

**STATEMENT BY
THE PRESIDENT OF CDB
DR. COMPTON BOURNE**

URBAN DEVELOPMENT: CHALLENGES AND APPROACHES

I. SALUTATIONS

Chairman of the Board of Governors, Mr. Rafael Isea, other members of the Government of Venezuela, Honourable Prime Ministers, Distinguished Governors, Members of the Diplomatic Corps, Members of the Board of Directors of the Caribbean Development Bank (CDB), Distinguished President of the Inter-American Development Bank, His Excellency Mr. Luis Alberto Moreno, Observers and Guests, Vice-Presidents and other members of staff of CDB, Representatives of the Media, Ladies and Gentlemen.

It is an honour and privilege to address you at this Thirty-Seventh Annual Meeting of the Board of Governors. The Sixteenth Annual Meeting was held here in 1986. We are very pleased to assemble here in Caracas, the ancestral home of the legendary Latin American liberator, Simon Bolivar. Caracas will provide a congenial environment for our deliberations on many substantial matters and will allow us the opportunity to enjoy the splendid hospitality of President Chavez, his Government and officials, and the People of Venezuela.

It is a special joy to welcome, Haiti, the newest member of the Bank. Haiti formally acceded to membership in January 2007 so this Thirty-Seventh Annual Meeting is Haiti's first. We look forward to a lasting beneficial relationship.

II. TWENTY-ONE YEARS OF PROGRESS AND CHANGE AT CDB

Much has happened with CDB since 1986. In financial terms, the Bank has grown tremendously. Total financial assets increased from USD161 million (mn) in 1986 to USD699 mn in 2006; loans outstanding from USD90 mn to USD386 mn; and retained earnings and reserves from USD30 mn to USD314 mn. The Bank became a more effective mobiliser of funds for investment in economic and social development projects in its Borrowing Member Countries (BMCs). In 1986, the Bank was already a borrower in international markets and from multilateral financial institutions and regional development banks. It also borrowed from bilateral donors, including regional ones such as Trinidad and Tobago and Venezuela. Those types of financial market transactions have continued, yielding a cumulative amount of USD586 mn between 1986 and 2006, the capital market yielding USD497 mn and institutional borrowings USD89 mn. In addition to borrowings, the Bank has obtained significant grant contributions to its Special Development Fund (SDF) from all its member countries and from non-members occasionally. The first SDF for the period 1984-1987 received contributions totalling USD176 mn. By the Sixth Replenishment (2005-2008) when new contributions of USD158 were approved, cumulative contributions to the SDF

amounted to USD777 mn.

Significant changes have also occurred in the qualitative dimensions of the Bank. Many have been in response to the evolving economic circumstances of BMCs, especially the economic and physical environment within which they function. Among the factors generating new demands by BMCs and a need for fast positive response by the Bank are: (i) major structural shifts in the regimes for international trade and finance; (ii) increased incidence of severe natural hazards; (iii) environmental change e.g., climate change and sea level rise; (iv) new conceptualisations of good governance; (v) deterioration in fiscal capacity and creation of unsustainable public debt; (vi) economic volatility and economic recession; and (vii) persistence of poverty.

Consequentially, there is within CDB now a much greater and more direct focus on poverty reduction. The promotion of sustainable economic growth is an important objective. The Bank has been a leading advocate of fiscal restructuring and a provider of technical assistance resources for strengthening fiscal capacity and improving tax administration. Environmental standards and policies as well as natural hazard risk reduction and management are far more central to the Bank's activities now than they were in 1986. Similarly for matters relating to public governance.

The membership of the Bank has also altered since the Sixteenth Annual Meeting in Caracas. Regrettably, France, an early member of the Bank, withdrew in 2001. Happily, the membership has been strengthened and expanded during the period. China acceded to membership in 1998 and Haiti's membership became effective in January 2007. The quest for additional new members - borrowing, non-borrowing, regional and non-regional - is a priority of the Bank's Senior Management.

