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Travel brief
Jul. 3-7,



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Travel Briefings, Jamaica, and Trinidad and Tobago

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Folder 1 of 2

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VISIT TO JAMAICA AND TRINIDAD AND TOBAGO

July 3-7, 1973

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
July 3	1505	1905	Depart Washington (National)	NA105 (727)
Tues.	1715	2115	Arrive Miami	
	1845	2245	Depart Miami	JM024 (DC9)
	1915	0015	Arrive Kingston	Sheraton Hotel
			Dinner private	
July 4	0745		Depart Hotel	
Wed.	0815		Depart airport. Overfly central and southern part of island, discuss agriculture, tourism	by plane
	0915		Arrive Holland Sugar Estate. Field trip	by car
	1130		Depart Holland Sugar Estate, overfly western and northern Jamaica	
	1215 ¹¹⁴⁵		Arrive Montego Bay. Luncheon hosted by Minister of Agriculture	
	1400 ¹³³⁰		Depart Montego Bay	by plane
	1445 ¹⁴¹⁵		Arrive Kingston	
	1530		Meeting with Ministers of Finance; Public Utilities, Communications and Transport; Industry and Tourism; Housing; Agriculture; Education	at Cabinet Office, Ministry of Finance
	1930		Dinner (stag) with Minister of Finance (group of 17, including Sir Arthur Lewis)	at Residence
July 5	0800		Field trip: sites and services project, low income housing and transshipment port site	by car
Thurs.	1100		Meeting with Leaders of the Opposition	at Hotel
	1145		Meeting with University of West Indies representatives	at Hotel
	1315		Meet and lunch with Prime Minister Manley and Minister of Finance	at PM's Residence
	1725	2225	Depart Kingston	BW401 (707) (San Juan GMT 2400-0035) (Barbados GMT 0200-0235)
	2315	0315	Arrive Port of Spain (met by Finance Minister)	Trinidad Hilton
July 6	0915		Meet Regional ResRep UNDP	at Hotel
Fri.	1000		Meet Finance Minister and key members of the Cabinet	" "
	1230		Lunch with Prime Minister and Finance Minister	" "
	1445		Depart field trip to Bank-financed schools, family planning clinic and urban redevelopment area in east Port of Spain	
	1700		Meeting with bankers and industrialists	at Hotel
	1900		Private meeting with Prime Minister	PM Residence
	2000		Dinner with Governor-General	informal
July 7	0900	1300	Depart Port of Spain	BW420 (707) (Barbados GMT 1340-1415)
Sat.	1445	1845	Arrive New York (JFK)	
	1600	2000	Depart New York (La Guardia)	EA Shuttle (DC9)
	1701	2101	Arrive Washington (National)	

AL
June 29, 1973

ITINERARY

Visit to Jamaica and Trinidad and Tobago, July 3-7, 1973

A. Jamaica

July 3 Tuesday	1505 Depart Washington (National) 1715 Arrive Miami 1845 Depart Miami 1915 Arrive Kingston Dinner Private
July 4 Wednesday	0745 Depart hotel for Up Park Camp Airport 0815 Depart Up Park and overfly central and southern parts of the country 0915 Arrive Holland Sugar Estate. Field trip 1130 Depart Holland Sugar Estate, overfly western and northern Jamaica 1215 Arrive Montego Bay. Luncheon, probably hosted by Minister of Agriculture 1400 Depart Montego Bay 1445 Arrive Kingston 1530 Meeting with Ministers at Cabinet Office, Ministry of Finance 1930 Dinner (stag) with Minister of Finance at his residence
July 5 Thursday	0800 Field trip: sites and services project, low income housing and transshipment port site 1100 Meeting with Leaders of the Opposition 1145 Meeting with University of West Indies representatives 1315 Meet and lunch with Prime Minister Manley and Minister of Finance (FM's residence) 1725 Depart Kingston 2315 Arrive Port-of-Spain

B. Trinidad and Tobago

July 6 Friday	0915 Meeting with Regional Resident Representative of the UNDP* 1000 Meeting with Ministers led by Minister of Finance* 1230 Meet and lunch with the Prime Minister and Minister of Finance (probably at Normandy Hotel) 1445 Depart field trip to Bank-financed schools, family planning clinic and urban redevelopment area in east Port-of-Spain
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* Meetings at Trinidad Hilton Hotel

B. Trinidad and Tobago (Continued)

1700 Meeting with bankers and industrialists*
1900 Private meeting with Prime Minister (PM's
residence)
2000 Dinner with Governor General (informal)

July 7 0900 Depart Port-of-Spain
Saturday

*Meeting at Trinidad Hilton hotel

TOUR - MR. ROBERT MCNAMARA
PRESIDENT OF THE I.B.R.D.
WEDNESDAY JULY 4, 1973

- 7.45 a.m. : HON. KEBLE MUNN, MINISTER OF AGRICULTURE will meet MR. MCNAMARA at the SHERATON-KINGSTON HOTEL and accompany him to UP-PARK-CAMP
- 8.00 a.m. : BRIEFING - JAMAICA DEFENCE FORCE LECTURE ROOM - HON. KEBLE MUNN
- 8.15 a.m. : DEPART J.D.F. TWIN OTTER AND FLY OVER
- KINGSTON WATERFRONT REDEVELOPMENT PROJECT - URBAN DEVELOPMENT CORPORATION - Main features:
- (a) Area of about 2 mls long by 1/5th mile wide along the waterfront
 - (b) Construction of major N to S access roads
 - (c) Rebuilding of certain streets
 - (d) Construction of a Waterfront Boulevard to the south
 - (e) Subdivision of the waterfront lands for hotels, office blocks, apartments, shopping centres etc -
(details - MRS. GLORIA KNIGHT)
- SITE OF PROPOSED TRANSHIPMENT PORT - Main features:
- (1) Total area of about 175 acs between Newport West and Causeway
 - (2) Proposed to dredge to about 40' to take large containerized ships for transshipment
 - (3) Total project cost \$35m - a loan of \$14m already obtained through Japanese interests
 - (4) Expected to be completed in a year -
(details - HON. KEBLE MUNN)
- HELLSHIRE HILLS DEVELOPMENT -
- (i) To accommodate urban population expansion of Greater Kingston
 - (ii) Provide for major expansion in City's Tourism and industrial activities -
(details - MRS. GLORIA KNIGHT)
- BERNARD LODGE - Sugar cane estate of about 13,000 acs, bought by Government in 1972 from United Fruit Company -
(details - DICK FLETCHER)
- ST. CATHERINE PLAINS - Some 50,000 acs of irrigable lands in this

area (of which some 34,000 acs now irrigated)

Several proposals under consideration -

(details - JOHN WILLIAMS)

- MONYMUSK SUGAR ESTATE - Some 37,000 acs acquired by Government
1971 - (details - DICK FLETCHER)
 - Will see PORT ESQUIVEL (ALCAN PORT) and HALSE
HALL (ALCOA FACTORY) in passing
 - KIRKVINE WORKS/BAUXITE OPERATIONS (ALCAN) - Rehabilitation of
mined-out areas - now in tenant farming -
(details - HON. KEBLE MUNN)
 - AIRPORT FACTORY at NAIN
 - NAIN - BULL SAVANNAH AREA - Good farmers (Dry farming - carrots,
tomatoes etc) possibilities for large scale
catchments -
(details - JOHN WILLIAMS)
 - PEDRO PLAINS AREA - One of three largest river basins in Jamaica -
The Black River discharges over 700,000 ac/ft/yr
but virtually undeveloped.
Ground Water resources also very good - Agricul-
tural potential vast -
(details - HON. KEBLE MUNN)
 - HOUNSLOW DEVELOPMENT PROJECT - Government operated farm - main
crops - carrots, soyabean, corn, onions, red peas -
(details - HON. KEBLE MUNN)
- 9:15 a.m. : TOUCH DOWN HOLLAND SUGAR ESTATE - Some 4,500 acs recently
acquired by Government -
(details - DICK FLETCHER)
- 9.20 a.m. : BY CAR TO LUANA DAIRY DEVELOPMENT PROJECT - 14 young Dairy
Farmers settled on fully developed 35 acs holdings
financed under US/AID Programme -
(details - HON. KEBLE MUNN)
- 10.00 a.m. : RETURN TO HOLLAND
- BRIEF TOUR OF FACTORY AND COFFEE BREAK
 - BOARD AIRCRAFT AND FLY OVER :
 - LUANA POINT (Proposed site OIL REFINERY)

- (1) \$318m project GOJ/MARATTI GROUP (ITALY)
- (2) Estimated to produce 250,000 barrels/day
- (3) Fuel oil, jet fuels, naphtha etc.

- FROME SUGAR ESTATE - Some 23,000 acs acquired by Government in 1971 - (details - DICK FLETCHER)
- NEGRIL DEVELOPMENT AREA - Some 6,000 acs land much of it swamps bordered by 36,000' of white sand beaches - (details - MRS. GLORIA KNIGHT)
- KENILWORTH YOUTH TRAINING CENTRE - Situated on some 260 acs lands; buildings constructed by campers; 400 boys received training - academic, vocational, leadership, sports, cultural and agricultural.
- MONTEGO BAY WATERFRONT DEVELOPMENT - (MRS. GLORIA KNIGHT)

11.45 a.m. : TOUCH DOWN MONTEGO BAY AIRPORT

- Briefing on AIRPORT DEVELOPMENT - (MR. PENNEL - MIN. OF WORKS)

12 noon : TO LUNCH AT CALABASH RESTAURANT

1.30 p.m. : BOARD AIRCRAFT AND FLY OVER

- MARTHA BRAE VALLEY - Large groundwater reservoir estimated at 100,000 ac/ft/yr - limited developments to date - (details - JOHN WILLIAMS)
- KELLITS AREA - Large vegetable growing area (iceberg lettuce, cabbages etc) limited by lack of water - possibilities for catchments; several farmers were financed under SELF SUPPORTING FARMERS DEVELOPMENT PROJECT (GOJ/IDB) -

(details - HON. KEBLE MUNN)

- PEMBROKE HALL AREA (BANANAS)

(details - TREVOR DONALDSON)

2.15 p.m. : ARRIVE UP-PARK-CAMP

MEMBERS OF PARTY:

- MR. ROBERT MCNAMARA (President I.B.R.D.)
- MR. WILLIAM CLARK (I.B.R.D.)
- MR. ANDERS LJUNGH (I.B.R.D.)
- MR. SHIV KAPUR (I.B.R.D.)
-

- HON. KEBLE MUNN (Minister of Agriculture)
- MR. JACK CLARKE (Executive Director I.B.R.D.)
- MR. DERRICK DYER (Permanent Secretary - Min. of Agriculture)
- DR. I.E. JOHNSON (Agricultural Planning Unit)
- MR. TREVOR DONALDSON (Chairman Banana Board)
- MR. DICK FLETCHER (Chairman Sugar Industry Authority)
- MRS. GLORIA KNIGHT (General Manager Urban Dev. Corporation)
- MR. ROY COLLYMORE (J.I.D.C. - Oil Refinery Project)
- MR. JOHN WILLIAMS (Director Geological Surveys)
- REPRESENTATIVES OF THE PRESS -

2 - JAMAICA BROADCASTING CORPORATION

1 - JAMAICA INFORMATION SERVICE

1 - RADIO JAMAICA LIMITED

1 - THE DAILY GLEANER

1 - DAILY NEWS

2 - AGRICULTURAL INFORMATION SERVICE

Itinerary for Tour -

Mr. R. S. McNamara's visit - July 5th - 8.00 a.m.

Meet at Sheraton.

Proceed to McIntyre lands - brief inspection.

Next - Camp lands (South of National Stadium)

Then via Torrington Bridge to Jones Town

Then Trench Town - walking tour of some of the Slum Areas
by Greenwich Road and the Housing Development in the 8th
Street Area.

Then to Cockburn Pen

Then to Drewsland - East of Washington Boulevard

Back to Sheraton.

ROUTE FOR TOUR.

Sheraton Hotel to McIntyre Lands

via Oxford Road, Tom Redcam Avenue, Deanery Road,
Upper York Street, Somerset Avenue, North Avenue.

McIntyre Lands to Camp Lands.

via Deanery Road, Statue Drive (possible stop at the
Housing Exhibition site)

Camp Lands to Trench Town

via Tom Redcam Avenue, Marescaux Road, Brentford Road,
Lyndhurst Road, Greenwich Park Road (Sprats)

Trench Town Housing Development

Trench Town to Cockburn Pen

via Collie Smith Drive, Spanish Town Road, Hagley Park
Road, Mahoe Drive.

Cockburn Pen to Drewsland

via White Wing Avenue, Olympic Way - Washington Blvd.

Back to the Sheraton.

Details of Field Trip - July 5 - 8.00 a.m.

8.00 a.m. Honourable Anthony Spaulding and party will meet with Mr. R. S. McNamara's party at the Sheraton Hotel. The Party then proceed to:

McIntyre Lands.

McIntyre Lands encompasses one of the worse slum areas in Central Kingston; the people leased house spots on which they constructed their own houses.

A sociological survey taken of the area in 1972, covered 353 households with a total population of 1610 persons. Only 3% of the dwellings were reported as being in a good condition.

This urban renewal area comprises 12.5 acres and it is envisaged that the redevelopment programme will be completed in two phases.

A decanting centre for the temporary accommodation of the people has been provided on a part of the Bellevue Hospital grounds.

Phase I of the renewal programme which is now in progress, provides for the construction of 111 housing-units on 3 acres of land.

The overall programme will provide 443 housing units, a basic school, community hall and service shops. The project is pedestrianised, and the walkways and common spaces between the lots can be used as play areas.

Camp Lands - Site Area 18.2 acres.

This site forms part of the lands controlled by the Jamaica Defence Force. Agreement has been reached for it to be transferred to the Ministry of Housing.

The site abuts unto Mountain View Avenue which is a major route to the North east of Kingston linking Windward Road to Old Hope Road. Buses No. 27 and No. 57 which pass the site run between the city centre and terminate respectively in Half Way Tree and Barbican Road.

The site is not close to industrial areas. It is however close to up town employment in Cross Roads, Half Way Tree and Liguanea and also to the suburban areas of St. Andrew which generates substantial domestic and casual employment.

This site is a little more than one half of what is considered optimum. It is however adjacent to Excelsior Community College which can be a source of considerable educational, Technical and Community Development assistance. It has easy access to the facilities offered by the National Stadium. The possibility also exists of persuading the Military and the Stadium Authorities to make more land available for the extension of the project.

The site is a relatively easy one to develop.

The constraints are

- 1) The gully that traverses site (Bridge necessary).
2. The awkward shape of the site.
3. Necessity to pump sewer up to the Stadium.
4. The location of Excelsior and their development plans.

This site is considered of prime importance. It represents the first real attempt to house low income families in an area which has historically been a middle class reserve. It is a step in the direction of the social integration of the classes and has implications for future housing policy.

Jones Town

A depressed area which should be considered as a future urban renewal project.

Trench Town

The need for improved housing condition in the Trench Town area was recognized from as far back as the early forties. The first housing project was undertaken by the Central Housing Authority in 1943 when 224 rooms in 8-room buildings were constructed.

Between 1943 and 1955 the Central Housing Authority provided housing accommodation for a total of 1320 households (1204 one room units and 116 two room units).

Between 1963 and 1968 an additional 710 housing units were constructed.

It was recognized that this type of "ad hoc" slum clearance programme was not really getting to grips with the problem.

A housing condition survey undertaken by the Department of Statistics and the Ministry of Housing in 1969 of the squatter area indicated a total population of 17,661 persons in 4,682 self built houses and shacks, covering 115 acres of land.

Shankland Cox Overseas, an English firm of Town Planners and Architects were in 1969, commissioned to prepare a master plan, house type and other particulars for the redevelopment of the entire squatter area.

The urban renewal proposals as prescribed by Shankland Cox provides for the construction of 3,800 housing units together with community services namely schools, youth and community centres, public library, shopping centre, market, police, park and post office. The urban renewal programme is to be phased over a period of approximately 10 years.

To date three phases of the programme have been started.

Phase I now completed, provides for the construction of 246 sales units on 7.3 acres.

Phase II which is nearing completion provides for the construction of 96 units in 4 storey-structures for rental and 36 sales units.
Total 132 units.

Phase III which was recently started will provide for the construction of 216 sales units on 6 acres.

Cockburn Pen - Site & Service upgrading - Year 1.

Site Location : The site is situated approximately $\frac{1}{2}$ mile from the junction of Hagley Park Road and Spanish Town Road. Access is gained from Cockburn Drive and from York Avenue both of which join Hagley Park Road some distance to the North of the Spanish Town Road junction.

Site Area: 20 Acres.

Site Description: This site is owned by the Ministry of Housing. It is now almost entirely occupied by squatter and was probably squatted on subsequent to the 1951 Hurricane. The area appears to be a relatively stable one and some families have erected substantial concrete block houses. The majority of houses, however, are constructed of timber and with corrugated zinc sheet roofing. Services of the 211 households surveyed, 185 were dependent on

standpipes for water and 195 have pit latrines only. 130 had no electricity. There are no paved roads within the site and access is generally obtained via dirt tracks.

Summary: This site is considered ideal for an upgrading programme. It is stable and the people have expressed their willingness to participate in the programme. It is close to transportation and also to sources of employment. Services are within easy reach.

Drewsland - Site and Service upgrading - year 2

Site land
Location: The larger portion of site occupies the/ immediately South of the Sandy Gully and stretches from the Molyneux Road Bridge to the Bridge at Spanish Town Road. A small portion of the site lies North of the Sandy Gully adjacent to the old Drive-in cinema and the Drewsland Primary School. The two sections of the site are united by a footbridge at the end of road serving the Primary School.

The northern section of the site is accessible from Washington Boulevard - the Southern section from Balcome Drive in Seaward Pen and Balmagie.

Site
Description: This site is at present being surveyed by the Site and Service section. Squatting is relative recent. Water, light and sanitary facilities are absent by and large.

Summary: This site is considered suitable for upgrading. Decisions have however to wait the outcome of physical and social surveys.

Phelan (Rudens Develop)
Clarke
Barber (Jin 42)
Sturges (Sud + Tron)
Mason
Goldring (Housing)
D. McNeil
Munn
Donach (Jamaica)
Bill (Pal. Works)
Barnes (Hon. J. P. R.)

AGENDA

1. Welcome
 - Hon. Deputy Prime Minister and Minister of Finance
2. Reply to Welcome
 - Mr. Mc Namara
3. Opening statement
 - Hon. Deputy Prime Minister and Minister of Finance

A brief exposition on Jamaica's critical problems; the social and economic development strategy to cope therewith; the broad policies and relevant basic programmes of the Government; Detailed statements on:-

- (a) Human Resource Development - Educational thrusts/skill training and Literacy Programme.
- (b) Soft loan window for non-IDA eligible countries, to finance social infrastructure projects with long pay off period.

4. Detailed statement on:
 - (1) Agricultural policy and programme - Hon Minister of Agriculture.
5.
 - (2) Ecology/Conservation - Hon. Minister of Mining and Natural Resources.
 - (3) Housing needs - Hon. Minister of Housing.
 - (4) Health and Nutrition - Hon. Minister of Health and Environmental Control.
 - (5) Tourism - Mr. Jack Stephenson.
5. Reply by Mr. Mc Namara on World Bank policies and practices.
6. Questions.

Dinner with Mr. David Coore, Minister of Finance
on July 4 at 19.30 Hours
List of Guests

Hon. David Coore	-	Deputy Prime Minister and Minister of Finance
Mr. Robert McNamara		
Hon. G. A. Brown	-	Governor, Bank of Jamaica
Sir Arthur Lewis	-	President, Caribbean Development Bank
Mr. Karl Hendrickson	-	Chairman, Jamaica Public Service Co.
Mr. Donald A. Banks	-	Chairman, Barclays Bank
Mr. Carlton Alexander	-	Chairman, National Export Corporation
Mr. Arthur Chai Onn	-	General Manager, Jamaica TCitizens Bank
Mr. Noel Chin	-	Chairman, Jamaica Development Bank
Mr. George Holness	-	Member of Jamaica Development Bank's Board, member of Jamaica Manufacturers Association
Dr, Paul Chen Young	-	Head of the Workers', Savings and Loans Bank
Dr. G. Bonnick	-	Director, National Planning Agency
Mr. Anders Ljungh		
Mr. Shiv Kapur		
Mr. William Clark		
Mr. D. R. Clarke		
Mr. P. Bartlett	-	Personal Assistant to the Deputy Prime Minister
Mr. H. G. Barber	-	Financial Secretary, Ministry of Finance

Lunch with the Prime Minister on July 5 at
13.15 Hours - List of Guests

Prime Minister

Mr. Robert McNamara

Hon. David Coore [†]	-	Deputy Prime Minister and Minister of Finance
Hon. Allan Isaacs	-	Minister of Mining and Natural Resources
Hon. Keble Munn	-	Minister of Agriculture
Hon. Anthony Spaulding	-	Minister of Housing
Hon. Eric Bell	-	Minister of Public Utilities, Communication and Transport
Hon. G. Arthur Brown	-	Governor, Bank of Jamaica
Dr. G. Bonnick	-	Director, National Planning Agency
Mr. Richard Fletcher	-	Chairman, Sugar Industry Authority
Mr. R. I. Mason	-	Permanent Secretary, Prime Minister's Office
Mr. D. R. Clarke [†]		
Mr. Shiv Kapur [†]		
Mr. Anders Ljungh [†]		
Mr. William Clark [†]		

[†]~~Uncertain at present~~

EXISTING PROJECTS

Introduction

Since Jamaica's independence in 1962 the Bank has made loans to the country totalling \$69.3 million. Of this amount \$41.8 million has been for infrastructural investment in electric power, water supply and highways; the remainder has gone into education, family planning and on agricultural credit projects. There have so far been only two IFC operations; a loan in 1961 to a concrete company, and an equity/loan investment in 1968 in a hotel project. The Bank has experienced serious problems in the past in the execution of projects in Jamaica. The difficulties have been due to a number of sector policy issues, particularly the pricing policies of public utilities, inadequate project management, and in certain instances labor problems. We have in general noted an improvement in recent months although the management of the second education project (Ln 727-JM) still gives rise to particular concern.

