

TOWARDS AN OECS DEVELOPMENT STRATEGY



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CHAPTER ONE: BACKGROUND

In this new Millennium, the countries of the OECS are unmistakably at a watershed, as they try to adjust to a more liberalized international environment and to an emerging international order that is less accommodating, even hostile, to small developing countries.

Against this background, the OECS Authority at its 31st Meeting, mandated the OECS Secretariat and the Eastern Caribbean Central Bank (ECCB) to design and facilitate a series of national consultations in OECS countries, to obtain the inputs of the social partners, towards the design of a comprehensive Sub-regional Development Strategy. More specifically, the Consultations, which were held between July and November 1999 sought to:

- develop a common understanding of global trends and their potential impact (beneficial/adverse) on our economies and societies;
- prepare for our journey into the future;
- inform the establishment of a system and a process for collective planning and decision-making for the future;
- build consensus on the things that must be done to assist the people of the OECS to build and sustain their livelihoods;
- review our development experience and correct any flaws that are evident.

In addition to reflecting the many recommendations emerging from the consultative process, this Development Strategy has drawn from a wide range of official, national and regional planning instruments and regional policies and strategies, as well as other literature on the development process in the Caribbean. An overriding consideration in designing this Strategy, has been to ensure that there is congruence between the Strategy and the Medium Term Economic Strategic Plans (MTESPs) being implemented by OECS countries.

1.1 Conceptual Framework of the Strategy

This Strategy is driven by the conviction that the end of development, that is, the empowerment of people, is best achieved by ensuring their continual access to material, emotional and spiritual comfort. Therefore, development is seen as a process that is equitable and sustainable and that allows people to realise their potential, build self-confidence and lead lives of dignity. In the context of the sub-region, the Development Strategy emphasises strengths and opportunities, as opposed to weaknesses and threats. While the latter will always be part of the process of development, it is felt that a more positive approach would be to seek to maximise the sub-region's potential and exploit its richest endowments.

Thus, the region's further development is seen within a conceptual framework, which focuses on people and the Capital Assets (natural, social, human, physical, financial and cultural) on which they rely, to build and sustain their livelihoods.

In this Development Strategy, *economic development* is regarded a multi-faceted concept which, in general, refers to an increase in the capacity of the economy to produce goods and services that result in an improvement in the quality of life for the citizens of a country. Economic development is distinguished from *economic growth*, the latter, which only speaks to an increase in the level of income and may not be accompanied by structural transformation, which results in the improvement in the quality of life. *Quality of life* refers not only to access to a greater quantity and better quality of both public (health, education, defense and security etc.) and private goods and services but also to improvements in the natural and social environment.

Hence economic growth and wealth accumulation, while necessary, is not sufficient for economic development. The sustainability of economic development adds an inter-generational dimension concept, since activities in the current period should not destroy the natural environment and constrain the development prospects for future generations.

1.2 The Vision Driving the Strategy

This strategy is driven by a common vision, as expressed by participants during the national consultative process. The vision includes:

- the achievement of sustainable human development, that is derived from the fullest participation of the people, acting in their own interests as they see them, relying primarily on their own resources and carried out under their direction and control;
- a region where employment is available to anyone who seeks it and where those who are willing to invest their time and resources in lawful economic activity, can do so freely and enjoy the fruits of their labour;
- a region managed by highly educated and skilled individuals, who are the products of an education system that places high quality, relevant and affordable education and training opportunities, within easy reach of all persons, regardless of their age and/or status in life;
- a region with its people interacting with each other through business, educational, sporting or cultural endeavour and doing so in peace and harmony, with compassion and respect for each other's opinions, beliefs and customs;
- a region where democracy flourishes within a system of laws, that are fairly and justly enforced, amidst a climate of respect for the institutions and individuals charged with enforcing these laws;
- a region where people maintain healthy lifestyles and where high quality and affordable health care, is available to all;
- a region where all the social partners are united in responding to emerging development challenges .

1.3 The Overall Objectives of the Development Strategy

The overarching objectives of the strategy are as follows:

- (a) to guide the process of integrated development planning at the national and sub-regional levels within the OECS;
- (b) to provide a framework for establishing and attaining realistic human development targets;
- (c) to develop the international competitiveness of OECS economies;
- (d) to facilitate the sustained participation of the Social Partners in the development process;
- (e) to facilitate the sustainable use of scarce physical, financial, and human resources;
- (f) to develop the capacity of the people of the OECS more especially the poor, to sustain their livelihoods.

1.4 The Structure of the Strategy Document

The remainder of this Strategy is structured into ten (10) main chapters, each dealing with one of the strategic sustainable human development goals of the people of the OECS. These goals are as follows:

1. Safeguarding the critical interests of OECS Member States through proactive and focused interventions at the regional and international level.
2. Making OECS economies more resilient, diversified, competitive, and knowledge-based.
3. Achieving sustained economic development by fully integrating production and marketing activities within a re-focused OECS Single Market and Economy.
4. Supplying the human resource needs of a knowledge-based economy.
5. Sustaining improvements in the quality of life of the poor.
6. Increasing the Quality and Quantity of Jobs.
7. Improving Access to Quality Health Services
8. Sustaining the Stock of Natural Capital.
9. Empowering Disadvantaged Members of Society.
10. Implementing the Strategy

With the exception of Chapter 10, all other Sections are similarly structured. Theoretical, and conceptual issues as well as perceived strengths, weaknesses, opportunities and threats, are examined in the subsection entitled *Basis for Action*. In each programme area, objectives and targets are set. Strategies for building on strengths, removing weaknesses and threats and taking advantage of opportunities are proposed in the subsection entitled *The Strategic Response*.

Chapter 10 has two parts. Part 1 proposes specific roles for Government, the Private Sector, Trade Unions, Civil Society Organisations and the OECS Secretariat, in implementing the Strategy. Part 2 examines various options for financing the implementation of the Strategy.

1. 5 Using the Strategy

While the Strategy document is cast in separate Chapters dealing with economic and social imperatives, an attempt has been made to reflect and treat various cross cutting considerations, such as Education and Human Resource Development , the Environment, Poverty and Gender. This is consistent with the integrated development planning approach.

CHAPTER TWO : REVIEW OF THE EXISTING SITUATION .

Despite their exceptional vulnerability to unfavourable external circumstances, the OECS countries have, over the past two decades, achieved significant gains in their standard of living. Overall, OECS economies performed well, despite declines in terms of trade, fluctuations in growth performance of the world economy and natural disasters, including severe hurricanes and a long period of sustained volcanic eruption in Montserrat. During the decade of the 1980s, the combined GDP of all OECS states (with the exception of the BVI) in constant dollar (1990) terms, increased from EC\$2.1 billion to \$3.7 billion at an average of 5.8% per year. Despite two international recessions and natural disasters, which occurred during this period, real growth ranged from 4.4% to 6.0%. This was due to a combination of favourable circumstances including :

- expansion in agricultural production as a result of trade preferences in North America and Europe;
- a stable exchange rate ;
- growth in tourism, due to an expansion in tourism infrastructure and favourable growth in major markets;
- stronger economic integration among OECS states through freer trade between these States, as well as increased integration within CARICOM;
- improved fiscal performance of most States as a result of the implementation of sound macro-economic policies
- substantial inflows of concessionary financing.

Alongside these factors, there was also a high level of emigration from the OECS states, primarily to North America and Europe, which increased the flow of remittances from these foreign countries into the OECS and have also helped to contain the rate of population growth and the rate of unemployment.

During the period 1990-1996, the average real rate of economic growth in the sub-regional economy slumped to 2%. A worldwide recession in the early 1990s, and a change in the trade regime caused this reduced performance. The former adversely affected foreign investments, especially in the tourism and manufacturing sectors, while the latter resulted in the persistent decline in OECS agricultural exports. Further, fiscal restraint and structural adjustment measures, combined with a reduction in official aid flows, reduced the amount of money available for the implementation of public sector investment programmes. The tightening of immigration controls in North America and Europe, precipitated an increase in population growth and unemployment.

The economic downturn in the OECS in the decade of the 1990s, underscored the following weaknesses in the structure of OECS economies:

- A lack of resilience, diversity and competitiveness;
- An over-reliance on public-sector led growth.;
- High reliance of trade preferences;
- Continued rigidity in trading patterns;
- Increased import demand/lagging export capacity;

- A lack of capacity within the private sector.

It is generally recognised that in order to survive the onslaught of globalisation and liberalisation, the OECS States must accelerate their transition, from a world of protected market access for key products and large concessionary aid flows, to a world which is going to be more competitive and market oriented. Their development strategy must be guided by a rational and pragmatic philosophy, and must be informed by the facts of globalisation, liberalisation and the special circumstances of small states. This calls for deliberate policies for building capacity at all levels and for determining the right mix of policies, projects, programmes, products and processes.

Table 1, provides the results of a SWOT analysis of the OECS Economy and Society in the context of the changes taking place at the global level.

The Development Strategy detailed in the following sections, promotes certain actions that will help Governments and Civil Society Organisations in the OECS region, to build and sustain the requisite capacity to manage the transition to international competitiveness and to develop systems of governance that will support the attainment of the vision set out earlier.

TEN (10) STRATEGIC PROGRAMMES FOR SUSTAINABLE HUMAN DEVELOPMENT

PROGRAMME AREA # 1: MANAGEMENT OF THE EXTERNAL ENVIRONMENT.

Programme Goal

The goal of this programme is to promote the sustainable human development of the OECS and safeguard the critical interests of member states through proactive and focused interventions at the regional and international level.

Basis for Action

The advent of globalisation and economic liberalisation poses new challenges to the development process in OECS countries. Already, the more immediate effects of this new reality are evident in: the reduction of aid flows; problems in accessing traditional preferential markets; and adversely changing external debt profiles. These developments generate concern because preferential market access and aid have fueled much of the social and economic progress of the sub-region over the last two decades. The reality is that the “free market” principles that drive globalisation and liberalisation are not sympathetic to sentimental appeals for continuation of preferences.

Since political independence, the conduct of external relations, has understandably concentrated on safeguarding and augmenting external assistance programs, while cementing or forging political/diplomatic ties with friendly donors, both actual and potential. The two main institutions through which external relations strategies have been formulated and implemented are the Ministry of Foreign Affairs at the political /diplomatic level and the Ministry of Trade at the economic level. Accordingly, the structure of both these Ministries reflects, more or less, the aforementioned concentration. However, traditional distinctions between foreign policy and trade strategies have become blurred by the global trend towards the use of economic, trade and environmental sanctions to solve political disputes, together with the prevalence of political conditionalities in the few official development assistance programmes, that are still available.

The New World Order requires very clear and focussed external relations’ strategies. Consequently those OECS countries that are yet to do so, are encouraged to unify these two vital functions. While some sub-regional countries have already unified these Ministries in name, the traditional functions are sometimes still separated with trade being handled by the Ministry of Commerce.

Despite the costs and complexity of the current international trade negotiations (FTAA, WTO etc.), the region has little choice but to participate in the process, if only to prevent the further erosion of vital preferences. Preferences are always relative and if, in the case of FTAA, Latin American countries enhance their access into the North American markets, then CBI and CARIBCAN preferences currently enjoyed by the OECS would be severely eroded. The issues being negotiated

under the FTAA include all areas included within the WTO's ambit and also go beyond the previously agreed multilateral liberalisation within the Hemisphere. Conversely, the WTO "Millennium Round" negotiations have a built-in agenda" on many trade disciplines that would form the basis of a possible FTAA and, if nothing else, the experience gained from valuable FTAA negotiations should put the region in good stead. For most regional countries the FTAA is the first ever attempt at "free trade" negotiations.

Notwithstanding some legitimate concerns regarding the impact of the Multi-lateral Trading System (MTS), on the vulnerable economies within the OECS, there are certain realities about the MTS, with which the sub-region must urgently address. These are as follows:

- while the Uruguay Round poses challenges, it also offers opportunities for all the countries;
- globalisation and liberalisation are irreversible; therefore countries must adapt if they wish to be integrated in the world economy;
- the gradual erosion of preferences is an inevitable outcome of globalisation and liberalisation;
- countries that stand to benefit from the Uruguay round and the forthcoming rounds, are those that improve their comparative competitiveness; increase the supply capacity of high quality exports; enhance their human and physical infrastructure;
- encourage and develop an internal entrepreneurial culture ; create an environment conducive to investments; support measures geared towards diversification of the export mix; and countries that will niches in new and emerging areas¹.

Trade agreements have, in large measure, been dictated by industrialised countries to support their economic and even ideological interests and small countries should be on their guard. Therefore it is vital that OECS Member States continue their attempts to understand the FTAA process in order to identify the issues that are of importance to their economic and social development. Effective participation in and monitoring of negotiating process would do more to ensure that small countries' interests are safeguarded. At the very least, OECS countries should focus on negotiations within the groups dealing with the following themes:

- Market Access
- Investment
- Services
- Government Procurement;
- Agriculture
- Intellectual Property Rights
- Competition Policy

An assessment of the critical capacity development needs of the national and sub-regional level, conducted under the OECS Trade Policy Project², has revealed that:

- the commitment of Member states and their willingness to cooperate and share responsibility requires affirmation;

¹ ACP Report on Capacity Programme for Greater Integration of ACP Countries in the Multilateral Trading System – 2000-2005

² This CIDA-funded project aims to strengthen the capacity of the OECS sub-region to participate and compete in the global economy. See Table 9 for details.

- the mandate and responsibilities of the Regional Negotiating Machinery (RNM), the Sub-regional Machinery (SNM) and the involvement of Member States in the process need to be clarified at the operating level;
- the OECS private sector needs to be more meaningfully involved in the trade policy development process;
- there is a need for heightened and improved prioritisation, cohesiveness and management of OECS trade-related support functions;
- the management skills of Trade Ministry personnel need to be strengthened.

The Strategic Response

Programme Objectives and Strategies

Objective (a) cement existing ties, and forge new strategic alliances that impact on trade, investment, technology transfer, human development and environmental management in the OECS.

Strategies

- Procure external financial and technical assistance for the development of ancillaries to trade such as, transportation (ground, air and sea), telecommunications, marketing, insurance and financial services;
- Promote active trade regimes through the negotiation of reciprocal reforms of tariff and non-tariff barriers, on terms favourable to the region, while remaining cognisant of revenue, health, social and developmental implications;
- Monitor and participate in pertinent international trade, sustainable development and environmental negotiations, such as those taking place within the World Trade Organisation (WTO), the European Union, the various organs of the United Nations (UN), the Organisation of American States (OAS) the Free Trade Area of the Americas (FTAA) and the Association of Caribbean States (ACS) etc.;
- mobilise all available external sources of technical assistance and training, development finance and foreign direct investment;
- Negotiate jointly for more meaningful and effective economic assistance packages, at least in the short to medium term, designed to ensure economic transformation and self-sustaining growth;
- Negotiate joint investment promotion and protection agreements, which accord with the OECS Investment Code. This would also include joining World Bank affiliated institutions such as MIGA, IFC and ICSID which all facilitate the promotion of foreign investment;
- Utilise international contacts for supporting research and development initiatives aimed at enhancing production efficiency. This may entail inviting experienced external partners to provide active advice and other technical resources for the identification of viable products for which the region can access the necessary production technologies.
- Secure technical assistance to develop the infrastructure and expertise to abide by Sanitary and Phyto-Sanitary measures (SPS);

- Maintain and increase, where possible, access to concessionary financing, technical assistance and debt relief, in order to facilitate necessary self-adjustment measures, cognisant of the need to augment national savings and investment levels;
 - Negotiate and encourage joint venture partnerships (private-public and local-foreign) which would contribute more meaningfully to export promotion, foreign exchange earnings, technology transfer, and human resource development and employment creation;
 - Enter into bilateral investment treaties, double taxation agreements and other similar investment enhancing initiatives, both among OECS countries and between OECS and other countries.

Objective (b): develop the institutional and technical capacity of OECS Member States to conduct external relations.

Strategies

- Develop a new decision-making culture at the national and regional level based on (a) a clear understanding of developments within the external environment; (b) an emphasis on anticipation as opposed to reaction; (c) a new approach to external negotiations based on knowledge and understanding, rather than on emotion; and (d) strengthened intelligence of global events and sharing of information;
- Strengthen the capacities of competent designated institutions to articulate and support policy (specifically trade policy) changes and implementation;
- Enhancing the policy advocacy capacity of the private sector to enable them to contribute meaningfully to trade policy formulation and implementation, related to their effective integration into the MTS;
- Build a cadre of well trained professionals that are intensely familiar with global trade issues and are capable of designing measures to implement inherent commitments;
- Establish a network of institutions to serve as trade support centres and provide the framework for the integration of OECS countries into the MTS;
- Build a widely accessible data-base on national compliance to the rules and procedures of the MTS.
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Objective (c) develop integrated policy and institutional arrangements that will ensure modes of harmonization of external policies and inhibit divergence.

Strategies:

- Build consensus on the roles and responsibilities of Member States and the OECS Secretariat with respect to trade-related support functions;
- establish an OECS Council on External Relations and International Trade comprising key stakeholders at the national level, to undertake the following functions:
- Obtain technical and financial support and contribute to the formulation of international policies for marine resource protection, exploration, and exploitation,

given that maritime resources are among the most abundant of the sub-region's endowments;

- promote, through seminars, science and trade fairs and participation in international production exhibitions, the exchange of information and technology.
- Identify and approach research institutions, regionally and internationally, with whom to collaborate on the development of science and technology. This should also entail the encouragement of an international private sector commitment to research and development.

Implementation Considerations.

This programme cuts across the implementation of all other programmes within the Strategy. Successful implementation will depend on the extent to which the work of Ministries of Foreign Affairs, becomes fully integrated into and reflective of the domestic agenda. Firm linkages will be required with all Ministries, but more especially with those responsible for Planning, Development, Finance, Trade, Health and the Environment. Such linkages can best be established through National Development Councils. Those OECS Member States that are yet to do so, are encouraged to establish Trade Policy Unit in national Ministries of Trade with the responsibility of:

- Advising on trade policy issues at the domestic, regional and international level;
- Articulating trade policy positions to feed into international trade negotiations;
- Supervising and monitoring the implementation of trade policy as well as the results of implemented trade policy;
- Liaising with the OECS Trade Policy Project and the OECS Secretariat.

