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The World Bank
1818 H Street NW
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COUNTRY PROGRAM PAPER

JAMAICA

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Postscript

60. This paper was reviewed at a meeting chaired by Mr. McNamara on May 23. The conclusions were:

- (a) the lending program was acceptable;
- (b) it was represented by LAC Region that severe staff constraints existed in the Agriculture Projects Division, and that it might not be possible to go forward with the sugar rehabilitation project in Jamaica in FY75 as planned unless these constraints were eased. The President decided to keep this project in the program in any event. At the same time he welcomed the proposal of the regional office to review all agricultural projects in the region planned for FY75 in relation to its manpower authorization for FY74. The results of this review would be presented to Mr. McNamara by July 1; and
- (c) in preparing highways and sites and services projects in Jamaica alternative methods of construction would be investigated and shadow pricing employed so as to determine, as a test case along with Trinidad and Tobago, a proper design for contracts and a possible basis for considering wage subsidies so as to maximize employment.

Country Programs Department II
Latin America and Caribbean Regional Office

June 7, 1973

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COUNTRY PROGRAM PAPER

JAMAICA

1971 Pop'n: 1.9 million
1971 per cap. GNP: \$690
Current Pop'n Growth Rates (1967-71):
 natural: 2.8 p.a.
 net of migration: 1.4 p.a.

	<u>IBRD/IDA Lending Program (\$ million)</u>		
	<u>FY64-68</u>	<u>FY69-73</u>	<u>FY74-78</u>
IBRD	35.7	33.5	93.0
IDA	-	-	-
Total	<u>35.7</u>	<u>33.5</u>	<u>93.0</u> ^{1/}
Operational Program			<u>138.0</u>

Current Exchange Rate: J\$0.91 = US\$1.00

Annual Average per Capita (\$)

IBRD	<u>3.7</u>	<u>3.5</u>	<u>9.8</u>
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INTRODUCTION

1. A Country Program Note on Jamaica was discussed on January 17, 1972. Subsequently, an economic mission visited the country in November/December 1972, and its report is now in preparation. Some of the mission's conclusions have been incorporated in this paper, especially in respect of Sections E and D below.

A. POLITICAL FRAMEWORK

2. Jamaica has a functioning two-party system. Since the country's independence in 1962, the government had been in the hands of the Jamaica Labor Party (JLP); the JLP was defeated by a substantial margin by the People's National Party (PNP) in February 1972. There are no major ideological differences between the two parties, each of which draws its support from one or more of the three major trade unions. In certain areas of economic policy making, therefore, both parties are constrained by trade union interests. Both of them also support progressive Jamaicanization of the economy through active participation by local public and private capital.

3. To the extent that some differentiation can be made, the PNP stands to the left of the JLP; it is more oriented towards progressive social policies. The coming into power of the PNP has, on the other hand, been greeted by some disquiet in the private sector which is inclined to be wary of the party's Socialist leanings as represented by Prime Minister Michael Manley. The Prime Minister is clearly an outstanding political figure. He is personally dynamic, intellectually sophisticated, and imbued with a desire for bringing about changes in the economic

^{1/} The lending program for FY73-77 approved last year was \$77.5 million

and social structures of the country which have been largely stagnant all these years. In the international sphere, he is also more outward looking; Jamaica has recently taken steps to improve its relations with Communist countries as part of a design for more active and independent foreign policies.

4. Prime Minister Manley's effectiveness in the domestic sphere will ultimately depend upon the active support that he receives from the lower echelons of political leadership and from the civil service. He is conscious of limitations in both these areas; and also of the fact that the PNP has come into power for the first time in a decade and is thus, in a political sense, on trial. The Prime Minister is consequently trying energetically to reform the administrative setup, curtail the number of ineffectual yet proliferant public entities, and place in key positions younger people who share his desire to get things moving. As brought out later in this paper, the country is presently also facing certain difficulties in the economic field. Given the political will and sufficient financial and technical assistance, Jamaica should be able to overcome these difficulties and embark upon more rapid and equitable economic growth in the future.

B. RECENT ECONOMIC DEVELOPMENTS

5. Between the first and second half of the last decade, the GDP growth rate in Jamaica accelerated from an average of about 4.5 percent to 5.5 percent a year. There was however a slowdown in 1971 to around 3 percent, due mainly to a reduction in the growth of mineral production caused by a reduced world demand for aluminum. Manufacturing output also continued to lag and private investment grew only moderately. Agricultural output however rose more rapidly than GNP as a whole for the first time in a number of years. A recovery took place in 1972 when the world demand for alumina improved and the economy once again registered an increase in real output of around 5-6 percent. Commerce performed strongly, and activity in the construction industry picked up after interruptions which followed the general elections and the subsequent change of administration. Some limited gains were also recorded in agriculture and manufacturing, although sugar output declined somewhat. The rate of increase in domestic prices, which had accelerated rapidly through 1970, slowed down in 1971-72 to about 6 percent as a result partly of increased output of domestic agriculture and of the revaluation of the Jamaican dollar. In recent months, however, following the currency devaluation, wage and price pressures have been building up again.

6. Jamaica's economy has a relatively narrow resource base, with mining and tourism providing the major propellants of growth; while these sectors earn the bulk of the country's export receipts, however, they have, until recently developed few linkages with the rest of the economy. As a result of its resource endowment and the small size of the domestic market, the country has a very open economy, extremely dependent on external trade and capital inflows. The rate of increase in imports over the last several years has exceeded that of exports by a significant margin. Large-scale investment necessitated substantial capital goods imports, while industrial production has remained dependent on imported raw materials and intermediate goods. The import content of both investment and consumption has increased, while recent growth in the value of exports has been limited as larger alumina shipments were partly offset by a reduction in bauxite sales. The advantage of improved sugar prices in the U.K. market was also lost by a decline in volume and poor performance in other agricultural exports. As a consequence, the current account deficit went up from \$62 million in 1967 to \$168 million in 1971.

7. Until 1972 the current account deficit was more than made up by capital inflow, and foreign exchange reserves increased. During last year however private inflow fell off sharply with the completion of the recent cycle of alumina investment; the capital account was also affected by speculative outflows. At the same time, in a desire to stimulate economic activity, expansionist monetary policies were introduced by the previous government in April 1971. Imports expanded rapidly through 1971-72, reflecting a continued rise in the demand for consumer goods and a speculative accumulation of inventories. Foreign exchange reserves declined from their peak of \$190 million in March 1972 to about \$103 million by the end of that year, at which level they would cover less than two months' imports. By the time the government initiated corrective measures in November last year, Jamaica was in the throes of its first major foreign exchange crisis since independence. The government acted in that month to tighten credit and to restrain imports. The exchange rate, which had floated down with the pound sterling in the course of 1972, was devalued by a further about 6.7 percent in January 1973. Subsequently, Jamaica followed the U.S. dollar devaluation, the trade-weighted depreciation of the Jamaican dollar thus now amounting to about 10.5 percent in relation to its parity prior to August 15, 1971. As a result of various steps taken by the government, including some medium-term borrowing, capital outflows in the first quarter of 1973 have been stemmed and the exchange reserves position has stabilized. Negotiations with the IMF for further reserve support have also been practically concluded.

8. The public sector added to the balance of payments pressures by unusually large borrowings from the banking system in the critical period April/November 1972. The importance of this sector in the economy has increased steadily over the last several years, its share in GNP having gone up from 14 percent in 1965 to 18 percent in 1971. The government's performance in raising revenues in recent years has been commendable, the ratio of revenues to GNP rising from 16 percent in 1967-68 to just under 20 percent in 1971-72. Weaknesses in public finances however became evident last year. Current expenditures were permitted to grow rapidly by over 19 percent in real terms, while revenues grew only marginally relative to GNP, partly because of a decline in receipts from the alumina companies. At the same time, capital outlays have expanded by nearly 80 percent in the last three years. Increases in government wages and salaries account for the major part of the rise in current expenditures; highways, schools and hospital building programs and other public works, some of them primarily of an employment-creating nature, account for most of the increase in public investment. As a result, substantial borrowing from the banking system was required for the first time in some years. However, the budget proposals for 1973-74 hold out hopes for a return to fiscal discipline. Plans are to hold the real growth in current expenditure to about 4-5 percent and to introduce a package of new taxes - including property taxes based on long overdue revaluation of urban properties - which would lead to a further growth of revenue to about 22 percent of GNP, and a recovery of savings to a level close to that in 1971-72. Savings of public utilities are also expected to rise as a result of increases in electricity and water rates already introduced and those now under consideration.

C. PROBLEM AREAS AND POLICY REQUIREMENTS

9. Jamaica's recent economic experience has underlined its dependence on the external sector, and brought into sharp focus the basic problems and structural deficiencies of the economy. In overcoming these deficiencies, it will be necessary in the future to adopt a set of well-coordinated policies. The following brief comments are made on the key problem areas and economic policy requirements in order to meet the country's development objectives.

Unemployment and Income Distribution

10. Unemployment and severe income disparities constitute a major preoccupation of the government. On the basis of the latest sample survey carried out in April 1972, the unemployment level presently stands at about 16 percent as against 13 percent in 1960, with significant increases recorded in the last three years. If the substantial number of under-employed is taken into account, as much as 30 percent of the labor force might have no or insufficient permanent income. Nearly 45 percent of the age group 14-24 years are presently unemployed, accounting for over one-half of total unemployment.

11. Among the factors contributing to the recent increases in unemployment levels are: a large number of new entrants into the labor force, a further rise in the already high participation rate for women, and reduced opportunities to emigrate. Due to the sectoral pattern of economic growth and to technological factors, the substantial investment carried out during the 1960s had little impact on employment. The highly capital-intensive bauxite-alumina sector accounts for less than 2 percent of the labor force employed; in other sectors wage pressures promoted by trade unions have given an impetus to mechanization. Past government policies, by encouraging factor price distortions, have worked against larger employment generation and fiscal investment incentives have stimulated capital-intensive production. An overvalued exchange rate has further cheapened imports of capital equipment and intermediate goods and inhibited import substitution, and small to medium-sized firms have restricted the growth of employment to avoid unionization. At the same time, severe shortages of skills at all levels have emerged with the continued emigration of large numbers of skilled persons; and the academically-oriented education system has failed to provide technical and vocational training to achieve a better balance between the availability of jobs and skills.

12. Demographic trends point to three major developments for the decade of the 1970s. First, due to its age pattern, the growth rate of the population is likely to increase even if fertility declines and migration continues at a moderate pace. Second, and more important from the employment point of view, the number of young adults would increase by about 66 percent, or 14 times the increase of the 1960s. Third, growth rates in the other age groups are expected to be relatively low and increases among the older adults might be too small to provide a balanced growth of the labor force. Government policies will, therefore, have to be directed to the structural nature of the problem. In addition to policies designed to stimulate employment and the diversification and expansion of the economy, it would be necessary to expand training, education and family planning programs. It would also be necessary to mitigate the rural-urban drift by revitalization of the

agricultural sector which the government is at present actively planning.

13. Low productivity in major economic sectors and the structure of the domestic market, combined with institutional factors, have affected income distribution. Although reliable data are not available, there are indications that income distribution in Jamaica is more skewed than in other CARIFTA countries. Favored economic groups have improved their position at the expense of those unable to secure for themselves increases in income in line with those in output or in domestic prices. Such groups include not only profit recipients, but certain sections of organized labor as well; while real wages in mining and construction, for instance, increased at about 7 percent and 5 percent annually during 1960-70, agricultural wages other than those in sugar did not increase at all. The government has tried to correct the more blatant income disparities by stepping up expenditures for social services and providing relief work for the unemployed. The tax system has lately been made more progressive by the introduction of a separate tax on distributed corporate profits and of a capital-gains tax; however, weaknesses in tax administration have not only affected revenue growth but also curtailed the redistributive potential of the system.

Savings and Investment

14. The pattern of income distribution, low levels of productivity in important sectors of the economy, and the fiscal policies of the government have combined to depress national savings and investment. The propensity to consume among recipients of larger incomes is generally high, while the savings capacity of the bulk of the population is severely limited. As a proportion of national income, savings were less than 18 percent in 1971, down from 20 percent in 1967-70. The investment level declined from 28 percent of GDP in 1968-70 to about 26 percent in 1971. While government and corporate savings generally increased, personal savings over most years remained at 6-7 percent of disposable income and were probably below this level. Low interest rate policies prevailing in the 1960s, while encouraging consumer credit, discouraged savings; public institutions to promote savings have only recently been established and have so far had little success. There has been a heavy reliance on direct foreign investment and other capital inflows, with foreign capital contributing 36 percent of total investment in 1971 as against 16 percent in 1965. Even the share of foreign capital in non-mining investment more than doubled over this period and accounted for nearly 30 percent in 1971.

15. As already mentioned (Paragraph 8), the government's performance in raising revenues in recent years has been very satisfactory. The additional measures now contemplated should, after the lapses of last year, restore public savings to satisfactory levels. However, it will be essential for the government in the future to control current expenditures and improve the efficiency of its resource application. While maintaining public savings at about 5 percent of GDP, it must be the overall objective of its fiscal, monetary and institutional policies to increase national savings as a whole from about 19 percent attained in the late 1960s to around 22 percent by the end of this decade.

Balance of Payments

16. Jamaica's balance of payments has shown a worsening trend since 1967. The negative current account balance in 1966-71 increased five times over that in 1960-65. A particularly disconcerting feature has been the acceleration in the import growth of consumer goods which during the period 1967-71 increased by nearly two-thirds. The current account deficit for 1972 was over \$200 million. 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 impeded diversification and held exports below the existing overall potential. As a consequence, the balance of payments situation has become a crucial constraint on economic development.

Incomes and Exchange Rate Policies

17. In order to remedy the above situation and keep its current account deficit within manageable proportions, Jamaica will need to diversify its exports, expand its production of traditional export commodities (e.g. sugar, bananas and citrus) and take steps to make other exports competitive. Two of the major requirements in this connection are the adoption of appropriate incomes and exchange rate policies so as to keep cost-price relationships in line. The rate of increase of wages has progressively accelerated over the last few years, and has exceeded productivity gains by a wide margin; high wages in the bauxite and alumina sector have induced wage demands in other sectors of the economy where gains in productivity have been far smaller. The government is now seriously examining the possibility of applying a positive incomes policy. Immediately, national guidelines are under consideration which would permit annual wage and price increases not exceeding 7 percent and 5 percent respectively, thus allowing for a 2 percent increase per year in average labor productivity. Jamaica has already taken action to adjust its exchange rate so as to correct some of the factor price distortions and make its exports more competitive. For the future, our informal discussions with the government lead us to believe that pragmatic policies are likely to be maintained, and further exchange rate adjustments are not ruled out. Such adjustments would be combined with the provision of subsidies for exports and for new investment, and with rationalization of methods to improve efficiency in export agriculture and industries. Steps are also being taken to limit imports and increase domestic food production (Paragraphs 21, 38).

Absorptive Capacity

18. 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. Although the capital expenditure of the central government has grown appreciably since 1967, and now accounts for more than 9 percent of GDP, this disguises the fact that a number of projects have been inefficiently executed and administered. The sizable

migration of qualified personnel has also affected the capacity for project planning and implementation. In an effort to remedy the situation, the government has lately reshaped the entire planning machinery by creating a National Economic Council, a Technical Advisory Group and a National Planning Agency; the last named, however, remains seriously understrength for lack of competent personnel. A similar situation exists in other branches of government where available talent is spread thin. The government has instituted a drive to improve the civil service structure and induce capable Jamaicans, who are presently outside the country, to return home. Younger technocrats have been introduced into the Prime Minister's Secretariat, and a number of changes made in key positions in economic Ministries. A reform of the civil service structure is being contemplated to impart to it greater flexibility and dynamism; a civil service department is being immediately created to review methods and procedures, with special focus on the Ministries of Agriculture, Housing and Education. With all that, it is doubtful if deficiencies at middle levels of administration can be quickly overcome without substantial injections of external technical assistance. The government has shown its readiness to receive such assistance.