Brief notes have been prepared on the following nine projects:

- Ln No. 408 - First Highway Project
- Ln No. 454 - Power Project
- Ln No. 481 - Telecommunications Project
- Ln No. 468 - First Education Project
- Ln No. 598 - Kingston Water Supply Project
- Ln No. 690 - Population Project
- Ln No. 719 - Agricultural Credit Project
- Ln No. 727 - Second Education Project
- Ln No. 899 - Road Improvement and Maintenance Project

Ln No. 408 First Highway Project; US\$5.5 million of April 8, 1965
Closing Date: March 31, 1973

Description: Originally the project comprised (a) construction of three road sections, Kingston-Spanish Town (15 miles), Spanish Town-Bog Walk (7.5 miles) and Moneague-Crescent Park (4 miles); and (b) related engineering services.

Execution: By mid-1968, the cost of the project had increased by about 50 percent and its execution had been delayed due to underestimation of work volumes, lack of cost experience in Jamaica and increased right-of-way costs and engineering fees. Due to these problems the Bank agreed to postpone the closing date of the loan by two years to March 31, 1972 and reduce the project's scope by omitting the construction of one road section - Spanish Town-Bog Walk. Further complications arose in March 1972, when due to labor disturbances following the elections work was suspended for about six months. The main contractor, a U.S. firm, Raymond International, claimed frustration of contract. The Government refuted this claim, and, after Bank agreement, completed the work by force account continuing with the same subcontractors where possible. The Bank agreed to further postponements in the loan closing date from March 31, 1972 to December 31, 1972 and then to March 31, 1973 to allow continued loan disbursements to the completion of the project. There was a 60 percent cost overrun on the reduced project. The estimated rate of return on this part of the project at appraisal ranged from 10 to 25 percent. Taking into account the cost increases we estimate that the rate of return would now range from about 10 to 15 percent.

Ln No. 454 Power Project; US\$22 million of June 20, 1968
Closing Date: June 30, 1970

Description: The loan was to assist the Jamaica Public Service Company (JPSC) in the expansion of its delivery capacity by the construction of two steam generating units, seven diesel units, transmission and distribution facilities.

Execution: The physical execution of the project has been virtually completed. The loan closed June 30, 1970, six months after the original closing date of December 31, 1969. Completion of the project was delayed largely due to a tight financial position during 1970 and 1971 when, in spite of repeated approaches by the Bank, the Government was not prepared to allow a much needed tariff increase. However, the Borrower's position improved in May 1972 when a substantial rate increase of about 27 percent was implemented. It is expected that further rate increases and a new equity capital injection will be required by the company during the next two years or so.

Ln No. 481 Telecommunications Project; US\$11.2 million of January 23, 1967

Description: This loan to the Jamaica Telephone Company Limited (JTC) was to help finance the foreign exchange costs of a five-year development program including the re-equipment of telephone exchanges, the extension and improvement of the outside network, the installation of long-distance telephone facilities and telex services and other telecommunications equipment.

Execution: Towards the middle of 1967 and shortly after the Bank loan had become effective, Continental Telephones of USA bought a majority interest in JTC and, in the wake of this change, the latter cancelled the loan. The main reason for this cancellation was that Continental Telephones was able to arrange refinancing of the Bank loan on more favorable terms.

Ln No. 468 First Education Project; US\$9.5 million of September 30, 1967
Closing Date: June 30, 1973

Description: This project comprised the construction and equipment of (a) 50 new junior secondary schools, (b) additional buildings and equipment of four teacher training colleges, the College of Arts, Science and Technology (CAST), and the Jamaica School of Agriculture (JSA), and (c) expatriate technical assistance and training abroad.

Execution: The project has now been substantially completed, about two years behind the original schedule. Delays in implementation due to changes in site locations, design variations and poor management, together with devaluations of the Jamaican dollar, have caused substantial cost overruns in construction. Final costs are likely to exceed appraisal estimates by about 50 percent. The loan closing date originally July 31, 1971 has been postponed twice, to December 31, 1972 and then to June 30, 1973. The Bank plans to undertake a special supervision mission shortly after the closing date for a thorough review of the whole execution of this project.

Ln No. 598 Kingston Water Supply Project; US\$5.0 million of May 14, 1969
Closing Date: December 31, 1973

Description: The project consists of improvements and expansion of the water supply facilities in the Kingston area by the construction of an intake, pumping station and other works at Tulloch Springs; drilling of new wells, and transmission and distribution system extensions.

Execution: The physical work on the project is expected to be completed in late 1973, two years later than anticipated at appraisal because of slow governmental contract award processes and poor contractor performance. The financial situation of the Water Commission

remains weak, due to delay in increasing water tariffs and to high operating costs. The annual rates of return over the last three fiscal years were substantially below the 8 percent required in the Loan Agreement but after considerable prompting the Government has introduced substantial water rate increases (averaging about 66 percent) with effect from June 1, 1973. This should help restore the Commission's financial viability and enable it to meet the rate of return covenant. Other improvements to reduce costs and improve operating efficiency are also being implemented. The loan closing date originally June 30, 1972 has been extended to December 31, 1973. A second extension of the loan closing date is likely to be agreed so that certain unused loan funds may be used for further water distribution works in the Kingston area. Final project costs are not expected to exceed appraisal estimates.

Ln No. 690 Population Project; US\$2.0 million of June 18, 1970
Closing Date: March 31, 1975

Description: The project comprises: (a) the expansion of Victoria Jubilee Hospital (VJH) in Kingston by (i) the construction of a new wing providing approximately 150 post-partum beds a delivery suite and School of Midwifery, (ii) the remodelling of the hospital's existing structure to provide approximately 163 beds and the provision of additional equipment; (b) the construction and equipment of ten rural maternity centers (RMCs); (c) implementation of a country-wide family planning program through a newly established National Family Planning Board (NFPB); and (d) the preparation of two studies on clinical operations and on personnel tasks and functions.

Execution: Physical Aspects - Initially there were delays in the design/construction programs for the VJH and the ten RMCs. The main problem was lack of effective professional coordination between the Ministry of Health and the Ministry of Works. Changes in the location of the sites of a number of the RMCs also contributed to delays. Now that the construction stage has been reached improved progress is being made on the physical aspects of the project. Construction has started on the VJH expansion (nearly two years after the appraisal schedule), and construction of the ten RMCs is scheduled for completion by September 1973, (that is, up to 20 months behind the appraisal schedule).

Family Planning Program - In June 1972 the first annual review, provided for in the Loan Agreement, of the progress of the national family planning program took place by experts from outside Jamaica. The team made a number of recommendations for improving the program, most of which were accepted by the Government. Two particularly important deficiencies noted by the review team were (i) the lack of a comprehensive training program for staff engaged in the family planning program and (ii) lack of a corps of trained home encouragement visitors. Steps are now being taken to remedy these weaknesses.

However, there remains a basic weakness in the implementation of the family planning program which derives from the inadequate leadership of the Family Planning Board. We understand that the Government is currently reviewing the concepts and operation of the whole family planning program and that we may expect to be consulted shortly about a number of proposed changes.

Ln No. 719 Agricultural Credit Project; US\$3.7 million of December 28, 1970
Closing Date: December 31, 1974

Description: The project consists of the provision of long-term loans by the Jamaica Development Bank (JDB) to commercial farmers (in the 100-300 acre range) for financing investment for the development and expansion of farms for the production of coconuts, citrus, beef and dairying and the provision of experts to assist the JDB in managing the project. At the request of the Borrower, the Bank has recently agreed to amend the project description to permit some of the technical assistance funds, which will not now be required for the JDB's credit operations, to be used to meet part of the foreign exchange costs of the foreign experts participating in the external review of the agricultural sector currently taking place under the chairmanship of Sir Arthur Lewis.

Execution: After a slow start due to competition from commercial banks and some cumbersome internal JDB procedures the project has picked up momentum over recent months and over \$2.0 million of the Bank loan has now been committed. This improved progress is attributable to the tighter liquidity position of the commercial banks, simplification of JDB's loan application processing procedures, and more dynamic management of the JDB following the appointment of a new Managing Director, Mr. Noel Chin, in November of last year. However, demand for credit for coconut remains weak, largely due to cheaper subsidized funds available from the Coconut Industry Board for replanting of disease resistant varieties. Demand for credit for beef is growing and the Bank has recently agreed to the Borrower's request for a reallocation of loan proceeds to increase credit availability for beef and dairy production. The JDB estimates that all the Bank loan will be committed by early 1974.

Ln No. 727 Second Education Project; US\$13.5 million of March 25, 1971
Closing Date: December 31, 1975

Description: The project comprises the construction and equipment of 12 junior secondary schools and two secondary comprehensive schools; additional buildings and equipment at seven junior secondary schools and 16 existing high schools to convert them to comprehensive schools; variously the construction, expansion and equipment of three teacher training colleges, two vocational training centers and an ITV and Education Materials and Aids Center; and technical assistance for specialists' services and fellowships abroad, including technical support for project implementation.

Execution: Negligible disbursements have so far been made from this loan. There were initial delays due to slowness in recruiting specialist staff for the Project Unit. Implementation was subsequently further delayed because the new Government on taking up office in early 1972 wished to review the project's scope before proceeding. In the event, the new Government decided to go ahead without significant changes in the content of the project. Also there has been serious weakness in the operation of the Project Unit whose staff have been engaged on extraneous duties. After continued representations from the Bank, the Government is considering the replacement of the existing Project Coordinator by a more effective manager, and has agreed that the Project Unit staff should be relieved of extraneous duties. The Government has recently assured the Bank that construction of project schools (which has not yet commenced) will be completed by the present loan closing date, about 18 months later than estimated at the time of appraisal. This, however, seems optimistic. Because of these delays a ten percent of 15 percent cost overrun is expected.

Ln No. 899 Road Improvement and Maintenance Project; \$9.3 million of June 1, 1973
Closing Date: December 31, 1978

Description: Improvement of about 440 miles of paved roads by asphaltic overlay, maintenance of a further 250 miles by asphaltic resealing, and associated minor works; provision of road maintenance equipment, improvement in the staffing and procedures of the Ministry of Works, and technical assistance to help implement all aspects of the project.

Execution: Additional conditions of effectiveness of the loan are (i) the recruitment of certain professionally qualified staff, and (ii) the signature of a contract with the consultants to undertake the technical assistance. No problems are foreseen in fulfilling these conditions and the loan should become effective before the original terminal date for effectiveness of August 31, 1973.

PROSPECTIVE OPERATIONS

Fiscal Year 1974

Agricultural Credit II

Power II

Airports

Roads III

Urban Development Kingston I

Sewerage I and Water - Kingston

Fiscal Year 1975

Sugar Rehabilitation

Education III

Water Supply II

Agricultural Credit II - (\$4 Million FY74)

This loan, like the first, would be made to the Jamaica Development Bank (JDB). As explained in the notes on existing projects (G3), the existing Bank loan provides credit for citrus, coconut, beef and dairy product farming, with technical assistance for specialist advice in connection with the JDB's credit operations in these farming categories. We would expect the second loan to cover the same activities, although proportionately more funds would be provided for beef and less for coconut since there is evidence of increasing demand for development of beef farms with the present world shortage, and experience under the first product has shown that there is limited prospective demand for credit for coconut development. The Bank will also consider providing funds for a wider range of crops and also for livestock other than beef.

We would encourage the JDB to make sub-loans to smaller farmers than those now being reached under first project (100-300 acres). It will, however, be necessary for us to coordinate our operation with the IDB which is already providing credit to small farmers through the Self Supporting Farmers Development Program (SSFDP), for which the JDB is to act as the financial agent. (Previously, the SSFDP had been administered by the Agricultural Credit Board (ACB), a government-financed institution, but because of weakness in financial administration, responsibility for the financial aspects of the program is being transferred to the JDB.) The IDB has recently approved a third stage loan of \$7.9 million for the SSFDP to provide on-going development credits and working capital required to convert approximately 2,700 existing farms and 300 new farms into self-supporting production units. The farms would range in size from 5-25 acres and the average size of the credit is expected to be just over \$5,000, that is, considerably smaller than the average credit likely to be financed from the IBRD loan.

The JDB is currently preparing the proposed second project and we have tentatively scheduled appraisal for the end of August. In defining the content of the project, the JDB and the Bank will, as far as is possible, take into account any preliminary conclusions from the ongoing agricultural sector review which might have emerged by the time of appraisal. Negotiations are scheduled for January 1974 with Board presentation in March 1974.

Power II - (\$15 million FY74)

A loan of US\$15 million has been included in the FY74 Bank lending program to assist the Jamaica Public Service Company (JPSC) in financing additional generating capacity, transmission and distribution facilities. However, our latest information (from a Bank identification mission which is still in the field) indicates that the Government's plans for future investment and for the organization of the power sector in Jamaica are in a state of flux. Earlier this month (June 1973) the Government signed a contract with the Italian group, Moratti, to build an oil refinery at

Luana Point near the mouth of the Black river in southwest Jamaica. (Further details about the project are available in the special subject brief; F5). The Jamaicans hope that through an arrangement with the Moratti group to purchase low-grade residual oil from the refinery, it will prove feasible to produce thermal power at a sufficiently low cost to justify the establishment of an aluminum smelter in Jamaica. With this objective in mind, the Government has already contracted to purchase from the oil refinery by 1978 10,000 barrels per day of low-grade residual oil. This would be sufficient to generate about 240 MW of power. We further understand that, because JPSC has been unreliable in supplying the requirements of the public system, the Government is considering the possibility of establishing a new government-owned entity to generate the power based on the residual from the oil refinery. If the Government proceeds with the idea, then JPSC's proposed investment plan would have to be curtailed; the Government may, however, wish to seek finance from the Bank for the investments which would have to be undertaken by any new entity.

It seems doubtful whether a good case can be made to justify the creation of a new government-owned entity in the power sector. It is true that JPSC has a poor record for reliability and that there are frequent power failures due largely to a shortage of trained staff and unfamiliarity with new equipment. Also the company remains financially weak in spite of the long overdue tariff increase which the new Government permitted in May 1972. However, the Government through its 19 percent equity holding already effectively controls JPSC; it seems questionable, therefore, whether the establishment of another government-owned power entity would improve the situation. Similar problems are likely to be encountered by the new entity and the shortage of technical personnel could be aggravated by spreading the available talent more thinly. Before proceeding with the proposed Bank financed project we shall therefore need to discuss fully with the Government its plans for organizing the power sector and to consider carefully the proposal for generation of power based on the refinery's low-grade residual.

Airports Development Project - (\$10.0 million FY74)

During the past two years the Bank has been closely associated with the Government in the preparation of an airports development project, based on the recommendations of consultants financed by CIDA. The project was appraised by a Bank mission in June of this year. The objectives of the project would be to relieve obstacles to continued growth in international air, and particularly tourist traffic to Jamaica, and to improve the organization for managing Jamaica's two international airports on a financially viable basis. From 1965-70 traffic growth at Montego Bay (Sangster Airport), the main gateway for tourists, and at Kingston (Norman Manley Airport) which caters to returning residents and businessmen, has together averaged about 14 percent per annum. The airports are currently being managed by the Civil Aviation Department in the Ministry of Public Utilities, Communications and Transport, with interim physical improvements being carried out by the Ministry of Public Works.

The scope of the project as recommended by the consultants has been considerably reduced and now basically comprises the improvement of the passenger and air-cargo terminals at Kingston, the construction of a new terminal at Montego Bay including improvement to the existing terminal, the construction of a taxiway at Montego Bay, and the establishment of a new Jamaica Airports Authority as an autonomous entity to manage and operate the two international airports. A highly desirable but less urgent item, would be the lengthening of the runway at Kingston so that larger aircraft could fly direct to Jamaica from Europe without expensive, technical stops in North America or Bermuda as at present. However, the last item would cost about an additional \$5 million, and given the tight budget situation in Jamaica, this item may have to be deferred until a later development program around 1980. Apart from the matter of the runway, a number of other important issues remain to be settled including, for example, the question of increasing user charges, and also the scope of further consultancy services required to establish the proposed Authority on a sound basis. Excluding the runway item, tentative estimates show a total cost of US\$29 million of which about US\$14 million would be foreign exchange costs. Consideration will need to be given to the possibility of increasing the size of the proposed Bank loan so as to cover the foreign exchange costs. However, the possibility of parallel financing from CIDA is being explored.

Roads III (\$12.0 million FY74)

A first Bank-financed project comprising construction of arterial roads has been completed and a second road improvement and maintenance loan (FY73 \$9.3 million) has recently been signed (see Existing Projects; G2). Following a national transport survey carried out during 1968-70, feasibility studies have recently been completed for the reconstruction of arterial, secondary main and parish roads. The Government has approached the IDB for financing a project for the reconstruction of sections of secondary main and parish roads and the Bank for financing for the reconstruction of about 30 miles of arterial road.

Preliminary examination of the feasibility studies indicates a construction cost of around J\$700,000 per mile which, even allowing for the difficult terrain, is high by international standards. Part of the high cost may be attributable to over-generous design standards and it is hoped that it will be possible to reduce costs significantly as a result of further discussions with Government and consultants. It is expected that the Bank-financed project would comprise sections of road between Mandeville, Maypen and Old Harbour. Reconstruction of further sections of arterial road might form a suitable project for Bank financing in a subsequent year (\$10 million has been included in the FY78 program for this). The project is due to be appraised in October 1973, with Board presentation scheduled for May 1974.

Urban Development Kingston I (sites and services) - \$8.0 million FY74

About one-third of the population of Jamaica lives in the greater Kingston area and over the last decade the population of Kingston has increased at a faster rate than the national rate largely on account of the drift from the rural areas into the capital and its suburbs. A large proportion of the low income population in the Kingston area is inadequately housed, many of them in shanty-town dwellings, and it has become urgent to provide improved housing and related infrastructural facilities. The proposed sites and services project would comprise the provision of four or five prepared sites in and around Kingston (also possibly in Spanish Town) for about 6,000 serviced housing lots for lower income tenants (up to J\$1,200) related health, education and community facilities, off-site trunk infrastructure, finance for materials for self-help housing, and improvement of existing squatter settlements.

The loan would probably also include funds for the equipment of small-scale industries which would be established near the locations of the housing sites in order to maximize the employment effects of the project and create viable communities. The intention would be to develop some 800 jobs in the first year and 1,000 in each of the next two years. The Government has proposed that the industries would be owned jointly by cooperatives formed by the residents on the nearby housing sites and by a special venture capital fund operated as a subsidiary of the JDB. Shares would be held in trust by the JDB and would be divested at an appropriate time in the future among community residents. Executive responsibility for managing the industries would be accorded to hired professional staff. The Government has recently established a National Housing Corporation (NHC) to manage and implement the Government's housing policy. The Corporation will acquire and hold land and undertake the financing, construction, renting and general management of public housing throughout Jamaica. The precise role of the NHC in relation to the proposed sites and services project has not yet been defined.

During preparation of the project we have impressed upon the Government the need to adopt a sensible land-use and land taxation policy throughout the country but particularly in the urban areas. In the budget introduced in April of this year the Government increased existing property tax rates and has announced that it will complete a revaluation of all property in Jamaica by April 1974 so as to put the property taxation on an up-to-date and uniform basis. Apart from increasing central government revenues this will provide a sounder fiscal basis for future urban development, especially in Kingston where the present property valuation base dates back to the 1930s. (We understand, for example, that the land upon which the Sheraton Hotel now stands is valued for property taxation purposes as a cow-pasture.) It is proposed that the project should also include a study for an urban development plan, including the formulation of a capital budget for the city, which would provide the basis for a second project (for which \$8 million has been included in the FY77 Bank lending program) and help establish a more integrated approach to the city's development.

A Bank mission has just returned from appraising this project. One difficulty, which appears now to have been largely resolved, was to dissuade the Ministry of Housing from adopting extravagant design standards which would have put the housing lots outside the reach of a large segment of the lower income bracket or would have required excessive subsidisation. Even so, the economic cost of the project is likely to remain high, since one or two of the sites, although owned by the Government or public agencies, are located in areas where there is a relatively high opportunity cost of land. A number of other important problems remain, but it is hoped that they can be resolved. The Ministry has not yet put forward its proposals for upgrading "squatter" settlements (these include a number of communities in Kingston and one in Montego Bay) or for the community facilities which would be located on the sites. A decision also needs to be taken by the Government on which Government institution should be responsible for conducting the urban development study, and equally important, implementing it thereafter. We had originally discussed the study with the Ministry of Mines and Natural Resources, which is responsible for urban development throughout the island, but the preliminary conclusions of the Bank appraisal mission is that this Ministry is more geared to physical resource planning than to coping with the financial and social-economic problems which form the crux of urban planning. The Kingston and St. Andrews Corporation (KSAC), the municipal authority, is probably institutionally too weak to take on the task. One alternative which we are exploring with the Government is that the National Planning Agency should be given responsibility for conducting the study, with assistance from a few foreign experts which the Bank would finance.

The total cost of the project is likely to be around \$17.0 million of which the proposed Bank loan would be \$8 or \$9 million. Board presentation is scheduled for December 1973.