Possible Sub-Regional Actions:

There is a continuing role for the OECS Secretariat in fostering the harmonisation of foreign policy and in the coordination of regional action by OECS Member States. Some of the areas in which such actions can commence/continue are as follows:

- Clarifying the mandate and responsibilities of the RNM, the SNM, and the involvement of Member States in the regional trade policy and negotiating process;
- Monitoring emerging differences of interest among OECS member states which flow from differing emphases in the orientation of their economies;
- Administer the joint OECS Missions;
- Performing, in conjunction with the ECCB, foreign policy forecasting and analysis;
- Facilitating and managing increased flow of communication and consultation between the Secretariat, OECS Member States and the joint overseas missions, so as to improve their contact with and relevance for each member State.

PROGRAMME AREA 2: SUSTAINABLE ECONOMIC DEVELOPMENT

PROGRAMME GOAL: Making OECS Economies more resilient, diversified, competitive and knowledge-based.

PROGRAMME TARGETS

Progress towards this goal will be measured against the attainment of the following key macro-economic targets, by the year 2005 :

- minimum central government savings of 2.5 % of GDP;
- minimum public sector savings of 7% of GDP;
- 85 % liquidity within the banking system ;
- real economic growth of at least 3%;
- current revenue to GDP ratio of 29%;
- current Government expenditure to GDP ratio of below 25%;
- capital investment to Government expenditure of at least 30%;

BASIS FOR ACTION

Recent changes in international economic relations and technological innovations, have transformed the world economy into a virtual global village. The major issues in the debate over the new International Economic Order (NIEO), which took place during the 1970s, have been literally turned upside down. Many of the trade and trade-related issues have been incorporated into the rules and disciplines of the WTO, in a way that was never envisaged two decades ago. In particular, the insistence on reciprocal arrangements in trading relationships now run counter to the spirit of non-reciprocity embodied in the GSP and successive Lomé Conventions. Consequently, small island economies are being forced, at short order, to become internationally competitive, to survive in an environment that is hostile to their sustainable development.

The explicit intention of the changes in the international environment is to allow market forces to determine the scope, structure and outcome of economic activity. Measures to ensure the contestability of markets would, it is argued, enhance the efficiency of the world economy and increase world welfare. However, like much of the neo-liberal thinking that underlies the framework, the distribution of welfare gains and the age-old issues of market failure - which prompted government interventions in the first place and is likely to impose asymmetric adjustment burdens on developing countries – are not being addressed. OECS economies are particularly at risk because of the exaggerated effects of economic shocks and natural disasters on these economies. Thus, it would be necessary to put mechanisms in place to mitigate the worst effects of globalisation on developing economies. Such mechanisms might include: allowing adequate time for vulnerable countries to adjust to the new international environment; the co-ordination of economic and social policy and international transfers of income to assist developing countries in making the transition and compensate losers in the process of globalisation.

At the local level, the need for social safety nets to address the negative effects is complementary to what occurs at the international level.

While balanced growth and development is usually seen as the ideal, empirically there have always been leading sectors and balance is achieved by developing the linkages to these. The same is true for the OECS countries. They would need to identify the sectors that have the potential to be growth sectors and develop the linkages between these and the other sectors.

In pursuing the goals and objectives of this Programme, Governments should commit to the following key principles:

1. True economic growth must come substantially from the private sector ;
2. Government cannot be the main source of labour;
3. The continuing availability of capital at reasonable rates is vital to the growth of the private sector;
4. The private sector should be allowed to operate without undue restrictions ;
5. The removal of unnecessary bureaucracy and high taxes will help to increase investment flows;
6. A larger and more diversified economy with lower taxes will generate higher government revenues, than a smaller economy with higher tax;
7. The role of Government will be to support private sector initiatives through regulatory reform, public infrastructure programmes and the provision of education, health and related social services

(1) The Services Sector

The Services sector is generally categorised as comprising Tourism and Non-Tourism Services. The development of an efficient Services sector is widely seen as offering significant development benefits including; sustained employment for a range of skills levels, reduced vulnerability to external shocks through economic diversification, increased in foreign exchange and in national income.

However, while there are considerable social and economic benefits to be derived from the development of the sector, the experiences of Singapore and Malaysia, suggest that these benefits will only be achieved if Governments, the private sector and labour, commit to the joint implementation of a well-conceived strategy.

The competitiveness of the services sector will depend on developments in the areas of Transportation, Telecommunications, Intellectual Property Rights and computerisation. Inasmuch as easy access to the countries is critical for efficient delivery of services, the difficulties of air transportation must be resolved and the cost of telecommunications will have to be significantly reduced in order to make the countries attractive to investors and consumers

(a) TOURISM SERVICES.

Sub-Programme Goal: **Sustaining the development of a diversified, competitive and environmentally sound tourism product.**

Sub-Programme Targets:

Progress towards the attainment of the above goal will be determined in part by the attainment of the following targets:

- A 30% increase (over 1999 levels), in the number of hotel rooms, by the year 2008;
- A 40% increase (over 1999 levels) in the number of OECS nationals holding top and middle management positions in hotels, by year 2005;
- A 30% increase over (1999 levels) in direct and indirect employment generated by the sector, by year 2008;
- A 25% reduction in waste generated by hotels and restaurants, entering sanitary landfills.

Basis for Action

Tourism Services include the following sub-sectors: Accommodation; Cruise; Restaurants; Airlines; air and seaports; ground transportation; yachting;

Tourism is the only OECS industry, which can claim to be internationally competitive, as it thrives without the protection and preferential treatment that have characterised the development of agriculture and manufacturing in the sub-region. The competitive advantage of the OECS countries in Tourism is due largely to their natural attributes³. The exotic allure of these countries, and indeed the Caribbean as a whole, has been primarily responsible for their receiving a disproportionate share of world tourism arrivals. Over the past 20 years; the Caribbean (CTO member countries), though having less than 1% of the world's population have consistently received more than 6% of world tourist arrivals. However, recent trends suggest that the region has been losing market share, More American tourists are choosing to visit Europe, and more Europeans are visiting North America.

The sub-region has some considerable of competitive advantage in Tourism, by virtue of its natural, historical and cultural resources; its relatively pristine environment; and its proximity to the major North American market. However, the sector is plagued by some major weaknesses, some inherent to the industry itself and others that derive from the OECS countries, as host destinations. Included among these weaknesses are the following:

- Vulnerability to economic shocks in the source markets, as well as its susceptibility to natural disasters in the destinations;
- An over-reliance on foreign airlines to bring visitors to the region; the attendant unpredictability of the services provided by these airlines; and the unreasonable restrictions placed by these airlines, on seat availability;

³ The following areas would have to be developed as part of the niche market of nature tourism or Ecotourism: Special spa facilities; fitness centres; health resorts; mountain resorts; sanatoriums and herbal and diet centres. The capacity of the health sector would have to be enhanced to provide emergency and chronic care, as well as efficient land and air ambulance services.

- The high import content of tourism expenditure, which is caused by the un-competitiveness of the sectors that feed tourism and which is leading to leakage of precious foreign exchange earnings;
- Insufficiency of rooms;
- The high failure rate of small hotels;
- Inadequate/inappropriate policy, planning and institutional mechanisms to enable the adoption of integrated approaches to tourism development, that balance economic growth with human and social development, and preserve the natural environment, cultures, and heritage of local communities;
- The sub-region's poor rate of efficiency in generating foreign exchange from tourism, which is lower than the world average and that of competitor destinations;
- The absence of effective measures to strengthen backward and forward linkages between Tourism and other productive sectors of the economy;
- A lack of diversity in the entertainment content of the tourism product;
- Limited opportunities for meaningful participation by the local populace in the industry;
- Lack of involvement of private sector actors, local communities and NGOs in tourism development activities.

The Strategic Response

Sub -Programme objectives and Strategies

Objective (a) *Assisting governments in fulfilling their planning, facilitating and monitoring roles, in support of sustainability and competitiveness:*

Strategies

- establishing the appropriate institutional framework for the sector, including laws, regulations and control mechanisms, in order to monitor the possible negative social, economic and environmental impacts of tourism development;
- putting in place policies, regulations and action plans, including land use planning and zoning regulations;
- ensuring minimum safety and hygiene standards of tourism facilities and services;
- designing and implementing sustainable tourism development strategies, that protect and conserve the environment and ensures that the regional tourism product maintains its competitive advantage;
- reviewing the efficiency of incentives given to travel and tourism- related businesses;
- establishing a business-support framework, targeted at small hotel properties;

Objective (b) *Expanding employment opportunities through focused Human Resources Development:*

Strategies

- formulating and implementing Tourism HRD plans;
- supporting national and regional efforts to establish quality standards in tourism education and training, with emphasis on certification, curriculum development etc.;
- assisting in the provision or improvement of formal education and training in tourism, at all skills levels, but more especially at middle management level, based on the results of prior training needs assessments;
- providing management training and specialised courses in tourism policy, tourism development planning, tourism marketing, information technology and other relevant subjects;
- assisting in the formulation and conduct of tourism awareness programmes targeting the communities;
- increasing investments in training and education to improve skills and service quality.

Objective (c) *Supporting tourism product development:*

Strategies

- Assisting in the preparation of national, regional and community-based tourism development strategies;
- Planning and developing new tourism products or adapting and refining existing ones in response to identified demand and changing market requirements, e.g. health, nature and heritage tourism;
- Strengthening the capacity of sub-region in negotiating Air Services Agreements;
- Providing financial and technical support to agricultural and manufacturing enterprises that have the potential to cater to the tourism industry.

Objective (d) *Supporting information and marketing measures:*

Strategies

- defining national, regional and community marketing strategies;
- setting up market intelligence systems, including the conduct of market studies;
- strengthening marketing capability of staff;
- designing and implementing coordinated marketing strategies;
- pursuing joint public/private sector co-operation in marketing and promotion efforts in new and thriving markets;

Objective (e) *Improving the competitive position of the private sector.*

Strategies

- assisting in capacity -building and institutional strengthening of private sector associations;
- promoting environmentally friendly operations;

Objective (f) *Supporting investment promotion:*

Strategies

- examining the establishment of an OECS Tourism Development Fund to mobilise, channel and manage funds for tourism development, especially in the creation of: heritage tourism sites, eco -tourism resorts, theme parks, museums, and conferencing facilities;
- strengthening overseas investment agencies

Objective (g) *Strengthening linkages between Tourism and other productive sectors*

Strategies

- review existing institutional mechanisms and legislation, to determine the extent to which they facilitate or impede the development of inter-sectoral linkages;
- formalise horizontal coordination mechanisms at the senior administrative and technical levels of Ministries/Departments, so as to facilitate coordinated planning and policy making;
- formalise links between public and private sector agencies, having a lead role in tourism development by the establishment of boards and committees;
- structure boards in such a way as to facilitate pub -private sector linkages as well as insectoral coordination

Implementation Considerations.

Effective implementation of this sub-programme, will require strong public-private sector collaboration, as well as close interaction between Ministries/agencies responsible for Tourism, Planning, Agriculture, Industry, Foreign/External Affairs, Education, National Security, and the Environment. Such integrated linkages are non-existent in many, if not all, of the OECS countries and therefore must be established as a matter of priority. Cross-referencing between the relevant sections of the Strategy, is required.

Sub-regional Strategies

It is proposed that these national actions be buttressed by a coordinated approach to the development of the tourism sector in the OECS, with broad oversight by a sub-regional grouping of stakeholders, similar in structure and purpose to the Caribbean Tourism Organisation (CTO). Such a structure would help to:

- Stimulate public and private financial flows from Europe, North America, Asia and other sources, for investment in tourism and tourism-related facilities within the sub-region;
- Spur the growth of viable small and medium size indigenous enterprises engaged in productive tourism and tourism-related activities;
- Improve and expand national, regional and international marketing of the sub-region's tourism product;
- Strengthen the linkages between tourism and other sectors of economic activity, in particular agriculture;
- Develop a regime of industry standards;
- Recommend ways of improving and expanding the physical infrastructure and services necessary for the development and expansion of the tourism sector;
- Support governments in formulating and implementing tourism HRD plans;
- Assist in the provision or improvement of formal education and training in tourism at all skill levels. In this regard the establishment of an OECS Centre for Tourism and Hospitality Studies, may be considered.

Careful consideration would need to be given to modalities that would ensure sustained financing for the operation of this new entity.

(b) NON-TOURISM SERVICES

Sub-Programme Goal: **Accelerating the Sustainable Development of the non-Tourism Services**

Basis for Action

While the sub-sectors that comprise the Non-Tourism Services Sector^j have their own intrinsic importance, they are also an integral part of the development process. In essence therefore, the level of social and economic development that a country enjoys, is due directly to the efficiency and quality levels achieved within the Services sector (See Table 2).

In a Study commissioned by the OECS Secretariat, Hamilton(1996) identified the following key issues affecting the development of the non-Tourism Services sector within the sub-region:

- The state of readiness for competitive trading in services is generally well, placed at 4.5 on scale of 1 to 10, based on an assessment of comparative productivity; supply of risk takers; level of capital market enhancement; accessibility to knowledge workers; quality of communications service; efficiency of government bureaucracy; internal competitiveness; and level of liberalisation especially pertaining to foreign investment;
- The productivity of the average OECS worker is estimated at US\$12,000, compared to US\$24,000 and US\$13,000 in the Bahamas and Barbados respectively;
- Only 1 in 5 persons entering the workforce possesses education above primary school level;
- The professional/managerial skills being demanded by the services sector are concentrated in the public sector, where it is being under-utilised;

- Double-taxation is a major impediment to accessing professional services to competitive rates;
- There is a lack of transparency in the procurement policies and practices of Governments;
- There is a lack of regional service standards, certification, building codes etc;
- Governments continue to invest in established as well as emerging commercial service operations although performing poorly in them, to the detriment of the country's image for services provision and its fiscal viability;
- The services sector is denied the fiscal and non-fiscal incentives enjoyed by other sectors such as Agriculture, Tourism and Manufacturing;
- The degradation of the natural environment is threatening to undermine the success of Specialised Health Care and Recreational, Cultural and Sporting Services sub-sectors respectively.

The Strategic Response

The strategies outlined below are influenced by the imperative of adopting a systematic approach towards strengthening the base for the development of services sector in the OECS States, in order to ensure the delivery of service export products that are of the highest quality and are cost-competitive. OECS States will need to make an early determination as to whether they will adopt a strategy of generalisation or specialisation in the development of the sector.

Sub-Programme Objectives and Strategies

Objective (a) enhancing the capacity of OECS Member States to effectively develop the services sector.

Strategies

- conduct a comprehensive labour –market survey at the national level to: (a) establish the skills and education endowment of the labour force; (b) inform the quantitative and qualitative dimensions of a human resource development strategy; and (c) make job matching more efficient;
- conduct a comprehensive audit of firms operating within the sector, as the basis for the development of a focussed programme of assistance of service firms;
- increase investments on primary, secondary and tertiary education, to achieve wider access to higher quality education, that prepares students to work in a constant learning process and to keep up with technological change and evolving market demand;
- encourage stronger private sector involvement in critical education and training activities, especially in areas such as curriculum design, entrepreneurial development, computer literacy, music, arts, and culture including through the creation of a simple and non-discretionary incentives regime;
- set realistic targets for sustained proficiency in language/numeric skills, at all levels of the education system;
- examine the feasibility of establishing a sub-regional Information Technology Institute to develop capabilities in areas such as software design, and computer programming;

- liberalise and streamline work permits policies and procedures to enable local as well as foreign firms to access foreign expertise for short-term consultancies or longer participation in critical operations.
- facilitate and streamline administrative processes for setting up enterprises and compliance with regulations);ⁱⁱ
- facilitate the redeployment of surplus qualified public servants into the private sector, by providing financial and other incentives to enable them to set up viable small and medium service firms;
- consider the phased implementation of a programme of privatisation of public sector service operations, which can be more efficiently provided by the private sector;
- strengthen and streamline the operations of physical planning/development control agencies;
- invest in institutional services required for developing and sustain a buoyant intra-regional export-oriented services sector, such as lobbying, marketing and market intelligence, accreditation, networking, information dissemination and alliances;
- accelerate national review and passage (where this has not been done of model legislation including: the CARICOM Skilled Nationals Act; the Information Services Investment facilitation Act; and the OECS Aliens Landholding Act;

Objective (b) improving service-export quality and cost competitiveness:

Strategies:

- negotiate a sub-regional agreement on trade in services as a discrete component of the OECS Single Market and Economy (OSME) to inter alia enable States to address barriers to trade in services, prior to the Millennium Round of Negotiations;
- bring the policy regime for trade in services at the OECS level into compliance with the principles of GATS;
- implement mechanisms such as tax rebates or exemptions to reduce taxation of inputs to all service exporters whether they are domestic, foreign, pure or partial exporters;
- develop clear rules to govern public procurement, access and restrictions to regional markets and restrictions on free movement of suppliers within the region;
- ensure the availability of a regular, competitively-priced and reliable utility supply;
- eliminate licenses on foreign direct investment as well as limitations on foreign equity ownership, especially in service export fields where FDI is the principal mode of trade;
- increase the competitiveness of labour markets through the establishment of realistic productivity targets tied to fair compensation; increasing the quality of workers through better educational and training; and promoting the adoption of an improved work ethic;

Objective (c) *developing an effective demand for services.*

Strategies

- increase investments in market research, product development or adaptation and forging linkages with consumers;
- promote the adoption and attainment of ISO standards through the establishment of National Standards Bureaus;
- promote the adoption of environmental quality standards for recreational and drinking water, air, industrial effluent;
- implement policies and programmes to promote conservation of land, water and coastal and marine assets;
- implement policies and programmes to ensure the sound management of solid, liquid and hazardous wastes, including the reduction, recycling, recovery and reuse of waste;
- establish relationships with out-sourcing intermediaries, in target markets;
- consider providing cost-sharing support for product research, development and marketing to firms seeking to enter the export market;
- increase joint promotion efforts through trade fairs;
- reconfigure the role and function of Ministries of Foreign Affairs and Commerce respectively, to give greater support to efforts at boosting trade in services.
- identify the constraints and advantages that the culture of the country brings to the development process.
- identify opportunities to turn cultural expression into revenue generating activities or to use the culture of the country to create market niches for existing products.
- identify ways in which modern technology, (which is usually antagonistic to traditional culture), can be used to reinforce and market the culture of the country.
- integrate the issue of culture into economic development via concerted action in the service sector.
- develop a legal framework for the protection of intellectual property rights.