D. PROSPECTS FOR DEVELOPMENT

19. On the whole Jamaica has a history of good economic management, and the new government has given evidence of its determination to seek appropriate solutions to the problems facing the country. There are indications of improvement in the country's economy from 1974 onwards and, given sound policies in critical areas of the economy mentioned above, the prospects for the medium-term are quite good. This improved picture is reflected in our estimates of feasible macroeconomic objectives summarized in the table below:

	Current Level		Projected	
	Actual 1971	Estimated 1972	1978	Growth(%) 1973-78
GDP (1967-69 US\$ millions)	1,347	1,428	2,090	6.6
(excluding bauxite-alumina sector)	(1,174)	(1,246)	(1,774)	(6.1)
Population (thousands)	1,912	1,948	2,186	1.9
GDP/Capita (1967-69 US\$ millions)	705	733	956	4.6
Consumption/Capita (1967-69 US\$ millions)	557	589	713	3.3
Gross Domestic Savings (1967-69 US\$ millions)	248	245	465	11.6
Savings/GDP	18.4%	16.5%	22.2%	-
Gross Domestic Investment (1967-69 US\$ millions)	339	359	465	4.4
(excluding bauxite-alumina sector)	(245)	(300)	(402)	(5.0)
Investment/GDP	25.2%	25.1%	22.2%	-
Public Investment/Gross Domestic Investment	32.6%	33.5%	40.8%	-
Public Savings/GDP	5.2%	4.1%	5.0%	-
Exports of Goods and NFS(1967-69 US\$ millions) ^{1/}	518	566	848	7.0
(of which bauxite-alumina sector)	(226)	(255)	(380)	(6.9)
Imports of Goods and NFS(1967-69 US\$ millions)	572	698	857	3.5 ^{3/}
(of which bauxite-alumina sector)	(58)	(48)	(69)	(6.2)
Resource Balance/GDP	-4.2	-9.7	-0.5	-
Net Public Capital Inflow(current US\$ millions)	24	24	36	-
Other Net Capital Inflow(current US\$ millions)	168	106	144	-
(of which bauxite-alumina sector)	(129)	(61)	(83)	-
External Debt Service ^{2/}	5.1%	5.2%	9.5%	-

^{1/} Terms-of-trade adjusted.

^{2/} As percent of goods and non-factor services net of investment income abroad.

^{3/} In relation to 1971 which was much more normal year for imports than 1972, the growth rate is 6.0% for total imports and 2.5% for bauxite-alumina related imports of raw materials and capital goods. Imports other than for the bauxite-alumina sector are projected to grow by 6.3% in 1972-78 and by 3.3% in 1973-78, on annual average.

20. With the recovery of industrial production in the major developed countries, led by the United States and Japan, world consumption of aluminum is expected to grow substantially faster in the years 1973 and beyond. This recovery would benefit Jamaica by increasing production and exports from the existing bauxite and alumina capacity, with further expansion of capacity not unlikely in two or three years from now. A major bauxite company has already announced an expansion program to be completed by the end of 1974, and latest advices indicate rising alumina prices in the Japanese market. It is estimated that increase in the volume and prices of bauxite and alumina exports, which between them comprise over two-thirds of Jamaica's total merchandise exports, could cause the total foreign exchange earnings of the country from this source to rise by over 40 percent in current prices between 1972 and 1978. These calculations do not take into account a substantial petroleum refining-aluminum smelting project which is presently under active consideration of the government. If this project materializes (total costs estimated at \$600 million), the country's capital flows and the balance of

payments picture would be significantly affected. At full capacity, around 1977, the refinery would generate additional exports of about \$30 million a year while aluminum exports could start in 1978 and reach about \$50 million by 1980. The project would also contribute substantially during its construction to rising incomes and employment. At the time of writing, the plans for the oil refinery seem to be going well; the prospects for the aluminum smelter however remain uncertain.

21. In addition to mining, major contributions to growth in the future are likely to be made by tourism, manufacturing, agriculture and construction. Annual increases in manufacturing of over 7 percent appear attainable. The sector is expected to benefit from the recent devaluation and from the transformation of CARIFTA into a Common Market on August 1, 1973, both of which factors should help stimulate import substitution and manufacturing exports. Labor-intensive, assembly-type industries are likely to continue to play an important part in increasing manufacturing exports. In agriculture, exports will gain from the prevailing high sugar prices, increased local profits resulting from devaluation and planned rehabilitation investment. The government's plans for revitalizing the sector (paragraphs 39-41) could lead to substantial import substitution in addition to generating higher export earnings. With large-scale investments projected in the public and the private sectors in the future, the share of investment in GDP is projected to rise from the present 26 percent to about 28 percent by 1975, declining gradually thereafter to about 23 percent. The economic mission has estimated an annual growth rate of GDP of 6.6 percent in real terms over 1973-78; the recorded rate for 1967-72 was 6.3 percent.

22. Public investment is expected to account for over 40 percent of gross domestic investment in 1978, as against 32 percent in 1971. Our growth projections call for the formulation and implementation of a sound public investment program which would balance output and employment-creating objectives. The financing of such a program will call for additional domestic resources as well as increased external borrowing. With total government revenues at 20 percent of GDP in 1971-72, the scope for additional revenue raising is somewhat limited. Nevertheless improvements in tax administration and increases in property tax rates are already under consideration of the government; taking account of these and other factors, the Bank mission has projected government revenues growing to 24 percent of GDP by 1978, or at about 9 percent a year in real terms. The surplus of the rest of the public sector would increase at a similar pace, provided the utilities rates are kept in line with costs. Allowing for an increase in current expenditures of about 7 percent, public capital expenditures could thus grow at around 8 percent per annum. On these assumptions, public sector savings would in 1973-78, finance about 55 percent of public investment as against over 70 percent in 1967-71 and just about 25 percent in 1972. Gross disbursements from external public borrowing would cover 37 percent of capital outlays as compared with less than 25 percent in the past five years.

23. A draft five-year development plan was prepared by the previous government in 1971. Major changes in this draft are now being undertaken and the presentation

of a new plan to Parliament is scheduled for late 1973. On preliminary indications, public investment of about J\$580 million might be feasible in 1974-78, compared to J\$360 million (in 1970 prices) estimated for the five years ending March, 1973. Public investment is likely to focus on agriculture, infrastructure, housing and education. It assumes that the development of industry and tourism would be fostered by relatively modest public capital expenditures, combined with incentive and promotional measures. Although the government has recently embarked on special impact work-employment programs, their achievement has been uneven.

E. CAPITAL INFLOWS AND EXTERNAL AID

Past Trends

24. Capital inflows have played a decisive role in the past for expanding the productive capacity of the economy and counterbalancing the current account deficits in the balance of payments. Direct private investment has accounted for the bulk of capital inflows. Foreign financed expansion of bauxite and alumina capacity in 1966-72 accounted for investment in the order of \$620 million, well above two-thirds of net capital inflows during this period; other foreign investment went into manufacturing, telecommunications and tourism. Disbursements of loans to the public sector, including government-guaranteed loans to privately owned utilities have been, on the other hand, rather limited. Commitments however accelerated sharply in recent years, largely because of increased project lending from international and bilateral agencies, whose contribution was negligible prior to 1965. The major part of these loans went to utilities and semi-autonomous public agencies, while project loan disbursements to the central government have lagged due to weaknesses in project implementation.

25. AID and Eximbank combined have been the largest source of external public capital, between them accounting for commitments of \$74.5 million, or over 22 percent of total public loan commitments in 1965-72. Their lending has been concentrated in power, agriculture, housing, transport and industrial financing. IBRD has committed a total of \$59.9 million over the same period, or about 18 percent of the total. Our past lending has mainly been for economic and social infrastructure, including power, roads, water supply, education and, to a minor extent, family planning. Canadian aid (\$37 million; about 11 percent of the total) has been made available for a large number of projects in telecommunications, education, health, transport and water supply, as well as for preinvestment studies. IDB commenced operations in June 1970 and has become increasingly active in the last three years. Its lending (\$19.9 million; 6 percent of total), mostly from the Fund for Special Operations, has been for agriculture, university education, and small-scale industries and hotels. Finally, U.S. commercial banks have committed sizable funds (\$74.7 million) for Eximbank-sponsored projects in power and transportation as well as for large hotels. Financing from suppliers' credits during this period has been relatively negligible.

Future Requirements

26. Jamaica faces an urgent need to improve its trade balance, secure an upturn in capital inflows, and replenish the depleted foreign reserves. Its trading prospects in the medium term have been discussed in paragraphs 20 and 21; however, even with an improved trade position, a current account deficit

of around \$200 million a year is likely to persist through 1973-78. The increase in investment required to support faster growth in exports, output and employment will consequently necessitate substantial capital-inflows. Our projections of Jamaica's sources and uses of foreign exchange in 1973-78 are summarized below:

US\$ millions at current prices	Actuals 1967-72	Projected 1973-78
<u>Sources of Foreign Exchange</u>	<u>4,060.2</u>	<u>6,811.4</u>
Exports of Goods and NFS	2,926.2	5,088.8
Net Direct Foreign Investment	723.3	684.6
Official Loans ^{1/}	154.7	556.8
Other ^{2/}	256.0	481.2
<u>Uses of Foreign Exchange</u>	<u>4,060.2</u>	<u>6,811.4</u>
Imports of Goods and NFS	3,328.1	5,485.7
Investment Income	601.4	968.6
Public Debt Service	92.6	353.7
Interest	(49.8)	(133.5)
Amortization	(42.8)	(220.2)
Accumulation of Reserves	38.1	3.4

^{1/} Including suppliers' credits to public sector.

^{2/} Private sector borrowing, transfers, allocation of SDRs, and errors and omissions.

27. Direct private investment is likely to remain the largest source of foreign capital during this period. New investments in alumina (Paragraph 20), combined with higher maintenance investment for an enlarged capital stock in mining, could conceivably result in inflows of about \$500 million. More loan funds than hitherto are likely to be absorbed by the private sector of the economy, with amortization payments rising rapidly from 1976 onwards. Under these assumptions, net private capital inflows for the period 1973-78 would be close to \$900 million against \$780 million in the previous six years. These projections do not take into account the substantial inflows which might result from the petroleum refinery/aluminum smelter project. In order to cover the remaining foreign exchange gap and finance rising public investment, substantially increased inflows of public capital would be required. Public loan commitments of the order of \$600 million may be therefore needed in 1973-78, or more than twice as much as during 1967-72. In order to achieve capital transfers of this magnitude, external lenders will have to be prepared to finance a proportion of local costs of projects with relatively low foreign exchange component.

28. United States sources will continue to provide the major part of external public capital. The Eximbank is presently considering a sizable loan for the power sector and is likely to maintain its association with the ongoing power development and hotel construction programs. USAID's forthcoming loans will be for reafforestation and education, with further lending planned for social projects; P.L. 480 funds are also likely to be made available from 1974 onwards. On the basis of the

attached lending program, IBRD would provide about 18 percent of the projected total commitments, or about the same level as in recent years. Our lending program (Paragraphs 33, 34) will concentrate on agriculture and on economic and social infrastructure. IDB plans to substantially increase its lending for industry, tourism, agriculture and education, and is also likely to become active in the highways sector. A substantial part of its lending will be provided through the Fund for Special Operations on the grounds that Jamaica otherwise has little access to soft-term borrowing. The Caribbean Development Bank has just extended a \$1.2 million loan for tourism; further lending will be limited since CDB plans to channel its funds primarily to the smaller countries of the Caribbean. As in the past, Canadian aid will focus on telecommunications, agriculture and education, and will continue to carry a substantial technical assistance component. The U.K. does not have a capital aid program in Jamaica; however, funds on commercial terms are expected to be made available through the Export Credit and Guarantee Corporation, and for housing and hotel construction through the Commonwealth Development Corporation. The Kreditanstalt fuer Wiederaufbau (KfW) of Germany is finalizing a soft-term loan for financing small and medium industries, with a repeater operation likely in the future. Commercial bank loans are expected to continue to be available for power and hotel projects; both the government and semi-autonomous public agencies are also likely to take recourse to suppliers' credit in a larger measure than in the past.

29. The external public debt of Jamaica is low by international standards, and is not likely to pose any serious problems in the foreseeable future. Its external public debt at the end of 1972 equaled 14.2 percent of GDP; substantial increases in borrowing projected for 1973-78 will result in total external debt increasing to nearly 22 percent of GDP, and of debt service ratio rising from the present 5.2 percent to about 9.5 percent of the exports of goods and non-factor services net of investment income abroad. If the proposed Bank lending program were to go forward, our share in Jamaica's external debt service would be 12 percent in 1978 as compared with about 14 percent at present. External lending agencies will, however, no doubt, wish to review their actual lending from time to time in the light of Jamaica's success in implementing sound economic policies in areas discussed earlier.

F. STRATEGY AND OBJECTIVES OF BANK LENDING

30. As already mentioned, notwithstanding efforts to maximize domestic resource mobilization, Jamaica's external capital requirements in the medium term will be substantial (Paragraphs 26, 27). The case for Bank lending therefore rests on the need to provide some of the country's external financing requirements, in addition to promoting appropriate policies in critical areas of the economy. These macro-economic policies have been commented upon in paragraphs 9-18 above; we would make it our special concern (i) to promote public savings, (ii) encourage the formulation of an appropriate incomes policy, and (iii) support the present export and employment-creating exchange rate policies.

31. An IMF stand-by of about \$30 million is now being negotiated. The financial program to be agreed with the Fund is likely to include a commitment by the government to limit its borrowing from the banking system and the placement of a ceiling on the net assets of the Bank of Jamaica. It will also state quarterly revenue targets and expenditures ceilings for the government, and prescribe limits for public and publicly-guaranteed borrowing abroad especially for maturities of less than ten years. We propose to follow closely the implementation of the financial program to be agreed with

the Fund and will also be reviewing the public investment program and its execution. Recent Bank missions have been already assured of the government's determination to raise additional revenues and to secure the proper pricing of public utilities. However, we do not at this point propose that a specific improvement in public savings be made a condition of our lending; from all indications, this is a purposeful government and needs time in which to make its policies effective. We would also expect to encourage the government in laying down national guidelines for wage and price increases towards the formulation of a proper incomes policy. Any further marked deterioration in public savings or wage-price trends would, however, call for a review of our lending program.

32. As in the past, we would also be pursuing major institution-building objectives in important sectors of the economy through individual projects proposed for our lending. It might be added that in project preparation the government and the Bank would have the benefit of a large number of feasibility and sector studies (education, airports, roads, power, water supply and sewerage projects) which have been either already completed or are under way, with financing provided by other lending agencies or by the government. Finally, in addition to the specific sector policies and objectives discussed in the following Section, our lending program, by concentrating on agriculture, highway maintenance, urban development and education, will also have important employment-creating and income distribution effects.

G. BANK OPERATIONS PROGRAM AND THE ECONOMIC SECTORS

33. We propose an operations program for FY74-78 of 16 projects totalling \$138 million (see attachment); the operations program approved last year for FY73-77 was for 15 projects, for a total of \$108 million. Three new projects (two in agriculture and one in water supply and sewerage) have been included in the operations program for FY73-77 and are marked with an asterisk in the attached table; the reasons for proposing these new projects are discussed in paragraphs 41, 42. However, two DFC operations for tourism and industry (FYs 73 and 76) approved last year have been dropped from the present program as a result of intensive triangular discussions with the IDB, the Jamaica Development Bank and the government. An understanding has been jointly reached that IDB will meet JDB's financing requirements for these sectors; on its part, JDB will thus receive cheaper funds from the blend of ordinary capital and FSO that IDB would be able to provide. As a result of these changes, the sector span of our operations program has been reduced, while the net addition in terms of new projects in FY73-77 is only one.

34. As previously mentioned, Jamaica's capacity for planning and implementing projects is still limited; while external lending agencies will have to provide substantial technical assistance in order to enable the country to carry through a large investment program, an improvement in administrative absorptive capacity might be slow in coming. Our planning, therefore, provides for a slippage of almost one-third in the number of projects between the operations and the lending programs. The latter visualizes a total lending of \$93 million for 11 projects in FY74-78, as against \$77.5 million approved for FY73-77 last year. We made no loans to Jamaica in FY72 and expect to make one only in FY73. There has been a slow buildup of the project pipeline in the last few years, the Kingston Sewerage Project has slipped from FY73 into FY74, and the Airports Project is being brought forward from FY75 into FY74. As a consequence, there is a hump in our operations program for FY74 which now includes six projects as against five approved at last

year's country review. Our lending in subsequent years is expected to maintain a more even tempo. A notional provision for two loans (agriculture unidentified and water supply) has been made in FY79; we hope to have these defined more clearly for next year's Country Review.

35. The following table summarizes the sector composition of the proposed operations program for the 1974-78 fiscal years:

	<u>No. of Projects</u>	<u>US\$ million</u>	<u>%</u>
Agriculture	4	27.0	19.6
Transport	3	32.0	23.2
Power	1	15.0	10.9
Water and Sewerage	3	26.0	18.8
Education	2	20.0	14.5
Population	1	2.0	1.4
Urban Development	2	16.0	11.6

In line with the government's strategy of development, the major change made in the program over that presented last year concerns the agricultural sector. For reasons discussed in paragraphs 41 and 42 we propose to substantially enlarge our involvement in this sector; the number of agricultural projects in the program has therefore been doubled and the amount of proposed lending tripled.

36. In order to achieve the proposed lending program, considerable assistance in project preparation is already being extended by various lending agencies or is anticipated. Close coordination is also being maintained by us with other agencies active in Jamaica. An OAS employment mission is scheduled to visit Jamaica in mid-1973. We are in close touch with that organization, and would review our lending program, if necessary, in the light of that mission's findings.

