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Potential Paths To Achieving Stability In Development Finance

By

Anston Rambarran and Kevin Finch

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1. Introduction

Over the past few decades, most Caribbean[1] countries have achieved considerable social, economic and political progress, but have entered the new millennium confronted by challenges that threaten their future development. On the external front, regional economies are grappling with multiple external shocks for which very many have not been well-prepared. Most of these shocks are permanent - reduced concessional aid, dismantling of preferential trade arrangements for sugar and bananas, and interventions related to drug trafficking, money laundering, terrorism financing and the supply of cross-border services. The negative impact of September 11 and the run-up to the Iraq war on the tourism-based economies temporarily worsened macroeconomic conditions.

Domestic developments have also had damaging effects in many regional economies. There is escalating unemployment and under-employment, substantial poverty, and a high and rising incidence of HIV/AIDS. Also, marked recurrences of hurricanes, tropical storms and floods in recent years have disrupted key productive activities, imposing disproportionate economic and social costs. Moreover, Caribbean countries share many of the vulnerabilities of small states – very open economies with typically limited production and export bases that magnify the severity of these threats.

Some Caribbean countries have begun to respond to these events; others have delayed taking politically costly adjustment by accessing new borrowings. The overall economic outlook for

* The authors are Economists in the Research Department of the Central Bank of Trinidad and Tobago. The views expressed are those of the authors and not necessarily those of the Central Bank.

[1] Unless otherwise indicated, Caribbean refers to member countries of the Caribbean Community (CARICOM), all of which, with the exception of Belize and Guyana, are island economies that form part of the archipelago of the Caribbean Sea. CARICOM member countries are Antigua & Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, and Trinidad & Tobago.

the region appears hopeful rather than comforting (Bourne, 2003), and the state of affairs in the Eastern Caribbean Currency Union (ECCU) seems precarious. Many members of the Union face high debt burdens and limited growth prospects, which put at risk the viability of the long-standing currency board arrangement. The gravity of the situation is serving as a wake-up call to all CARICOM economies on the urgency to articulate specific strategies for survival in a rapidly evolving hemispheric and global environment. ECCU members have already begun to design "home-grown" stabilization programs; the establishment of a Regional Stabilisation Fund (RSF) is expected to help countries deal with short-term payments or fiscal imbalances and to supplement resources from the multilateral financial institutions.

It remains fundamentally true that the future development of the Caribbean is primarily the responsibility of the countries themselves. However, at both the UN-organized Monterrey Financing for Development conference and the Johannesburg World Summit on Sustainable Development, the international community committed itself to providing multi-faceted assistance to social development and global poverty eradication. Building a "global partnership for development" is one of the eight ambitious development targets in the form of the Millennium Development Goals (MDGs) [2] - developing countries are not expected to go it alone.

The Caribbean is clearly at a historical juncture and needs better and stronger support from the international lender/donor community, especially if the region is to at least stand a fair chance of achieving the MDGs. This support should not only ensure an appropriate mix of adjustment and financing, but also provide breathing space for the design of a more comprehensive medium-term solution, as many of the region's economic problems are structurally rooted. In keeping with its commitment under the Monterrey Consensus, the

[2] The United Nations Declaration on September 8, 2000 embodies a commitment by all 189 UN member states to achieve eight ambitious Millennium Development Goals (MDGs) by 2015, each of them accompanied by specific targets and indicators. The eight goals are (i) to halve the proportion of people living in extreme poverty and hunger; (ii) to achieve universal primary education; (iii) to promote gender equality and empower women; (iv) to achieve a two-thirds decline in infant mortality; (v) to achieve a three-fourths decline in maternal mortality; (vi) to halt and reverse the spread of HIV/AIDS, malaria and other diseases; (vii) to ensure environmental sustainability; and (viii) to develop a global partnership for development.

region is expected to match this support through the pursuit of sound economic policies and good governance.

Accordingly, this paper examines the contribution of the international community to supporting and financing Caribbean development, with a view towards identifying the possible engagement strategies for the future. Particular attention is paid to the smaller regional economies whose access to international capital markets is limited and whose economic prospects are dismal. The study draws its inspiration from Lane (2003) who reviewed the support of the international community to the transition challenge facing the seven poorest and heavily indebted members of the Commonwealth of Independent States (CIS-7).

The rest of the paper is structured as follows. In Section 2, we review trends in external financing flows to the Caribbean over the last decade. Section 3 describes the more recent engagement of the international financial institutions in the Caribbean, focusing on the International Monetary Fund (IMF) which serves as a "gatekeeper" to catalysing other financial flows. In Section 4, we discuss recent initiatives to reform the international financial institutions before addressing their potential future role in the region. We turn in Section 5 to the future role of the international community in assisting regional economies, highlighting emerging sources of development finance. Concluding remarks are made in Section 6.

2. Trends in External Financing Flows to the Caribbean, 1990-2001

Net resource flows to the Caribbean amounted to over US$3,690 million in 2001, an increase of more than fourfold since the start of the 1990s (Table 1). However, this aggregate picture masks both a dramatic change in the composition of external financial flows to the region and an extremely skewed distribution in favour of a few countries. An expansion in private capital has occurred simultaneously with reduced access to concessionary financing, as aid donors have been re-ordering their priorities towards poorer countries in Eastern Europe, the

Middle East and Africa. Private flows to the region accounted for more than 80 percent of the total resource flows in 2001, up from about 25 percent in 1990. This surge was driven by a remarkable growth (385 percent) in foreign direct investment (FDI), which has become the single largest source of stable financing, but whose distribution has been highly concentrated. Trinidad and Tobago and Jamaica together received nearly 60 percent of the total US$5,684 million invested in the region in 1999-2001. This reflects, to some extent, the stage of financial liberalisation and the privatization thrust of these two countries. Excluding FDI, aggregate net resource flows to the Caribbean amounted to US$1,699 million in 2001, only double the level in 1990 and quite minimal on a per capita basis.

Official development finance (including grants) amounted to US$523 million in 2001, a sharp decline from the peak of US$1,031 million in 1995 and from the US$701 million received in 1990. This reflected the contraction in aid flows and the heavy burden of servicing large debts incurred in the 1980s. Net bilateral lending to the region turned negative from the mid-1990s, indicating that Caribbean countries are paying back more to industrial countries than they are borrowing. However, because of offsetting, albeit falling, grant resources the region has been able to continue registering positive net aid inflows, but these are modest, at least in per capita terms. Excluding grants, net lending from official sources has remained weak, as have net non-concessional flows from multilaterals.

From 1995 to 1999, new commercial bank loans to countries in the Caribbean were less than the amount of their maturing debt and give rise to net repayments. Faced with dwindling official loans, many governments have increasingly resorted to private lending. On a net basis, bank loans to and bond issues by the region amounted to US$994 million in 2001, almost the same level as in the previous year. Many CARICOM economies are raising substantial amounts of capital in Trinidad and Tobago in order to bridge their funding gaps and/or refinance debt.

Flows of short-term debt have for the most part displayed a rising trend, peaking at around US$740 million in 1997, about 4 ½ times the level of 1990. Portfolio flows into the region were negligible. Although recognised as a legitimate source of financing, these flows are less stable. The symbiotic relationship between financial crises and volatility of portfolio flows has been well documented, especially in the case of the Asian Crisis. The public external debt stock-to-GDP ratio of the region has been fairly stable, averaging between 50 and 60 percent, but the debt stock for the OECS has been growing, from 39 percent in 1996 to 49 percent in 2001 (Tables 2-4).