Sewerage I and Water - Kingston (\$6.0 million FY74)

The first Bank-financed Kingston Water Supply Project (US\$5.0 million; FY69) will be completed later this year, but its yield will need supplementing urgently if water shortages are not to develop during the next 3 or 4 years. It will, therefore, soon be necessary for the Water Commission to undertake a further major water supply investment. A loan of \$10 million for this purpose has been included in the FY75 program. We are in discussion with the Water Commission and the Government about the relative merits of alternative ground and surface water sources before proceeding to project preparation. Once a decision has been taken on the appropriate source to be developed, detailed engineering will then have to be undertaken. In the interim period, we propose to make a small loan (\$6 million in FY74) to finance a project which would provide a limited amount of water which is urgently required to supplement the yield from the first project, and would include some extension of the water distribution system in Kingston. Assistance might also be provided for the strengthening of the Hermitage Dam.

Although a feasibility study has been completed recommending a major sewerage plan to be implemented in stages over the next 15 years, the Water Commission is not yet sufficiently strong in its management and finances to embark on such a program at the present time. A loan for a major sewerage project has therefore been deferred to FY77. In the meantime, the proposed small loan in FY74 would include limited extension of the sewerage system.

It will be an important objective of the water and sewerage project scheduled for FY74 to introduce managerial and financial improvements in the Water Commission. The Commission presently suffers from high operating costs due to excessive number of non-skilled staff in its Engineering Department and a shortage of qualified professional staff at the senior management level. However, the financial situation of the Commission should significantly improve following a substantial increase in water rates which was implemented (after repeated prompting by the Bank) with effect from June 1, 1973. However, the Commission still suffers from a deficit in its sewerage operations which is made good by a grant from the government. There is a clear need for restructuring the sewerage tariff and we have put proposals with this objective in mind to the Water Commission. We shall probably wish to make it a condition of presenting the proposed water and sewerage loan to Executive Directors that a revised sewerage tariff should have been implemented. A Bank mission to appraise this loan is scheduled for the second half of July.

Sugar Rehabilitation - (\$10 million FY75)

We expect that the framework for a sugar rehabilitation project suitable for Bank financing will emerge from the current agricultural sector review being undertaken in Jamaica by a team of foreign experts under the chairmanship of Sir Arthur Lewis of the Caribbean Development Bank (CDB). (Additional information on the sector review is contained in the Subject Brief on Agriculture; F.5.) Our latest information indicates that Sir Arthur Lewis' team is likely to endorse the Government's view that there is an important place for sugar in the Jamaican economy, provided that the industry is restructured, costs reduced and technology improved, to enable it to be profitable and competitive on world markets. Sir Arthur Lewis himself apparently takes the view that the main weakness in the industry is that productivity per man is presently extremely low - in the order of J\$600 per man per year - and that the industry will have to mechanize fully the 120,000 acres or so of flat land which lends itself to mechanization. The sector brief on sugar prepared by the review team is scheduled for discussion with Ministers on July 3.

In the meantime the Government is proceeding with the establishment of a single sugar Operating Company, which will own and operate all the sugar factories in Jamaica. These are at present owned and operated by a number of foreign and Jamaican interests. Government intends to hold 10 percent (possibly 20 percent) of the equity of the new Operating Company. Owners of the existing facilities would receive equity in proportion to the value of the assets they contribute. Details are still under negotiation.

It is planned that the Company will come into being in July 1973 and will possibly start operations on its own account in July 1974.

The Government already owns through the Frome Monymusk Land Company (FMLC) large sugar estates of Frome, Monymusk and Bernard Lodge which have been purchased from the West Indies Sugar Company but leased to the company temporarily. The Government plans to take back these estates at the end of the 1974 crop. The FMLC would then become responsible for all capital investment on the estates and for ensuring continued sugar-cane production.

In order to move ahead as quickly as possible with the rehabilitation of the sugar industry, the Government has already taken the initiative in inviting consultants to submit proposals for 3 technical feasibility studies, these being:-

- a) the prospects for expansion of cane growing in the St. Elizabeth Area. The study will investigate the possibilities of developing the upper and lower morasses of the Black River, and the advantages of either establishing a new factory or of improving one or both of the existing Holland and Appleton factories;
- b) the possibilities of further development of cane growing in the St. Catherine and Clarendon areas, with particular reference to improved irrigation facilities;
- c) the possibilities of improving port facilities for the export of raw sugar.

All three studies are likely to be financed by the sugar industry. The results of the studies, which are expected to have been completed by the end of this year, will need to be considered in relation to the conclusions of the agricultural sector review team before proceeding to project preparation. They might form a suitable basis for a Bank-financed project which could be appraised about the middle of calendar year 1974.

Education III - (\$10 million FY75)

Following two Bank-financed education projects in FY67 and FY71, we propose to continue our close association with the education sector by a third project to be financed by a loan for which \$10 million has been included in FY75 program. The Bank has experienced considerable difficulties in the execution of the first two education projects (see G2; Existing Projects). Before embarking on a third project we shall wish to have tangible evidence of progress on the current second project. Also, we need to have a more adequate basis than exists at present for determining the scope and content of a third project. The Government has no long-term development plan for education although a series of policies and programs have been outlined in the Government paper "The Education Thrust of the Seventies" which was published in May 1973. However, this paper does not address itself to the important question of investment priorities nor does it relate Jamaica's educational requirements over

the next few years to the manpower needs of the economy. For this reason in May 1973 the Bank participated in a review of the education sector in Jamaica organized and led by AID. The purpose of the review was to assess the capacity of the education system, to identify constraints upon its development, and to recommend priority investments for domestic and external financing. In particular the mission concentrated on the problem of technical and vocational training and the extent to which such training is presently adequate to meet the future employment demands of the economy. The mission's report is likely to endorse the emphasis currently being given by the Government to teacher training, skilled training programs, curriculum development and to upgrading the primary system. A number of project items have been tentatively identified by the mission, some of which would be suitable for Bank financing. Possible items are as follows:

- (i) a new secondary teacher training department or college for the training of upper secondary school teachers of science, mathematics, and languages;
- (ii) establishment of two or three junior colleges or common science and technical education centers, with both terminal and university preparatory programs;
- (iii) establishment of two or three new vocational agricultural schools for the training of agricultural extension workers;
- (iv) construction of a number of trade training centers;
- (v) construction of new upper secondary schools.

The Bank, however, has not yet discussed the possible scope and content of the third project with the Government, and we shall need to discuss the conclusions of the sector study with other external agencies before we discuss any specific project proposals with the Government for financing. Once agreement has been reached between the Government and the Bank on the content of the project we would expect to seek UNESCO assistance in preparing the project in detail. We have tentatively scheduled an appraisal mission for early CY74, although the timing will depend to an important extent on the progress achieved by the Government in implementing the second project.

Water Supply II - (\$10 million FY75)

It is expected that the next major increment of water supply will be needed by 1977 or shortly thereafter. Kingston's needs until that time will be met through the completion of the first Bank-financed water supply project (see G.2 - Existing Projects) supplemented by additional yields to be financed under the proposed small sewerage and water project for which

Bank financing has been included in the FY74 program. There are, however, two feasible water sources for the next major increment of supply, the Blue Mountain surface water source to the Northeast of Kingston and the Linstead ground water source to the Northwest. In the long run both the Blue Mountain and Linstead schemes will probably be required. A feasibility study has been completed which recommends development of the Blue Mountain water source in four stages to meet Kingston's water supply needs to the year 2,000. Stage I costs, including a diversion dam, 10 miles of tunnel, and treatment plant, are estimated to cost about J\$20 million in 1973 prices and the project is estimated to yield about 13.5 imgd. The potential for a ground water scheme in the Linstead Basin has also been reported upon by consultants and its hydrologic feasibility confirmed recently by a consultant hired by the Bank although no feasibility study has been done. The scheme would consist of ground-water wells, pumping stations and a transmission main. The first stage scheme could produce 15 imgd with a potential exportable yield of 30 imgd. A preliminary estimate of capital costs is J\$10-12 million.

The Minister of Public Utilities has informed the Bank that the Government wishes to develop Stage I of the Blue Mountain scheme as a matter of urgency. The Government says that it would take two years to prove the Linstead Basin source, and that competing demands are likely to emerge soon for the Linstead Basin water from potential agricultural, industrial and urban domestic users in the Spanish Town area; and that Blue Mountain will in any case have to be developed at some point to meet Kingston's needs. The Government has suggested that consideration should be given to developing Linstead after completion of Blue Mountain Stage I. However, the Bank's preliminary calculations indicate that the capital and operating costs (present worth) of the sequence Linstead Basin followed by the various stages of Blue Mountain would be J\$2-3 million cheaper than the sequence Blue Mountain I, Linstead Basin and then the remaining stages of Blue Mountain. It is estimated that, if the costs of Linstead overrun by 50 percent, the cost advantage of the first sequence is reduced to J\$1.0 million. While further exploration and testing are required at Linstead, this is to establish the optimum number and location of wells, not to prove that 15 imgd can be drawn from the basin, since there is little uncertainty about the latter.

However, certain institutional problems have to be taken into account. The Water Commission (WC), a government-owned statutory body reporting to the Minister of Public Utilities, serves the Kingston and St. Andrew's corporate area, while the western suburbs, Spanish Town and neighboring agricultural areas are supplied by the National Water Authority (NWA), under the Ministry of Mining and Natural Resources, and other public entities. If the WC were to develop Linstead, it would first have to reach agreements with agricultural interests (for irrigation water compensation) and with the NWA, which wishes to reserve Linstead for the western suburbs. Such an agreement would also have to include arrangements for the possible release or sale by the WC to the NWA of the water facilities

at Linstead at some time in the future. (There may be a case - which has support in the National Planning Agency - for a single water supply agency under one ministry with responsibility for developing and reclaiming water resources for multi-purpose use in the entire Kingston region, but this is an issue which requires further examination.) Finally, available geological information indicates that tunnel construction would be a major and particularly difficult undertaking; this could extend the period required for preparation and construction beyond the four and a half years estimated by the consultants, to about six years. Linstead should take about five years to complete.

We have not yet been able to place all the above factors before the Government for its consideration. We plan to do this during the appraisal, scheduled for July 9, 1973, of the water and sewerage project.

OFFICE MEMORANDUM

TO: Files

DATE: March 12, 1973

FROM: Shiv S. Kapur, Division Chief IAC II

SUBJECT: Mission to Jamaica February 6-9, 1973

1. I accompanied Mr. Wiese on his visit to Jamaica on February 6-8, and stayed on for one more day for further discussions with the Government on operational matters before proceeding to Barbados. The objective of our mission was to discuss certain policy issues and matters of operational concern with the Government. Mr. Wiese and I had meetings with the Prime Minister, and the Ministers of Finance, Education, Mines and Natural Resources, Public Utilities, Housing, Industry and Tourism, and Agriculture, and their senior staff. On February 8 we also visited Bernard Lodge sugar estate and factory in the company of Mr. Langford, Managing Director of the public sector Frome Monymusk Land Corporation. A brief record of discussions appears below.

The Honorable David H. Coore, Deputy Prime Minister and Minister of Finance:
February 6

2. Mr. Wiese opened the discussion by commenting on the heavy program of lending that we have in Jamaica for FY74. This program, he said, is likely to provide occasion for intensive discussion by the Bank's Executive Directors and management of Jamaican economic and financial policies. Of special concern to the Bank will be the public investment program and public savings, the incomes policy to be adopted by the Government and, in the context of the need to raise additional resources and of the proposed sites and services projects, proper land revaluation and property taxes to be levied in Kingston and other urban centers.

3. The Minister indicated that while budgetary deficit in 1972-73 is expected to be around J\$15 million, next year's budget, to be presented on April 15, is likely to show an improvement. The Government expects to limit the growth of current expenditures in the coming year, and the yield from land and property taxes is likely to double to about J\$15 million. Land revaluation has been completed in all but three parishes in the country. In view of the rise in the rate of inflation - 11 percent in 1972-73 as against an average of 8 percent in the past few years - the Government is already pursuing tighter credit policies; credit restrictions have been imposed and interest rates increased. In the incomes policy field, an expert has been engaged by the Government to do a comparative study of policies adopted in other countries and to draw up a framework for Jamaica. While a machinery already exists for price controls, wage restraint is more difficult; imposition of national guidelines for wages and prices is not considered a very effective device by the Government in the absence of proper enforcement machinery [also see paragraph 21(ii)]. On the balance of payments situation, the Government has already imposed direct controls on imports and will supplement them with surcharges as part of the forthcoming budgetary exercise.

4. Continuing his comment on inflationary pressures and Bank lending, Mr. Wiese reiterated our concern with negative interest rates; such interest rates contribute to underpricing of capital and to unemployment, and unless inflation in Jamaica is brought under control, indexing of Bank loans to the DFCs for agriculture and industry might become necessary. He also mentioned the need for a proper division of labor between IBERD, IDB and CDB in their operations in the Caribbean countries. This applied especially to the proposed Bank lending to the JDB for tourism and industry whose need could perhaps be fully met by IDB without unnecessary duplication between the two agencies. The Minister asked Mr. Horace Barber, Permanent Secretary for Finance, who was also present at the meeting, to look into this.

The Honorable Florizel Glasspole, Minister of Education: February 6

5. The meeting with the Minister of Education was also attended by the Minister of State, Mr. Eli Matalon, and Mr. Patrick Burke, the Permanent Secretary. We expressed our concern with the problems we have had with the first education project and the slow progress being made on the second project. In respect to the first project, we mentioned to the Minister our letter requesting the Government's confirmation that building contracts financed from the Bank loan were not involved in the irregularities being investigated by the Da Costa Commission. On the Minister's expressing ignorance of the matter, we reminded Mr. Burke that the question had been raised with him by an Area Department mission in mid-September, followed by a letter to Mr. Horace Barber. In the meantime, an amount of nearly \$400,000 remains unused in the loan account. On the second project we expressed our appreciation of the new Government's desire to review the scope and content of the project before proceeding further. However, while this review has recently been completed, delays in project implementation continue. We expressed our particular concern with the proposal that the project unit architect should function as chief architect in the Ministry in the latter's absence on leave. All these delays, we said, would lead to cost escalation, and we would not be able to embark upon a third project until better progress has been achieved on this one. (Mr. Wiese has subsequently written to the Minister in this connection on March 8, asking for the Government's commitment to a specific program of action.)

6. In regard to the preparation of architectural briefs, Mr. Matalon stated that ten architectural firms are being retained by the Government to clear 14 packages. He said that the Ministry has also set up complete performance auditing to monitor the progress on the project. The Minister expressed his concern about the 15-18 year old school leavers who cannot find employment and thus provide a ready base for delinquency. He added that the Ministers of Labor and Agriculture are formulating schemes for training these age groups for gainful employment.

The Honorable Allan Isaacs, Minister of Mines and Natural Resources: February 6

7. Mr. Wiese asked the Minister how he saw the future of bauxite which plays such an important role in the Jamaican economy. A reference was also made to the urban planning and management study which we would include under our proposed sites and services project, and which is expected to lead to an improvement in the working of the Kingston and St. Andrew Corporation which has some responsibilities for the management of the Kingston urban area.

8. The Minister stated that the total bauxite deposits in Jamaica are estimated at about one billion tons. It is the Government's objective to extract about 25 million tons a year and to refine about four-fifths of that within the country. The Government also plans to set up aluminum production and is presently considering aluminum smelter possibilities. The Minister also mentioned a new Alcan process for alumina production which would consume 30 percent less power, and whose development the Government is watching with interest. If successful, this would clearly mark an important breakthrough. As to the overall future of bauxite, while new sources in Australia and other places are being discovered, Jamaica has the advantage of closeness to U.S.A. which is its main market.

9. The Minister requested Bank financing for two water supply schemes urgently: Spanish Town (J\$2.0 million) and Savanna La Mar (J\$2.5 million). He said that financing would be required in FY74. Mr. Wiese stated that the next Bank mission will review the suitability of the two schemes as a package for possible Bank financing; in the meantime, a formal application might be made through the Ministry of Finance so as to fit into the Bank's overall lending program. However, he underlined the rates problem; we would not wish to lend for water supply unless appropriate water charges are levied. The Minister readily accepted the need for proper pricing of water and said that he would welcome Bank insistence on such pricing as a prerequisite to lending for the aforementioned water supply schemes.

The Honorable Eric Bell, Minister of Public Utilities, Communications and Transport: February 7

10. In his opening remarks, Mr. Wiese mentioned the large number of Bank loans planned for Jamaica in FY74. The program is particularly large in relation to the size of the Jamaican economy and is bound to trigger intensive discussion within the Bank on macro-economic and project issues. Referring to the provisional conclusions of the recent economic mission, Mr. Wiese stressed the need for improvement in the fiscal performance as compared with the previous 18-24 months. Further, in an environment of fiscal stringency and already high revenue/GNP ratio, it is of crucial importance that autonomous entities are run on sound financial lines. This is of importance not only to the entity concerned but has substantial implications of macro importance.

11. The Minister responded by saying that he appreciated the importance of assuring financial self-sufficiency of public entities. Strenuous efforts are being made by the Government to improve managerial and technical competence; as an example of the Government's success in this direction, he cited the Rio Cobre project which he said is being completed six months ahead of schedule. Reverting to our previously expressed concern about the failure of the Water Commission to achieve the required rate of return (Mr. Gutierrez's letter of August 28, 1972 and Mr. Wiese's letter of January 19, 1973), he expressed his agreement with the desirability of an 8 percent return on water; on sewerage, however, he thought it necessary that the service be subsidized to some extent. The required rate increases for water were postponed last year for various reasons; the position is now being reviewed and proposals for necessary increases in rates are likely to be formulated in the coming three to four weeks. The actual increases to be levied will be viewed in the context of the 1973-74 budget presentation in April. As to sewerage fees, these are presently collected through the land tax system and then are supposed to be channelled to the Water Commission. A proposal is now under consideration of the Government for the Water Commission to receive such fees direct. As to the question of excess staff on the rolls of the Water Commission, the Minister stated that a reduction of 30/40 men has been possible; he added that in his view reduction by attrition alone would not suffice. Proposals are therefore being formulated for a reduction of 200 men. At the same time the Government has not been very successful so far in recruiting the required technical and administrative personnel for the Commission. Efforts in this direction are however continuing.

12. Mr. Wiese mentioned the manpower constraints in the Bank and stated that we would not wish to appraise projects in water and sewerage unless we have been assured of proper pricing. The Bank would be willing to accept sewerage rates linked with water use, or some other independent system of collection. Another aspect of the question which gives us cause for concern in the present inflationary situation in Jamaica is the need for revaluation of assets; he thought the Government should also attend to this in assuring an appropriate rate of return on the assets of the Water Commission. The Minister pressed strongly that the Bank not postpone its project work pending a decision on the rates question. Discussions on this matter have been already initiated for an increase to go into effect on April 1; the Bank will be advised by March 15 so that project appraisal (according to the current timetable, Kingston sewerage project is scheduled for appraisal on April 23) is not delayed.

13. On water supply projects, the Minister stated that the Blue Mountain or Linstead basin water supply schemes are presently being considered by the Government. The amount of water available in Linstead basin has however not been proved, and is not likely to be proved for another three years or so. While supplementary ground water resources are being developed and, combined with the Rio Cobre scheme, could suffice in providing water until 1977, the Government considered it unwise to postpone a decision on the Blue Mountain

scheme. Even if the Linstead basin scheme were to be proven, and would perhaps be cheaper, the Blue Mountain Project would still be necessary. Further, the water needs of St. Catherine county are likely to increase enormously in the future and would use up all that the Linstead basin can provide. As to power, the longer term JPSC plans are dependent upon decisions on power related to the petroleum refinery-aluminum smelter proposals. In the meantime JPSC would prepare a smaller, interim power project for which the Government would request Bank financing. Speaking of the airports project, Mr. Wiese cautioned the Minister against expecting retroactive financing from the Bank. He mentioned the Bank's general opposition to retroactive financing and said that we are unlikely to retroactively finance expenditures on the airport scheme prior to negotiations sometime in October (present plans include appraisal in May and negotiations in October 1973).

The Honorable Anthony Spaulding, Minister of Housing: February 7

14. Mr. Wiese opened the discussion by expressing our special interest in the Kingston sites and services project due to its pioneering nature. However, we have two causes for disquiet at present:

i) we are keen that the proper opportunity cost of land be determined for sites in Kingston area; on such evaluation will essentially depend the repayments to be made by the beneficiaries; and

ii) we are also particularly interested in the job creation aspect of the project so as to promote ownership of the new constructions and avoid the relapse of the new communities into slums. Clearly, this job creation aspect could be either linked with the provision of transport and the overall availability of jobs, or jobs could be made available either in nearby areas or specifically for these communities in other areas of Kingston. Mr. Wiese wondered how these alternatives might relate to the credit component of the loan.

15. In regard to land evaluation, the Minister stated that normal commercial evaluation has been done. However, the land belongs to the Government and cost-to-the-Government evaluation will be used for the purposes of the project (this will clearly imply substantial effective subsidy which we will need to look into before we go forward with the sites and services project.) The Minister went on to say that the question of further land acquisition is being examined and legislation will be introduced to discourage speculation. The Government might also decide to acquire private land through payment by bonds so as to spread out the payment over a longer period.

