. One of the key objectives of RDO/C during the planning period is to strengthen the major public and private sector regional development institutions sufficiently so that substantive policy dialogue is a standard feature between the center and its members. A key feature of the strategy for achieving this is to work simultaneously with regional development institutions and their national level counterparts or beneficiaries. A policy dialogue agenda for each LDC is being presented in the individual CDSS.

A mechanism that will be studied during the planning period will be the CDB's Unified Special Development Fund for the purposes of encouraging the policy dialogue between that key institution and the LDCs. In this, the CDB coordinates donor inputs in relation to national development plans. A USDF contribution with agreed upon criteria, aimed at long-term development programs, rather than budgetary shortfalls, would complement the structural adjustment initiatives that are the focus of the RDO/C strategy. A USDF contribution would also capitalize on the considerable investment AID has already made in developing the CDB as an institution, which is increasingly able to analyze key constraints and to respond to high priority capital development needs of the region.

C. Sector Strategies

1. Private Enterprise Development

Goal: To stimulate market led economic growth in the private sector through increased investment, productivity, and export promotion and to maximize generation of new employment opportunities particularly among the poor.

In response to the constraints to private sector growth discussed in Section I, a broad strategy has been formulated that operates within the framework of the CBI and in conjunction with the indigenous business community, national governments, and other donor or USG agencies as appropriate. The strategy is to assist the private sector to overcome constraints to accelerated production and expansion and to assist the public sector to create and maintain a climate conducive to trade and investment. Elements of the strategy are discussed below.

(a) Investment and Export Promotion: The Project Development Assistance Program (PDAP) of investor search and feasibility analysis services will continue through FY 84. Project functions will be further institutionalized in the follow-on project (Investment Promotion and Export Development) being initiated in conjunction with the Infrastructure for Productive Investment project. Direct assistance to the LDCs in export promotion will be generated including support for new market research and market entry strategies. Continued support for CDB and CAIC export promotion programs is also anticipated during FY 86-90 to deal directly with the opportunities presented by the CBI. RDO/C will also continue to support the Caribbean Project Development Facility (CPDF) of the IFC during FY84 and 85. CPDF works with firms in the Caribbean to assist them to structure projects

structure projects for presentation to financial institutions. Follow-on assistance to CPDF will depend on analysis of its contribution and dialogue with beneficiary countries.

The A.I.D. program will emphasize institution-building that both identifies investment opportunities and generates market outlets. This will be done in concert with dialogue on national employment goals and industrial development policies, a process expected to engage CDB, CAIC and other private sector support institutions as well as AID and host governments.

The strengthening of the private sector institutional support network will also include mobilization of credit and financial services. An important component of the Mission's CBI Implementation Plan is the establishment of the AID-financed Caribbean Financial Services Corporation which began operations in early 1984. This institution brings a new dimension to meeting private sector needs for longer term financing and specialized services. Support to this new institution will continue through the planning period.

For enterprises on the smallest end of the scale, another approach to supporting the indigenous private sector, is through the establishment and strengthening of National Development Foundations (NDFs). Once the NDFs qualify as registered PVOs, AID can use the OPG (or Field Support Grant) mechanism to strengthen them, and augment their activities. The NDFs in turn, can support small and microbusinesses by providing needed managerial training, technical assistance, and credit. NDF movements are underway in most of the LDCs in the Eastern Caribbean, and it is possible that each country will have an NDF in full operation by the end of the decade.

(b) Economic Infrastructure: To facilitate increased domestic and foreign investment in the productive sectors, RDO/C will continue to support improvements in basic physical infrastructure. Maintenance and management of these assets, including related institution strengthening, will be an integral part of projects in this category and are an important component of the structural adjustment strategy as new pricing and fiscal structures take shape to help recover costs. Bilateral projects will be included in this category during the planning period. Such new initiatives as port facilities to accommodate new export industries, industrial estates for private sector expansion, and utility improvements, including alternative energy sources, will be considered. Potential for private development and ownership of industrial estates will be promoted and tested during the planning period.

(c) Human Resources Development: One of the major constraints to private sector growth is the lack of managerial and technical skills in the region. To address this skills shortage, the human resources strategy consists of multiple approaches to management and skills training, ranging from on-the-job to participant training (see II E below). Reducing constraints discussed in this section, in concert with adequate skills training, will directly increase employment opportunities.

(d) Transfer of Technology and Linkages with U.S. Firms/Institutions: The project with the Barbados Institute of Management and Productivity (BIMAP) includes a partnership with a sister institution of management in the U.S. that will act as a technical assistance and training resource throughout the planning period. In addition, through non-aid programs under the CBI, including information networks and joint ventures,

emphasis will continue on sharing know-how through AID's Reimbursable Development Program and the International Executive Service Corps, among others.

(e) Policy Analysis and Dialogue: AID and other institutions have sponsored a number of studies dealing with policy constraints to private sector growth. The issues are generally incorporated in the discussion in Section I. Employment policies in the region are not well articulated and have yet to be integrated into incentive packages and other policies that stimulate private sector expansion. A policy analysis and planning project scheduled to begin in FY 85 will directly address some of the issues that have surfaced. The policy planning project is RDO/C's initial attempt at working directly at the national level on macro-economic policy issues and reform. Sectoral policy conditionality will continue to be a feature of bilateral sector structural adjustment projects so that throughout the planning period, the policy dialogue will occur at both regional and bilateral levels.

Other donors: Private enterprise development is an arena shared by many donors. The Mission's strategy assumes a continued level of support to the LDCs from traditional donors, including the Inter-American Development Bank, Canada, EEC, CDB, and UNDP. Both Canada and EEC have channelled funds through CDB for factory shell construction. A variety of donors have supported technical assistance for feasibility analysis and consulting services and the Caribbean Project Development Facility continues as a joint effort of AID, UNDP, Canada and the World Bank under the auspices of the Caribbean Group.