Total net transfers began to move in favour of the region early into the new millennium, averaging a positive balance of US$488 million in 2000-2001 relative to an annual average outflow of US$388 million in the last five years. Remittances from emigrants living abroad have also constituted an important stable source of external financing to Caribbean countries, particularly Jamaica, Haiti and Dominica. In the period 1997-2000, total workers' remittances averaged US$957 million, about double the level of official aid-related inflows. The United States remains the largest source of remittances for the region, but heightened security concerns and a softening labour market could probably limit these flows over the next year or two.

The pattern of capital flows for individual countries differs substantially from the aggregate picture for the region, particularly for the OECS countries. Current account deficits in St. Lucia and St. Vincent and the Grenadines have been sufficiently covered by capital inflows, including public sector borrowing mainly on concessional terms. However, the rising cost of short-term commercial debt in St. Lucia recently led to refinancing arrangements. The private sector in these islands has also received substantial inflows of direct investment to mainly finance the construction of hotels, but these flows are on the wane. Although the government of St. Kitts has been able to maintain access to a mix of external financing on reasonable terms, the public debt stock has risen considerably over the last five years, putting pressure on the country's payment capacity.

The other OECS countries and Belize have managed less well. Governments in Belize, Dominica, and Grenada have resorted to non-concessional borrowing, and are typically repaying more in principal than they are receiving in new loans. Grants are helping to keep total capital flows positive. Moreover, FDI in these three countries has usually been lower than the other OECS countries. With the possible exception of St. Kitts, FDI as a whole has been declining for the Eastern Caribbean. Even with a Fund-supported program, Dominica now faces a potential fiscal financing crisis that must be covered by a combination of loans, grants, roll-overs and rescheduling. In Belize[3], the level of public external debt (concentrated in commercial borrowing) and its maturity profile now pose a serious threat to the viability of the balance of payments. Grenada, which has contracted debt both intra-regionally and on the international capital market, is seeking to avoid a rapid debt build up.

In Antigua and Barbuda, the government has received non-transparent offshore financing and has been accumulating substantial arrears. External arrears are mainly to bilateral official creditors and commercial banks, so actual credit flows are about zero. In addition, accruals of additional debt for unpaid interest far exceed the small flow of grants and direct foreign investment coming to Antigua and Barbuda.

In Guyana, debt relief under the original Heavily Indebted Poor Country (HIPC) Initiative and interim assistance from the enhanced HIPC Initiative are helping to cover high current account deficits. Since 1996, Paris Club bilateral creditors including Trinidad and Tobago have been providing Guyana with debt relief. Bilateral creditors are likely to provide further relief under the enhanced HIPC Initiative when Guyana reaches its floating completion point, sometime in 2004[4].

Haiti, the poorest country in the Western Hemisphere, has experienced political instability over the last six years or so. Donors have been channelling the minimum amount of grants needed for humanitarian assistance through NGOs, but they have suspended budgetary aid pending the resolution of the political crisis. Foreign direct investment is almost nonexistent. Remittances rank as the major source of foreign exchange. Haiti started to accumulate

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[3] Interestingly enough, Belize was the first country in Central America and the Caribbean to issue a Eurobond with a "collective action clause". A collective action clause represents a contractual approach to debt restructuring and makes it easier for creditors to renegotiate sovereign debt contracts should borrowers default. Belize issued a 12-year US$100 million bond at an interest rate of 9.75 percent.

[4] To date, Trinidad and Tobago has contributed US$367 million in debt relief to Guyana under the HIPC Initiative. Multilateral creditors have, for the most part, delivered their share of debt relief to Guyana. The Caricom Multilateral Clearing Facility (CMCF) is still exploring the possible modalities of delivering its share of enhanced HIPC assistance to Guyana, about 9 percent of total debt relief.

external arrears in 2000, of which about half were to the World Bank and Inter-American Development Bank (IDB). Haiti is now attempting to establish a track record through an IMF Staff-Monitored Program (SMP) that could lay the basis for a Fund-supported program. Hopefully, arrears clearance will lead to a long overdue re-engagement of the international donor community.

In Suriname, positive flows of official aid and grants from the Netherlands virtually ceased during 1997-2000, as relations with the Dutch authorities deteriorated over growing fiscal indiscipline. Private capital flows to the bauxite and alumina sector also declined. Commercial borrowing, mainly short-term commercial debt at high interest rates, placed additional pressure on already dwindling reserves. Following a strengthening of the macroeconomic policy stance, Suriname obtained in 2002 a Dutch government-guaranteed loan, which helped to reconstitute its reserves, but its financing position remains difficult.

For Jamaica, net external flows fell in the 1990s, worsening the consequences of its financial crisis. Lending to the public sector became more negative, as the Paris Club rescheduling and multilateral support from the IMF and World Bank finished around the end of 1995. Financing the current account deficit remains heavily dependent on foreign direct investment, which has been strong, and remittances, which are large and at times create problems for short-term macroeconomic management. Nevertheless, the debt dynamics in Jamaica are very vulnerable to natural disasters and an adverse international environment. Jamaica has a speculative grade credit rating on its external debt.

Trinidad and Tobago received small net flows of official loans and grants in the 1990s. The flows to the private sector have surged, however, led by foreign direct investment to the oil and gas sector. The government re-entered the international capital in 1992, after a five-year absence during which it successfully rescheduled its external debt. Trinidad and Tobago has an investment grade rating. Even though the external debt stock is manageable, a rising domestic debt stock has been of some concern.

In Barbados, there are robust flows to the private sector and modest net flows to the public sector because the country is repaying past public borrowing and receiving little in grant assistance. Nevertheless, countercyclical macroeconomic policy over the last few years has led to higher fiscal deficits and an increasing debt burden, which are a source of unease, even though Barbados has an investment grade rating.

In the Bahamas, large foreign direct investment flows into the tourism, financial and real estate sectors helped to finance current account deficits from the second half of the 1990s. With unsettled global financial markets, FDI flows have slowed. Short-term external debt is minimal. The Bahamas also has an investment grade credit rating.

The resources available to the Caribbean, in general, are being used to mainly finance consumption. The higher participation of foreign savings suggests that many economies adjusted to the restricted official flows of the 1990s through increased external borrowing, which is straining limited fiscal resources. IMF (2003c) indicates that four ECCU member countries – St. Kitts and Nevis, Antigua and Barbuda, Dominica, and Grenada - are expected to have debt stocks in excess of 100 percent of GDP at the end of 2003. The region as a whole needs to make progress in containing rising debt burdens and regaining fiscal stability, mobilizing more intra-regional resources. The Regional Securities Market is a potential source of development finance, and Trinidad and Tobago is slowly evolving as a regional financial centre. Greater efforts are nevertheless needed to explore alternative sources of financing and other support from the international community.

3. The International Financial Institutions and the Caribbean

Most Caribbean nations became members of the IMF and the World Bank following the attainment of independence. In terms of the multi-tiered structure of the World Bank Group, these countries typically joined as members of the International Bank for Reconstruction and Development (IBRD) and, those eligible to join, were later admitted to the International

Development Association (IDA), the concessional lending arm of the IBRD. Only a fraction of Caribbean countries are members in the Inter-American Development Bank (IDB).

We can think of the international financial institutions as providing three kinds of assistance: (i) policy advice; (ii) technical assistance; and (iii) financial support. With respect to the first category and consistent with its mandate, the IMF has been the lead agency providing advice on macroeconomic stabilization, monetary and financial system issues, exchange rate policy, and fiscal affairs. However, it has also advised in areas overlapping with the World Bank such as the financial and public sectors. In addition to advice on individual projects and sectoral issues, the World Bank has also been the lead advisor on the structural and social agenda, including institutional and environmental aspects of development.

Policy advice from these two institutions is embodied in the annual Article IV consultations conducted by the Fund and in the Country Assessment Strategy (CAS) prepared by the World Bank. These reports also influence the conditions attached to the loan and assistance agreements that are negotiated with the individual countries. In principle, the policy advice offered by Fund and Bank is now integrated into the Poverty Reduction Strategy Paper (PRSP) process, which is country-led and participatory.

