Statement by Sharon Weber  
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**Eastern Caribbean Sub-Region: Country Assistance Strategy (CAS)**

**Introduction**

For decades, the World Bank has been an important development partner for countries in the Caribbean region in support of efforts to reduce poverty and achieve sustainable growth and development. The relationship continues to evolve and is being driven by a number of important developments which will define its character in the future. Among them are: attempts by governments to redefine the role of the state and to improve delivery of public services; efforts to make the transition to a more globally integrated economy, particularly within the context of a trading regime which is rules-based and built less on preferential alliances; the gradual decline in availability of concessional resources as economies need to be repositioned in order to create new growth industries and phase out existing ones; the need to respond to the HIV/AIDS crisis and its pernicious social and economic effects; increased acknowledgement that the special challenges facing small states deserve appropriate responses by the international community; new approaches to development assistance built on partnership, country-owned strategies and involving a broader spectrum of players; and the need to incorporate the benefits which technology can deliver to improved development and economic outcomes. These issues will continue to define how the Bank and other partners interact with the region in the foreseeable future.

The CAS for the Eastern Caribbean Sub-region for FY02 to FY06 has sought to take account of some of these developments and to define a more focused approach for Bank engagement with the region. My authorities fully support the underlying objective which to support poverty reduction through a reduction in vulnerability at the aggregate and household levels, and building of human and institutional capacity. This comprehensive approach to poverty reduction coincides with the multidimensional view articulated in the 2000/01 World Development Report and embraces core elements of deprivation such as powerlessness, insecurity and vulnerability.

My authorities also welcome the package of new commitments of between $100 m and $110 m for the sub-region to support initiatives in health, education, disaster management, public sector reform and environment management. On their behalf, I would like to thank Bank staff for the work which has gone into the preparation of the CAS, and the broad consultations which have been undertaken in association with its preparation.
Small States Challenge

The six (6) Eastern Caribbean States, with average size of 450 sq. km and population ranging from 45,000 (St. Kitts and Nevis) to 150,000 (St. Lucia) are among the world’s smallest developing states. They share a number of common characteristics such as a high degree of openness; fragile ecosystems, well-entrenched parliamentary democracies and heavy dependence on one or two major economic activities – tourism and/or agriculture.

Within recent decades, the economies of the Eastern Caribbean states have registered positive growth performance and social indicators have improved remarkably and compare favorably with those of many middle-income countries. In addition, most rank relatively high on the 2000 UN Human Development Index. However in spite of progress on these fronts, there are still significant pockets of poverty which vary by country. Estimates are that between 12% and 38% of the sub-region’s population is poor and could be further affected by shocks caused by contraction in the banana and sugar industries. In addition, income inequality is also quite high.

The countries in the sub-region face a number of important development challenges, many of which are unique and flow from their small size. These have been fully explored by the Commonwealth Secretariat/World Bank Task Force on Small States which identified a number of characteristics that pose special developments challenges for this group of countries. In this regard, they are especially vulnerable to external events, including natural disasters, that cause high volatility in incomes at the national and personal levels; many are currently facing an uncertain and difficult economic transition to a changing world trading regime; and they suffer from limited capacity in the public and private sectors.

In setting a policy framework for the way forward, the Task Force called on the international community to give special attention to the specific needs of small states and identified a work programmed focused on the following sets of issues: (1) Tackling volatility, vulnerability and natural disasters; (2) Dealing with issues of transition to the changing global trading regime; (3) Strengthening capacity and 4) dealing with the key challenges and new opportunities arising from globalization.

Analytic Foundation of the CAS

The CAS seeks to design a work program within the contextual framework developed by the Task Force, and is an important step towards the implementation of some of its key recommendations. The CAS also builds on the sub-region’s own vision and strategy which is encompassed in a medium and long term development strategy which has been developed by the OECS Secretariat, the countries themselves and their single monetary authority, the Eastern Caribbean Central Bank (ECCB). It also builds on the analytical work done within the context of the Caribbean Group for Cooperation in Economic Development (CGCED) and has been widely discussed with clients. Management is to be congratulated on this approach which will position the Bank to respond to the challenges which have been identified by the countries themselves,
and which is based on a thorough analysis of their needs. It allows the Bank to be more selective, and to program its intervention within the framework of a wider development strategy which originates within the region.

**Regional Approach**

My authorities support the focus by Management on common problems within the sub-region. Since the 1980s, the Eastern Caribbean has sought to deepen integration at the sub-regional level with the formation of the Organization of Eastern Caribbean States (OECS), the setting up of a secretariat to coordinate closer cooperation in functional areas, and the setting up of the Eastern Caribbean Central Bank (ECCB). There is much to be gained from regional approaches to common problems, such as in the area of education, health, financial sector, judicial reform, tax reform, catastrophic insurance, disaster mitigation, and social protection. Given the fact that the islands share similar development challenges, experiences could also be replicated throughout the region in a more cost effective and efficient manner.

The region also welcomes the use of instruments which will support this approach, such as horizontal adaptable program loans, which provide the flexibility for phased participation in lending programs. We would encourage Management to learn from experiences from the previous CAS in designing new interventions. In particular, projects designs should be simple, clearly defined and lend themselves to easy implementation at the regional and country levels. We would also urge Management to pay particular attention to financial management and procurement issues in order to take into account the capacity constraints of small borrowers.

While we are fully convinced of the efficacy of a regional approach, we also feel that sufficient flexibility should be built into the program to enable the Bank to be responsive to country needs. The work program in the sub-region should continue to be driven by individual country diagnosis and the Bank should be able to respond to individual member countries, particularly for short term analytical work and technical assistance.

We strongly encourage Management to continue to strengthen partnerships with regional organizations, such as the Caribbean Development Bank (CDB) and the Secretariat of the Organization of Eastern Caribbean States (OECS) and to help to build capacity in these institutions to make them more effective on the ground. In spite of the shortcomings which surfaced in the previous on-lending arrangements with the CDB, we believe that in the long run, closer cooperation with these institutions will improve the effectiveness of the Bank in the region.

We also support building capacity within the private sector. Indeed, many of the countries would welcome greater IFC involvement in the region, particularly in improving the business climate and in support of small and micro-enterprises.

**Donor Coordination**

The CAS gives a sharper focus to the issues of donor coordination. This is an area in which the
Task Force called for swift action by the donor community in order to reduce administrative burdens and transaction costs for small states. While the Bank is not the major development partner in the region, it plays a significant role and should seek to align its programs to those of other partners and encourage closer collaboration among players. Therefore, we welcome the broad consensus that seems to be emerging among development partners active in the region that the coordination of various assistance programs should be done according to the following three principles: (1) coherence at the policy level; (2) sub-regional integration; and (3) harmonization of procedures. With respect to the latter, the requirements of a multiplicity of donors sometimes place a heavy burden on the limited administrative capacity of these small states, and the Bank should lead the way in simplifying procedures and coordinating requirements with those of other donors.

**Summary**

The countries in the Eastern Caribbean have achieved some success in their efforts to reduce poverty and improve the lives of their people. However, adjustment to the evolving global trading system is proving difficult and threatens the gains which have been made. The Bank’s intervention at this time is important in order to reduce the economic and social vulnerability of the states and to support capacity-building challenges. The CAS provides a sound basis to respond to some of the underlying weaknesses in the region and will enable countries to deal with many of the challenges ahead.