

CDB - 25 YEARS AND BEYOND
STATEMENT BY
SIR NEVILLE NICHOLLS, PRESIDENT
CARIBBEAN DEVELOPMENT BANK
TO THE BOARD OF GOVERNORS
AT THE TWENTY-FIFTH ANNUAL MEETING
HELD AT
JAMAICA CONFERENCE CENTRE KINGSTON, JAMAICA
MAY 11 AND 12, 1995

TABLE OF CONTENTS

1. [OPENING REMARKS](#)
2. [ANNUAL REPORT AND CDB'S PERFORMANCE DURING 1994](#)

[BMCs Performance](#)
[CDB and Jamaica](#)
[Some Specifics on CDB](#)

3. [CDB - 25 YEARS AND BEYOND](#)

[Introduction](#)
[Early Beginnings](#)
[The Charter and Some Early Visions](#)
[The "Resource Mobilisation" Challenge](#)
[The "Leadership" Challenge](#)
[The Integration Challenge](#)

4. [TODAY'S CHALLENGES](#)
5. [CHALLENGES FOR CDB](#)

1. **OPENING REMARKS**

Mr. Chairman, Rt. Hon. P. J. Patterson, Prime Minister of Jamaica, Distinguished Governors, Members of the Board of Directors, Members of the Diplomatic Corps, Observers, Guests, Vice-Presidents and other Members of Staff of the Caribbean Development Bank, Ladies and Gentlemen:

It is always a great personal pleasure for me to be in Jamaica. I spent, as I will refer to later, some very enjoyable years here at the start of my career.

But first, Mr. Chairman, permit me to thank the Prime Minister for his very warm words of welcome, and also the inspiring challenge that he has issued to the Bank after its 25 years of operation.

This Twenty-Fifth Annual Meeting of the Board of Governors of the Caribbean Development Bank (CDB) marks the third occasion on which our Governors have gathered in the capital of this beautiful island of Jamaica. The other two occasions on which we met here were in April 1973 and in May 1984 for our Third and Fourteenth Annual Meetings.

Mr. Chairman, I believe it to be entirely appropriate that our Governors are meeting in Jamaica on this very special occasion. Jamaica has a unique place in CDB's history, for it was in Kingston, Jamaica, on October 18, 1969, that the "founding fathers" signed the [Agreement](#) establishing CDB. In a certain sense, therefore, we have come back home to celebrate our Twenty-Fifth Anniversary.

For myself also, Mr. Chairman, this meeting is a kind of home-coming in one sense and, in another, a return to where it all began. For it was in Jamaica that I started my public service career, when I joined the staff of the Central Planning Unit as an Administrative Cadet in September 1957, shortly after completing my studies in the United Kingdom (UK).

It is worth recalling, Mr. Chairman, that in 1957 the West Indies Federation had not yet come into being; but five years later, it had come and gone. Indeed, as we all know, after the demise of the Federation early in 1962, and the subsequent independence of Jamaica and Trinidad and Tobago in August of that year, efforts were made to establish the so-called Little Eight Federation comprising Barbados and the seven Windward and Leeward Islands. But these efforts ended in failure.

These developments led to the taking of certain initiatives early in 1966, by the Governments of the UK, Canada and the United States of America (USA), to appoint a team of experts to make an economic survey of Barbados and the Windward and Leeward Islands with a view to formulating plans for their achievement of economic viability.

Among the recommendations of the team of experts was the establishment of a Regional Development Agency, including a Development Banking Division, to serve the territories covered by the survey. The Team's Report was considered in November 1966 at a conference of the sponsors and representatives of Barbados and the Windward and Leeward Islands, and it was agreed that consideration should be given to the establishment of an institution to serve all the Commonwealth Caribbean countries.

This, then, was the genesis of the idea that led to the Agreement establishing CDB, signed by representatives of the Founding Members. The signatory for

Jamaica on that historic occasion was the then Minister of Finance, the Hon. Edward Seaga.

Mr. Chairman, I have been associated with CDB, in one way or another, for nearly all of its 25 years. Indeed, this association can be said to have begun even before its establishment when, as a member of the Barbados delegation, I participated in all but two of the several inter-governmental meetings which were held at both official and ministerial level in 1968 and 1969, to discuss the draft Agreement for establishing the Bank. I also represented Barbados on the Preparatory Committee which was set up in 1969 to make arrangements for CDB's establishment after the draft Agreement had been accepted by the Third Ministerial level Meeting.

I mention my small part in these historic developments, Mr. Chairman, not to lay claim to be counted among CDB's "founding fathers", but because I consider it my good fortune to have experienced the exciting preparatory stages of CDB's establishment, to have been part of the team during its growth and development, and also to be present for this significant milestone.

