Statement by Balmiki Prasad Singh  
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**Eastern Caribbean Sub Region: Country Assistance Strategy; Caribbean Region: Multi-Country HIV/AIDS Prevention and Control Project**

We welcome the discussion on the Country Assistance Strategy for the Eastern Caribbean Sub-Region. Despite the activities of many donors and a substantial amount of aid flows, the poverty head count index in most of these countries is very high. Paradoxically, human development indicators are also much higher than of comparator countries. The small size of these countries, their vulnerabilities to nature and dependence on a very narrow basket of exports makes their position unique. The selection of Bank’s activities in the CAS reflects a rather strict construction of the principles of selectivity and comparative advantage, which we shall highlight later in our intervention.

2. **Aid Coordination:** The strategy has rightly focused on enhanced aid coordination as a key activity which will have significant impact on the development effectiveness of donor funded projects and programs of these countries. A look at Table 4 on page-21 indicates that there are a large number of multilateral and bilateral development partners working in the Eastern Caribbean. As is clear from the CAS consultations, the linkage among the programs of the various development factors are not always evident to the countries and that the way in which aid coordinator works at present needs clarifications. It is evident that capacity would be scarce in these countries, most of them with population of less than 100,000. Therefore, to maintain separate dialogue with different development partners, often on the same subject would stretch their capacities considerably. Now that a government owned sub-regional strategic framework has been prepared, it should be possible to enhance aid coordination considerably. The periodicity of the meeting of the Caribbean Growth for Cooperation in Economic Development (CGCED) should be increased and domestic agendas of development partners should not act as an impediment in coordinating common policies, programs and procedures.

3. **Sub-Regional Coordination** We also support the priority given to sub-regional integration for the very same reasons. The Bank and other development partners should work through the existing bodies, namely, CARICOM, ECCB and OECS Secretariat so that actual delivery of services can be made less expensive for the countries concerned while simultaneously strengthening capacity at the sub-regional level. The CDB V and VI operations may have been premature as capacities did not exist at that time for the latter organization to be really able to deliver; in the changed circumstances, the two multilateral organizations (World Bank and CDB) can work as partners so that a whole host of small investments in physical infrastructure can be
funded. This would be something akin to the way IFC works through financial intermediaries to promote the development of SMEs in countries that have underdeveloped financial sectors.

4. **AA Activities** The CAS has proposed an extensive list of AA activities. We feel that these are on the right lines. However, these countries may well need help through a step-up in lending to enable a smooth transition to better policy regimes. The CAS does not provide for it. Would we see this scenario evolve or would staff work and coordinate with other development partners to see that the policy advice so rendered is actually implemented in practice?

5. **Principles of Selectivity**: We feel that the Bank management has been rather rigorous in the application of the principles of selectivity and comparative addition. It is clear from the document that the main risks to the economies of these countries stem from two sources, which are not entirely independent, and in fact often strengthen each other. These are exogenous shocks and fiscal slippages which themselves could be the result of these shocks. Whether it is natural disasters which can devastate and cause loss up to 140 percent of the GDP of some small countries, or the concentration of exports in a few goods and services or the swing in price of key commodity imports (e.g. oil), these countries need to evolve and adopt stabilizing measures to ensure reduction in volatilities. The CAS document states that the main objective of the World Bank Group’s assistance is to help reduce poverty in close collaboration with the countries themselves, sub-regional organizations and external partners by: (i) reducing income insecurity and vulnerability at the aggregate and household levels; and (ii) building human and institutional capacity. This approach is unexceptional. In actual practice most of the assistance towards achieving these objectives is through the provision of AA services with some investment in education and through the HIV/AIDS Initiative. There are also some operations that would help in disaster management and the strengthening of the public sectors/regulatory regime. Whilst good policy aspects are very essential and it is largely up to the countries to improve their macro and investment climates, we do feel a sense of incompleteness in the projected Bank work program. No doubt the countries concerned have consented to the proposed work program, a reading of the summary of comments received from the consultation process indicates that there seems to be a desire for greater Bank involvement. Diversion of agricultural activities away from crops like sugarcane and bananas are essential for these countries not just to accelerate growth but to actually prevent economic and social collapse. Such diversification is also required for creation of jobs since unemployment seems a real issue with potential to bring about social collapse. The countries themselves have indicated both these activities, namely, diversification of agriculture and the need to address issues of youth relating to employment as high in their development priorities. In these circumstances, we wish that the work program was slightly more ambitious and that the Bank should have used its rich development experience to work with these countries in helping them chart a new path of development. The fact that some other development partners are involved in some aspects of this work does not take away from the imperative for Bank’s involvement in this most pressing of activities that has the potential to actually promote sustainable growth and poverty reduction.

