

SUSTAINING DEVELOPMENT IN THE COMMONWEALTH CARIBBEAN
STATEMENT BY
SIR NEVILLE NICHOLLS, PRESIDENT
TO THE BOARD OF GOVERNORS
AT THE TWENTY-THIRD ANNUAL MEETING
HELD AT
MARRIOTT'S SAM LORD'S CASTLE
ST. PHILIP, BARBADOS
MAY 12 &13, 1993

TABLE OF CONTENTS

1. [OPENING REMARKS](#)
2. [ANNUAL REPORT AND CDB'S PERFORMANCE DURING 1992](#)
 - i. [BMCs Performance](#)
 - ii. [Some Specifics on CDB](#)
3. [SUSTAINING DEVELOPMENT IN THE COMMONWEALTH CARIBBEAN](#)
 - i. [The Macroeconomic Policy Window](#)
 - ii. [The Physical Environment Window](#)
 - iii. [The Technology Window](#)
 - iv. [The Human Resource Development Window](#)
 - v. [The Window on the External Environment](#)

[Our Value Systems](#)
4. [CONCLUSION](#)
1. **OPENING REMARKS**

Mr. Chairman, Your Excellency the Governor-General Dame Nita Barrow, Right Hon. Erskine Sandiford, Prime Minister of Barbados, and other distinguished Governors, Members of the Board of Directors, Members of Parliament of Barbados, Members of the Diplomatic Corps, Observers, Guests, Vice-Presidents and other members of Staff of the Caribbean Development Bank, Ladies and

Gentlemen; once again I am pleased to have the opportunity to address this Annual Meeting.

Your Excellency, Dame Nita, your gracious presence here this morning is not only a great honour to us all, but a source of immense pleasure. We are aware of your wide knowledge of, and experience in, regional and international affairs. Your presence here this morning is further evidence of your abiding interest in the affairs of our Region.

Mr. Chairman, I preface these opening remarks of my Annual Statement with an expression of appreciation of the confidence which members of the Board of Governors have reposed in me by re-electing me to the Office of President for another five-year term. I am deeply grateful for this honour, and I wish publicly to acknowledge the support and cooperation which I have received during my first term from the Board of Governors and the Board of Directors.

I also wish, Mr. Chairman, to take this opportunity to acknowledge the contributions of our dedicated staff - at all levels - who have not stinted in their support and cooperation, and in the quantum and quality of their work during the term now ended.

The first five years have been an extremely demanding period, but also rewarding, inasmuch as the Bank has expanded, matured and improved on its primary mission of delivering services and resources to its Borrowing Member Countries (BMCs). While we can never be certain what the next five-year period portends, there is no doubting that the Caribbean Development Bank (CDB) will have to rise to new and difficult challenges. It must succeed. And I certainly believe that it will succeed with the guidance of our Boards and the help of our members and an international donor community, which, I am sure, will be sensitively responsive to the Region's demonstrated needs.

As we meet here today, it is the future prospects of the Caribbean to which we shall be directing our thoughts and, I daresay, we could not hope to be carrying out such an exercise in more congenial surroundings.

We are truly thankful that, on relatively short notice, the relevant officials in Barbados and the management and staff of this hotel have so willingly and ably assisted CDB's staff in making the arrangements for this meeting.

Mr. Chairman, I hope that despite our full agenda for the next two days, all participants, observers and guests from overseas will seize the opportunity to enjoy some of the well-known delights of this - the Bank's headquarters island. I am sure, however, that those who are charged with the responsibility for promoting Barbados as an attractive tourist destination would be among the first to admit that, had this Meeting been held in St. Lucia, where our Governors had originally intended to meet this year, the delights to be enjoyed there would have

been no less enticing and perhaps, in the opinion of some, even more so.

I would now like to focus briefly on economic performance in the Region and the Bank's operations during 1992.

2. ANNUAL REPORT AND CDB'S PERFORMANCE DURING 1992
i. BMCs Performance

The Bank's Report presents to the Board of Governors a summary of economic performance in the BMCs, as well as of the operations of CDB, and the financial statements and reports of the independent accountants.