But, Mr. Chairman, there is among our current Governors someone who is a "founding father" of our Bank; the only one from among those 18 plenipotentiaries who signed the CDB Agreement just over 25 years ago. I refer, Mr. Chairman, to none other than the distinguished Governor for St. Lucia, the Rt. Honourable John Compton, Prime Minister and Minister of Finance of St. Lucia who, unfortunately could not be with us today. Throughout the 25 years, he has remained one of this Bank's most ardent supporters. I invite this distinguished assembly to recognise Prime Minister Compton's long and outstanding contribution to his country, to this Bank, and to the furtherance of economic development and integration in the Caribbean Region.

Mr. Chairman, may I also say how delighted we are that the distinguished Prime Minister of the Commonwealth of Dominica, the Hon. Dame Mary Eugenia Charles, has been able to attend this 25th Anniversary Meeting, her final Meeting as Governor for Dominica. Dame Eugenia has officially announced her intended retirement from elective political office. Hers has been a truly outstanding career as Head of Government these past 15 years. We at CDB - both at the level of the Board of Governors and within the Management - have benefitted over the years from her considerable insights and, as we are all well aware, she can be exceedingly forthright, not least on those occasions when she felt that policies and procedures might not have been in accord with the expectations of her Government.

I congratulate Dame Eugenia on her excellent service to her country, to the Region and to this Bank, and express the hope that her retirement from active politics will not mean the absolute loss of her valuable experience and services to the people of Dominica and to the Region.

Let me conclude these introductory remarks, Mr. Chairman, by saying how pleased and impressed we have been with the excellent arrangements made to ensure our comfort. We have also had put at our disposal very commodious facilities and capable support personnel from various areas of public administration in this country. I am sure that these facilities will contribute in no small measure to a very successful outcome of this Meeting. The Chairman and members of the local organising committee are to be congratulated on a job exceedingly well done. Mr. Chairman, my wife and I are no strangers to Jamaica, but the warmth of the welcome extended to us on our arrival last Sunday, and the hospitality offered us since then have simply been overwhelming.

2. ANNUAL REPORT AND CDB'S PERFORMANCE DURING 1994

Mr. Chairman, as is customary on these occasions, I now propose to make some brief comments on the Bank's Annual Report for 1994, which presents to the Board of Governors a fairly comprehensive summary of economic performance of the Borrowing Member Countries (BMCs), as well as of the operations of the Bank, its financial statements and the reports thereon by the independent accountants.

BMCs' Performance

Mr. Chairman, in general, economic performance in the BMCs was subdued during 1994. Although, overall, output was in fact higher than for 1993, it could have been much better were it not for unfavourable weather patterns and slower than necessary adjustment to external economic conditions. One of the worst droughts in nearly a century was followed by disastrous rainstorms which caused widespread damage in a number of countries. The agriculture sector and economic infrastructure such as roads, water and telecommunications were the areas most severely affected.

The extensive damage to banana cultivation was a further setback for an industry already engaged in a major restructuring aimed at improving its competitiveness in the face of the impending removal of preferential access to traditional markets.

In tourism, more visitors came to the Caribbean and expenditures increased. It was, therefore, the performance of this sector which was mainly responsible for the expansion in economic activity in the Region.

Notwithstanding the difficult weather conditions, there was also a heartening rise in sugar production in five of the six exporting countries, and two of those which have done better are in the process of implementing significant CDB-financed rehabilitation and expansion of production.

In Trinidad and Tobago, there was a major turn-around in the performance of the

petroleum industry which registered increases in most product areas. This was a most welcome development in CDB's view since the loan of US\$18 million which CDB approved in 1992 to the Trinidad and Tobago Oil Company Ltd. (TRINTOC) (since merged with TRINTOPEC and now known as PETROTRIN) is the largest single project loan made, to date, from CDB's Ordinary Capital Resources (OCR).

CDB and Jamaica

Mr. Chairman, Jamaica was CDB's single largest shareholder from the start of the Bank in 1970, when the Bank was established, until 1983 when Trinidad and Tobago increased its share capital to the level of Jamaica's. By the end of 1994, Jamaica's subscription to CDB's share capital amounted to approximately US\$100 million, consisting of US\$78 million in callable capital and US\$22 million in paid-up capital. In addition, by the end of 1994, Jamaica's contribution to CDB's Special Development Fund amounted to US\$6.67 million. Jamaica has also been a major borrower from CDB. Between 1970 and the end of 1994, CDB approved 38 loans, 1 contingently recoverable loan and 9 technical assistance grants to Jamaica, approximating the equivalent of US\$212 million. The sectors which benefitted from this financing were apiculture, forestry, fishing, manufacturing, mining, tourism, power, energy, water, transportation, communication, housing and education. Of the US\$212 million, 40% or approximately US\$85 million, was on concessionary terms.

Some Specifics on CDB

Mr. Chairman, CDB's performance in the year under review was mixed. Net income from the ordinary operations declined to US\$11.8 million - from \$12.8 million in 1993. The factors responsible included lower returns on investments and on OCR loans in the first half of the year as a result of the reduction in the OCR lending rate in 1993 from 8% to 7.5%.

