



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/CAR/4
23 October 1986

ORIGINAL: ENGLISH

Special session
February 1987, New York
Item 4 (a) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH MULTI-ISLAND PROGRAMME FOR THE COUNTRIES
OF THE EASTERN CARIBBEAN*

| <u>Programme period</u> | <u>Actual resources programmed</u> | \$ |
|-----------------------------|------------------------------------|-----------|
| February 1987-December 1991 | UNDP IPF for 1987/1991 | 2 500 000 |
| | UNDP IPF Balance from 1982/1986 | 50 000 |
| | Total | 2 550 000 |

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) proposed projects; (b) distribution of resources by objective; (c) distribution of new programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The economies of the countries constituting the Organization of Eastern Caribbean States (OECS), namely Antigua and Barbuda, Dominica, Grenada, Saint Christopher and Nevis, Montserrat, Saint Lucia, Saint Vincent and the Grenadines and the British Virgin Islands (Associate Member), are in a transitional stage of development from an agrarian to a more diversified economy in which tourism and light manufacturing are emphasized. Traditional exports, however, dominate in the composition of gross domestic product (GDP) and are a major determinant of growth performance.
2. The rate of growth in economic activity declined significantly between 1981 and 1983 with output averaging 4.48 per cent, 2.9 per cent and 1.66 per cent respectively for the three-year period. Reduced earnings from the traditional export industries, namely bananas, cocoa, nutmegs, mace, sugar and arrowroot accounted primarily for the fall in the rate of growth. These industries suffered from weak demand in the industrial countries and declining commodity prices on the international market. The economies of those countries which saw an improvement in their traditional export sectors during 1982 and 1983, (Saint Lucia, Dominica and Saint Vincent and the Grenadines) showed positive growth, while in the countries where the traditional sectors performed poorly, the economies experienced either no real growth or negative growth, as was the case in Grenada and Saint Christopher and Nevis.
3. The rate of economic growth improved somewhat in 1984 and continued into 1985. The upturn was due to a recovery in tourism and an increase in exports of traditional crops. The improvement in tourism derived mainly from limited economic recovery in North America and, to a lesser extent, Europe. Growth in export receipts from traditional products was due to higher volumes, although prices remain depressed. The improvement in the tourist industry began in 1983 following three years of decline or stagnation and, as a result, the sector's contribution to GDP increased in all countries. The contribution of the hotel and restaurant sector, which reflects in part the contribution of tourism to GDP, rose on the average for the OECS member countries (excluding Grenada) from 7.40 per cent of total GDP in 1980 to 8.4 per cent in 1985.
4. The contribution of the manufacturing sector to GDP has decreased marginally from the 1980 level of 9 per cent to 8.65 per cent in 1985. Output consists of light manufactured goods as well as import-substituting consumer goods. In general, during the early 1980s, those industries producing for the domestic and Caribbean Community (CARICOM) markets performed creditably, whereas the recession had the effect of restricting the sales of firms producing for extra-regional markets, particularly the United States of America. After 1982, however, manufacturing output became depressed as trading difficulties developed in the CARICOM market, compounding the already difficult situation in extra-regional markets also affected by international recession, one exception being exports of apparel to the United States which increased significantly. By contrast, the relatively high growth in imports of manufactured goods aggravated the imbalance on the current account of the OECS countries by its effects on the terms of trade.

5. Over the period, the inflation rate as measured by the area weighted consumer price index fell further after recording substantial declines from 18.2 per cent in 1980 to 8.9 per cent in 1981 and 3.6 per cent in 1982. In 1985 the area weighted average rate of inflation was 1.9 per cent. The fall is a reflection of the relatively stable import prices which came about as a result of lower rates of inflation in the OECS' main trading partners and stability of the currency vis-à-vis the United States dollar.