Its contents tell several stories - in different ways, especially about the smaller members of whose condition "special and urgent regard" had to be taken from the very beginning. And, at this stage of my brief analysis of those contents, I wish to refer to the words of the first President of the Bank, the later Sir Arthur Lewis, which I will then relate to this year's Report to emphasise where we were, where we have reached, and where, presumably, we are heading.

Almost 21 years ago, as he wrestled with the serious obstacles retarding the Region's economic development, Sir Arthur was moved to remark about the Less Developed Countries (LDCs) in one of his recommendations when submitting a project to the Board of Directors:

"Whoever can teach financial discipline to these states will deserve a price"

At the time he wrote, most of the "LDCs" were in receipt of budgetary assistance or grant-in-aid from the United Kingdom (UK) Government. In fact, during the period 1972-76, Dominica, Grenada, Montserrat and St. Vincent and the Grenadines all had recorded deficits in each of the five years, while Antigua and Barbuda and St. Kitts and Nevis had deficits in at least two of the five years.

Only St. Lucia among the Leeward and Windward Islands enjoyed consistent budgetary surpluses at that time.

Indeed, I well recall that it was in 1976 that a Fund to finance the provision of Emergency Programme Assistance and Common Services for the Leeward and Windward Islands was established in CDB with contributions from the governments of the UK, Barbados, Guyana, Jamaica and Trinidad and Tobago. The objective of the Fund was to assist

the Leeward and Windward Islands in meeting their recurrent obligations during a period of severe fiscal difficulty.

Most of the Dependencies, too, were also reliant on budgetary support.

Today, only a few of the LDCs have a sustained fiscal problem; we believe that with a firm will and effective management, this problem can be eliminated in the short to medium term.

That performance highlights what CDB has been continuously emphasising: that astute fiscal management is a necessary condition for the economic development of small, open, dependent economies such as ours.

Certainly, Mr. Chairman, many of the LDCs have, over the years, so improved upon the quality of their fiscal management that it is they themselves which merit the prize.

With regard to economic growth, several of the LDCs recorded a higher rate of real GDP growth in 1992 than they did in the previous year. For at least four of them - Anguilla, Cayman Islands, Montserrat and St. Lucia - the increase was quite considerable.

Of the More Developed Countries (MDCs), Guyana led the growth table with a performance estimated at almost 8%. Jamaica achieved a notable turnaround from 0.2% to 2% real growth while the economy of Trinidad and Tobago experienced some reduction in the rate of growth when compared with that of 1991.

The overall performance of the Bank's BMCs was quite good in light of the fact that global economic conditions in 1992 were not favourable for the Region.

Between the lines of the Report is the message that the Region's resilience and determination provide the springboard to further progress; and I believe that prudence and sound fiscal management will continue to be necessary. The Bank is committed to assisting its BMCs in this.

ii. **Some Specifics on CDB**

Mr. Chairman, in 1992, this Bank reinforced its stature internationally through a successful entry to the US capital market for a private placement of ten-year notes totalling US\$30 million, which brings resources

mobilised to date to almost a billion US dollars.

Net income from ordinary operations, at US\$13.6 million, is US\$1.2 million above the level attained in 1991. The customary resolution to allocate net income to Ordinary Reserves is before the Board of Governors.

While lending in 1992 fell by approximately 27% below the level attained in 1991, overall financing approvals fell by 11%, the effect of the decrease in lending being softened by an increase in grant financing from US\$2.8 mn to US\$20 mn. Of special significance are: the loan to the University of the West Indies for the improvement and expansion of its distance teaching capability, and that it included a significant proportion of concessionary resources; and an Ordinary Capital resources (OCR) loan to the petroleum industry of Trinidad and Tobago for onshore recovery of residual crude oil. This attests to CDB's widening participation in the development process of the Region.

Success of the distance teaching project, which will make tertiary education more accessible to the broader mass of people, will depend on what is available at the national level to emphasise the quality and availability of primary and secondary education. That is why CDB is working closely with the Organisation of Eastern Caribbean States (OECS) in developing a sub-regional educational initiative which will address many of the issues besetting primary and secondary education, as we are of the view that human resources development is critical to overall development.