37. No special terms of Bank lending appear justified on country grounds. However, the proposed Bank lending for agriculture, education, population planning and urban development would comprise a substantial part of our program. The foreign exchange component of projects in these sectors would be relatively small; in order therefore to help achieve an adequate level of external capital inflows and to exercise effective influence on the selection and execution of such projects, some local currency financing would be necessary.

Agriculture

38. For more than a decade, Jamaican agriculture has failed to provide much impetus to rapid economic growth. The sector's inability to supply Jamaica's basic food requirements has contributed to the rapid rise in consumer goods imports, thus aggravating the balance of payment difficulties. During the period 1968-72 the imports of food and agro-based raw materials increased from \$43 million to about \$70 million. The stagnation of the sector has also contributed to the rural-urban drift. Yet, although agriculture as a whole accounts for a small and declining share of the gross national product (about 8 percent in 1972), its importance in the economy is very much greater. Nearly one million persons, or half the population, still live on farms, and about one-third of the gainfully occupied population is engaged in agriculture. Also, about one-fifth of the country's total exports consist of processed and unprocessed agricultural products.

39. At a meeting with Mr. McNamara in August 1972, Prime Minister Manley requested the Bank's assistance in connection with an agricultural sector study as a basis for revitalizing agriculture in Jamaica. Pursuant to that meeting, we have been closely associated with the planning of the study, which is being made by the Jamaicans, and we are presently helping to assemble a team of experts, with Bank financing, to participate in the final sector review to take place in June-July of this year. The government has also decided that any high priority projects that are identified by the study should be prepared for financing and implementation without waiting for the overall study itself. The aim of the government's efforts at revitalizing the sector would be threefold: (i) to substantially reduce the country's dependence on imported foodstuffs; (ii) to increase exports of agricultural products by improving the profitability of the sector; and (iii) to convert farming into a modern commercial operation sufficiently attractive to sustain employment in the rural areas. With the improved price incentives resulting from devaluation, an enlarged investment program in agriculture, and assuming a strengthening in public sector institutional support, a significant acceleration of the agricultural growth rate over the next decade is feasible.

40. It seems likely that a project for the rehabilitation of the sugar industry will emerge from the ongoing sector study, and that this will ultimately prove suitable for Bank financing. The sugar industry is the most important agricultural activity in terms of acreage and exports, although it has been in a state of decline for a number of years. The government has been supporting the industry by means of subsidies, and has lately purchased over 70,000 acres of sugar-cane land with a view to subdividing and reselling or leasing them to independent farmers. A loan for sugar rehabilitation included in our program for FY75 would assist in rehabilitating the industry and improve its productivity. This is a new project which was not included in the lending program for FY73-77 last year. Its timing will be subject to project preparation, for which the government plans to engage consultants, and to manpower availability within the Bank.

41. In addition to promoting export agriculture, the government is mounting a concerted drive to increase production for the domestic market. It is intensifying its program for providing various inputs to small farmers. Through an "idle lands" project it is also attempting to bring some 19,000 acres of privately held arable land, at present lying idle, into productive use. Finally, "Operation GROW" aims at the distribution and cultivation of 50,000 acres of government land, initially by setting up state farms, to be subsequently organized into cooperatives of independent farm holders. A pilot project involving about 500 acres of irrigable land is presently being initiated with active youth participation; sociological and other studies are at the same time being carried out to assist in determining the long-term development strategy concerning land use and organization, either by lease-hold tenure and/or cooperatives. We are likely to be asked for assistance in the development of new lands in this program, and have included a new, unidentified agricultural project for our lending in FY76.

42. After a slow start, the present agricultural loan to the Jamaica Development Bank (JDB) for on-lending to farmers for coconuts, citrus, livestock and dairy development is progressing well. The Bank's association with the JDB through this operation has resulted in strengthening the institution; our future lending will build upon the improvements already achieved. We would expect the agricultural sector study to confirm the need for a further Bank loan for credits to farmers, and have accordingly included a follow-on operation in the FY74 program.

Transportation

43. Most of the island's internal transport needs are met by roads, and competition between alternative modes of internal transport is not an issue. In 1968-70 a CIDA-financed general transportation survey was undertaken with a view to recommending appropriate policies and measures for economical development of the country's transportation system through 1979. Detailed feasibility studies have subsequently been undertaken as a basis for further investments in road and air transportation facilities.

44. Although Jamaica's roads network is extensive for the size of the island, despite heavy investments in recent years its capacity and condition remain inadequate. The Bank's first highways loan (\$5.5 million; FY65) financed the reconstruction of about 14 miles of arterial roads; the project, which has now been completed, experienced delays in execution and substantial cost overruns. A second highways loan of \$9.3 million for a badly needed maintenance and improvement project is due for presentation to the Board at the end of May. The project was developed on the basis of consultants' studies financed by UNDP, and includes a substantial technical assistance component to improve maintenance organization and procedures in the Ministry of Works. A third loan has been included in the Lending Program for FY74, for the reconstruction of arterial roads, selected on the basis of consultants' feasibility studies financed by CIDA. A further highway loan is planned for FY78. USAID is currently financing a feeder road development program; CIDA is participating in an ongoing bridge replacement program; and IDB is contemplating financing some secondary main and parish road reconstruction, supported by the CIDA feasibility studies.

45. A tourism-related airports project (\$10 million; FY74) is due for appraisal shortly. Air traffic growth at Montego Bay and Kingston has together averaged about 14 percent a year between 1965 and 1970. The present project, which includes improvement and expansion works at both airports, has emerged from CIDA-financed consultants' feasibility studies with which the Bank has been closely associated. Other elements of the project will include improvements in the organizational arrangements for managing the airports and appropriate revision of airport user charges.

Power

46. The Jamaica Public Service Company (JPSC), in which the government has about 19 percent equity holding but which it effectively controls, is responsible for supplying power for the public system, although there are also numerous private plants operated by the bauxite companies and sugar estates. Since 1966, JPSC has undertaken a major program of expansion with the help of the Bank loan made in FY67; in recent years, the company has been purchasing small units from General Electric financed by suppliers' credits and Eximbank. The investment program has provided for an increase in JPSC's gross generation by 84 percent from 1966 to 1971. Demand for electricity in the public system is expected to grow at about 12.5 percent a year over the next five years. The company therefore visualizes an investment of about \$123 million through 1976 to meet this demand, of which financing for some \$77 million is still to be arranged. The size and

scope of the investment are however likely to be modified in the light of studies currently underway on the feasibility of building an oil refinery and using its low-grade residual oil as a cheap fuel for the generation of cheap electricity. The results of these studies are expected to be available by the end of May.

47. Although the physical execution of the last Bank project (\$20.7 million; FY66) with JPSC was reasonably satisfactory, the previous government allowed the company's financial situation to deteriorate by refusing to permit a long overdue rate increase. The resulting financial difficulties of the company were commented upon at the last country review. However, the new government in May 1972 authorized a substantial tariff increase averaging about 27 percent which should help to restore the company's financial viability. A loan of \$15 million has now been included in our program for FY74 to help finance further expansion of the company's power generation and distribution facilities. We would, through this operation, seek continued improvement in the company's management and the maintenance of appropriate pricing policies. A Bank loan, in addition to Eximbank financing of certain equipment, will also respond to the company's desire to diversify its sources of supply and avail of competitive bidding for equipment purchases.

48. The JPSC has indicated that it may also wish the Bank to include, as part of the above project, financing for studies to determine the feasibility of partial frequency conversion and interconnection between the JPSC network and the electric power plants of the principal bauxite and sugar companies. A project of this kind would result in important economies of operation and, should the feasibility studies so justify, there might be a case for an additional Bank loan, probably in FY76 or FY77. For the moment, however, this project has not been included in our lending program, although we might recommend its approval at a later stage.

Water and Sewerage

49. The rapid growth of Kingston's population in recent years has placed great pressure on water supply and sewerage facilities. The first Bank-financed Kingston water supply project (\$5 million; FY69) is nearly complete; its yield will, however, be somewhat smaller than originally estimated, and will need supplementing urgently if water shortages are not to develop in the next three or four years. A loan to enable the Water Commission to undertake a further major water supply investment has been included in the FY75 program. However, further studies of alternative ground and surface water sources are necessary before major project preparation can proceed; in the interim period, therefore, we propose a small loan (\$6 million; FY74) to finance a project which would provide limited increases in water supply to supplement the yield from the first project.

50. The proposed interim loan would also help finance limited extension of the sewerage system in Kingston. 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 finance to embark upon such a program at the present time. The loan for a major sewerage project

has therefore been deferred to FY77. In the intervening period, it will be an important objective of the smaller water and sewerage project scheduled for FY74 above to introduce managerial and financial improvements in the Water Commission. Substantial increases in water rates have just been introduced, and should help restore the Commission's financial viability and enable it to meet appropriate rate of return requirements. We would also make increases in sewerage rates a condition of the proposed water and sewerage loan in FY74.

Education and Population

51. The new government has not yet formulated a clearly defined plan for educational development. Capital expenditures in education for the period 1973-78 are however likely to be substantial, with the major thrust of development aimed at the upgrading of primary education and the provision of semi-skilled and skilled training for the 15-17 year age group to enable them to find useful employment on leaving school. CIDA is providing the government with considerable assistance in a prefabricated primary school-building program, and the Bank has in recent months discussed with the government how best we can assist in providing an integrated program of educational and vocational training as part of a third Bank-financed project. This project would help increase the supply of skilled labor and contribute to wider job creation. However, before embarking upon a third project we would wish to have evidence of better progress in implementing the second education project (\$13.5 million; FY71) which has been delayed due to inadequate project management and the new government's desire to review the project scope before proceeding with it; steps are now being taken to improve project management and better implementation is expected in the future. In the meantime, the Bank is participating in an AID education sector review. This review is intended to establish the framework for future educational investment in Jamaica and, within this, to identify projects for external financing. Pending the conclusions of this survey and better progress on the ongoing project, we have postponed the third education loan from FY74 to FY75, and have included a fourth loan in the program for FY78.

52. The loan for population planning in 1970 was the first Bank loan ever in this field. Its objective was to assist the government in implementing a national family planning program and, in the longer term, to bring population growth more in line with the country's economic development. The project was also intended to help check the pace of increase in the labor force which for many years has outstripped the rate of increase in job opportunities. After a slow start due to institutional weaknesses, the project is now progressing reasonably well. A second loan which will supplement the inputs of the first loan, is planned for FY76. We would at that time also consider including a nutrition component in the project.

Urban Development

53. About one-third of the population of Jamaica lives in the greater Kingston area. From 1960 to 1970 the population of Kingston increased at an annual rate of 2.8 percent, compared with a population growth rate for the country as a whole over the same period of about 1.5 percent per annum, leading to serious urban congestion. The government hopes to be able to moderate the rural-urban migration rate in future years by modernizing the agricultural sector and by providing improved infrastructure in the rural areas.

54. We are proposing a "sites and services" loan for FY74, followed by an urban development loan in FY77. It would be the objective of these projects to promote a more integrated approach to land use and urban planning in the greater Kingston area, in addition to providing sorely needed housing and improved facilities for low income groups. The first project will include a component for the establishment of cottage and small-scale industries in order to maximize its employment effects and create viable communities; although the land sites will be subsidized by the government on a sliding scale in accordance with the income levels of recipient groups, the beneficiaries will be expected to pay for lease-hold rights so as to make a continuing program feasible. The first loan would also include an urban management study to provide a basis for the second project and to help improve local government administration. It will be a condition of the loan that the government complete revaluation of urban property to provide a more equitable basis for taxation and contribute to increased revenues.

IFC

55. So far there have been only two IFC operations in Jamaica. In 1961 a small loan, since fully repaid, was made to Pre-Mix Concrete Company, and in 1968 IFC agreed to make an investment of \$2.9 million in a new hotel project in Kingston. No new projects are presently under consideration.

H. CONCLUSIONS AND RECOMMENDATIONS

56. Jamaica presents a number of features typical of the Caribbean island economies: a narrow resource base, heavy dependence of the economy on the external sector, a social pathology which, in turning away from traditional plantation agriculture, has allowed a sector of major social and economic value to deteriorate, an almost intractable unemployment problem accompanied by an iniquitous income distribution, and a deficient educational system which has failed to correct the imbalance between the availability of jobs and skills. 

57. After steady growth for several years, fuelled largely by direct foreign investment, the economy slowed down in the last two years, revealing some of its basic inadequacies. The present government has reacted to the crisis with energy and determination on a broad front. In its two-pronged drive towards the maximization of output and employment, it has restored domestic and export agriculture to the center of its concern, while pushing forward

with petroleum refinery and mining projects which would exploit the country's closeness to the North American market and help maintain private capital inflows. Talks have also been initiated for setting up joint industries with Japanese participation. In order to improve the competitiveness of export industry and agriculture and bring Jamaica's trading deficit under control, the government has already adjusted the exchange rate and expressed its readiness to make further adjustments when necessary. Within the constraints of its domestic political realities, it is also moving towards imposing wage and price guidelines and formulating an incomes policy. Further, the government has given evidence of its determination to enlarge domestic resources availability, improve its administrative apparatus, extend socially progressive policies, and undertake skill training programs to make a rapid impact on the unemployment problem. The country's recent economic experience notwithstanding, it is our conclusion that the prognosis for the medium term is good.

58. We recommend that the Bank support Jamaican efforts by providing financial and technical assistance. We see our role as of crucial importance in bringing about appropriate macroeconomic and sector policies for the maximization of output and employment and in effecting institutional improvements. In the projects that we finance, the Bank should encourage the local procurement of goods and services. In order to insure the proper selection and composition of projects, we should also be prepared to finance local currency costs whenever necessary. Finally, if requested by the government, the Bank should be ready to provide technical and financial assistance in designing and implementing education/training programs for skills training so as to make an immediate impact on the core unemployment problem.

59. The proposed lending program has a pronounced hump in FY74-75, with a decline in new Bank commitments from 1976 onwards. Staff requirements would be therefore particularly heavy in these three years. We have reviewed these requirements for 1974-75 and, given the large number of ongoing consultants' studies and the anticipated increase in staff positions in the Bank, expect to be able to meet them in sectors other than agriculture. In agriculture, however, the number of projects programmed for FY75 already exceeds by a substantial margin the anticipated staff capability. Inclusion of the sugar rehabilitation project proposed for the FY75 operations program, therefore, must remain for the moment problematical. Whether we go forward with it in that year will depend on the outcome of a review of priorities now under way for agriculture sector projects for FY75 in the LAC Region as a whole.

- Attachments: Map
1. Actual and Proposed Lending
 2. Cumulative Estimated and Actual
 Disbursements on Loans and Credits
 - 3(a). Social Indicators Data Sheet
 - 3(b). Economic Development Data Sheet
 4. Balance of Payments, External Assistance and
 Debt Projections
 5. Economic Work Program

Country Programs Department
Latin America and Caribbean Regional Office
May 8, 1973

Population: 1.9 million (mid-1970); 1.9% p.a. (1973-78)
 Per Cap. Inc. US\$690 (1971); 3.9% p.a. (1973-78)
 Area: 11,424 sq. km
 Literacy: 86% (1960)

JAMAICA - ACTUAL AND PROPOSED LENDING THROUGH FY 1978
 (\$ millions)

	Through FY 68/1	Actual				Current 1973	Program					Total 1964-68	Total 1969-73	Total 1974-78	
		1969	1970	1971	1972		1974	1975	1976	1977	1978				1979
Agricultural Credit I				3.7			4.0								
Agricultural Credit II															
Agricultural Credit III															
Sugar Rehabilitation															
Agriculture (unidentified) I															
Agriculture (unidentified) II															
Education I	9.5														
Education II				13.5											
Education III															
Education IV (unidentified)															
Population I			2.0												
Population II															
Power I	20.7														
Power II															
Airport															
Roads I	5.5														
Roads II (maintenance)						9.3									
Roads III															
Roads IV															
Urban Development Kingston I (sites and services)															
Urban Development Kingston II															
Sewerage I and Water - Kingston															
Sewerage II - Kingston															
Water Supply I		5.0													
Water Supply II															
Water Supply III															
Operations Program IBRD						9.3	55.0	30.0	10.0	23.0	20.0	20.0		33.5	138.0
No.						1	6	3	2	3	2	2		5	16
Lending Program IBRD	35.7	5.0	2.0	17.2	-	9.3	35.0	20.0	8.0	15.0	15.0	15.0	35.7	33.5	93.0
No.	3	1	1	2	-	1	4	2	1	2	2	2	3	5	11
Other Agencies (CY)															
Multilateral															
Inter-American Development Bank	-	-	-	2.0	-	16.0	20.0	16.0	11.0	15.0	18.0	16.5	-	18.0	80.0
Caribbean Development Bank	-	-	-	-	1.2	-	-	1.2	1.2	1.2	1.4	1.8	-	1.2	5.0
Bilateral															
United States	19.1	14.0	3.5	22.2	23.2	12.8	28.9	21.9	30.3	16.0	20.9	20.0	12.4	75.6	118.0
Canada	4.7	2.6	2.7	5.3	21.8	5.0	2.5	16.0	10.0	10.5	13.4	14.0	4.7	37.4	52.4
United Kingdom	3.0	-	-	1.6	1.0	-	3.0	1.5	4.0	4.0	5.8	5.2	-	2.6	18.3
Germany	-	-	-	-	-	2.0	-	-	4.0	-	6.0	2.0	-	2.0	10.0
Commercial Banks; Other															
IBRD o/s including undisbursed	37.0	42.0	43.6	58.6	61.2 ^{/2}	68.9	102.0	120.0	125.7	137.8	149.1	164.4			
excluding undisbursed	16.1	21.5	28.0	32.1	38.7 ^{/2}	41.0	45.1	55.4	70.3	84.0	95.7	106.5			
IBRD Gross disbursements	16.1	5.4	6.8	5.1	4.0	3.9	6.0	12.4	17.1	16.6	15.4	15.5	16.1	25.2	67.5
Net Disbursements	16.1	5.4	6.4	4.1	2.9	2.2	4.1	10.4	14.8	13.7	11.7	10.8	16.1	21.0	54.7
Net Transfer	15.3	4.3	5.0	2.3	0.8	0.1	1.5	7.1	10.6	8.4	5.4	3.7	15.3	12.3	33.0
Total net disbursements (IBRD and other agencies; CY)	n.a.	10.3	7.6	24.4	23.8	72.3	67.5	53.1	43.4	42.9	35.9	34.4	71.7	138.2	242.8

/1 A telecommunications loan (No. 481-JM) made in 1967 to the Jamaica Telephone Company was cancelled by the Borrower during 1967. About \$13,000 withdrawn under the loan was repaid in full.