Gross approvals of loans, contingent loans and grants were US\$56.5 million, compared with US\$92.9 million in 1993. However, disbursements increased to US\$51 million, from US\$48.3 million in 1993.

On the Bank's part, Staff, in 1994, placed increased emphasis on activities in the social sectors and on the supervision of projects under implementation. On the part of the BMCs, some, still in the process of structural adjustment, have been experiencing difficulty in the implementation of projects approved, as well as in mobilising counterpart financing.

The increased attention towards minimising these difficulties has been facilitated by the establishment of a Project Implementation and Portfolio Quality Monitoring Unit. The Staff in that unit has concentrated on reviewing the supervision function and developing project performance and portfolio quality

indices and procedures to improve supervision management and portfolio quality.

Increased emphasis on the social sectors was facilitated by reorganisation of the Projects Department to include a Social Development Division. I am therefore pleased to say that during the initial year (1994), activity towards attaining that objective has been very encouraging, especially in the field of education. Indeed, through the dedicated efforts of our Staff and the cooperation of the relevant ministries in the recipient countries, the appraisal process for a number of major projects has either been completed or is well advanced. The social sectors are, clearly, an area of considerable need which will necessitate CDB's intervention - for both capital and technical assistance - well into the future.

While the entire Region continued the process of trying to adjust to a changing international economic environment, there was an encouraging turnaround in Grenada's fiscal situation following the implementation of a home-grown structural adjustment programme. However, the country's public finances are still somewhat fragile.

Mr. Chairman, since our last Annual Meeting, the Government of Antigua and Barbuda has signalled its intention to undertake a similar exercise to that conducted in Grenada. CDB was pleased to have been invited to join the Eastern Caribbean Central Bank (ECCB) and other regional organisations in helping to formulate an appropriate adjustment programme for Antigua and Barbuda. The committee established to draft that programme has reported to the Government which has since started to implement some of the recommendations.

CDB looks forward to any further assistance it can offer along with its regional counterparts and welcomes the recent intensification of relationships with Antigua and Barbuda. We also hope that the programme that is finally agreed will come to have wide acceptance by the people of Antigua and Barbuda.

Overall, the Annual Report indicates that prospects for improved performance in the Caribbean in the near term will depend on increased investment in productive capacity in BMCs, more focussed business development activities, greater attention to marketing and promotion, improved effectiveness and efficiency in public sector management and operations, and, of course, Mr. Chairman, continued improvement in the international economy, especially the economies of North America and Western Europe.

I now turn, Mr. Chairman, to the main theme of my Statement for this year which is entitled "CDB - Twenty-Five Years And Beyond".

3. "CDB - 25 YEARS AND BEYOND"

Introduction

Mr. Chairman, in our tradition, individuals, organisations and societies often find it useful and convenient to use the occasion of an anniversary to celebrate, to reflect, to challenge themselves and even to chart change. We at CDB see no reason to depart from this custom.

Early Beginnings

Yesterday, as part of the activities to celebrate the anniversary of the founding of CDB, we organised a Symposium, during which several respected academicians in the field of economic development, our Governors, the Management and other practitioners in the fields of business, finance and banking shared views on the state of the world economic order from the perspective of small open economies such as ours. We also sought to identify additional avenues through which financial institutions such as CDB may assist the Region as it adapts to the ever-changing economic environment I am confident that some of the insights gleaned yesterday will be reflected in the courses of action that the Region and CDB will pursue in the future.

The Charter and Some Early Visions

Mr. Chairman, in assessing CDB's performance over its 25-year life, I will begin by referring to the context in which the institution was established.

By 1970, many of the Commonwealth Caribbean countries were either moving towards, or had recently attained, political independence. The enormity of the development challenge which they faced was widely recognised. Because a flow income levels, domestic savings were insufficient to finance the level of investment required for growth. Many of the countries relied heavily on grants-in-aid and other official development assistance flows; and unemployment was at an unacceptably high level. In the circumstances, it was felt that there was critical need for a financial institution to assist the Region as a whole in the efficient mobilisation and use of both domestic and foreign capital.

In that environment, CDB was established as part of the regional strategy for economic development, and charged specifically "to contribute to the harmonious economic growth and development of the member countries in the Caribbean (hereinafter called the "region") and to promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the region".

I believe, therefore, Mr. Chairman, that it maybe of some interest to recall a sample of the views expressed at the inaugural meeting of the Bank in January 1970 about the role CDB was expected to play.

The first President of the Bank, Sir Arthur Lewis, enjoined the Bank to play a leadership role. He observed that the test of West Indian leadership would be its capacity to create conditions in which broad masses of our people can live full lives, with good employment opportunities and ample incomes and services; and warned that if that leadership did not meet this test, it did not deserve to survive. For him, the job of the Bank was clear, and I quote:

"The job of the Bank is to do whatever it can to raise resources and produce good counsel, to contribute towards creating an economy and work for all and a steadily rising standard of living for all our people. This is no easy task but it deserves every ounce of energy and intelligence that we possess".