In the area of disbursements there has been improvement over 1991, through close collaboration with borrowers on projects under active implementation. Disbursements in 1992 were more than 13% above the level of the previous year.

A significant element of the increase in grant-funded operations referred to earlier, relates to the basic needs programme under which US\$20 mn was approved for 47 projects, in comparison with slightly less than US\$3 million for 26 projects in 1991.

Mr. Chairman, there is much within the Report which has not been touched in this summary, but CDB is continuing along the course which has been charted in its Directional Plan and Strategy to the year 2000.

I now move on to the main theme of my address, which is entitled "Sustaining Development in the Commonwealth Caribbean".

4. SUSTAINING DEVELOPMENT IN THE COMMONWEALTH CARIBBEAN

I know that every one of us here today is committed to contributing, in one way or another, to the further development of the Commonwealth Caribbean. Indeed, that is the prime mandate of CDB -contributing to regional development. Therefore, I am glad for this opportunity to raise some issues that confront all of us who are involved in the process of promoting and managing development. In particular, I wish to discuss the concept of sustainable development, to consider how successful our efforts in that direction have been so far, and to highlight some of the issues that we face and must do our best to resolve.

Managing development, like managing many other processes, entails setting goals and adopting strategies and policies to attain those goals. If we are to achieve them, then we must be clear on what they are. Let me therefore outline what I mean by sustainable development, because what it connotes to us will undoubtedly influence our policy choices.

What is Sustainable Development?

Development theorists have long recognised that development is a complex process. For today's purposes, I will highlight what I see as the major elements of sustainable development.

Sustainable development presupposes economic growth, the latter being defined as a quantitative increase in output. It also obviously presumes development, which implies an improvement in the social and psychological quality of life. Development may be said to be sustainable when an economy shows the capacity to support a human community at desirable levels of welfare over the longer term -taking into account the economic, ecological, and socio-cultural values of that community.

Mr. Chairman, with that definition of sustainable development in mind, I would now like to review briefly a few aspects of the economic performance by our borrowing member countries over the past three decades or so.

What Have We Achieved So Far?

Our Region has made significant strides since the 1960s in its quest for economic development. Let us review this progress in terms of the quantitative indicators of progress. In 1960, per capita Gross Domestic Product (GDP) in the Caribbean Community (CARICOM) countries was, on average, about US\$400. Per capita income in all countries except one has more than trebled, with a number of countries exceeding the world average of US\$3,836. Infant mortality for children under 5 years has been reduced to less than 20 per 1,000 births in the majority of

cases, and life expectancy has risen from an average of about 65 years to 71 years, which is among the highest in Latin America and the Caribbean, and compares favourably with the average of 74.5 years for industrialised countries. These improvements reflect the increased access of the majority of the populations of these countries to health services, sanitation and safe water as well as the tremendous emphasis placed by health programmes on immunising children against major childhood diseases, and on controlling or eradicating diseases such as malaria, poliomyelitis, tuberculosis, and diphtheria.

Noteworthy improvements have also been recorded in education where all school age children have access to primary education and the adult literacy rate has been maintained at the high levels reached since the 1960s when some countries reported rates in excess of 95%. Enrolment in secondary and tertiary level education institutions has also expanded, particularly with the increased emphasis being placed on vocational and technical education. In other areas, access to and the quality of housing, public transportation, telephone, electricity and other utility services have improved significantly.

Income growth has accompanied both progress towards economic diversification and reduced dependency on agricultural exports. With the increased access to education and training, a broadening of the opportunities for employment has occurred along with the narrowing of income disparities.

Over the past three decades, considerable resources have also been invested in upgrading the Region's economic infrastructure. Consequently the Region can boast of a relatively good communications infrastructure, which has facilitated the development of the tourism sector. That has allowed the Region, unlike some other developing regions, to participate in the revolution currently taking place with the emergence of new industries like informatics.

The achievements of the Region are best summed up in the human development index, a composite measure of improvements in peoples' well-being. Based on the index prepared by the United Nations Development Programme, CARICOM countries rank among the top 50 of the 130 countries for which the index was prepared. The Bahamas, Barbados and Trinidad and Tobago are in the top five performers among developing countries.