Article IV consultations in most Caribbean countries are undertaken annually and largely focus on issues related to macroeconomic and financial stability. More recently, Article IV discussions for members of the ECCU have been supplemented by a regional surveillance approach. The surveillance report is perhaps the most comprehensive source of information on the ECCU, as it provides a critical analysis of the Union's economic outlook, discussion of risks and vulnerabilities, and possible strategies going forward. A CAS, on the other hand, is usually done over periods ranging from two to five years, as it involves collaboration with government and other stakeholders in formulating development strategies. At present, only the ECCU and Jamaica have an operational CAS within the region.

An examination of the recommendations contained in these reports not surprisingly reflects the "Washington Consensus" about the policy reform direction for Caribbean countries. In addition to attaining macroeconomic stability, typical elements of reform include price and trade liberalization, privatization of enterprises, the provision of basic infrastructure, the establishment of an investment friendly business environment, and the implementation of codes and standards and regulatory structures. Of course, even with general acceptance of the desirability of all these elements, this still leaves plenty of room for debate about the appropriate pace and sequencing of policy measures. There is also the challenge to ensure a consistent and streamlined framework for the coordination of policy advice between the Fund and the World Bank.

It is problematic, however, to evaluate the quality of policy advice from the international financial institutions. First, Caribbean states are sovereign nations. They are therefore free to disregard, accept or partially implement external policy prescriptions, so that economic outcomes, which are influenced by various factors, cannot be closely linked to the policy advice given. Second, it is well understood that country reports by these international institutions do not reveal the full dynamic process of interaction between staff members and the national authorities in policy formulation. There is often a series of informal interventions and several iterations of discussions on policies desired by both staff and the authorities, so that the final published document reflects a compromise between the two parties.

Turning to the policy record of the Caribbean, it seems that first generation reforms initially helped to improve fiscal management and economic governance in most regional economies, but largely ignored the social dimensions of adjustment. CCMS et al. (1997) states that first generation adjustment efforts failed to prepare CARICOM for the imperatives of "strategic integration" with the international economy. However, it is also the case that for many Caribbean countries policy implementation was far from complete, reflecting varying degrees of capacity, commitment and response. A more serious concern relates to advice on financial policy, in view of the growing burden that the debt overhang presents for several regional economies and in light of weak prospects for significant debt relief.

At a more challenging level, it could also be argued that the international financial institutions could have done more to familiarise themselves ex-ante with the regional economic environment, distinguishing the peculiarities of small states. They could have also done more to better understand the political and institutional obstacles to rapid reform and to assist in the design of appropriately gradualist strategies that cumulatively build a reform momentum. The IMF has apparently recognized the importance of achieving a critical mass of support for programs and now promotes country ownership, though some could sceptically argue that this merely amounts to passing the buck. Aside from the difficulty of correctly selecting such strategies in real time and without the benefit of hindsight, it raises the fundamental issue of the international financial institutions infringing a country's sovereignty by insisting on a specific policy design.

In terms of providing technical assistance to member countries, the international financial institutions devote substantial resources. The main vehicles of delivery are staff-led missions, assignment of short-term experts and long-term resident advisors, and seminars and workshops. Table 5 lists the number and sectoral distribution of technical assistance missions from the IMF to Caribbean countries in recent years. As befits its core areas of expertise, these missions and placement of experts have primarily been to provide technical advice on macroeconomic and financial statistics, monetary and exchange affairs, and fiscal processes. The IMF is also carrying out related diagnostic activities such as Reports on Observance of Standards and Codes (ROSCs) and Financial Sector Assessment Programs (FSAPs).

Regional arrangements for technical assistance delivery and training are assuming a greater prominence. They are more cost effective, promote ownership, and enhance cooperation with other technical assistance providers. In November 2001, the IMF established the Caribbean Regional Technical Assistance Centre (CARTAC) in collaboration with the Canadian International Development Agency (CIDA), the United Nations Development Fund (UNDP), and other donor agencies to enhance the region's capacities in macroeconomic management. Over its first year of operations, CARTAC has been very active, undertaking technical assistance missions, conducting training courses/workshops, providing specialized consultancies, and was even instrumental in the formation of the Caribbean Public Finance Association.

Going forward, CARTAC will be engaged in providing technical assistance towards fiscal and economic policy reforms in the Eastern Caribbean through the Stabilisation and Technical Assistance Programme (SATAP) and the ECCU Fiscal Machinery Initiative. Clearly, CARTAC's scope of work has expanded well beyond initial expectations and demonstrates the benefits of greater local participation. However, prioritization and costing remains a major issue in light of competing resource and logistical demands. Moreover, the flow of trained personnel from the public sector, particularly the ministries of finance and central banks, to the private sector means that much technical assistance requires periodic repetition, in order to train new cohorts of policy officials.

Table 6 provides details on the financial relations between the Caribbean and the IMF, which had a fairly active program relationship with the region in the 1980s. Given the conjunction of the debt crisis and global recession, many countries resorted to Stand-By Arrangements as a source of balance of payments support. Indeed, Jamaica was under a series of IMF-supported programs and became a prolonged user of Fund resources. Guyana made intensive use of the concessional lending facility of the Fund, the Enhanced Structural Adjustment Facility (ESAF), known since 1999 as the Poverty Reduction and Growth Facility (PRGF). For Dominica and Grenada, the Extended Fund Facility (EFF) was an additional source of financing.

Over the last four decades, the Caribbean has faced an exponential growth in the incidence of natural disasters (hurricanes, floods and earthquakes), which is even higher for some countries in the Eastern Caribbean, Jamaica and the Bahamas. There were 16 natural disasters in the region in the 1960s, 13 in the 1970s, 41 in the 1980s, 48 in the 1990s and 13 already for the first three years of the current decade (Bourne, 2003). Although the IMF lends for emergency assistance in the event of natural disasters, this facility has had limited attractiveness for Caribbean countries because of low access, lack of concessionality, and delays in response.

At present, the IMF has a limited program presence in the region, with Fund-supported programs in Guyana and, more recently, Dominica which is under a Stand-By Arrangement and seeking to build a track record towards a possible PRGF-supported program. Haiti has a SMP that does not entail access to Fund resources and, like Dominica, is also attempting to build a satisfactory record of performance so as to engage the IMF in a program relationship, possibly through a PRGF program.

We turn in Table 6 to World Bank lending to Caribbean countries. Since natural disasters have afflicted the region, lending for programs related to disaster and economic recovery has been the main area of World Bank financial assistance. Nevertheless, the lead time between the shock and provision of assistance has often been too long. Caribbean countries, therefore, have had to initially fund reconstruction efforts, to the detriment of their fiscal accounts. Other main categories of World Bank lending to the region are in the areas of health and education

In summary, this section has reviewed some elements of the involvement of the IMF and World Bank in the Caribbean. The institutions are playing a rather active role in supporting regional economies through policy advice and technical assistance. Financial support is limited. Although policy errors occurred, on balance, it would be difficult to entirely dispel the claim that the region would have performed better without the interventions of these institutions. However, the Caribbean needs to make further strides along its development path and, in this context, it is appropriate to ask more from the international financial institutions in terms of finding new ways to assist in this quest.