/2 The exchange adjustment of \$3.8 million, as of June 1972, has been included in these figures.

Attachment 2

JAMAICA

JAMAICA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount:		Date:		Closing Date	Forecast Date	FY'71	FY'72				FY'73				FY'74	FY'75	FY'76	FY'77	FY'78	FY'79	FY'80
	- Original	- Cancelled	- Approved	- Signed				1	2	3	4	1	2	3	4							
Highway	5.5	-	3/30/65	4/ 8/65	Orig: 3/31/70	9/30/70 (1st)	4.2	4.6	4.9	5.5	-	-	-	-	-	-	-	-	-	-	-	
Project	-	-	-	-	Rev: 12/31/72	8/23/71	-	4.2	4.6	5.0	5.2	5.2	5.5	-	-	-	-	-	-	-	-	
IBRD 408	5.5	-	6/ 9/65	-	Act: -	-	3.9	4.1	4.5	4.8	5.2	5.2	5.4	-	-	-	-	-	-	-	-	
Education	9.5	-	9/20/66	9/30/66	Orig: 7/31/71	9/30/70 (1st)	8.9	9.2	9.3	9.3	9.4	9.5	-	-	-	-	-	-	-	-	-	
Project	-	-	-	-	Rev: 6/30/73	3/31/72	-	-	-	-	9.2	9.4	9.5	-	-	-	-	-	-	-	-	
IBRD 468	9.5	-	10/25/66	-	Act: -	-	7.5	8.1	8.4	9.0	9.0	9.0	9.0	-	-	-	-	-	-	-	-	
Kingston	5.0	-	4/29/69	5/14/69	Orig: 6/30/72	9/30/70 (1st)	1.3	1.8	2.8	3.8	5.0	-	-	-	-	-	-	-	-	-	-	
Water Supply	-	-	-	-	Rev: 12/31/73	6/30/72	-	-	-	-	2.6	3.0	3.4	3.8	5.0	-	-	-	-	-	-	
IBRD 598	5.0	-	6/25/69	-	Act: -	-	1.3	1.5	1.7	2.1	2.1	2.1	2.3	-	-	-	-	-	-	-	-	
Population	2.0	-	6/16/70	6/18/70	Orig: 3/31/75	9/30/70 (1st)	.3	.4	.5	.6	.8	.9	1.1	1.2	1.4	1.8	2.0	-	-	-	-	
Project	-	-	-	-	Rev: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 690	2.0	-	11/ 2/70	-	Act: -	-	-	.1	.1	.1	.1	.1	.1	-	-	-	-	-	-	-	-	
Agricultural	3.7	-	12/22/70	12/28/70	Orig: 12/31/74	12/22/70	.2	.4	.6	.8	1.0	1.3	1.7	2.0	2.4	3.5	3.7	-	-	-	-	
Credit	-	-	-	-	Rev: -	5/31/72	-	-	-	-	.3	.5	.7	.9	1.3	3.3*	-	-	-	-	-	
IBRD 719	3.7	-	6/ 1/71	-	Act: -	-	-	.1	.3	.3	.4	.4	.4	-	-	-	-	-	-	-	-	
Second	13.5	-	3/ 2/71	3/25/71	Orig: 12/31/75	2/18/71	-	-	-	-	.2	.3	.5	.7	1.6	10.3	11.8	13.5	-	-	-	
Education	-	-	-	-	Rev: -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 727	13.5	-	7/30/71	-	Act: -	-	-	-	.1	.1	.1	.1	.1	-	-	-	-	-	-	-	-	

* Balance indeterminate

Controller's
1/31/73

JAMAICA -- SOCIAL INDICATORS DATA SHEET

	Jamaica		Reference Comparisons		
	1960	1970	Trinidad & Tobago 1970	Costa Rica 1970	Canada 1970
	GNP per Capita US\$ (Atlas basis)	..	670	860	560	3,700
Demographic					
Crude birth rate (per thousand)	42	33	24	33	17
Crude death rate (per thousand)	9	7	7	7	8
Infant mortality rate (per thousand live births)	51	32	40	60	19/a
Life expectancy at birth (years)	63	68	67	67	72
Gross reproduction rate /1	3.4	2.7	2.0	3.4	1.5
Population growth rate /2	1.8/b	1.6	2.1	3.3	1.8
Population growth rate - urban	..	4.7	4.2	4.7	0.6/c
Age structure (percent)					
0-14	43	46	41	47	31
15-64	53	49	55	48	61
65 and over	4	5	4	5	8
Dependency ratio /3	1.2/d	1.2/d	1.3	1.1	1.0/d
Population density per sq. km.	143	171	205	32	2
Urban population as percent of total	23	37	50	38	74/e
Family planning: No. of acceptors cumulative (thous.)	..	..	49	46/a	..
No. of users (% of married women)	..	..	..	..	..
Employment					
Total labor force (thousands)	655	749	363	538	8,465
Percentage employed in agriculture	37	33	20	43	8
Percentage unemployed	13.0	13.0-14.0	13.0	4.0/f	6.0
Income Distribution					
Percent of national income received by lowest 20%	..	..	4	5	..
Percent of national income received by highest 5%	..	..	27	23	..
Health and Nutrition					
Population per physician	2,500	2,820	2,310	1,810	700/a
Population per nursing person	400/h	340	360	1,060	170/g
Population per hospital bed	250	260	210	250	100/g
Per capita calorie supply as % of requirements /4	91/4	93/4	98	97	116
Per capita protein supply, total (grams per day) /5	51/4	59/4	83	62	96/k
Of which, animal and pulse	20/4	29/4	34	35	67/k
Death rate 1-4 years /6	..	1.8/4	1.9	6.4	0.9
Education					
Adjusted /7 primary school enrollment ratio	70	86/m	95	84/n	99/a
Adjusted /7 secondary school enrollment ratio	12	43	49	26/n	80/g
Years of schooling provided, first and second level	12	12	14	11	14
Vocational enrollment as % of sec. school enrollment	9	9/1	11	11/g	12/a
Adult literacy rate %	86	86/a	90	84	93
Housing					
Average No. of persons per room (urban)	1.6	..	..	..	0.7/f, /o
Percent of occupied units without piped water	63/o	..	54/a	..	10/o
Access to electricity (as % of total population)	..	27.5	..	..	..
Percent of rural population connected to electricity	..	..	..	..	..
Consumption					
Radio receivers per 1000 population	88	230/a	281	71	742
Passenger cars per 1000 population	26/p	35/a	66	21	308
Electric power consumption (kwh p.c.)	362	653/a	1,166	534	8,959/a
Newsprint consumption p.c., kg. per year	2.1/b	3.6	5.9	4.7	22.2

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 and 1966-70; the latest years in principle to 1960 and 1970. Only significantly different periods or years are footnoted separately.

- /1 Average number of daughters per woman of reproductive age.
 /2 Population growth rates are for the decades ending in 1960 and 1970.
 /3 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.
 /4 FAO reference standards represent physiological requirements for normal activity and health, taking account of environmental temperature, body weights

- and distribution by age and sex of the national populations.
 /5 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
 /6 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.
 /7 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1969; /b 1955-60; /c 1961-66 /d Population 0-14 and 65 and over as a ratio of total labor force; /e 1966; /f 1967; /g 1968; /h 1964; /i 1961-62; /j 1964-66; /k 1966-68; /l 1965; /m Includes overage students; /n 1971; /o Urban and rural; /p 1962.

JAMAICA - ECONOMIC DEVELOPMENT DATA SHEET
(amounts in millions of U.S.dollars)

	Actual			Projected			1960-1965	1965-1970	1970-1975	1975-1978	1960	1970	1978
	1960	1965	1970	1973	1975	1978							
NATIONAL ACCOUNTS													
	3-Year Averages at 1967-69 Prices & Exchange Rates						Average Annual Growth Rate				As Percent of GNP		
Gross Domestic Product	775	966	1,278	1,509	1,724	2,090	4.5	5.8	6.2	6.8	94.4	100.9	104.0
Gains from Terms of Trade (+)	+46	+20	-12	-47	-55	-76	.	.	.	.	5.6	-0.9	-4.0
Gross Domestic Income	821	986	1,266	1,462	1,669	2,014	3.7	5.1	5.3	6.6	100.0	100.0	100.0
Imports (incl. NFS)	298	344	610	645	803	857	2.9	12.1	5.0	5.8	36.3	48.1	42.6
Exports (incl. NFS; import capacity)	290	329	528	613	685	848	2.6	9.9	5.3	6.7	35.3	41.7	42.1
Resource Gap (- Surplus)	8	15	81	32	118	9	.	.	.	.	1.0	6.4	0.5
Consumption	650	805	1,005	1,177	1,321	1,558	4.4	4.5	5.9	5.8	79.2	79.4	77.4
Investment (incl. Stocks)	179	196	342	330	466	465	1.8	11.8	5.6	7.1	21.8	26.9	23.1
Domestic Savings	171	179	261	297	348	456	0.9	7.8	5.9	9.0	20.8	20.6	22.6
National Savings incl. Transfers	128	139	189	207	239	318	1.7	6.4	4.8	9.0	15.6	14.9	15.8
MERCHANDISE TRADE													
	Annual Data at Current Prices						As Percent of Total						
Imports	54	74	196	160	268	246	6.5	21.5	6.3	9.0	24.9	25.6	18.5
Capital Goods	75	103	172	250	310	409	6.5	10.8	12.5	10.3	34.6	35.6	48.8
Fuels and Intermediate Goods	88	112	154	192	225	269	4.8	6.8	7.9	7.0	40.5	38.8	32.7
Consumer Goods	217	289	522	602	803	924	5.9	12.6	9.0	9.0	100.0	100.0	100.0
Exports	135	169	287	367	405	519	4.6	11.2	7.1	7.2	81.8	83.9	80.8
Primary Products ^{1/}	21	41	46	71	84	113	14.3	2.3	12.8	9.7	12.7	13.5	17.6
Manufactured Goods ^{1/}	165	217	342	438	489	642	5.6	9.5	7.4	7.9	100.0	100.0	100.0
Total Merchandise Exports (fob)	40	65	96	140	186	276	10.2	8.1	14.1	14.5	24.2	28.1	43.0
Tourism													
Merchandise Trade Indices	Average 1967-69 = 100												
Export Price Indices	80.45	80.93	96.35	97.63	101.58	107.79	0.2	3.6	1.1	2.0	.	.	.
Import Price Indices	75.99	84.04	99.69	109.47	115.01	123.85	2.0	3.5	2.9	2.5	.	.	.
Terms of Trade Index	105.87	96.30	96.65	89.19	88.32	87.03	-1.9	-	-1.8	-0.5	.	.	.
Export Volume Index	74.13	97.03	123.32	148.66	160.42	174.99	5.5	4.9	5.4	5.8	.	.	.
VALUE ADDED BY SECTOR													
	Annual Data at 1967-69 Prices & Exchange Rates						As Percent of Total						
Agriculture	83	93	96	109	116	136	2.2	0.6	4.2	4.5	11.6	8.3	7.2
Industry	262	329	482	575	652	886	4.7	7.9	6.5	7.5	36.7	41.8	42.8
Services	369	459	576	706	788	967	4.5	4.6	6.3	6.5	51.7	49.9	49.9
Total	714	881	1,154	1,390	1,556	1,929	4.3	5.5	6.2	6.8	100.0	100.0	100.0
PUBLIC FINANCE													
(Central Government)													
Current Receipts	136 ^{2/}	182 ^{3/}	265 ^{4/}	304	..	472	6.0 ^{5/}	9.4 ^{6/}	..	9.2	..	20.4 ^{4/}	23.4
Current Expenditures	116 ^{2/}	158 ^{3/}	217 ^{4/}	281	..	392	6.4 ^{5/}	10.4 ^{6/}	..	6.9 ^{2/}	..	16.7 ^{4/}	19.5
Budgetary Savings	20 ^{2/}	24 ^{3/}	48 ^{4/}	23	..	80	3.7 ^{5/}	1.4 ^{6/}	..	8.9 ^{2/}	..	3.7 ^{4/}	4.0
Other Public Sector Savings	..	13 ^{3/}	21 ^{4/}	29	..	46	..	7.3 ^{6/}	..	9.7	..	1.6 ^{4/}	2.3
Public Investment	39 ^{2/}	64 ^{3/}	121 ^{4/}	133	..	210	10.4 ^{5/}	15.5 ^{6/}	..	9.6	..	9.3 ^{4/}	10.4
CURRENT EXPENDITURE DETAILS													
(Percent of Total Current Exp.)	Actual		Prelim.	Est.	Proj.	PUBLIC INVESTMENT				\$ millions (1967-69 P&ER)		Percent of Total	
	1965	1970	1971	1972	1973	1969-72		1973-78		1963-72		1973-78	
Education	19.0	19.9	21.8	..	..	Agriculture	77	143		14.9	17.2		
Other Social Services	15.1	15.0	16.5	..	..	Industry and Tourism	65	197		12.6	12.8		
Economic Services	14.0	13.7	14.8	..	..	Urban Development	63	137		12.2	16.4		
Defense	3.3	2.6	2.7	..	..	Transportation	95	125		18.4	15.0		
Administration and Other	33.0	29.4	24.4	..	..	Power	60	89		11.6	10.7		
Transfer to Local Governments	7.1	10.5	10.9	..	..	Education and Health	68	107		13.2	12.8		
Interest	8.5	8.9	8.9	..	..	Other	89	125		17.2	15.0		
Total Current Expenditure	100.0	100.0	100.0			Total	517	833		100.0	100.0		
SELECTED INDICATORS													
(calculated from 3-year averaged data)	1960-1965	1965-1970	1970-1975	1975-1978	FINANCING				\$ millions (1967-69 P&ER)		Percent of Total		
Average ICOR	4.04	4.21	3.83	3.34	Public Saving	290	455		56.1	54.6			
Import Elasticity	0.93	1.34	0.98	0.96	Domestic Borrowing (net)	137	176		26.5	21.1			
Marginal Domestic Savings Rate	.19	.19	.18	.21	Foreign Borrowing (net)	90	202		17.4	24.3			
Marginal National Savings Rate	.15	.14	.12	.14	(ditto in current \$ millions) (138)	(243)							
					Total Financing	517	833						
LABOR FORCE AND OUTPUT PER WORKER													
	Thousands		Total Labor Force		1960-70 Growth	Value-Added per Worker (1967-69 Prices and Exchange Rates)				1960-70 Growth			
	1960	1970	1960	1970	(Percent)	US\$		% of Average		(Percent)			
						1960	1970	1960	1970				
Agriculture	234	234	41.1	38.1	-	355	410	28.3	21.8	1.5			
Industry	93	116	16.3	18.9	2.2	2,817	4,155	224.8	221.1	4.0			
Service	243	264	42.6	43.0	0.8	1,519	2,182	121.2	116.1	3.7			
Total or Average	570	614	100.0	100.0	0.7	1,253	1,879	100.0	100.0	4.1			

- 1/ Domestic exports only for 1960-70.
2/ 1962.
3/ 1967.
4/ 1971.
5/ 1962-67.
6/ 1967-72.
7/ 1971-78.