16. In respect of the job creation question, the Jamaica Industrial Development Corporation is working on feasibility studies for various industries; we would expect these preinvestment studies to be made available to the Bank in March. (At a subsequent luncheon meeting with the Minister of Industry and Tourism, The Honorable Percival Patterson, it appeared that feasibility studies might not be completed in time for appraisal mission. We would write to the Government in this connection and plan our response accordingly.) The industries

being studied include the manufacture of construction accessories, bed linens, bicycles, toys, etc. One industry, whether private, under JIDC sponsorship or as a cooperative, is planned for every alternate site. On inquiry, the Minister stated that, depending upon the success of job creation, about 30 percent of the target population will be below the \$600 income level; this is the element which would be subsidized under the project. He added that less expensive land will be used for subsequent development. On the institutional aspect, he said that the Housing Corporation has been already registered and a chairman appointed. The full Board of the Corporation is however yet to be appointed.

17. The meeting closed with our reiterating the view that substantial land subsidy for sites and services projects would not be workable in the longer term and for a larger program. The Government should therefore carefully consider the extent of the subsidy involved and try to optimize the inputs of time and labor by the participants.

The Honorable Keble Munn, Minister of Agriculture: February 7

18. Our meeting with the Minister of Agriculture was relatively brief. We touched upon the latest position in respect of the agricultural sector study for which the Bank is providing technical assistance by making Bank experts available at various stages of the study. The Minister stated that the study was going well and would probably be completed on schedule. Mr. Dyer, the Permanent Secretary for Agriculture, who was also present at the meeting, expressed his agreement with the suggestion that the review panel of experts be financed by reallocating the proceeds of the ongoing agricultural credit operation of the JDB (this was also discussed by me separately with Mr. Barber who has since communicated the Government's formal request for an amount of \$100,000 from our loan to the JDB being reallocated for this purpose). In the meantime, we have already suggested a list of names for the review panel. Mr. Dyer confirmed that he had received the list and was generally in agreement with it.

The Honorable Michael Manley, Prime Minister: February 7

19. Our meeting with the Prime Minister, which was also attended by Mr. Horace Barber from the Ministry of Finance, and Dr. Gladstone Bonick from the National Planning Agency, was devoted to pulling together the various strands of our earlier discussions with different Ministers. In raising the question of the Government's policies on certain basic economic issues, Mr. Wiese mentioned specially the need for an aggressive exchange rate policy, for controlling expenditures and improving public savings, for formulating an appropriate incomes policy so as to keep cost-price relationship in line, and the contribution that proper land revaluation and property taxes and the pricing of public utilities can make to public savings. He mentioned the substantial Bank program of lending in Jamaica in FY74; it would be difficult for the Bank, he said, to go through with this program unless a determined effort on the part of the Government were forthcoming to mobilize domestic resources for increased public investment. While complimenting the Government on its recent devaluation decision, Mr. Wiese stressed the importance for

Jamaica of maintaining a flexible attitude on this question and of undertaking the necessary supporting policy measures to improve its competitive position in the exports field and maximize the benefits of devaluation. He called attention to the recent acceleration in the rate of inflation and underlined the need for enforcing an appropriate incomes policy.

20. The Prime Minister's response was forthright and sympathetic to the points made above. He expressed the Government's determination to take necessary measures, however unpalatable, to raise additional resources and improve public savings. He agreed fully with the need for the proper pricing of public utilities and said that necessary revisions in rates will be undertaken at the time of the forthcoming budget presentation. The Government, he said, is also working on the formulation of an incomes policy, despite the many difficulties that this clearly presented. He said that he is taking various steps to improve the country's absorptive capacity, and that he looked forward to substantial cooperation from the Bank in achieving rapid economic growth. He expressed his appreciation of Bank assistance in conducting the agricultural sector study.

21. After Mr. Wiese's departure in the morning of February 9, I had additional meetings with Messrs. Noel Chin of JDB, Horace Barber of the Ministry of Finance, Richard Fletcher of the Prime Minister's Secretariat, and Richard Woodham of the National Planning Agency. The following points emerged from these discussions:

i) Fiscal Matters

An overall deficit of J\$17 million is anticipated in 1972-73 (compare Paragraph 3 above), after allowing for underspending of about J\$7 million. The recent discussion with the visiting IMF mission for a standby remained inconclusive because the Government was apparently unable to meet the Fund requirements for FY72-73 which ends on March 31. Discussions in respect of the program for the coming fiscal year are continuing. One explanation for the deficit in 1972-73 is a shortfall of about J\$6 million in the budgeted revenues, mainly in income tax from the companies for which a pay-as-you-go system has lately been introduced. However, the tentative projections for FY73-74 given to me appeared to lean fairly heavily on domestic and foreign borrowing for investment expenditures. Some further loss of reserves is also not ruled out.

ii) Devaluation and its aftermath

The Government is working on a follow-up package, although this should have clearly been done earlier so as to avoid dissipation of the beneficial effects of the devaluation. A new incentive program for industrial investment is being examined, based essentially on tax incentives. A Mitsubishi/Matalon joint plan is being actively considered for motor-car assembly in Jamaica and for the manufacture of various items of export, including garment manufacture. The primary effort in the expansion of productive capacity is however focused on agriculture. The Government is planning to bring its substantial holdings of arable land into use through large size state farms, to be ultimately converted

into cooperative farms. These large farms would be commercially run and would be devoted to the cultivation of food crops and vegetables. A J\$13.4 million project for the rehabilitation of banana industry over a two-year period has also been formulated. As to the incomes policy, Professor Haynes of the University of West Indies, who is at present a visiting professor at MIT, has been retained by the Government to formulate proposals. The Government's immediate thinking points to wages and prices guidelines which would permit increases of 5 and 7 percent respectively in the coming year (cf: Paragraph 3).

iii) Absorptive Capacity

The limited size of the Projects Unit in the National Planning Agency is apparently heavily overstrained at the present time due to the oil refinery project being under consideration. Both ODA and CIDA are providing technical assistance for evaluation of the refinery-cum-aluminum smelter project, with feasibility studies being initially focused on the refinery and power components. The Government is however obviously in desperate need of technical know-how to conduct meaningful negotiations with the oil companies on the refinery project. On being asked, I suggested a couple of names of consultants that the Government might wish to consider for retention. In the meantime, a reform of the administrative structure of the Government is apparently being pursued. A civil service department is being set up to review methods and procedures, with immediate focus on the Ministries of Agriculture, Housing and Education. A separate unit in the Ministry of Finance to coordinate and follow up on externally financed projects is also under consideration.

iv) Water and Sewerage Rates

I was informed that increases have already been included in the FY73-74 budget profile, and are expected to go through. Mr. Barber expressed the Government's interest in a smaller water and sewerage project being financed by the Bank for the present, with a management advisory component which would help effect institutional improvement in the Water Commission. Apparently the salary structure in the Water Commission needs upgrading, and some management consultant studies made in the past have been only partially implemented. We would look into these aspects when we review the possibility of a small combined project for FY74.

v) Refinery Project

I was informed that Saras, the Italian firm which is sponsoring this project has been in touch with the IFC with a view to financial assistance. I will check with the IFC if this is so and try to get an idea of the nature and possible size of IFC involvement in the project. Since the project is likely to involve substantial public borrowing, whether directly or with government guarantee for foreign borrowing, its impact on Jamaica's creditworthiness could be substantial.

vi) JDB

I discussed the Bank and IDB roles in future lending to JDB for tourism and industry. Mr. Chin's reactions have already been separately recorded and are therefore not being repeated here. We have also since decided not to compete with the IDB in this field. We had general discussions with the Jamaican Alternate Executive Director on the subject, as a result of which we expect the Government to withdraw its application for the Bank loan.

Cleared with and cc: Mr. Wiese, Director IAC II

cc: Messrs. Alter, Regional Vice President IAC (o/r)
Knox, Director, Projects IAC
Sadove, Director, Urban Projects
Sheehan, Division Chief Projects IAC
Geli, Division Chief, Projects IAC
Cheek, Division Chief, Education Projects IAC
Renger, Division Chief, DFC, Projects IAC
Clift, Loan Officer IAC II
Richter, Economist IAC II

SSKapur:ean/bjp

Memorandum for Record

August 23, 1972

Edgar Gutierrez (signed) Edgar Gutiérrez

Meeting of Mr. McNamara with the Prime Minister of Jamaica,
Mr. Michael Manley, on August 10, 1972

1. Present were:

<u>Bank</u>	<u>Delegation</u>
Robert McNamara	Michael Manley, Prime Minister of Jamaica
J. Burke Knapp	John Pringle, Special Assistant to the Prime Minister
Claude M. Isbister	Keble Munn, Minister of Agriculture
Lionel Evans	
Edgar Gutierrez	

2. Mr. Manley opened the discussion by giving a brief description of the changed political structure and new government organization which he had introduced following his appointment as Prime Minister in March this year. He had endeavoured to strengthen the planning process by establishing a National Economic Council (NEC) chaired by himself and composed of the Ministers in the main "economic" departments. The NEC would be assisted by the new National Planning Agency (NPA) which would form part of the Prime Minister's Office and be staffed by civil servants. Mr. Manley said that he hoped that the new arrangements would contribute towards providing solutions to the classic Jamaican problems of unemployment and uneven distribution of income and thereby help preserve a stable democratic process of government.

3. Mr. Manley said that in the recent past emphasis had been placed on diversification away from agriculture into light industry, on strengthening tourism to generate foreign exchange and on the development of the bauxite mining sector. This policy had resulted in considerable progress in these three sectors, but this advance had been accompanied by neglect of the agricultural sector and an associated increase in unemployment which at 18 percent had now reached almost unmanageable proportions. There was a critical need for a new thrust in agricultural policies not simply to absorb the unemployed but also to exploit the sector's own potential and to develop possible linkages with the industrial sector through agro-industrial projects. The main thrust of the new policies should be away from the historic, colonial plantation pattern towards a more authentic, autonomous, and modern agricultural economy.

4. Political circumstances now prevalent in Jamaica were unusually favorable for implementing the radical change in agricultural policy which he had described. If the Government failed to respond positively and quickly to this need, Mr. Manley said that the result would be a highly unstable society and eventual deterioration into totalitarianism. Mr. Manley

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felt that the key to the problem was to reform the old Government institutions, replacing the autonomous political principalities, which had operated previously, by an effective centralized planning system, such as the NEC, which would have responsibility for general economic planning including agricultural planning. This would offer a mechanism through which it should be possible to create a model for transforming a colonial plantation system into a modern agricultural sector. Mr. Manley said that his idea had been much influenced by the success of the agricultural system in the U.K. which was based on centralized sector planning. The U.K. system might offer some useful lessons for Jamaica.

5. The main role of the international financial institutions in this process should be to assist governments in implementing those structural changes which have evolved from the democratic process. For example, there was an acute shortage of technical manpower in Jamaica and the Government therefore had to rely on international institutions to provide the necessary transfer of technology. Jamaica urgently needed a team of technical experts to undertake a thorough study of the whole agricultural sector and to prepare a master plan for its complete reform and modernization. Mr. Manley emphasized, with particular reference to sugar, that he expected the study to progress beyond the conventional wisdom to explore fully the potential for the wider industrial application of modern technology. For this reason he sought a study team which could provide him with this kind of highly specialized advice. Mr. Manley invited the Bank to help Jamaica in having this study undertaken.

6. Mr. McNamara replied that the Bank would be willing to help assemble the necessary team and, in discussion with the Government, draw up terms of reference for the proposed study. These should include preparation of an agricultural master plan, the identification of possible future projects and the potential for applying the latest technological advances to agriculture. As to sugar, it would be necessary to examine whether and to what extent Jamaica had a comparative advantage over other producers which would justify a long-term effort for this commodity. Referring to the potential for applying technology to agricultural commodities, Mr. McNamara pointed out that it would also be necessary to investigate the economics of any project to ensure that a complete and coherent picture had been obtained. To be effective the study team would need to be a closely integrated group selected by the Bank. Mr. McNamara stressed that since this was a complex matter it would be unrealistic to expect an early or quick solution from the team. It should be possible to complete the study within two years but there was a possibility that some preliminary results might be available to help the Government reshape its budget for the 1973/74 fiscal year. It should be possible to produce quicker results for the sugar sector, perhaps within nine to ten months.

7. As regards finance for the study, Mr. McNamara suggested that a number of sources should be considered including the UNDP (this might require a review of the present government priorities established in the current 5-year program), direct government financing, government financing with subsequent reimbursement by the Bank from a future loan, a grant from the Bank

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by making Bank staff available for the study (but this was extremely unlikely given staff constraints), a technical assistance loan to be incorporated in a later Bank loan, and bilateral sources such as Canadian aid. The decision as to the source of finance would be one primarily for the Government to make.

8. In discussion of other agricultural matters the following points were covered:

(i) Jamaica Development Bank (JDB): Mr. Knapp referred to the JDB's great potential for helping the agricultural sector but noted that its performance had been disappointing. Mr. Manley said that he was aware of these criticisms and the problem was being tackled. He would be willing to receive foreign technical advice on the scope for improving the institution. Mr. McNamara said that the Bank would be willing to provide DFC technical advice to help improve JDB procedures.

(ii) Price Controls and Incentives: Mr. Manley said that he was willing to dismantle certain price controls which he had inherited from the previous Government. However, he wished to do this selectively, negotiating on an individual basis with each party concerned. He hoped to be able to trade selected incentives for well defined production and investment programs, particularly in sugar and livestock.

(iii) Urban Development and Agricultural Policies: Mr. Knapp asked to what extent the pressures exerted by urban development encouraged speculation damaging to the development of economically and financially viable agricultural schemes. Mr. Manley considered that speculation induced by urban development was probably marginal, but that there was a deep rooted tradition in favor of land speculation.

(iv) Exchange Rate: To a question from Mr. Knapp Mr. Manley answered that there had been a full realization of the adverse effects of the decision taken last year, on political grounds, to maintain the parity of the Jamaican dollar with the pound sterling. This reaction had crystallized in the present Government's decision to float the Jamaican dollar so as to achieve a more realistic exchange rate.

9. In conclusion, Mr. Manley invited Mr. McNamara to visit Jamaica. Mr. McNamara said that he was much interested in this possibility but would like to defer acceptance till later when a mutually convenient time could be arranged.

Cleared with & cc: Mr. Wadsworth (Agriculture Projects)

cc: Messrs. McNamara, Knapp, Isbister, Evans (o/r), Wright, Diamond, Hendry, Rowe, Wyss (o/r)

AJClift:jmd
(IBRD)

File: Jamaica - Agriculture

W. Isbister
OFFICE MEMORANDUM

TO: Mr. Robert McNamara (through Mr. J. Burke Knapp) DATE: August 7, 1972
FROM: Edgar Gutierrez
SUBJECT: JAMAICA - Visit of Prime Minister Manley on August 10

DATE: August 7, 1972

PM
Man of Agri - Munn
Dist. Sp. Asst. - Pringle
Burke
Kavanaugh
Gutierrez
Isbister, used

1. Following his recent visit with Mr. Manley in Kingston, Mr. Isbister asked me to suggest a framework for your talks with the Prime Minister on August 10. These will be principally concerned with agricultural problems but the latter need to be considered within a broader economic framework. I attach (Annex I) a copy of Mr. Isbister's cable of August 1 to the Government which incorporates Bank staff suggestions as to the possible focus of the discussions.

The Jamaican Delegation

2. Mr. Manley will be accompanied by Mr. Keble Munn, the Minister of Agriculture, and Mr. Pringle, Special Assistant to the Prime Minister. Aged 47, Mr. Manley became leader of the Peoples National Party in 1969. He was educated at the London School of Economics and is a strong trade unionist and tough negotiator. He is a most effective public speaker, almost evangelical in style. He does not appear to have a strong political ideology although he has been characterized as a moderate Fabian Socialist. As Prime Minister he has frequently emphasized his intention to enhance public integrity and to create greater opportunities for all classes of Jamaicans to participate in Government. The new Minister of Agriculture, Mr. Keble Munn, is an experienced politician and a former Minister of Agriculture. Although he is not an agricultural technician, he is highly regarded and influential in the PNP. He is a grower of the high quality Blue Mountain coffee.

Political Background

3. Mr. Michael Manley took office as Prime Minister after a sweeping election victory by the Peoples National Party (PNP) at end-February 1972 following ten years of rule by the Jamaica Labour Party (JLP) since independence in 1962. Jamaica has a strongly entrenched two-party system although there are no major ideological differences between the two parties each of which is heavily union-based. The JLP is supported by the Bustamante Industrial Trade Union (BITU) while the PNP is based on the National Workers Union (NWU) and the Trade Union Congress (TUC). Politically the PNP stands slightly to the left of the JLP, but both are basically conservative in approach. The PNP is more outward looking than the nationalistically inclined JLP; the Prime Minister in particular sees Jamaica's problems in a regional Caribbean context.

Recent Economic Developments

5. During the last year there has been a slow-down in economic growth primarily due to the weakening in world demand for aluminum. Fiscal performance

has however remained strong with dynamic central government revenues. But there has been a rapid increase in prices (over 6 percent in 1971) largely the result of high wages in the unionized sectors and a liberal credit expansion policy. These factors, together with Jamaica's decision to maintain its currency relationship with the pound sterling at the time of the change in international exchange rates at the end of last year, have contributed to the deterioration in the balance of payments. Jamaica suffered a significant loss of foreign reserves in the first six months of this year (\$26 million between March and June) due to a decline in the volume of sugar and banana exports, higher imports, and the fall in capital inflow as new investment in bauxite-alumina terminated. Jamaica has taken certain corrective action including restrictive credit policies and an increase in the central bank rate. Also the Government's decision to float the Jamaican dollar with the pound sterling should have a favorable effect on the current account. The Government is anxious to acquire additional foreign exchange and they see an acceleration in Bank-financed projects as one means of achieving this. Because of the authorities' concern over the external situation the Bank recently agreed to their request for a year's postponement of part of their 9 percent release of subscription. Basic issues confronting the Government, which are discussed below, include agricultural stagnation, urban-rural migration, severe unemployment, urban social problems, and lack of a dynamic civil service.

Government Organization

6. Mr. Manley has undertaken a major restructuring of Government Departments. In particular he wishes to strengthen the institutional framework for development planning, the responsibility for which used to reside in the Ministry of Finance and Planning. For this purpose he has established a National Economic Council (NEC) to be chaired by the Prime Minister and composed of the Ministers in the main "economic" departments. The NEC will be advised by a Technical Advisory Council (TAC), composed of the Governor of the Bank of Jamaica and other senior Government officials including the Director of the National Planning Agency (NPA). The NPA, staffed by civil servants, will undertake the background work for policy and project consideration by the TAC and NEC.

7. The theory is that individual projects will be developed in the NPA against a wider macro-economic planning background. It is still, however, not clear where major responsibility for project preparation and approval rests - in the NEC/TAC/NPA forum or in the individual ministries. The Prime Minister conceives his role in the planning process primarily as an initiator of ideas, relying on technical advisors for proper evaluation of political decisions. However, with few exceptions, Jamaica lacks effective top civil servants with initiative and drive who are capable of speedily translating political ideas into social and economic development projects. If the new planning institutions are to operate effectively it is vitally important that they are staffed by the best talent available.

Economic Policies

8. 5-Year Plan - The Government has initiated a review of the 5-year economic plan which was in the final stages of preparation by the previous Government when the general elections supervened. Our present information is that the review of the plan is progressing extremely slowly and may not be completed for at least another year. This is a discouraging start by the new Government. Since the economic plan

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will establish Government priorities and provide the framework for project development and implementation over the next five years, the present timetable would lead to serious delays. It is highly desirable that you should impress upon the Prime Minister the urgent need to accelerate completion of the plan, and in any case to expedite the preparation of projects.

9. Bank Economic Mission - The last basic economic report was dated June 1971 and the Bank is planning to send a small economic mission in October this year as a basis for presentation of projects to the Board in spring next year. This mission could help the Government in preparing its economic plan, and also advise on the unemployment problem.

10. Unemployment - The Government gives high priority to tackling the unemployment problem (about 15 percent overall, and nearer 20 percent in Kingston). The Bank's program has been directed towards this problem, mainly in a long-term context, through its population project (\$2.0 million in FY71), and its education projects (\$9.5 million in FY67 and \$13.5 million in FY71) which emphasize technical training so as to relieve the present shortage of skilled labor and remove a serious bottleneck to increased industrial development. Mr. Manley has indicated to Mr. Isbister that he is interested in the possibility of a Bank employment mission of the type which went to Trinidad; the Bank economic mission could be oriented in this direction. The Prime Minister might be discouraged from expecting that such a mission would come up with dramatic new solutions to this intractable problem.

11. Inter-union Disputes - This is one of the most serious political and economic problems facing the new Government. Because of the strong union affiliations of the two main parties the change in Government in February this year led to demands by the NWU and TUC that their members should replace BITU workers who had been given employment during the previous government. Inter-union rivalry, sometimes accompanied by violence, led to a virtual halt on public construction projects throughout the island, including work on the Bank-financed Kingston-Spanish Town Highway project (although we understand that work on this project has just been resumed), and the IFC-financed Pegasus Hotel. Almost six months after the elections there appears to be no immediate prospect of a general resumption of work.

12. The severe unemployment situation and the close link of the unions with the two main political parties places the unions in an unusually influential position. But the result of their rivalry has been an aggravation of the unemployment problem and an unnecessary restraint on economic growth. It would be helpful if the Prime Minister, who vigorously attacked "job victimization" while he was in opposition, could initiate a fresh approach to the issue of inter-union rivalry.