4. The Evolving Role of the International Financial Institutions.

Since the East Asian financial crisis of 1997/98, numerous proposals have been put forward to reform the international financial institutions. The G-7 Finance Ministers have done reviews at summits in Halifax (1995), Cologne (1999), Okinawa (2000), and Rome (2001). The US Congress established an International Financial Institution Advisory Commission (known as the "Meltzer Commission") whose majority report recommended drastically shrinking the scope of IMF intervention and the role of the World Bank in development finance. A minority report of the Commission, however, called for more limited reform and a larger global role for both institutions. The developing countries were of the firm view that they wanted to maintain the IMF's role in all member countries, including in the poverty reduction area (Mohammed, 2001). The IMF and the World Bank themselves have also responded to these concerns, initiating major changes in their organizational and operational structures.

Although the reform agenda was partly inspired by the global capital account crises that took place in the 1990s, there was also considerable dissatisfaction with the performance of the international financial institutions in assisting low-income countries. The 1998 World Bank report *Assessing Aid* provided a refreshingly frank evaluation of the failure of aid to improve macroeconomic performance in countries that maintained distorted policy regimes, whereas it confirmed that aid can and has worked when it supports reforms that are key to growth and poverty reduction. Considerable political resonance in the wake of Jubilee campaign, led by advocacy nongovernmental organizations, resulted in modifications to the HIPC Initiative in 1999. This brought deeper, broader, and faster debt relief and an ambitious objective to provide a permanent exit from debt rescheduling for some of the world's heavily indebted poor countries.

A central principle in this new dispensation is that national development strategies are most successful if "owned" by domestic society. Without a doubt, there will always be differences between the international financial institutions and the authorities on the diagnosis of and solutions to economic problems. Also within the same country, there will inevitably be differences on the same issues. However, it is believed that reforms which can garner a critical mass of support and commitment have the best chance of success. Such ownership is established by ensuring the widest possible participation of the political establishment, the social partners, and civil society. In this process, the international community provides advice and technical support and ensures that financial assistance programs are consistent with the national development strategy.

This is the very philosophy underlying the country-led PRSP process, which offers a workable framework for cooperation among the Fund, the World Bank and other development partners[5]. The PRSP feeds into an overall Comprehensive Deve.opment Framework (CDF) process that attempts to provide a common foundation for implementing the advice and assistance coming from the World Bank's CAS, the IMF's PRGF, and the policy frameworks of the other multilateral development banks and the United Nations. In this way, the assistance and advice provided by the international community are expected to be better streamlined and integrated into a holistic long-term strategy.

Although it is difficult to argue against a holistic approach to understanding the development needs of each country, the particular involvement of the IMF in poverty reduction is troubling to some observers. The majority report of the Meltzer Commission wanted to eliminate the PRGF. Several academics and NGOs have similarly argued for taking the IMF out of the poverty reduction business, which is seen as an area outside its traditional mandate and core expertise. However, the Fund considers that by safeguarding macroeconomic and financial stability, it is contributing in a major way to protecting those who are most vulnerable, to reducing poverty, and to enhancing social justice – within countries and across the world (Larsen, 2003).

This may be perfectly consistent with the lending and policy surveillance activities of each agency remaining specialized. The IMF will largely advise on macroeconomic policies whereas the World Bank and other multilateral development banks will be more involved in structural reform. However, it does raise legitimate concerns about the appropriate division of labour and the modalities of coordinating programs and structural conditionalities, particularly between the Fund and the World Bank. Indeed, it is quite easy to see how this could lead to the perception, and perhaps the reality, that many members of these institutions are placed at the mercy of the arduous compulsions of a powerful alliance over whose decisions they have little, if any, influence.

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[5] In 2002, the World Bank and the IMF concluded a review of the PRSP process, which included contributions from dozens of non-governmental organizations (NGOs) as well as the Bank and the Fund themselves. While acknowledging that the process could be improved, the World Bank and the IMF concluded that it worked fairly well. The endorsement from the NGOs, however, was less enthusiastic (Levisohn, 2003).

Another element in the new dispensation is the strong insistence by the international financial institutions on reforms to help improve governance and reduce the opportunities for rent-seeking behaviour in borrower countries. Weak governance, it is argued, generally creates opportunities and incentives for corruption, which leads to a relatively skewed distribution of income and wealth, and negatively affects growth and living standards. Strengthening governance is now a recurring theme in programs which the IMF and World Bank support as well as with bilateral donors. These conditions relate to the rule of law, judiciary reforms, and civil society participation and represent an unwarranted invasion of national sovereignty (Kapur and Webb, 2000). The implication, however, is that a country which persists with weak governance structures may face suspension of financial support.

Striking the correct balance on this issue poses a major challenge for the international financial institutions. On the one hand, the withdrawal of support from a regime that fails to promote good governance must be seen as a credible threat. On the other, the multilaterals may opt to remain engaged with countries that persistently fail to deliver for geopolitical and other reasons. There is no easy solution to this problem. Based on the history of the relations between the international financial institutions and the Caribbean, it is not clear whether a suspension of financial support will indeed occur in the event of an egregious failure to fulfil governance commitments.

The reforms have also involved a new emphasis on transparency and public access to core economic data. Although not primarily designed with the Caribbean in mind, these countries have also been affected by the drive for greater openness. The websites of the Fund and, to a lesser extent, of the World Bank are providing more information about these countries' policies through country documents, policy papers, and associated Public Information Notices (PINS). Since June 1999, most countries in the Caribbean have published their Article IV staff reports and PINs. In addition, a regional surveillance staff report on the ECCU was published in March 2003.

The Fund has traditionally emphasized a voluntary approach to publication, but in June 2003 it moved to voluntary but presumed publication for all Article IV consultation reports and staff reports on the use of Fund resources. The current deletions policy on highly market sensitive information such as exchange and interest rate matters would continue to apply. With this de facto move to publication, there is now more need by both parties to safeguard the frankness of policy discussions and to strike the right balance between transparency and the role of the IMF as confidential advisor.

At the same time, the international financial institutions have developed mechanisms for more accountability in their own activities. For instance, the IMF has established an Independent Evaluation Office (IEO), which operates independently of IMF management and at arm's length from the Executive Board. The IEO has completed three evaluation reports[6], whose findings have been endorsed by the Board and follow-up action taken by the management on several recommendations.

All these reform initiatives have strong applicability to member countries seeking greater engagement with the international financial institutions and have engendered much debate. Unfortunately, this debate has not brought a commensurate degree of clarity to the issues. Given the nature of the economic challenges facing the Caribbean, the region has to carefully consider how it further engages the international financial institutions, especially the IMF whose seal of good-housing is usually seen as imperative to catalyzing other financial flows. At present, there appears to be civil neutrality in respect of policy advice (except for the program countries) and promising signs of greater cooperation in technical assistance, particularly through CARTAC. It is, however, in the highly contentious area of financing reform programs that regional economies, especially those with typically limited access to international capital markets and weak growth prospects, have to carefully craft their engagement strategies.

It is generally accepted that Fund financing should be temporary so as to ease the burden of adjustment while macroeconomic imbalances are being addressed (IMF, 2003a). In reality,

[6] The Independent Evaluation Office (IEO) of the IMF has completed the following three evaluation reports: (i) Prolonged Use of IMF Resources; (ii) Role of the IMF in Three Recent Capital Account Crises (Indonesia, Korea and Brazil); and (iii) Fiscal Adjustment in IMF-supported programs. These reports have been made public with a summary of the IMF Executive Board discussion.

however, there are many prolonged users, drawing on Fund resources through successive arrangements. It is important to note also that, while the IMF has a role to play in support of growth and poverty reduction, it does not have the capacity or the mandate to provide long-term development assistance.

In the recent typology used by the Fund (IMF 2003a), many of the smaller Caribbean countries might be classified as "early stabilizers", and some even exhibit various characteristics of "mature stabilizers". These features include a weak but growing institutional capacity, tentative political support, but most of all, macroeconomic stability is a dominant concern. In such cases, active Fund financial involvement can provide a measure of support to key government officials who are committed to reform, promote some degree of stabilization, provide technical assistance, and help mobilize more enduring donor support. However, the balance of payments need relative to Fund quota is normally great, and the program usually faces potential risks such as shortfalls in financing, heightening social tensions, and weak implementation capacity.