JAMAICA - BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT PROJECTIONS
(amounts in millions of U.S. dollars at current prices)

	Actual				Estimated	Projected							Average Annual Growth(Percent)	
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1989	1973-78	1979-89
SUMMARY BALANCE OF PAYMENTS														
Exports (incl. NFS)	406.9	456.6	511.2	531.9	597.6	670.8	737.9	788.0	879.1	962.7	1,050.3	2,648.4	9.7	9.7
Imports (incl. NFS)	456.7	516.9	598.1	632.5	710.0	706.0	828.8	923.8	975.7	989.9	1,061.5	2,523.6	6.1 ^{1/}	9.0
Resource balance (X-M)	-49.8	-60.3	-86.9	-101.2	-112.4	-35.2	-90.9	-135.8	-96.6	-27.2	-11.2	124.8	.	.
Interest (net)	4.8	4.5	5.7	3.1	0.3	-8.6	-13.8	-20.1	-24.7	-29.1	-34.2	-92.0	n.a.	10.4
Direct Investment Income (net)	-78.4	-91.5	-103.9	-105.9	-125.9	-127.5	-140.2	-149.7	-162.6	-178.1	-194.3	-238.5	8.8	1.9
Workers' Remittances	7.3	9.4	10.4	11.6	12.8	14.1	15.5	17.0	18.7	20.6	22.6	48.9	9.0	7.3
Current Transfers (net)	12.2	14.3	21.8	20.7	24.3	22.8	24.8	27.0	29.5	32.0	34.8	75.3	5.7	7.3
Balance on Current Account	-103.9	-123.6	-152.9	-171.7	-201.3	-134.3	-204.6	-261.6	-235.7	-181.8	-182.3	-81.5	.	.
Private Direct Investment (net)	112.0	99.4	154.2	158.5	120.0	63.6	108.0	176.0	143.0	84.1	109.9	60.0	-5.5 ^{2/}	-5.7
Official Capital Grants (including Grant-like Loans)	-	-	-	4.5	5.6	6.1	4.4	2.6	-	-	-	-	-	-
Public M< Loans														
Disbursements	31.3	15.7	15.6	32.0	32.4	91.1	93.8	89.8	83.9	88.3	88.1	57.5	18.3	-4.0
-Repayments	-6.4	-5.4	-8.3	-12.1	-14.2	-18.8	-26.3	-36.7	-40.5	-45.4	-52.2	-65.1	24.2	2.0
Net Disbursements	24.9	10.3	7.3	19.9	18.2	72.3	67.5	53.1	43.4	42.9	35.9	-7.6	12.0	n.a.
Other M< Loans														
Disbursements	8.4	1.1	4.7	17.7	19.5	13.0	21.0	21.7	22.9	25.4	28.3	41.2	6.4	3.5
-Repayments	-8.5	-0.8	1.0	-11.3	-13.0	-5.3	-5.0	-4.9	-4.1	-6.6	-9.3	-35.1	11.9 ^{3/}	12.8
Net Disbursements	0.1	0.3	3.7	6.4	6.5	7.7	16.0	16.8	18.9	18.8	19.0	6.0	19.6	-11.0
Capital Transactions n.e.i.	-3.4	-	8.9	25.8	-10.2	0.2	23.7	13.1	20.4	14.4	15.0	38.1	.	.
Change in Net Reserves	-29.7	13.6	-21.2	-43.4	61.2	-15.5	-15.0	-	10.0	14.6	2.5	-15.0	.	.
GRANT AND LOAN COMMITMENTS														
Official Grants and Grant-like	-	-	6.2	8.7	3.0	-	-	-	-	-	-	-	-	-
Public M< Loans														
IBRD	-	5.0	2.0	17.2	-	35.3	10.0	20.0	10.0	15.0	15.0	8.0	-18.7 ^{3/}	-5.9
IDA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Multilateral	-	-	-	2.0	1.2	16.0	20.0	17.2	12.2	16.2	19.4	10.3	3.9 ^{3/}	-5.9
Governments	5.2	16.6	6.2	29.1	46.0	19.8	32.4	19.9	46.3	34.3	43.6	23.1	17.1 ^{3/}	-6.0
Suppliers	-	-	-	16.7	-	8.0	4.2	5.4	8.0	14.0	3.0	1.6	-17.8 ^{3/}	-5.9
Financial Institutions	17.6	7.4	-	26.7	21.5	25.4	8.8	27.1	12.5	12.0	13.5	7.2	-8.1	-5.9
Bonds	7.2	-	-	-	10.0	18.0	18.0	9.0	-	-	-	-	n.a.	-
Public Loans n.e.i.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Public M< Loans	30.0	29.0	14.4	100.4	81.7	122.5	93.4	98.6	89.0	91.5	94.5	50.1	2.5	-9.5
DEBT AND DEBT SERVICE														
Public Debt Outstanding & Disbursed	116.4	126.7	134.0	153.9	169.0	241.3	308.8	362.0	405.4	448.3	484.1	673.5	19.2	3.0
Interest on Public Debt	6.8	8.4	8.3	9.6	10.9	12.4	17.7	22.2	25.1	26.6	28.7	34.2	17.5	1.6
Repayments on Public Debt	6.4	5.4	8.2	12.1	14.2	18.8	26.3	36.7	40.5	45.4	52.2	65.1	24.2	2.0
Total Public Debt Service	13.2	13.8	16.5	21.7	25.1	31.2	44.0	58.9	65.6	72.0	80.9	99.3	21.5	1.9
Other Debt Service (net)	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total Debt Service (net)	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Burden on Export Earnings (%)														
Public Debt Service	3.2	3.0	3.2	4.0	4.1	4.6	5.8	7.5	7.5	7.5	7.7	3.8	.	.
Total Debt Service	..	..	..	..	..	..	..	..	..	..	..	..	..	..
TDS ^{4/} Direct Investment Income	22.1	22.6	23.1	23.4	23.1	23.2	24.4	26.5	26.0	26.0	26.6	12.8	.	.
Average Terms of Public Debt														
Interest as % Prior Year DO&D	7.4	7.3	6.7	7.5	7.2	7.3	7.3	7.2	6.9	6.6	6.4	5.0	.	.
Amortization as % Prior Year DO&D	6.9	4.7	6.7	9.4	9.4	11.1	10.9	11.9	11.2	11.2	11.6	9.6	.	.
IBRD Debt Outstanding & Disbursed	20.2	23.7	29.8	33.7	34.9	39.0	46.5	58.5	72.9	87.7	98.3	137.8	18.8	.
as % Public Debt OS&D	17.6	19.1	23.1	22.2	7.8	6.1	9.9	15.4	19.6	19.5	16.3	20.5	.	.
as % Public Debt Service	7.4	10.8	11.7	13.1	14.1	11.9	9.5	8.4	9.1	10.1	12.0	22.2	.	.
IDA Debt Outstanding & Disbursed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
as % Public Debt OS&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-
as % Public Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ACTUAL AND PROJECTED EXTERNAL DEBT														
	Actual Debt Outstanding on Dec. 31, 1970				Projected Debt Outstanding on Dec. 31, 1978				1970-78 Growth (Percent)					
	Disb. Only	Percent	Total	Percent	Disb. Only	Percent	Total	Percent	Disb. Only	Total				
IBRD	29.8	23.1	45.6	25.5	98.3	20.3	148.7	21.6	16.1	15.9				
IDA	-	-	-	-	-	-	-	-	-	-				
Other Multilateral	-	-	-	-	62.3	12.9	102.6	14.9	n.a.	n.a.				
Governments	23.6	18.3	50.7	28.4	177.7	36.7	263.8	38.4	28.7	22.9				
Suppliers	-	-	-	-	40.2	8.3	45.1	6.6	n.a.	n.a.				
Financial Institutions	17.4	13.5	24.0	13.4	69.2	14.3	91.4	13.3	18.8	18.2				
Bonds	58.3	45.1	58.3	32.7	36.4	7.4	36.4	5.2	-5.5	-5.5				
Public Debt n.e.i.	-	-	-	-	-	-	-	-	-	-				
Total Public M< Debt	129.1	100.0	178.6	100.0	484.1	100.0	688.0	100.0	17.9	18.4				
Other M< Debt (Disbursed Only)	172.1	-	-	-	298.2	-	-	-	-	-				
Short-term Debt (Disbursed Only)	-2.8	-	-	-	-6.4	-	-	-	-	-				
	(1970 Gross Reserves \$160.6 millions)													

1/ The more meaningful annual average change in 1971-78 was 7.7 percent.

2/ Percentage change 1973-78 total over 1967-72 total.

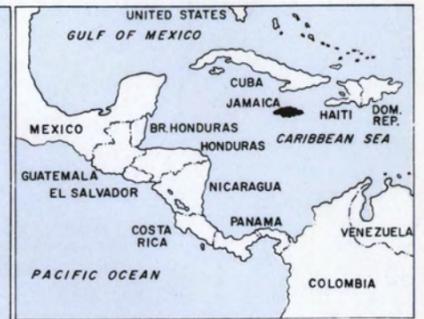
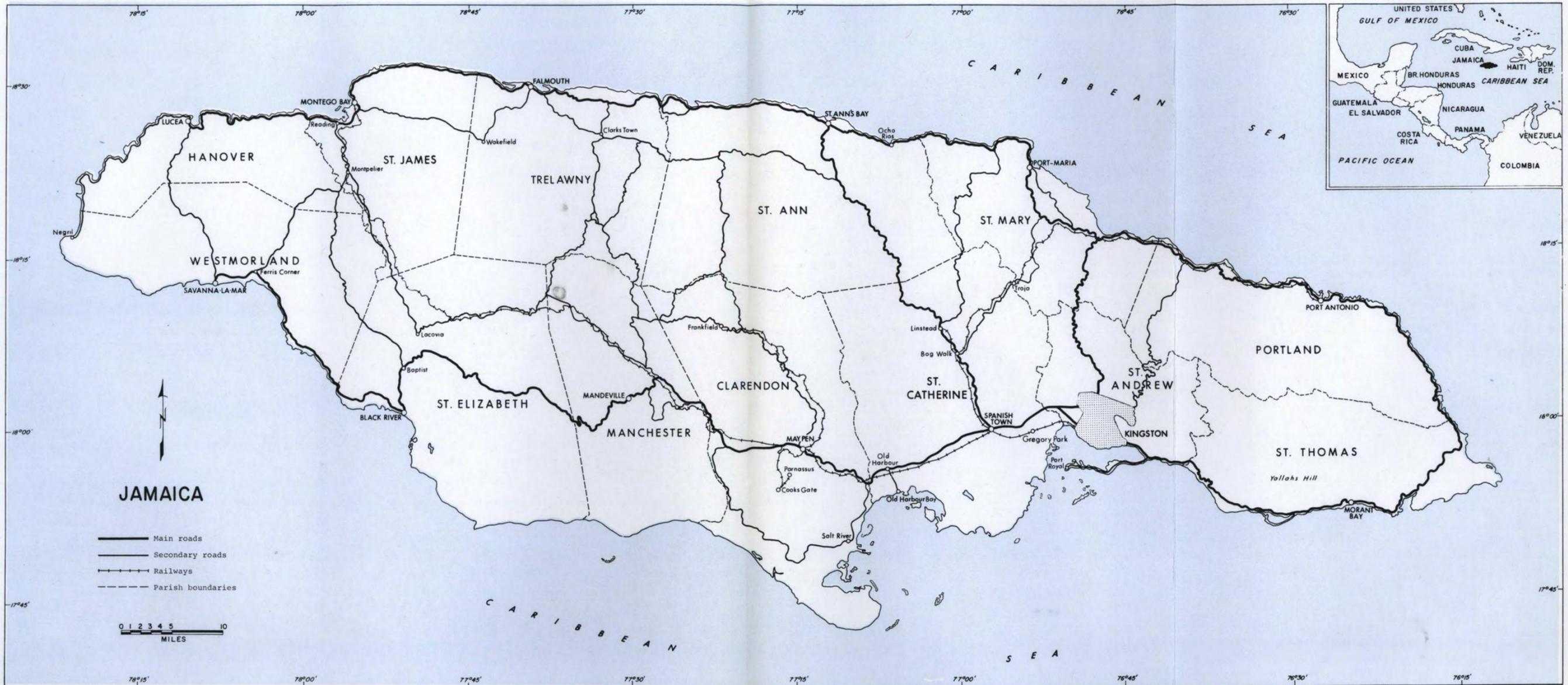
3/ 1974-78.

4/ Public debt service only.

ECONOMIC WORK PROGRAM

1. The next economic report due during the second half of FY74 will review and update the findings of the report presently under preparation. It will focus on fiscal and balance-of-payments management and will monitor the application of incomes and exchange rate policies as identified by the current report.
2. An industrial sector mission planned for FY75 will assess the impact of CARIFTA on Jamaica's manufacturing sector and the requirements for an increased viability of the sector, in particular for strengthening of its export potential. The likely effects of small-scale industries on employment and costs of production will be given particular emphasis.
3. A study of tourism in the Caribbean (excluding the Central and South American mainland) is under preparation. It will address itself to the present and projected market situation and will partly be carried out by consultants. The study will take due account of a similar project planned by OAS, and its results will be incorporated into the Caribbean Regional Survey scheduled for the first half of FY74.
4. Within the context of the Caribbean Regional Survey's report, an assessment of the Caribbean mining and processing sector is to be undertaken. Emphasis will be given to the competitive position of the industry and to government policies aimed at securing an enlarged contribution by this sector to economic development.

Country Programs Department II
Latin America and Caribbean Regional Office
May 8, 1973



POLITICAL BRIEF

History

1. Jamaica was discovered by Columbus in 1494 and he took possession of the Island, then peopled by Arawak Indians, in the name of Spain. Under the Spanish the Arawak Indians died out and had disappeared entirely by the time the English arrived upon the scene in 1655. The Spanish, upon their defeat, took with them to Cuba most of the slaves whom they had imported from Africa. Some of these remained in the area of Jamaica now known as the "Cockpit" country in the interior, forming the nucleus of what were later known as the Maroons. In 1670 the Treaty of Madrid recognized English sovereignty over Jamaica. During the 18th Century thousands more slaves were brought from Africa, mainly from the Gold Coast, and a high proportion of the African words which now survive in Jamaican speech, and much of the folklore, are of Ashanti origin. The abolition of the slave trade in 1834 hit the plantation economy and led to a shortage of labor; Indian immigrants were introduced, to be followed later by Chinese, many of whom were employed under the system of indentured labor. In the 1860s disputes between the planters and their laborers culminated in the organized rebellion at Morant Bay and, as a result, the island's old system of representative government was replaced by Crown Colony Government in 1866.

Constitutional Development

2. During the last century several different constitutions were introduced which progressively gave greater responsibilities to local elected representatives. In 1953, a full Ministerial system was established under which elected representative had a majority over nominated representatives, and exercised wide responsibility in the management of the internal affairs of the island. In 1959 Jamaica became self-governing in its internal affairs. As a result of a referendum held in September 1961, Jamaica withdrew from the West Indies Federation which it had joined in 1958, and sought full independence from Britain. It became an independent sovereign country and a member of the Commonwealth in August 1962.

3. As a member of the Commonwealth, Jamaica recognizes the Queen as Head of State. The constitution provides for the Crown to appoint a Governor-General to be its representative in Jamaica. But neither the British Crown nor the Governor-General has in practice any real authority in conducting the affairs of Jamaica. The constitution also provides for a bi-cameral Legislature. The Senate consists of 21 senators appointed by the Governor-General, 13 on the advice of the Prime Minister and eight on the advice of the Leader of the Opposition. The House of Representatives consists of 53 elected members with provision in the constitution for increase to 60. Apart from certain entrenched provisions, the constitution may be amended by the majority of all member of each House. The Governor-General appoints as Prime Minister the member of the House of Representatives who, in his judgment, is best able to command the support of the

majority of the members of the House. The Government-General also appoints the Leader of the Opposition. In practice, however, the Governor-General appoints the leaders who have been chosen by their respective parties. Executive responsibility rests with a Cabinet consisting of the Prime Minister and not less than eleven other Ministers. Not less than two, but no more than three, Ministers (without portfolio) may be members of the Senate. There is a Supreme Court and a Court of Appeal. Elections must be held at intervals no greater than five years, although the Prime Minister of the day can at any time take the initiative in dissolving Parliament and calling an election.