6. Official data on the level of employment and the work-force are not generally available within the OECS but it is estimated that the unemployment rate lies between 15 and 20 per cent. The manufacturing sector, with the greatest potential for creating employment, declined during the period and employment within the Government sector has been contained in most countries because of the need to reduce fiscal deficits. Furthermore, employment opportunities within the tourism and agricultural sectors have not increased sufficiently to absorb fully the new entrants into the labour force.

7. A number of countries continue to experience fiscal difficulties. For the area as a whole, budgetary deficits on current account increased to 1.33 per cent of GDP in 1984 from 0.55 per cent in 1983. The shortfall in revenue relative to expenditure in some countries resulted from a policy of reducing direct taxation in order to stimulate investment; in others it is due to deficiencies in the revenue collecting machinery. Some Governments have also experienced difficulties in servicing their external debts and have held discussions with lenders regarding the rescheduling of their debt obligations in order to reduce immediate amortization requirements.

8. The prospects for future economic growth remain inextricably tied to the fortunes of the major industrial countries. Economic growth, particularly in the tourism-based countries, is predicted to gain momentum in 1987 if the projected increases in the output of industrial countries materialize.

B. Regional development strategies

9. The regional development priorities are aimed basically at two major objectives. First is the strengthening of the OECS integration movement. Recent economic trends have emphasized the countries' need to diversify their economies and consequently a number of programmes have begun or are planned to stimulate agriculture and industry and strengthen the linkages of these sectors with tourism. The design and execution at the national level of coherent policies and strategies within a regional framework are crucial and the regional institutions such as the OECS, CARICOM, the Caribbean Development Bank and the Caribbean Tourism Research Centre (CTRC) have important roles to play in this context. The challenge to the regional integration institutions is greater than ever before given the external pressures on the individual country economies, a tendency towards protectionist policies in intra-regional trade and the shortage of qualified cadres of high and middle level professionals to devise enlightened solutions to overcome the subregion's development constraints. Secondly, given the small size of the OECS States, the constraints on development are best addressed through regional

approaches when the critical mass necessary for undertaking viable economic projects cannot be met at the level of individual countries, a factor sometimes underestimated by Governments and external donors. The strategies described here correlate with the individual country programmes.

C. Technical co-operation priorities

10. The technical co-operation needs of the countries of the OECS subregion have been estimated at \$US 40 million. This estimate was made on the basis of Technical Co-operation Programmes (TCPs) which the various countries prepared at the end of 1985 and the beginning of 1986 with the assistance of the UNDP office in Barbados.

11. Based on this comprehensive assessment of technical co-operation priorities in the individual OECS countries and taking into account the allocation of resources under the individual country programmes for the fourth cycle, the following technical co-operation priorities which lend themselves to joint action at the subregional level have been selected for implementation under the multi-island programme: (a) agricultural diversification and rural development; and (b) improved public sector management and human resources development.

D. Aid co-ordination arrangements

12. UNDP and the United Nations agencies and organizations represented in the Eastern Caribbean, 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 Department of Technical Co-operation for Development (UN/DTCD), the United Nations Fund for Population Activities (UNFPA), the United Nations Industrial Development Organization (UNIDO), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organisation (ILO) and the Economic Commission for Latin America and the Caribbean (ECLAC) work closely in co-ordinating their activities in support of the development efforts of the Governments, OECS and other regional institutions. This is done through periodic meetings as well as consultations among organizations on an ad hoc basis. Moreover, the Caribbean Group for Co-operation in Economic Development (CGCED), in which OECS participates, provides an important framework for promoting co-ordination among the various donor agencies, both in terms of capital investment and technical co-operation and also on economic policy issues which are discussed within the Group.