(c) FINANCIAL SERVICES

Sub-Programme Goal: Facilitating the sustained growth of the financial services sector and enhancing its contribution to the economies and societies of the OECS

Basis for Action

The Offshore Financial Services sector is a major growth area for many OECS countries. Currently Anguilla, Antigua and Barbuda, Saint Kitts and Nevis and Saint Vincent and the Grenadines have flourishing sectors, while Saint Lucia is presently establishing the requisite legal and institutional infrastructure. Offshore instruments are used to facilitate asset protection and distribution, to improve international trade efficiency and for tax administration and/or deferral.

Besides earning foreign exchange for the economy and contributing directly to government revenue, the sector creates employment, develops human resources and encourages the growth of technology

in host jurisdictions. Enabling legislation - enacted by all member countries of the OECS to facilitate the development of the sector - forms the basis for the eventual creation of an OECS offshore financial sector.

In recent times, the sector has come under increased scrutiny, because of the growing perception that it: (a) encourages and facilitates “laundering” of the proceeds of criminal activity mainly from drug trafficking; (b) distorts international markets by operating tax havens; and (c) does not encourage compliance by all taxpayers.

Many observers believe that despite the potential threat of losing its competitive advantage in terms of tax rates and secrecy, the Caribbean offshore industry may still enjoy advantages by virtue of the following:

- the region’s natural assets makes it a pleasant place to do business;
- the potential to raise government taxes and charges to the sector, without a significant loss in business.

The Strategic Response

Sub-Programme Objectives and Strategies

Objective (a) *promoting the modernisation and strengthening of the financial sector.*

Strategies:

- strengthen the capacity of development banks through training/recruitment of services-sector specialists, and upgrading the knowledge and competence of staff in critical areas;
- improve the operations and competitiveness of insurance companies, through better re-insurance arrangements and improvements in the competence of regulators;
- strengthening the management of Credit unions and Co-operatives;
- Establishment a money and capital market and export financing arrangements in the OECS;
- eliminate restrictions on inter-island investment and labour mobility;
- establish rules and reliable mechanisms for payment and trading, and for disclosure of information on companies;
- establish institutions to monitor and enforce proper securities trading;
- generate a pool of privatised public enterprises to increase shares in circulation;
- encourage the participation of contractual savings institutions in securities markets, on the basis to clear rules on asset risks,
- encourage international diversification in local portfolios and vice versa, as prudential risk reduction measures and to encourage participation in equity investments;
- introduce measures of effectively regulate and monitor the financial status and risk management practices of credit unions;

Objective (b) *providing the requisite administrative support for efficient, prudent and speedy registration processes.*

Strategies:

- invest in the provision of modern communication and information technologies;
- maintain a broad base of competent professionals (bankers, lawyers, accountants and consultants);
- maintain competitive, registration and maintenance costs;

Objective (c) *Strengthening the capacity of regulatory agencies.*

Strategies:

- commit to the design and implementation of a policy and legal reform programme composed around the following:
 - negotiating Bilateral Investment Treaties especially with capital exporting countries;
 - strengthening the structure and functioning of Registries which administer corporate affairs including through computerisation, staff training and development programmes, and reform to corporate legislation;
 - establishing a joint regulatory authority for offshore financial services which is modern adept, and conversant with all the latest developments within the financial services and international banking world;
 - consider formally entrusting the ECCB with the role of catalyst in determining future policies of individual OECS jurisdictions, vis -à-vis the type of offshore/onshore banking structure, to be pursued on an on-going basis;
 - devise legislation to facilitate effective coordination of off-shore/onshore bank supervision and regulation

(d) Information Services

Sub-Programme Goal: **Increasing the competitiveness of the Information Services Sector and its contribution to the economies of the OECS.**

Basis for Action

To date Information Services⁴ has not been regarded in its broader context and generally has not developed beyond data and transaction processing. While this sub-sector is fairly labour intensive and is therefore an attractive activity for creating large numbers of low skilled jobs, it is also the area with the lowest profit margins and the stiffest competition.

⁴ is used in this Strategy to mean the provision of services by a business, utilising computers exclusively to process information, as the core activity in creating value. It includes software development and associated services, data and transaction processing, order fulfilment operations, sales via telephone and direct mail, computer aided design, geographic information systems, electronic publishing, customer services centres, remote secretarial services, remote customer and technical support services, indexing and abstraction services, research and technical writing services

The publishing industry is one of the major drivers of the Information Services industry. An important emerging trend in publishing is that in order to compete, companies must offer concurrent publishing and have the ability to transfer large files not only over geographic space, but also in a variety of output formats and media. Many companies in the printing industry have therefore opted to achieve scale by concentrating on their core business of producing content, while out-sourcing to the most effective bidder, technical operations such as data capture, typesetting, indexing and abstracting.

Transaction processing is limited to credit card transactions and processing of insurance claims and cargo documentation, while computer-aided designing and digitizing of geographic information, is limited to professionals such as architects, surveyors and engineers.

Mindful that the high cost of telecommunications, limits information access via the internet and data transfer and hinder the competitiveness of firms by virtue of higher costs, OECS countries have embarked on a programme aimed at reforming the telecommunications sector. This programme includes regulatory policy and tariff reform; revision of telecommunication concessions within the sub-region; and enacting modern telecommunications legislation. The programme also includes a training needs assessment of the informatics industry and a survey of suppliers of informatics training.

While the OECS Telecommunications Reform Project represents a critical starting point in the process towards establishing an efficient and competitive information processing industry, a quantum leap is required in several other areas.

Also factor that is driving the Information Services industry, is the growing use of the Internet by companies to: make direct connections with their customers; intensify relations with some of their trading partners; enter new markets and redefine business relationships. This phenomenon has immense implications for the competitiveness of businesses within the sub-region. The Internet is now allowing firms to integrate their operations with outside operations, in ways previously unimaginable. Companies no longer need to own every piece of the value chain, to be successful. That makes it more important for companies in the sub-region to understand what their core competencies are and how they can build and maintain their competitive advantage.

The Strategic Response

The following specific objectives and strategies are proposed:

Objective (a) ***Strengthening the capacity of public and private sector entities engaged in the sector.***

Strategies

- include in the formal education system, specialist training for software engineers analysts, designers and developers;
- provide professional training for support personnel (software technologists and programmers) who may not pass through the tertiary education system, but who, as the second tier of manpower in the industry, would be required to support the engineers;

- provide end-user training for transaction processors;
- provide training at the school level, to create early orientation to the computer and to provide a cadre of persons, who because of their appreciation of the computer, would choose a career path in this field;
- strengthen negotiating skills through training and by sharpening awareness of current issues within the information and telecommunication sub-sector;
- establish multi-sectoral policy committees to oversee national planning for the sector;

Objective (b) *promoting increased domestic and foreign investment in the industry.*

Strategies:

- develop standardised incentive legislation, to remove the possibility of investors playing off one country against the other;
- establish customised plant and other infrastructure, to accommodate investment by information-processing firms;
- carefully monitor trends within the industry, with a view to making timely policy adjustments.

Objective (c) *expanding access to telecommunications services.*

- develop national networks providing on-line interactive public services;
- promote access to “Set Top” Technology by non-computer owners;
- provide competitive bandwidth-on-demand facilities ;
- reduce tariffs on international leased circuits to support the growth of international business.

Objective (d) *increasing the competitiveness of the OECS in information services, within the global economy.*

Strategies:

- increase participation in the ITU, WTO, Free Trade Area of the Americas (FTAA) processes;
- introduce and support as appropriate, measures to nurture and protect intellectual property ;

Implementation Considerations.

The wide span of the strategies identified in this sub-programme, dictates that a coordinated approach is taken to its implementation. While strategies in some of the more critical crosscutting areas have been identified, (especially in Education and Human Resource Development and the Environment), functional linkages with other areas such as Health, Transportation, Information Technology and Telecommunications will have to be established. Clear responsibility for ensuring effective coordination and implementation of this sub-programme, should be assigned to a specific Ministry or Agency at the national level. Specific attention should also be given to ensuring congruence between national actions and obligations

enshrined in regional (Protocol 2 of the Treaty of Chaguaramas) and international (GATS) agreements.

(2) Agriculture

Sub- Programme Goal: **Boosting the production and distribution of agricultural goods and services suited to the generation and maintenance of adequate financial returns to farmers.**

Basis for Action

(a) Traditional Export Agriculture (Bananas and Sugar)

Over the past five years or so, the banana industry - which has served as the backbone of the economy of the Windward Islands— has been the focus of a comprehensive adjustment programme in preparation for a liberalised European market. The push towards a more efficient and competitive sub-sector has not been without its social impacts and has resulted in the withdrawal of thousands of marginal farmers, who are unable to meet the quality and yield requirements demanded in the new competitive environment.

A number of studies have been undertaken and strategies designed at both at the national and regional level - largely under the auspices of the European Union and the OECS Export Development and Agricultural Diversification Unit (EDADU) - aimed at further commercialising banana production and export, agricultural diversification and agro-processing. Efforts are also being made to hasten the introduction of mechanisms and standards that would ensure that only the most efficient, industrious and responsible farmers produce bananas for export. While this strategy has brought about significant improvements in the quality of the fruit, resulting in more attractive market prices to farmers, sustaining increased yields continues to present a significant challenge.

Like the Windward Islands and bananas, prospects for sugar exports for Saint Kitts and Nevis depend entirely on the continuation of preferential market arrangements in Europe. It is likely that preferential arrangements in the long run will disappear and prices will continue to be eroded, thus placing increasing pressure on the industry to improve its productivity. While some restructuring of the industry has taken place, these efforts will have to be intensified. Diversification into other sugar-based products, including high-quality rum is also a possibility. Policies and programmes will have to be directed towards improving productivity, increasing efficiency and production and modernizing the production process. The diversification program would include (a) producing special sugars such as “inorganic sugars” and (b) utilizing the potential for efficient production of such by-products as molasses, rum and spirits.

Given the plethora of strategies that abound on the restructuring of the Banana sub-sector, the Development Strategy emphasizes the importance of Governments putting in place participatory planning and institutional arrangements to guide the redevelopment of the sub-sector.

(b) Non-traditional Export Agriculture

There is an increasing demand for tropical fruits and vegetables and exotics (particularly cut flowers, cut foliage and hybrid plant varieties), in the global market. The OECS countries may have a competitive advantage in cut flowers and cut foliage, as some of the countries have discovered. There is also considerable market potential for commodities such as nutmeg, ginger and spices.

Agricultural production should be further diversified towards development of an 'horticultural class' and production should be undertaken on a regional basis to take advantage of economies of scale. The enabling environment would have to be created to facilitate production and marketing. Further competitiveness in the agriculture industry will be dependent on the speed with which steps are taken to address the following constraints:

- Land tenure insecurity;
- Land use conflicts between agriculture, tourism, manufacturing and housing;
- High dependency on rainfall;
- Lack of experience and knowledge on irrigation technology;
- High cost of agricultural inputs;
- Unavailability of credit especially for small farmers;
- Competition with imported products;
- A poorly developed marketing system
- Poor slaughtering and marketing facilities;
- Weak/overburdened extension services.

(c) Non-Export Agriculture

In all the OECS countries, as far as the topography will allow, agricultural development should be given prominence in order to ease the current balance of payments pressure. The first order of business should be to reduce the high food import bill, and to supply the nutritional demands of the population. Agricultural science should be revitalised in schools and agricultural extension services should include non-banana production.

Non-export production should be oriented towards supplying the demands of the tourist industry and the local market. Production among this category of farmers should be rationalised to ensure that the increasing demand of the tourist industry and the local market are satisfied. This approach to non-export agriculture will ensure that the quality and quantity demanded by the tourist industry are satisfied, while at the same time addressing the twin issues of efficient import substitution and food security

The Strategic Response

Sub-Programme Objectives and Strategies.

Objective (a): promoting private sector investment in agriculture.

Strategies:

- promote appropriate incentive packages on agricultural inputs;
- establish low interest credit and revolving funds schemes for farmers;
- develop infrastructures, especially in rural areas (feeder roads, water and electrical supplies);
- where necessary, implement land reforms which, taking account of local conditions, lead to equitable patterns of ownership, promote more efficient land use and give farmers an incentive to improve productivity;
- offer special fiscal incentives to encourage:
 - the establishment of integrated production and marketing processes within the sub-region;
 - the establishment of and research and development entities to support the diversification effort;
 - efficient and reliable shipping, transportation and storage services, within the sub-region.

Objective (b) accelerating diversification of the agricultural industry.

Strategies:

- enhance the capacity of marketing entities to play a lead role in market-led diversification and the expansion of linkages with the agro-processing sectors;
- strengthen livestock extension and veterinary services;
- increase small ruminant production;
- promote utilisation of local available feed-stuff and by-products;
- build new slaughtering, meat marketing and processing facilities;
- introduce meat and poultry grading systems and standards;
- foster the creation of farmers cooperatives;
- identify and develop strategies for securing dedicated air and ocean transportation services for moving OECS produce;
- design formal and informal training courses to equip farmers with farm management business skills;
- continue to identify new markets for non-traditional crops and assist farmers to take full advantage of these new marketing opportunities;
- provide financial and technical assistance to the sector in areas such as production planning and marketing;
- accelerate research into the productive use of by-products of the banana plant;

Objective (c) increasing the productivity of farmlands

Strategies:

- institutionalise an irrigation and non-potable water policy and programme;
- Institutionalise a research and technology service;
- strengthen national pest control programmes in collaboration with regional organisations;
- provide training to extension officers and farmers in sustainable agricultural farming and animal husbandry methods;
- expand ex-situ efforts to conserve genetic resources;
- speed up the implementation of measures to restructure the production and marketing arrangements for bananas;
- encouraging farmers to invest in suitable irrigation technologies;

Objective (d) strengthening the linkages between agriculture and other productive sectors of the economy

Strategies

- restructure existing marketing institutions to provide effective linkages between agriculture, and tourism, including through the development of managerial and marketing skills to ensure: (a) a high quality of local produce; (b) that the supply is regular and available; (c) that the prices of local produce are predictable and do not exceed those of imported substitutes; (d) that the units of local produce are available in sizes preferred by the sector; and (e) where necessary, to ensure that the sources and seasonalities of local produce are known to hotels and restaurants.
- review policies toward credit, infrastructure and technology to ensure that they contain no biases against agriculture;
- promote rural credit institutions, using new forms of collateral and to provide credit to farmers on terms that would facilitate the development of linkages;
- formalise linkages between agriculture, tourism and financial institutions;
- structure the incentives regime in agriculture, so as to encourage sound environmental management practices.

Objective (d) mobilising financial resources for agricultural development .

- Speed up the use of STABEX resources made available to assist with the restructuring of the banana industry in particular and the agricultural sector in general. This may be achieved by establishing an OECS Technical Committee on Agricultural Development, comprising Ministries of Agriculture, WIBDECO, National STABEX Committees, and representatives of farmers organisations and key consumers including the hotel and manufacturing sectors. Technical support could be provided through OECS/EDADU, with the OECS Ministers of Agriculture providing broad policy oversight and monitoring. This would facilitate:
 - the sharing of project profiles and other technical information among industry actors;
 - the strengthening of backward and forward linkages between the agriculture, tourism

and manufacturing sectors.

Implementation Considerations

This sub-programme impacts other economic areas, as well as social sectors and therefore its implementation should be linked with other sections of this Strategy dealing with tourism, natural resources, education, poverty eradication and gender management. The aging of the agricultural workforce and the implications which this carries for food security and social security, will require an integrated responses, involving Ministries/agencies responsible for National Insurance, Education, Social Affairs, Youth Affairs, Women Affairs/Gender Relations, and External Relations. Priority should be given to strategies that promote the competitiveness of the sector, while at the same time ensuring that the negative social impacts of such transition are mitigated. A comprehensive social impact assessment of the changes taking place within the sector should be undertaken, especially in the Windward Islands. This should inform the design of a sub-regional strategy, aimed at mitigating these impacts.

It is important that the conceptualisation, design and implementation of policy be pursued as a collaborative exercise between Ministries and private sector agencies. This not has been the case in the OECS and as result. Biases have crept in which have led to de-agriculturalisation in some countries and neglect of non-traditional agriculture in others.

(d) Fisheries Development

Sub-Programme Goal:

The goal of this sub-programme is to optimise the use of available resources to generate sustainable economic and social benefits is achieved. Its **purpose** is to establish a well developed and diversified regional fisheries sector, reflecting stakeholders participation and fishers safety with increased investment in sustainable production and marketing, resulting in social and economic well being of fishers and the wider community is realised.

Basis for Action

Fisheries play an important and sometimes underrated part in the economies of OECS Member States, providing full-time, part-time and seasonal employment and contributing significantly both to domestic food security and national GDP (table 1). Current methods of evaluating the contribution of fisheries to the economies of OECS Member States may overlook any incremental economic benefit of the export market, as well as support services to the industry. It may even be argued that in addition to the value added as a consequence of export markets, expenditure on the sector such as investment in infrastructure, marketing, subsidies, etc., could be seen as contributing to the overall value of the industry. From another point of view, employment in the fisheries sector must be considered to include persons other than those who catch the fish. These include “boat boys” (who clean fish for purchasers), vendors (who buy and resell the product), truckers who assist vendors with transportation, and the like.

In addition, the position which fish has in the local diet is becoming more significant as countries develop and consumers become more health conscious. The improved good health of the population as a result of increased utilisation of fish and fisheries products can be seen as contributing to reduced expenditure on health services and this should be seen as increasing the true value of the fisheries sector to national economies. In some States the tourist market for fish products is strong, consuming a large amount of fish compared to the domestic market. This support to the increasingly important tourism industry needs to be considered when determining the extent to which the fisheries sector contributes to the economies. The intra-regional trade in fish is product specific, and is often focused on added value products such as flying fish fillets.

Offshore resources and larger pelagics are thought to have the best potential for increased exploitation and present an identifiable path for technical and economic diversification. At national levels fishers are becoming both more professional and more committed. The sub-regional fisheries sector is now managing to attract private investment from persons who, although having few traditional links with fishing, are bringing a new level of professionalism to it. In recent years, there has been a significant investment in fisheries infrastructure in the OECS sub-region, contributing to a transformation process in some Member State fisheries. Grant - funded projects have financed the establishment of landing sites, processing infrastructure and facilities for storage of both fish and equipment.