The Region's performance, of which we can be proud, can be attributed to a combination of forces in the external environment as well as domestic policy initiatives. The development process has been facilitated by a high level of support through preferential access for major agricultural and manufactured exports to the European Community (EC), the US and Canada, through concessionary financing from bilateral and multilateral donors for, and inflows of private investment in, economic and social infrastructure, and through a high level of transfers from CARICOM nationals residing overseas. This support has been buttressed by the priority the Region has put on:

- a. access to education for all as a means of social mobility and improved economic status;
- b. increased domestic savings levels as a means of financing an increasing proportion of the Region's development; and
- c. involvement of the public sector in supporting private sector initiatives, as well as pioneering investments in productive sector activities in cases where private sector investment is inadequate or does not materialise.

Unfortunately also, many of these achievements have been at some cost to our environment. Inappropriately planned tourism and residential developments resulting in the destruction of coastal swamps, and the abnormal discharge of liquid and solid waste into our waters have succeeded in damaging our coral reefs and their capacity to provide a habitat for marine life and to generate the sandy beaches on which our tourism flourishes. Some indiscriminate destruction of forest cover for agricultural expansion has affected watershed management and, consequently, water supplies and is leading to extensive flooding. These practices have also reduced soil fertility, leading to increased dependence on imported chemical input with negative economic and ecological consequences. The loss of the limited arable lands to residential usage is reducing agriculture's contribution to our economy, not only because of reduced land availability, but also, relatedly, because of the higher land values. Attempts are being made to locate in our small fragile eco-systems, activities which are rejected by more sophisticated and environmentally-sensitive countries. This could pose a serious threat to the health of our communities and to the marine resources.

These costs are forcing us to reconsider the path we have so far taken. But we are further forced to do so by the evolving external economic environment that confronts us.

The Changing External Environment

The decade of the nineties opened with major political upheaval and severe economic recession in the external environment. These developments caused the Region to seriously question the foundations on which its past prosperity had been built, and its ability to satisfy the rising expectations of its people without radical shifts in the development strategy and economic management approaches. The decline in real terms of the financial flows to the Region due to the changed economic circumstances in the countries from which they came, has been compounded by the increased demand for such resources as a result of changed geopolitical circumstances. As part of a global trend towards liberalisation of commercial policies, preferential access to traditional markets for natural resource-based commodities is rapidly disappearing. At the same time, the Region is losing its competitive edge for our major productive sectors of agriculture and tourism, and is painfully aware that renewed vitality in these sectors may involve costly activities for the preservation of the environment.

Mr. Chairman, in the light of these changing geopolitical realities and the current weaknesses in our economic structures, I now turn to look towards the future.

What more needs to be done?

Although, in a sense, sustainability has always been an objective of development policy, perhaps we may be justifiably criticised for not having emphasised this aspect of development sufficiently. Perhaps, also, by focussing too much in the past on the strictly financial and economic aspects of development, we may have given the impression that we were not at all concerned about sustainability. However, it is now essential that we articulate very clearly the inseparable link between economic viability and environmental sustainability.

I would like to suggest that our vision of sustainable development must be based on a full understanding of the essential relationships between all of the following: economic growth; equity; poverty reduction; sound management of both the economy and the physical environment; technology; the social and political institutions through which we work; and, above all, the fullest possible participation in the decision-making processes by all the people in our societies. Our approach to the formulation of development policy must be dynamic and our perspective an integrated one.

We must always remember that the complexity of the development process requires a multi-dimensional approach. Making use of current computer jargon, we may say that each dimension of that process is like a desktop window. Accordingly, as we search for appropriate policies to facilitate the achievement of sustainable development by the Region, we need to reorganise our approach. And, continuing the analogy to the computerised approach to problem-solving, there are five "windows on development" through all of which I would like to suggest that we must be constantly looking.

For convenience, let me label those "windows" with the following captions:

- iv. the macroeconomic policy window;
- v. the physical environment window;
- vi. the technology window;
- vii. the Human Resource Development window; and
- viii. the window on the external environment.