The then Prime Minister of The Bahamas, the Honourable Lynden Pindling (now Sir Lynden), in his opening address, foresaw that the new institution would have to rapidly increase its capacity to raise capital in response to the increasing needs of the regional economies. Observing that the 1970s would usher in the age of the jumbo jet and commercial use of supersonic planes and that this would have significant implications for the quantum of investment that would be required to provide the infrastructure and ancillary services needed in tourist economies such as The Bahamas, he suggested that the demand for capital for overall development in the Region would certainly increase by leaps and bounds. Accordingly, he ventured that, by 1980, the capital resources of CDB would need to be increased at least ten-fold, to US\$500 million, horn the original US\$50 million. Incidentally, or should I say coincidentally, at the end of 1980, CDB's subscribed capital was US\$237 million, resources contributed to the special funds reached US\$238 million, and reserves and accumulated net income had grown to US\$28 million, making a total, at that date, of US\$503 million!

The then Governor for Canada, the Honourable Edgar Benson, speaking on behalf of Canada and the UK - the two non-regional founding members - warned that the road ahead would not be free of difficulties and drew attention to the importance of the spirit of partnership between the regional and non-regional members. He was confident that the Bank would play a role of increasing importance for Caribbean prosperity, both by virtue of its lending activity and by acting as a catalyst to stimulate foreign investment.

The Hon. William Demas, who was then Secretary-General of the Caribbean Free Trade Association (CARIFTA), and who later served as a distinguished President of the Bank for some 13 years, emphasised the importance of the new institution playing a role in support of the regional integration process.

How has CDB responded to those challenges and expectations?

I believe it would be true to say that, altogether, in keeping with its mandate and purpose, CDB has made a significant contribution to the developmental endeavours of the Commonwealth Caribbean over the past 25 years.

The "Resource Mobilisation" Challenge

Let me begin with the challenge to mobilise resources for the pursuit of the Bank's purpose.

Starting with an initial subscribed share capital of US\$ 50 million (of which US\$25 million was paid-up and US\$25 million callable), CDB had, by the end of 1994, increased its subscribed capital to US\$648 million (with US\$143 million paid-up). Paid-up capital and ordinary reserves, unless already committed, are available for lending, while callable capital is used on a stand-by basis to cover borrowings and guarantees in the Bank's ordinary operations. Based on, and including this level of subscribed capital, CDB has mobilised, a total resource flow of approximately US\$1.7 billion, of which 58% is for use in its ordinary operations and the remaining 42% in special or concessionary operations. As the Annual Report shows, the current position in terms of total resources at December 31, 1994 was US\$980 million, including US\$197 million in accumulated net income from all operations, or more than 20% of total resources.

That those contributed resources have come from a variety of sources is important. It illustrates the extent to which the Bank has clearly served as the kind of regional entity for self-help and cooperation that its Founders envisaged.

That 43% of the resources came from non-regional members must not go unmentioned. Neither must the borrowing capacity that their callable capital provides. In addition, the experience and counsel which they contribute to the policy- and decision-making process within the Bank has helped to strengthen its resource mobilisation efforts.

Mr. Chairman, 12% of resources mobilised were from the other regional members, Colombia, Mexico, and Venezuela, whose presence in the Bank is not only financial but participatory, and has led to the strengthening of relations between the countries of the Region, helping to lay the groundwork for wider regional cooperation in areas such as the recently formed Association of Caribbean States (ACS).

Also, the fact that the Commonwealth Caribbean Members have come together in CDB and put up 14% of the resources mobilised to date is important. It is significant that the resource flows from within the Region include two bond issues to regional central banks, two public issues on the capital market of Trinidad and

Tobago, as well as that country's contribution, in 1974, to a Fund for assistance to the Less Developed Countries (LDCs) in meeting required counterpart funding.

CDB has also served as a channel to the Region for resources from the international capital markets, from the larger multilateral financial institutions (i.e. the World Bank, the Inter-American Development Bank and the European Investment Bank), and from non-member countries (such as the USA, The Netherlands, Sweden, Nigeria and New Zealand) from all of which 31% of total resources mobilised has come. Let me, therefore Mr. Chairman, take this opportunity to express my gratitude, on behalf of the CDB, to all those countries and institutions that have contributed significantly to the Bank's resources and, through it, to the Region's development efforts.

And finally, on the question of achievement by CDB in the area of resource mobilisation, I should point out that resources generated internally on OCR operations, including the Special Reserve, amount to US\$122 million, equivalent to 63% of OCR loans outstanding, a ratio that is considered to be very good by international standards, and which itself serves to enhance the capacity of CDB to raise capital on international financial markets.

To meet its challenges, it was not enough for CDB to mobilise resources! It had to put these resources to work. How did it do this?

As a background to my answer to that question, I make three observations.