While moves have been made to manage existing resources, the existing technologies are inadequate to take up the challenge of resource management and the exploitation of new resources. National policy statements and objectives for fisheries need to be further developed and clarified to assist the implementation of national fisheries strategies.

Against this backdrop, the Second Meeting of the OECS Ministers of Environment Policy Committee (EPC II) mandated the OECS Secretariat, through its Natural Resources Management Unit (NRMU) to initiate the development of a Fisheries Strategy for Member States.

At an OECS Regional Symposium on Fisheries Management and Development, attended by fishermen, fisheries officers and permanent secretaries of ministries responsible for fisheries, identified the following issues were identified:

- Near-shore demersal fisheries resources (e.g. conch, reef and shallow shelf fishes) are coming under increasing pressure and in some instances are already showing signs of collapse.
- Exports are constrained and regulated
- Strong internal markets exist in the sub-region
- There is an increased need to diversify the industry
- There is limited knowledge of potential resources
- Accessing financial resources is difficult
- Human and financial resources are limited.

Related to the difficulty in accessing financial resources, two issues were identified as critical to regional fisheries development, and fundamental to the creation of a suitable social and investment environment, namely:

- The absence of a future benefits and pension scheme for fishers,
- The absence of insurance or its high cost which has resulted in the reluctance of private sector investors' to invest in more advanced and more expensive vessels and equipment without the possibility of insurance coverage.

Arising out of the discussions and recommendations at this symposium a Strategy and Implementation Plan for Fisheries Management and Development in the OECS sub-region has been developed and endorsed by EPC III.

The Strategic Response

Sub-Programme Objectives and Strategies

The following objectives and strategies are proposed:

Objective (a) Improving national fisheries management framework with OECS States:

Strategies:

- improve training of both fisheries officers and fishers
- improve accessibility of funding for fisheries departments
- improve fisheries management planning and compliance
- encourage stakeholder participation in fisheries management decision making
- ensure that fisheries conservation and management are increasingly based on improved scientific and technical knowledge

Objective (b) Increasing accessibility to varied markets by the diversification, and improved quality, of fishery products.

Strategies

- develop, disseminate and train in guidelines for quality assurance, including health and sanitary standards
- establish appropriate legislative framework in support of quality assurance
- facilitate increased added value of regional fishery products
- co-operate to achieve harmonisation of national sanitary measures and certification programmes
- improve post harvest technology

Objective (c) Increasing the overall production by the fisheries sector

Strategies

- improve availability of capital for investment in the fishing industry
- identify mechanisms to reduce risk in the fishing industry
- encourage expansion of pelagic fishery to reduce pressure on near-shore resources

- conduct applied research to improve production from both capture and culture fisheries
- decrease resource use conflicts and destructive fishing practices
- facilitate improvement in fishing vessel and gear technology
- encourage use of discards
- improve fisheries monitoring, control, surveillance (MCS) and enforcement
- Improve ecological monitoring of coastal habitats
- improve capacities for collection and dissemination of technology information

Objective (d) Facilitating regional action

- define mechanisms for the exploitation and management of shared resources within the sub-region
- facilitate regional training for fishers and fisheries officers
- define roles and responsibilities of various regional and international agencies with regard to international fisheries agreements
- facilitate the provision of accessible insurance for the fisheries sector

IMPLEMENTATION CONSIDERATIONS

The Goal and Purpose of the Fisheries Development Strategy will be achieved through collaboration between Member States and the OECS Secretariat, as well as with other regional and international agencies. The OECS Secretariat and other appropriate regional agencies will seek funds for regional programmes, while Member States will seek funds for national programmes. The Secretariat will facilitate rather than implement. Implementation of regional programmes will be carried out by national governments with facilitation by the OECS Secretariat. The OECS NRMU will be the lead agency, but will work in collaboration with other appropriate units of the OECS Secretariat, as and when necessary.

The total cost of implementing the programme is estimated at EC\$ 7.9 M. Governments will be expected to contribute EC\$7.5 M. of this amount from local or external sources. It is anticipated that funds would be sourced as necessary to meet the requirements of the strategy, and also include estimates of the expected values of contributions to be made by governments.

(3) Manufacturing

Sub-Programme Goal:

Basis for Action

The manufacturing sector in the OECS can be broadly categorized into three sub-sectors: the enclave, the agro-processing and the import substitution sub-sectors. Enclave firms typically assemble garments and electronic components for the US market. They have strong ties to US firms or agents, and often they have few or no immobile assets in the OECS.

Agro-processing is confined to a few products: sugar cane, coconuts and citrus fruit. Small-scale agro-processing of rum, sauces, jams, and jellies, spices and juices also occurs. Agro-processing

firms serve a range of markets: domestic, CARICOM, the US and Europe. The major products are refined sugar, soap coconut oil and concentrated fruit juices.

The import substitution sub-sector is characterized by a high import content in the production process. Not only are capital goods imported but in some cases up to 100 per cent of raw materials are imported from extra-regional sources. Production is geared mainly to the local and regional markets and very little is exported outside of CARICOM.

Other features of the Sector are as follows:

- The majority of manufacturing firms (54%) can be categorized as small i.e. having less than 20 employees. Montserrat leads that category with 95 per cent, while St. Lucia has the smallest number of small firms. St. Lucia also has the largest number of firms (80) followed by Grenada (57), Dominica (48) and St. Kitts and Nevis (46);
- The contribution of manufacturing to GDP has remained relatively stable across Member States averaging above 7 per cent for most of the nineteen-eighties and declining slightly in the 1990s, to the current level of about 6.1 per cent. This is a consequence of the modest growth rates experienced during the nineteen - nineties.
- Since the 1980s there has been a general reduction in the reliance on manufacturing except in St. Kitts and Nevis;
- The sector directly employs nearly 13,000 people within the sub-region. It accounts for approximately 22 percent of total employment in St. Kitts and Nevis; 9.3 per cent in Saint Lucia ; 8.3 per cent of total employment in Grenada; and 8.7 per cent in Dominica;
- The sector is highly dependent on government subsidies, provided through a non - differentiating regime of fiscal incentives;

The manufacturing sector can be described as one that produces goods, which are protected locally from outside competition - through instruments such as the Common External Tariff (CET) and quantitative restrictions - as well as one that produces goods with preferential access to foreign markets.

Quantitative protection in the OECS takes several forms. These include: (a) licenses for goods to be imported from outside of CARICOM; (b) licenses for the importation of goods from any CARICOM country that is not a member of the OECS, (made possible by Article 56 of the Common Market Annex to the Treaty of Chaguaramas); (c) the ability provided under Article 29 of the Common Market Annex to limit imports from all other CARICOM countries for a specific time, in the event of a substantial decrease in domestic demand for a particular product.

A fourth category is provided under Schedule IX of the Common Market Annex, which provides for the marketing of Oils and Fats and seeks to facilitate trade among CARICOM countries. According to this provision, deficit CARICOM countries in oils and fats are expected to purchase their supplies from surplus CARICOM countries at prices above world market prices.

Most countries have implemented the Harmonized Fiscal Incentives Act that allows countries to grant a waiver of tax to investors for a period of up to 10 years in the first instance. A further waiver may be granted if investors expand their operations by the expiry date.

All significant manufacturing exports benefit from preferential trading arrangements. The US government has a program that provides for sharing production with developing countries. This provision, commonly known as 807 (after its number in the tariff code), allows US producers of partly finished goods to ship them abroad for assembly and then re-import to the US on only the value added abroad. Garments and electronic components made in the OECS have benefited from this program.

OECS manufacturers are also eligible for preferential benefits under the US Caribbean Basin Initiative (CBI) and the Canadian CARIBCAN programs. They are also supported with quotas for sugar in Europe and the US.

The manufacturing sector in the OECS operates under the following constraints:

High Labour Costs: Wages in the OECS are about four times higher than in Haiti and about five times higher than in the Philippines. Further, higher remuneration in the tourism sector has tended to attract workers away from manufacturing. This has been especially revealing in Antigua and Barbuda. Although the differential between wages in the two sectors is not substantial, tips and other gratuities tend to increase the earnings of workers in tourism.

Inadequate Transportation Links: The limited availability and reliability of transportation links is another constraining factor. Sea transport is not only scarce but sometimes unreliable. In addition, the cost of sea transport is not significantly lower than air transport which is usually more reliable.

Insufficient Finance: Indigenous firms face great difficulties in accessing finance. The commercial banks tend to have a preference for short-term, less risky lending and hence favour mercantile activities, rather than for manufacturing or agriculture. Loans to the distributive sector are more than twice the loans provided to the manufacturing sector.

Small Size of Firms and Local Market: On average, manufacturing firms in the OECS employ less than 50 persons. Moreover, the majority of indigenous firms target the local markets, which are extremely small. This limits the ability of the firms to reap economies of scale and spread overheads.

Inadequate Knowledge of Export Markets: Indigenous manufacturing firms lack basic information about the structure of markets, changes in consumer taste, import regulations in the foreign country, appropriate technology, new processes, new products and potential competitors.

Inadequate Infrastructure: The countries all need to upgrade to varying degrees, their roads, airports, seaports, electricity, water, telecommunications and waste disposal.

In addition to the constraints identified earlier, the economic environment is undergoing rapid change that could have significant implications for manufacturing in the OECS. NAFTA was formed in 1994, giving Mexico an advantage not previously enjoyed over OECS manufacturers in the North America markets, particularly for garments and electronic components.

This free trade area is only one of several measures taken towards trade liberalization globally including the WTO rules and their strict application, the formation of other regional and bilateral trading arrangements and the gradual dismantling of preferences in key markets such as the European market for ACP products. Following this trend, OECS countries have taken the decision to become a part of the FTAA and have begun negotiations leading to its formation in 2005.

At the CARICOM level, the industries that are now protected under Article 56, will lose this protection in 2005, as trade within the region is further liberalised within the framework of the CARICOM Single Market and Economy (CSME).

The trends and features described earlier, carry major implications for the manufacturing sector in the OECS. The inducements being offered under NAFTA will most likely increase the mobility of the enclave sub-sector, making it difficult for governments to design a diversification strategy around these industries. There may be long term viability in the export processing zones for electronics, and wood-based products and rum may be explored on the basis of viability. A more inward-looking strategy is indicated, built around agro-processing and fueled by niche-markets concentrating on cultural products, high value handicraft, souvenirs, exotic food processing and such other products for which the OECS countries may have a natural or acquired competitive advantage. However the challenge for the sub-region would be to “bite the bullet of competition” and adapt to this New World Order dominated by trade liberalization, without the protection at home and non-reciprocal preferential access in foreign markets. Simply put, it can no longer be “business as usual”.

Further, manufacturers will need to maximise the advantages that can be derived from economies of scale and of space. That is to say, that certain economic activities will be best pursued at the national level and others pursued at the sub-regional level. In any event, the focus should be on a manufacturing industry which is oriented around a successful tourism industry, and which builds on the positive perceptions of the Caribbean by, for instance,

The Strategic Response

Sub-programme Objectives and Strategies

The objectives and strategies to achieve them are out below:

Objective (a) improving the administrative processes for exports development.

Strategies

- improve the transparency and predictability in the administration of incentive measures;
- support the establishment of “one-stop shops” to speed up investment and to improve communication between established and incoming manufacturers and Government agencies;
- improve the efficiency of all public sector agencies, especially those whose operations have a bearing on the efficiency of the private sector;

- establish and/or strengthen, as appropriate, Small Enterprise Development Units in our islands to stimulate the growth of the small business especially in export related activities;
- establish institutional arrangements comprising public and private sector actors to promote effective backward and forward linkages between the tourism, manufacturing and agricultural industries;
- Enact appropriate legislation to operationalise Protocol II of the revised Treaty of Chaguaramas, to permit the free movement of skills within the OECS;

Objective (b) encouraging product development and innovation in the sector.

Strategies:

- determine the products to be pursued, guided by considerations such as comparative advantage, links to tourism as the potential leading sector and the nature of demand in rapidly expanding export markets including CARICOM;
- determine the appropriate skills required for the production of the mix of products and the delivery of these skills throughout the formal and informal education system, through appropriate changes in the school curricula and plant and in collaboration with the private sector. (Where skills are not available, acquiring them from another country might be necessary);
- establish and/or strengthen as necessary, national and regional Standards Bureaus, to guide our manufacturers towards the attainment of ISO product and service standards;
- support the production of authentic goods and expansion of exports by targeting the incentives regime at those segments of the sector with the greatest potential;
- implement an assistance programme to facilitate the reengineering of import substitution firms towards production for the export market;
- encourage manufacturers through various incentives to upgrade the skills of their employees, to improve the technology level of new investments and to increase automation;
- reorient national skills-training programmes towards the utilization of modern technology.

Objective (c) promoting and expanding domestic and foreign investment in designated areas.

Strategies:

- examine the feasibility of replacing the existing incentives regime with a system of Tax credits tied to performance criteria such as training expenses, investment in physical capital and for expenses for export market development, employment generation, investment, product line, export share and domestic market share;
- encourage banks and other financial institutions to provide a mix of equity and loan funds so as to reduce the overall interest burden of infant industries;
- educate investors on the virtues of joint venture equity financing;
- utilise grant funds that may be available, (for example STABEX funds), to capitalise Venture Capital Schemes to assist manufacturers;
- accelerate the formation of the proposed OECS Stock Exchange.

Objective (d) establishing the financing and physical infrastructure and culture for effective import-substitution

- assist manufacturers in supplying the food and beverages needed by the Tourism industry, adding value to the fruits, fish, meat and vegetables and other items produced by the agricultural sector;
- improve access to and develop market intelligence in consumer taste, information on the activities of existing and potential competitors, the quality of labeling required ;
- promote the development of relatively large firms with sufficient regional capacity to undertake the marketing of products in which the region has a comparative advantage;

Objective (e) strengthening the marketing of OECS manufactured products.

- optimise existing and potential opportunities to develop extra-regional markets through the OSME and CSME as well as through membership in the FTAA and bilateral trade agreements such as with the Dominican Republic.
- examine the feasibility of establishing offices within overseas markets, jointly funded by national governments and private sector entities, and staffed with marketing experts, knowledgeable in the area
- exploit joint production and marketing opportunities and arrangements to penetrate new markets and/or expand the sub-region's share of trade in traditional markets;
- form alliances with establishments located in the market, where the OECS firm manufacturer makes the product and the firms in the market area carry out the marketing function ;
- adopt a collective and coordinated approach to negotiations with foreign carriers for the shipment of goods to export markets.

Implementation Considerations

The strategies outlined above call for solid coordination between national Ministries/agencies responsible for manufacturing, agriculture, trade, foreign affairs, women/gender affairs and the environment. Given that EPZs have been identified as a major plank in the development of the sector, special attention will have to be given to industrial relations issues, especially those that impact on the role and status of women. The low wages paid to workers in EPZs and the causative links to the "working poor" will also require specific attention. Ministries of Trade and Foreign Affairs will have critical roles to play in assisting local firms in penetrating new markets. Linkages with the other Programmes of this Strategy will be crucial.

PROGRAMME AREA # 3: INTEGRATED PRODUCTION AND MARKETING

Programme Goal: **Achieving sustained economic development by integrating production and marketing activities within a refocused OECS Single Market and Economy.**

Basis for Action

Attempts at integrating production and marketing arrangements within the OECS have been pursued mainly within the context of the Treaty provisions of the OECS and CARICOM. In 1991, the OECS Authority took a decision that the OECS Member States, as a distinct sub-set of the CARICOM grouping, would move towards the establishment of a Single Market and Economy among themselves. This was slated to be effective by the end of 1993.

The OSME was intended to achieve the following key objectives, inter alia.

- a) Overall, to deepen and strengthen the integration and co-operation process between the members, with particular emphasis on achieving greater economic growth and development, through the creation of a single economic space.
- b) To provide a protected space which would enable OECS industries and enterprises to develop.
- c) To improve the competitiveness of the OECS economies in the context of the global and regional forces at work.
- d) To improve production efficiency in the key areas of economic activity.
- e) To enable more effective utilisation of factors of production in member states by enabling their free flow across the borders of the member states.
- f) To enhance the volume of trade flows between member states, and between the OECS and the rest of CARICOM, and OECS and the rest of the world.
- g) To co-ordinate, collaborate and integrate economic development policies and strategies.
- h) To strengthen the areas and possibilities for functional co-operation.
- i) To provide a basis for effective participation in the CARICOM Single Market and Economy, through development of common positions and co-ordination of actions in response to obligations of the CSME.

In order to achieve the establishment of the OSME, it was determined that there were a number of areas of primary focus. These were:

- 1) free movement of goods and services
- 2) free movement of labour and
- 3) free movement of capital.
- 4) effective economic policy co-ordination.

In order to achieve the objectives outlined above, a range of legislative and administrative measures were to be in place. However these actions have not been fully undertaken, and so the OECS Single Market and Economy is not yet given full effect.

In the meantime, implementation of the decision taken by the Caribbean Community in 1989 - to establish a CARICOM Single Market and Economy (CSME) - has gathered momentum, to the

extent that market access and trading arrangements for the OECS, are now governed by the provisions of the CARICOM Treaty, rather than by the Annex to the Treaty of Basseterre, establishing the East Caribbean Common market.

This situation is further reinforced by the revision of the Treaty of Chaguaramas - work on which is almost completed - which does not recognise sub-integration arrangements or allow for general derogation, except in the context of Protocol VII. But the provisions within this Protocol do not go as far as to allow for special trading arrangements between the OECS members (LDC's) as a group, to the exclusion of the rest of CARICOM, except for the Article 56 successor provisions, which are specific only to covered products.

This suggests that the notion of an OECS Single Market insofar as it relates to special and differential trading arrangements of a general nature, is difficult to sustain within the framework of the CARICOM Single Market arrangements. In light of this fact, it must now be determined whether OECS producers should be encouraged to focus primarily on the relatively small OECS market, and what opportunities for continued growth will this option allow. The answer to this seems to be that such a focus will continue to constrain the growth potential of OECS enterprises, and will not position them to operate in more competitive markets

However, there are still significant opportunities for OECS members to engage in integrated **production and marketing** activities, by pooling their factors of production, i.e., capital, labour, technology, location, raw material, etc., and so derive greater economies of scale and enhance their competitiveness potential. Also, there are opportunities for OECS producers to make more efficient use of production inputs. Such an approach however should be directed towards accessing a wider market than only the OECS.