2. Agriculture and Rural Development

Goal: (1) To increase rural family incomes by upgrading agricultural productivity among commercial small farmers and (2) to increase food production and agricultural exports.

Despite the declining performance in agriculture described in Section I, the sector still employs a greater number of people than any other sector in the region. The RDO/C strategy, operating to strengthen an institutional support network at both regional and national levels, involves two parallel areas of focus: (1) to increase production of export commodities, and (2) to promote commercial agricultural diversification over the longer term including structural adjustments necessary to induce this. This approach serves both to reduce the food import bill and to establish new commodities aimed at expanded trade. While the mission does not see the agriculture sector continuing to provide jobs at an increasing rate in the long term, the potential for increased output and productivity, and for spin-off processing and marketing activities that the increases would engender, remains positive.

An agricultural strategy for the Eastern Caribbean emphasizing exports and diversification is appropriate in light of the region's natural resource endowments, economic structure, and proximity to large markets. The mild climates of these micro-states presents opportunities for them, a comparative increased production of a variety of tropical food and fruit crops and fish. These same natural attributes,however, impose 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 must continue to rely on trading patterns for much of its essential food.

The export promotion and agricultural diversification emphasis is also expected to contribute to increased employment, although largely not at the producer level. First, diversification is likely to expand and spread agricultural labor requirements more evenly over the year. Second, export

activities normally require more labor to perform assembly, packing, grading and other marketing functions than non-export activity. Indeed, a major research aim of the farming systems research program is to optimize labor utilization in production and marketing recommendations. Elements of the strategy are discussed below.

(a) Applied Research and Extension: RDO/C is using regional vehicles to help diversify production and increase productivity. The twin programs of farming systems research by the Caribbean Agricultural Research and Development Institute (CARDI) and extension through the Title XII project with the Mid-West Universities Consortium in International Activities (MUCIA) and the University of the West Indies (UWI) are expected to achieve measureable results during the planning period that will show up in increasingly diversified production profiles and reduced food imports particularly from extra-regional sources. Technology improvements through stepped-up delivery of on-farm application of research findings will reach at least 1500 farm families early in the planning period. The institutional viability of CARDI and its role as a provider of common research services is expected to be well established by the end of the decade.

(b) Market Development: The difficult and persistent problems associated with marketing will constitute a major thrust of RDO/C development assistance over the planning period. Continued support to the Caribbean Agricultural Trading Company (CATCO) will be joined by a thorough assessment of transportation constraints and options. In general, the program during FY 86-90 will continue to: (1) strengthen organizations engaged in agricultural trade, with emphasis on private sector outlets, (2) improve physical handling

and storage of agricultural products, (3) expand agro-industrial sub-sectors, and (4) institute market facilitating services such as price information networks and uniform grading standards. Marketing is an area that will continue to receive special emphasis in bilateral sector structural adjustment projects in order to move away from traditional inefficient government marketing boards toward increased reliance on private, commercial channels.

(c) Commercial Agriculture Development: The need to improve support services required for sustained growth in agricultural production will be addressed through a program designed to develop and strengthen small-scale agricultural enterprises. This program, scheduled to begin in FY 85 will establish a regional financing mechanism for creation and expansion of agricultural enterprises, and will provide agro-business development services which will foster backward and forward linkages in agricultural production, processing, and marketing.

(d) Rural Infrastructure: Assistance in physical infrastructure, aside from that aimed specifically at marketing improvements, will concentrate on expansion and improvement of feeder roads and improved market access in rural areas. Planned improvements will also facilitate primary product assembly, input distribution,and contribute to soil conservation efforts. The Basic Needs Trust Fund will be directed to activities in the rural sector as well as to projects designed to protect the natural resource base of the islands.

(e) Mariculture Development: In our strategy to expand production and increase income and employment opportunities, the potential that the fisheries industry in the Eastern Caribbean presents, cannot be ignored. The Region possesses a large, relatively pollution-free marine environment which is ideally suited for production of high value sea foods such as crabs, lobsters, shrimp, and conch. Beginning in FY 1986, RDO/C will

launch a program consisting of several small-scale, environmentally sound sub-projects designed to increase the production of these high value sea foods.

(f) Bilateral Sector Assistance and Commodity-Specific Projects: To accelerate structural change in the agriculture sector in the Eastern Caribbean and help stem the decline in output, employment and productivity, early impact bilateral projects continue to be a feature of the present strategy. These are reform oriented projects with a built-in quid pro quo. A major land use planning project has been initiated with St. Lucia, for example, while a commodity-specific agricultural improvement project is beginning for St. Vincent as a way of achieving relatively quick impact on increased production and marketing of important export commodities, while at the same time strengthening Vincentian capacity to replicate the initiative in other commodities. A criterion in selecting sector structural adjustment projects, is minimization of recurrent costs to the recipient government. Thus, the strategy makes as much use as possible of implementation through existing regional institutions, indigenous farmer and grower associations, and existing governmental support institutions.

Policy Dialogue: The agriculture sector is important for policy dialogue on the subject of an increased role for the private sector and a modified role for government. Agricultural development will continue to call for dialogue on such topics as reduction of subsidies, private marketing alternatives, land tenure reform and conservation practices. RDO/C expects reforms in these areas to be induced in many cases by bilateral sector structural adjustment grants. The policy dialogue at the regional level will continue also. CARDI, and the UWI/MUCIA agricultural extension project, for example, have provided significant policy level support in some instances.

Other Donors: Policy dialogue and assistance in the agriculture sector can be expected to engage nearly all donors and recipients in the Caribbean Group. The key donors, whose support is an essential complement to the RDO/C strategy, are the EEC, the UK, and to some extent Canada and the UNDP. The EEC under Lome II has provided over $10.0 million to regional agriculture development including strong support for CARDI, CATCO and CDB programs, and has invited AID collaboration in the review and programming of new assistance for 1985-89. It also provides commodity stabilization assistance (STABEX). The British plan to continue assistance to the banana industry both regionally (WINBAN) and bilaterally. UNDP and Canadian programs in agriculture are expected to continue to promote diversification and non-traditional export promotion.

