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SECOND COUNTRY PROGRAMME FOR ANTIGUA AND BARBUDA

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
February 1987-December 1991	IPF for 1987-1991	1 200 000
	Other resources programmed	<u>2 770 000</u>
	Total	3 970 000

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## I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

### A. Current economic trends

1. Antigua and Barbuda, with a population of 79,440 and an area of 170 square miles, is in a transitional stage of development like the other Leeward and Windward island countries. The country is evolving from a purely agrarian to a mixed economy in which tourism and light manufacturing are emphasized. The diversification process begun in the late 1970s resulted in an average annual growth rate of 8 per cent between 1977 and 1979, but slackened to 4 per cent by 1981 when tourist arrivals declined as a consequence of international recession. Between 1982 and 1984, the growth rate averaged 4 per cent annually and for 1985 is estimated by the World Bank at approximately 5 per cent. Unemployment still remains in the 20 per cent range in a labour force of about 31,000. The international recession and its adverse impact on tourism was followed by other unfavourable events which led to low rates of growth in manufacturing, agriculture and construction. Excessively dry weather conditions beginning in August 1983 worsened to a drought emergency which lasted until October 1984, resulting in severe damage to the agriculture sector. Labour shortages in the sugar industry defeated attempts to revive sugar production for the domestic market. Manufacturing suffered a serious setback arising from protectionist policies in the principal trading partners in the Caribbean Community (CARICOM) market. Construction declined as a result of a slowdown in public investment.

2. Economic recovery in 1984 and 1985 was stimulated by tourism and the services sector which it propels. The economic primacy of tourism is expected to continue and concerted attempts are being made to forge closer linkages with agriculture and manufacturing to create employment and curb foreign exchange leakages. The recovery was also accompanied by fiscal measures which increased tax revenue, restrained public expenditure and trimmed the public sector work force.

3. Approximately 60 per cent of the labour force is absorbed by the private sector, mainly in tourism, manufacturing, distributive trades, insurance, banking and construction. Consequently the Government's strategy is expected to continue to focus on (a) developing an overall macro-planning framework with targets for both the private and public sectors; (b) up-grading the requisite economic and social infrastructure to support private enterprise; (c) resolving policy issues which affect expansion of the productive sectors; and (d) encouraging private investment through appropriate fiscal incentives.

### B. National development strategies

4. Antigua and Barbuda's development strategy is concentrated on reducing the imbalance in the economy created by the dominance of tourism. Present policy therefore reinforces the emphasis on agriculture and manufacturing and increasing their share of gross domestic product (GDP), while recognizing that tourism will continue to be the leading growth sector. The diversification strategy focuses on linking agriculture and tourism so that more of the food inputs consumed in the

tourism sector will be produced locally, thereby reducing imports and ensuring that a greater percentage of the foreign currency generated by the tourism industry will be retained in the local economy. The second major aspect of the strategy is the continued promotion of light manufacturing through a mixed programme of fiscal and non-fiscal incentives. While the CARICOM market remains important, the Government is currently encouraging the establishment of export-oriented industries for markets that would be allowed preferential treatment, e.g., in North America under the Caribbean Basin Initiative and the Caribbean/Canadian (CARIBCAN) agreement with the Government of Canada. With regard to tourism itself, the Government's plan is to expand hotel accommodation by an additional 3,000 rooms, thus doubling present capacity within the next five years. The Government also plans to attract an increased number of airlines flying to Antigua and Barbuda.

5. Antigua and Barbuda will be promoted as an ideal location for off-shore enterprises. The Government has already embarked on a programme of upgrading and improving the country's physical infrastructure (roads, water, electricity and telecommunications) to facilitate development activities in the main productive areas of the economy.

#### C. Technical co-operation priorities

6. As part of the country programming exercise, which was initiated with the preparation of the Resident Representative's Note, a comprehensive identification of technical co-operation needs was carried out in November 1985. Discussions with individual ministries and departments provided the basis for a compilation of all external technical co-operation needs for the period 1986-1990. This information is now embodied in the Government's technical co-operation programme (TCP).