OECS member states should seek to maximize the possibilities for economic development which the CSME could offer. This could better be done through acting together in formulating their production and marketing activities, as well as harmonizing their actions in implementing the provisions of the CSME. Support to this process should be a major area of concentration of the work of the OECS Secretariat.

The situation with respect to services is somewhat different. While CARICOM Single Market arrangements also apply to production and trade in services, as set out in Protocol 2, the poorly defined nature of these arrangements, open up possibilities for the OECS to negotiate particular treatment with respect to services, and also to seek to structure an OECS Single Market for services. However, that such treatment is likely to be only transitional and temporary, even assuming that it was possible at all.

It is difficult to be precise at stage about what kind of special treatment may be sought, given the need to clarify the real possibilities, opportunities and options for the OECS in Services and which may benefit from a Single Market approach. However, there are several possibilities to define an OECS market in the Services area -without violating Protocol 2 - which could make the OECS service providers, as well as OECS economies, more competitive.

While the dynamics that led to the establishment of an OECS Single Market and Economy have not changed, the options and approaches have. The OECS countries are still inexorably linked together by factors of history, size, geography and capacity. The continuing global integration of economies; the push toward the breakdown of trade barriers; and the consequential demands of competitiveness, are among the factors determining the requirements for adaptation and change on the part of the OECS. The possibilities for very small, very vulnerable states to survive on their own, starting from the base from which the OECS are starting, are more and more limited.

Despite the position argued earlier with respect to trade in a goods - focused, Single Market for the OECS, the situation now calls for deepened and strengthened integration efforts rather than for a lessening of the process. Critical in this is the need to take advantage of the opportunities presented in the CARICOM Single Market and Economy process, as well as the international trading arrangements, the WTO and the FTAA. The member states will have to seek to position themselves to make full use of the chances offered. The OECS Development Strategy is seen as being central to this process.

Essentially, this process is about creating a “single economic space which in effect calls for a substantially deepened approach on integrated policy formulation and implementation. This speaks to issues such as how capital is mobilised, how labour and skills can move to areas of best use, how joint economic production activities can take place, how to present a common face to the external world. These should now be central issues to the economic integration process, and essentially calls for a quantum leap by the member states, at least conceptually, towards an Economic Union.

The elements for this are already present, in the context of the currency union and is inherent in: the single currency and single central bank; the possibilities for production integration alluded to earlier; the OECS Development Strategy; and the framework for production and trade offered by CSME. These are areas where the Single Market and Economy option for the OECS is still relevant, and where every effort should be made to advance it.

The Strategic Response

Programme Objectives and Strategies

In order to create the environment within which the economic possibilities could be optimized, the following objectives and strategies are proposed:

Objective (a) Promoting more efficient use of the factors of production in OECS member states

Strategies

- urgently address the legislative and institutional framework to facilitate the establishment of the OECS Capital market;
- remove all remaining impediments to access to capital by economic actors and citizens, such as the need for official approval for loans/credit to non-national residents of the member states and the restrictions on cross-border bank financing of ventures;

- remove all restrictions on the inter-island movement of the people of the OECS, through common use of identity documents and discontinuation of time limits on stays in the member states by nationals of the OECS.
- rationalise work permit requirements for nationals of the OECS, while fulfilling statistical and security requirements;
- remove the application of Aliens Land Holding Regulations to nationals of the OECS in the member States of the OECS;
- adopt a common policy regarding the entry, residency, and citizenship status of persons from third countries;

Objective (b) Facilitating increased coordination and integration of economic development policies and strategies;

- harmonise individual member state social security arrangements to allow for more effective portability of benefits and other retirement benefits;
- establish mechanisms for coordination at the policy and administrative levels to take advantage of opportunities for sharing of experiences, expertise, scarce public management resources, and to make more effective use of public financial resources, in both facilitating and regulatory arrangements,
- agree to jointly develop OECS-wide incentives to encourage production integration and other related joint activities, with particular attention to encouraging productive investments;

Objective (c) Providing an institutionalised basis for effective participation in the CARICOM Single Market and Economy.

Strategies:

- Reconfigure the OECS Economic Affairs Committee to facilitate sustained dialogue between OECS private sector interests;
- Promote the establishment of a sub-regional private sector grouping to facilitate increased and sustained collaboration between business persons.

Implementation Considerations

Effective implementation of this programme will require increased participation by OECS member States as well as the OECS Secretariat, in ongoing efforts at moving from an OSME to an OECS Economic Union, as well as attempts at formalising the CSME. A strengthened private sector capacity and involvement will also be critical. The establishment of a sub-regional private sector grouping will have to be accorded the highest priority.

The OECS Secretariat will be required to facilitate the following sub-regional actions:

- The identification and removal of restrictions on the right of establishment and the provision of services;
- The adoption of a common approach to the removal of restrictions on the right of establishment and the provision of services as is required under Protocol II of the revised Treaty of Chaguaramas;

- The establishment of a Task Force comprising officials from the Member States, the OECS Secretariat and the ECCB, to identify those areas of services that the Member States wish to develop;
- The development of a harmonised programme for the removal of discriminatory restrictions in respect of Community nationals and third countries on banking insurance and other services;
- The adoption of common legislative arrangements regarding the movement of service providers and persons establishing businesses;
- The adoption of common policies regarding the entry, work permit and residency status of persons from third countries;
- The development of common mechanisms for addressing issues of equivalency and accreditation;
- The implementation of measures to facilitate the transfer of workers' accumulated benefits across the sub-region;
- The adoption of a common position regarding the provisions of Protocol II, as they relate to the free movement of capital;
- The development of the OECS Stock Exchange;
- The identification and removal of measures that restrict the movement of capital within the sub-region

PROGRAMME AREA # 4: EDUCATION AND TRAINING

Programme Goal: Supplying the human resource needs of a knowledge based economy by facilitating access by all to relevant pre-school, primary, secondary, and higher education.

Programme Targets

The attainment of this goal will be measured against the attainment of the following targets⁵:

- By 2020, a minimum of 60% of the population will have possessed secondary education or higher;
- By 2020, the number of persons holding qualifications in science and technology at the post-secondary level, will have increased by 30%, over 1999 levels;
- By 2005, 30% of the population will have a working knowledge of at least one foreign language;
- By 2005, the number of students attaining 5 CXC or equivalent passes in core subject areas, will have increased by 30% over 1999 levels;
- By 2010, the completion of secondary school education among children at risk, will have increased by 50% over 1999 levels;
- By 2005, in-service programmes for the regular upgrade of teachers developed and commenced implementation.

⁵ Taken from the draft Caribbean Education Strategy prepared by the Caribbean Education Task Force for the 2000 Meeting of the Caribbean Group for Co-operation in Economic Development (CGCED).

Basis for Action

Global economic reforms, together with the rapid increase in knowledge and the changing pace of Science and Technology (S&T), are fundamentally reshaping the priorities for the education system within the sub-region. The education system also has a pivotal role to play in facilitating the adequate fulfillment of the critical functions of the agricultural and manufacturing services sectors respectively. If the OECS countries are to achieve the fundamental goals of food security and the strengthening of linkages between the agricultural, tourism and manufacturing sectors, a wide range of knowledge based skills will be required.

The education system also has an important role to play in structuring the social and cultural system. The system must continue to play its traditional role in the social sphere, of reducing social disparities and fostering upward mobility of the lower social strata, while also ensuring a learning environmental and educational experience that builds social cohesion and conformity. In the cultural arena, the education system must begin to take on a more active role in defining and enhancing the unique cultural identity of the sub-region.

While the sub -region's education system has come a long way, it has not maintained its relevance. Further there is a dire need to increase access to education at all levels, to improve equity, quality and to accelerate education reform.

Additional weaknesses identified are as follows:

- The demand for secondary and tertiary education is increasing faster than the supply;
- The alarmingly low levels of educational achievement, especially among boys;
- Growing disparity in participation rates between boys and girls, at the secondary and tertiary levels;
- Declining primary school completion rates;
- Increasingly levels of illiteracy and semi-illiteracy among primary school leavers.

The Science and Technology Dimension

At the basic level, developments in science and technology are rapidly stimulating the demand for a labour force with greater conceptual and cognitive skills including the capacity to innovate, analyse, discover and solve problems in production processes, and above all, to transform information into economic value. Hence, the possession of natural resources is becoming relatively less important in the process of economic development. OECS Member States can no longer expect to base their development on their comparative advantage - that is, on cheap industrial labour. The comparative advantage that now counts is in the application of knowledge.⁶

⁶ Peter Drucker, "The Age of Social Transformation". The Atlantic Monthly, Nov. 1994.

Contending with the challenges posed by the advances in S&T would require OECS countries to revolutionise their thinking and practice in the field of education. The question of revolutionising education in the OECS cannot be answered only through the formal education system, i.e. the school system and would have to be extended to urban and rural communities. Additionally, notions of literacy and illiteracy would also have to be redefined, in line with the developments in science. The profile of a functionally literate or illiterate person 20 years ago, would not be the same as one in another 20 years or so.

The central aspect of the developments in S&T, which is already having an impact on the economies and societies of the OECS is information technology.

The immediate objective of a development strategy with respect to science should therefore be the rapid expansion of the use of information technology. Ultimately, at the macro-economic level the issue is access to and productive use of information. The realisation of this objective would have implications for developments in telecommunications in the sub-region.

However, scientific and technological development in the OECS is being hampered by:

- a lack of capacity to formulate policies linking science and technology with national development imperatives;
- the absence of research and development institutions and mechanisms to link the activities of these institutions with the needs of the productive sectors and the society as a whole;
- the unavailability of scientists to serve these institutions on a sustained basis; and
- the absence of a science and technology ethic, within the formal and informal education system.

The quality of technical and managerial skills as well as the capability of HRD providers must be radically improved to meet the demands of the emerging labour market. Appropriate skills development and increased efficiency, among other things, are needed to enhance quality, improve productivity, increase competitiveness, expand market share, augment foreign exchange earnings and domestic savings (See Table 9).

The Strategic Response

Programme Objectives and Strategies

Objective (a) *supplying adaptable workers who can readily acquire new skills and can easily cope with stresses and shocks in the society and the economy.*

Strategies

- design and implement a set of policies to drastically reduce, if not eliminate, illiteracy and ignorance and to develop the human capital stock in order to supply the increasing demand for skilled workers in the tourism industry, as well as in education, health, financial, cultural, engineering, construction, business and information services;
- develop a clear national education strategy with input from businesses, teachers, parents

- and local community leaders;
- establish national educational standards along with mechanisms for measuring and reporting on performance levels;
- acknowledge the importance of telecommunications infrastructure and technology applications, as part of national education strategies;
- link schools and libraries by digitising their information collections
- enable networking among teachers to accelerating the spread of best practices in education
- develop sub-regional centres of excellence to serve the region in the areas of tertiary education, including law and legal reform, medicine, tourism and related services, business development, computer science, engineering, technology, research and development;
- develop teaching modules to equip students with the skills to resolve conflict peaceably;
- design and introduce into training modules in the creative and performing arts, at all levels of the education system, from kindergarten to tertiary level.

Objective (b): building sound business-education partnerships.

- establish partnerships with local and international business communities to leverage their support for educational reform efforts;
- improve information about the quality relevance and costs of training;
- promote private sector involvement in articulation and definition of training needs;
- encourage stronger private sector involvement in critical education and training activities, especially in areas such as enterprise development, computer literacy and science and technology;
- develop national training and industry boards to create incentives for student learning and to strengthen the networking between schools and the world of work;
- provide incentives to the private sector to:
 - identify human resources and skills needed by the private sector;
 - identify education investments which yield the highest return;
 - provide teachers with continuous training to foster computing and technology skills;
 - Participate in programmes to increase formal continuing education of the workforce;
 - Improve the exchange of labour market information related to placement and job opportunities

Objective (c) increasing access to quality education;

- increase investments on pre-school, infant primary, secondary and tertiary education, to achieve wider access to higher quality education, that prepares people to work in a continuous learning process and keep up with changes in technology and new market demands;
- increase investments in technical and vocational training for young people;
- equip libraries and schools for continuous learning by mentally and physically-challenged children;
- establish National Learning Resource Centres for teachers of Special Education
- expand the reach and impact of adult and continuing education by:

- Promoting the use of mass media as a means of extending educational programmes to target groups;
- Establishing adult reading centres and libraries in all major communities;
- institutionalising skills training as an integral component of adult literacy programmes.
- engender a climate of family and community support for educational continuity;
- examine the links between transportation and nutritional concerns and access to education by the poor;

Objective (d): building capacity in science in technology development.

- upgrade teacher training facilities with special attention given to developing science, mathematics, computer competency and language arts teachers;
- establish global access points to the global information network, in schools, post offices and community centres;
- set up National Science and Technology Councils to undertake the following:
 - formulate and review national policies on S&T in pursuance of national development plans and objectives;
 - serve as the national consultative and advisory body to Government on matters relating to S&T;
 - arrange for the systematic collection and interpretation of data as indicators for facilitating the incorporation of S&T elements in the national planning process;
 - execute, in full consultation with sectoral interests, measures to facilitate the provision of adequate resources for the development of an S&T human resource pool, required to achieve national sustainable development goals;
 - promote the progressive development and transfer of indigenous technologies;
 - promote greater understanding of and appreciation for S&T by the public
 - promote effective management of the environment as a cornerstone for sustainable development;
 - assist in setting the priorities for research and development and to ensure close linkages between the results of R&D and their application within the productive sector;
- establish summer schools devoted to the teaching of science and information technologies for primary and secondary school students
- establish community learning centers at strategic locations in each of the countries, focusing on tutoring in science and technology, in particular information technology;
- Establish a public sector academy to target public sector employees;

Objective (e): increasing participation levels in physical education and sports at all levels of the education system

Strategies:

- Make physical education (PE) mandatory for all, except where medically exempted;
- Offer PE as a CXC O' level subject at all secondary schools;
- Make school teams the final layer of a strong PE and sports programme;
- Provide leadership opportunities at all levels to encourage professional or voluntary participation in sports and community recreational activities;
- Establish affordable community recreational programmes, using schools as the axis of such programmes;
- Redesign existing school plant to facilitate active participation in PE and sports by boys and girls;
- Make adequate provision for full-time PE teachers at all primary and secondary schools.

***Objective (f): Improving Education Financing and Management*⁷**

Strategies:

- enhance the efficiency and effectiveness of education financing through the modernisation of financial management and training of staff at school, district and Ministry level to understand more fully the financial implications of education and the importance of accountability;
- evaluate levels of investment relative to needs;
- reexamine the internal allocation of funding and redistribute resources as is feasible to achieve a better balance between personal emoluments and other components;
- increase user fees at the tertiary level, with the necessary support to meet the needs of the lower socio-economic groups;
- implement cost-sharing mechanisms with safety nets to allow for equitable participation.

Implementation Considerations

As the axial programme of this Strategy, solid mechanisms will be required to fully integrate this programme with other sections of the Strategy. OECS Member States should consider undertaking a comprehensive assessment of the training needs, required for the successful implementation of the Strategy. National Education Task Forces, comprising all stakeholder groups should be established as a matter of priority.

⁷ Extracted from A Caribbean Education Strategy prepared by Caribbean Education Task Force for the Caribbean Group for Co-operation in Economic Development. (CGCED) 2000.

The OECS Education Reform Strategy serves as the axis of educational development strategies being implemented in all countries. However there is need for a stronger interface between the administrators of the project, Ministries of Education, the business community and trade unions, in all the islands, to ensure that there is consonance between the outputs of the project and the social and economic development imperatives of the sub-region.

PROGRAMME AREA # 5: POVERTY ERADICATION

Program Goal:

The goal of this programme is to bring about sustained improvement in the quality of life of the poor.

Basis for Action

Although OECS economies are classified as “middle-income” developing economies, recent poverty surveys reveal that there are growing pockets of poverty in these countries. Hence it would be necessary to encourage investment in poor and depressed communities. In addition, it would be necessary to increase the access of the poor to land, financial resources, public infrastructure and services.

Several governments have established Poverty Alleviation and/or Social Investment Funds to address the problem of poverty. However these initiatives appear to be driven by an assumption that the poor are powerless and have no strengths. Overlooking these strengths, inevitably mean that the poor are being encouraged to be more dependent, for a longer period, on Government assistance, in the process ignoring their own innate ability to help pull themselves out of the poverty trap.

Education can make a significant contribution to the reduction of poverty, in that it can confer the skills, knowledge and attitudes that increase the productivity of the poor.

The problems faced by poor communities are caused mainly by inappropriate development strategies employed in the colonial and immediate post-colonial era. OECS governments must commit to the implementation of balanced development policies and programmes that will have a positive impact on the quality of life of the poor.

Programme Targets.

Governments in collaboration with its Social Partners will aim for the attainment of the following programme-related targets by the year 2005

- 50% reduction in 1995 poverty levels;
- elimination of severe malnutrition and 50% reduction in malnutrition;
- universal access to safe water ;
- 40% reduction in 1995 adult illiteracy rates.

The Strategic Response

Programme Objectives and Strategies

Objective (a) ensuring the equitable redistribution of the benefits from economic growth;

Strategies

- targeted distribution of basic food supplies to indigent households, combined with strategies that will, in the medium to long -term enable the poor to feed themselves,
- improving access to basic infrastructure (including access to potable water, communal solid and liquid waste disposal facilities, electricity, feeder roads);
- increasing access to relevant education for poor children and adults within poor households by establishing educational facilities in poor communities or facilitating easy access to the closest facility;
- providing scholarships, bursaries and other forms of financial assistance to for poor children and adults;
- implementing housing and shelter programmes, with the provision of sites and services as a basic element;

Objective (b) empowering all communities for meaningful participation in the development process.

Strategies

- strengthening Community-Based Organisations involved in assisting the poor;
- encouraging democratic structures which can hold government accountable and give a voice to the poor;
- involving local communities in developing and managing community assets such as schools, libraries, tourism assets etc;
- providing a comprehensive skills-based, health and family-life education, peer counseling and substance control abuse programme;

Objective (c) promoting the sustainable use of community resources.