For these regional economies, the PRGF-supported programs appear to be a good fit. Each country authority, however, must devise an appropriate strategy to engage the Fund and consider under what circumstances it makes sense to move from a relationship based mainly on Article IV surveillance and technical assistance to a program relationship. One possible option to facilitate this transition might be to have a precautionary Stand-By Arrangement, cancelled and replaced by a PRGF arrangement, if a financing need arises. Another option might be progressively higher access PRGF-supported programs. Of course, the converse also needs to be considered, that is, how to move from a financing relationship to other forms of assistance.

A major issue for Caribbean economies lies in the manner used to determine eligibility for the use of PRGF resources. In practice, the IMF has relied on the level of per capita income and eligibility under IDA, as the determining criteria. The current cut-off point for IDA eligibility is a 2001 per capita GNP level of US$875. On this basis, only Dominica, Grenada, Haiti, St. Lucia, and St. Vincent and the Grenadines are PRGF-eligible. This automatically excludes from PRGF engagement several other Caribbean countries that face similar macroeconomic and structural problems. The use of a more relevant criterion than the usual GDP per capita limit would lead to the possible inclusion of countries like Antigua and Barbuda, Belize, St. Kitts and Nevis, and Suriname.

This issue of graduation is of considerable relevance to the small states of the Caribbean where a strong case can be made for using vulnerability criteria in determining access to concessional resources. It is notable that the IDA12 agreement (which covered the 3-year period ending June 2002) included a specific exception to the per capita income criterion for small island economies, maintaining a practice in effect since 1985. This exception continues in IDA13 (which covers the 3-year period ending June 2005). On this basis, we see no compelling reason why other Caribbean countries with GDP per capita limits higher than the current IDA cut-off point, but facing similar structural constraints, cannot be considered for access to concessional lending from both the IMF and World Bank.

5. The Future Role of the International Community in Assisting the Caribbean

The complexity of the development challenges facing Caribbean countries and in meeting the MDGs is such that the scope of required policy advice and technical assistance is far broader than can feasibly be provided by the World Bank and, especially, the IMF. Indeed, it is unlikely that these institutions have the competence or the flexibility to provide assistance on all aspects of the reform process. United Nations agencies such as the Food and Agriculture Organisation (FAO), the World Health Organisation (WHO), United Nations Conference on Trade and Development (UNCTAD), and the United Nations Children's Fund (UNICEF) potentially have much to offer in specific areas. Non-governmental organisations can also help support development efforts in the Caribbean.

Within this context, there is an urgent need to augment existing financial resources[7] as well as to develop new and innovative sources of assistance that do not create future debt sustainability problems. Many routes to raising additional external finance have been proposed over the years, but some are not politically feasible as they face serious countervailing opposition and require an unprecedented degree of international cooperation and coordination[8]. We, therefore, discuss five promising options which are of special relevance to the Caribbean. These proposals relate to (i) Official Development Assistance; (ii) The International Finance Facility; (iii) The HIPC Initiative; (iv) Multi-sectoral Global Funds; and (v) Remittances.

Official Development Assistance

Official development assistance (ODA) remains an important vehicle for financing development, but aid levels have been declining consistently over time. By 2000, ODA had fallen to 0.22 percent of the Gross National Income (GNI) of donor countries, well below the 0.7 percent target adopted by the UN General Assembly in 1970. Aid has also fallen relative to economic activity in developing countries, from more than 5 percent in the early 1990s to 3.4 percent in 2000. ODA flows from the top ten donor countries to the Caribbean amounted to just 7 percent of the total allocation in 2001.

Since then, new frontiers for aid seem to have opened up. At the Monterrey Conference on Financing for Development in March 2002, donor countries agreed to set more ambitious aid targets in making progress towards meeting the MDGs. The European Union has committed to raising its assistance to an average of 0.39 percent of GNI by 2006. The U.S. administration announced that it was increasing its bilateral assistance by US$10 billion over 2004-2006, placing these funds in a new Millennium Challenge Account (MCA). Funds will be allocated initially only to IDA-eligible countries showing a strong commitment to sound

[7] Since the declaration of the Millennium Development Goals (MDGs), a number of attempts have been made to estimate the financing requirements for attaining these goals. The Zedillo Panel (United Nations, 2001) estimated conservatively that an additional US$50 billion would be required annually to achieve the international development goals. No official estimates have been made of the resources needed for the Caribbean to meet the MDGs.

[8] Some proposals to raise additional external financing flows include (i) regular annual issues of Special Drawing Rights (SDRs) by the IMF; (ii) universal application of a withholding tax on portfolio income earned by non-residents; (iii) tapping private fortunes; and (iv) imposition of a tax on foreign currency transactions (Tobin Tax).

economic policies, good governance, and health and education. The U.S. administration has also pledged US$15 billion to a 5-year emergency plan for AIDS relief in Africa and the Caribbean. Other donors announced plans to raise aid levels. However, even if these pledges were realised, aid would still remain well below the peak of 0.34 percent of industrial countries' GNI achieved in the 1990s, but would provide an extra US$10 billion (World Bank, 2003).

It is important that donor countries strive to meet the aid targets set under the MDGs and to make already-promised bilateral ODA more coordinated, reliable and consistent. Halving the proportion of persons living in extreme poverty by 2015 could be achieved solely by at least doubling current world aid. However, this requires moving considerably beyond what has so far been promised. It also leads to concerns about the absorptive capacity associated with increased aid flows to developing countries, including those in the Caribbean, and whether these additional resources could be used efficiently and for their intended purposes.

Notwithstanding the new spirit for increasing aid levels, it is likely that *realpolitik* will remain a major force in aid relations, especially in the post September 11 world where new global security concerns prevail. Burnell (2003) cautions that moral hazard could creep in where major donors seem to support countries where the case for responding to threats to their own security interests looks most serious. A most illustrative example for the region took place this year when the US cut military aid to six Caribbean countries for failing to meet a July 1 deadline that they grant immunity to US citizens from prosecutions before the new International Criminal Court (ICC) to deal with war crimes. By September 30, three countries had concluded the requisite agreement because US support was deemed essential to their counter narcotics and anti-terrorism operations.

International Finance Facility (IFF)

The gap between current ODA and the amounts needed to meet the MDGs has led to alternative proposals for development funding. In early 2003, the United Kingdom proposed an International Finance Facility (IFF) to leverage additional resources from the private capital markets. The IFF has been called a "modern Marshall Plan." Donors would make commitments to provide to the Facility a considerably larger annual flow of aid disbursements, averaging around US$50 billion, between now and 2015. In turn, the Facility would issue bonds on the strength of these commitments and allocate funds through existing bilateral and multilateral institutions. These disbursements would provide the ODA element seen as necessary for meeting the MDGs by 2015, with a concentration on the targets of universal primary education, reducing child mortality, tackling HIV/AIDS, and halving poverty (UK Treasury, 2003). Of relevance to the Caribbean is that disbursements under the IFF would, of course, be linked to appropriate policies on governance, trade and investment.

The IFF would provide a predictable and stable flow of aid over the medium term, but it appears unlikely that the Facility would come into existence exactly as proposed. Some donors may want to take part under different conditions. The channels for disbursing IFF resources also need to be more specifically defined. What can reasonably be expected is that the challenge for a target-based approach, with inter-donor coordination and mutual commitments far into the future, will come into fruition in some form.