Approximately five years ago, the Bank embarked on a process of internal restructuring and innovation with the intention of substantially improving the responsiveness, speed, efficiency and effectiveness of its service delivery. These goals, summarised as the provision of better value, have entailed the introduction of performance-based work plans and budget systems throughout the Bank, institution of new or improved policies, practices and systems for human resource management, and for financial asset and property management, and the reorganisation of major divisions and departments within the Bank. Institutional re-engineering has been endogenized and is now endemic to CDB.

CDB over the years remained a financially sound, well managed, attractive institution for the channelling of financial assistance to Caribbean BMCs. Triple "A" credit ratings from both Moody's and Standard and Poor's are testimony to this overall assessment.

III. VENEZUELA AND CDB

The relationship between Venezuela and CDB began in 1973 when Venezuela joined the Bank. Venezuela has been steadfastly supportive. During the first oil shock in the mid-1970s, Venezuela provided USD25 mn in the form of a Venezuela Trust Fund to be used for onlending to BMCs. Several countries, Barbados, the Bahamas, Belize, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines were beneficiaries. Venezuela contributed to SDF 1 in 1984 and has been a steady contributor subsequently. Post-Hurricane Ivan in 2004, Venezuela provided a grant for hurricane relief. Currently, there are discussions for CDB capital market issues in Caracas.

Venezuela, through its active participation in CDB's Board of Directors, has made substantial contribution to the quality of the Bank's work.

On behalf of the Management of the Bank, I would like to take this opportunity to thank the Government and People of Venezuela for their assistance through the years. CDB values the contributions of Venezuela. We are confident that they will be sustained and deepened for the benefit of all our citizens.

IV. CDB IN 2006

The Annual Report for 2006 and the Annual Economic Review for the same year provide much information on the Bank's activity levels, its resource mobilisation, its loans and grant activities and its costs of operations, as well as on the performance of BMCs. Rather than detain you with information already in your possession, I will limit myself to a few highlights. **First**, the positive aggregate economic growth performance of most BMCs evidenced by three of fourteen countries growing at 10% - 12%, one country by 7% and six countries by 4% - 5%. **Second**, the discernible progress being made with fiscal restructuring and debt adjustment programmes in several countries which began the year with large fiscal deficits and excessive public debt. **Third**, Bank operations resulted in new approvals of loans, grants and equity contributions totalling USD129 mn and in a loan guarantee of USD8 mn. Sixty-two percent of new approvals were to OECS member states and Belize, 27% to other BMCs and 11% for regional projects. **Fourth**, the Bank introduced a new Capital Adequacy Framework for managing its portfolio risks and pricing loans. It is expected that this new approach will moderate loan interest rate increases and allow for a fuller "pass-through" of any reductions in international capital market rates. **Fifth**, two new financial instruments were approved by the Board of Directors – a policy-based loan instrument of which Belize and St. Kitts and Nevis have been the first beneficiaries in the amount of USD25 mn and USD20 mn respectively, and a policy-based loan guarantee to St. Kitts and Nevis for USD8 mn. **Sixth**, the upward trend in the value of grant approvals and disbursements from the Basic Needs Trust Fund for direct poverty reduction with strong community participation. **Seventh**, the Bank embarked on a new programme of Country

Poverty Assessments, the results of which will assist BMCs, donors and the Bank in designing future poverty reduction policies and interventions. **Eighth**, the Bank spearheaded the design and preparations for the establishment of the CARICOM Development Fund which is a central institutional facet of the CARICOM Single Market and Economy (CSME). **Ninth**, I draw the attention of Governors and other delegates to the section of the Annual Report which describes the Bank's work to improve natural hazard risk reduction and risk management, especially to our collaboration with the Inter-American Development Bank to mainstream disaster risk reduction and disaster risk management into national planning policies and fiscal operations.

Governors and Delegates, as is customary, I turn in the final section of my Annual Address to a topic of general social and economic developmental importance. The topic I now introduce is urban development.