Strategies

- increasing access by the poor to a fair share of productive assets such as land and capital;
- recognising women's role in food production and their need for equal access to productive resources;
- promoting management of the natural environment in ways that will produce more safe and nutritious food, generate employment and income, and improve living standards without degrading the environment;

Objective (d) Boosting income and employment opportunities for the poor.

- creating a facilitating framework for the development of micro-enterprises and other job-creation schemes within poor communities, including the provision of lines of credit and expertise to institutions, such as cooperatives, that offer loans to the poor;
- investing in mechanisms for freeing women's time for income-earning activities, including the provision of day care facilities and pre-schools in poor communities;
- delivering community-based technical, financial and business skills-training programmes;
- implementing sound macro-economic policies that impact the lives of the poor;
- eliminating corruption within the public and private sector.

Implementation Considerations.

This programme cuts across all sections of this Strategy. At the sub-regional level there is a role for the OECS Secretariat in establishing a network of national managers of Poverty Reduction Programmes which can facilitate regular dialogue and sharing of "best practice" experiences. The Secretariat already has a Social Development Unit in place that might co-ordinate this network. Additionally the Secretariat recently entered into a partnership with the UN system agencies, to provide support to OECS countries, in the area of poverty alleviation.

PROGRAMME AREA # 6 . JOB CREATION

Programme Goal: Increasing the Quality and Quantity of Jobs that are made available.

Basis for Action

The problem of unemployment is the major challenge facing the OECS countries at this time. Failure to solve it may result in further increases in crime and social unrest, which would be inimical to further development especially in the sensitive tourism sector. The issue is further complicated by the deflationary bias in monetary arrangements. The adjustment process operates largely through reduction in income and employment.

Poverty is closely associated with unemployment and is higher among the less educated, less skilled members of the labour force. Hence there is a clear link between education and poverty eradication. Increasing access to basic education enables people to enjoy a better life and help in redistributing human capital that is the knowledge, skills, ability to labour and good health, which is important to pursue different livelihood strategies.

The following observations can be made about the labour market in the OECS.

- The unemployment rate in the OECS countries varies across the countries, but generally it is higher in the agriculturally oriented economies perhaps reflecting the limited employment opportunities generated by expansion in that sector;
- Recorded unemployment figures understate the problem due to the existence of high levels of underemployment, informal sector activity and of discouraged workers who are not counted as

- part of the labour force;
- Two major issues in the labour market seem to be, the absorption of labour and the productivity of the labour force;
- Unemployment is higher among women in spite of the fact that most of the jobs created in the services and manufacturing sector are taken by women;
- Unemployment is highest among the youth, especially first time entrants to the labour market.
- Labour laws and administration in the OECS countries are outdated and cumbersome;
- There is already a significant movement of labour between the countries in response to changes in economic circumstances.

Development should substantially increase the number and quality of sustainable jobs available. Moreover, workers would need to be continuously trained and retrained in order to make them more capable of adapting to production shifts in the economy.

The contraction in employment associated with globalisation and the push for competitiveness in the traditional labour-intensive economic sectors, such as agriculture, manufacturing and construction, is not only restricting the flow of new entrants into gainful employment, but also is returning to the ranks of the poor, many of those who had left it, after much effort.

The labour market policies, through which Governments have sought to reduce the level of unemployment, have been useful to the extent that along with migration, they have eased the pressures of unemployment in these countries. However, the eradication of unemployment and consequently poverty reduction requires economic development. The issue is how is this to be financed. Consequently some of the approaches traditionally used by Governments, such as absorbing a portion of the excess labour, through an increase in non-established posts is no longer a prudent or acceptable option. Such actions run contrary to efforts being made by governments to reduce the level of their annual recurrent expenditure on salaries and wages, in order to generate sufficient savings to finance critical, public sector investment programmes.

While the merits and demerits of short term employment programmes - of the type introduced in Saint Kitts and Nevis and more recently in Saint Lucia - have not been scientifically evaluated, there is a strong body of opinion that suggests that such programmes have tended to drift from their stated goals, eventually operating more as mechanisms for the indirect payment of unemployment benefits. In a Paper entitled: Unemployment in the Eastern Caribbean by Alexander, et al (1999: p18), the authors note that:

- The brevity of such programmes undermines their ability to provide any substantive skills to unskilled persons;
- Because of the high costs of training to the private sector, trainees are usually placed on marginal tasks that do not provide any usable skills.

Programme Targets:

Progress with the implementation of this programme will be measured by the attainment of the following targets in all OECS Member States:

- Comprehensive LMIS' established by 2002;
- National Productivity Councils established by 2002;
- National productivity targets established in all countries, by 2003;
- Long term unemployment reduced by 30% over 1999 level, by 2005;
- Legislation to facilitate the free movement of qualified personnel, passed by 2002.

The Strategic Response

Programme Objectives and Strategies:

Objective (a) Developing a comprehensive employment programme, driven by the requirements of the most promising economic sectors.

Strategies

- Undertake detailed competitive analyses of the respective economic sectors and institute the necessary policy adjustments;
- Undertake detailed analyses of labour productivity in the respective economic sectors and institute the necessary policy adjustments;
- Build the capacity of economic management agencies;
- Evaluate policies and programmes to determine the scope for increased growth opportunities;
- Use information generated by labour market systems, to guide short, medium and long-term planning;
- Evaluate the role and contribution of small and medium enterprises to employment generation

Objective (b) Ensuring continuing compatibility between the labour supply and demand mechanisms

Strategies

- reforming the education system to cause it to supply graduates with the competencies and skills required in an increasingly knowledge-based economy;
- introducing, in collaboration with the private sector and trade unions, accelerated skills-training programmes targeted at the unemployed and those about to enter the labour force,
- reforming the tertiary education system to ensure the supply of managers and entrepreneurs, with the technical, administrative and organisational skills, required for competitive, information-age economies;

Objective (b) Strengthening the institutional capacity for effective management the labour market

Strategies

- undertake a careful examination of labour codes and legislation together with other factors that impact business formation and competition;

- improve the speed with which industrial relations conflicts are resolved;
- encourage collaboration and cooperation between the Social Partners by exposure to training programmes that emphasise and promote the imperative of work co-operatively, in an increasingly global market;
- establish and maintain a comprehensive labour market information system, to better guide interventions in the labour market in particular and the economy in general;
- establish National Productivity Councils with participation by Government, trade unions and the business community.

Objective (c) boosting employment in socially and economically depressed areas.

Strategies

- encouraging investment in socially and economically-depressed areas, through fiscal and other incentives;
- providing tax and other incentives to encourage young persons to enter the agriculture industry;
- encouraging the production and marketing of labour intensive craft products;
- providing general lines of credit to facilitate investment in tourism plant and services which create temporary or permanent employment;
- providing selective lines of credit to support the expansion and continued operation of service-provider micro-enterprises and crafts producing and marketing firms;

Implementation Considerations

Implementation of this Programme cuts across all other programmes of the Strategy, especially Programmes 2, 3, 4, and 5 and 7. Given this fact, an ideal arrangement would be for implementation to proceed under the aegis of a broad-based entity that would allow for careful and dispassionate analysis of dynamics of the labour market within the context of the social and economic imperatives that countries are seeking to address. OECS Governments should pay particular attention to the health aspects of the labour market, especially with regards to the impact of HIV/AIDS on labour availability and productivity and on economic competitiveness. Occupational health issues would also require close attention.

A sine qua non for effective implementation is the urgent establishment of a Labour Market Information System, to feed the macro-economic and social policy, formulation process.

PROGRAMME AREA # 7 ACCESS TO QUALITY HEALTH SERVICES

Programme Goal :

The goal of this Programme is to improve access of the people of the OECS to efficient, effective and quality health services delivered to.

Basis for Action

OECS countries have generally experienced a comparably good health status and have managed to eliminate many of the basic health problems normally associated with the developing world. However these admirable health care standards appear to be faltering somewhat, with growing complaints among users about a deterioration in the quality of service and growing inability to respond effectively to the changing needs of users.

Some of the more pressing challenges facing the health sector are:

- Fiscal constraints;
- Changing family structures;
- Aging populations;
- Increasing urbanisation;
- Relatively high rates of unemployment and rising levels of poverty;
- An upsurge in communicable diseases (HIV/AIDS, tuberculosis, and gastro-enteritis) and chronic non -communicable diseases (cancer, heart diseases, diabetes)
- An increase in levels of substance abuse.

Programme Targets:

- National plans for healthy aging developed and included in national development plans by 2002;
- Customer satisfaction with hospital and primary care services improve by 50% by year 2005;
- Down time of at least 30 items of essential equipment, reduced by 30% by year 2005;

The Strategic Response

Programme Objectives and Strategies

OECS Governments have already committed to the implementation of the Caribbean Cooperation in Health (CCH11), which includes a comprehensive set of targets, policies and programmes for improvement of health care in the region.

The following strategic actions are targeted for implementation within the strategy period:

Objective (a): strengthening the leadership and regulatory roles of health authorities.

Strategies:

- initiate meaningful and sustainable reforms of the health sector;
- enact legislation and formulate policies that promote wellness of the population;
- educate the community and provide opportunities in the management and planning process;
- develop systems for monitoring performance of Ministries of Health;
- mainstream the gender issue in the planning and management of health systems.

Objective (b): strengthening the capacity of health care personnel

Strategies:

- train adequate and appropriate human resources to support health sector reforms;
- develop and implement guidelines for proper selection of trainees and utilisation of health sector personnel on successful completion of their training programmes;
- define appropriate organisational structures and staffing for health maintenance departments;
- allocate adequate resources for workforce planning and management;
- ensure the provision of effective data collection and information management systems for human resources policy and planning
- maintain an up-to-date human resource data base;
- create mechanisms and incentives that encourage retention or return of trained health-care personnel;
- remove barriers to the free movement of skilled health professionals;(*)
- examine the factors affecting labour mobility in the health care sector and institute appropriate response measures;(*)
- share among countries, policies that ensure the availability of sufficient and appropriate skilled health professionals. (*)
- undertake a comprehensive training needs assessment in the sub-region (*)
- develop an accreditation system for graduates from offshore medical schools located within some Member States⁸.

Objective (c) extending the coverage of health services.

Strategies

- pursue policies that will increase funding available for health to at least 5% of GDP;
- promote shifts in the allocation for both existing and new resources to be spent on prevention services and health promotion;
- support community-based organisations engaged in the promotion of healthy lifestyles;
- emphasise health-related policies that promote efficient use of health resources and also alliances between health and pharmaceutical and equipment suppliers;
- carefully examine the options available for financing health care systems including public-private sector partnerships and other initiative strategies such as the Singapore model;
- establish effective institutional arrangements are in place to enhance open communication between Ministries of Health and Finance respectively

⁸ In this regard, an Association of Caribbean Medical Councils had been established at a recent meeting of the Council for Human and Social Development (COHSOD). An accreditation committee was also set up to address issues pertinent to medical training institutions including off-shore medical schools as well as the licensing of medical practitioners

Objective (d): promoting and protecting the health and well being of the elderly.

Strategies:

- develop and strengthen policies on aging;
- sensitise health workers about the special needs of the elderly;
- strengthening Primary Health Care (PHC) services targeted at the elderly
- establish norms and standards for institutional care of the elderly;
- working with care givers to ensure that standards of health care are being met
- educating the elderly on ways to maintain and improve their health.

Objective (e): reducing the downtime of critical health equipment.

Strategies

- make adequate financial resources available for maintenance services;
- involve maintenance staff in the process of selection and purchase of new equipment;
- develop effective policies and procedures to govern overseas maintenance contracts;
- examine the feasibility of establishing an Eastern Caribbean Maintenance Service;
- explore the possibility of developing co-operation in maintenance services, with the French Departments of Guadeloupe and Martinique

Implementation Considerations.

This programme underpins all other programmes in this Strategy, especially those dealing with Services, Education, Disadvantaged Groups and the Environment. Traditionally the management of the health sector has been treated as the sole purview of Ministries of Health, with little or no interaction with other public sector agencies and civil society organisations. Hence the recommendation that OECS member States consider establishing National Health Sector Reform Commissions as a matter of urgency.

Sub-regional Actions:

In addition to the actions marked (*) there is scope for joint action among OECS member States coordinated by the OECS Secretariat, in the following areas:

- the identification and mobilisation of resources to support the implementation of proposals aimed at enhancing intra- and inter-organisational communication, access, dissemination and exchange of health information from regional and international sources, among health professionals;
- the establishment of a regional health financing mechanism to complement national efforts at providing adequate health security for their populations in the following areas:
- facilitating collaboration among regional institutions involved in promoting health, in developing and monitoring a Caribbean standard of care to which all OECS states would be required to subscribe;
- the development of a coordinated approach to HIV/AIDS mitigation through:

- the procurement of anti-retroviral drugs and related supplies to reduce mother-to-child transmission of HIV in Member States;
- continuing professional education for physicians and other health care workers;
- the enactment of legislation and policy;
- the procurement of HIV testing reagents on a sub-regional basis;
- the adoption of a common legal framework for disclosing the status of HIV infected persons
- the inclusion of the private sector in the joint purchasing of pharmaceuticals.
- Joint procurement of health equipment.

PROGRAMME # 8 SUSTAINING THE STOCK OF NATURAL CAPITAL

Programme Goal: Improving Natural Resources Management in Support of Sustainable Human Development

Programme Targets

1. Every country will have a systems plan for parks and protected areas in place by year 2003;
2. Integrated systems for land and water management should be operative in all countries by Year 2005;
3. Comprehensive environmental laws in place in all countries by year 2003;
4. All counties will have increase water efficiency by 30% of 1995 levels, by year 2005;
5. All counties will have increased energy use by 30% of 1995 levels, by year 2005.

Basis for Action

Recent thinking on the relationship between economic development and the environment suggest that greater attention should be focused on the natural resources stock from which resource flows useful for livelihoods are derived, such as land, water, wildlife, diversity, and other environmental resources. It is possible to turn the emphasis on environmental issues into profitable opportunities for these economies.

Despite the progress made over the last decade or two– including through the work of the OECS Natural Resources Management Unit- in strengthening the policy and institutional arrangements for natural resource planning and management, the environment in the sub-region is gravely imperiled. This view is endorsed in a SWOT analysis of the environment in the OECS. Among the weaknesses identified are:

- The absence of an integrated approach to sustainable development at the national level;
- The absence of mechanisms to integrate environmental concerns, in economic policy and planning;
- Weak institutional capacity of natural resource management agencies;

- The lack of baseline information and research for policy formulation and plan preparation;

These weakness in the policy and institutional framework for natural resource management are seen to be at the core of the slew of the environmental problems being experienced and the resultant threats to the quality of life and well being of the citizens of the OECS. Among the more pressing and glaring problems that have been identified are:

- Continuing deforestation and its negative impacts on soil, water and food security;
- Improper disposal of solid, liquid and hazardous waste and the consequential threat to the quality of drinking and recreational water;
- Unsustainable farming practices leading to soil erosion and pesticide contamination of water bodies;
- Destruction of the coastal assets through unplanned, and in some cases, environmentally-insensitive, engineering projects such as land reclamation, and the construction of marine out-falls, port facilities;
- The growth of spontaneous, unplanned settlements in hazard-prone areas.

Quite apart from the human and environmental health impacts, which these activities carry, they also increase the islands' vulnerability to natural disasters.

The Strategic Response

Programme Objectives and Strategies

The following actions are proposed to address the concerns raised above:

Objective (a) establishing a national framework for Integrated Development Planning .

Strategies:

- ensure that national policies, development plans, budgets and decisions on investments, take full account of their effects on the environment;
- wherever possible, provide economic incentives for conservation and sustainable use of natural resources;
- make information on environmental issues more accessible to the public;
- establish a comprehensive system of environmental law and provide adequate resources for its implementation and enforcement;

Objective (b) minimising the depletion of non-renewable resources.

Strategies:

- relieve the pressure on our natural resources through training of farmers in sustainable agricultural practices;
- adopt an integrated approach to land and water management;
- protect the best farmlands and ensure their sustainable management;

- halt net deforestation;
- maintain a comprehensive system of protected areas;
- encourage the use of energy-efficient and environmentally safe technologies.
- ensure that policies designed to stimulate economic growth have a neutral or beneficial impact on the natural environment;
- ensure the safe disposal of solid, liquid and hazardous waste.

Objective (c) enabling communities to care for their own environment.

Strategies:

- promote the concept and practice of Integrated Development planning within communities;
- enhance community participation in conservation and development by improving the exchange of information, skills and technologies;
- provide financial and technical support to community environmental action;
- strengthen the capacity of local government authorities to manage the environment more sustainably.

Objective (d) enhancing security against natural and man-made disasters.

Strategies:

- design and implement hazard mitigation policies and plans;
- strengthen the capacity of land use planning and development control agencies;
- improve the maintenance of social and economic infrastructure;
- strengthen the laws relating to physical planning, development control, and environmental planning;
- adopt comprehensive procedures for effective prevention of pollution from ships and for rapid response to emergencies such as oil spills.

Implementation Considerations

This programme underpins all other sections of this Strategy. Priority considerations for OECS Member States will include actions to address the fragmented institutional arrangements for environmental management, and to routinely integrate economic and environmental management. Given the plethora of international environmental conventions and agreements and their links to international trade, the relationship between Ministries of Environment, Trade and Foreign Affairs, will have to be strengthened as a matter of urgency.

PROGRAMME AREA # 9 EMPOWERING DISADVANTAGED GROUPS

Programme Goal

The goal of this programme is to facilitate the effective participation of (a) the elderly; (b) the youth; (c) women; and (d) the disabled, in the development process and to lead quality lives.

Basis for Action

(a) The Elderly

Demographic aging affects the size and proportion of the various cohorts, changing young and old dependency ratios and the size of the working population. As a consequence, employment, social security, social welfare, education and health care, as well as investment, consumption and savings patterns need adjustment. The rising dependency ratio of older persons is, in itself, one of many factors that can influence a country's capacity to provide income security to its elderly while ensuring economic growth.

In the decades ahead, two important trends will be the speed of aging in the OECS countries and the high proportion of older persons in the population. Since population trends are foreseeable over long periods, and major changes in population structure have profound implications on many aspects of society, the feasibility of formulating a long-term perspective plan to the year 2020 is even more imperative.

Surveys in OECS region reveal that the elderly experience the following: (a) adverse economic circumstances, including an excessive burden of responsibility for their own upkeep; (b) poor nutritional status due in part to unbalanced dieting; (c) unsatisfactory health linked to infrequent medical examinations; (d) poor social relations, marked by inactivity and isolation; and (e) inadequate community based programmes and services.