3. Human Resources Development

Goal: To improve the human resource base in the Eastern Caribbean, necessary for productive employment and efficient resource management.

In response to the skills shortages and employment constraints discussed in the analysis, our strategy is (1) to increase the capacity of upper and mid-level managers in both public and private sectors to more efficiently and effectively manage resources required for development, and (2) to improve the quality of the labor force through employment-oriented training, ranging from on-the-job to pre-vocational training. The strategy is to be implemented in basically two ways: participant training, and technical and management skills training through local educational systems. The skills training will be tailored to meet the needs of the major AID sectors, including Agriculture, Education, Health, Population, fully incorporating the private sector. Since some public decision making entities such as the ministries of finance, and planning, effect all development sectors, management and skills training in these areas will be given special attention.

(a) Participant Training: Participant training in the U.S. has been and will continue to be available, both as a component of individual projects, and through discrete participant training programs.

(i). Public Sector: OECS and CARICOM are implementing long term and short term training for public employees under projects supported by RDO/C. The OECS program is entirely intra-regional. Through CARICOM, public employees are receiving specialized technical and management training in areas such as customs procedures, project planning and evaluation, data processing, and energy management. The final evaluation in 1984, will determine the make up of a follow on public sector program. The Mission accords a high priority to upgrading the quality of public management in the region and will allocate funds for this purpose throughout the planning period, emphasizing planning and analytical skills complementary to public management training within the region (3 (d) below).

(ii). Private Sector: The regional private sector training program, for which the participant training component is getting underway in 1984, will continue into the planning period. Through BIMAP's organizational development, management training, intermediate enterprise assistance, and on-the-job training, skills needs requiring short and long term training are being identified. To address these needs, the International Institute for Education (IIE) will review candidates and coordinate the participant training for private sector employees and managers. Under this program, BIMAP itself is being strengthened, and it is expected that this private institution will have an increased role in regional private sector training during the planning period.

(iii). AID/W Programs: Two centrally funded programs, the LAC Bureau Training Initiatives and the CBI Scholarship Program, are sponsoring short and long term participant training in the U.S., to address a wide array of development skills needs in the region. The LAC program focuses on mid-level management training, which serves to upgrade skills in such areas

as business administration, agriculture, export promotion, and public management. Training under the CBI shcolarship program ranges from technical to undergraduate to graduate training, meeting specific skills needs of both the public and private sectors. It is expected that these activities, which complement the RDO/C program, will continue into the planning period.

(b) School of Business and Management: The development of a regional school of Business and Management is expected to be considered during the planning period. Private sector entry-level and mid-level managers need advanced training in market-oriented business and management techniques. The design concept involves linking an American business school with a West Indian institution to design curricula and to help establish the operational aspects of the school. Plans in this area are in keeping with AID Participant Training Policy which stresses strengthening of cost-effective local training capacity. Cooperation with USAID/Jamaica and UWI is planned in the development of the project. Such an institution will provide the region with a strong local capability to meet private sector management needs, and to tailor the training to Caribbean requirements.

(c) In-Service Public Management Training and Development: Currently, RDO/C funds in-region, short-term courses for middle and upper level public sector managers through the OECS Training Unit. Provided that the OECS Secretariat has the capacity, it is expected to have a continuing role in upgrading public sector managers during FY 86-90.

Under the Public Management and Policy Planning Program, proposed for FY85, CARICAD (Caribbean Institute for Development Administration) is being considered for linking to a U.S. contractor, to provide technical assistance to upgrade public managers in the areas of policy

analysis and planning and public financial management. This will not be a training project per se, but addresses human resource development of counterpart personnel through in-service upgrading of technical skills. Since this program will improve public sector resource management, it will benefit all development sectors, including the private sector. As a follow-on to this program, establishment of a common services function through OECS will be considered.

(d) Labor Force Training and Development: The labor force urgently needs skills training to improve its employability. Failure to tackle the problem, particularly among unemployed youth, will endanger economic growth as well as social and political stability. Prior to the planning period, a major employment assessment will be undertaken to determine who the unemployed are, (age and sex) what the skills needs are, projected opportunities in job generation (agriculture, industry, tourism, and services), cultural or other constraints to employment, and recommendations for appropriate employment planning and policy development.

Currently the non-formal skills training project which is being implemented by the OAS, is providing vocational skills which are closely linked to identified jobs. Although this project is currently taking place in Barbados, Dominica, and St. Lucia, the success and local popularity of the program points toward expansion to other LDCs. The Mission is considering such an expansion to begin in FY 1985.

RDO/C also is proposing activities in pre-vocational education in the region. This program will provide very basic skills required for the world of work and will enhance the trainability of youth before they

enter the workforce. A project is being considered on a pilot basis in two Caribbean islands (St. Lucia and St Kitts) to test its impact on preparing youth for productive employment.

Assistance to free and democratic labor unions continues to be a component of our strategy. Each year, labor leaders from the region receive AID funded training in the US, primarily at the International Labor Statistics Program Center (Bureau of Labor Statistics) and the AIFLD-supported George Meany Center for Labor Studies. Through this program labor leaders acquire an improved capability and understanding of labor/management relations, identification of productive employment opportunities, appropriate and effective management of the labor force, and better understanding of market led economic development processes.

(e) Private Sector Service and Support Institutions: Many of the skills needs of the private sector are best met locally under short term workshops, seminars, and particularly on-the-job training. As regional private sector institutions increase their training capabilities, they will play an increasingly significant role. While BIMAP implements its training program, the institution itself is being upgraded through individual training grants. CAIC is also working toward self-sustaining programs. By the end of the planning period, it is expected that BIMAP and CAIC will have achieved sufficient capacity to meet many of the needs of the private sector, particularly in conjunction with educating local business people about CBI related trade and investment policies and procedures.