V. URBAN GROWTH AND SPREAD

The urban population of Caribbean Community (CARICOM) countries has expanded enormously over the last 30 years. Very strong growth, i.e. 10 percentage points or more occurred in 9 of the 16 countries for which data are available. Growth, while positive, was slower in 5 countries. Only in 2 countries (Belize and St. Kitts and Nevis) did de-urbanisation occur. Furthermore, the urban surge has been on an upward trend, faster growth taking place in the period 1995-2005 than in 1975-1995. The upshot of these trends is that whereas the urban population comprised 61% of the Caribbean's population in 1995, it had increased to 64% by 2005. On present trends, the urban proportion would be 67% in 2020, amounting to 10.5 mn persons in comparison with 7.7 mn persons in 2005.

A very large proportion of the population (36% -71%) in 2000 tended to be located in the main metropolitan areas. This segment of the population expanded appreciably in some countries such as the Bahamas, Barbados, Haiti and Suriname.

A contemporary development is the growth of squatter settlements or informal housing settlements as they are sometimes called. They have sprung up near main metropolitan areas but can be found also in rural areas. In 2003, there were 595 squatter sites in Jamaica of which 95 were in the Kingston and St. Andrew metropolitan district. A recent study reports an estimated 600,000 squatters, equivalent to 25% of Jamaica's total population (Tindigarukayo, 2004). Trinidad and Tobago had 251 registered squatter settlements in 1998; Guyana had 216 recorded settlements in 2001. For St. Lucia it was said in 2000 that "squattling has become so prevalent throughout the island that such settlements have become a distinguishable feature of all major towns and villages" (Dr. Kenny Anthony).

Squatter settlements include migrants from rural areas but predominantly from urban areas in response to inadequacy of personal economic resources and lack of affordable housing. As a South Korean expert puts it: **“too poor to purchase land and build a house within reasonable time, unwilling to continue to pay rent for decaying accommodation or perhaps unable to find a room for his own family, the migrant is impelled towards the illegal occupation of land, to become a squatter”** (Seong-Kyu Ha, 2001). Whatever the specific motivating circumstances, the emergence of squatter sites from the main urban areas implies that **“urban distress moves outwards from the core”** (Stegman 1995, page 1602), from the inner cities to the urban periphery.

For those Caribbean countries whose sustained economic progress or comparable social and political stability attract migrants from neighbouring countries, there is another dimension. In many cases, unskilled or lower skilled immigrants have clustered in deprived urban areas or in informal settlements, thereby compounding the problems of urban congestion and deprivation.

VI. SOME SOCIO-DEMOGRAPHIC ASPECTS

There are some socio-demographic aspects to this urban growth phenomenon that are immediately striking. The present day urban residents are mainly the poor, especially so in the inner cities. Middle income and upper income groups have generally migrated to newly created suburban residential districts in the rural periphery or on hillsides previously occupied by the poor because of previous inadequacies in transportation and utilities infrastructure. **“Urban areas, especially inner urban areas, are no longer the preferred residential location of the more affluent, instead, cities have increasingly experienced a concentration of the poor and disadvantaged members of society”** (Roberts 2004, page 26). Perhaps because of this outward migration of the more affluent, the cities and other urban areas of Caribbean countries tend not to have become **“fortified enclaves, i.e. privatised enclosed and monitored spaces of residence, consumption, leisure and work designed to isolate their occupants from crime and therefore minimise their insecurity”** as in some Central American countries such as Nicaragua (Rodgers 2004, page 113).

An emergent tendency, however, is the creation of gated communities, i.e. fenced and guarded contiguous collections of private residences in response to escalating concerns about crime and security.

VII. QUALITY OF LIFE

There should be serious concern about the quality of life in urban communities of CARICOM. For many urban residents, the quality of life is impaired by inadequacy of access to social infrastructure services. The World Health Organisation reports that between 10% and 34% of the urban population in 7 of the 14 countries for which data could be obtained for 2004 had no access to improved drinking water. The situation in Haiti is much worse with 76% having no

access to improved drinking water. In 4 of the same 14 countries, 11% to 29% did not have access to improved sanitation, with the proportion being as high as 43% in Haiti. In Jamaica in 2001, 24% of urban units lacked formal access to electricity; in St. Lucia, 20% did not have access. In some urban areas, residents are exposed to derelict and contaminated sites, poor drainage, exposed sewers, and unregulated solid waste dumps.