The first is that the institution has operated in two mutually reinforcing dimensions: as a bank which, from its OCR, provides loans to assist in increasing the capital assets, incomes, output, employment and foreign exchange earnings of the target economies; and as a development agency which not only mobilises resources for similar lending on more concessions terms than the OCR, but also provides technical assistance, training, and economic advice.

The second observation is that the trend in CDB's lending, from 1970 to the present, reasonably reflects the development priorities of the Region during that period. Directly and through credits to national development financial institutions, both public and private, CDB has provided financing in response to the critical needs of the

Region in various sectors. In support of the public sector investment programmes and the productive sectors of the BMCs (particularly the smaller ones), the financing has been allocated to infrastructure (mainly transportation), communications, power, energy and water; to manufacturing, including industrial estates; to agriculture, including agricultural feeder roads, fisheries development, land settlement and rural development; to human resource development, by way of student loans; to housing for mortgage finance to low and lower-middle income groups; and to tourism.

The third observation is that the Bank has been a "hands-on" lender, which means that it does not merely provide financing but is closely involved in the investment process. It has established criteria to seek to ensure that projects which it finances are feasible from the economic, technical, financial, institutional, social and environmental perspective. In appraising a project, substantial attention is paid to the expected net sustainable economic benefits from the project in terms of increased output, employment, and foreign exchange. In theory, the borrowers prepare their project proposals which CDB appraises. In practice, CDB is often involved in the whole cycle for public sector projects, from identification through preparation, appraisal, implementation, supervision, and post-implementation evaluation.

The "Leadership" Challenge

Mr. Chairman, let me now turn to the areas in which CDB has shown its capacity for leadership to date.

First, I would point to the institution's success in establishing and implementing sound operational policies, building a reputation for integrity, and ensuring viability.

Second, there is an aspect of CDB's operations that, in my view, has added considerable value to the Region's development efforts. I refer to it as the "project approach" to investment appraisal and management. Even though in 1970 the concept was not new, over the years it has been given new meaning and force. While doctrines of development, such as those emphasising physical capital formation, balanced growth, backward linkages, import-substitution, export promotion, privatisation and investment in human capital have certainly provided the broad policy framework for investment decision-making, the "project approach" has evolved as a systematic, disciplined and yet flexible way of determining the range of investment activities to pursue at the micro-economic level. As we increase our focus on social sector projects, even more emphasis will be put on furthering the involvement of the ultimate beneficiaries in the process of project choice, design and implementation.

Previously, when projects were financed bilaterally, donors made available to the Region their skill and experience in project planning and management - in addition to financial capital. While the concept of "project" was unpopular at the beginning, CDB itself learned and adopted it and encouraged the BMCs, particularly the LDCs, to do the same. We persisted, particularly through training courses that have focussed on all aspects of the project cycle; and even though it was difficult, we succeeded in getting acceptance of the crucial role that this approach can play in ensuring sound investment decisions and in preventing improper, wasteful and inadequately supervised use of loan proceeds.

Third, Mr. Chairman, the Bank has been particularly successful, when financing public enterprises such as utilities and ports, in encouraging governments to implement realistic pricing policies to ensure financial viability, to eliminate the need for uneconomic subsidies and, in general, to emphasise sound management policies, including adequate maintenance and replacement planning. In a way, even before the slogan of "getting prices right" became popular in some other quarters, we were urging our borrowers to do so.

Fourth, in allocating some 24% of its net financing to national development finance institutions for on-lending to small and medium-sized enterprises, CDB sought to assist these institutions, most of which were themselves created by governments as vehicles to assist achievement of development goals, in building the capacity to mobilise capital for national development. CDB also provided them with significant technical assistance aimed at strengthening their organisational management and operational capacities. Such assistance included, among other things, appointment of technical assistance officers and consultants, computerisation of management information systems and formulation of operational and financial policies and guidelines.

Fifth, Mr. Chairman, the Bank has helped ease the fiscal and balance-of-payment pressures on BMCs in a significant way. As you know, Multilateral Development Banks (MDBs) normally provide loans for the foreign currency needs of projects. However, as a matter of deliberate policy, CDB has facilitated such flows over and above the foreign exchange costs of individual projects. It has been estimated that 26% of CDB's loan financing to the more developed countries (MDCs) and 28% of that to LDCs was in that form and therefore available to assist in easing the need for local counterpart funding.

In this regard, I would mention also that CDB played a key role in the creation of the Caribbean Group for Cooperation in Economic Development (CGCED) - a forum out of which the Caribbean Development Facility (CDF) grew. CDF provided development financing for projects in foreign currency to cover local currency costs. It thus provided balance-of-payments assistance through project financing and helped to relieve the fiscal pressure of providing counterpart funds.