7. The Government will mobilize to the fullest the resources available from the United Nations system and other multilateral and bilateral donors to meet its technical co-operation needs. In order to maximize the effectiveness of the available aid flows and to provide a rational basis for the integration of technical co-operation activities in the development process, the country programme is being utilized as a frame of reference for all external technical co-operation inputs. The Government has therefore prepared this country programme within the socio-economic development framework described earlier and on the basis of the overall needs reflected in its own TCP, which it intends to update yearly to coincide with an annual review of the country programme. This yearly exercise will permit the incorporation of new projects from donors and agencies which have not at this stage identified the specific needs to be financed beyond 1986. This exercise also relates to the decision adopted at the June 1985 meeting of the Caribbean Group for Co-operation in Economic Development (CGCED) <sup>1/</sup> that UNDP should co-operate with the Caribbean Development Bank and the World Bank in preparing the technical co-operation programme for incorporation in the World Bank Memoranda.

8. The technical co-operation priorities identified in the TCP are largely oriented towards the directly productive sectors. The sum of \$US 4,109,000 or 66 per cent of the total TCP is required for agriculture, industry and tourism prospects. The specific needs are detailed below.

(a) Agriculture and fisheries. Agricultural planning, livestock development, fisheries administration and development, training of fishermen, small farming support, establishment of a quarantine unit and a techno-economic study of mariculture.

(b) Industry. Handicraft development (embroidery, leather, ceramics and silk-screen printing), stone blasting techniques and investment promotion expertise.

(c) Tourism. Hotel training, institutional strengthening of the Tourism Department, tourism planning and parks development.

9. The emphasis on the directly productive sectors is consistent with the Government's objectives of employment creation and income and revenue generation. The 1987-1988 Public Sector Investment Programme (PSIP) allocates 31.6 per cent or \$US 27.4 million of the total estimated capital expenditure of \$US 86.5 million to agricultural production and tourism infrastructure. The Government is also directing \$US 57 million, equivalent to 65.7 per cent of the resources, to electricity distribution, water supply expansion, road rehabilitation and air transportation, without which growth in the productive sectors would be seriously constrained.

10. Other technical assistance requirements directly supportive of the Government's development effort include:

(a) Education. Upgrading the Engineering Department of the Antigua State College through technical curriculum development; advanced diploma training for technical instructors; and providing teaching staff for the electronics and airconditioning/refrigeration courses, institutional strengthening of the Ministry of Education curriculum resource centre, and a study on the use of television for education.

(b) Communications and public works. Engaging a telecommunications engineer/manager for the Antigua Public Utilities Authority (APUA); computerization of APUA customer records, billings and payroll; securing the services of a draughtsman for APUA; upgrading skills in the Public Works Department, along with the services of a structural engineer for the Public Works Department.

(c) Health, housing and community services. Engaging a sanitary engineer, public health adviser, health information specialist, and radiography technician; mass communications training; cultural policy development; pre-school education and other community services.

(d) Public services. Strengthening customs administration and civil service administration; engaging a printery specialist; undertaking a comprehensive law revision; upgrading prison administration and staff training.

11. Although the resources required to finance the total technical co-operation needs identified in the TCP amount to \$US 6,180,000, the Government has decided to use the country programme as a frame of reference for priority technical

co-operation needs amounting to \$US 3,970,000. The Government has secured firm commitments from bilateral and non-United Nations multilateral donors amounting to \$US 2,047,000. Resources from the United Nations system include \$US 1,200,000 from the UNDP IPF and an estimated \$US 723,000 from the other agencies and organizations, namely, the Food and Agriculture Organization of the United Nations (FAO), the Pan American Health Organization of the World Health Organization (PAHO/WHO), the United Nations Childrens Fund (UNICEF), the United Nations Fund for Population Activities (UNFPA), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Labour Organisation (ILO). Notwithstanding the restricted focus of the country programme in relation to the overall TCP, UNDP, with the concurrence of the Government, will nevertheless assist in mobilizing to the greatest extent possible the remaining resources required to carry out the total TCP.