6. **Government-Market Interplay**: Domestic market in most of these small island economies is of very limited size. Willy-nilly, the
government has to take on much more than it would in even slightly larger countries. This is one of the
constraints in the development of a vibrant private sector, and has constrained the diversification of
economic activities. There would be considerable scope for taking up non-traditional agricultural crops,
of food processing and other value added capacities related to it. However, individual farmers and
entrepreneurs would not have retaining capacities. Government marketing boards have generally been not
successful globally but the absence of private sector players limits option for taking up new economic
activities. Cooperatives and similar institutions could be encouraged so that they could help in the
provision of credit, supply of inputs, marketing, etc. The IFC has a significant role to play in these
countries.

7. **Financial Sector** The small domestic private sector and more important, the
underdeveloped financial sector is one of the impediments in the promotion of diversification of
economy and creation of employment. Para 16 of the document describes how the lack of
properly structured financing and of equity capital has hindered the creation of a resilient private
sector. No doubt the IFC would be looking around for suitable partners with whom to work in
the region. The possibility of developing sub-regional capital market using the medium of screen
based trading to extend its coverage and widen its base would be a step in the right direction. The
Bank and the IFC should work with local governments and sub-regional organizations to build
this and similar institutions.

8. **Off-Shore Financial Services** The provision of off-shore financing services has been
one sector which a number of these countries have used to diversify their economies. The step
towards improvements in the regulatory regime are welcome since money laundering should be
actively discouraged. However, there is a danger that a country’s autonomy in evolving its own
fiscal policies could be jeopardized if outside, non representative bodies like the FATF and
OECD would get involved in micro management. Each sovereign authority should be capable of
enacting its own taxation policies, even competitively so. It would be wrong to term them as
harmful tax policies. The wide variations in taxation rates among the OECD countries, tax
exemptions and subsidies to exporters, etc. are matters for which no unilateral solutions are
available. The recent announcement by FATF Secretariat that some of its very major members
have not implemented a third of its own recommendations shows the limitation of these
supra-national bodies. So long as criminal acts are not routed through these countries they should
be allowed to develop their own financial services.

9. **Recommendations:** We welcome, in fact encourage enhanced, engagement of the World
Bank Group in the Eastern Caribbean States and we are confident that with the enhanced aid
coordination and with major states being taken to mitigate losses caused by natural disasters, the
economies of these countries would become more resilient. We commend the regional approach
as a way to tide over problems of diseconomies of scale, but feel discouraged seeing the Bank’s
modest proposed lending in activities that have the potential for economic transformation of
these countries.

**Multi-Country HIV/AIDS Prevention and Control Project**

We welcome the Bank’s initiative in launching the Multi-Country HIV/AIDS Prevention
and Control Project, particularly the resumption of lending to Barbados which had graduated

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from IBRD in 1993. The Multi-Country Initiative is the right approach in the circumstances of Eastern Caribbean. Different countries are at different stages of preparation for taking up this work and the APL is the best instrument that allows for flexibility and would also act as an encouragement for countries to move forward. We have only one concern. No doubt HIV/AIDS is an issue that has to be given a high priority since it could cause grave losses to the development gains of the past. However, we feel that the overall quality of the healthcare of a country is very important and that the attack on HIV/AIDS should be seen in the context of that capacity. The appropriate analogy is of a strong limb in a healthy body. It is clear from the CAS summary of development priorities that the key issues of quality of health clinics and hospitals and inadequate funding of the health sector and social health insurance are high priority for these countries, but moderate priority for the Bank. On the other hand, the need to take measures to tackle AIDS is only a moderate priority for these countries but high priority for the Bank. No doubt the Bank’s experience in Sub-Saharan Africa has made it well equipped to understand the implications of HIV/AIDS but we respect countries’ own priorities and the fact that ultimately it is the effectiveness of the overall health system that would enable a country to keep the HIV/AIDS scourge in check. A harmony in the approach of the national governments and the Bank is required for effective implementation of health programs with special emphasis upon prevention of spread of HIV/AIDS. Such an approach would ensure optimal utilization of health infrastructure services.

Subject to remarks made above, we endorse the Country Assistance Strategy and support Multi-Country HIV/AIDS Prevention and Control Project.