Agriculture

13. Background - Although less than 10 percent of GNP derives from agriculture, 30 percent of the labor force is engaged in it; 20-25 percent of exports are agricultural (principally sugar - 13 percent, and banana and citrus - 5 percent each). Agricultural imports are higher than exports, and consist principally of cereals and animal and fish products. The structure of the agricultural sector is one of dualism between very small farms of less than 5 acres (80 percent of holdings, 15 percent of land) and estates of more than 100 acres (0.5 percent of holdings, 55 percent of land). Agricultural production is dominated by sugar and banana (22 percent and 10 percent of value of agricultural output); food crops are widely grown,

and coffee, cocoa, citrus and beef are other cash crops. Agricultural performance has been very poor in recent years partly because of climatic factors but largely owing to a decline in agricultural area brought about by increasing production costs (particularly wages) and reduced profitability. Output of the major cash crops (sugar, bananas, and citrus) has declined substantially since 1966, while production of other agricultural commodities has fluctuated about a level trend. The Ministry of Agriculture and Fisheries serves commercial agriculture through marketing boards and corporations. The marketing boards handle export crops and provide extension services; the Agricultural Marketing Corporation assists small farmers producing for the domestic market by providing market outlets and storage facilities, supplying inputs, operating price support (for maize) programs, and contract purchasing of fruits and vegetables. The Jamaica Development Bank (JDB) serves medium-range commercial farms (in the 100-300 acre range). In December 1970 the Bank made a loan of \$3.7 million to the JDB for on-lending to farmers for citrus, coconut, dairy and beef production. Apart from sub-loans for beef, disbursements have been slow. This is due to credit competition from commercial banks, processing delays, and lack of effective management leadership.

14. Policy Issues - Historical and recent trends have created an apparently paradoxical socio-economic situation in the agricultural sector. Despite high rates of urban migration and the relatively rapid growth of the non-agricultural sectors of the economy, the agricultural labor force has remained constant over the past decade. Although rural poverty continues and the gap between rural and urban living standards is widening, rural wages have increased to the extent of reducing profitability and investment in agriculture, with a consequent stagnation in agricultural output. At the same time, the exchange rate, primarily determined in terms of the competitive bauxite-alumina industry, has had an unfavorable impact on agriculture, and resulted in declining agricultural exports and rapidly growing food imports thereby adding to Jamaica's more recent balance of payments deterioration. In short, the Government is faced with the problem of trying to stimulate growth of the labor-intensive, increasingly high-cost agricultural sector while at the same time maintaining employment and raising living standards among the rural population.

15. Sugar - The Prime Minister recently indicated to an Area Department mission to Kingston that within the agricultural sector he gives priority to the problem of the Jamaican sugar industry. He associates the decline in that industry with other social problems such as the rural-urban drift and high unemployment. Mr. Manley asked whether the Bank would be willing to assist in arranging for a thorough study to be undertaken of the whole sugar industry, including cane production, transportation, milling, refining, and the possibilities of further processing of the by-products of sugar mills. Mr. Manley expressed particular interest in exploring by-product potentialities. He also asked whether the Bank would, in principle, be prepared to assist in financing a project in the sugar sector, if a sound scheme could be developed.

16. Because of its importance to employment and exports, rehabilitation of the sugar industry is essential. The relatively strong medium-term world price outlook for sugar should facilitate rehabilitation. Substantial new investment is likely to be needed as well as major changes in the organization and structure of the industry. An initial study of the processing side has been made by UNIDO

August 7, 1972

but this should be followed by an analysis of the industry in its larger socio-economic context before any specific proposals for a long-term rehabilitation program are considered. We have recently written to the Prime Minister proposing that as a first step a Bank mission should visit Jamaica towards the end of August for discussion with the Government about the precise scope of the study and arrangements for getting it started.

17. Besides sugar, the new Government is anxious to encourage investment in food processing for export and for import substitution. This seems basically suited to private enterprise and requires a high degree of vertical integration from farm gate to ultimate domestic or foreign market outlets. A careful analysis is needed prior to agro-industrial development of fruit and vegetable production and related processing industries. In the field of livestock, Jamaica's production potential for grass-fed beef could be exploited by a program of pasture development with supplemental feeding of molasses in contrast to past emphasis on feed-lot operations. There may be scope for further Bank assistance in agro-industrial and livestock development through the Jamaica Development Bank, if that institution proved willing to play a more active promotional role in these two areas.

Rural-Urban Development

18. The rural-urban migration problem highlights the need for the Government to look at rural and urban development problems as closely related issues. For example, what is the importance of hill farming in relation to the rural-urban drift? Should more hill farming be encouraged or would continued migration to the towns be preferable, thereby avoiding extra rural infrastructure costs and opening up the possibility of agrarian reform? In order to ease the social problems of continued migration to Kingston it might be desirable to develop other urban centers. A recent Bank mission has identified an urban development project ("site and services" concentrated in high priority districts largely in the Kingston area for possible Bank financing in FY74. This could be accompanied by a basic study, in the context of the Government's wider urban development policy, for the longer-term urban development of the Kingston area leading subsequently to a major urban development project in Kingston and possibly in other urban centers as well.

Industrial Policy

19. Bauxite-alumina - The Prime Minister is anxious to maximize the bauxite industry's contribution to the Jamaican economy. In an article in Foreign Affairs in October 1970 Mr. Manley spoke of "joint ownership" as the key to "mutuality of interest". The Government has established a National Bauxite Commission "to assess bauxite resources and set guidelines for planned exploitation, and to plan for and implement, in partnership with the existing bauxite companies, the smelting of alumina and the development of fabricating plants to produce aluminum products". The Government is negotiating with (unnamed) U.S. oil companies for the possible construction of a large off-shore oil refinery in Jamaica with an associated deep-water port near Yallahs River (about 15 miles east of Kingston). As part of the arrangements the refinery would make oil available at low cost for thermal power generation to be used for aluminum smelting. The Government has expressed an interest in the possibility of the Bank financing the deep-water port. However, this

is a highly complex project and we should need to have a clearer demonstration of its financial and economic justification before indicating that the Bank might be interested in becoming involved. If the Prime Minister shows interest in bauxite processing into alumina, you might wish to indicate that the Bank could consider providing a portion of the project's financing needs.

20. Tourism - The Government plans to develop the Negril Area on the West Coast. In 1970 the IFC declined an invitation to participate in this project because of its high cost, doubts about the need for more hotel investment in the near future and uncertainty whether the project would increase the aggregate number of tourists coming to Jamaica. The Bank may be able to assist development in the tourist sector through a proposed loan of about \$4.0 million to the Jamaica Development Bank scheduled for the current fiscal year. Also, the Government is likely to seek a loan from the Bank during FY74 (possibly with parallel financing from CIDA) for airport developments at Montego Bay and Kingston which would be justified primarily in the context of tourism.

External Assistance

21. Jamaica should review its sources of financing so as to achieve an optimum blend of available external development finance. Of course, Jamaica is not eligible for IDA funds, given its per capita income of \$560. The choice of the most appropriate source of financing will largely depend upon the nature of individual projects. Soft funds such as those now available from the IDB, CIDA and AID would be particularly suitable for projects in social sectors (for example, rural water supply and electrification, secondary and tertiary roads).

22. A copy of the last Country Program Note is attached.

Attachments

Cleared with (in substance) & cc: Mr. Evans

Cleared with & cc: Mr. Wyss

cc: Messrs. Wright (o/r), Strombom, Kuczynski, Richter

AJClift:jmd

FROM: Claude M. Isbister

1. This pertains to meeting on August 10th of Prime Minister with Mr. McNamara and arises from meeting of July 13th in Kingston. On return I informed McNamara of your priority concerns and requested comments from senior staff level for transmission to you. Bank staff understand that agriculture and employment are urgent concerns and their references to broader matters are intended only to suggest that these subjects require consideration within relevant framework. It will probably be most profitable if the discussions are to focus on a few major issues. Staff comments are in following.

2. The Economy

(a) The major economic problems identified by the Government and priorities of the Government for resolving them. Rural-urban migration and associated social problems such as the widening gap in standards of living between the towns and rural areas, lack of skilled labor, and urban development planning. Closely related is the unemployment problem and the need for policies.

(b) The Government's major economic objectives and progress of the current review of the 5-year economic plan. The relationship between macro-economic planning and policy and project implementation (that is, the functioning of the decision-taking process). The roles of the National Economic Council and the National Planning Agency.

(c) Bank Assistance: small economic mission later this year, oriented towards unemployment problems. Purpose of mission would be to inform Bank about latest economic situation as a basis for future Bank operations in Jamaica. Mission could also advise the Government on formulation of its economic plan.

(d) Coordination of external assistance from multilateral and bilateral agencies. Effective use of soft-loan assistance where appropriate (for example, from CIDA, IDB).

3. Agriculture

(a) Sugar Sector: world outlook for sugar demand. Present and future viability of the Jamaican sugar industry. Technical studies of whole sugar industry with a view to rationalization, rehabilitation and exploitation of by-product potentialities.

(b) Small-scale "hill" agriculture: what is potential for viable small-scale hill farming? How important is hill farming as basis of livelihood for the population? What is importance of hill farming in relation to the rural-urban drift? In view of the cost of extra rural infrastructure (for example, education, electrification), should more hill farming be encouraged or would continued migration to the towns be preferable?

(c) Land Use: the degree to which existing land-use pattern is satisfactory and potential for alternative land use. The need for a land-use policy based on existing information and additional studies as required. The focussing of contemporary technical and scientific information on the uses of products of agriculture.

TO: Mr. H. G. Barber

- 2 -

August 1, 1972

3. (d) Agro-industry: possible Government plans and policies to develop agro-industries, for example, processing of agricultural products. Role of Jamaica Development Bank.

(e) Bank Assistance: possible role of the Bank in assisting Government to deal with these problems.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 18, 1972

FROM: Claude M. Isbister

SUBJECT: JAMAICA

Please consider these points in preparing for the Manley visit.
[Signature]

I gave you an oral account yesterday of points which arose in discussions last week in Jamaica with the Prime Minister, the Minister of Finance and some of the senior officials. This note is to confirm several matters which Mr. Manley wishes to raise with you.

1. The most substantial interest is agriculture including a project to modernize and improve the efficiency of sugar production. It includes also the processing of the products of agriculture to highest feasible levels prior to export or consumption. Mr. Manley is intensely interested in bringing scientific and technical knowledge to bear on the best utilization of the products and by-products of agriculture as animal feeds, components of chemicals and so forth. He realizes along with this that reassessments should be made of the best uses of land. I expressed hope that the Bank could be of considerable assistance with respect to sugar production. I noted that we are already trying to promote food processing through the Jamaican Development Bank and other ways and can go further. I expressed some optimism about the Bank making a useful contribution to the rationalization of Jamaican agriculture. (There is already a good deal of useful information in Jamaica about the best use of land in seven principal regions). I said that no organization in the world is offering, as a service off the shelf, the scientific and technical information he seeks but perhaps the World Bank staff could give constructive thought to the question of *how* to assemble the requisite skills.

I told Mr. Manley that I would try to describe his concerns to you. If some preliminary thought could be given to IBRD responses, the meeting would be more concrete and useful. He was pleased by this suggestion and hopes that I can send some comments or annotations in the near future in preparation for his visit.

(Parenthetically, if a useful and relevant bundle of technical advice can be defined in response to Mr. Manley's interest in "science" it might be possible to finance it with Canadian money).

2. Mr. Manley is interested in an employment mission of the type which went to Trinidad, and he may have some ideas about relating this to his underlying problems of labour disputes.

3. Mr. Manley will ask you to visit Jamaica. (I forgot to mention this in our conversation).

4. He spoke about getting a Bank office established in Jamaica but this really comes down to a requirement for assistance in project preparation during the next couple of years.

July 18, 1972

5. It seems to be recognized on both sides that there is no lack of potential projects but the Jamaicans do not feel that many of them are very far advanced. Mr. Manley will express concern about the time involved in project preparation particularly because they feel an urgent need for foreign exchange.

L. N. Stiles

cc: Mr. J. Burke Knapp
Mr. William Clark
Mr. Hans Wyss

7/2/73

STATEMENT UPON ARRIVAL IN JAMAICA

I am delighted to be in this beautiful country. Though I am not a stranger to Jamaica, this is my first visit as a representative of the World Bank.

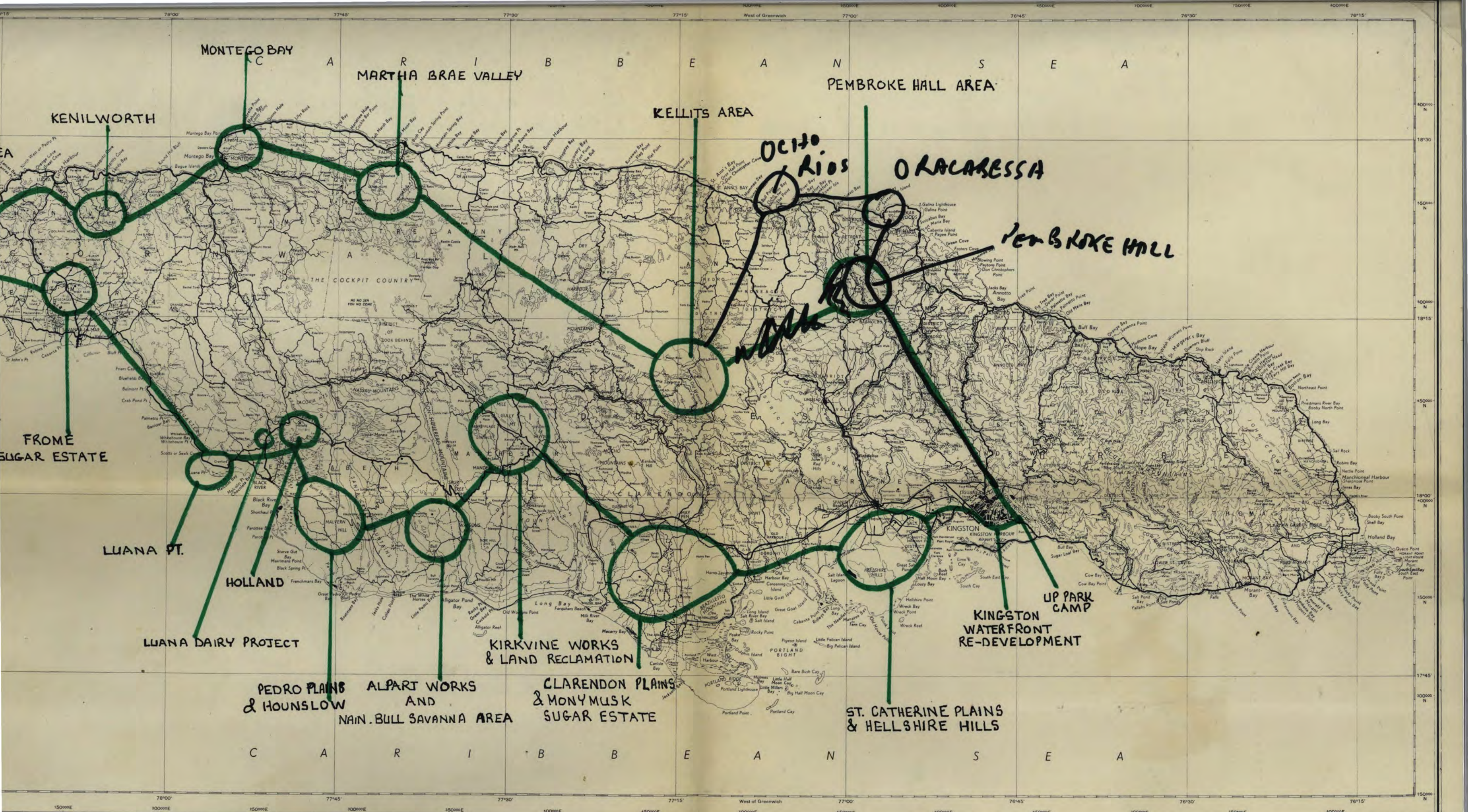
Last year I had the pleasure of meeting with Prime Minister Manley in Washington. I am now looking forward to seeing him again, and meeting with other Ministers, ~~to continue our dialogue on~~

I hope both
~~development~~ and to learn more about ^{your} the Government's economic and social policies and ^{in particular to learn how} the plans for action where the World Bank might ^{a more} be a useful partner ^{in your development.}

As you probably know
The World Bank is already involved in a number of projects in Jamaica, through loans for transportation, agriculture, water supply, and education. ^{and} We are working ~~together~~ on new projects in several sectors, including urban development, which should contribute to the well-being of all Jamaicans. In the last five years the Bank has made loans to Jamaica totaling more than \$33 million. We hope that over the next few years our lending can be continued and increased *substantially.*

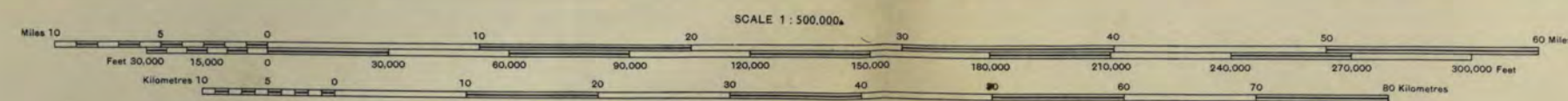
Like most developing nations, Jamaica faces ~~some~~ difficult problems in its development efforts, but your Government and people are showing great determination to overcome them. We in the World Bank hope to play ^{an increasingly significant role} a part in helping Jamaica to achieve greater economic and social well-being for ^{all of your people} its people.

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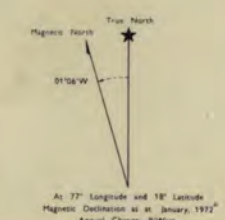


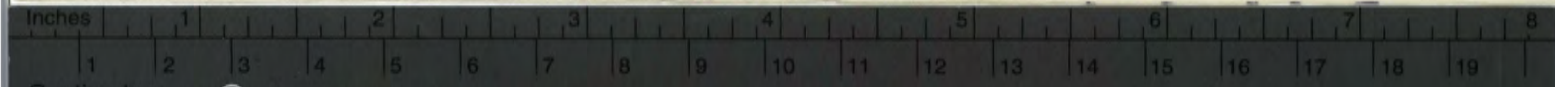
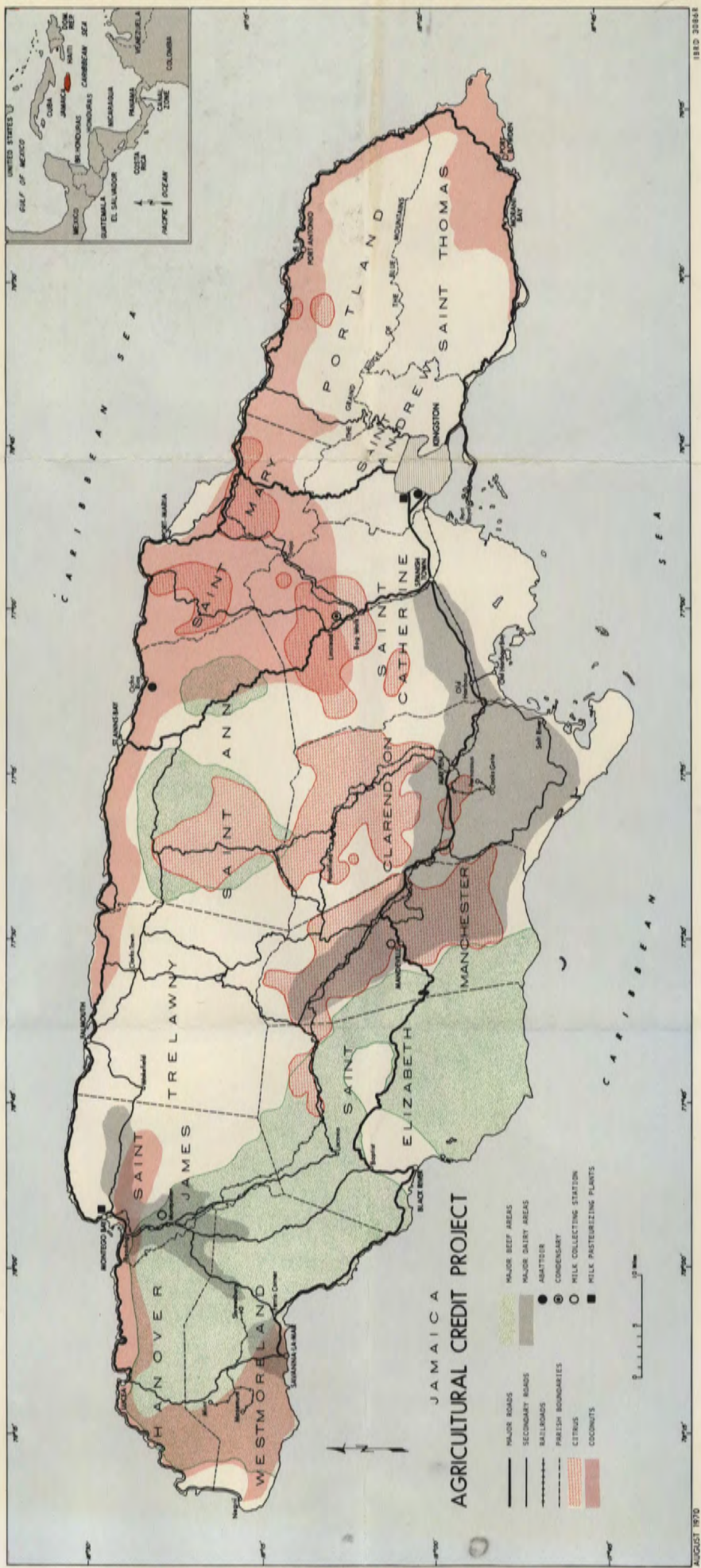
Copies of this map can be obtained from the Survey Department, Kingston, Jamaica. Price One Dollar.