In anticipation of marked demographic and socio-economic transitions over the next 20 years, governments should seek to ensure that macro-level policies take into account of the independence, participation, care, self-fulfillment and dignity of older persons.

There are two possible approaches to preparing long-term perspective plans on aging. The first is to see older people (however defined) as a distinct group in society, endowed with a wealth of assets and to try to develop ways of tapping into and improving their experience. The second is to try to improve the experiences of people generally, while at the same time dismantling the barriers that segregate older people from the rest of society. The strategic response that follows emphasises both approaches:

The Strategic Response

Sub-Programme Objectives and Strategies

Objective (a) ensuring that macro-level policies take into account the independence, participation, care, self-fulfilment and dignity of older persons

- devise programmes to provide older persons with multiple and meaningful roles. These may include, for example, participation in community micro-enterprises and co-operatives, cultural transmission in kindergartens, schools and universities; provision of advisory services; and, in situations of conflict, active roles as mediators and counselors.
- adopt a three-fold approach to income security for older persons including:

- support for their family and community structures;
- priority to rural development so as to stem the out-migration of youth;
- providing opportunities for older persons to have a means of livelihood, including through participation in cooperatives, micro- or family enterprises and through access to training and credit;
- identify income-generating projects for older persons;
- promote the active aging of older citizens with due regard to their individual choices and circumstances including:
 - removing disincentives to labour force participation;
 - lowering the barriers to flexible and part-time employment that exists in some countries;
- provide options that include gradual retirement, part-time work and the creation of "initiative centres" in local communities that would provide basic supports (tools, marketing advice, etc.) for a variety of mid-life and elder enterprises;

Objective (b): promoting and protecting the health and well being of the elderly.

Strategies:

- develop and strengthen policies on aging;
- sensitise health workers about the special needs of the elderly;
- strengthen Primary Health Care (PHC) services targeted at the elderly
- establish norms and standards for institutional care of the elderly;
- work with care givers to ensure that standards of health care are being met;
- educating the elderly on ways to maintain and improve their health;
- remove old stereotypes of seniors as dependent through sustained public education and awareness programmes;
- encourage private sector involvement in providing institutionalised care for the elderly.

(b) The Youth

Basis for Action

The youth comprise about one-quarter of the population of the OECS, and economically, will be the ones who will be called upon to effect the economic transformation of the Caribbean that is being forced on the region by the changing nature of the world economy. Unfortunately, their contribution to economic development is constrained by the high levels of unemployment, accounting for 50-75% of the total unemployed. Educational attainment is low and declining as many youths graduate from primary and secondary institutions without the appropriate skills, knowledge and character building.

Increasingly higher crime rates among the youth, especially in categories such as assault, wounding and sexual offences are observed. Young people constitute a large proportion of drug users. The societal losses (in human potential) and costs (in rehabilitative treatment) of drug addicts can be quite high. In addition there is a strong relationship between drugs and certain

types of criminality. Further regional statistics on AIDS indicate that young people are the main victims.

Additionally the youth are confronted by the following:

- An inferior and deteriorating labour market status;
- Age discrimination within the labour market linked to their inability to satisfy experience requirements of most jobs;
- Lack of access to secondary and tertiary education
- Lack of capitalisation, network support and training which are critical for any successful commercial endeavour;
- Lack of access to affordable housing and shelter due to the costs of housing and land and rising mortgage rates;
- Lack of sporting and recreational facilities;
- A growing sense of powerlessness among youth.

The Strategic Response

To reverse these trends and enable the youth to realise their potential to contribute to national development, OECS member States should consider the following objectives and strategies:

Sub-Programme Objectives and Strategies

Objective (a) sustaining increased employment opportunities for young people.

Strategies

- adopt a comprehensive and coordinated approach to solving the employment problems of youth with the full participation of a number of actors including governments, workers and employers' organisations, as well as youth organisations.
- develop and promote employment opportunities for young persons within the overall employment promotion strategy recommended in Programme Area # ;
- design appropriate work experience programmes for young people to facilitate their long-term access to the labour market e.g. through internships and mentoring;
- develop and maintain sustainable approaches to funding youth employment programmes on a long term basis;
- devote more attention to youth who drop out of school because of failure at the Common Entrance Examination and expand opportunities for their continuing education;

Objective (b) eliminating drug and substance abuse among young people.

Strategies

- develop a cadre of skilled, knowledgeable counselors at all levels of the society;
- establish youth drop-in centres with trained personnel and equipment in all major communities;

- enlist the cooperation and participation of employers and trade unions in designing and implementing drug -prevention programmes in the workplace;
- design modules in drug prevention, counseling and psycho -therapy as part of the training programmes of teachers;
- build public awareness of the deleterious effects of drug and substance abuse;
- facilitate the speedy re-integration of drug -substance abusers into society;
- Develop a system of alternative sentencing for minor drug/substance abusers.

Objective (c) strengthening the capacity of youth organisations to assist in youth development .

Strategies

- establish National Youth Councils to function as independent and autonomous development institutions;
- actively involve Youth Councils in the formulation of policy affecting youth concerns in particular and national development in general;
- provide financial support for the work of Youth Councils, through subvention and the waiver of taxes and duties on appropriate equipment.

Objective (d) refocusing the programmes of education and training institutions so as to eliminate the problems being experienced by young people.

The attainment of this objective will depend on the implementation of the strategies recommended in Programme Area # on the Education and Training. Other strategies to be considered include:

- Providing the youth with realistic work experiences through attachments and apprenticeship schemes;
- Include modules on sex education, family life and civic responsibility within the school curriculum;
- Examine the school curriculum with a view to removing symbols, images and ideas that encourage gender, ethnic and other negative social biases.

Objective (e) encouraging the active participation of youth in sporting and recreational activities;

Strategies

- invest in the development of indoor and outdoor sports and recreational facilities;
- establish sports as an integral part of primary and secondary education;
- facilitate the acquisition of sports equipment by reducing or abolishing duties and taxes on such equipment;
- encourage private sector involvement in sports and recreational activities.
- establish national policies on physical education and sports;
- promote physical fitness as a way of life.

(c) Women

Basis for Action

Ever since the UN Decade for Women in 1975 and more especially since the Beijing Conference on Women and Development, the myriad issues related to the status of women have gained increasing prominence and attention at all levels of society. During this period, Ministries and/or Bureaus have been established to deal with women's issues. Some professional women have made some strides during this period. However overall this heightened awareness has not brought the desired improvements in the status of women. Ministries for Women Affairs are not adequately reduced and the majority of women continue to experience the following problems:

- Female unemployment rates consistently exceed males rates at all ages;
- A higher number of women are at the lower end of the occupational scale than men;
- Increasing involvement of women in the informal sector in activities which reflect not only an extension of their domestic responsibilities, but also the occupational segregation of the formal sector;
- Limited availability of financial and credit facilities to assist women's income earning efforts;
- Health disorders linked to employment in export processing zones ;
- Spousal abuse;
- Exposure to communicable diseases such as HIV/AIDS and STDs
- Inequality under the law;

OECS Member States should commit to the implementation of programmes and to the attainment of targets set out in international instruments such as:

- The Beijing Platform for Action approved at the Fourth World Conference on Women in September 1995;
- The UN Convention on the Eradication of All Forms of Violence against Women.
- The Plan of Action Adopted at the World Summit on Social Development.

The Strategic Response

The following objectives and strategies, culled from the aforementioned instruments are deemed to be key to the attainment of the goals of this Development Strategy. The strategies are framed against the realisation that women's issues can best be addressed within a wider context of gender equality and sound gender relations.

Sub-Programme Objectives and Strategies

Objective (a) promoting access to suitable employment in appropriate working conditions.

Strategies

- implement macro-economic policies and development strategies that respond to the needs and efforts of women in poverty;

- recognise the importance of women's informal and unpaid social as well as economic work;
- enact and enforce legislation to guarantee the rights of women and men to equal pay for equal work or for work of equal value
- increase the involvement of women in national and sub-regional planning and development;
- undertake training programmes in gender analysis and planning for planners, officers and administrators of public sector and civil society organisations;

Objective (b) strengthening the capacity of institutions involved in promoting gender relations.

Strategies

- create a national machinery, where it does not exist, and strengthen as appropriate , existing machinery for the advancement of women, with adequate resources and with the ability and competence to influence policy, undertake advocacy, coordination, communication and monitoring of implementation;
- provide staff training in designing and analysing data from a gender perspective;
- encourage and promote the active involvement of the broad and diverse range of institutional actors in the public, private and voluntary sectors, to work for equality between men and women;
- integrate gender perspectives in legislation, public policies, programmes and projects;

Objective (c) Improving the sexual and reproductive health of women.

Strategies

- ensure that women have sufficient information to make sound decisions about their health before and during pregnancy
- improve access to quality basic health services and community-based programmes to promote safer sex
- improve young people's access to information about sex and sexuality;
- develop social skills and gender awareness especially among young men to be more responsible in sexual relationships;
- improve access to gender sensitive and youth friendly health services including making contraceptives more readily available;
- make health services more responsive to the needs of women by involving them in assessing the quality of reproductive health services and using the findings to make improvements;

Objective (e) eliminating all forms of violence against women;

Strategies:

- enact and/or reinforce penal, civil, labour and administrative sanctions in domestic legislation to punish the wrongs done to women and girls who are victims of domestic

- violence
- promote an active and visible policy of mainstreaming a gender perspective in all policies and programmes related to violence against women;
- support and implement measures aimed at increasing the knowledge and understanding of the causes, consequences and mechanisms of violence against women , among those responsible for implementing these measures, including law enforcement officers, the judiciary and health care providers ;
- establish legal aid and other support mechanisms for women to enable them to seek redress for the harm they have suffered;
- provide well-funded shelters and relief support for girls and women subjected to violence

(d) The Disabled

Basis for Action

While the plight of the disabled has become better known over the past two decades, this heightened awareness has not brought a concomitant improvement in the social and economic conditions of the disabled. In many cases, Government support to the disabled has moved to the margins and has been expressed mainly through subventions to voluntary or non-governmental organisations. Consequently the disabled are far from being integrated into the mainstream of the society and the economy in OECS countries. They continue to face various forms of discrimination within the job market as well as within the education systems. Their special needs are only rarely taken into account, in the design of public buildings. Their level of participation in the decision-making process remains extremely limited.

The Strategic Response

Sub-Programme Objectives and Strategies

Against this background the following objectives and strategies are proposed:

Objective (a) strengthening the capacity of governmental and non-governmental organisations providing services to the disabled.

- provide appropriate forms of incentives to organisations providing voluntary services to the disabled;
- promote private sector involvement in the manufacture of equipment and supplies used by the disabled;
- design and implement National Policies on the Disabled, with the full participation of the Social Partners.

Objective (b) facilitating the active participation of the disabled in the development process.

- enact and enforce legislation prohibiting all forms of discrimination against the disabled;

- invest in the training of teachers in special education;
- equip libraries with Braille texts and other audio-visual learning aids used by the disabled;
- ensure that all public buildings and businesses are equipped with ramps and other facilities for use by the disabled;
- involve representatives of national umbrella organisations representing the disabled, in the national planning process;

Objective (c) improving access by the disabled to health services.

- invest in the training of health care personnel in areas relating to the care of the disabled;;
- ensure that hospitals and health centres are adequately equipped to service at least the basic needs of the disabled;

PROGRAMME # 10.

IMPLEMENTING THE STRATEGY.

(a) *National Level Implementation*

The implementation of this strategy poses many challenges for national as well as regional institutions. It will demand indivisible commitment and creativity, and courage on the part of all concerned with charting and managing the human development process, at the national and sub-regional levels.

The successful implementation of the strategy will depend on the extent to which national governments and their social partners assume ownership of the document. To this end it is critical that the necessary institutional mechanisms be set up at the national level, to ensure that the recommended actions become routinely incorporated into the national planning and decision-making process. It is envisaged that following the adoption of the strategy, Governments will set up National Sustainable and Integrated Development Councils or other appropriate institutions, comprising representatives of public sector, private sector and civil society organisations to:

- study the recommended strategies and consider their implications;
- determine which strategies should be given the highest priority;
- monitor and evaluate implementation of the strategy;
- review, update and amend the proposed targets through an interactive process, involving users of the strategy;
- promote the priority actions in the strategy through broadly based community campaigns.
- agree on the allocation of roles for each of the partners in the implementation process;
- design and implement a capacity-building programme, for effective implementation of the priority actions agreed upon.

i. *The Role Of Government:*

Government and its institutions will be required to assume a leadership and facilitation role in

implementing many of the actions contained in the strategy. The National Consultations which informed the preparation of the Strategy, point to the need for Governments to urgently set up appropriate institutional arrangements, to facilitate consensus building and strategising, with the full participation of the Social Partners. This might best be achieved through the establishment of Sustainable Development Councils, with membership from public, private sector and non-governmental organisations. Also, there appears to be a need for improved information sharing, between Governments and individual citizens. Specifically, Governments will be required to:

- Continue efforts at improving the efficiency, responsiveness and accountability of its institutions, taking into account the roles and functions identified in the Strategy;
- Ensure that the recommended actions are incorporated in national Medium Term Development Strategies and Annual Budgets and in the work programmes of the relevant Ministries and Departments;
- Ensure that integrated and sustainable development becomes the guiding principle behind all national endeavour;
- Review programmes and projects already under consideration for sustainability, making adjustments where necessary;
- Review the efficiency, effectiveness and relevance of statutory corporations, with the goal of commercialising or privatising those operations over time;
- Support the growth of civil society organisations;
- Introduce measures to prevent corruption at all levels and for isolating and punishing those engaging in corrupt acts;
- Establish and maintain stable, effective and fair legal/regulatory frameworks;
- Continue to develop a well-organised and supervised financial system;
- Implement those policies that would ensure a conducive and enabling environment for the unbridled development and competitiveness of the private sector, with appropriate laws, transparent regulations and predictable taxes;
- Ensure stability and equity in the marketplace;
- Foster private sector development that is sustainable by:
 - Creating a stable macro-economic environment ;
 - Maintaining competitive markets;
 - Nurturing enterprises that generate the most jobs and opportunities;
 - Attracting investment and helping to transfer knowledge and technologies, especially to the poor;
 - Enforcing the rule of law;
 - Providing incentives for human resource development;
 - Protecting the environment and natural resources.
- Introduce measures to reduce the level of crime including establishing effective enforcement regimes, a competent and efficient regional police entity;
- In consultation with the social partners, establish realistic macro-economic targets including: annual economic growth rates; savings to GDP ratios; productivity targets and efficiency targets.

ii. The Role of the Private Sector

In an era of preferential access to markets for commodity exports, generous inflows of aid and eligibility for concessional development financing, the development strategy had necessarily to be

public sector driven. For it was governments which negotiated preferential access agreements; aid flows went directly into the government treasury; technical assistance was invariably received by the public sector; and the majority of concessional funding was channeled to public infrastructure projects.

However, as has already been noted, the emerging liberalised economy requires a much-enhanced competitiveness in exports, investment promotion and marketing. In this new dispensation it is the private sector that is the primary source of opportunities for productive employment and for producing a competitive product. The future development of the countries of the sub-region would therefore depend on the private sector's ability to produce, market and export such product(s).

A significant upgrading of the OECS private sector is thus required. It must be more knowledgeable, more enterprising, more skilled, more flexible, more adaptable to vicissitudes of market forces and more willing to embrace imperatives such as mergers, joint ventures, regional operations and technological changes.

More especially the private sector will be required to:

- Continue to improve social corporate responsibility;
- Work with the other social partners to develop the education and skills level of the workforce;
- Continue to invest in plant and equipment upgrading and sustain operations at "best practice levels;
- Support an efficient industrial resolution process involving: focused negotiations in good faith, within the shortest possible time and which recognise the national interest; speedy settlement of disputes; respect for labour laws as well as the resolution procedures set out in collective agreements with employee representatives.

iii. The Role of Trade Unions

As the acknowledged representatives of workers, Trade Unions have a critical role to play in the implementation of this Strategy. In the rapidly changing environment dominated by the forces of globalisation, trade liberalisation and technological innovation, the role of trade unions has extended beyond the traditional realm of ensuring safe working conditions, fair remuneration and protecting workers from the abuses of management. Unions are now required to take a more active role in facilitating the difficult transition to international competitiveness, which OECS economies are required to make, if they are to survive. In particular Trade Unions are required to:

- Work with the other Social Partners at developing policies and programmes to :
 - Generate employment and economic growth;
 - improve the productivity of labour including through the introduction of performance based compensation;
 - improve the responsiveness of current training and re-training activities at the national and firm level, to training needs;
 - design and implement well-balanced strategies for the development of export processing zones (EPZs);

- develop codes, practices and processing of labour negotiation and contracts administration;
- identify ways and means of enhancing the flexibility, suitability, availability and mobility of skills;
- explore the feasibility of a prices and incomes policy;
- support an efficient industrial dispute resolution process, involving the early submission of claims; focused negotiations conducted in good faith and within the shortest possible time frame.

iv. The Role of Civil Society Organisations (CSOs)

Over the last decade or so, Civil Society Organisations have emerged to play a vital role in the development of OECS countries. Lying between the individual and the state, these organisations have exerted a profound influence on social, economic and political policies and activities. Their flexibility, responsiveness, innovation and capacity to stimulate participation and involvement at all levels of society make them critical assets to governments and the private sector.

The following specific roles are envisaged for CSOs in the implementation of the Strategy:

- Assisting in promoting the strategy at the community and grass -roots levels;
- Assisting in monitoring and evaluating the implementation of the Strategy, by undertaking independent research of the social, economic and environmental impacts of the strategy;
- Proposing to Governments and the private sector partners additional programmes that may help in building social cohesion, resolving conflicts, increasing people's awareness of their rights and responsibilities and nurture participation in development and governance;
- Mobilising communities to participate fully in the implementation of the strategy.

(v) The Role of the Development Partners

The governments and people of the OECS recognise fully, that the strides which have been made by the sub-region over the past four decades, would not have been possible, without the sustained involvement of the social partners. Also, there appears to be a growing recognition that the terms of the engagement between the Development Partners and governments, need to be redefined, to reflect new governance arrangements that are characterised by: accountability, efficiency, transparency and impact.