Other Donors: Virtually all donors in the region offer scholarship programs. Among the largest such programs is Canada's which runs over $4.0 million per year for the Commonwealth Caribbean. The British devote

a significant portion of their training resources to the Regional Police Training Center in Barbados. They have in the past conducted formal vocational training programs through local technical colleges. OAS and USAID are presently active in non-formal skills training. The OAS plans to continue in the field, and we will jointly be reviewing the record for lessons learned before making specific plans for expansion.

4. Energy

Goal: To decrease the dependence on imported fossil fuels while meeting increased energy needs.

The 1984 Annual Meeting of the Caribbean Group endorsed a $23 million Regional Energy Action Plan prepared by the CDB and the CARICOM Secretariat. The elements of that plan are as follows:

(a) Conservation: A US$7.5 million revolving fund would be established which would finance retrofitting. The program would also include energy audits and technical assistance. The program envisages savings of US$30 million over four years among CARICOM countries.

(b) Electric Utilities: Approximately US$1.2 million would be allocated to study power losses, tariff problems, pricing issues, and the provision of common managerial and technical services for utilities in the region.

(c) Petroleum: A study of refinery rationalization would be undertaken, with a view to the possible closure of small and inefficient plants. A study would also be made about the possible extension of the Trinidad and Tobago oil facility, as well as one which would analyze the logistics of petroleum ocean transport.

(d) Institutional Strengthening: A program would be directed at the LDCs for strengthening institutions in the energy sector.

(e) Alternative Energy Sources. The program would include further wind resource assessment, establishment of pilot windfarms and evaluation of biogas, biomass and geothermal potential.

This plan is consistent with the RDO/C strategy which continues to be (1) to support alternative energy resources development, and (2) to support policy analysis and planning leading to conservation and reform measures that will induce the savings necessary to attract increased investment in productive enterprise. RDO/C will thus be supporting the Caribbean Group plan, with the exception of the studies on petroleum logistics, during the FY86-90 planning period.

An RDO/C regional Alternative Energy Systems Project with the CDB and CARICOM has been 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.

The emphasis during the planning period will be to promote energy sector structural adjustment largely through bilateral projects that will correspond to recommendations that have come out of the assessment phase that has been supported, not only by AID, but by the UNDP, the World Bank and others. Project activities will be selected and carried out within the parameters of energy goals developed by participating countries and will be applied to all sectors of the economy: government, industry, commerce,

tourism, transportation. Assistance will be provided to promote more efficient use of present oil-based energy systems and substitution or integration of improved or renewable systems. Energy audits in the industrial sector will be undertaken, and the utility and transportation sectors will be assisted in employing conservation methods and seeking ways of improving energy efficiencies. The expansion or use of renewable energy resources will continue to be explored, including solar powered devices, wind, biomass, geothermal and hydro.

Strategy Implementation/Other Donors: Regional technical assistance will be supportive of bilateral activities. With RDO/C funding, the CDB has established a Technology and Energy Unit which provides 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. AID will coordinate its initiatives with other Caribbean Group donors that have a part to play in the Regional Energy Action Plan.

5. Population

Goal: To achieve a reasonable balance between population and prospective resources and economic opportunities in the Eastern Caribbean.

Although our analysis shows that some of the Eastern Caribbean islands (particularly Barbados and Antigua) have made remarkable progress in reducing birth rates, in most of the islands the birth rate remains too high in relation to the limited resources and job opportunities available. The

primary vehicle for achieving a balance between population and resources is the reduction of birth rates through (1) population policy development, (2) strengthening of family planning service delivery, and (3) education and information dissemination. Initial efforts at developing a regionally coordinated program for family planning as well as a regional population policy have been initiated through the RDO/C program. By the beginning of the planning period, contraceptive prevalence will have increased by 25% and regional policy makers will have a better understanding of the demographic implications of population growth. By 1990 contraceptive prevalence should be 50% higher than at present. Development of national policies will continue throughout the planning period, focusing on reduction of legal obstacles, expansion of public and private sector programs, and transition from donor support to self reliance in population programs. For family planning service delivery, the RDO/C program will continue to use a mix of private and public sector organizations with the private family planning associations (FPAs) will take on a more experimental role in testing new delivery systems. The FPAs will also have an increased role in education and information dessemination on family planning practices.

During the planning period, the strategy will become more targeted, focusing more efforts on those islands with higher growth rates (Grenada, St. Vincent, St. Lucia, and to a lesser extent Dominica) while the target group will be expanded to include teenagers and males.

Institutional Framework/Policy Dialogue: Many of the population activities are characterized by economies of scale, which point to the regional approach in their implementation. For this reason, the private

CFPA (Caribbean Family Planning Affiliation) with support of the IPPF (International Planned Parenthood Federation) will continue to be the main implementors of our population activities. The CFPA, in turn, will assist and support private, individual country family planning associations. The CARICOM Secretariat will continue to assist public policy decision makers by increasing their awareness of demographic trends in the individual countries. As more demographic information is made available, more emphasis will be placed on national population policy formulation. Since each country has its own policies that impact on the effectivenss of family planning activities, the Mission will conduct policy dialogue both bilaterally and regionally.

6. Health

Goal: To improve the coverage and efficiency of health services in the Eastern Caribbean.

Based on analysis which shows relatively good standards of health in the region, the health sector strategy during FY 86-90 is essentially to help trim health costs and reduce the burden on the public sector while increasing the cost effectiveness of health resources management. This will be achieved by (1) upgrading managerial skills and (2) assisting in the development of alternative revenue resources for public sector services through coordination with the private sector in financing and service delivery.

In the public sector, assistance is needed to strengthen the planning and policy formulation process. Over the planning period, RDO/C will provide technical assistance and skills training in data collection and analysis, and in operations research. Information generated from these activities, will serve as a basis for continued policy dialogue centered on

reforming health resources management. Specific categories for improvement of public sector management will include pharmaceutical management, fiscal management, and development of incentives for improved health sector management.