13. UNDP has prepared for the Caribbean Group an analysis of the utility of an institutionalized aid information system covering the OECS countries. On that basis, UNDP was requested to continue the preparation of the Compendium of Technical and Capital Assistance to the OECS, previously compiled by the Inter-Agency Resident Mission (IARM), to facilitate aid co-ordination. The phasing out of the combined assistance of UNDP, the World Bank, USAID, CIDA, BDD, OAS, the Caribbean Development Bank, and the Inter-American Development Bank (IDB) for IARM at the end of 1986 has created the need for establishing alternative arrangements to support aid co-ordination. Over the next two years (1987-1988), UNDP has

allocated the sum of \$US 120,000 from its Special Programme Resources for this purpose, with the stipulation that UNDP support be contingent on the eventual assumption by the OECS Economic Affairs Secretariat of the responsibilities for the aid information system. This programme provides an allocation for facilitating this transfer.

II. THE MULTI-ISLAND PROGRAMME

A. Assessment of current multi-island programme

14. The third multi-island programme for the Eastern Caribbean subregion focused on promoting joint action among the countries in the areas of agricultural production and marketing, industry, maritime transportation, statistics, energy, planning, fiscal management, health and technical and vocational education. In several instances the Governments demonstrated their commitment to mutual co-operation by combining individual country IPF resources in a common pool, often with other funds, to carry out priority activities in the areas mentioned previously.

15. In agriculture, the Caribbean Agricultural Rural Development and Advisory Training Service (CARDATS) Agricultural Development project which promotes small farming development leading to increased domestic food and export crop production and marketing was expected to contribute ultimately to solving the problems of rural unemployment as well as to stimulate better rural conditions. That the project has produced positive change for an increasing number of farmers in several OECS countries is evident. Acreage brought under cultivation by farmers in the project has almost doubled from 1,100 in 1982 to 2,141 in 1985 and an estimated 4,000 in 1986. Similarly, the quantities of farm produce sold under the project have also increased. Consolidated data for 1986 will not be available until the first quarter in 1987, but for 1985, increases of 15.3 per cent and 15.6 per cent in volume and value respectively above the 1984 level were recorded. Average return to farmers from produce sold ranged from \$US 6,400 and \$US 5,600 in Saint Vincent and Antigua and Barbuda at the end of 1985 to \$US 700 in Dominica, where constraints of land tenure affected the attainment of higher production targets. In other instances, such as Montserrat, failure to gain access to export markets hampered expanded production and distribution of fresh vegetables. More concerted efforts have since been made in linking production to secure domestic and export distribution channels and a marketing intelligence service for the OECS subregion has been started with the launching of a weekly radio broadcast geared to reach farmers, traders and input suppliers. CARDATS' main constraint has been securing an adequate level of financing to address the technical issues of irrigation water, post-harvest losses, marketing facilities and farm loan resources. To overcome this obstacle, UNDP and the CARICOM secretariat which executes the project have initiated action to mobilize additional resources from other donors including USAID, CIDA and the EEC for a new phase of assistance commencing in 1987. A grant of \$US 450,000 has already been secured from the Arab Gulf Programme Fund for United Nations Development Organizations (AGFUND). During the current IPF cycle, the project has been subjected to two independent evaluations, the second of which was carried out in August/September 1986. These evaluations have confirmed the importance of monitoring small farmer development as a central aspect of the

strategy of agricultural diversification in OECS countries and the need to secure adequate resources to support such a programme. Governments' commitment to the project will be carefully analysed, and assessment will be made of the nature and level of technical assistance needed and appropriate modifications will be introduced in the project in order to ensure continued development of the small farming sector in the subregion.

16. In industry, some residual activities were carried out in Grenada under the now-completed Industrial Promotion project (CAR/73/001). These included an industrial survey to establish the data base required for industrial planning and programming and assistance to a major agro-processing enterprise. The period of political unrest which followed events in Grenada in late 1983 detracted from the immediate value of these activities; they have not yet received the full consideration of the new Government. The Caribbean Investment Promotion Service project (CIPS) had some success in increasing the capability of officials of OECS countries to undertake investment promotion through on-the-job training and the exposure received in North America. In general, the project enhanced awareness of the requisites of investment promotion in the subregion and a permanent CIPS promises long-term benefits to the countries by permitting them to maintain on a joint basis a more cost-effective investment promotion operation in the marketplace. However, it has been less easy to quantify the foreign investments and the employment opportunities generated directly by CIPS apart from other efforts in the region. OECS foresees the need for continued assistance in this field, involving some improvements in the management and administration of CIPS and stronger functional linkages with the USAID-sponsored Project Development Assistance Programme (PDAP). A proposal for such modifications is currently being considered by USAID.