Squatter settlements are notoriously deficient in sanitary facilities and other infrastructure services such as electricity, water, telephones, roads and elementary schools. The dwellings are frequently to be found on steep and unstable slopes with the attendant risk of soil erosion and landslides, or in flood plains or low lying areas with risks of flooding.

VIII. URBAN DECAY AND TRAFFIC CONGESTION

In many of the main metropolitan areas, one can observe dilapidated buildings owned by private citizens and by the public sector as well as abandoned sites. Another problem is traffic congestion on the main arterial roads linking the cities to the outer districts and within the cities themselves. Traffic congestion imposes considerable transportation costs and physical costs on commuters and raises costs of transacting business with enterprises located in the cities as well as with the public bureaucracy which is usually concentrated in the main city.

IX. THE NEED FOR ACTION

The problems just described are a call for action. We should not want any of our towns and cities to degenerate into ***“a place of base instincts, subterranean fears and unspoken desires, a place which reveals the savage basis of the human condition and the frailty of civilized society”*** (Short 1991, pages 47-48).

There are indications in several countries of public policy directed towards addressing some of the problems. St. Lucia's Programme for the Regularisation of Unplanned Development, Jamaica's Resettlement and Integrated Development Enterprise and the efforts at squatter regularisation and urban development in Trinidad and Tobago are some evident signs. However, the pace of change is much slower than warranted, the scope less extensive and the design too limiting. There is need for full fledged plans and programmes for urban development and regeneration in CARICOM countries.

X. POLICY CONSIDERATIONS

There are so many factors which should influence the design of urban policy that only a few can be listed summarily here, not necessarily in any order of importance:

1. Recognition that improvements in the environment, particularly in the physical environment through better amenities, clearing of dilapidated buildings and derelict sites, can create positive images and attitudes and help to mobilise community development in addition to inducing inward investment.
2. Recognition that, however poor the quality of life in the urban areas or informal settlements, they are places of residence in which social cohesion and economic networks have been established and need to be taken into account. In other words, urban development should avoid being negatively disruptive. For this reason, regeneration through improvement in the physical environment and improvement in access to infrastructure services is regarded as a superior approach to resettlement.
3. The functional obsolescence of some road networks and the limited availability of proper road access in some cases may need to be addressed by new road design and construction. Care has to be taken not to give priority to the transportation concerns of the suburban satellite communities.
4. Programmes for urban regeneration and human settlements must be underpinned by well functioning land allocation and property transactions systems. Market failures in land ownership and control contribute to the co-existence of excess demand, the persistence of derelict and abandoned sites and buildings in urban areas and in the social phenomenon of squatting on unoccupied lands.
5. The historical and cultural heritage of the cities have value in their own right and if properly promoted can confer social and psychological benefits to the national community and improve the countries' range of tourism products.

Many of the observations made and the considerations advanced here found expression in CDB's Urban Revitalisation Strategy and Operational Guidelines published in October 2000. My remarks, I hope, will have at least re-emphasised the severity of the challenge of urban development and informal human settlements and renewed the call for action. Well considered and determined action now can make an immense difference to the quality of life of Caribbean residents, not only in the towns and slums, but also in the suburbs and on the high grounds. More than 40 years ago in the context of the struggle against colonialism, the Guyanese poet Martin Carter wrote: ***"Today a jig, tomorrow, a loom. All are involved, all are consumed."*** In one of the biggest challenges of our time, our contemporary struggle for social change, for social justice, for a better life for all our residents, we must all be involved.

Distinguished Governors, Delegates, Observers, Ladies and Gentlemen, I thank you for the courtesy of your attention.

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