And finally, Mr. Chairman, I am pleased to observe that the Region seems to regard the Bank as a useful source of advice. Indeed, I daresay that the Region looks forward to the views and perspectives enunciated by the Bank at our Annual Meetings and on other similar occasions. For example, in 1988 when I was first elected President of the Bank, I ventured the view that tourism had the potential to be the main engine of growth in most of the regional economies and that we should intensify efforts to enhance its contribution.

Since then, I was very encouraged by the positive response of many governments and other institutions in the Region, and in the process, reinforced my view of the

high esteem in which the Bank is held by its members. I would therefore say that, through dialogue, exposition of operating experiences, commenting on issues and problems, identifying constraints faced by the Region and joining, wherever possible, in the search for solutions, CDB is regarded as an example of regional success. I trust that we shall continue to justify this reputation.

These I believe, Mr. Chairman, are examples of the type of constructive activity that the Bank's founders anticipated it would need to undertake.

Mr. Chairman, I now turn to the expectation, expressed in 1970, that the new institution, would assist the regional integration process.

The Integration Challenge

One aspect of this challenge was that, in paying special attention to the needs of the LDCs, CDB was expected to serve as a compensatory mechanism to enable the LDCs to cushion the effects of the additional costs of integration that they would have to bear. The proportion of CDB financing to those countries, and the degree of concessionality attaching to such financing, testify to the extent to which that remit has been carried out.

Of the net cumulative financing approved, some \$677 million or 56% went to the LDCs which have 13% of the population of the BMCs. Loans were 87% of that amount and grants the remaining 13%. Nearly three-quarters (73.7%) of those loans was financed from "soft" resources. Lower than market interest rates, longer maturities and long grace periods result in a significant increase in the degree of concessionality attached to CDB's financing in the LDCs, with the grant element being estimated at 56%. That CDB was able to provide financing at lower costs than borrowers were otherwise likely to have had to pay is further evidence of the Bank's special contribution to development efforts of the Region and the LDCs in particular.

Loans made to regional projects represent efforts by CDB to assist the regional integration process. Multi-country projects were assisted - in education, agriculture, and transportation. Support for regional cooperation in the vital area of education was provided through loans to the University of the West Indies. Loans to Leeward Islands Air Transport (1974) Limited (LIAT) and the West Indies Shipping Corporation (WISCO) were crucial to tourism and to intra-regional trade; and even though they were not successful in financial terms, there is little doubt of their critical importance to the needs of the integration movement at the time.

Mr. Chairman, vast improvements have been made in the quality of infrastructure facilities in the LDCs and financing by CDB has played a major role in bringing about those improvements. Reliable electricity and water facilities were essential to industrial production and to the tourist industry. Seaports and airports and their

upgrading were needed to facilitate the growth of tourism in several of the LDCs. Feeder roads were needed to enable farmers to get their bananas and other agricultural produce to market in good condition; and some financing was also channelled to the LDCs for the establishment of industrial estates with a view to assisting development of their manufacturing sectors. These are but a few of the critical areas in which CDB was able to respond to the needs of regional economies and channel resources in support of their development over the past two decades.

Providing technical assistance has been a major focus of CDB, spanning a wide spectrum of activities - mostly in the LDCs. It has included, among other things, pre-investment, sectoral and export promotion studies; pilot projects on alternate and renewable energy sources; the Caribbean Technological Consultancy Service, through which "hands-on" assistance is given in resolving technical problems encountered by small and medium-sized businesses; project preparation and implementation work; advisory services; training, particularly in all aspects of the project cycle as well as seminars on economic management; and meeting the costs of consultants and personnel to work in middle and high-level administrative and technical positions. The setting-up of the Fund for Emergency Programme Assistance and Common Services in the LDCs in 1976 is another noteworthy example of the attention paid by CDB to the special and urgent needs of the LDCs.

In collaboration with the United States Agency for International Development (USAID), the Bank created the Basic Needs Trust Fund (BNTF), which supported a programme of grant assistance to the countries of the Organisation of Eastern Caribbean States (OECS) and Belize, to assist them in expanding and conserving the stock of social and economic infrastructure essential to growth, while providing basic services and short-term employment. Eligible sub-projects were in the areas of health and education, provision of potable water, drainage, footpaths and rural roads. With the phasing out of USAID financing, the programme is continuing with funding from the Special Development Fund and additional self-help contributions by participating BMCs, which now include Guyana. Mr. Chairman, the Basic Needs Programme is often cited as one of the major successful interventions in regional economic development by CDB.

Mr. Chairman, the Student Loan Programme in the LDCs is another example of how the Bank carried out its special mandate to assist the LDCs. Instituted in 1973, it has, in 21 years, received \$23.5 million from CDB from which 12 countries have benefited. The programme has as its objectives, the development of middle and upper level management, professional and technical skills for deployment in the BMCs. It has helped considerably in reducing governments' financial burden to provide for tertiary education, while helping to ensure that an adequate pool of relevant skills is available for national needs. Most of the programmes have a high retention rate of skills and low default rates of loan repayments.