17. In the area of maritime transportation, the usefulness of a joint UNDP/International Maritime Organization (IMO)/United Nations Conference on Trade and Development (UNCTAD)/ECLAC project intended to lay the basis for important economic and financial decisions by Governments in the wider Caribbean with respect to the small vessel fleet, subsidized regional carriers and relations with international shipping line conferences was severely reduced by the inconclusiveness of the major project outputs. The Caribbean Shipping Information System (CASIS) tended to consume the attention of the project team to the detriment of other crucial aspects of the project namely, the policy outputs and the economic and financial analyses. It is therefore all the more regrettable that efforts to launch CASIS lapsed soon after the project was curtailed. CARICOM and the OECS countries have recently agreed on modified arrangements for the operation of CASIS on a continuous basis.

18. In the education sector, the UNESCO/ILO executed Multi-island Education project (CAR/83/001) has been successful in sensitizing the OECS countries to the potential for enlarged technical and vocational components in the school system. A major thrust has been made in launching the pre-vocational skill-oriented curriculum with a range of instructional modules prepared for automotive, electricity, metal work and woodwork courses, together with the appropriate hand tools and the associated mathematics and science study programmes for use in pilot schools or centres in each participating country. Over 40 teachers and instructors have been trained in the ILO methodology basic to the curriculum and orientation

workshops were held for another 20 educators, including principals of the pilot schools. It has become apparent, however, that support at the country level for recurrent expenses was underestimated at the project's inception, resulting, for example, in the insufficient provision of suppliers for reproducing the ILO instructional materials, augmenting them with other teaching aids and, in some instances, providing adequate facilities for the storage of tools.

19. Countries have also adopted varying methods of implementing the pre-vocational curriculum, thereby increasing the need for constant monitoring and review, performance evaluation and ongoing teacher training programmes.

20. The Economic Advisory Services Project was particularly useful and beneficial to the OECS countries and to the OECS Economic Affairs secretariat. It has allowed for the kind of flexible response which is very much needed, given the economic circumstances of the countries involved. The project provided concrete practical technical support in a number of specific policy areas, including the reform of legislation, blueprints for restructuring and reorganizing the Ministries of Finance, negotiations with multilateral agencies such as the World Bank and the International Monetary Fund (IMF), the establishment of the Eastern Caribbean Central Bank, co-ordination of and active participation in the design and delivery of training programmes for Member States in fiscal policy and planning, tax administration, customs administration and double taxation negotiations.

21. Sufficient support from the staff of the OECS secretariat and the relevant Ministries of the Member States would have increased the effectiveness of the project by developing the staff capability at the national and regional levels. Insufficient financial provisions for the United Nations adviser's travel also proved to be a limitation of the project. As indicated earlier, the urgency of this kind of advisory service to the OECS countries has tended to be reduced by the launching of the USAID-funded Public Management Policy Planning project. However, there is a continuing need for United Nations assistance to the OECS secretariat to address the more regional aspects of economic policy formulation and co-ordination.

22. The Inter-Agency Resident Mission (IARM) project (RIA/82/004) assisted the OECS countries in the formulation of public sector investment programmes, facilitated the process of negotiations with international agencies and improved access to donor resources for capital and technical assistance. Improved systems of debt monitoring and management at the national levels have been instituted and middle-level officials trained in national economic management. IARM has also made a significant contribution to the process of effective co-ordination of the availability and use of the resources of donor agencies through the annual compilation of a compendium of all external assistance to the OECS subregion. Insufficient co-ordination between IARM and OECS, deriving in part from the latter's financial inability to ensure functional collaboration with IARM, prevented the active involvement of OECS and proved problematic in arranging for the transfer of IARM's responsibilities to institutions in the region. Technical assistance will still be necessary to support the work of the OECS secretariat upon termination of the project. The need for a high level macro-economist of the calibre of the Head of IARM or the former United Nations Economic Adviser to the OECS will continue.