As we go about the business of making decisions intended to assist Caribbean development, I have no doubt that adopting a perspective that enables us to look at all five dimensions fully, urgently and simultaneously will prove very useful and effective.

Mr. Chairman, in my statements to previous meetings, when I identified some of the major threats and challenges which we face, I touched upon some of the major policy responses to the issues that we will look at today through our macroeconomic policy window.

ix. **The Macroeconomic Policy Window**

Mr. Chairman, I believe that it is essential for our Region to reach a fair degree of consensus on the nature and extent of the many problems that confront it. Only if we reach such a consensus will it be possible for us to outline with the required clarity and competency, at both the national and regional levels, an agenda of development objectives. Perhaps therefore, I might help the effort to reach the necessary consensus if I quickly point out some of the major items which should be included on our Region's development agenda. These are as follows:

First: the issue of competitiveness stands out clearly. We are immediately reminded:

- that strong export competitiveness is an indispensable requirement for healthy economic development especially of small open economies, such as ours, where production is dominated by a few goods and services which are commonly produced elsewhere;
- that the ability to produce and sell goods and services at prices that assure long-run viability will contribute significantly to finding the path to sustainable development; and
- that alertness, which includes vigilance, ingenuity, quickness of response, and innovativeness, is a required attribute of the truly competitive individual, entity or economy.

In a way, Mr. Chairman, becoming competitive is perhaps the single most critical challenge that we face. How well we tackle it will determine how successful we will be in dealing with all the other macroeconomic issues. For completeness, however, let me continue to list the other issues that appear in the window.

The **second** is unemployment. Let me say here that all of us, I am sure, recognise what a scourge the present high rate of unemployment is throughout our Region, and that we cannot relent in our search for policies to attack and reduce it. Twenty-one years ago, the first President of this Bank, addressing this Board, clearly recognised the unemployment in our Region then as a scourge and declared: "No one of us deserves happiness while this condition lasts".

Third: Where at all possible, we must strive to continue to increase domestic savings.

Fourth: We have to continue to find ways of dealing with the onerous debt levels that enshroud some of our economies.

Fifth: To the extent that our economies require investment - both domestic and foreign - especially in the context of increased global competition for investment resources, we must continue to ensure that the environment for attracting such investment is as attractive and competitive as possible. In this regard, we cannot pay too much attention to the building of capital markets and such other institutions as are needed to promote and encourage increased aggregate output.

Sixth: No stone should be left unturned as we search for markets for the goods and services which we even now produce.

Seventh: We have to decide on the extent to which we see an efficient and vibrant agricultural sector as a sound basis for self-sustaining economic development; and if we do, we must intensify our efforts at both product and market diversification.

Those are some of the major policy issues that confront us. Mr. Chairman, I now turn my attention to the second window.

x. **The Physical Environment Window**

Issues relating to the physical environment are not distant and esoteric matters to be dealt with sometime after economic growth has already taken place, as is sometimes suggested. All human activity modifies the physical environment in some way. As a result, managing the physical environment becomes an integral part of the process of managing the economy.

To quote the Bruntland Commission Report "...ecology and economy are becoming even more interwoven - locally, regionally, nationally and globally - into a seamless net of causes and effects..."

Further, as was pointed out in a seminar held in Puerto Rico in 1986 on the subject of sustainable development for small islands "...a good attitude to nature is not enough..." As we plan balanced development of resource-based activities - whether in agriculture, fisheries, aquaculture, or tourism, for example - we must do no less than seek to understand and assess the

quantum and quality of natural resources available for development and the vulnerability of the environment and its ecosystems to the proposed increase in resource use. Environmental impact assessment is an essential item in our tool kit.

Another very interesting observation was made at the same seminar on the question of the sustainability of economic activity on small islands without detriment to the local environment and its capacity to sustain improved standards of living for both current and future generations. The observation was to the effect that when the costs of restoring the natural environment cannot be met by the existing population, one solution would be to exclude permanent human residents and to preserve the pristine characteristics of the environment.