The HIPC Initiative

The HIPC Initiative was first launched in 1996 by the IMF and the World Bank to reduce the public external debt burdens of some of the world's most heavily indebted poor countries to a level that would allow them to permanently exit the process of repeated debt rescheduling. Three years after and due to intense public pressure, the Initiative was enhanced to provide faster, deeper and broader debt relief, and linked HIPC debt relief to the preparation of a PRSP. Nevertheless, concerns persist that the enhanced HIPC Initiative is unlikely to provide HIPCs with the assurance of long-term debt sustainability. Gunter (2003) contends that, even after the full adoption of the changes to address the six most crucial problems of the enhanced HIPC framework[9], the debt sustainability of HIPCs would still remain fragile.

[9] The six most crucial shortcomings of the HIPC Initiative relate to (i) using inappropriate eligibility and debt sustainability criteria; (ii) the use of overly optimistic growth assumptions; (iii) an insufficient provision of interim debt relief; (iv) the delivery of some HIPC debt relief through debt rescheduling; (v) lacking creditor participation and financing problems; and (vi) the use of currency specific short-term discount rates.

Guyana is the only HIPC country in the Caribbean and is between decision and completion points, receiving interim assistance. Once Guyana has implemented the completion point triggers tied to the implementation of key structural reforms, had a PRGF-supported program in place for at least six months, and had a World Bank PRSP program operating for at least one year, the boards of the World Bank and IMF will meet to approve the provision of irrevocable debt relief.

Of specific concern to the Caribbean is the proposal to revise the HIPC eligibility and debt sustainability indicators. The HIPC framework assumes that a country's external debt is sustainable if the NPV debt-to-export ratio is around 150 percent. It also considers a fiscal criterion whereby a country's debt is sustainable if the NPV debt-to-government revenue ratio is around 250 percent. Using more comprehensive measures of poverty and indebtedness, such as the UNDP's Human Development Index, would extend debt relief to a broader range of poor countries. From this perspective, Haiti could potentially be added to the current list of eligible HIPCs, depending on the criteria considered. Haiti's public external debt amounts to about US$1.3 billion, or 35 percent of GDP and around 240 percent of exports of goods and services. The bulk of the debt is on concessional terms. The ratio of the NPV of Haiti's external debt service was estimated at 140 percent at end September 2001.

Of course, the proposal to extend HIPC debt relief to more countries would entail additional costs to the international community, especially at a time when the existing initiatives are not yet fully funded. While it is true that in the case of Haiti new flows – as grants or highly concessional loans – rather than debt relief would help provide the necessary resources, even these are not forthcoming in the desired volumes. To many observers, the people of the poorest country in the Western Hemisphere are being held hostage to the exigencies of the international community.

Multi-sectoral Global Funds (MGFs)

Multi-sectoral Global Funds (MGFs) are emerging as important innovative mechanisms for financing development and other specific global priorities. MGFs are financed and administered by a partnership comprising governments, international organizations, and the private sector and civil society, but yet are more operationally nimble than traditional mechanisms (Heimans, 2003). Even though the proliferation of MGFs may also lead to a comprehensive response to global problems, these funds may not be sufficiently democratically accountable through the national governments that constitute them. Table 8 outlines some basic facts about three MGFs.

The newly established Global Fund for AIDS, Tuberculosis and Malaria (GFATM) is of special regional interest given that, after Sub-Saharan Africa, the Caribbean has the highest incidence of HIV/AIDS. The Caribbean Epidemiology Centre (CAREC) estimates that 500 thousand persons or 2.4 percent of the region's population are infected with HIV/AIDS, with Haiti having the highest infection rate at around 5 percent of the population. The region is also struggling with one of the highest AIDS fatality rates of between 60 and 75 percent. In November 2003, the GFATM allocated close to 18 percent of total disbursements to Latin America, Eastern Europe, and 13 CARICOM countries to help fight HIV/AIDS until 2005. This group of countries may receive additional allocations up to 2010. A challenge for Caribbean countries is to demonstrate to the administrators of GFATM and other MGFs that they are indeed worthy recipients of additional assistance, since each individual administrator must weigh the marginal impact of extra aid in alternative destinations.

Remittances

Remittances are a growing force in external development finance. Given the current euphoria associated with these flows, Kapur (2003) wondered whether remittances are a new development mantra, as they strike the right cognitive chords in exemplifying the principle of self-help. Remittances can contribute to financing investment, providing community infrastructure (such as schools), and funds for new enterprises. On the other hand, Chami *et al.* (2003) in a rather provocative study found that remittances may have negative effects on economic growth and do not appear to be a significant source of capital for economic development. Nevertheless, it was not clear from this study whether remittances are an obstacle to growth or the very interaction between remittances and other structural factors leads to unfavourable growth prospects.

Table 9 gives some data on the size of remittances in relation to both GDP and exports of goods and services in the Caribbean. As a percent of GDP, the top three remittance-receiving countries are Dominica, Haiti and St. Kitts. Measured on the basis of exports, however, the top three remittance-receiving economies are Haiti, Dominica and St. Vincent and the Grenadines. In Jamaica, remittances are soon expected to surpass tourism revenues, becoming the primary source of foreign exchange. Undoubtedly, these large remittance flows are helping to mitigate pressures in the foreign exchange markets and on other macroeconomic imbalances in these countries. This often poses a moral hazard for governments who may avoid taking politically costly steps to address underlying problems since they expect remittances to continue to insulate the economy from any negative consequences.

At present, remittances are a stable source of external finance, but could become volatile following the implementation from October 1, 2003 of the Patriot Act in the United States. The Act signalled the beginning of new financial regulations which requires banks and other money transfer entities to have formal procedures in place to verify customer identities. This will not only affect the cost and volume of remittances, but also Caribbean countries attempts to diversify into the offshore banking sector.

Regional economies, therefore, need to consider policies to change the very nature of remittances from compensatory transfers to investments and to reduce the cost of remittances. Convincing remitters and their recipients to invest a greater portion of remittances in productive activities is likely to be a difficult but not impossible task, given the circumstances of immigrant-sending households.

6. Conclusion

Our goal in this study has been to review the performance of the international community and the international financial institutions in assisting Caribbean development, with a view towards identifying appropriate strategies for the future. Given the nature of the economic challenges facing the region, country authorities have to carefully consider how they further engage the international financial institutions, especially the IMF whose seal of good-housing is usually seen as imperative to catalyzing other financial flows. At present, there appears to be civil neutrality in respect of policy advice (except for the program countries) and promising signs of greater cooperation in technical assistance, particularly through CARTAC. However, regional economies have to consider under what circumstances it makes sense to move from a relationship based mainly on Article IV surveillance and technical assistance to the usually contentious financing relationship.

In respect of policy advice, regional authorities would do well to remember that the IMF's surveillance framework also provides a platform for dialogue with systemically important member countries. This is especially relevant in the area of trade, which holds out perhaps the best prospects for boosting growth and reducing poverty in developing countries. The Caribbean has opened up its markets since 1995 and is engaged in negotiations to open its borders even more. Nevertheless, countries in the region continue to encounter disproportionately high protective trade barriers in markets where they have the greatest export potential, especially in agriculture. The region must insist that the Fund step up surveillance in countries whose trade policies are of fundamental importance for the world trading system, with a focus on increasing market access for developing country exports, including the Caribbean.

As indicated before, the Caribbean is involved in trade negotiations to further open its markets. These negotiations include the Free Trade Area of the Americas (FTAA), Caricom Single Market and Economy (CSME), and the Cotonou Agreement. IMF technical assistance to help members navigate the dire straits of trade negotiations would go a long way in building capacity in such a crucial area. In addition, given the Caribbean's affliction with natural disasters, technical assistance could also be channelled into building disaster mitigation capabilities and examining the potential use of catastrophic risk insurance[10]. The creation of quick-disbursing instruments would also help to address the impact of natural disasters and other shocks that frequently hit the region.