Projection: Lambert Conical Orthomorphic with one standard parallel
 Spheroid: Clarke 1880
 Unit of Measurement: Foot
 Longitude of Origin: 77° West of Greenwich
 Latitude of Origin: 18° North of Equator
 False Co-ordinates of Origin: 550,000 feet Easting 400,000 feet Northing

Convergence at Centre of sheet - 05'15" West of True North
 Convergence at West Edge of sheet - 26'16" West of True North
 Convergence at East Edge of sheet - 15'46" East of True North

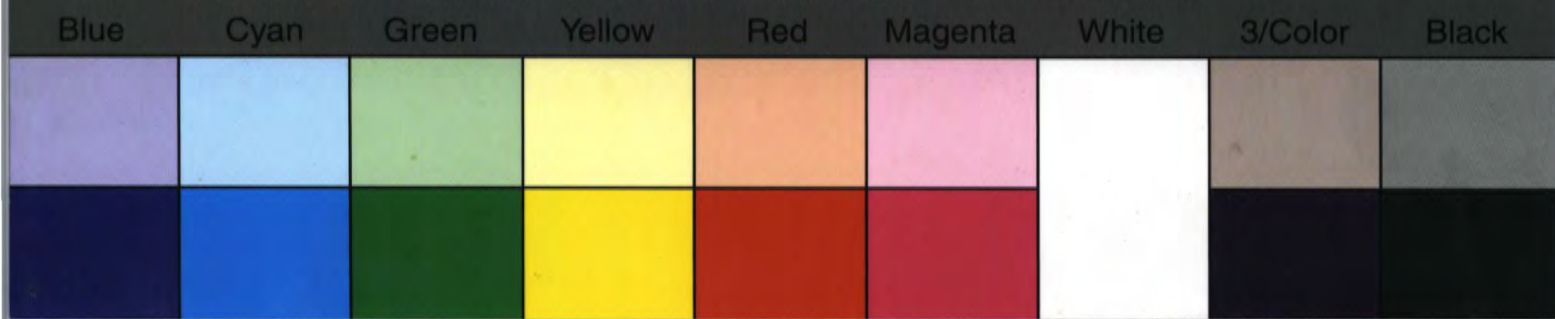
Roads - First Class	Railways	Seasonal Rivers
" Second Class	Railway with Station and Tunnel	Canals
" Unclassified	Light or Plantation	Swamp
" Parochial Motorable	Trigonometrical Station - Primary	Rock or Coral
" Parochial and Other	County Boundaries	Lighthouse
Heights are shown in feet	Parish Boundaries	Airstrip

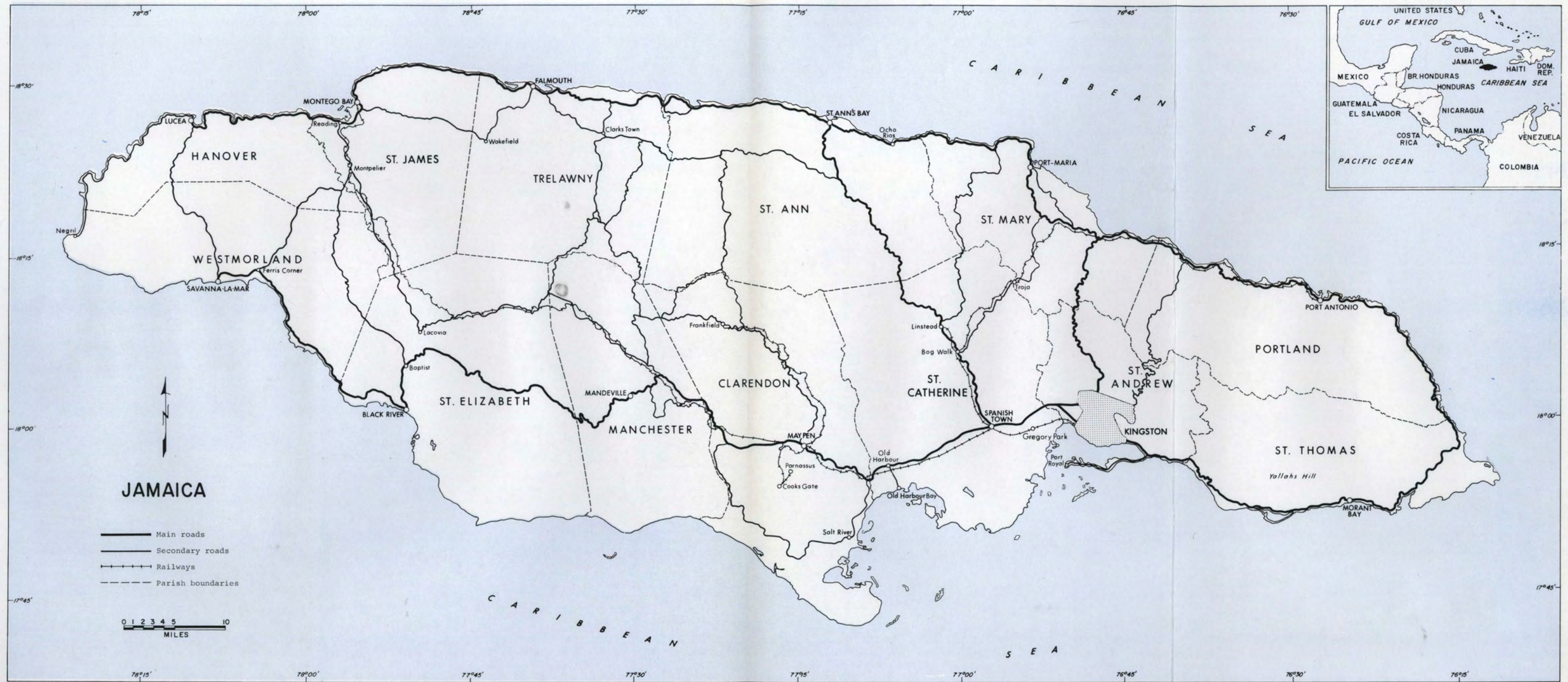




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JAMAICA

BACKGROUND NOTES

Population: 1.9 million (1972 est.)
 Capital: Kingston

Jamaica is located in the Caribbean Sea 90 miles south of Cuba, 100 miles west of Haiti, and 1,450 air miles from New York. With an area of 4,411 square miles (about the size of Connecticut), it is the third largest island in the Caribbean.

Mountains cover about 80 percent of Jamaica's surface. It has a tropical, humid climate most of the year, but the temperatures from November to March are quite pleasant, particularly along the north shore where the range is between 70°F. and 80° F.

The Jamaican flag has a cross, or saltire, with four triangles in juxtaposition. The diagonal cross is in gold; the top and bottom triangles are emerald green; and the hoist and fly triangles are black.

THE PEOPLE

Jamaica's 1972 population is estimated at 1.9 million with an annual growth rate of about 1.8 percent. There are approximately 431 people per square mile. About 25 percent of the total population lives in the Kingston/St. Andrew area.

Jamaica's national motto, "Out of Many, One People," is a reflection of the multiracial composition of the population. More than 90 percent of the inhabitants are of African and mixed descent. Other racial and nationality groups are Chinese, East Indian, Jewish, Lebanese, and European.

Religion plays an important part in the life of most Jamaicans. The Anglican Church is the largest of the established churches, followed by numerous Baptist sects, the Roman Catholic Church, and the Methodist Church; the evangelistic and revivalist sects are particularly popular. There are several Muslim and Hindu groups. The Jewish community numbers about 600.

Although English is the official language and is understood everywhere, many people use a Jamaican creole partly unintelligible to other English-speaking people. Literacy is estimated at 85 percent.

HISTORY

Jamaica was discovered in 1494 by Christopher Columbus and settled by the Spanish during the early 15th century. In 1655 British forces occupied

the island and in 1670 gained formal possession of it through the Treaty of Madrid. Sugar and slavery made Jamaica one of the most valuable possessions in the world for more than 150 years and have been important elements in Jamaica's history and development. Slavery was abolished in 1838, some years before emancipation occurred in other parts of the New World.

After a long period of direct British colonial rule, Jamaica began to achieve a semblance of local political control in the late 1930's. This period of development was marked by social unrest and occasional violence. During this time the groundwork for Jamaica's leading political parties was laid by Sir Alexander Bustamante, now in his early 80's and retired (Jamaica Labor Party—JLP), and his cousin, Norman W. Manley, who died in September 1969 (People's National Party—PNP).

These two political parties, having their roots in well-organized and powerful rival trade unions, have dominated the Jamaican political scene since the institution of adult suffrage in 1944. The JLP formed the first Government under adult suffrage in 1945 and won again in the 1949 election, but it lost to the PNP in the 1955, 1959, and 1972 elections.

In 1958 Jamaica joined nine other British territories in the formation of the West Indies Federation but withdrew when, in a national referendum held in September 1961, Jamaican voters rejected membership. As a result of this defeat for the PNP, which had supported membership in the federation, a general election was held in April 1962 and the JLP was returned to power.

Jamaica attained its independence from the United Kingdom on August 6, 1962, and chose to remain a member of the Commonwealth of Nations.

GOVERNMENT & POLITICAL CONDITIONS

The Jamaican Constitution, promulgated on August 6, 1962, established a British-type parliamentary system of government. Queen Elizabeth II (Chief of State) appoints the Governor General on the advice of the Prime Minister. Executive power is vested in the Cabinet led by the Prime Minister.

The Parliament is composed of an appointed Senate and an elected House of Representatives.



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Thirteen of the Senate's 21 members are nominated on the advice of the Prime Minister, and eight on the advice of the Leader of the Opposition. Legislators in both houses serve a maximum term of 5 years. The 53-member House of Representatives is elected by universal adult suffrage.

The highest court in Jamaica is the Supreme Court whose justices are appointed by the Governor General on recommendation of the Prime Minister.

Local government is divided into 14 Parishes, each headed by a Parish Council whose members are elected.

In the general elections of February 29, 1972, the JLP lost control of the Government. The PNP captured 37 seats and the JLP retained 16, but one former JLP member now has declared himself an independent.

ECONOMY

The Jamaican economy depends principally on mining, tourism, light manufacturing, construction, and agriculture. In 1970 gross national product (GNP), at current prices, was estimated at U.S. \$1.2 billion with per capita GNP at \$616. These figures represented increases of 8.3 percent and 12.3 percent respectively, although price increases on the order of 7-8 percent accounted for much of the gain. Jamaica showed a \$144

million current account deficit in 1969. However, the overall balance of payments in 1970 showed a favorable balance of \$26.4 million, attributable to large inflows on capital account. Foreign exchange reserves reached an alltime high of \$161 million in late 1971.

The main foreign exchange earners were bauxite and alumina, whose export value reached \$224 million in 1970 while tourism brought in \$102.5 million.

The agricultural sector, led by traditional exports of sugar, rum, molasses, bananas, citrus fruits, coffee, cocoa, and pimentos, accounted for another \$67 million. Sugar production in 1970, however, dropped to 368,000 tons compared with 506,000 tons in 1965.

With continuing agricultural difficulties and the initiation of new facilities in alumina processing, the relative importance of bauxite and alumina production continued to grow. The industry contributed some \$38 million in taxes and royalties in 1970. Total investment in bauxite/alumina facilities by six foreign companies (five U.S., one Canadian) probably exceeds \$800 million.

Jamaica is actively promoting industrialization and offers a variety of incentives to investors. The Jamaica Industrial Development Corp. at Kingston assists potential investors. Some 150 U.S. companies have Jamaican operations, and total U.S. investment exceeds \$850 million. Local plants now manufacture tires, chemicals, construction materials, paper

products, garments, flour, animal feeds, food products, cement, and refined petroleum products for the domestic and export markets.

The Government encourages non-Jamaican companies to offer 51 percent of their stock to the public on the Jamaican stock exchange over a 5-year period and to take in Jamaican partners. The Government protects local industry with an import restriction policy and, in some cases, grants tax-free status. Under current Exchange Act regulations, the right of repatriation of investment earnings is assured for properly registered investors.

Tourism, which attracts more than 400,000 visitors a year (80 percent from the United States) saw a 2 percent growth rate in 1970. In 1971, however, increased promotion of package tours increased the number of visitors by 16 percent. Two new large hotels opened in 1971, and other major new facilities are due for completion by 1974.

Jamaica's main trading partners are the United States, the United Kingdom, and Canada. The United States accounted for more than 50 percent (\$245 million) of Jamaica's \$370 million total 1970 exports, largely in bauxite and alumina. The United Kingdom took \$108 million and Canada, \$51 million. In 1970, 43.3 percent of all imports came from the United States, 19.2 percent from the United Kingdom, and 9.4 percent from Canada. Caribbean Free Trade Association (CARIFTA) countries provided 1.8 percent. Total imports exceeded total exports by some \$182.5 million. The deficit in trade was financed by direct investment inflows and invisible earnings.

Jamaica remains dependent on the U.K. market for the sale of sugar and bananas under special preference arrangements. This was an important factor in the Government's decision to maintain the value of the Jamaican dollar following devaluation of the U.S. dollar in December 1971. The U.K.'s decision to enter the European Economic Community (Common Market) means, however, that these arrangements will expire by 1974. Jamaica is seeking to negotiate some arrangement with the Common Market which would continue to provide an assured outlet at premium prices for Jamaican sugar and bananas after 1974.

Despite recent gains in mining, tourism, and manufacturing, compared with stagnation in agricultural output, Jamaica remains primarily an agricultural country. Two-thirds of the people live in rural areas; an estimated 40 percent of the labor force is engaged in agricultural production, although agriculture contributed only 8.3 percent to the gross domestic product (GDP) in 1970.

Meeting the problems created by population growth, agricultural stagnation, and urban migration—the social and political consequences of which could be very serious—remains an important challenge. Over the years successive Governments have introduced many measures in favor of small landholders, such as land reform,

subsidies, tax allowances, soft loans, extension services, guaranteed prices for some crops, and marketing assistance; farm policy remains a critical issue.

Higher urban income levels have attracted rural migrants to the cities where many of them fail to gain employment because they are unskilled, and there are few jobs for them. As a result there is a high and growing rate of unemployment and underemployment, possibly in excess of 25 percent of the labor force.

Jamaica is receiving substantial assistance from the International Bank for Reconstruction and Development (IBRD). Loans totaling \$59.9 million have been approved for education, family planning, and infrastructure development. Following Jamaica's admittance in the Organization of American States (OAS), the Inter-American Development Bank (IDB) allocated some \$20 million for projects in education, agriculture, tourism, and industry. Additional aid is afforded Jamaica through the United Nations and bilaterally from the United States, the United Kingdom, and Canada. Export-Import Bank loans and guarantees exceeded \$70 million by early 1972.

FOREIGN RELATIONS

Jamaica supports the United Nations, its aims and objectives, including particularly the right of nations to respect for their territorial integrity and their sovereign status. It cooperates in every possible way with Western countries but at the same time maintains independence of thought and follows an independent line at the United Nations.

Jamaica values its Commonwealth ties and associations, which afford a useful link with many and diverse countries and races.

In addition to being a member of the United Nations and several of its specialized agencies, Jamaica is a member of the OAS, CARIFTA, and the Caribbean Development Bank.

U. S. POLICY

U.S. policy toward Jamaica is to maintain friendly relations based on mutual respect and cooperation. The United States supports Jamaica's efforts to achieve economic development and social improvement and seeks Jamaica's understanding of U.S. policies and support for U.S. objectives in international forums.

U.S. assistance to Jamaica includes Agency for International Development (AID) loans totaling \$30.5 million since 1961; Export-Import Bank loans totaling \$60 million; Public Law 480 (Food for Peace) commodity grants to maternal and child welfare and school lunch programs; and grant-funded technical assistance, principally in the fields of family planning, public safety, and public administration. The Peace Corps also has an active program in Jamaica where about 200 volunteers are engaged primarily in education.

AID loans include community water supply development (\$3.7 million), low-cost housing (\$2.8 million), dairy farm development (\$2.7 million), feasibility studies (\$1.3 million), rural feeder roads (\$10 million), and a secondary mortgage bank (\$10 million). Export-Import Bank loans cover a number of industrial and infrastructure projects. AID housing guarantees have facilitated the investment of some \$15 million of private U.S. funds in Jamaican housing projects, and other AID investment guarantee programs have helped the flow of U.S. capital into mining and manufacturing.

PRINCIPAL GOVERNMENT OFFICIALS

Governor-General—Sir Clifford Campbell
 Prime Minister; Minister of External Affairs;
 Minister of Defense—Michael Manley
 Deputy Prime Minister; Minister of Finance—
 David Coore
 Minister of State in the Office of the Prime
 Minister—Dudley Thompson
 Minister of State for Regional Affairs, Office of
 the Prime Minister—Sidney Pagon
 Minister of Industry and Tourism—P. J. Patterson
 Minister of Commerce and Consumer Protec-
 tionism—Wills O. Isaacs
 Minister of Public Utilities—Eric Bell
 Minister of Education—Florizel Glasspole
 Minister of Mining and Natural Resources—
 Allan Isaacs
 Minister of Labor and Employment—Ernest Peart
 Minister of Health and Environment—Dr. Kenneth
 McNeill
 Minister of Home Affairs and Justice—Noel
 Silvera
 Minister of Local Government—Mrs. Rose Leon
 Minister of Agriculture—Keble Munn
 Minister of Pensions and Social Security—Howard
 Cooke
 Minister of Housing—Howard Spaulding
 Minister of Youth and Community Development—
 Douglas Manley
 Ambassador to the U.S.—Sir Egerton R. Richard-
 son
 Ambassador to the U.N.—Keith Johnson
 Ambassador to the OAS—Sir Egerton R. Rich-
 ardson

Jamaica maintains an Embassy in the United States at 1666 Connecticut Avenue, N.W., Wash- ington, D.C. 20009.

PRINCIPAL U.S. OFFICIALS

Ambassador—Vincent de Roulet
 Deputy Chief of Mission; AID Affairs Officer—
 George B. Roberts, Jr.
 Economic Affairs Officer—Warren E. Slater
 Political Officer—Kenneth Rogers
 Public Affairs Officer (USIS)—Herwald H. Morton
 Peace Corps Director—Peter Harris (acting)

The U.S. Embassy in Jamaica is located at 43 Duke Street, Kingston.

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D

JAMAICA

Biographical Sketches

Mr. Michael <u>Manley</u>	Prime Minister, Minister of External Affairs and Minister of Defense
Mr. David <u>Coore</u>	Deputy Prime Minister and Minister of Finance
Mr. Percival J. Patterson	Minister of Industry and Tourism
Mr. Keble Munn	Minister of Agriculture
Mr. Allan Isaacs	Minister of Mining and Natural Resources
Dr. <u>Kenneth McNeil</u>	Minister of Health
Mr. Eric Bell	Minister of Public Utilities, Communications and Transport
Mr. Eli Matalon	Former Minister of State, Ministry of Education
Mr. Anthony Spaulding	Minister of Housing
*Mr. Howard Cooke	Minister of Pensions and Social Security
*Mr. Dudley Thompson	Minister of State, Ministry of External Affairs
*Mr. Ernest Peart	Minister of Labour and Employment
*Mr. Winston Jones	Minister of Works
*Mr. Noel Silvera	Minister of Home Affairs and Justice
*Mrs. Rose Leon	Minister of Local Government
*Dr. Douglas Manley	Minister of Youth and Community Development
Mr. Arthur Brown	Governor, Bank of Jamaica
Mr. Rex Nettleford	University of the West Indies
Mr. Alister McIntyre	University of the West Indies
Mr. Hugh Shearer	Jamaica Labour Party
Mr. Edward Seaga	Jamaica Labour Party

* Biographical Sketches not provided

BIOGRAPHICAL NOTES

Mr. Michael Manley - Prime Minister and Minister for External Affairs

Mr. Michael Manley, aged 48, was educated at the Jamaica College and subsequently at London University where he took a B.Sc. (Econ.). The present Prime Minister is the son of the late Norman Washington Manley who died in 1969. The latter was the founder of the People's National Party (PNP), and was Chief Minister of Jamaica from 1955-59, and Prime Minister from 1959-62. Mr. Michael Manley is a great admirer of his father, one of Jamaica's five National Heroes. His mother, Mrs. Edna Manley is a talented and internationally recognized sculptress and artist. He was a free-lance journalist with the British Broadcasting Corporation from 1950-51. On return to Jamaica he joined the PNP and was elected to its Executive in 1952. At the same time he began his close association with the National Workers Union (NWU) and was the moving light in the Alcan strike in 1953 which resulted in a 300 percent increase in the industry's wages. The contract negotiations set a blue print for future negotiations in the industry and did much to increase the NWU membership to rival that of the Bustamante Industrial Trade Union (BITU). In 1959 he organized a strike in the sugar industry which led to the establishment of the Goldenberg Commission of Enquiry and a record sugar workers wage award. In 1955 he was appointed Island Supervisor and elected first Vice President of the NWU. He held these posts until his appointment as Prime Minister when he resigned to avoid a conflict of interest. Although he was appointed a member of the Senate in 1962, Mr. Manley eschewed elective politics until 1967 so as to avoid trading on his father's name. In that year he was elected by the narrow margin of 43 votes to the Central Kingston Constituency. Following a landslide victory for the PNP in February 1972, achieved in a great measure by his personal magnetism and active campaigning, he became the first PNP Prime Minister since the island's independence in 1962.

Mr. Manley has two daughters and a son from two former marriages. In June 1972, the Prime Minister married his third wife, the former Miss Beverly Anderson, a radio and television personality. Mr. Manley's hobbies include cricket and tennis. He is keen on classical and jazz music with a personal record library of over 1,000 albums.