In the development of alternative health resources, RDO/C will provide assistance in developing systems for cost recovery of health services, including prepayment and insurance schemes. In addition, increased utilization of private sector health services will be promoted through employee/employer health plans, insurance, and other mechanisms. Where economies dictate, cost effective regional approaches to health services will be encouraged, as in the case of epidemiological research and surveillance.

Private and voluntary organizations have also proven to be effective in implementing projects on a regional basis, and hence they will continue to play a role in the health program. Currently, the National Council for International Health, Project Hope and the International Eye Foundation are implementing projects which will improve the capabilities of health professionals throughout the region.

Although the LDCs in general share common problems, each ministry of health has its own policies and constraints. The reality that most LDCs face is that they cannot continue to finance the same level of health services for increasing populations in the region under current public sector financed mechanisms. Already, the health services provided in each LDC account for approximately 12-14% of public spending.

7. Housing Investment Guarantees

Demand is relatively high in the region for new housing construction and home improvements for low income families. Until the $10 million Housing Guaranty (HG) loan currently under implementation in Barbados, no mortgage financing existed for families below the median income and resources available for home improvement and tenantry land purchase were very scarce. Nevertheless, expectations for fully finished and serviced housing are high, as are costs of construction with largely imported materials.

Through the DA grant that supports the HG, AID is assisting the Government of Barbados in the preparation of a National Housing Plan. This document will outline steps necessary to decrease the role and budgetary burden of the public sector in the provision of housing and mandate private sector credit institutions to provide mortgage financing for low income families. The flow of private capital into the mortage market will cause the demand for housing construction and employment opportunities in the construction industry to increase.

The Regional Housing and Urban Development Office (RHUDO) anticipates the need and demand for at least one follow-on HG in Barbados during the planning period. Owing to the very limited debt servicing capacity of the LDCs and the weakness of finance and planning institutions, the prospects are limited for initiating HG programs in the LDCs during the planning period although an assessment of such prospects will be undertaken. Meanwhile, the RHUDO will continue to present training workshops for regional housing and urban planners.

8. Food for Peace

The low levels of malnutrition in the Eastern Caribbean do not suggest augmenting AID's present level of assistance in the area. For

example, the percentage of children under five who are classified as moderately or severely malnourished, averages under 8% for eight Eastern Caribbean states, while that for six Central American countries is 17.5% 1/. Lack of knowledge about child feeding, rather than lack of food per se, tends to be the major factor causing this malnutrition 2/.

There is variability from one island to the next in the level of malnutrition, with Dominica, St. Lucia, Grenada, and St. Vincent having the higher levels. For this reason, the World Food Program (WFP) has active MCH programs in St. Lucia and St. Vincent, which are expected to continue into the planning period. Further WFP assistance to Grenada will also be considered.

In the past, RDO/C has successfully supported the institutional development of the Caribbean Food and Nutrition Institute (CFNI) with $1.4 million of financial and technical assistance, to carry on activities in food and nutrition planning, training, public education, and nutrition sector manpower assessments. Under this project, over 900 technical and professional people were trained, and CFNI is now continuing without AID funding to support nutrition planning, surveillance, and education throughout the CARICOM region.

Due to the comparatively low levels of malnutrition, coupled with the continued efforts of the WFP and of CFNI, RDO/C does not forsee any need for programming the use of PL480 in the region during the planning period.

1/ Utilizing Gomez' classification of nutritional status, grade II (moderate malnutrition) and grade III (severe malnutrition). Sources: Pan American Health Organization Health Conditions in the Americas, 1977 - 1980. (1982), and Caribbean Health and Nutrition Institute, Cajanus (1982 Vol 15 No. 2).

2/ Ibid, Cajanus p. 80

D. Special Concerns

1. Disaster Preparedness: The Caribbean islands are prone to natural disasters, particularly the annual occurance of hurricanes, and less frequest earthquakes, volcanic eruptions, floods and droughts. RDO/C, in coordination with AID's Office of Foreign Disaster Assistance (OFDA), now has a current comprehensive Eastern Caribbean Foreign Disaster Relief Plan which will be updated periodically.

OFDA continues to be involved in Caribbean disaster preparedness. Through the Uniform Building Code project, implemented by CARICOM, uniform building codes are being designed to include standards for hurricane and earthquake resistance. Caricom will encourage the member governments to submit and approve legislation to adopt the codes.

The establishment of a permanent Pan Caribbean Office of Disaster Preparedness in Antigua is a joint program of OFDA and the United Nations Disaster Relief Office. The office employs five full time professionals who support disaster preparedness and relief efforts including needs assessments. Regional seminars and training for disaster preparedness are conducted on a regular basis. In addition, a regional emergency radio net-work is in place, connected to police headquarters in each island as well as USAID headquarters in Bridgetown. RDO/C fully supports the efforts of the Antigua regional office as a focal point for regional disaster preparedness efforts, and encourages continued OFDA financial support to facilitate their permanent presence in the region.

2. Environment: During the planning period, will address environmental problems in conjunction with projects proposed in the various

sectors. Many opportunities will arise to do this, including: watershed management in conjunction with hydro, mini hydro and water system projects; and land use planning and environmental impact assessments in conjunction with infrastructure programs. In these cases, environmental problems will be studied in the process of project design, and if so indicated, environmental components will be included in the appropriate projects.

Specific environmental programs, will be implemented by indigenous organizations, and by other international donors. Both the Island Resources Foundation, and the Caribbean Conservation Association (CCA) are experienced indigenous conservation institutions presently conducting independent programs. Of the international donors, the Organization of American States (OAS) appears to be in the forefront in terms of specialized projects, with active natural resource management and planning projects in Antigua, Dominica, St. Lucia, St. Vincent, Trinidad and Surinam. RDO/C will continue to support and encourage their efforts.