[10] The CDB, through assistance from agencies such as USAID, has formulated its own response to disaster mitigation and relief through its Disaster Management Facility and Disaster Mitigation Facility.

For the smaller regional economies with limited access to capital markets and facing weak growth prospects, the PRGF-supported programs appear to be a good fit. A major issue in this regard is the reliance on the level of per capita income and eligibility under IDA, as the determining criteria, which automatically excludes from PRGF engagement several Caribbean countries facing similar structural constraints. A strong case can be made for using vulnerability criteria in determining concessional access, so that regional economies with GDP per capita limits higher than the current IDA cut-off point of US$875 will be considered for access to concessional lending from both the IMF and the World Bank.

Given the complexity of the development challenges facing Caribbean countries and the desire to attain the MDGs, it is unlikely that the international financial institutions would have the competence or the flexibility to provide assistance on all aspects of the reform process. United Nations agencies such as the Food and Agriculture Organisation (FAO), the World Health Organisation (WHO), United Nations Conference on Trade and Development (UNCTAD), and the United Nations Children's Fund (UNICEF) potentially have much to offer in specific areas.

Within this context, there is an urgent need to raise additional external financial flows and there are five promising avenues which are of special relevance to the Caribbean. Regional authorities should carefully consider options to: (i) make full use of the opening up of new frontiers to aid, within absorptive capacity limits; (ii) access disbursements under the International Finance Facility (IFF) linked to appropriate policies on governance, trade and investment; (iii) join the call for extending debt relief to a broader range of poor countries, including Haiti; (iv) demonstrate to the administrators of the Global Fund for Aids, Tuberculosis and Malaria (GFATM) as well as other Multi-sectoral Global Funds (MGFs) that they are indeed worthy recipients of additional assistance; and (v) devise policies to change the very nature of remittances from compensatory transfers to investments and to reduce their cost.

Beyond the direct financing provided by the international community to the Caribbean, their development has other international dimensions. Clearly, it is desirable to direct more attention to reform of policies and arrangements in the major industrial countries, where changes in interest and exchange rates have tremendous consequences for the rest of the world, including the Caribbean.

In conclusion, the issue of voice, participation and influence in decision making has a critical bearing on the effectiveness of the role of the Fund as well as the Bank in developing countries, including the Caribbean. A greater influence of developing countries as a whole in the decision-making processes of both the Fund and Bank underscores the principle country ownership and helps improve the success of programs.

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APPENDICES

TABLE 1: CARICOM NET FINANCING FLOWS, 1990 - 2001

Type of Financing Flows (US$M)	1990*	1995	1996	1997	1998	1999	2000	2001
Total Net Resource Flows	**882**	**1,866**	**1,270**	**3,223**	**3,166**	**2,998**	**3,233**	**3,689**
Total Net Long Term Resource Flows	910	1,781	1,747	2,462	3,324	2,720	3,054	3,582
Official Development Finance	**701**	**1,032**	**537**	**410**	**585**	**438**	**530**	**523**
Grants (including technical assistance)	433	953	489	424	521	392	382	421
Loans	269	79	48	(14)	65	46	147	102
Bilateral	106	(145)	(229)	(276)	(164)	(180)	(159)	(131)
Concessional	126	(3)	(16)	(66)	(53)	(89)	(59)	(59)
Multilateral	163	207	247	162	192	223	367	292
Concessional	140	112	176	116	133	107	115	62
Total Private Flows	**209**	**749**	**1,210**	**2,052**	**2,739**	**2,281**	**2,525**	**3,059**
Debt Flows	(202)	(123)	211	195	419	150	962	1,069
Commercial bank loans	(70)	(126)	(53)	(35)	(49)	(94)	138	28
Bonds	(97)	48	172	46	227	165	873	966
Other	(34)	(45)	92	183	241	79	(48)	75
Foreign Direct Investment (net)	411	855	999	1,858	2,320	2,131	1,562	1,990
Portfolio Equity Flows	-	17	-	-	-	-	-	-
Short-Term Net Debt Flows	**162**	**278**	**(290)**	**738**	**(151)**	**459**	**19**	**294**
		-	-	-	-	-	-	-
Memorandum items:		-	-	-	-	-	-	-
Tota Net Transfers	(467)	(491)	(911)	(20)	(487)	(29)	319	658
Workers' remmitances, received	354	735	796	837	893	884	1,002	1,169

Source: Global Development Finance 2003:IMF Article IV Consultations

* Suriname, Antigua and Bahamas are ommitted because of data unavailability.

TABLE 2:CARICOM TOTAL EXTERNAL DEBT STOCK, 1990 - 2001

(US$ millions)

	1990	1995	1996	1997	1998	1999	2000	2001
CARICOM	**11,625**	**11,961**	**10,843**	**10,947**	**10,979**	**11,476**	**12,227**	**13,420**
Bahamas	n/a	91	77	94	90	107	115	121
Barbados	683	474	435	399	388	444	548	701
Belize	154	255	282	450	334	392	607	708
Guyana	1,969	2,129	1,654	1,635	1,516	1,478	1,431	1,406
Haiti	911	816	904	1,052	1,050	1,182	1,169	1,250
Jamaica	4,667	4,257	3,982	3,910	4,014	3,910	4,270	4,956
Suriname	n/a	211	217	158	212	258	244	321
Trinidad & Tobago	2,511	2,746	2,248	2,166	2,174	2,462	2,450	2,422
OECS	**730**	**982**	**1,045**	**1,083**	**1,203**	**1,244**	**1,394**	**1,535**
Antigua & Barbuda	346	444	456	467	453	453	465	492
Dominica	88	107	119	107	116	116	163	207
Grenada	111	127	141	123	179	143	179	215
St. Kitts & Nevis	45	57	65	114	128	138	155	189
St. Lucia	79	128	142	153	190	199	237	238
St. Vincent & the Grenadines	61	119	123	118	137	194	196	194

Source: Global Development Finance 2003; IMF Article IV Consultations 2002; Central Bank of Bahamas Quarterly Economic Review - June 2000

TABLE 3: CARICOM TOTAL EXTERNAL DEBT STOCK, 1990 - 2001

(In percent of GDP)

	1990	1995	1996	1997	1998	1999	2000	2001
CARICOM	**109.0**	**67.8**	**53.7**	**51.7**	**51.4**	**53.7**	**57.7**	**62.6**
Bahamas	n/a	8.7	8.1	8.4	8.3	8.0	7.5	7.1
Barbados	27.5	22.1	24.4	15.7	15.6	17.2	21.2	27.5
Belize	37.9	30.3	34.9	36.4	38.9	51.5	70.6	79.5
Guyana	607.1	308.0	202.3	195 7	187.3	178.2	167.8	171.1
Haiti	n/a	n/a	30.6	30.0	29.0	26.4	29.9	35.2
Jamaica	116.2	68.6	50.8	45.4	43.4	42.8	48.3	52.3
Suriname	n/a	28.8	22.1	20.1	20.0	29.5	28.2	42.8
Trinidad & Tobago	60.9	35.0	31.3	26.1	25.1	26.4	23.3	20.6
OECS	**48.1**	**42.8**	**38.8**	**39.5**	**40.8**	**44.2**	**49.2**	**54.9**
Antigua & Barbuda	82.2	83.0	84.1	81.2	73.1	69.6	69.9	70.5
Dominica	52.5	44.1	41.7	35.0	35.1	48.4	54.0	64.8
Grenada	n/a	30.6	26.3	25.7	27.2	26.2	25.3	40.4
St. Kitts & Nevis	26.4	n/a	25.4	39.6	43.4	50.3	49.2	59.0
St. Lucia	n/a	22.8	24.8	25.4	22.6	24.2	27.6	30.9
St. Vincent & the Grenadines	31.4	33.5	30.2	30.0	31.6	48.4	48.0	49.8