23. UNDP assistance for the monitoring and analysis of data on international petroleum pricing structures and trends, energy planning and an energy information service concluded at the end of June 1986. A data base on energy imports, sectoral consumption and prices was established and first published as the 1985 OECS Energy Bulletin. This is being updated and expanded with the publication of a 1986 issue. Regular and ad hoc advice was provided to member countries on issues such as petroleum margins and reviews of energy sector studies; investment plans were also carried out. Falling world crude oil prices, however, have caused Governments to defer action on strengthening their energy management capabilities, since energy is not currently perceived as a critical priority. Yet the increased significance of taxes on imports of petroleum products as a contribution to government revenue underscores the continuing need for careful monitoring of petroleum prices and reconsidering current domestic petroleum pricing strategies, particularly with regard to their fiscal implications.

24. A significant amount of short and long-term training for 15 persons from the Economic Affairs secretariat and from the member countries, including training in socio-economic statistics, national accounts and data processing, has made an important contribution towards increasing the capability of the OECS subregion as a whole to provide statistical services in support of the countries' economic development efforts. In particular, the provision of a national accounts adviser and the training of an OECS staff member who is now the senior statistician have resulted in the readier availability of updated national accounts of the countries and an enhanced capability within the region to continue to improve the national accounts series. The project has enabled the secretariat to continue improving its ability to process trade and other economic data speedily by providing data processing hardware and support for hiring personnel. In this regard, the ability of the secretariat and the countries to prepare effectively for negotiations pertaining to intra-OECS and intra-CARICOM trade has been enhanced.

25. Although significant progress has been made in the last few years, work in the area of statistics continues to be hampered by inadequate provision of manpower and finance in national budgets. To some extent, the efficacy of the project was adversely affected by administrative and management deficiencies at the secretariat level. Greater clarity on the part of the secretariat with respect to work programme priorities and objectives agreed upon with the Member States and a better balance between the objectives and resource allocation would have produced more lasting benefits. For example, in retrospect it becomes apparent that there might have been a larger provision for long-term technical assistance in national accounts. These considerations will be borne in mind in the formulation of a new phase of assistance commencing in 1987.

B. New programme proposal

26. The multi-island IPF has been allocated to two major objectives: Agricultural diversification and rural development (24.9 per cent) and Improved public sector management and human resources development (75 per cent). These two objectives, in turn, have been divided into the six following sub-activities: (a) Agricultural diversification and development 24.9 per cent; (b) Strengthening of OECS policy-making and planning capability 40.0 per cent; (c) Education 11.8 per cent; (d) Housing 11.8 per cent; (e) Tourism development 7.8 per cent; (f) Technical

co-operation between OECS and Latin America 2 per cent. Since all assistance related to these objectives will be new projects, several project formulation missions drawing on the expertise of independent consultants were initiated for completion by the end of 1986. Pending the recommendations of such missions in the fields of housing, small farming development and statistics, the nature of UNDP assistance will be stated in general terms.

Agricultural diversification and rural development

Agricultural diversification and development, including agro-industries

27. During the fourth cycle an allocation of \$US 500,000 will continue support to small farmers through the CARDATS project and provide for the implementation of a pilot structural adjustment programme in agriculture in one of the OECS countries. The cost of this structural adjustment programme, expected to reach several million dollars, will be determined early in the cycle. Saint Christopher and Nevis has been selected for the pilot programme in consultation with the Caribbean Development Bank, OECS, UNDP and FAO.