4. In many respects the Jamaican system has been modelled on the United Kingdom. There is no clear cut distinction between the Legislature and the Executive since heads of government departments are usually also members of the Legislature. Effective government power resides in the Cabinet led by the Prime Minister. The Government initiates all important legislation. Defeat of a major item of government legislation would almost certainly lead to the resignation of the Government and a general election. Thus once the Government places legislation before the House it will, almost without exception, be passed into law. However, the Government will frequently be prepared to accept amendments to legislation which it has proposed.

Political Parties

5. The formation of modern political parties can be dated from 1938 when the People's National Party was formed under the leadership of Mr. Norman Washington Manley, with the aim of establishing representative and responsible government for Jamaica within the Commonwealth. The PNP is supported by the National Workers Union to which it is affiliated. Jamaica has only one other major party, the Jamaica Labour Party, formed in 1943 by Sir Alexander Bustamante. Like the PNP it derives its support from labor, the Bustamante Industrial Trade Union being affiliated to the JLP. The JLP won the 1944 General Election and continued to provide the elected members in the Government until a ministerial system was introduced in 1953. Sir Alexander Bustamante was Chief Minister from 1953 until 1955 when the PNP came into office with Norman Manley as Chief Minister and later the first Prime Minister. The JLP were returned to office in 1962, the PNP suffering defeat very largely as a result of the failure of the West Indies Federation, of which it had been a proponent. Sir Alexander Bustamante became Prime Minister again, and the JLP led the country to full independence from Britain. In 1967 the JLP was re-elected with Mr. Donald Sangster as Prime Minister when Sir Alexander Bustamante retired from the position because of ill-health. On the death of Sir Donald Sangster in April 1967, Mr. Hugh Shearer was sworn in as Prime Minister, largely as a result of the influence of Sir Alexander Bustamante with whom he had a close personal relationship.

6. At the General Elections in February 1972 the PNP was returned to power in a land-slide victory after ten years in Opposition. The PNP won 36 of the 53 seats in the House which was a dramatic reversal of the previous standing of the parties when the JLP held 33 seats. The size of the victory surprised many observers. The PNP had concentrated their campaign efforts in the marginal seats and in the rural districts, traditionally JLP strongholds, and this tactic proved very successful. Also the superior campaign organization of the PNP, the schism in the JLP leadership, and allegations of "job victimization" under the previous Government, all contributed to the defeat of the JLP. The charismatic quality of Mr. Michael Manley's leadership as he travelled throughout the island clutching his famous "rod of correction", contributed much to his Party's fortunes.

7. Although it has become apparent during the first year's tenure of office by the PNP that there are certain differences between the two parties, these seem primarily to constitute distinctions in approach and style and there do not appear to be deep-seated ideological differences separating them. Each party continues to rely for its basic support on one or the other of the two unions. Both support a major role for private enterprise in the economy, but both wish to achieve gradual "Jamaicanization" through equity participation. The JLP is somewhat more private-enterprise oriented than the PNP, which is committed to a policy of greater intervention in the economy and to economic planning than would be acceptable to the JLP. However, the PNP election manifesto is cautiously worded on the matter of the bauxite industry. It states that the PNP will establish a National Commission (which has now been set up) "to assess bauxite resources and set guidelines for planned exploitation", to undertake research, to secure training of Jamaicans to run the industry, 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".

8. The PNP has in its early days shown itself more ready to adopt and move ahead with socially progressive policies than the previous Government - for example, in educational reform, in its desire to achieve a better income distribution, and in its policy towards modernizing agriculture and land reform. (Also see F.5; Special Brief, "Overcoming Insularity in Jamaica"; and D. Biographical Note on Prime Minister Manley.) Even so, in a number of major policy areas, the first steps were taken during the life of the previous Government. For example, it was Mr. Shearer who introduced the "New Deal" for education and set in motion the massive school-building program with Bank assistance; it was the JLP Government who acquired the first sugar estates for redevelopment; and it was also the JLP Government which initiated the Jamaicanization program in the banking sector. The new Government gives the appearance, however, of dealing with the problems confronting Jamaica with a greater sense of urgency than its predecessor. However, it has created, through the speeches of its leaders and public announcements, social and economic expectations which may take some time to fulfill; unless there is some evidence of some tangible progress in improving the lot of the underprivileged Jamaican - particularly that of the unemployed urban youth - there is danger that some unrest could break out.

9. In contrast to most other Commonwealth countries in the Caribbean, Jamaica has had a tradition of a working two-party system. Political power, so far, has not been concentrated in the hands of any one man for an extended period. Even within the party in power, competition for leadership has been severe. Within the JLP jockeying for the top position has been the rule in recent years. Prime Minister Shearer was able to maintain his position through skillful maneuvering between the most forceful personalities in his Cabinet, notably Mr. Lightbourne, the former Minister of Trade and Industry, Mr. Hill, former Minister of Housing and Public Utilities, and Mr. Seaga, former Minister of Finance and Planning. So far, no apparent challenges to the leadership of Mr. Manley have developed within the PNP. Among the senior members of the Party, Mr. David Coore, as Deputy Prime Minister and Minister of Finance, would be the most obvious contender. However, he appears to have no such ambitions. Among the younger members of the Party, Mr. Spaulding with his radical postures has considerable popularity in his Kingston constituency, but he is too inexperienced a politician to gain significant influence within the Party at this stage.

Reorganization of Government Departments

10. Shortly after coming into office Prime Minister Manley undertook a major restructuring of Government Departments. In particular he wished to strengthen the institutional framework for planning, the responsibility for which used to reside in the Ministry of Finance and Planning. The Ministry of Finance has therefore lost its planning functions which have been transferred to a National Economic Council (NEC) chaired by the Prime Minister and composed of Ministers in the main "economic" departments. The NEC is advised by the National Planning Agency (NPA) staffed by civil servants who prepare policy and project memoranda. The theory behind the change was that planning for economic development and growth is likely to be inhibited if policy responsibility for it resides in the same Ministry as that responsible for controlling public expenditures. However, it is too early to say whether the NPA will succeed in fulfilling the role envisaged for it. It is still undermanned and has not yet been able to complete its work on formulating the new Government's development plan. Among other organizational changes introduced by the Prime Minister, a new Ministry of Mining and Natural Resources has responsibility for policy towards the bauxite companies, water resources and urban development. Also a new Ministry of Public Utilities, Communications and Transport will have responsibility for such sectors as power, water and aviation (these responsibilities were divided between several ministries before), all areas in which the Bank has a close interest on account of existing and prospective projects.

ECONOMIC BRIEF

TRENDS SINCE 1960

1. Over the past decade the Jamaican economy has experienced a remarkable pace of advance. Real output rose at around six percent on annual average: while there was a slowdown during the first half of the 1960s compounded by a marked deterioration in the terms of trade, growth accelerated afterwards, resulting in an annual increase of per capita income of nearly four percent. Investment has consistently been above 18 percent of GDP, approaching 30 percent in 1968-70. Domestic savings generally have been around 20 percent of GDP but declined sharply during the last two years when rapid increases in consumption occurred.

2. Trends in aggregate demand have been strongly influenced by developments of the public sector whose importance in the economy has significantly increased since the mid-1960s. This was largely due to public consumption whose share in total consumption increased from 13 to 15 percent in 1965-71. Public investment as a proportion of total fixed investment grew somewhat less over the same period - from 15.5 percent to slightly more than 16 percent - amounting to four percent of GDP at market prices in 1971.

DEVELOPMENT PROBLEMS

3. The economy underwent major structural changes. Bauxite mining, alumina production and tourism, as well as non-food manufacturing expanded rapidly, while agriculture has stagnated and agricultural exports, notably of sugar, have declined. The shift in the production pattern has been associated with emigration from rural areas, rapid urbanization, and growing unemployment. The population of metropolitan Kingston now accounts for one-third of the population and two-thirds of manufacturing employment. Three-quarters of the natural increment to the labor force emigrated out of the country altogether, however, so that the labor force at home increased at an average of just 1.3 percent annually over the past decade. The exodus is taking a particularly large proportion of the skilled and semi-skilled grades. Because of the lack of complementary managerial and technical skills, unemployment of the unskilled labor force has grown more sharply, while at the same time wages have risen at an accelerating rate over time because of the strong and politically active trade union movement.

Unemployment

4. As output growth was mainly concentrated in the capital-intensive sectors increase in employment has been very low: jobs increased only by 0.6 percent annually during the 1960s and failed to increase at all over the last two years. Unemployment now accounts for nearly 16 percent of the labor force, against 13 percent in 1960. (The figure of 22 percent quoted in Jamaica appears to be exaggerated as it includes among unemployed those people wanting to work without actually seeking work.) High unemployment persisted in the face of

severe shortages of skilled manpower at every level and frequent shortages of unskilled agricultural labor. Apart from government programs, little skill training is carried out, and the incidence of emigration among skilled and even semi-skilled is high. A large part of the unemployed apparently prefers occasional part-time employment at comparatively high wages to full-time low wage employment such as in agriculture. This situation has been aggravated by distortions in the wage structure as a result of trade union activity and of the willingness of employers in capital-intensive industries to pay high wages. Increasing unemployment and growing capital intensity in the economy, as well as marked wage differentials, have likewise aggravated the skewness of the income distribution.

5. The authorities have become increasingly sensitive to the dual problems of brain drain and unemployment and have begun to tackle them on a broad front. First, family planning in order to reduce the population growth rate has been official policy since the early sixties. Second, a major educational effort has begun in recent years, with increasing emphasis on technical training to supply the market both with specific skills and a quickly trainable work force. In part these efforts will compensate for the drain of qualified personnel abroad. Third, to slow down the movement of population from the land, the authorities have introduced a package of programs to promote "viable" farms. Fourth, industrialization and tourist development are being encouraged with active government support, including fiscal incentives as well as tariffs and quotas, to expand urban job opportunities and incomes. Finally, the effort progressively to Jamaicanize ownership and management of enterprises has been launched, with a start in the banking sector, to some extent in order to induce qualified Jamaicans to remain at home.

Balance of Payments

6. The Jamaican economy is very open: imports of goods and non-factor services in 1971 amounted to 43 percent of gross domestic expenditure, almost the same proportion as in 1960; and exports of goods and non-factor services in 1971 equalled 40 percent of GDP. The growth of the economy put pressures on the balance of payments whose underlying weakness has become more apparent in recent years. Although exports of goods and non-factor services generally increased faster than GDP - due to buoyant bauxite-alumina exports in most but the last two years and fast growth in tourism - the rapid expansion of domestic demand led to an even faster increase in imports and a widening current account deficit. The import content of both consumption and investment has increased: not only have there been higher imports of raw materials and intermediate goods for industrial production, but faltering agricultural production necessitated also substantially increased food imports. The economy thus became crucially dependent on capital inflows. Mainly directed into direct investment, capital inflows were generally higher than the associated capital goods imports: they therefore enhanced the country's import capacity and made it possible to build up foreign reserves which trebled over 1966-71 to a total of nearly \$160 million.

7. A sharp reversal occurred in 1972 when capital inflows dropped by about one-quarter of their level prevailing over 1968-71; at the same time, the deficit on current account worsened further, due mainly to a boom in consumer goods imports. The import boom had been fueled by an unprecedented credit expansion and the revaluation of the Jamaican dollar against the US dollar in late-1971. The situation became aggravated by substantial short-term capital outflows after the Jamaican dollar was allowed to float down in line with the British pound. As a result, foreign reserve losses of nearly \$60 million occurred in 1972, which eventually forced the Government to devalue against the US dollar in early 1973. When the latter was devalued shortly afterwards, Jamaica followed suit. The effect of both devaluations has been a trade-weighted depreciation of Jamaica's currency of about 11.5 percent in comparison to the level prior to August 1971.

Public Sector Financing and Administration

8. Weaknesses in public sector finances and administration also became evident during the last year. The importance of the public sector has significantly increased since the mid-1960s when a National Insurance Scheme was introduced and public consumption and investment started to accelerate. (Paragraph 2) Although the revenue performance of the Central Government through 1971 has been commendable by virtue of tax reforms taken in 1969-70 and increased revenue from mining, the increase in current expenditure for the last three years has exceeded revenue growth. While capital expenditure growth was generally above that of current expenditure, increases in current expenditure caught up in 1972. The fiscal position has become vulnerable as the rise in current expenditure to a large part results from contractual obligations such as recently negotiated wage contracts for government employees, which affects possibilities for limiting future expenditure growth. There has also been a substantial expansion of unemployment relief programs. The Rest of the Public Sector as a whole has incurred growing losses, which necessitated sizable Central Government transfers.

9. The recent fiscal difficulties led the Government to adopt tax measures for the current budget year that promise to restore current savings to about four percent of GDP at market prices against less than two percent in 1972. The main elements consist of a substantial increase in property taxes, and some additional customs and excise taxes, designed to mobilize \$26 million in additional revenue, with a budgeted increase in current revenue of nearly 23 percent. In addition, current expenditures are to be held to an increase of 14 percent in current prices, which is probably equivalent to a real increase of less than seven percent.

10. The administrative capacity of the Government has been seriously weakened by an exodus of qualified manpower partly because of much higher salaries offered by the private sector. The appreciable increase in capital expenditure disguises the fact that a large number of projects were inefficiently administered and involved sizable cost overruns. The amount of external project loans the Government was able to contract has been far below what international and bilateral institutions were prepared to lend. Consequently, the Government had to resort to lines of credit with commercial banks and to borrowing on the Eurodollar market in order to meet its requirements for external funds. (See also paragraph 18 of Jamaica CPP.)

Prices and Wages

11. A strong acceleration of price and wage increases got in motion during the late 1960s. While annual retail price increases before 1965 were typically below three percent, they later accelerated to about seven percent and currently approach ten percent. Factors that accelerated price increases include: (i) a steady expansion particularly of consumer credit; (ii) wage increases that have outpaced productivity gains for over a decade; (iii) the failure of domestic agriculture to increase in line with demand; (iv) the devaluations of 1967 and 1973; and (v) accelerated inflation abroad. Wage rates in the organized sector have risen by eight to ten percent in recent years; the labor unions are now presenting higher demands, referring to the cost-of-living increasing effects of Jamaica's latest devaluations. The need to establish wage-price guidelines is obvious, and has been recognized by the Government. ←

DEVELOPMENT PROSPECTS

12. In order to meet the short-term requirements of curbing the expansion of credit and imports, to replenish the depleted foreign reserves and to improve the fiscal position, the Government has committed itself to take certain measures which have become part of the US\$31.7 million (SDR26.5 million) stand-by agreement with the IMF concluded in May 1973. The program includes: (i) a strengthening of the fiscal position through major tax measures and restraint on both current and capital expenditures (see paragraph 9), involving quarterly revenue targets; (ii) a careful management of government external debt including government-guaranteed debt by restricting short-term borrowing; (iii) a credit expansion consistent with the prospective growth of the economy without exacerbating domestic price pressures. Ceilings on the net domestic assets of the Central Bank, on credit of the banking system to the Government, and on commercial banks' short-term borrowing from abroad have been imposed; and (iv) the formulation of price and incomes policies that will preserve the competitive position of Jamaica's economy. Net foreign reserves at end-April were US\$157 million, equivalent to 2.7 months of imports of goods and non-factor services at the 1972 rate; most of the recent capital inflow has been on account of government borrowing, however, with very little inflows of private capital. ←

13. Over the medium- and long-term the principal task will consist in creating enough jobs for the rapidly growing labor force; correcting the structural imbalances of external trade, and mobilizing the formation of domestic capital as well as redirecting it into productive purposes. Future demographic trends indicate that the employment problem will become more complicated (paragraph 12 of the Jamaica CPP). Its long-term solution will require imaginative and consistent macro-economic, institutional and sectoral policies. The authorities have recognized the interconnection of exchange rate and employment policies and seem determined not to allow Jamaica's exchange rate to fall out of line again. Due to the small domestic market, a sizable reduction of unemployment can only result from increased and more diversified production for ←

exports. Steps have been taken to curb credit for consumption and redirect it into productive purposes; more credit is made available to small industrial firms, which ought to have a direct and favorable employment impact. However, more determined measures to increase personal savings are required, and are being contemplated by the Government.

14. A draft five-year plan was prepared by the previous Government which is now being revised and due for presentation to Parliament later this year. Changes made to the original draft mainly involve a reorientation of investment priorities. Sector programs are bound to be influenced by the agricultural study programs presently carried out; the assessment of the education system undertaken by AID, and by the decision of the Government to set up a petroleum refinery complex on the basis of which petrochemical industries are planned to be established (see F.5; Subject Brief on Oil Refinery). Targets for overall output and employment growth are still to be determined. Although the public investment program for 1974-78 is not yet finalized, its magnitude is likely to be \$650-700 million, compared to \$430 million estimated for the five years ending March 1973 (both figures at 1970 prices). The determination of its financing is still at a very preliminary stage (see also paragraphs 22f; and 26-29 of Jamaica CPP).