3. Research Priorities: In response to the research priorities initiative inaugurated by the Administrator in 1982, RDO/C requested and received assistance from the S&T Bureau to assess the agricultural research requirements for the region, and the research needs identified in that assignment have been included in our strategy. Agriculture will continue to be a major research priority during the planning period. The focus will be on non-traditional crops for export.

To strengthen employment strategies, policies and programs in the region, RDO/C proposes to engage an expert consulting team in the near future to do the following:

(a) estimate, on basis of best data available, the level of unemployment and under employment in the Eastern Caribbean, by age and sex;

(b) review the current development plans of the various countries to quantify the amount and types of new jobs to be generated over the next five/ten years in agriculture, tourism, services, industry, etc.

(d) estimate the shortfall between the number of jobs which should be created to maintain political and social stability, and the number of jobs estimated to be created under existing development plans and levels of available investment;

(e) review the constraints based on culture, natural resources, finances, fiscal and tax policy, skills, size, location, etc. which impede employment generation.

(f) advise, in consultation with governments, the role of the regional institutions to help plan, facilitate and accelerate employment-oriented development plans.

(g) advise on the training required to create a nucleus of qualified planners and upgrade planning units capable of dealing with employment-oriented economic planning.

Considerable research has taken place and will continue to take place in our population program. Contraceptive prevalence surveys were conducted in all of the LDCs and Barbados in conjunction with the Population and Development Project, and follow up contraceptive prevalence surveys are planned for the future. A centrally funded program is supporting demographic information gathering and analysis, which not only serves to indicate the potential impact of family planning, but also to assist LDC decision makers in

preparing for future needs in all major development sectors. During the planning period, the information generated from population research will serve as a tool for conducting policy dialogue.

4. Evaluation

The Mission's evaluation plan is based on the need for information about a number of important issues which relate to AID priorities and to information on the success of the Mission's strategy. The schedule also reflects the need for timely decisions to be made at critical points in the implementation of projects to assure sound management of the Mission's portfolio.

A key component of the Mission's strategy is the provision of assistance designed to promote the expansion of the private sector in support of the CBI. In light of this focus there are many separate, but inter-related projects which address the constraints to private sector growth, through skills training, technical assistance, infrastructure development, project identification, investor search, credit, institution building, marketing development, etc. A broad assessment of effectiveness in the private sector program is being undertaken in 1984 and will be repeated during the planning period to facilitate further programming and to ascertain the capacity of the sector to effectively absorb future assistance.

With regional institutions, a fundamental issue is the capacity for responding to the needs and concerns of individual member states. In this context, the 'common services' the mission seeks to foster are an important element in our long range development strategy. Regional institution evaluations are expected to contribute information about the effectiveness of

AID support through such intermediaries in achieving economies of scale and more efficient utilization of the region's development resources.

An increasingly important issue that RDO/C expects to examine during the planning period is the impact of our bilateral assistance on economic policy reform and structural change. The policy dialogue has been most intense in Grenada, where economic policy reforms have been an essential component of two economic stabilization grants. However, the St. Lucia agriculture and Dominica Banana Rehabilitation projects as well as the Barbados Housing and Antigua Water Supply projects contain important measures resulting from the mission's policy dialogue with these countries. The policy dialogue will be strengthened as we begin to assess progress and renew or redirect out assistance efforts in relation to economic structural adjustment in the Eastern Caribbean.

5. Peace Corps

The Peace Corps continues to play an important role in the USAID program. Peace Corps Volunteers assist in the implementation of the Special Development Activities (SDA) program and Peace Corps receives direct grant support through the Small Project Assistance program. Peace Corps also continues to provide skilled technicians to regional organizations and PVO programs. Finally, at least two PCVs have been sent to Grenada, to teach school and thereby help fill the gap in qualified teachers that occurred after the departure of Cuban personnel.

The Peace Corps and RDO/C have consulted one another in the development of long range plans for the Eastern Caribbean. Steps have been identified to increase collaboration, including joint programming exercises and Peace Corps participation in AID project design to identify mutually beneficial volunteer assignments. Peace Corps and RDO/C will also undertake an analysis of on-going AID projects to determine whether assignment possibilities exist to increase the impact of our respective programs.

6. Women in Development

Under the current program, two OPGs specifically directed at women, (one in child care and one in employment generation for women) are in their final phase in FY 84. The role and needs of women will continue to be a major concern to be addressed in project design in all sectors. Women's concerns will continue to be included in a wide array of program activities, including agriculture, management skills training, health and population, and particularly small business and income generation activities.

III. RESOURCE REQUIREMENTS

In spite of a brighter horizon with respect to international economic recovery, the Proposed Assistance Planning Levels remain relatively stable in both Economic Support Funds and Development Assistance through 1990, as faster disbursing bilateral programs will continue to be required to permit our longer-term institution-building efforts to take effect. Once structural adjustment programs show measureable returns, however, there should be increased capacity for trade and investment related to the CBI, and a corresponding decrease should be possible in ESF levels. Thus in real terms the annual funding levels proposed represent a gradual decline in resources allocated to the Eastern Caribbean.

A. Economic Support Funds: U.S. political and security interests in the Caribbean warrant a continued AID presence among the Eastern Caribbean LDCs at funding levels that may not be justified solely on developmental or poverty grounds. Nevertheless, the high degree of dependence on global economic recovery and other external economic conditions, present a situation of economic uncertainty among the micro-states of the Eastern Caribbean in which living standards are vulnerable to erosion. This precarious position will exist at least through the present decade. It is a period during which it is vital that the U.S. consolidate gains and make the necessary commitment to maintain political and economic stability in order to give longer term solutions, including difficult structural adjustment measures, sufficient time to take hold.