Those then, Mr. Chairman, are some examples of activities pioneered by CDB in adhering to the special mandate given to it in regard to the LDCs.

4. TODAY'S CHALLENGES

Notwithstanding the success I have sought to claim for CDB, the Region today still faces many of the problems that existed in 1970. Indeed, there are new issues as well as new perspectives on the old ones -the debt situation, reduced aid flows, loss of preferences, trickle of direct investment, rapid technological developments, creation of trade mega-blocs and international trade liberalisation - to mention a few. Most of all, I again wish to draw attention to the alarmingly high rate of unemployment in some BMCs, accompanied by the many social problems that thrive in such conditions.

Mr. Chairman, I know that our BMCs are seriously concerned and I envisage that they will expect every bit of assistance that can be mustered in formulating and implementing adequate and innovative responses. Let me, therefore, outline some of those concerns as I see them, mindful that administrative logistics would not have afforded me the opportunity to include in my considerations the insights that flowed from the deliberations at yesterday's Symposium.

Briefly, the critical concerns are centered on questions relating to trade policy, investment flows, production and human resource development, including productivity and employment.

Overall, I believe that it is fully realised that susceptibility to external developments is part of the reality of the Caribbean situation. We have to face up to our vulnerability, to shocks in the marketplace for our export commodities and services, and to fluctuations and variations in the trade cycles of those markets. We have to be aware of, and respond positively to, these developments. We are mostly islands; but insulation from international forces is neither possible nor desirable. Where there are barriers, we must see challenge; where there are rapidly changing circumstances, we must see opportunity; where our own efforts are weak, they must be redoubled.

Mr. Chairman, there is increased awareness of the fact that, while growth is a necessary condition for full employment, the social dimensions of economic policies matter immensely and are prerequisites for growth itself. The paramount concern will, therefore, be to formulate policies and programmes that focus on human resource development.

In an environment of international trade liberalisation, of widening cooperation among Caribbean states, of greater reliance on the competitive forces of the marketplace, and in a situation where production and export of agricultural and even mineral commodities will not be sufficient to propel our economies forward,

we must proactively seek to identify and exploit areas of production, of both goods and services, in which we have, or can improve, comparative advantage, and to explore avenues to bring about meaningful access to the global marketplace.

I believe that, aware of the significance for economic development of both international and domestic capital flows, what we can do to increase those flows is obviously a major concern. For example, the flow of multilateral and bilateral capital to the Region in general has slowed down for a variety of reasons. Capital inflow revival is critical, perhaps not so much by way of increased official flows and borrowings, but rather through increased direct investment, if only for the technology and opportunities for market access that will accompany the latter. Further, I think it is widely recognised that our financial system is narrow and under-developed and that attention has to be given to its development in tandem with the emerging thrust towards increased investment in the productive sector.

Mr. Chairman, our concerns about production will require us to answer questions of how to restructure the economies and make them capable of expansion on a sustained basis; how to re-orient existing manufacturing industry to be export competitive; how to encourage new industry; and what products and services should be produced. In view of the modicum of success that the creation of export processing enclaves has had, we must, for example, be seriously asking what steps can be taken to increase non-traditional exports? How to ensure maintenance and expansion of the services industry, including tourism, that has been a major source of critically needed foreign exchange earnings? To what extent will it help if we initiate, foster and strengthen efficient small- and medium-sized entities geared for export to the global market?

One of the major issues here is the need to ensure full employment of our human resources and the related requirement that this can best be achieved where there are high levels of productivity of labour and other cost-minimising strategies, along with efficient choice and use of rapidly changing technology.

So, there is the matter of the need to mould and adopt comprehensive technology policies. It also appears to me that we are unlikely to be able to avoid making significant changes in the policy, institutional, administrative and legal frameworks in which we currently operate. Improving our economic and social management capability, too, must be a major concern, as well as the quality of consensus among the social partners which will be vital to the success of our efforts to create full employment and sustainable development.

Mr. Chairman, I have merely been touching on a few of the burning issues currently on the regional agenda. The core of CDB's work programme in the years ahead will, therefore, have to be dedicated to assisting in finding solutions to those issues and helping to implement them through lending, technical assistance,

dialogue, the mobilisation of resources and similar activities in which it has, over the past 25 years, been gaining experience.

5. CHALLENGES FOR CDB

Against this background, Mr. Chairman, I see both a continued and a new focus for CDB in the future. I see CDB engaging in an even closer and more intense dialogue with BMCs who, I believe, feel a certain sense of satisfaction at having created this institution and at the way in which it has been carrying out its assigned tasks during the past two and a half decades. I believe that they regard CDB's lending and other activities as a significant complement to the Region's development efforts. I therefore envisage that if CDB is to continue to serve its purpose of assisting regional development, then it shall be doing so in the context of the above and similar challenges facing the BMCs.

I therefore envisage intensification of CDB's focus on the social sectors, especially in the areas of human resource development, managing the environment and reducing poverty. In so doing, emphasis will be placed not only on the building up of financial capital, but also on human capital, which is really the key imperative on the development agenda.