MAJOR SECTORS

Agriculture

15. Agricultural production, now accounting for 10 percent of GDP, declined every year between 1966 and 1970, the basic problem being the incapacity of the sector to meet increasing wage and income expectations. There has been a recovery in 1971-72, limited, however, to domestic food crops. Export agriculture continued to stagnate, with sugar output remaining well below its 1965 peak. The sugar industry, where until recently mechanization was barred for reasons of employment policy, is only now preparing a mechanization program which should eventually reduce production costs. This program is particularly important because of the substantially improved world sugar market but also because of the uncertainty for Jamaica to sell sugar in protected markets after expiry of the Commonwealth Sugar Agreement at end-1974.

16. Employment in agriculture dropped to about 210,000 by 1972, after holding steady at around 235,000 during most of the 1960s. A major part of this reduction probably resulted from rural underemployed moving into urban areas, where a high proportion became openly unemployed. Agriculture nevertheless continues to employ about 30 percent of the labor force. Most of them are working on small hill-farms. Some 145,000 farms out of a total 185,000 occupy less than five acres each. The total number of farms is not far below the total agricultural labor force, despite the fact that a large number of farm laborers work on larger farms and estates. It appears, therefore, that many of the smallest holdings are retained by people whose main occupation lies elsewhere. The Government has accordingly concentrated their efforts on improving the income-generating capacity of "viable" farms above the five-acre threshold, with financial assistance from IDB (5-100 acre farms) and IBRD (100-300 acre farms). It is also carrying out a comprehensive assessment of the sector in order to identify further investment priorities (see F.5; Subject Brief on Agriculture).

Mining

17. Bauxite-alumina production over the last decade has been the leading growth sector but was affected in 1971-72 by the slowdown in the world alumina demand. As a consequence, its share in GDP was just above eleven percent, as against 13 percent in 1966-70. It nevertheless contributed in 1972 sixty-four percent of merchandise exports (an estimated 30-35 percent of export receipts are remitted abroad) and around ten percent of Central Government current revenue. Notional transfer prices in 1972, although depressed, were still 27 percent (for metallurgical bauxite) and 35 percent (for alumina) above those the nationalized mining company in Guyana could achieve in the open market. Total direct employment in mining only is about 7,000, just one percent of the labor force. Although the industry is entirely foreign-owned - Alcoa, Alcan, Kaiser and Reynolds as well as Anaconda (in partnership with the latter two) and Revere are operating in Jamaica - an estimated 60-65 percent of export receipts remain in the country. A large-scale expansion of alumina refining and of related bauxite mining operations was completed in early 1972. It involved investment of some \$620 million over 1967-72, equivalent to over two-thirds of private capital inflows and to one-third of gross domestic investment during this period.

18. The industry is entirely based on export demands due to the lack of domestic smelting facilities, resulting from absence of low-cost energy and the lack of domestic demand for primary aluminum. However, thought is being given by the Government to eventually start smelting operations based on energy supplied by a petroleum refinery complex, due to be in operation by 1976.

19. Alumina overtook bauxite in 1970 as the country's most important export commodity; it now makes up nearly two-thirds of mining exports. The tendency in favor of alumina production and exports has been influenced by the Government's objective to maximize the value added to the raw bauxite which it supports through tax holidays and capital allowances to alumina producers.

20. The fact that bauxite/alumina production in Jamaica is mainly oriented to the demand from the four major North American aluminum producers has become a constraint to the growth of the industry. These companies have lost some of their traditional elitism - Japanese and European producers as well as U.S. independents, have lately expanded faster - and furthermore, they have dispersed their resource bases, especially to Guinea and Australia. None of the companies has as yet announced further expansion plans for their Jamaican operations.

21. The strengthening of the world aluminum market underway - demand is expected to increase by around eight percent annually during most of the 1970s, and over-capacities in alumina probably will be worked off by mid-1974 - ought to benefit the Jamaican economy. Increases in mining exports of eight to ten percent annually therefore appear feasible. In order to further enhance the contribution of the sector to the economy, the Government has some options. A short-run possibility might be to increase tax levels. Sufficient margins seem to exist for the companies to absorb a higher income tax or an additional export tax and

still earn a reasonable level of profits on their Jamaica operations. For longer-term purposes, invitations to new entrants, renegotiations with companies presently operating in Jamaica concerning an expansion of their Jamaica operations in line with their overall expansion, and forward integration to primary aluminum smelting appear worth considering (see F.5; Subject Brief on Bauxite/Alumina and Oil Refinery).

Tourism

22. Tourism ranks second only to bauxite-alumina as a foreign exchange earner: it yields the equivalent of more than one-third of total merchandise exports. About half the industry is foreign-owned, but nearly two-thirds of gross receipts remain within the country. The hotel sector directly employs 9,500 people, or slightly more than one percent of the labor force; including employment in ancillary services, this number might be close to 28,000. Tourist arrivals grew by an average of about 10 percent annually over the last decade, accelerating to 13.5 percent in 1971-72. An annual increase of 13-14 percent may be expected to continue if per capita incomes in the U.S. - which provide about 80 percent of visitors to Jamaica - rise at about 3 percent annually over the next few years. Jamaica's recent devaluations ought to stimulate tourism in the short run. A construction boom following the devaluation of 1967 and liberal tax benefits have produced overcapacity in hotels, however, which is now almost certain to continue. A significant number of hotels seem to be operating at low levels of profitability. The authorities are aware of this problem and are making marketing efforts - supported by a campaign in Jamaica to make the tourist "more acceptable" and are considering some postponement in their plans to support further major capacity expansion in Negril (West Coast) or the Hellshire Hills (South Coast). Efforts are also underway to increase expenditures outside the hotels themselves.

23. Investment in hotels since 1968 has amounted to almost \$200 million. The Government, which guarantees loans for large hotels, has a contingent liability of about \$70 million. Plans underway indicate that 1975 hotel capacity will reach some 10,000 compared with some 6,000 in 1971. The emphasis in the future is on large convention-size hotels operated by international chains, many of them partly owned by the public Urban Development Corporation (UDC). The normal lending term for these projects is a maximum of 15 years and often considerably shorter; the implication is that the average break-even point for Jamaican hotels is likely to move steadily upward, requiring an annual demand growth of nearly 20 percent through 1977 to operate profitably. The concentration on large hotels will also involve greater demands on public utilities, as well as on transportation and on training resources.

24. The main areas of concern with present tourism policies thus are overcapacity of hotel accommodation particularly in Kingston; the type of hotels under construction on the North Coast, the macro-economic costs of increasing capacity through government incentives, guarantees and direct investment; and the lack of integrated planning for the sector in infrastructure and training particularly. A careful inventory of the demand on infrastructure, manpower and training, low-cost housing etc. still needs to be done.

Manufacturing

25. Manufacturing growth in real terms since 1960 was just below six percent, on annual average, with a marked slowdown in the late 1960s when import substitution possibilities became less abundant. The sector accounted in 1972 for 14 percent of GDP, eleven percent of overall employment and about 15 percent of non-mining investment. Employment growth, about 4.5 percent annually since 1960, was the highest of any sector in the economy. Manufacturing exports still account for less than 17 percent of export receipts, most of the recent increase having been generated by higher exports to the protected CARIFTA market. The Government has supported industrialization through fiscal incentives and protection. Firms substituting imports at a substantial scale are exempt from income tax and customs duties on imported investment goods; firms exporting their entire output are in addition allowed to import raw materials and intermediate goods duty free. The Jamaica Development Bank (JDB) and the Small Businesses Loans Board provide assistance in industrial finance.

26. Apart from the limited size of the domestic market, there have been major growth constraints such as (i) the lack of industrial raw materials; (ii) generally low productivity; (iii) skill shortages on all levels; and (iv) insufficient industrial financing, in particular for small firms. The Government, by trying to attract maximum investment without establishing sectoral priorities had failed to devise an industrial development strategy based on the utilization of Jamaica's comparative advantages. The nature and application of fiscal incentives in particular have contributed to the emergence of a haphazard industrial structure. Although incentive-induced manufacturing investment was intended to significantly increase employment and local value-added and to strengthen the country's export potential, the majority of incentive-induced firms rarely exports more than ten percent of their output, is capital-intensive and depends heavily on imports of raw materials and intermediate goods. Exemption of investment goods from customs duties and provisions for deferred and accelerated depreciation have exerted a strong bias towards capital-intensive methods of production - except in the case of certain assembly-type industries which are labor-intensive and normally export their entire output. The system of protection and economic regulation has reinforced the trend towards high-cost import substitution: Jamaica principally relies on quantitative restrictions which are virtually absolute if a producer - usually operating under incentives - has the capacity to fully supply the domestic market. As incentives are normally granted to a sole producer in a given line of operation, there appears to be a high incidence of monopolies and price collusions, with resulting upward pressures on prices. The Government just recently started to provide special assistance to exporters through the National Export Corporation and an export credit guarantee scheme. There exist no special fiscal export incentives. Efforts to expand industrial exports have essentially been limited to the small and protected CARIFTA market.

27. For tackling the unemployment problem, manufacturing will remain one of the key sectors. An acceleration of growth in industrial employment will necessitate a larger increase in output as well as sectoral shifts, with faster expansion of labor-intensive industries. The decisive stimulus for a large-scale expansion in industrial output and employment can only result from substantially increased exports. Joint ventures like the one formed recently with a Japanese company will not only reactivate private capital inflows but also infuse managerial skills and open new export channels.

28. In reformulating its industrial development priorities, the Government now puts increased emphasis on employment creation, the enlargement of local value-added, and a positive contribution to the balance of payments. These priorities correspond with the principles underlying the forthcoming harmonization of fiscal investment incentives within CARIFTA, which will make the grant of incentives contingent upon the degree of local value-added and export intensity. In a very preliminary stage are plans by the Government to establish petrochemical industries connected to the petroleum refinery. These industries would be capital-intensive but might have a certain export potential.

29. The Government is taking steps to reduce the worst bottlenecks that have impeded the development of the small manufacturing firms. The Jamaica Development Bank has recently reduced the minimum size of its loans. Part of the proceeds from a Kreditanstalt fuer Wiederaufbau (KfW) loan for industrial financing is earmarked for onlending to small firms, matched by increased government funds. Small firms normally do not enjoy fiscal incentives and are still facing severe problems in production, marketing and financing. While the Jamaica Industrial Development Corporation now provides special advisory services and management training in production and financing, no marketing assistance has been given to small firms. Cooperation among small businesses ought to be encouraged which would bring about cost reductions and other benefits of complementarities.

Construction

30. Construction after growing slowly during the early 1960s, accelerated its advance in 1965-70 due to large-scale investment in mining and hotels. More recently, output and employment significantly declined when the alumina expansion program was completed. There has been a strong trend toward capital intensity, particularly in the past five years, induced both by wage pressures and by severe shortages of skilled labor. Construction costs in Jamaica have risen substantially in this period, and are now exceptionally high by international standards.

Electric Power

31. Electric power services have expanded, but have not been reliable enough to adequately support the economy. Total installed capacity now approximates 500 MW, of which 300 MW is held by the partly government-owned Jamaica Public Service Company (JPSC), some 110 MW by the bauxite-alumina companies, the rest by various industrial concerns. The JPSC is the sole supplier of public power. With Bank assistance it has been able to increase supply at an annual rate of over eleven percent to 880 million kWh over the last decade. Major reasons for JPSC's poor service include inadequate transmission and distribution facilities and a chronic shortage of suitably trained staff. Under its licence the Company's operations are regulated by a Public Utilities Commission (PUC). A rate increase of 26 percent - the first since 1950 - was granted in 1972 following the change in Government, after having been delayed for two years. Further rate increases appear necessary to put the Company on a sound commercial footing. Power demand from the public system is likely to increase by 12 percent annually over the next five years. The Company plans investment of more than \$120 million by 1976 in order to increase its generating capacity by one-third. Loans in the order of \$75 million have already been committed by Eximbank and U.S. commercial banks over the last year.

Transport

32. Transport contributes almost seven percent of GDP and absorbs about eight percent of total fixed investment. Progress in transportation has nevertheless been slow. Though the layout of the road system is adequate much of the network is rather old and major portions no longer adequately serve present traffic volumes. The number of motor vehicles has increased three-fold in 1960-72. The highest traffic densities are found near Kingston where the Bank-financed widening of the road to Spanish Town will provide important relief. A CIDA-financed transportation survey was prepared in 1970. It served as a basis for the Government to decide on a long-range highway program, comprising both trunk roads and secondary roads. The railroad operated by the publicly owned Jamaica Railway Corporation, still plays a substantial role in the transport of bauxite: while most other commodities have been diverted to road transport, bauxite traffic expanded at an average 14 percent annually since 1960. JRC's deficit has been reduced in recent years. Improvements in the international airports of Kingston and Montego Bay are needed urgently. A study of these airports has recently been completed, also financed by CIDA. It recommends runway expansion and improvement of terminal facilities, which would cost around \$29 million. Jamaica's ports, largely in private hands, appear to be meeting the economy's foreseeable needs except possibly for specialized handling of banana exports. There is a trend to concentration on fewer ports in order to take advantage of joint use of modern facilities.

33. In recent years less than ten percent of the Central Government's recurrent expenditure and about 24 percent of its capital expenditure has been devoted to transport. Particularly expenditure on roads has increased over the past three years, from about J\$13 million to about J\$25 million per annum. The proposed highway investment program for 1973/78 proposes total expenditure of J\$100 million; it seems though, that there is some room for reduction if general budgetary constraints require it.

Telecommunications

34. Telecommunications services within Jamaica have likewise been inadequate. The number of telephones increased at an average rate of seven percent annually over the last decade to a total 70,000 by late 1970, or from a density of 2.2 to 3.5 per hundred population. Public telephone, telex and teleprinter services are provided by the Jamaica Telephone Company (JTC), now partly government-owned, and regulated by the PUC. Following a period of very slow expansion in 1960-66, pending the outcome of negotiations for a new license, JTC was bought by a US company, and plans for a Bank-financed expansion program were cancelled in favor of a larger one supported by the new parent company. The addition of new switching equipment on old facilities has created serious interface problems, and the new equipment has as yet not been placed in service. All of the expansion of telephones installed has had to be on the old facilities with consequent problems of overloading. The Company estimates a total existing demand for 186,000 telephones, rising to 266,000 in 1975. JTC's plans for further expansion are very limited by comparison: it is proposed to provide nine to ten thousand additional telephones per year. However, in the years immediately ahead, telephone services are likely to improve somewhat as the new equipment is finally placed into service.

FOREIGN ASSISTANCE

Past Trends

1. AID and Eximbank combined have been the largest source of external public capital to Jamaica, between them accounting for commitments of \$74.5 million, or over 22 percent of total public loan commitments in 1965-72. Their lending has been concentrated in power, agriculture, housing, transport and industrial financing. IBRD has committed a total of \$59.9 million over the same period, or about 18 percent of the total. Our past lending has mainly been for economic and social infrastructure, including power, roads, water supply, education and family planning. Canadian aid (\$37 million; about 11 percent of the total) has been made available for projects in telecommunications, education, health, transport and water supply, including pre-investment studies. IDB commenced operations in Jamaica in June 1970 and has become increasingly active in the last three years. Its lending (\$19.9 million; 6 percent of total), mostly from the Fund for Special Operations, has been for agriculture, university education, and small-scale industries and hotels. Finally, U.S. commercial banks have committed sizable funds (\$74.7 million) for Eximbank-sponsored projects in power and transportation as well as for large hotels. Financing from suppliers' credits during this period has been relatively negligible.

Future Requirements

2. United States sources will continue to provide a major part of external public capital. USAID's forthcoming loans will be for reforestation and education, with further lending planned for social projects; P.L. 480 funds are also likely to be made available from 1974 onwards in support of a nutrition program. On the basis of the recently approved lending program, IBRD would provide about 18 percent of the projected total commitments, or about the same level as in recent years. Our lending program will concentrate on agriculture and on economic and social infrastructure. IDB plans to substantially increase its lending for industry, tourism, agriculture and education, and is also likely to become active in the highways sector. A substantial part of its lending is likely to be provided through the Fund for Special Operations. The Caribbean Development Bank has just extended a \$1.2 million loan for tourism; further lending will be limited since CDB plans to channel its funds primarily to the smaller countries of the Caribbean. As in the past, Canadian aid will focus on telecommunications, agriculture and education, and will continue to carry a substantial technical assistance component. The U.K. does not have a capital aid program in Jamaica; however,

funds on commercial terms are expected to be made available through the Export Credit and Guarantee Department, and for housing and hotel construction through the Commonwealth Development Corporation. The Kreditanstalt fuer Wiederaufbau (KfW) of Germany is providing soft-term funds for financing small and medium industries, with a repeater operation likely in the future. Commercial bank loans are expected to continue to be available for power and hotel projects; both the government and semi-autonomous public agencies are also likely to take recourse to suppliers' credit in a larger measure than in the past.