#### D. Aid co-ordination arrangements

12. Utilization of the country programming process as a frame of reference for technical co-operation from all external sources requires effective mechanisms within the Government for aid co-ordination. It also implies continuous review of the programmes and projects presented in the document to ensure that changed circumstances and shifts in emphasis are reflected promptly. The Government of Antigua and Barbuda has centralized the responsibilities for aid co-ordination in the Ministry of Foreign Affairs and Economic Development and takes cognizance of the need to invigorate the Planning Unit within that ministry to discharge its functions effectively. The Commonwealth Fund for Technical Co-operation's (CFTC) provision of a macro-economic planner will contribute to strengthening the Planning Unit's capability. A joint programming mission was not carried out by the United Nations organizations of the Joint Consultative Group on Policy (the World Food Programme (WFP), UNFPA and UNICEF) for the purpose of preparing the country programme. However, these organizations, as well as the other United Nations agencies represented in the Caribbean, were fully consulted on the approach involved in the country programme. UNDP will continue to assist in the aid co-ordination process through periodic meetings and ad hoc consultations among the United Nations agencies and organizations represented in the Caribbean, namely, FAO, PAHO/WHO, UNESCO, ILO, the United Nations Industrial Development Organization (UNIDO), UNICEF, WFP, UNFPA and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). CGCED, in which the Government and the major donors collectively engage in a development dialogue as the basis for negotiating increased aid flows, will continue to be utilized as a framework for harmonizing the activities financed by different donors in support of the Government's development effort.

## II. THE COUNTRY PROGRAMME

### A. Assessment of current country programme

13. The current country programme aimed at supporting the Government's efforts to broaden the economic base of Antigua and Barbuda by revitalizing agriculture, expanding the manufacturing sector, increasing tourism, and upgrading the social

and economic infrastructure. However, the recession which followed several years of high real growth and high public expenditure levels caused disruption in the implementation of several development projects for which capital funding could not be secured domestically or externally because of Antigua and Barbuda's weak fiscal performance and heavy arrears on debt. For UNDP, the reduced level of resources available for programming also resulted in dislocations. In some instances, planned activities such as industrial development advisory services, industrial accountancy, pre-employment training and energy conservation had to be completely eliminated; in another case, the agricultural policy project was curtailed after preparatory assistance funded by FAO.

14. The highest percentage share of IPF resources was absorbed by the Socio-Economic Planning umbrella project (ANT/76/001) with a UNDP contribution of \$US 639,000. Macro-economic planning activities were nominal during this period. The limited resources of the Planning Unit prevent a constant in-depth analysis by the Government of its resource allocation and financing possibilities. Recently, however, the CFTC has been approached for the services of a macro-economic planner.

15. Most of the activities undertaken by the above socio-economic planning project in fact focused on training for the hotel industry. With the continued priority placed on tourism, a hotel training project was formulated and approved in 1984. The Hotel Training Centre has now firmly established a one-year basic level course for restaurant, bar, kitchen, front-office and housekeeping operatives. The 300 students who graduated from the course during the last five years have been readily absorbed into the hotel industry. In addition, the Centre mounted short intensive skills upgrading courses for 300 operatives already employed in hotels and restaurants. The Government now intends to broaden the Centre's outreach by embarking on middle-management training. Items of equipment are also needed for the front-desk course in particular. Other activities in support of tourism included a highly successful planning workshop mounted through the UNDP World Tourism Organization (WTO) Regional Tourism Development programme (RLA/79/063) with the Caribbean Tourism Research and Development Centre (CTRC), followed by a WTO short-term consultancy providing preparatory assistance for a project culminating in a tourism plan for Antigua and Barbuda.

16. The air transport sector, also supportive of tourism, benefited from UNDP assistance in the training of 12 air traffic controllers, 1 maintenance engineer and 2 other persons in crash, fire and rescue services and the administration of airport operations. Training, however, has proven to be a continuous requirement since the conditions of service in the civil aviation department tend to be a limiting factor in the retention of qualified staff.