Mr. Manley, whose basic instincts are all liberal, is dynamic, energetic, almost evangelical in style. He is not a "technical" man but rather, in his own words "a man of ideas." He is not inward-looking but is progressive in his international and domestic outlook; not a dogmatic ideologue but more a pragmatist, fully aware of the realities of international economics. The increasing emphasis on social measures which has characterized his administration so far, has borne the stamp of

his personal influence. Mr. Manley believes that the key to development in a young society is mobilization of the talents of the whole country and a willingness on the part of the government to be sensitive to the interest of all shades of opinion. In his public speeches both before the election and subsequently, the Prime Minister has continuously referred to the theme of "the Politics of Participation".

Under his initiative Jamaica has recently taken steps to improve its relations with China and Cuba as part of a design for more active and independent foreign policies. His opponents have attacked him and his Party as being too leftist. However, the Prime Minister has declared his belief in the democratic party system in Jamaica and the rejection of the totalitarian solution to government since, in his words, "it exacts obedience from his citizens, not consent; it imposes its will on people.... it does not involve them freely and enthusiastically in the task of nation building." Because his father and the Party strongly advocated Federation of the West Indies during the 1950s (the breakdown of the Federation and subsequent withdrawal of Jamaica from it was a major factor in the defeat of the PNP during the 1962 elections), there has been wide speculation on this question since he became Prime Minister. He has, however, said "Federation has no relevance so far as Jamaica is concerned.... I see tremendous long-term advantages for the Caribbean in terms of economic cooperation. I do not see Jamaica involved in a political union, however, and doubt that it is particularly relevant."

His own staff are imbued with a sense of personal loyalty to the Prime Minister, though he has yet to gain the full confidence of the small but influential finance and business community. Their initial fears immediately after the election were perhaps aggravated intentionally by opposition attacks and alarmist suggestions as to the social and political policy intentions of the new government. However, the Prime Minister appears to have captured the imagination of the Jamaican people and his budget speech in April of this year, with its emotional appeal to all sectors of the Jamaican populace and its announcement of a policy of free education, was widely acclaimed even by political opponents.

Mr. David Coore - Deputy Prime Minister and Minister of Finance

Mr. Coore, aged 48, was educated at Jamaica College and subsequently at McGill University where he took an Honors Degree in Economics and Philosophy. From McGill he went on to Oxford where he was awarded a degree of Bachelor of Civil Law. His formal entry into national politics came in 1960 when he was appointed to the Legislative Council (the nominated Upper House) where he served until 1962. He is a member of the Executive Committee of the People's National Party (PNP) and has been the Party's Chairman since 1969. Mr. Coore has represented the West Central St. Andrew Constituency since 1967 and while in Opposition served as the Shadow Minister of Finance. He is a member of the Kingston Cricket Club and for recreation swims and plays golf occasionally. He is married and has three sons.

He is a man of considerable intellectual ability, and although unassuming in approach, he is reputed to be an effective debater in Parliament. He is influential within the Party and had sufficient standing to include in the budget in April of this year some unpalatable fiscal measures, for example, a substantial increase in property tax rates. Preoccupation with Jamaica's external financial situation and domestic budgetary problems may account for his apparently limited personal interest in the progress of Bank-financed projects. This attitude may also have been reinforced by the fact that development planning is now the responsibility of the National Planning Agency (until shortly after the change in Government in early 1972 this responsibility had fallen within the then Ministry of Finance and Planning).

Mr. Percival Patterson - Minister of Industry and Tourism

Mr. Patterson, aged 38, was educated at the University of West Indies where he graduated with a degree in English and was very active in student affairs. He was a member of the team which visited Nicaragua in 1957 to investigate the freedom of students. After teaching for some time in Jamaica in 1960 he entered the London School of Economics where he graduated in 1963 with a Law Degree. After returning to Jamaica in 1963 he practiced privately as an attorney. His political career started with his election in 1964 to the Executive Committee of the People's National Party (PNP), and in 1967 he was appointed to the Senate and later became the Leader of the Opposition. In 1969 Mr. Patterson was elected as Vice President of the PNP and in the following year was elected as a Member of Parliament.

He is one of the younger and more able Ministers, with a clear idea of the objectives of his portfolio. The Minister has been a leading protagonist of the proposed establishment of an oil refinery and aluminum smelter in Jamaica. He has also promoted an active campaign with the help of the Jamaican Tourist Board to bring home to Jamaicans the importance of the tourist industry to the Jamaican economy and the need, therefore, to provide adequate amenities for tourists and to treat them with courtesy.

Mr. Keble Munn - Minister of Agriculture

Mr. Munn, aged 43, was born in New York. He served during World War II in the Canadian Army in England and on the Continent. He is a former member of the Board of Management of Jamaica School of Agriculture and former Councillor and Deputy Mayor of Kingston. He was former Minister of Agriculture and Lands from 1959-62 prior to Jamaican independence. He is married, has one son and also a daughter by a previous marriage. His recreations are yachting, swimming and bowling (in Jamaica called "Skittles").

A farmer by profession and a grower of the famous Jamaican Blue Mountain Coffee, Mr. Munn is knowledgeable about the technical aspects of farming but he does not appear to have been a leading light in the present movement for the reform of Jamaican agriculture. The initiative for this movement has clearly come from the Prime Minister, although Mr. Munn with his farming interests acts as a useful conduit to relay to the Prime Minister the diverse and often conflicting views of the farming community. We have the impression that the day-to-day management of the Ministry of Agriculture largely devolves upon the energetic and able permanent Secretary, Mr. Dyer.

Mr. Allan Isaacs - Minister of Mining and Natural Resources

Aged 63, Mr. Isaacs was educated in Jamaica, spending time at the Jamaica School of Agriculture (JSA), after which he went into private farming for ten years. He has worked for varying periods of time as a travelling officer with both the Farmers Federation and the Jamaica Coordinated Extension Services. He has also acted as the personal assistant to the former Prime Minister, Mr. Norman Manley. He has made a number of overseas tours in the U.S.A., Canada and Puerto Rico to study the organization and administration of agricultural extension work and to observe agricultural development, marketing and fisheries. Mr. Isaacs has been a Member of Parliament since 1962 and is a vice president of the People's National Party (PNP). In the pre-independence years he was Member of the Legislative Council and a Parliamentary Secretary in the Ministry of Agriculture and Lands. He is married with two sons and a daughter and is keen on motoring.

Mr. Isaacs' portfolio, the Ministry of Mining and Natural Resources, was created by the new Government when it came into office in early 1972. Under this portfolio is grouped responsibility for the bauxite companies, for the control and development of natural resources including water, and overall policy for urban development - all areas in which the Bank has a close interest. Mr. Isaacs is an "elder statesman" of the Party, a moderate, low-keyed and pragmatic in approach, apparently not holding strong ideological views. He may, therefore, be well equipped for his present portfolio which requires a high degree of political skill in dealing with the bauxite companies, although in other respects his farming background would not obviously qualify him for his present post.

Dr. Kenneth McNeil - Minister of Health and Environmental Control

Born in 1918, Dr. McNeil has a medical background with training at the University of London, where he qualified in plastic surgery. Returning to Jamaica in 1952, he was appointed Chief Surgeon of the Department of Head and Neck Surgery at the Kingston Public Hospital. In 1962 he was appointed Senior Consultant, Ear, Nose and Throat Surgery, at the University Hospital. Also in 1962, Dr. McNeil was appointed a Senator of the then Opposition People's National Party. Dr. McNeil has been married twice; he has three sons and two daughters.

Bank staff have been generally favorably impressed with Dr. McNeil. He has given a good deal of attention to the promotion of population planning in Jamaica and is handling a delicate issue with a good deal of sensitivity. He has recently suggested in a public address that the policy for formulating a National Family Planning Program should more properly rest with the Government and the Ministry of Health, than with a statutory entity such as the National Family Planning Board. Dr. McNeil wishes to introduce a National Health Service in Jamaica and has recently visited Sweden to learn more about that country's system of health care. He has already encountered considerable opposition to this proposal from the medical profession in Jamaica and a number of doctors have resigned from the Ministry of Health.

Mr. Eric Bell - Minister of Public Utilities, Communications and Transport

Mr. Bell, aged 40, was educated in Jamaica and after leaving school was articled to Mr. Douglas Fletcher (presently Jamaican Ambassador to the United States) of Myers, Fletcher and Gordon, Solicitors, for five years. He was subsequently a partner in this firm and then in the firm of Hugh and Bell. Mr. Bell has been an active member of the People's National Party (PNP) since the early 1960s and a member of their Executive since 1968. He was a mayor of Kingston 1969-70 and served as a PNP member of the Senate from 1970-72. He is a keen cricketer and member of the Jamaican Yacht Club. He is married and has three daughters.

Mr. Bell's portfolio, inter alia, covers water, sewerage and air transportation, all sectors of importance to the Bank in view of existing and prospective projects. He appears to be anxious to move forward quickly in areas of interest to the Bank and has already shown considerable political courage in persuading the Government to agree to substantial increases in electricity power and water supply rates. He appears to be a capable and a very effective Minister, receptive to new ideas with a sound appreciation of the financial and administrative requirements for the proper operation of public utilities.

Mr. Eli Matalon - Formerly, Minister of State in the Ministry of Education

Mr. Matalon, aged 49, is a member of the influential Matalon family. Educated in Jamaica, he was a flying Officer during World War II with the Royal Canadian Air Force. He was until recently a Senator, and has been Mayor of Kingston since April 1971. A former business executive and company director, Mr. Matalon has held directorships in a number of private commercial firms, the most important of which is probably Industrial Commercial Developments Ltd. Mr. Matalon's recreations are football, cricket and fishing. He is married and has three sons and two daughters.

Mr. Matalon has recently resigned his post as Minister of State, a junior political appointment in the Ministry of Education, to campaign for election to the House of Representatives. Election to the House is required by the constitution so that he can be appointed to succeed Mr. Glasspole as Minister of Education. (The latter recently resigned to take up appointment as the new Governor-General). He is an energetic and skillful politician who is influential in acting as a useful catalyst between the public and private sector in Jamaica. Mr. Matalon's approach to education is a practical one; he gives top priority to providing semi-skilled, skilled and vocational training for the 15 to 18 year olds to alleviate the shortage of this kind of labor and ease the unemployment problem. Mr. Matalon is a severe critic of the way in which the first Bank-financed education project was implemented. Although progress, so far, on the second education project has been slow, we may expect a marked improvement once Mr. Matalon takes over as Minister.

Mr. Anthony Spaulding - Minister of Housing

Mr. Spaulding, aged 40, was born in Trench Town, one of the poorer districts of Kingston. After early education in Jamaica he went to Howard University in the United States where he majored in Economics and Philosophy. He started post-graduate work at the London School of Economics, but after a short term changed to Law at the Inner Temple in London. He returned to Jamaica in 1961 where he practiced Criminal Law.

He was possibly influenced by his father, who was a former mayor in Kingston, to become actively involved in politics. He joined the People's National Party (PNP) soon after he returned from England, but was not induced to become a candidate until the general elections of 1972 when he was successful. He is a controversial figure and in his short period so far as Minister of Housing he has provoked a good deal of publicity by his forthright public statements and his attacks on the national newspaper, the Daily Gleaner. He is popular with the lower income groups in Kingston and represents the younger and more radical wing of the PNP.

Mr. George Arthur Brown - Governor of the Bank of Jamaica

Mr. George Arthur Brown was born on July 25, 1922. He was educated at St. Simon's College in Kingston, joined the Jamaica Civil Service in 1941 and was attached to the Income Tax Department. He was awarded the Issa Scholarship in 1947 and attended the London School of Economics graduating in 1950. He returned to the Jamaica Civil Service and held appointments again in the Income Tax Department then in the Finance Branch of the Colonial Secretary's Office. He was Principal Assistant Secretary in the Ministry of Finance from 1953 until April 1957, when he was appointed Director of the Government's Central Planning Unit, succeeding Mr. George Cadbury who had been Economic Advisor to the Government.

In 1962, Mr. Brown was appointed Financial Secretary, and was also appointed a Privy Councillor. He is Chairman of several Boards and Committees, including Air Jamaica, The Decimal Currency Board and the Board of Governors of the Jamaica School of Music. He has been very active in the development of the Credit Union Movement in Jamaica, and a past President of the Jamaica Co-operative Credit Union League.

Mr. Brown is married. He has a son and a daughter by a previous marriage and two daughters by his present marriage. His recreations are hiking, boating and fishing.

Mr. Rex Nettleford

Mr. Nettleford holds rank of both a professor at the University of the West Indies, Jamaica, where he is a Director of extramural studies (extension and adult education), as well as Head of the Trade Union Education Institute. He also teaches Modern Political Thought in the Department of Government. After reading history honors at the UWI, he pursued post-graduate studies in politics at Oxford where he was a Rhodes scholar.

He has lectured on West Indian politics, social structure and industrial relations in the Caribbean, Israel, the Far East and the United States. He is The Governor of the Canada-based International Development Research Center (IDRC) designed to promote innovative research into third world development and to humanize development assistance. He is an associate fellow of the Center for African and African-American studies, Atlanta University, and is author of several articles and books in his field as well as in the creative arts. Mr. Nettleford is also a creative artist, being the founder and current artistic director of the Jamaican National Dance Theater Company. His book Roots and Rhythms, illustrated by Maria La Yacona, is a story of the dance theatre of Jamaica. He recently edited, annotated and introduced Manley and the New Jamaica, a collection of selected speeches and writings by the Jamaican patriot and nation builder, Norman Washington Manley. He is also the editor of Caribbean Quarterly, the university based journal on Caribbean cultural studies. "Identity, Race and Protest in Jamaica" is the American edition of Rex Nettleford's book Mirror Mirror which appeared in Britain and Jamaica in 1970. He is also co-author of the Rasta Fari Movement.

Mr. Alister McIntyre

Mr. McIntyre was born in Grenada, West Indies. He was educated in Grenada and later at the London School of Economics. He is at present Director of the Institute of Social and Economic Research at the University of the West Indies. He has been a visiting professor at Princeton University, a Consultant for the United Nations Economic Commission for Latin America, Consultant for the Inter-American Development Bank, and has been a member of the Public Utilities Commission in Trinidad and Tobago.

One of his latest publications is "Studies in Foreign Investment in the Commonwealth Caribbean" from Studies of the Caribbean which he has done along with Miss Beverly Watson.

Mr. Hugh Shearer

Following his university education in UK, Mr. Shearer worked briefly as a journalist and entered politics through the Jamaica Labour Party (JLP) in 1947, at the age of 26 years, as a municipal councillor for the Kingston Metropolitan Area and has been in politics since then. From 1962 to 1966, he was the Minister without Portfolio and Leader of the Party in the Senate, in Prime Minister's Bustamante's Cabinet. From his early years, he has been associated with the Bustamante Industrial Trade Union and has emerged as a political force through the trade union movement. He strongly advocates what he has described as "the marriage between trade unions and political parties" to ensure that working class interests are taken account of by the Party when it assumes government office. He was closely associated with the ex-Prime Minister Bustamante, whose strong support was also instrumental in his being elected as the Leader of the JLP and Prime Minister when that office became vacant in 1967.

As Prime Minister Mr. Shearer was active in foreign affairs and during his tenure of office visited the United Kingdom, France, Germany and the United States where he had discussions with President Johnson. He is a proponent of the view that the primary need for developing countries is "trade" rather than "aid" with easier access to the markets of developed countries.

Mr. Edward Seaga

Mr. Seaga is 43 years old. After education in Jamaica he obtained a B.A. degree in Sociology at Harvard University. Following his studies in the United States he resided for about three years in small villages and urban slum areas where he gathered an unusually close knowledge of the problems prevailing in the lower strata of Jamaica's population. At the age of 29, Mr. Seaga was nominated to the Upper House of the Jamaican Legislature, becoming the youngest

member in its history. He was a member of the Joint Committee of both Houses which drafted Jamaica's Constitution in 1961. In 1962 he was elected for the first time to the House of Representatives as the JLP candidate for Kingston and was appointed Minister of Development and Welfare. In 1967 he became Minister of Finance and Planning. He is a distinguished sportman gaining colors at Harvard in soccer, cricket and rifle shooting. He is married with two children - one by adoption.

As Minister of Finance and Planning in the previous Government he exercised considerably influence over economic policy; he also helped to establish the Jamaica Development Bank and Urban Development Corporation. He is regarded as a brilliant politician and respected by his political opponents. He managed to retain his seat in Kingston, generally a PNP stronghold, by a healthy margin during the last election in 1972 when the JLP lost office.

Florizel Augustus GLASSPOLE

JAMAICA

Governor General

Addressed as: Your Excellency

In May 1973 Florizel Glasspole, 63, was named Governor General of Jamaica. He had been serving since March 1972 as Minister of Education and as Leader of the House of Representatives, positions he had previously held during 1957-62. He was also the People's National Party (PNP) Shadow Minister for Education and Electoral Matters during 1969-72. He has been a member of the House of Representatives and secretary of the PNP Parliamentary Group since 1944.

Glasspole studied at Ruskin College, Oxford University, on a British Trade Union Congress scholarship during 1946-47. From 1932 to 1944 he was a practicing accountant. A founder of the Jamaica United Clerks Association, he was its general secretary from 1937 to 1948 and served concurrently during 1942-48 as president of the Printers and Allied Workers Union. From 1939 to 1952 Glasspole was first general secretary of the Trade Union Advisory Council--later named the Trade Union Congress. He served as general secretary of the National Workers Union, labor arm of the PNP, during 1953-55 and was Minister of Labor during 1955-57. Glasspole has held several positions in the PNP, including those of second vice president, vice president and member of the Executive Council.

The Governor General's leisure interests include poultry raising, gardening and cricket. Married to the former Ina Josephine Kinlocke, he has one daughter.

26 June 1973

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TOPICS FOR DISCUSSION

1. This note outlines a few topics for Mr. McNamara's discussions with the Cabinet Ministers on July 4 and with the Prime Minister on July 5. He will also meet a few representatives of the private sector at the dinner with the Minister of Finance on July 4, and the leaders of the opposition and two representatives from the University of West Indies in the morning of July 5.

Meeting with Ministers on July 4 at 15.30 hours

2. Expected attendance: Deputy Prime Minister and Minister of Finance Core; Minister of Public Utilities, Communications and Transport Bell; Minister of Housing Spaulding; Minister of Agriculture Munn; Minister of Mining and Natural Resources Isaacs; Minister of Health McNeil; Parliamentary Secretary for Industry and Tourism Stephenson; ex-Minister of State for Education Matalon (he is fighting an election on July 3 and is likely to be appointed Minister if he wins); and the Chairman of the Jamaican Industrial Development Corporation Blake (likely to be given a Cabinet position).

3. Jamaica's economic performance has been generally commendable. In the decade of the 1960s, real output grew at about 6 percent annually, with per capita income increases of nearly 4 percent in the second half of the period (F.1; CPP, F.3; Economic Brief). Investment has been consistently above 18 percent and domestic savings around 20 percent of GDP. Supported by steady capital inflows, foreign exchange reserves trebled over 1966-71. In retrospect, however, the government's sector policies in agriculture and manufacturing industry appear to have been inadequate in certain aspects, and a balance of payments crisis developed in 1971-72 which revealed structural deficiencies of the economy (F.1; CPP paragraphs 9-18).

4. The present government led by Prime Minister Manley came into power in March 1972. After a somewhat shaky start, the government has acted vigorously to meet the present balance of payments and fiscal crisis. It has also initiated a range of studies and policy actions to remedy the basic deficiencies of the economy mentioned above and to make a frontal attack on the unemployment question. The government has shown a keen desire to enlist the Bank's financial and technical assistance in the tasks that it is now undertaking in order to maximize output and employment. We have found it very responsive to our suggestions at various levels.

5. The essential thrust of this briefing is to sharpen the focus on the issues which confront the government. Mr. McNamara may wish to

conduct his discussions in Jamaica as a dialogue in which the government could be encouraged in respect of the policy actions already taken while eliciting from the Ministers their thinking and plans on pending issues. We also have a substantial lending program in Jamaica in the coming years; an indication of this and of the Bank lending strategy as brought out in the CPP could perhaps be given. In the notes that follow, sector issues are viewed in the context of possible Bank operations so as to permit a discussion of the two together. The notes for the meeting with the Ministers are intended to provide the background in which subsequent discussions with the Prime Minister can take place on the more important and sensitive topics. The meetings with the leaders of the opposition and representatives from the University of West Indies should afford an opportunity to round off the discussions by bringing in points of view different from those of the government.

6. Unemployment: Chronic and high unemployment levels constitute a major preoccupation of the government (F.1; CPP, paragraphs 10-12 and F.3; Economic Brief, paragraphs 4-5). Factors contributing to the high rate of unemployment include an industrial sector which is dominated by the capital-intensive bauxite industry, steady migration into a few urban centers of unskilled workers leaving a declining and relatively neglected agricultural sector, and wage pressures from the highly organized trade unions which have induced employers to keep employment down to a minimum. At the same time, continuing emigration and the failure of an academically oriented education system to provide technical and vocational training to meet the manpower needs of the economy have resulted in severe shortages of technical and managerial skills. Demographic trends point to a higher growth rate of the population and a substantial increase in the number of young adults in the decade of the 1970s, lending further urgency to the problem.

7. In recognition of the central character of the unemployment question and its implications for the continued social and political stability of the country, a number of remedial actions have been initiated by the government. Jamaica has an ongoing family planning program and attempts are being made to reorientate the education system (F.5; Subject Brief on Education and Training). In the sphere of macroeconomic policies, the exchange rate has been adjusted downward so as to improve the competitiveness of Jamaican agriculture and industry. An incomes policy is reportedly under formulation (see paragraph 11 below). With the assistance of an advisor provided by ILO, an impact work-employment program has been developed which visualizes the recycling of unskilled workers through various stages of training. Due to institutional weaknesses and the mismatching of training and job opportunities, the program has unfortunately not been particularly successful so far. Attempts are now being made to improve it. In its sector policies, the government now places increased emphasis on employment generation and the enlargement of local value-added in industry, and the major effort recently initiated in the agricultural sector also aims at increasing productive

ask about

employment and output in the rural areas with a view to slowing down the drift to the cities. As part of the same employment-generating effort, an OAS mission is currently in Jamaica at the government's invitation to undertake a special study to identify employment-creating projects.