Clearly, that option is not for us; although we must be aware that, for example, as we attempt to increase agricultural production - through increased use of chemical fertilizers or extensive ploughing and bringing more hillsides under cultivation, we increase the risks of soil erosion, and, as a result of increased seepage of chemicals into the sea, destroying limited inshore fishing resources.

Tourism provides another example of a dilemma that we sometimes face. As in the case of extractive industries, there are discrete limits to which use may viably be made of its related natural resources. For example, higher density tourism may bring more foreign exchange earnings, but, in the absence of the ability to meet the additional costs of protecting the reefs from more intense human use, destruction of the reef may result. There is, then, a physical limit to which Caribbean tourism can be prudently pushed.

What I am saying here, therefore, is that as we set and pursue our development targets, we must be very careful to factor into the equations issues such as resource depletion, negative impact, and unmanageable feedback on the physical environment.

It follows also that as we take decisions that seek to revive or foster economic growth, as we strive to structurally transform our economies, as we attempt to meet the basic needs for jobs, food, energy, water, and sanitation for a larger and larger proportion of our populations, we are obliged to take fully into account the relative strengths and weaknesses of the natural resource base, and to ensure that we conserve and enhance it wherever and whenever possible.

There are limitations on the extent to which exponential and indefinite expansion of output based on exploitation of natural resources can be sustained in the Caribbean. Earlier, I raised this issue in terms of the need

for us to be aware of how indiscriminate exploitation of natural resources for the development of agriculture and tourism, for example, may militate against the longer term viability of those sectors.

Mr. Chairman, CDB has so far been collaborating on several regional environmental initiatives with several regional and international agencies. Among the constraints encountered are: a very noticeable gap in the amount and quality of available information on the Caribbean environment; and the absence of a sufficiently coherent institutional framework for ensuring that environmental issues are systematically taken into account when development policies and activities are being formulated.

It is in this context that I wish to suggest that a concerted regional effort is now required so that comprehensive national and regional policies on the potential role of the environment in Caribbean development may be clearly articulated and adopted.

Whether we are considering water resource or coastal zone management, or expansion of the tourist sector, or the use of chemicals and fertilizers for agriculture, there is no substitute for a sound information-based policy. And clearly, in as much as market mechanisms do not necessarily provide a system for pricing many natural resources, an environmental policy should be based on some notion of the value that society places on such assets. Sustainable development is more likely to be derived from informed policy decisions.

xi. **The Technology Window**

We now look through the window on Technology.

Classical economists defined the factors of production to be land, labour and capital, and the stark reality that in every economic regime, at least one of these factors was bound to be in scarce supply, inspired much of the pessimism that marks their work and caused the discipline of economics to be called by some "that dismal science". The pessimism of those economists stemmed from the low value they placed on the importance for the economic welfare of a society, of the impact of external trade, to which I shall turn shortly, and of technology, on which, I now wish us to focus briefly.

Technology is generally defined as the state of the industrial arts by which is meant the current stock of knowledge about how to combine the factors of production to make useful things, along with the implements in which part of that knowledge is embodied. Mr. Chairman, I am particularly

concerned with that other part of technology which is not embodied in machines but is possessed in the skills of our citizens.

For me, then, there are three aspects of technology. One refers to the stock of man-made implements that help to increase the productivity of the other factors of production; another is what we commonly call "know-how", and the third has to do with the approach and attitudes which we adopt in doing things.

Appropriateness of technology is one issue which must be of major concern to us. Another is always the willingness and capacity of our societies to encourage research and foster innovation.

The distinguished Vice-Chancellor of the UWI, Sir Alister McIntyre, has drawn our attention to an aspect of the revolution that is taking place in the world economy which must be of considerable interest to us in these small countries. According to him: "we may be entering a new phase of industrial growth where increased knowledge-intensity will induce greater reliance on smaller-scale production than in the past; and the industrialization process will rely more and more on the accumulation of knowledge rather than on capital as such". If he is right, and I am inclined to believe he is, then we, as a region, must think seriously about whether we are paying enough attention to our investment in human capital; in particular, Mr. Chairman, if we are, so to speak, spreading among our people a culture of technology.