Source: IMF Article IV Consultations 2002; ECCU - Update on Regional Developments 2003

TABLE 4: CARICOM TOTAL EXTERNAL DEBT STOCK, 1990 - 2001

(In percent of Exports)

	1990	1995	1996	1997	1998	1999	2000	2001
CARICOM	**174.9**	**111.4**	**98.3**	**102.7**	**91.4**	**88.6**	**97.4**	**112.9**
Bahamas	n/a	n/a	6.9	9.5	3.3	2.9	2.3	2.7
Barbados	73.5	39.4	33.0	29.3	27.3	30.8	35.8	51.8
Belize	57.2	81.2	85.7	126.3	94.5	98.3	147.6	182.3
Guyana	951.0	331.9	225.6	219.3	201.2	182.1	174.4	180.2
Haiti	n/a	311.4	323.7	332.7	224.6	203.4	221.3	238.4
Jamaica	189.6	103.3	97.1	93.3	95.6	90.4	93.4	109.8
Suriname	n/a	49.7	58.4	25.2	36.4	47.3	43.4	51.5
Trinidad & Tobago	107.7	65.9	65.9	65.9	50.9	47.1	35.2	34.3
OECS	**74.1**	**82.4**	**84.6**	**92.7**	**91.1**	**89.3**	**100.6**	**119.5**
Antigua & Barbuda	142.7	140.5	141.9	199.1	152.7	151.9	152.8	170.9
Dominica	85.5	93.1	95.0	75.9	74.3	72.1	109.1	166.8
Grenada	105.0	99.0	103.4	85.7	105.1	62.9	74.2	77.0
St. Kitts & Nevis	44.0	45.3	49.9	76.2	82.7	91.4	98.6	123.7
St. Lucia	26.3	31.3	37.3	40.0	46.5	48.9	60.9	68.4
St. Vincent & the Grenadines	41.0	85.0	80.4	79.2	85.0	108.9	108.0	109.9

Source: IMF Article IV Consultations 2002; Global Development Finance 2003

TABLE 5: CARIBBEAN COUNTRIES LENDING ARRANGEMENTS WITH THE IMF, 1980 - 2002

Country	Facility	Arranged	Expired/ Cancelled	Agreed (SDR million)	Drawn (SDR million)	Outstanding (SDR million)
Antigua & Barbuda	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-
Dominica	SAF	11/26/1986	11/25/1989	2.8	2.8	-
	SBA	07/18/1984	07/17/1985	1.4	1.0	
	EFF	02/06/1981	02/05/1984	8.6	8.6	
Grenada	EFF	08/24/1983	01/23/1984	13.5	1.1	-
	SBA	05/11/1981	05/10/1982	3.4	2.9	-
	SBA	11/06/1979	12/31/1980	0.7	0.7	-
Haiti	ESAF	10/18/1996	10/17/1999	91.1	15.2	15.2
	SBA	03/08/1995	03/07/1996	20.0	16.4	-
	SBA	09/18/1989	12/31/1990	21.0	15.0	-
St. Lucia	-	-	-	-	-	-
St. Kitts & Nevis	-	-	-	-	-	-
St. Vincent	-	-	-	-	-	-
Suriname	-	-	-	-	-	-
Barbados	SBA	02/07/1992	05/31/1993	23.9	14.7	-
	SBA	10/01/1982	05/31/1984	31.9	31.9	-
Guyana	PRGF	09/13/2002		54.6		
	ESAF/PRGF	07/15/1998	12/31/2001	53.8	24.9	71.4
	ESAF	07/20/1994	04/17/1998	53.8	53.8	-
	ESAF	07/13/1990	12/20/1993	81.5	81.5	-
Jamaica	EFF	12/11/1992	03/16/1996	109.1	86.8	24.6
	SBA	06/28/1991	09/30/1992	43.7	43.7	-
	SBA	03/23/1990	05/31/1991	82.0	82.0	-
Trinidad & Tobago	SBA	04/20/1990	03/31/1991	85.0	85.0	-
	SBA	01/13/1989	02/28/1990	99.0	99.0	-

Source: IMF Article IV Consultations Reports 2002

Definitions: ESAF – Enhanced Structural Adjustment Facility; SAF – Structural Adjustment Facility; PRGF – Poverty Reduction and Growth Facility; EFF- Extended Fund Facility; SBA – Standby Arrangement

TABLE 6: SECTORAL COMPOSITION OF WORLD BANK LENDING TO THE CARIBBEAN
(Percent of Total Lending, 1995-2002)

Country	LAW	IND	AG	EM	TRAN	FIN	WSF	HSS	ED	IC	DER
Bahamas	-	-	-	-	-	-	-	-	-	-	-
Dominica	-	-	-	-	-	-	-	-	-	16	84
Grenada	-	-	-	-	-	-	-	-	-	8	92
Haiti	-	4	7	12	11	-	9	39	-	-	18
St. Kitts & Nevis											
St. Lucia	-	-	-	-	-	-	20	8	34	3	35
St. Vincent & the Grenadines	-	-	-	-	-	-	-	-	-	12	88
Suriname	-	-	-	-	-	-	-	-	-	-	-
Barbados	-	-	-	-	-	-	-	-	-	-	-
Jamaica	34	-	-	-	-	-	-	66	-	-	-
Guyana	-	-	-	-	-	12	44	-	44	-	-
Trinidad & Tobago	23	-	-	-	-	-	-	-	77	-	-

Source: IMF Article IV Consultations Reports 2002

Categories: LAW – 'law and public administration'; IND – 'industry & trade'; AG – 'agriculture'; EM – 'energy & mining'; TRAN – 'transport'; FIN- 'finance'; WSF – 'water, sanitation, flood recovery'; HSS – 'health and social services'; ED – 'Education'; IC – 'information and communication'; DER – 'disaster and economic recovery'.

TABLE 7: IMF TECHNICAL ASSISTANCE TO CARICOM COUNTRIES

(Number of Programmes)

Country	Fiscal Affairs Division	Monetary and Exchange	Statistics	Legal	Information Technology	CARTAC	Period
Antigua & Barbuda	2		2				1993-2001
Bahamas	2	2	1			4	2001-Present
Barbados	5	2	2			1	1989-2002
Dominica	3						1995-1999
Grenada	1	2		1			1999-2001
Guyana	3	18	3				1996-2002
Haiti	1	1	1	1	1		1995-2000
Jamaica		1	1				1995-1998
St. Kitts & Nevis	1	1					2000-2002
St. Lucia	2					1	1998-2002
St. Vincent & the Grenadines		1	2			1	2001-Present
Suriname	1	2	2				1997-2001
Trinidad & Tobago	2	4	1				1997-2003
Total	**23**	**34**	**15**	**2**	**1**	**7**	

Source: IMF Article IV Consultations Reports 2001-2003

Table 8: Basic Features of Three Multi-sectoral Global Funds (MGFs)

Fund	**Year established**	**Current annual disbursements**	**Fiduciary arrangements**
Global Fund for AIDS, Tuberculosis and Malaria (GFATM)	2002	Estimated at US$700 million in the first full year of operations. Expected to grow in second year.	World Bank is trustee, sub-trustees at national level. Disbursements made directly to governments.
Global Environmental Facility (GEF)	1991, pilot program; 1994 restructured	About US$600 million per year	World Bank is trustee
Global Alliance for Vaccines and Immunization (GAVI)	1999	About US$160 million per year over 5 years committed to 53 eligible countries. Expected to grow with further rounds of funding awards	UNICEF is trustee

Source: Heimans (2003)