8. In addition to discussing the macroeconomic policies bearing on unemployment and the need to restructure the public investment program, mentioned below, Mr. McNamara could question the government on its policy in the industrial sector. While rapid growth in the sector has been achieved in the past by providing a variety of incentives, its employment creating potential could probably be increased by formulating a coherent development strategy and by offering tax incentives which are neutral in their impact on the choice of technology and the labor-capital ratio in investment decisions. The question could be discussed in the context of the Caribbean Common Market which calls for the harmonization of incentives among its members. Mr. McNamara could also raise the question of greater participation by the private sector in providing semi-skilled and skilled training in industry so as to create a more direct relationship between training needs and job opportunities. It has been suggested, for example, that the government might introduce an apprenticeship scheme, either on a voluntary or compulsory basis, under which firms would provide training to adult youth in return for some measure of tax relief. Such a program would complement the government's own scheme of youth community centers under which training relating to local requirements is provided at government camps.

9. Balance of Payments: While the exchange rate adjustments of early 1973 were prompted by the rapid foreign exchange loss in 1972, they were also aimed at correcting a basic weakening of the balance of payments (see F.3; Economic Brief, paragraphs 6-7). There was a steady deterioration in the trade balance and the overall current account as a result of which the negative current account balance in 1966-71 increased five times over that of 1960-65. A specially disquieting feature has been the acceleration in the import growth of consumer goods which during the period 1967-71 increased nearly two-thirds. The current account deficit for 1972 was \$200 million. Through 1971 the deteriorating current account was covered by substantial direct investment inflows related to the expansion program in the alumina industry and by some speculative short-term inflows; in contrast, the 1972 deterioration in the current account was exacerbated by the drop in direct investment and a reversal of the previous years' short-term capital flows. Although the most important sources of Jamaica's export earnings - bauxite and tourism - have been dynamic and are likely to remain so, a heavy commodity concentration of exports and limitation to a few trading channels make the country's export earnings very vulnerable. The deterioration of agricultural exports, as well as low manufacturing exports in relation to the industrial potential, have hampered diversification and held exports

below the existing overall potential. As a consequence, the balance of payments situation has become an important constraint on economic development.

10. While the comprehensive stabilization program agreed with the Fund in May aims at consolidating the financial situation (see paragraph 12 of Economic Brief F.3 and paragraph 11 below) and easing balance of payments pressures, a longer-term solution to the problem depends upon improving the competitiveness of Jamaica's exports in the international market, limiting the imports of consumer goods, and maintaining a climate in the country receptive to private foreign investment. The government is conscious of these requirements. It has already adjusted the exchange rate, entered into an agreement for substantial investment in a petroleum refining project (see F.5; Subject Brief on Bauxite Industry and Oil Refinery Complex) and taken steps to increase domestic food production. In view of the importance of the matter, however, Mr. McNamara may wish to touch upon the balance of payments constraints in his broad discussion of macroeconomic policies.

11. Incomes and Exchange Rate Policies: In order to improve the balance of payments prospects and keep its current account deficit within manageable proportions, Jamaica will need to diversify its exports, expand its production of traditional export commodities (sugar, bananas and citrus), and take steps to make other exports competitive. One of the major actions required to meet this objective has been taken through the recent exchange rate adjustment. Without an accompanying incomes policy, however, it would be difficult to make Jamaica's exports competitive on the world market. The rate of increase of wages has progressively accelerated in recent years, and has exceeded productivity gains by a wide margin (see paragraph 11, Economic Brief F.3). The government has been considering the possibility of introducing some form of incomes policy and we were recently informed that Professor Haynes of the University of West Indies had been retained to make some recommendations. In connection with the recent IMF stand-by agreement mentioned above, the government had also held out an assurance that it would seek an effective compliance of national guidelines for price and wage increases once they are put into effect. Mr. McNamara may wish to question the Ministers on the present position, probably reserving a more frank discussion of the implications of a wage restraint policy for a subsequent meeting with the Prime Minister.

12. Public Investment, Savings and Administrative Capacity: Although the revenue performance of the central government in recent years has been commendable, and capital expenditure growth was generally above that of current expenditures, a sharp 20 percent rise in current expenditures in 1972 led to substantial domestic borrowing (see F.1; CPP, paragraphs 14-15 and F.3; Economic Brief). The present government has however adopted a number of tax measures for the 1973-74 budget year that promise to restore current savings to about 4 percent of GDP as against less than 2 percent in 1972. The new tax measures include increases in property tax rates

ranging from 40 percent to over 200 percent in certain cases and applying to both urban and rural properties. This a politically courageous action and has aroused considerable opposition in some quarters. The government has also agreed with the Fund that quarterly revenue targets and restraint in spending would be observed. The government also planned to tighten the expenditure control machinery and to establish a system of prior commitments for expenditures above a certain level to be operated at the Ministry of Finance.

13. The Minister could now be questioned on the progress made in establishing the above-mentioned control mechanism and in implementing the expenditure restraint program. We understand that the government has also had recourse to foreign borrowing for budget support purposes. While we do not have full details of this borrowing, Mr. McNamara may wish to sound a note of warning against excessive short-term borrowing from commercial sources. Jamaica has lately increased its short-term debt to the detriment of its external debt structure; while the country's overall external debt service ratio is still low, continued indiscriminate recourse to short-term borrowing could impair Jamaica's creditworthiness. On the other hand, every effort should be made to increase domestic savings for investment. Mr. McNamara may want to elicit the government's plans for increasing savings in the private sector in addition to other measures contemplated in the public sector.

14. A draft five-year plan was prepared by the previous government and is now being revised. However, the country's capacity to carry out a substantially enlarged investment program and accelerate the pace of development depends upon a rapid improvement in the administrative apparatus for project planning and implementation. The performance in this respect in the past has not been very encouraging (see G.2; Existing Projects) and unless administrative absorptive capacity can be quickly increased, successful implementation of the investment program would be jeopardized. In an effort to remedy the situation, a number of steps have lately been taken and a National Planning Agency has been set up (see paragraph 18, CPP, F.1). A special drive has also been mounted to attract back to the country from abroad as many qualified Jamaicans as possible; two young Jamaican staff members of the Bank have recently returned to their country to take up senior positions in the government. There appears to be some resistance from the established bureaucracy to this influx; the government should, however, be encouraged to continue with this drive whose success is clearly valuable in the country's interest. A reform of the civil service structure was contemplated, and the government has at various times shown its readiness to receive technical assistance from external lending agencies. The Ministers could be asked to indicate the present position in respect of the civil service reform and whether the proposed methods and procedures review for the

Ministries of Agriculture, Housing and Education has been completed. So far as the Bank is concerned, the implementation of our substantial lending program in FYs 74 and 75 will depend directly upon the government's ability to prepare and implement suitable projects. It might be useful to bring this point to the Ministers' notice in the context of the role that the Bank can effectively play in Jamaica's development. We would of course be including technical assistance components in almost all the loans that we are proposing.

Sectoral Issues

15. Agriculture and Rural Development: After years of neglect, the present government is concentrating on a revitalization of agriculture as a key element in solving Jamaica's economic and social problems. At a meeting with Mr. McNamara in August of last year, Prime Minister Manley requested the Bank's assistance in undertaking an agricultural sector study as a basis for reform (see F.5; Subject Brief on Agriculture and G.4; Memos of Conversation). The team of external experts, including four Bank staff members under the chairmanship of Sir Arthur Lewis is currently meeting in Jamaica to review the sector briefs, and will be discussing its conclusions with the Ministers during the period of Mr. McNamara's visit.

16. In view of the ongoing discussions, we do not propose that any hard issues be raised by Mr. McNamara in his own discussions with the Ministers. The Jamaicans plan to seat Sir Arthur Lewis next to Mr. McNamara at the dinner at the Finance Minister's residence on July 4, so that Sir Arthur should have an opportunity to brief Mr. McNamara about the present status of the review and the conclusions that might be emerging. This discussion at dinner could serve as preparation for next day's meeting with the Prime Minister. On the basis of information received by us, the agricultural review team is expected to range over almost all the important issues affecting the sector. One important problem to be considered - and one that is engaging the government's attention and which we consider central to a proper reform of the sector - concerns land use and the system of land tenure. There is an expert on the external review team who will go into the land use question; and a decision on land tenure would be important for changing the existing dualistic structure of numerous small holdings alongside a few large estates. We would also expect the government to undertake agricultural development in the future in its broader, more closely integrated aspect which would include both social and economic infrastructure in addition to farm investment. Mr. McNamara may wish to allude to this approach. If a suitable project can be developed, it would be possible for the Bank to finance it through the loan presently included in our FY76 lending program for an unidentified agricultural project.

17. As the subject brief on agriculture indicates, and as Mr. McNamara is aware, the rehabilitation of the sugar industry is crucial to the development of the agricultural sector and to the balance of payments prospects of Jamaica. The ongoing sector review is expected to provide a framework for

such a project which would include factory rehabilitation, farm mechanization, the improvement of transport facilities and the application of modern technology in the processing of sugar by-products, a matter of particular interest to Prime Minister Manley.

18. Mr. McNamara might also like to mention that we propose to coordinate our future activities in the sector with other external donors such as the IDB. The latter is already providing substantial amounts of credit for small farmers through Self-Supporting Farmers Development Program with the Jamaica Development Bank as the financial agency; we also have an ongoing agricultural credit program through JDB and plan another operation in FY74 (see G.3; Prospective Operations).

19. Housing and Urban Development: As the Subject Brief on Housing and Urban Development (F.5) points out, there is a heavy and continuing movement of population into the Kingston metropolitan area, underlining the need for planned development. The responsibility for regional and urban planning is presently fragmented, and there has been little coordinated and effective planning of Kingston's growth. The problem has been compounded by inadequate controls over locations of industries and until recently, a totally inadequate land evaluation and property tax system. There is an urgent need for the preparation of a development plan and capital budget for the city. At the same time, unplanned development in the past has resulted in a spread of squatter settlements in many parts of Kingston metropolitan area and a backlog of demand for low-cost housing has been allowed to build up.

20. We have included a sites and services project in our lending program for FY74, and Mr. McNamara is scheduled to visit some of the sites in the field in the morning of July 5. The proposed project (for details see G.3; Prospective Operations), will include the preparation of a development plan for the city and will also provide the framework for both the proposed second development project and a major sewerage project in FY77. Although the government has taken a decision to set up a National Housing Corporation, its functions are not yet clear and its role in urban development generally and in the sites and services project specifically has not yet been defined. Mr. McNamara may wish to stress the importance of formulating a sound urban development plan and strengthening the institutional setup for its implementation.

21. In July 1972, the Minister of Housing presented his low-income housing strategy which calls for the construction of approximately 1600 subsidized low-income "normal" built housing units and 2200 site-and-service lots for self-help housing annually. The proposed Bank-financed project has been developed within the context of this strategy and would provide about 2000 serviced lots annually over a three-year period. It could however be

stressed to the government that design standards and the extent of subsidy provided, should strike a balance which would place the dwellings within the reach of low-income groups while keeping the scheme viable in the longer-run. The proposed sites and services project is likely to include a component to establish small-scale industries near the sites to provide employment for the tenants. The Ministry of Housing has been slow to prepare the component in the proposed project for upgrading existing squatter settlements. We consider this element of some importance and Mr. McNamara may like to encourage the Minister of Housing to expedite the remaining preparation work so that progress with the project as a whole will not be further delayed. The government has already undertaken land revaluation for which we have pressed in the past, and its completion will be one of the conditions of our loan.

22. Public Utilities: It has been a major objective of Bank lending in power and water supply and sewerage sectors to strengthen the finances and operations of the two entities concerned, the Jamaica Public Service Company (JPSC) and the Water Commission. At our suggestion, the government introduced rate increases of about 27 percent for power in May of last year and increases in water charges of 25 -66 percent have been introduced on June 1, 1973. At the time of Mr. Wiese's visit to Jamaica in February (see G.4; Memos of Conversation), the Prime Minister, the Minister of Finance and the Minister of Public Utilities had all held out assurances of a proper pricing of utilities. The Minister of Public Utilities in a recent letter has informed us that proposals for revising the tariff for sewerage are also being developed. After the vacillations of the previous administration, this resolute stand of the present administration is commendable. Mr. McNamara may wish to encourage them to continue to take such actions as and when necessary in the future so as to improve the concerned institutions and raise the financing required for the expansion of facilities.

23. The Ministers might bring up the question of Bank financing for the sizable Blue Mountain water supply scheme. We have discussed the long term water supply proposals with the government in the past and have included a loan for an interim water supply and sewerage project in our lending program for FY74 and another loan for a major water supply scheme in FY75. In view of the financial and institutional weakness of the Water Commission and the lack of decision on a major water supply proposal (see G.3; Prospective Operations), the interim project is planned to meet immediate requirements and to also provide technical assistance for strengthening the Commission. A preappraisal mission for the interim project has just returned from the field and its report is presently in preparation. A loan for a substantial sewerage project is included in our program for FY77.

24. As to power, we had planned to make a loan to the JPSC in FY74 for expansion of thermal generation and transmission facilities (see G.3;

Prospective Operations). However, the government is reportedly considering the establishment of a new entity for power generation based on low grade residual oil from the proposed refinery (see F.5; Subject Brief on Oil Refinery). If this proposal were to be implemented, the JPSC investment program would have to be curtailed. It is possible that the government would then wish the Bank to finance instead the investment to be undertaken by the new electric power entity. We would, in Jamaica's condition of technical and managerial inadequacy, be opposed to a separate entity on principle. However, the question would need to be examined in detail. Mr. McNamara may wish to advise the government accordingly in the event that the matter is raised by them.

25. Education: In the last five years Jamaica has undertaken a major expansion of its school facilities with the help of two Bank loans and a CIDA-financed primary school building program. However, the education system needs reform to make it more responsive to Jamaica's present day requirements. The government is aware of the priority needs and its broad policies and programs were set out in a paper, "The Education Thrust of the Seventies" issued in May. The USAID has also recently completed a sector study in which the Bank participated (see F.5; Subject Brief on Education and Training, which indicates some of the sector problems). Our experience with the Ministry of Education in the past has however been very poor (G.2; Existing Projects), and unless vigorous steps are taken to strengthen the administration of this Ministry, it is doubtful if it can implement a far-reaching reform of the educational system. For our own third Bank loan in FY75 (for details see G.3; Prospective Operations), we should want to have evidence of greater progress in implementing the ongoing second project.

26. Industry: The Bank is not actively involved in the industrial sector in Jamaica (for background information please see F.3; Economic Brief, and paragraph 8 above). Two possible DFC operations for industry and tourism credit through the Jamaica Development Bank, were dropped from our lending program since the IDB, which is already active in the sector, was prepared to provide all of JDB's requirements in the near future.

Meeting and Luncheon with Prime Minister Manley on July 5 at 13.15 hours

27. Finance Minister Coore will also be present at the luncheon. Depending upon the time available, Mr. McNamara may wish to touch upon the agricultural sector review and possible Bank financing for a sugar rehabilitation project, the preparation of Jamaica's five-year development plan and the question of administrative absorptive capacity, the measures being taken by the government

in the balance of payments and incomes policy fields, and the special problems of the construction industry in so far as these are affected by the rivalry of trade unions.

28. Mr. McNamara will no doubt be informed of the latest developments concerning the agricultural sector review when he meets with Sir Arthur Lewis on the evening of July 4. He may wish to tell Mr. Manley that, depending upon the conclusions of the sector review and suitable projects becoming available, we would be ready to finance a sugar rehabilitation project in FY75 and two other agricultural projects in FYs 76 and 79. The latter two could be in support of the government's "Operation Grow" program and would, if possible, be approached as integrated rural development projects. In addition, our lending program includes repeat operations in agricultural credit through the Jamaica Development Bank in FYs 74 and 77.

29. Mr. McNamara may wish to outline the main features of the proposed Bank lending program to Jamaica over the next five years. Compared with five loans totalling \$33.5 million in the previous five years (1969-73) a lending program is proposed for 1974-78 of eleven loans totaling \$93 million. While we propose to continue making loans for infrastructure, education and family planning, the two sites and services and urban development loans in FYs 74 and 77 will mark new departures for us in Jamaica, and the assistance proposed in agriculture will be around ten times that provided in the last five years. The implementation of our lending program will of course depend upon the government's capacity to prepare and execute projects. Mr. McNamara may want to bring the question of administrative capacity (paragraph 12 above) to the pointed attention of the Prime Minister and discuss with him the need to strengthen such agencies as the Ministries of Education and Works and the National Planning Agency.

30. Under the previous administration an economic development plan had been drafted. This is now being revised by the new government but completion of the revised plan appears slow in coming. The Prime Minister might be urged to expedite its completion so that projects can be undertaken on a systematic basis within the framework of a macroeconomic plan. In this connection Mr. McNamara could mention that we hope soon to be in a position to send the government for its comments a draft of the Bank's economic report on Jamaica following the mission last November/December.

31. On macroeconomic policy issues, Mr. McNamara may wish to express the Bank's support to the more aggressive exchange rate policy already initiated by the government. The need to strengthen the balance of payments and for introducing an incomes policy could be stressed. The Prime Minister, as a labor leader, may be able to indicate what steps he proposes for winning the cooperation of the two unions in the implementation of an incomes policy, given their close affiliation to the two political parties.

32. Finally, time permitting, it would be useful if Mr. McNamara could take up with the Prime Minister some problems pertaining to the construction

industry in Jamaica. Projects financed by the Bank Group have been subject to severe delays due, in some instances, to inter-union disputes. For example, on the Bank-financed Spanish-town highway, work was stopped for about six months following the elections in early 1972. Union disputes also affected the construction of the Pegasus hotel, in which IFC has an equity/loan interest, and have delayed work on the Kingston water supply project. The problem largely arises because of the acute shortage of work and the policy of both parties to provide government jobs for members of their affiliated unions. However, such delays serve to increase construction costs - which are already high in Jamaica by international standards - and have a detrimental effect on potential overseas investors and contractors. Lengthy procedures for awarding government contracts further aggravate matters. It would be an important step forward if a committee composed of representatives of the unions, employers in the construction industry, and the government could be established to analyze the problem and come up with joint recommendations to improve the situation.

Meeting with Leaders of the Opposition and University Representatives on July 5 at 11.00 hours

33. It is expected that the Opposition will be represented by Mr. Shearer (former Prime Minister), and Mr. Seaga (former Minister of Finance and Planning). The Opposition has been quite vehement in criticizing the government's policies, especially its devaluation decision. Mr. Seaga has argued that the foreign exchange crisis was largely the result of a flight of foreign capital brought about by foreign investors' anxieties over the policies of the new government. He also claims that the balance of payments benefits to the economy from devaluation will be more than offset by the resulting domestic price rise. Messrs. Shearer and Seaga could be asked what alternative policies they have in mind, apart from unstable short-term financial deposits, to strengthen the foreign exchange reserves, now that long-term capital investment in the bauxite industry has for the moment dried up. Other issues which might be discussed include inflation and the desirability of introducing an incomes policy, and the need to resolve the problem of inter-union work disputes. This could lead on to a discussion of the unemployment problem and measures for its alleviation. If time allows, Mr. McNamara may like to ask Mr. Seaga for his views on the need for a coordinated development plan for Kingston and on how best to establish a sound institutional basis for the city's urban management (Mr. Seaga was a proponent of the Urban Development Corporation's plan to develop Hellshire Hills, a rocky peninsula about 12 miles south-west of Kingston which a Bank mission in 1970 concluded was premature).

34. Issues likely to be of interest to the two University representatives could include measures to redistribute income (F.1; CPP paragraph 13), the problem of rural-urban migration, and the government's education policies. There is a group at the university which considers that the sugar industry

is a vestige of colonial times and should be scrapped. We do not know if Messrs. Nettleford and McIntyre have any sympathy for this view, but it might be of interest to talk to them generally about the problems of the agricultural sector. There are some elements at the university supporting a radical nationalist policy but so far they have not assumed much importance. Their influence could however increase if the government fails in its efforts to implement socially progressive policies and to distribute the benefits of development more evenly.

Talks with Industrial Leaders

35. Although we suggested a meeting with the industrial leaders, on the lines of Mr. McNamara's meeting with the representatives of the Opposition and the University, the government preferred instead to arrange for a few leaders of industry to be invited to the dinner at the residence of the Minister of Finance on July 4. It is doubtful if there will be much opportunity for a meaningful discussion at the dinner, apart from the talk with Sir Arthur Lewis. However, Mr. McNamara could probably seek out for an exchange of views, Mr. Karl Hendrickson, Chairman of the Jamaica Public Service Commission, Mr. Arthur Chai Onn, of the Jamaica Citizens Bank, and Mr. Moses Matalon. The last named, who has wide interests including chairmanship of the Urban Development Corporation, is a particularly dynamic individual and is always good for an informative and broad ranging talk. It may be added that the Jamaica Manufacturers Association has criticized devaluation as increasing the costs of raw materials and capital equipment for Jamaican industry. The industrialists might be asked for their views on why industry has not been expanding at a faster rate in recent years, which industries should be regarded as growth sectors, and how government policies might be adapted to provide a more favorable investment climate. They might also have some views on the impact of the Caribbean Common Market on Jamaica's industrial exports (for background material see Economic Brief F.3, paragraphs 25-29).