I will say more about this in a moment, but the point I wish to make here, is that if we invest only in the material implements of modern technology, or continue to expose only a small fraction of our society to technical competence, we are going to be ill prepared to compete in the world that Sir Alister sees rapidly emerging. Which would be a pity, since what he says, suggests that in this emerging economic environment, our small size might be of no significant disadvantage. Though we must note, it need be of no great advantage either.

One way, therefore, of overcoming the limits on natural resources that I discussed earlier, is to produce goods and services, for export, where value is added more through application of knowledge, skill, and technology than through exploitation of scarce natural resources. Resourcefulness can be a genuine substitute for, and a complement to, limited amounts of physical resources.

I suggest that we need to address the issues that will arise when we take a closer look at our technological environment, and that we will need, sooner rather than later, to articulate a clear and unequivocal technology policy that will provide guidelines to assist our quest for the path to

sustainable development.

It is hoped that from such a policy would emanate guidelines on, for example, investment in research and development and choice of technology. Perhaps such a policy would even attempt to foster and encourage approaches and attitudes towards the way we see and do things that may stimulate our innovative and productive capabilities to reach heights which now may even be beyond our imagination.

Such an approach may well require us to put more emphasis on investment in human capital, which is perhaps the key to achieving - in a single stroke - self-sustaining economic growth, equity and significant poverty reduction. I therefore at this point turn to the critical question of human resource development.

xii. **The Human Resource Development Window**

Mr. Chairman, the items that we would normally see as we look at this window include a wide range of socioeconomic factors such as education, entrepreneurship, health and nutrition, urbanisation, population and the like. I recognise that Human Resource Development, in general, is about improving human abilities and skills through improvements in education, health and similar services, but I shall here be looking at education, as an example.

Let me hasten to add, however, that at the operational level, we at the Bank are very aware of the synergy that can and will be achieved when strategies for education and training, improving health and sanitation, poverty alleviation, increasing productivity and access to income-earning opportunities, and many other areas of human resource development are planned and implemented in conjunction with each other.

I should point out that education is both a consumable and a capital good. To the individual, it is the former; but from the standpoint of the economy, expenditures on education are capital expenditures which increase society's capacity to produce. In the context of the role of education in assisting us to sustain development, our approach must be one that focuses on the overall benefits both to individuals through their enhanced earning capacity and to our economies through their increased productivity. The following quotation from a recent internal Bank document reflects that perspective by pointing out that:

"prospects for the economic and social development of the Region are highly dependent on the capabilities of its people to effect, manage and steer development. This calls for not only persons with a wide range of

skills and knowledge, but also a flexible approach to the constantly changing demands of the labour market."

As we look at our window on Human Resource development, some key issues on education and training are:

- a. the appropriateness and desired levels of expenditure;
- b. the aspects of education and training in which that investment should be made;
- c. the current situation in which high levels of unemployment coexist with excess demand for labour in certain sectors; and
- d. the adequacy of the present education system to help meet the daunting challenges which our Region faces in the quest for sustainable development.

Mr. Chairman, this list of issues is not exhaustive. Its purpose is to draw attention to the size of the task we face in education, which is but one dimension of the Human Resource Development issue. I am sure that you will agree that the clearer our policies relating to development of the Region's human resources are, the greater will be their contribution to the process of sustaining development.

In this context, I would like to point out that the question of human resource development will feature prominently on CDB's agenda for the next few years. We have, for example, begun to work more closely with our BMCs to assist them in assessing and improving delivery systems for both general and subject or sector-specific education and training. We will be assisting in financing projects and programmes that seek to develop, expand and reorient, where necessary, the Region's approach to investment in education and other aspects of human resource development.

xiii. **The Window on the External Environment**

The fifth window provides a view of the external environment and highlights several aspects of international trade policy that must be considered and clearly determined, if we are ultimately to find the path to sustainable development.

As we make policy choices, we have to develop the ability to respond quickly to developments that originate beyond our shores but which impact heavily on our efforts to develop.

We must realise that tourism and even export manufacture and provision of export services are quite sensitive to downturns in the economies to which we export. Specialisation may bring benefits for a while; but our ability to sustain development will depend on how flexible we are, on our ability to diversify our productive sectors, and also on our capacity to create and seize opportunities and adapt to constantly changing external environments.