17. In the agriculture sector, the Caribbean Agricultural Rural Development and Advisory and Training Services (CARDATS) sub-regional small farming project (CAR/81/002), financed jointly with country IPF and Multi-island resources, has made steady progress improving small farming systems, yielding an increased output of fresh vegetables and higher farmer productivity. The linking of production to secured domestic and export distribution channels has also resulted in significantly higher net income to the 70 farmers participating directly in the project. The annual average income of these farmers rose from \$US 2,600 at the

beginning of 1982 to \$US 5,136 at the end of 1985. Average receipts of another 400 farmers classified as secondary participants doubled from \$US 504 in 1984 to \$US 1,126 in 1985. CARDATS' main constraint continues to be one of finances. The level of resources at the project's disposal cannot adequately redress important deficiencies of irrigation water, post-harvest losses, and marketing facilities. Therefore the Government intends to seek investment commitments from other sources to redress these deficiencies. The Government also intends to review land tenure and pricing policy and achieve institutional strengthening of the Ministry of Agriculture. In the future, greater attention will be placed by the Government and the CARICOM Secretariat (which executes the CARDATS project) on resource mobilization and policy decisions.

18. Other agricultural sector assistance provided through the United Nations system included activities funded and executed by FAO. During the period 1982-1986, this assistance amounted to over \$US 400,000 for priority areas including small livestock, food crops and agricultural diversification generally, with particular attention to tree crop propagation. FAO was also called upon to advise the Ministry of Agriculture, Lands and Fisheries on its reorganization in order to strengthen its policy formulation and planning capabilities.

19. The design of an innovative school curriculum at the pre-vocational level, designed to give students a structured orientation to skills needed by industrial operations, was conceived jointly by UNESCO and ILO to respond to the acute shortage of skills in the labour force. The curriculum materials, though incomplete, were evaluated by an independent UNDP consultant in 1986 to ensure their appropriateness to the education and training systems in the Caribbean.

20. PAHO/WHO contributed to the design of health programmes based on a health situation analysis carried out during the third cycle. Priority attention was given to environment issues (waste disposal), vector and pest control and to the maintenance of over 90 per cent coverage in the Expanded Programme of Immunization for various diseases. Twenty-five PAHO/WHO fellowships were awarded in addition to 10 training grants under the PAHO-administered CARICOM European Economic Community (EEC) Health Scheme.

#### B. New programme proposal

21. The objectives of the new country programme are based on the Government's decision to stimulate private sector-led investment and output in the three main productive sectors of the economy and thereby create higher levels of employment, income, foreign exchange earnings and public revenue. These advances, accompanied by prudent fiscal measures, would result in increased public sector savings, an improved government borrowing and debt-servicing capability for increased public investment and the attainment of an average growth rate of 5 per cent in the medium term.

### Rehabilitation of the agricultural sector

22. The first objective of the country programme relates to the expansion of agricultural output for domestic consumption so as to curb foreign currency outflows on the importation of fresh fruit, vegetables, eggs and beef in particular. Within the last two years several major projects with external donor funding have been mounted in support of agricultural expansion. Among these are (a) a livestock sector study carried out by the EEC in 1985 as the basis for funding decisions on a full-scale project; (b) a vegetable production/farming systems programme and a livestock improvement scheme, both supported by the United States Agency for International Development (USAID); (c) an OAS natural resources assessment which undertook studies on land capability, land zoning and leasing, irrigation water and production surveys and which will focus in the future on training and linkages between tourism and agriculture; (d) the cotton, vegetable and legume production programme assisted by China; (e) the FAO fisheries policy preparatory assistance and the tree crop propagation project; and (f) the CARDATS (CAR/81/002) sub-regional small farmer development project, begun in 1979, which provides a technological package comprising farm planning, inputs, engineering, extension and marketing services. These projects will continue into the new cycle.

23. A number of new proposals have also been identified as essential to the achievement of the Government's agricultural rehabilitation objective. These include mariculture, training fishermen, fisheries administration, forestry and agricultural planning.

24. The priorities for UNDP support are agricultural planning and small farmer development (a new phase of the sub-regional project). An allocation of \$US 395,000 is earmarked as a programmed reserve. The Government plans to apply UNDP resources in combination with resources from other external donors in the form of either cost-sharing or co-financing arrangements. In addition, appropriate linkages will be established with the ongoing projects mentioned previously.