It is proposed that there will be Annual Roundtables between OECS Governments, the OECS Secretariat and the ECCB on the one hand, and the Development Partners on the other, to jointly review the progress being made with the development of the Strategy. It is further proposed that the Secretariat will be responsible for coordinating the inputs of national governments, while the UNDP, through its Office responsible for the OECS, based in Barbados, will coordinate the inputs of UN System agencies and other development partners. The Roundtable Discussions should help to:

- reduce the potential for duplication of effort and wastage of resources;
- track Grant resources flowing into the sub-region with greater accuracy;

- assess the positive and negative social and economic impact of interventions by the Development Partners;
- facilitate more effective networking among the Development Partners and between them and the national and sub -regional institutions.

(vi) The Role of the OECS Secretariat

The OECS Secretariat is an integral part of the implementation of the Strategy. However it will be for the Governments and the Social Partners to determine the precise areas in which the Secretariat should be active and the specific roles which the Secretariat would be required to undertake to undertake. Following the identification of these new and additional areas of activity, a detailed cost benefit analysis will have to be undertaken, which will inform final decisions regarding the scope, priority, phasing and organisation of inputs.

In anticipation of the above processes, the Secretariat has secured funding from the Department for International Development in the Caribbean, for the design of a Strategic Plan, which will propose a new vision and mission for the Secretariat, as well as a strategy for making optimal use of the resources available to the Secretariat.

Without attempting to prejudge the outcome of the processes outlined above, it is envisaged that effective implementation of the Development Strategy, will require the Secretariat to play an enhanced role in:

- Functional Cooperation
- External economic relations, including assistance with the negotiation of international trade agreements;
- Mobilising financial and technical assistance from external sources;
- Economic integration among OECS states through the effective coordination and harmonisation of policies to give effect to the OSME and the CSME;
- Natural resources management;
- Education reform
- Civil Aviation
- Health Reform
- Sports Development.

In the context of the implementation of the Strategy, it is envisaged that the Secretariat will be required to:

- Prepare and maintain a data base of technical and financial assistance flowing into the OECS countries from bi-lateral and multi-lateral sources;
- Monitor the implementation of the strategy and the attainment of the targets and objectives set at the national and sub-regional levels;
- Facilitate decision-making at the national and sub-regional level through the timely dissemination of reliable information, policy briefs etc.

(a) The Refocusing of the Economic Affairs Committee (EAC)

The Economic Affairs Committee (EAC) was created under Article 9 of the 1981 Treaty establishing the Organisation of Eastern Caribbean States (OECS). The Treaty provides that the Committee "...shall consist of such Ministers in the Governments of the Member States as may from time to time be appointed to the Committee, by Heads of Government of the Member States".

According to the Treaty, the functions of the EAC were to have been those entrusted to the Council of Ministers under the Agreement of 11th June, 1968, establishing the Eastern Caribbean Common Market (ECCM). However the said Agreement (Article 18) deals primarily with procedural measures.

While the EAC drew its legal character and purpose from the ECCM, the ECCM itself underwent a metamorphosis, at least in name, to the OECS Single Market and Economy (OSME). However the objectives of the OSME remained essentially the same as those set for the ECCM. The primary areas of focus of the OSME continued to be:

- ☐ The free movement of goods and services.
- ☐ The free movement of labour.
- ☐ The free movement of capital and
- ☐ Effective economic policy coordination.

The OSME has in turn, been overtaken by the CARICOM Single Market and Economy (CSME). This has engendered the search for strategies that will enable the OECS to take full advantage of opportunities presented in the CSME as well as in emerging international trading arrangements such as the WTO and the FTAA. It has been argued that this could best be accomplished through an Economic Union.

The above-stated goals are consistent with those proposed in a Draft OECS Development Strategy.

The attainment of the above-stated sustainable economic development goals, as well as the objectives of the Development strategy, will depend heavily on the effectiveness of the institutional arrangements within the OECS Secretariat.

As the second highest-decision making body within the OECS, the EAC will be central to the attainment of the goals and objectives cited earlier. However it is clear that the EAC is not properly configured to take on these expanded roles and functions and that some degree of reform will be necessary.

In examining possible options for a fresh configuration for the EAC, the following considerations have emerged:

- the need to ensure that any new arrangements do not increase the recurrent expenditure of the Secretariat;

- the need to broaden the participation and involvement of the relevant stakeholders (from the business community) in the decision-making process within the OECS;
- the need to strengthen the base for decision-making through thorough analyses of sound, up-to-date empirical data from the member-states. This is critical to assessing the effectiveness of policies and strategies;
- the need to ensure an integrated approach to development planning;
- the need to ensure effective dovetailing between policies formulated at the national, sub-regional and regional (CARICOM) levels, respectively.

One of the main constraints to effective policy formulation, implementation and coordination, whether at the national or sub-regional levels, is the dispersed Ministerial responsibility for economic management/development issues. Traditionally, meetings of the EAC have been attended primarily by Ministers of Trade, Industry or Commerce. Very rarely are these meetings attended by Ministers responsible for Planning, Finance or Economic Development. This reflects, in part, the early focus of the EAC on trade and commerce issues, notably issues relating to the interpretation and application of Article 56 provisions.

The broad sectoral issues that encompass the economic development component of the OECS Development Strategy, presents a problem, both in terms of identifying the appropriate Minister to attend meetings and to coordinate follow-up at the national level.

It is recommended that OECS Member States consider the following:

1. **Establish Cabinet sub-Committees on Economic Development, comprising Ministers responsible for Trade, Industry (Manufacturing), Agriculture, Tourism, Planning, Finance, and Services respectively.** Not only would this arrangement promote effective policy coordination at the national level, but it will also ensure that there are effective backward and forward linkages in the institutional arrangements that support policy formulation and implementation, between the national and sub-regional tiers. Through this sub-Committee, it is envisaged that the agenda of EAC meetings will be thoroughly reviewed and sound national positions developed, well in advance of meetings. Of course, this will require that EAC meeting papers are circulated in good time, at least two months prior to the date of a meeting. Further the establishment of the Economic Development sub-Committee will make it easier for national Governments to determine the most appropriate Minister (s) to attend a particular meeting.
2. **Establish National Economic Development Councils which should include Ministers responsible for Trade, Industry, Tourism, Finance, Planning, Services, and Agriculture; their Chief Technical Officer, representatives of employee and employer trade unions, and Chambers of Commerce.** Such a body is seen as critical to developing consensus among public and private sector representatives on key economic policy issues. The Technical arm of this Council will support the work of the OECS Policy and Planning Coordinating Committee,

which will undertake the detailed technical analyses that will feed into the work of the EAC and the OECS Authority.

3. **Establish Integrated Development Planning Units at the national level.** It is envisaged that these Units will assess the cross-sectoral impacts of all development policies. Ideally these Units should be located within Ministries of Planning. A similar Unit should be established within the OECS Secretariat.

L (B) FINANCING THE IMPLEMENTATION OF THE STRATEGY

During the period 1980-1990, the OECS economies grew at an average rate of approximately 6 per cent. This period can be viewed as a baseline for economic activity in the OECS countries, since the 6 per cent growth rate is considered to be an achievable and desirable rate of growth that would reduce unemployment and permit growth in real, per capita incomes. The capital requirements to achieve 6 per cent growth over the next ten years, assuming that the ICOR remains unchanged, are given in Tables 9 and 10 respectively.

The implementation of the Development Strategy would require the mobilisation of significant amounts of financial and technical resources. Resources would be required for the development of the economic and social infrastructure; the development of human resources; the building of administrative capacity; investment in the private sector. Such financial resources can come from three sources: mobilisation of private domestic saving, Government savings, private capital inflows and concessional aid flows.

The cumulative capital requirement for the 10 years is EC\$30.43 billion or approximately EC\$ 3 billion per year. The small size of OECS economies suggests that most of these resources would have to be externally generated. Based on domestic savings of 20 per cent of GDP and making some allowance for lags between growth and investment, OECS economies would be able to contribute about \$12 billion, or 40 per cent, to their capital requirement needs. This means that \$18.4 billion, or 60 per cent, would have to come from foreign capital sources, private and governmental. The present levels of ODA financing and the policies of donor agencies indicate that foreign private sector investment will play the main role in future OECS growth. The stark realisation of this fact should provide a sobering influence on all OECS developmental policies and call for a dramatic change in the OECS approach and attitude with respect to foreign investment and the traditional protection of domestic industries.

i. Mobilisation of Domestic Savings

At present the OECS countries save approximately 20 per cent of GDP. This is not low by international standards and is in fact higher than some developed countries. However, the saving rate is much lower than the developing countries, which have achieved higher rates of economic growth. The volume of financial resources required for development and the decline in official development assistance imply that the countries would have to make a greater effort toward mobilising resources for their own development.

ii. *Private Capital Flows*

The OECS countries cannot hope to make headway in this exercise without a significant inflow of foreign capital and technology. The countries have slowly begun to effect changes in the regulatory environment to attract both foreign direct investment (FDI) and portfolio investment. In the area of FDI, the countries have not fared too badly in attracting this type of investment. The stable macroeconomic framework as a consequence of the quasi-currency board arrangement of the ECCB has served the countries well. Over the last decade, FDI flows have averaged about 7 per cent of GDP. In the late 1980s, the countries accounted for approximately 60 per cent of FDI flows to the CARICOM countries. However, as the other CARICOM countries have improved their macroeconomic stability and modernised their regulatory environment to provide an enabling climate for investment, the share of the OECS countries in FDI flows has declined (about 18 per cent in 1995).

The capital markets of the OECS countries are not sufficiently well developed to attract significant amounts of portfolio investment. However, with their strong macroeconomic fundamentals, the existence of foreign-owned commercial banks, strict prudential oversight of the locally owned banks and the gradual move towards the liberalisation of foreign exchange regime, the countries are moving to satisfy all of the necessary conditions for portfolio flows. However, in order to encourage both domestic and foreign investment, there are still some areas of the regulatory environment that need to be addressed, such as: the removal of restrictions on foreign investment (e.g. Alien Landholding policy); the negotiation of Bilateral Investment Treaties; membership in the Multilateral Investment Guarantee Agency and International Centre for the Settlement of Investment Disputes; and subscription to international conventions on intellectual property rights.

The ECCB initiative for the development of money and capital markets in the sub-region should aid in this process. The provision of alternative financial assets to low yielding bank deposits and consumer durable should encourage greater saving.

iii. *Money and Capital Market Development*

The main objectives of Money and Capital Market Development are:

- to increase domestic savings;
- to improve the efficiency of the allocation and mobilisation of savings and investment in the public and private sector;
- to broaden the base of ownership of real and financial assets or indirectly improve income distribution;
- to make investment capital more widely available;
- to ensure the availability of long-term financial resources;
- to ensure a proper framework for term transformation of financial assets by financial institutions;
- to widen the range of financial services available through financial institutions;
- to improve the operational effectiveness of financial institutions;
- to improve the ability to raise foreign funds and the terms under which these funds are raised, and reduce relatively the amount required.

iv. Government Savings

Government savings constitute a second component of national domestic saving and are critical for the financing of the social and economic infrastructure necessary for development. However, the generation of government saving will be a little more difficult given that the countries will have to face some fiscal adjustment, because all OECS countries are heavily dependent on taxes on international trade and because most rely on indirect, rather than direct, taxation measures. Only Dominica, Montserrat, St. Lucia and St. Vincent have diversified tax structures involving both indirect and direct taxation measures (income taxes). The percentage of taxes on international trade as a percentage of total revenue ranges from 60 percent in Montserrat and 80 per cent in Antigua and Barbuda.

The implication of the FTAA arrangements is that practically 100 per cent of the trade of the OECS countries will eventually become duty-free. The USA accounts for approximately 50 per cent of OECS imports; the European Union, which would be entitled to Most Favoured Nation (MFN) treatment under the Lomé Convention, accounts for another 17 per cent of imports; and intra-CARICOM trade is another 8 to 10 per cent of total trade. This means that approximately 5 per cent of imports will be subject to duty. It is quite clear that the countries would have to broaden their tax base, diversify their tax structure and improve their tax administration. Some work is already being done in this area under the Eastern Caribbean Central Bank (ECCB)-ECEMP Fiscal Reform Programme, but this work would have to be accelerated. A harmonised and integrated tax system for the OECS will enhance economic integration in the OECS region. The objectives of the Fiscal reform programme are:

Comment [h1]: spell out

Comment [h2]: spell out

- The generation of a targeted amount of government saving to contribute to the PSIP, for debt repayment and for fiscal reserves.
- Development of efficient revenue and expenditure systems
- Harmonisation of taxation across the countries and making them consistent with other economic policies.

v. Concessional Capital Flows

Concessional flows to the OECS countries have varied over the years, but in recent times have showed a declining trend as donor agencies and countries economise on their Official Development Assistance (ODA) programs, and because some countries have officially graduated from access to concessional financing. The continued access to concessional financing is essential for these economies for a number of reasons.

- the credit rating attached to the countries makes borrowing at commercial rates quite prohibitive: the highest ranked OECS country is St. Lucia at 134; Antigua & Barbuda is the lowest ranked at 176. In comparison, Barbados is ranked at 71. With that level of credit rating and the risks associated with the vulnerability of OECS economies, the countries would have to borrow at a spread above LIBOR, which would make the internal rate of return on most infrastructure projects, impossible to achieve.
- the vulnerability of OECS economies translates into fragile fiscal systems on both the revenue

Comment [h3]: spell out

side and the expenditure side. Natural disasters can wipe out a significant proportion of economic activity overnight and consequently the tax base. With the passage of a hurricane, the infrastructure is destroyed but the associated loan obligation still remains. The infrastructure would have to be rebuilt with another loan, and the government ends up servicing two loans for the same piece of infrastructure. Contributions to the fiscal reserve fund can help in mitigating these effects.

(c) Implementation at the regional Level

Successful implementation of the Strategy will require a concerted and co-ordinated approach at the regional level as well as a quantum leap in the regional integration process.

The limited resources of the sub-region must be efficiently utilised in order to take advantage of synergies, as well as economies of space and scale. The assumption is that certain development initiatives would require a certain critical mass.

The rapidly changing external circumstances dictate that policy implementation should be pursued through a single financial space, an economic union or even a political union. A critical first step towards this goal would be the streamlining and rationalisation of applications for work permits, trade licenses, Aliens Land Holding Licences, professional certification, fiscal incentives, sanitary and phyto-sanitary certificates, import licensing and company registration.

The issues of hassle-free travel and free movement of labour within the region must also be tackled directly and promptly if the potential of the OECS is to be fully realised.

(i) Rationalisation and Harmonisation of Economic and Financial Policies

Economic and financial stability will demand the promotion of public savings in order to lessen the dependence on foreign direct investment (FDI), and the control of national debt to generate surpluses on current accounts. FDI must be encouraged and attracted but indigenous entrepreneurs must be accorded the same incentives as foreign investors to ensure that the accumulation process is not skewed. Nevertheless it is hoped that the indigenous private sector would benefit from the demonstration effect of efficient, competitive foreign enterprises operating in the sub-region.

Given the low level of capital formation, governments will be heavily dependent on foreign investors to propel the economy forward. To ensure that the people participate in the development process, opportunities must be created for local investors to play an important role in the services sector. Governments will have to reserve certain sectors, such as small-scale distribution, small hotels and guesthouses, repair and maintenance services for nationals and OECS citizens, provided that such policies do not conflict with their international obligations in the WTO and elsewhere. However, policies that promote inefficiency and anti-competitive practices in the name of nationalism must be discouraged.

Given the rudimentary nature of the OECS financial system and the absence of a formal stock exchange, the development of financial institutions, and the deepening of the financial system through the money and capital market development initiative are critical for generating investment

capital.

The thrust would be more beneficial within a single financial space, as it would allow for the free-flow of financial resources, encourage the flow of investment capital, make the market operate more efficiently, and make the task of prudential and regulatory supervision of private financial institutions more manageable.

Overseas representation and membership in international institutions will have to be rationalised. The countries should decide on the institutions in which they should hold joint membership in an effort to reduce the cost of membership. Joint overseas representation is a necessity, as the approach would result in significant economies.

(ii) Legal Reform

A legal framework that is both conducive to and reflective of development is an imperative in the OECS. Laws are made to order social, business and political relations between natural and juridical persons within a given jurisdiction, and must therefore reflect changes in any of these spheres of activity. Technological changes and the imperatives of globalisation and the need for a regional approach to policy-making must therefore be given due recognition in any meaningful legal reform process. In the final analysis the legal structure, including the judicial process, must be efficient, transparent, fair and effective if it is to serve the purpose of development.

Footnotes.

ⁱ The Non-Tourism Services Sector includes the following:

- Business Services including: Professional Services (legal, accounting, auditing, taxation, construction-related services), Computer and Related Services, Research and Development, Rental Estate and Rental/Leasing Services;
- Construction and Related Engineering services, including General Construction. Work for Buildings and Civil Engineering Services respectively, and installation and Assembly;
- Distribution Services including: Commission Agents Services, Wholesale Trade and Retailing Services, and Franchising;
- Educational Services including: Primary, Secondary, Tertiary, and Adult Education Services respectively;
- Information Services including Data Entry, Information Processing, Software Programming, Call Centre Operations and Geographic Information systems (GIS);
- Financial and Offshore Services including: all insurance and insurance-related services, Banking and other (non-insurance) financial services such as trading for own account or for the account of customers, money brokering, asset management, advisory and other auxiliary financial services and the provision and transfer of financial information;

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- Specialised Health Care Services including Conservative Dentistry, Plastic Surgery, Eye Surgery, Health Spas, Dermatology Treatments, Medical Testing Services, Offshore Medical Schools, and sale of emergency treatments to tourists;
 - Transport Services including: Maritime Transport Services; Air Transport Services; Road Transport services, and services that are auxiliary to all modes of transport such as cargo-handling services, storage and warehouse and freight transport agency services;
 - Recreational, Cultural and Sporting Services including: Entertainment Services such Music, Art, Drama, Film, production and sale of musical instruments, recording studios, and music festivals, libraries archives, museums, and other cultural services
 - Environmental Services including Sewage, Refuse Disposal, Sanitation and Related Services respectively.

ⁱ Saint Lucia recently undertook an assessment of its administrative procedures with assistance from the Foreign Investment Advisory Service of the World Bank