In the Part II discussion of stabilization it was proposed that we avoid non-project assistance for the Eastern Caribbean. The Mission therefore is not planning traditional stabilization programs with ESF. The Mission believes more developmental use of the proposed funds will have even greater effect on economic, and political stability. Programs funded by ESF will focus on generation of employment opportunities, expansion of the private sector, provision of productive infrastructure in conjunction with policy dialogue, further encouragement of structural adjustment in the productive sectors and in the incentive structure for private enterprise expansion. ESF will permit the Mission continued flexibility to reward good performance and, under conditions of severe fiscal pressure, recipients will be able to forego the 25 percent host country contribution required under regular DA grant financing.

Administered within the framework of the Caribbean Group, ESF projects can also be used to support the multilateral concensus on macro-economic conditionality. Flexible backing will be given to those countries adopting such self-help measures as reduction in government deficits, steps to decrease consumption and increase savings and increased support for regional common services.

B. Development Assistance: As reforms initiated under the Sector Structural Adjustment programs are being implemented, there is also a need to move quickly in meeting the requirements for private sector growth including institution-building in agriculture; not only to maximize utilization of trade and investment opportunities under the CBI, but also to provide ample productive employment opportunities to the burgeoning labor force,

which is expected to increase rapidly during the planning period. While ESF resources will be used largely to provide required infrastructure, Development Assistance resources will be utilized primarily for training, technical assistance, and institution building. This requires significant funding, particularly from the Special Development Activity Account. By the end of the planning period, emphasis is expected to shift to management and coordination of resources which should permit increasing reliance on regional as opposed to bilateral assistance. DA loan funds are expected to support initiatives in the productive sectors and possible support for the CDB's Unified Special Development Fund. The regional institution-building strategy in agriculture will require continuing support at slightly higher than present levels.

In population, a larger concentation of funds is required at the beginning of the planning period, to support the ongoing program of IPPF, and the final portion of the Population and Development program. Health resources are planned largely to sustain modest programs of PVOs. As the education program phases out of the formal education sector, resources will be concentrated on participant training, as well as intra-regional training. PVO projects will continue to supplement our strategy, and will concentrate on training and skills development.

A relatively high level of grant financing will be needed throughout the planning period since the limited debt servicing capacity of the LDCs requires that funds to be provided on the most concessional terms possible. While the East Caribbean Central Bank does hold adequate reserves based on its regulations and operational practices, the individual country shares are small in absolute terms. In addition, even though debt service ratios on foreign

mall, in many instances under 5 percent, this reflects the high of concessional funding that countries have been accorded in the past. In general countries have not been considered sufficiently "creditworthy" to qualify for non-concessional funding. Antigua which has borrowed on non-concessional terms now faces severe debt servicing difficulties.

C. Key Planning Issues

(1) Geographic Scope -- Prior to the advent of bilateral programs in the Eastern Caribbean, approximately half of the annual funding was directed at countries other than the LDC mini-states, namely Barbados, Belize, Jamaica, Guyana and Belize, with at least one commitment also in the Dominican Republic. Recognizing the need for initiating bilateral programs with sufficient resources to make an early impact, funding levels for the LDCs of the Windward and Leeward Islands have risen dramatically going into the CDSS planning period. The levels being proposed by RDO/C assume a gradual return to wider regional development assistance incorporating at least CARICOM nations and possible non-English-speaking cooperation as well. Funding at the levels proposed is not sufficiently justified exclusively for the small islands of the Eastern Caribbean with 800,000 people and very limited institutional capacity to sustain the management and follow-up on numerous major development intitiatives, and use of functional regional institutions, that draw from and service the broader CARICOM region do have greater technical and managerial capabilities and provide economies of scale for all members.

(2) Relative emphasis on ESF resources -- ESF is proposed to continue through the planning period, directed principally at bilateral initiatives for the LDCs. If fragile economic conditions going into the planning period, including extremely high unemployment levels are abated earlier than projected by the regional and bilateral strategy documents then ESF levels should be re-examined for revision as appropriate. It has been

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necessary to provide budgetary support in the aftermath of the U.S./Caribbean intervention in Grenada. Other OECS countries also face serious budgetary problems arising primarily from the high levels of public sector activity in their economies. ESF resources, while needed, should be directed to facilitate sectoral structural adjustment and to stimulate private sector initiative rather than to underwrite persistent budgetary deficits and to increase dependence, on external (United States) aid.

(3) Phaseout of the Grenada office in terms of implications for other bilateral programs -- It is important to return as early as possible to a public posture of even-handedness with respect to our aid in the LDCs. Staying with the timetable on the phaseout of the Grenada office will help pre-empt expectations of further bilateral program growth among other OECS members and will help promote a return to examination of regional cooperation and common services as a cost effective approach to mobilizing development resources. Otherwise, there is the danger that not only Grenada, but other Eastern Caribbean countries will become permanent wards of the United States.

D. Staffing Requirements

The RDO/C program, owing to the complexity of conducting a regional program in concert with bilateral programs for six LDCs, is inherently personnel intensive in relation to level of funding. Annual funding levels dramatically increased leading up to the Grenada intervention and virtually doubled after the intervention, to an OYB level of approximately $100 million for FY 84. Exclusive of Grenada, the Mission has reached an annual funding level ($50-60 million) which cannot be increased dramatically in the context of the present and proposed strategy, without augmenting staffing. We are not proposing this be done.

At the outset of the planning period, the Grenada program will be folded back into RDO/C in Bridgetown with a net increase of two USDH and

returning to a level of 32 (with 31 FSN) by the end of the planning period. It is essential to incorporate the Grenada program into the overall RDO/C program by FY 86 in order to pre-empt demands for equal treatment from other OECS recipients.