### Promotion of light manufacturing industries

25. To encourage light manufacturing, the Government will continue its policy of granting fiscal incentives, constructing factory shells in the industrial park and upgrading essential services such as electricity, transportation, telecommunications and water. Unfavourable conditions affecting CARICOM trade have created an urgent need to secure export markets outside the Caribbean, particularly in North America and Europe. Attention will also be focused on enterprises which can exploit the domestic market created by the tourist industry, for example, handicrafts. A number of ongoing projects contribute to the attainment of this objective. The Caribbean Project Development Facility (RLA/81/010), assisted in the identification, preparation and promotion of private sector investment projects. Completed proposals requiring financing are concerned with shrimp farming, mattress production and detergent manufacturing. The USAID sub-regional Project Development Assistance Programme (PDAP) supports investment promotion efforts, as does the Caribbean Investment Promotion Service in North America to which UNIDO and UNDP contribute; OAS is engaged in skills training and EEC is involved in handicrafts development. Proposed projects for which United Nations



assistance is required are (a) upgrading the craft production programmes in embroidery, leather, ceramics and silk screen printing organized by the Ministry of Education and Community Development; (b) training electronics and airconditioning/refrigeration instructors for the Antigua State College; and (c) developing technical and vocational curricula designed to meet employment needs. The latter two are crucial to adequate preparation of the work force for the manufacturing sector. The sum of \$US 250,000 is allocated from the IPF for this manufacturing promotion objective. It will be utilized to complement other grant or loan resources available to the Government.

#### Tourism development and employment creation

26. Major tourism infrastructure-related projects continue with the support of OAS, the Canadian International Development Agency (CIDA) and the British Development Division (BDD), while the priority for UNDP assistance lies in the area of human resource development. Specifically, the curriculum of the Hotel Training Centre is to be enlarged to include middle management training to prepare Antiguan for higher level responsibilities or self-employment, in accordance with the Government's policy of promoting greater local participation in the tourism trade. The UNDP contribution required for an extension of the project is \$US 435,000. ILO will fund overseas fellowships for instructors at the Centre. Renewed efforts will also be made to interest other sub-regional Caribbean Governments and external donors in sharing the facilities of the Centre. The sum of \$US 20,000 is also allocated from the IPF for this programme objective.

#### Other areas of attention in the social sector

27. The preceding objectives constitute the main thrust of the fourth country programme. However, the programme also reflects the Government's concern to ensure that the benefits of economic growth are manifested in improved living standards and social conditions. The development priorities in this area concern the provision of housing for the lower-income segment of the population and better medical and public health services. The Ministry of Health is developing a health plan and improving the health information system, particularly in the areas of maternal and child health, environmental protection, nutrition and immunization.

28. In addition, a comprehensive law revision exercise is being carried out to give legislative effect to advances in the administration of social justice. A contribution of \$US 40,000 from the IPF is assigned to the social sector, with the understanding that these resources will be utilized as seed money to mobilize larger commitments from other donors. Resources of approximately \$US 184,000 will be requested from PAHO/WHO for health services, legislation pertaining to health facilities and maternal and child health programmes including family planning, sanitation and community water supply. UNICEF will also be requested to contribute about \$US 200,000 towards pre-school education and UNFPA will be asked for approximately \$US 75,000 for family life education. The current phase of WFP's Supplementary Feeding Programme is due to end in December 1986 and the need for continued assistance will be examined by the Government and WFP.

#### C. Unprogrammed reserve

29. An amount of \$US 60,000 is reserved for unforeseen contingencies.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	\$	\$
A. <u>UNDP-administered sources</u>		
Third cycle IPF balance	-	
Fourth cycle IPF	<u>1 200 000</u>	
Sub-total IPF		<u>1 200 000</u>
Special Measures Fund for Least Developed Countries	-	
Special Programme Resources	-	
Government cost-sharing	-	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Sub-total, UNDP non-IPF funds		-
B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations as a result of the country programme exercise:		
(i) Firmly committed	10 000	
(ii) Additional funds required	713 000	
Parallel financing from non-United Nations sources:		
(i) Firmly committed	2 047 000	
(ii) Additional funds required	-	
Sub-total, other sources		<u>2 770 000</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>3 970 000</u></u>

II. USE OF RESOURCES

Ongoing projects	2 492 000	
New project proposals	713 000	
Programmed reserve	705 000	
Sub-total, programmed resources		<u>3 910 000</u>
Unprogrammed reserve		60 000
TOTAL RESOURCES		<u><u>3 970 000</u></u>