If our developmental goals in the area of international trade, for example, are to be clearly defined and successfully pursued, we must be fairly clear on the degrees of deepening and widening of CARICOM that we will pursue. Also, by now we must have fully grasped the major implications of the NAFTA and of the Single Europe Market.

In the final analysis, Mr. Chairman, how well we will be able to deal with these issues we have looked at through this and the other windows, will be clearly influenced by our value systems. Let me, therefore, say a few words about some of our value systems.

Our Value Systems

Mr. Chairman, the type of social organisation in which economic activity takes place can be a crucial factor. The dynamism of the institutional framework of our societies will make a big difference as to whether we develop sustainably or not. That is why issues such as the role of the State, privatisation, the role of Trade Unions, trade liberalisation, integration and the like must be fully aired and understood. Such action can only help to make our development agenda clearer and consequently our objectives more likely to be attained.

Further, Mr. Chairman, the development process can no longer be seen as a struggle to make the most of the physical resources with which our countries are endowed. Not only must we seriously evaluate the physical and behavioural institutions through which we conduct our affairs, but we must also seek to ensure harmony and consistency between economic viability and environmental sustainability. After all, we occupy some of the world's loveliest areas - though small, with delicately balanced and fragile eco-systems.

The legal and regulatory frameworks that we adopt and the social and cultural values that underpin our consumption and production patterns will play a major part in determining what goals we set ourselves and the extent to which we will attain them.

Finally, we need to capitalise more on the democratic traditions for which our Region is well known and admired. We need to use them in a positive manner to

help build the social and political consensus that is a prerequisite for the adjustment that our economies must always make to the ever-changing international economic environment. We must do this rather than overindulge in competitive policies to such an extent that our governments are sometimes deterred from implementing appropriate economic policies at the right time because they fear too much the negative electoral consequences of those appropriate policies.

5. CONCLUSION

Mr. Chairman, I have been arguing that if the Commonwealth Caribbean is to achieve sustainable development, it must, in addition to promoting efficiency in the traditional sectors, bring about a substantial change in outlook, in types of products and services produced, in its development and use of technology, in the prevailing orthodoxy in the areas of education and training, and in several of the institutions through which our social and economic affairs are currently organised.

To that extent, I have been suggesting that:

- development is about more than mere economic growth; it is about both growth and improvement in the social and psychological qualities of life;
- there is a vital link between sustainable economic growth, sound economic management, prudent management of a fragile physical environment and non-renewable natural resources, and the building of sound social organizational structures and institutions;
- our approach to technological developments and how we use technology must be key elements in our policy-making efforts; and
- there can probably be no better investment for the Region than that which would increase our human and institutional capacity.

Perhaps to reinforce what I have been suggesting I can quote from an article by Professor J. Viner, written as long ago as 1953, that says: "...economic improvement is not merely a matter of more capital, or more acres, or more (minerals) in the ground, but also of the growth of effectiveness of management and of manual effort through better education, better health, better nutrition, and better political and social organisation.."

Today, Mr. Chairman, we are surely more conscious than before of the need to ensure that, as we seek to improve our economic situation, we do not destroy the very resource base on which we rely for sustenance and survival.

We therefore, as managers, policy makers, technicians, advisers, consultants, and above all citizens or residents of this Region, must confront the issues that

constrain the process of sustainable development.

Mr. Chairman, the pursuit of sustainable development is a complex and ever challenging problem, and the Caribbean Development Bank does not pretend to have all the answers. But I wish to assure you, Mr. Chairman, that within the framework of our mandate to assist in promoting regional development, we shall endeavour to use the integrated, dynamic and responsive approach to development that I have just outlined.

It is inherent in our strategic plan for the next few years. It compels us: to steer away from too narrow a view of the development problem as we assist in designing and financing projects and programmes to reduce poverty; to stimulate economic growth; to pursue both the economic and ecological sustainability of our Region; to strive to improve our own capability; and to contribute as fully as we can to improvements in the quality of life of Caribbean people.

For us at CDB, *sustainable development* is not just a current fad.