Improved public sector management and human resources development

(a) Strengthening OECS planning and policy-making capability

28. IPF resources totalling \$US 1,020,000 have been earmarked for a cluster of activities in this area. First, to develop notably national income and other socio-economic statistical services, indicators \$US 660,000 has been set aside for a new phase of assistance for strengthening national and regional capabilities. The specific areas of emphasis of this phase will be determined in the course of an independent evaluation of the present phase of UNDP assistance, which will be combined with the project formulation system. Second, further assistance to aid co-ordination and analysis at the OECS Economic Affairs secretariat will allow for continuity in the functioning of the OECS aid information data base established by the IARM project. The system will be maintained jointly by the UNDP office in Barbados and the OECS Economic Affairs secretariat. An amount of \$US 60,000 is allocated for the required professional staff inputs and data processing facilities. Third, through an integration support facility project the sum of \$US 200,000 will be provided by UNDP to OECS for carrying out technical studies and workshops related to the latter's mandate. Fourth, \$US 100,000 is foreseen for economic advisory services and seminars in economic management.

(b) Technical and vocational education

29. The evaluation of the Multi-island Education project (CAR/83/001) carried out in late 1986 strongly recommended that the pilot phase be fully completed and the results assessed continuously as students progress through the three-year pre-vocational curriculum in woodwork, electricity, metalwork and automotives. The successful completion of the project will facilitate implementation of the prospective World Bank-supported technical and vocational education project expected to begin in 1987. The sum of \$US 300,000 is allocated for this activity.

(c) Housing for low-income workers

30. The findings and conclusions of a recent preparatory assistance mission will form the basis for further discussions with the Governments of the subregion on a programme of United Nations support for this activity. UNDP assistance of \$US 300,000 is foreseen.

(d) Tourism development

31. In view of the limited macro-economic analysis of tourism available in eastern Caribbean countries, the OECS Economic Affairs secretariat will undertake the formulation of a programme of intersectoral linkages between tourism and other sectors, as well as economic analyses for the tourism sector itself. An amount of \$US 200,000 is allocated for this purpose. The activities will be carried out in collaboration with the Caribbean Tourism Research and Development Centre (CTRC).

(e) Strengthening co-operation between OECS and Latin America

32. The OECS countries propose to develop clear priorities in areas for technical co-operation with Latin America. These include the potential for trade expansion, the establishment of joint business ventures, the training and delivery of turn-key projects and also the study of the practical problems caused by the lack of extensive historical and cultural contacts between the two subregions. An allocation of \$US 50,000 is foreseen for this objective; ECLAC will collaborate in the formulation of the proposal.

C. Unprogrammed reserve

33. An amount of \$US 30,000 is held in reserve for other eventualities.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

| A. <u>UNDP-administered sources</u> | \$ | \$ |
|--|-----------|--------------------|
| Third cycle IPF balance | 50 000 | |
| Fourth cycle IPF | 2 500 000 | |
| Subtotal IPF | | 2 550 000 |
| SMF | - | |
| Special programme resources | - | |
| Government cost-sharing | - | |
| Third party cost-sharing | - | |
| Operational funds under the authority of the Administrator | - | |
| UNDP special trust funds | - | |
| Subtotal, UNDP non-IPF funds | | \$ - |
| | | |
| B. <u>Other sources</u> | | |
| Funds from other United Nations agencies or organizations firmly committed as a result of the programming exercise | | |
| Parallel financing from non-United Nations sources | | |
| Subtotal, other sources | | \$ - |
| | | |
| TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING | | <u>\$2 550 000</u> |

II. USE OF RESOURCES

| | | |
|--------------------------------|----------------|--------------------|
| Ongoing projects | - | |
| New project proposals | 2 220 000 | |
| Programmed reserve | <u>300 000</u> | |
| Subtotal, programmed resources | | <u>\$2 520 000</u> |
| Unprogrammed reserve | | <u>\$ 30 000</u> |
| TOTAL USE OF RESOURCES | | <u>\$2 550 000</u> |