I also see the need for CDB to continue financing appropriate infrastructure, though I suspect that the type and mix of infrastructure needed will be different. Accordingly, CDB is likely to be asked to make loans for infrastructure in the areas of information technology and telecommunications, for example, because that kind of infrastructure will be essential to the new modes of production which our economies will have to employ. And I anticipate that lending for infrastructure will not be restricted to physical infrastructure but will include the building, strengthening and facilitation of institutions, systems and procedures in support of the new thrust that the Region's productive sectors will be making.

CDB will need to continue its efforts to assist in the mobilisation of capital for long term financing. But it will need to widen its focus to include working even more closely with BMCs in encouraging direct investment flows into the productive sectors. As former President Demas said in his 1980 statement to the Board of Governors: "... the real crisis which we in the Region face in the decade ahead is a crisis of production". That is still the case. CDB will have to assist in exploring every possible avenue to increase the level of investment in the Region's productive sectors.

I see CDB not only continuing to serve as a catalyst in attracting and mobilising capital, but also assisting more in the area of financial institution building. Accordingly, I see CDB in its future lending to DFIs in the Region encouraging them at least to match the credits from CDB with capital that, hopefully, they will themselves raise on national and regional markets.

Mr. Chairman, a great deal of work will have to be done in the area of promoting

development of the regional capital market for savings and investment. I anticipate that CDB will, therefore, be intensifying the extent of its fulfillment of one of the mandates given to it in the Charter, but to which it has not been possible, so far, to devote much attention. In this regard I can see CDB cooperating with other financial institutions operating in the Region to help devise appropriate mechanisms and instruments for facilitating the growth of equity financing.

I see CDB supporting BMCs in developing marketing strategies that will facilitate access to global markets. And in this regard, I envisage that more of CDB's investments will need to be channelled to the private sector in the light of the enhanced role that the private sector is expected to play in the development of regional economies. We shall have to devise modalities for doing this electively.

I see a Region whose foreign exchange earnings will be derived increasingly from the export of non-traditional goods and of services to a wider market, and CDB providing loans in support of the production of those goods and services.

The opportunities associated with the rising trend of globalisation have to be sought out and pursued. Initiatives such as those currently being taken by the Region in concert with the wider Caribbean in creating the ACS will widen the regional market and hence provide an opportunity for renewed and more vigorous attempts at manufacturing. It is fully recognised that in a global and liberalised market for knowledge-based rather than raw material-based products, smallness is not the same impediment that it proved to be in an import-substituting regime. I therefore envisage CDB working with its BMCs in promoting and creating opportunities for development of many small, efficient, competitive firms exporting their products and services to the wider Caribbean and indeed to the world at large.

In this context, Mr. Chairman, there are two points which I would like to make. I am in total agreement with recent initiatives taken by Commonwealth Caribbean countries to strengthen ties and deepen their cooperation with the wider Caribbean. Indeed, my address to Governors in 1990 in Merida, Mexico, urged the enhancing of cooperation in the wider Caribbean. But, Mr. Chairman, our participation in the ACS and moves to gain acceptance to trading blocs such as that created by the North American Free Trade Agreement (NAFTA) should not be regarded as requiring abandonment of our own integration movement.

The second point is that the strengthening of our relations with the wider Caribbean and the seeking of access to NAFTA should not require us to weaken or downgrade our long-standing relations with the European Union. For, as the West Indian Commission said in its Report entitled "Time for Action", we should always try to maintain as many windows on the world as possible.

Mr. Chairman, Governors will this week be considering questions relating to the

implications of expanding the Bank's membership. New donor members would assist resource mobilisation efforts and help to spread burden-sharing over a wider donor membership. Since the Bank's Charter allows other regional countries access to membership and the Commonwealth Caribbean countries are deepening their cooperation with the wider Caribbean region, I would think that CDB may need to expand its activities to serve a wider borrowing membership.

These are some of the ways, Mr. Chairman, that I envisage CDB will assist in devising and implementing responses to the challenges that the Region faces.

Finally, Mr. Chairman, it would be remiss of me to conclude this address to the Bank's Twenty-Fifth Annual Meeting without paying tribute to, and recognising, the great contribution made to the Bank during its first 25 years by the following:

- a. past and present members of the Board of Governors and the Board of Directors;
- b. the first two Presidents of the Bank;
- c. past and present members of the Bank's staff at all levels, whose dedication and commitment has been exemplary, and, last but not least
- d. the member countries of the Bank, without whose constant and whole-hearted support the Bank's success could not have been achieved.

In closing, Mr. Chairman, I would point out that we in the Caribbean are a deeply religious community, and I think our people would like us also to give God thanks for his guidance during these past 25 years and to request it for the next and beyond.

For my part, and that of my loyal and dedicated staff, I pledge our continued commitment to our tasks for as long as we shall be given the opportunity.