While we do not plan to have USDH personnel assigned to field positions in any LDC after the Grenada phase-over, contract personnel may be expected to remain in residence in nearly all LDCs for project implementation. The make up of the staffing pattern, however, will require increased capabilities in private sector development including the necessary training component of that program element. Contract assistance will continue to supplement direct hire positions in both RDO/C and Grenada, in areas ranging from logistics to project implementation. The FSN staff which provides vital continuity to the complex program, will continue to be strengthened through training available through AID and other sources. Operating expense levels will need an adequate inflation fator since travel costs and personnel costs will rise in spite of relatively stable funding levels.

PROPOSED ASSISTANCE PLANNING LEVELS BY FUNCTIONAL ACCOUNT

REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

(THOUSANDS OF U.S. DOLLARS)

		1984	1985	1986	1987	1988	1989	1990
AGRICULTURE AND RURAL DEVELOPMENT	TOTAL	3200	10600	6100	10500	6500	6000	6000
	GRANTS	3200	6600	6100	5500	6500	6000	6000
	LOANS	-	4000	-	5000	-	-	-
POPULATION	TOTAL	1000	1300	1600	1000	1000	1000	1000
	GRANTS	1000	1300	1600	1000	1000	1000	1000
	LOANS	-	-	-	-	-	-	-
HEALTH	TOTAL	900	3400	1500	1000	1000	500	500
	GRANTS	900	3400	1500	1000	1000	500	500
	LOANS	-		-	-	-	-	-
EDUCATION & HUMAN RES. DEV.	TOTAL	2100	6300	8800	5500	5500	5500	5500
	GRANTS	2100	6300	6300	5500	5500	5500	5500
	LOANS	-	-	2500	-	-	-	-
SELECTED DEVELOPMENT ACTIVITIES	TOTAL	17900	10700	22000	17000	21000	17000	17000
	GRANTS	5900	5200	7000	6000	6000	7000	7000
	LOANS	12000	5500	15000	11000	15000	10000	10000
DA	TOTAL	25100	32300	40000	35000	35000	30000	30000
	GRANTS	13100	22800	22500	19000	20000	20000	20000
	LOANS	12000	9500	17500	16000	15000	10000	10000
ESF[1/] (RDO/C)	TOTAL	25000	20000	27000	25000	20000	20000	20000
	GRANTS	17500	20000	27000	25000	20000	20000	20000
	LOANS	7500	-	-	-	-	-	-
ESF (GRENADA)	TOTAL	46800	8200	-	-	-	-	-
	GRANT	46800	8200	-	-	-	-	-
	LOAN	-	-	-	-	-	-	-
DA & ESF	TOTAL	96900	60500	67000	60000	55000	50000	50000
	GRANTS	77400	51000	49500	44000	40000	40000	40000
	LOANS	19500	9500	17500	16000	15000	10000	10000
HOUSING GUARANTEES		-	-	5000	-		-	

1/ In FY 1986 and beyond, ESF funds for Grenada will appear in the RDO/C budget.

COUNTRY BREAKDOWN FOR PLANNING PERIOD

(US$000)

COUNTRY	Funding Source	1984	1985	1986	1987	1988	1989	1990	TOTAL
ANTIGUA	DA[1]	3,510	2,840	4,191	2,800	3,550	3,100	3,000	22,991
	ESF	1,671	1,300	4,100	500	5,500	500	4,500	18,071
	TOTAL	5,181	4,140	8,291	3,300	9,050	3,600	7,500	41,062
DOMINICA	D.A.	3,431	5,353	3,696	3,000	3,100	2,900	2,900	24,380
	ESF	1,671	9,600	2,100	500	3,000	500	6,000	23,371
	TOTAL	5,102	14,953	5,796	3,500	6,100	3,400	8,900	47,751
GRENADA	DA	3,572	2,684	4,312	2,800	2,850	3,150	3,650	23,018
	ESF (Grenada)	46,764	8,200	--	--	--	--	--	54,964
	ESF (RDO/C)	1,671	100	10,100	9,000	5,500	3,500	3,500	33,371
	TOTAL	52,007	10,984	14,412	11,800	8,350	6,650	7,150	111,353
ST. KITTS	DA	3,219	4,281	4,361	3,250	3,350	2,950	2,850	24,261
	ESF	2,246	2,475	2,175	5,575	575	5,575	575	19,196
	TOTAL	5,465	6,756	6,536	8,825	3,925	8,525	3,425	43,457
ST. LUCIA	DA	3,333	2,801	4,345	2,900	2,850	3,150	3,150	22,529
	ESF	3,171	3,800	3,100	6,000	500	6,500	500	23,571
	TOTAL	6,504	6,601	7,445	8,900	3,350	9,650	3,650	46,100
ST. VINCENT	DA	3,260	5,362	4,112	3,400	2,850	3,400	2,900	25,284
	ESF	11,671	2,100	4,800	500	2,000	500	2,000	23,571
	TOTAL	14,931	7,462	8,912	3,900	4,850	3,900	4,900	48,855
OTHER[2]	DA	3,277	7,694	13,883	15,550	15,150	10,050	10,250	75,854
	ESF	2,899	625	625	2,225	2,225	2,225	2,225	13,049
	TOTAL	6,176	8,319	14,508	17,775	17,375	12,275	12,475	88,903
PD&S	DA	1,516	1,300	1,100	1,300	1,300	1,300	1,300	9,116
	ESF	--	--	--	700	700	700	700	2,800
	TOTAL	1,516	1,300	1,100	2,000	2,000	2,000	2,000	11,916
GRAND TOTAL	DA	25,118	32,315	40,000	35,000	35,000	30,000	30,000	227,433
	ESF	71,764	28,200	27,000	25,000	20,000	20,000	20,000	211,964
	TOTAL	96,882	60,515	67,000	60,000	55,000	50,000	50,000	439,397

1/ Development Assistance will be used primarily (though not exclusively) for regional program. Numbers indicate approximate value attributed to each country from the proposed funding levels.

2/ The category "other" refers to other states in the Caribbean which are not listed above. This would include (but not be excluded to) Anguilla, Barbados, Belize, Jamaica and Montserrat.