For additional information on foreign assistance and Jamaica's external debt please see paragraphs 24-29 of the Country Program Paper, Fl.

ESTIMATEDTABLE 1: JAMAICA - EXTERNAL PUBLIC DEBT OUTSTANDING
AS OF DECEMBER 31, 1972

DEBT REPAYABLE IN FOREIGN CURRENCY

IN THOUSANDS OF US DOLLARS

CREDITOR COUNTRY TYPE OF CREDITOR	DEBT OUTSTANDING AS OF DEC. 31, 1972		
	DISBURSED	UNDIS- BURSED	TOTAL
GERMANY (FED. REP. OF)	477	9,063	9,540
UNITED KINGDOM	2,105	6,307	8,412
USA	85	-	85
SUPPLIERS	2,667	15,370	18,037
CANADA	5,626	2,288	7,914
UNITED KINGDOM	5,406	567	5,973
USA	18,190	30,795	48,985
PRIVATE BANKS	29,221	33,650	62,871
UNITED KINGDOM	37,251	-	37,251
USA	6,182	-	6,182
PUBLICLY-ISSUED BONDS	43,433	-	43,433
CANADA	826	-	826
GERMANY (FED. REP. OF)	10,000	-	10,000
USA	240	-	240
MULTIPLE LENDERS	1,247	-	1,247
PRIVATELY-PLACED BONDS	12,313	-	12,313
UNITED KINGDOM	432	1,087	1,519
OTHER PRIVATE FINANCIAL INST.	432	1,087	1,519
CDB	-	1,200	1,200
IBRD	34,889	21,838	56,727
IDB	379	1,681	2,060
LOANS FROM INTL. ORGANIZATIONS	35,268	24,719	59,987
CANADA	11,497	25,523	37,020
UNITED KINGDOM	3,976	1,262	5,238
USA	30,168	47,443	77,611
LOANS FROM GOVERNMENTS	45,641	74,228	119,869
TOTAL EXTERNAL PUBLIC DEBT	168,975	149,054	318,029

NOTE: DEBT WITH A MATURITY OF OVER ONE YEAR. EXCLUDES IMF NET DRAWINGS OF SDR 13.3 MILLION.

ECONOMIC AND SOCIAL DATA DIVISION
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT
MARCH 14, 1973

SUBJECT BRIEF

Agriculture

Background

1. The structure of the agricultural sector is one of dualism between some 115,000 very small farm holdings of less than 5 acres (80 percent of holdings, 15 percent of land) and about 1,000 estates only of more than 100 acres (0.5 percent of holdings, 55 percent of land). About half of the total land area is in farms, with the remainder in forest or scrub. Variable soil qualities and topographical conditions are conducive to a high degree of diversification. But agricultural production is dominated by sugar and bananas which presently account for 24 and 7 percent respectively of value added in agriculture (excluding forestry and fishing). Other food crops include citrus, coffee (Blue Mountain variety), grass-fed beef, cocoa, coconut, pimento, and a variety of fruits and vegetables are also produced commercially. There is also substantial illicit production of "ganja" (Marijuana).
2. Agriculture employs about one-third of the labor force but accounts for only about 10 percent of GNP and about 20 percent of merchandise exports. Total employment over the last decade has remained about constant; thus none of the increase in the labor force over this period was absorbed in agricultural employment. With most of the potential new entrants to the agricultural labor force moving to the urban areas, the average age of those remaining in farming is around 50.
3. Jamaica's agricultural performance has been very poor in recent years. Output stagnated from 1966 to 1970 although there was some recovery in 1971 and 1972. This disappointing performance was partly due to climatic factors, but owed more to structural changes in the sugar and banana industries characterized by a decline in the area cultivated caused by increasing production costs, marketing problems and reduced profitability.
4. The institutional structure of agriculture in the public sector comprises a number of bodies. The Ministry of Agriculture combines the functions of the previous Ministries of Rural Land Development and Agriculture and Fisheries. Apart from broad policy formulation its responsibilities include extension work and assistance in marketing through a number of statutory marketing boards and corporations. The latter were intended to be self-financing but many have received subventions of one kind or another from the central budget. The Agricultural Marketing Corporation (AMC) seeks to provide reliable markets mainly to small farmers producing for local consumption, and it maintains a network of purchasing, storage and distribution centers throughout the country. It intervenes in the market when necessary to support the prices of certain crops and any trading losses are borne by the Government. Principal public credit institutions include the Agricultural Credit Board (ACB) providing subsidized credit at low interest rates primarily to small farmers. The Jamaica Development Bank (JDB) (which is financed by equity contributions from Government and the Central Bank

and loans from external agencies) provides credit for commercial farms and is presently onlending IBRD funds (In 719-JM) for investment in beef, dairying, coconut and citrus farms of between 100 to 300 acres. The JDB also now proposes to act as financial agent for the administration of the Self-Supporting Farmers' Development Program (SSFDP), funded by the IDB, which provides credit for small farms.

Sugar

5. Sugar-cane is the most important crop in Jamaica occupying about 165,000 acres. Half the cane (84,000 acres) is grown by 15 large estates, each with its own sugar factory, and the remainder by some 28,000 individual farmers. These farms vary in size from less than 5 acres to more than 500 acres, but all their cane is processed through the estate-owned factories. Since 1966 sugar production has been declining. There are various reasons for this decline. Drought affected the sugar-cane yield in 1967 and 1968, and in 1969 heavy rains reduced the sucrose content of the cane with the result that sugar production fell from about 490,000 long tons in 1965 to about 380,000 tons in 1972, not enough to fill the quota entitlements to the United States and Britain. This could have serious consequences when these quotes are renegotiated in 1974 and 1975 following Britain's entry into the E.E.C. and the scheduled review of the American quota arrangements.

6. Deep-seated structural reasons, rather than unfavorable climatic experience, however, largely account for the sugar industry's poor performance. Spiralling labor wages, influenced by militant labor unions and high rates of pay in the bauxite industry, have raised costs. Technical innovations such as mechanization, have not been introduced fast enough, partly for political and partly for financial reasons, and the industry's morale has been sapped by a poor social image with its foreign domination and associations of the colonial slave plantation heritage. Replanting has been slow, the yields per acre have been declining, and the ratio of tons of cane per ton of sugar has been rising. At the same time the industry itself has been slow to undertake re-investment and to adapt to modern management and technology; it has a record of poor industrial relations, outmoded attitudes and inadequate technical performance.

7. The sugar industry is important to Jamaica, both economically and financially, and its collapse would have serious social consequences. It employs about 57,000 people, apart from the cane growers, and is a major source of foreign exchange. Apart from a relatively small minority who advocate the dismantling of the entire industry there is a general awareness of the need to restructure and revitalize the industry to make it more productive and internationally competitive. However, several organizations are involved in the Industry, these being the Sugar Manufacturers Association (SMA) which represents the estate/factory owners, the All Island Jamaica Cane Growers Association (JCGA) which represents the individual cane farmers and two labor unions which represent the sugar workers. All these organizations are represented on one central body, the Sugar Industry Authority (SIA), which is expected to serve as a moderating force for the industry as a whole. The views of these organizations as to the required remedies for the industry have not always coincided.

However, in recognition of the need to intervene in an ailing but vital industry the previous JLP Government in 1971 established a public corporation, the Frome-Monymusk Company, to acquire and manage the sugarcane lands at Frome and Monymusk owned by the West Indies Sugar Company (WISCO). In mid-1972 the new PNP Government accelerated the process by purchasing the sugar-cane lands at Bernard Lodge, also formerly owned by WISCO. These three estates account for about one-third of the sugarcane acreage of Jamaica and about one-half of the sugar production. The factories on these estates remain in WISCO's ownership. Part of the lands have been leased back to WISCO and the proceeds of the lease payments are being used to pay off the capital debt incurred by the Government in acquiring the lands. The remaining lands will be leased by the Government to new farmers or farmers who wish to expand their holdings, either for the production of sugar for diversification into different crops. The Government presently plans that the Frome Monymusk Company should take back from WISCO all the leased lands at the end of the 1974 sugar crop.

8. But the problem has not so far been tackled on a comprehensive basis with a well thought-through modernization plan. This is not for lack of investigations since the Jamaican sugar industry is one of the best documented in the Caribbean. The Mordecai Commission, for example, in 1967 produced an excellent report and a useful list of recommendations, many of which were not implemented largely due to sectional interests. Since then there have been several technical studies and the Government has provided a considerable measure of financial assistance including loans to cane farmers to encourage replanting, subsidies to unprofitable factories and a guaranteed price for farmers' cane. However, measures so far taken appear to have been palliatives rather than cures. The new Government believes that there is no alternative to sugar in the short term and there is an urgent need for a critical examination of the industry leading to a comprehensive plan for its rationalization and modernization. To this end, the on-going agricultural sector study (see paragraph 12 below), will focus particular attention on rehabilitation of the sugar industry, in the wider context of the revitalization of the whole Jamaican agricultural sector.

Other Crops

9. In recent years the production of bananas, next to sugar the most important crop, has stagnated. Banana yields have been affected by drought and, despite an assured market in Britain, sales threatened by poor quality due to inexpert handling and marketing. Other export crops have similarly stagnated with the coconut industry suffering from the Lethal Yellowing disease. Agricultural imports have grown rapidly with the result that in recent years Jamaica has become a net importer of food. In 1972 Jamaica imported over \$80 million worth of agricultural and food products including cereals, meat, fish, dairy items and processed foods. Imports of timber have also been substantial.

Policy Issues

10. In spite of increases in rural wages, rural poverty continues and there is a wide gap between rural and urban standards of living. The most

difficult problems, as already noted, have been encountered in sugar and bananas, and, with the possible exceptions of coffee and cocoa, export crops have been the weakest element in the sector for some years. Declining agricultural exports and rapidly growing food imports have added to Jamaica's balance of payments difficulties. The Government is therefore faced with the problem of trying to stimulate growth of the agriculture sector while at the same time maintaining employment and raising living standards among the rural population. Government agricultural strategy in the past has been ambivalent. Primary objectives have been to stimulate exports and import substitution, but these have not been translated into consistent policy measures or effective production programs. The introduction of selective support prices and input subsidies has distorted price-cost relationships and led to inefficient resource use, particularly land. Emphasis on a wide range of fruit and vegetable crops has over-extended the limited capacity of the public sector to provide technical assistance and organize marketing and distribution services. Perhaps the biggest deficiency of past government policy has been its failure to recognize and tackle the structural defects of the sugar industry. But other important issues have also been neglected. These include: the adoption of a rational land-use policy, perhaps involving land zoning, to optimize its productive potential and help retain people in the rural areas; examination of the agro-industrial possibilities, including the scope for using sugar by-products or processing of agricultural products; marketing and distribution problems including pricing policies; the arrangements for channelling agricultural credit to the sector; the question of mechanization (a politically sensitive issue in Jamaica); and the complex problem of rural development including the role of the small hill-farmer.

Recent Developments

11. The stagnation of the agricultural sector with its wide socio-economic consequences was recognized as the central problem of Jamaica by the new Government which came into office in early 1972. In August of that year, Prime Minister Manley asked Mr. McNamara for the assistance of the Bank in the conduct of a comprehensive agricultural sector study as a basis for policy recommendations and project proposals to modernize the whole sector. The Prime Minister underlined the urgency of the problem particularly the need for early rehabilitation of the sugar industry.

12. Following this meeting the Bank has been closely in touch during the planning of the study but the Government has clearly expressed its view that the study in its initial phase be primarily a Jamaican effort. Accordingly, the officials responsible for the study consulted with private sector interests, government agencies and others who are knowledgeable about Jamaican agriculture as a preliminary step to preparing sub-sector policy briefs which analyze key problems. These are presently being reviewed in Jamaica during June and July by a team of foreign advisers under the chairmanship of Sir Arthur Lewis. The final versions of these policy briefs, following review by the advisers, will then be discussed with the Prime Minister starting on July 3, and a selected group of members of his Cabinet to bring out the policy implications and help to reach actual policy decisions. The Bank has assisted the Government in assembling the team of advisers and four staff members are participating in the review team's work. (A list of the members of the team is attached to

this brief.) It seems likely that a project for the rehabilitation of the sugar industry will emerge from the study and that this will ultimately prove suitable for Bank financing. A loan for this purpose has been included in the Bank's FY75 lending program (see G3; Prospective Operations).

13. While the study has been progressing the Government has already been exploring possible new approaches to stimulate agricultural production, particularly for the domestic market, and thereby reduce imports. Early in 1973 Operation GROW (Growing and Reaping our Wealth) was announced. Three projects are covered by the scheme. Project Land-Lease is designed to provide small farmers and others of proven agricultural experience with supplemental tenancies. For this purpose idle land is being leased by the Government on a voluntary basis from private land-owners at economic rentals for a minimum of five years for re-leasing to farmers; also certain government-owned lands are being leased. It is envisaged that lot sizes will vary from one to five acres and these lots will be regarded as supplemental tenancies and not as economic units by themselves. The aim is to plant about 15,000-16,000 acres of new land and it is estimated that about 8,000 farmers will be brought under the scheme in two years. Under a second project, "Project Food Farms", the Government proposes to utilize about 50,000 acres of land currently owned or in the process of acquisition by it, and to produce a wide range of food crops. About 25,000 acres will be developed during the first year of the project, initially by setting up state farms, subsequently to be organized into cooperatives. A pilot project involving about 500 acres of irrigable land at Hounslow is presently being initiated with active youth participation. The third component, Project Self-Help is an expansion of the Self-Supporting Farmers Development Program being financed by the IDB.

External Assistance

14. A number of external agencies have been providing assistance for the agricultural sector. The IDB has already provided substantial soft funds for credit for small farmers through SSFDP. This program has been linked with technical assistance to farmers through extension services and has achieved significant expansion of small-scale farm production for the local market. IDB has recently agreed to make further funds (\$7.9 million) available for this project, responsibility for which, because of weaknesses in its financial administration, is being transferred from the ACB to the JDB. The IDB is also providing technical assistance for agriculture. AID provided \$10 million in 1971 for the construction of about 200 miles of rural feeder roads and shortly plans to make a loan for a much needed afforestation project. The UNDP is also undertaking substantial technical assistance in agriculture, including afforestation, water-shed management, animal health, and fishery training. The IBRD in FY71 made a loan of \$3.7 million to the JDB for on-lending for citrus, coconut, dairy and beef farms, and a repeater loan, possibly with the inclusion of additional crops for financing, is planned for FY74.

LIST OF MEMBERS OF EXTERNAL ADVISORY TEAM

JAMAICA AGRICULTURE SECTOR SURVEY

Team Chairman	Sir Arthur Lewis	(West Indies)
Sugar	Dr. W.H. Kerr	(Australia)
	Hector Hawkins	(United Kingdom)
Agr. Marketing	Dr. Lehman Fletcher	(United States)
Livestock	Cameron Percival	(New Zealand)
Land Use	Sir Arthur Gaitskell	(United Kingdom)
Research	Dr. Howard Stepler	(Canada)
Agronomist	Harry Evans	(United Kingdom)
	Peter Greening* (Bank)	(United Kingdom)
Agr. Engineer	Brian Potheary	(United Kingdom)
Agro-Industry	Eugene Schertz (Bank)	(United States)
Credit	Pierre Gourbois (Bank)	(France)
Micro-Economics	Dr. David Edwards	(Trinidad)
Macro-Economics	Nathan Koffsky (Bank)	(United States)

* Part time

SUBJECT BRIEF

Bauxite/Alumina Industry and Oil Refinery Complex

Bauxite/Alumina

1. Until overtaken by Australia in 1972, Jamaica had been the world's leading producer and exporter of bauxite. As a producer of alumina, Jamaica currently ranks fourth after the United States, the USSR, and Australia. Bauxite-alumina production over the last decade has been the leading growth sector but was affected in 1971-72 by the slowdown in the world alumina demand. As a consequence, its share in GDP was just above 11 percent, as against 13 percent in 1966-70. It nevertheless contributed in 1972 sixty-four percent of merchandise exports (an estimated 30-35 percent of export receipts are remitted abroad) and around ten percent of Central Government current revenue. Notional transfer prices in 1972, although depressed, were still 27 percent (for metallurgical bauxite) and 35 percent (for alumina) above those the nationalized mining company in Guyana could achieve in the open market. Total direct employment in mining is about 7,000, just one percent of the labor force.

2. Although the industry is entirely foreign-owned - Alcoa, Alcan, Kaiser and Reynolds as well as Anaconda (in partnership with the latter two in ALPART) and Revere are operating in Jamaica - an estimated 60-65 percent of export receipts remain in the country. In 1972 these six companies together are estimated to have produced 12.4 million tons of bauxite, of which 5.2 million tons were converted to alumina. The value of production of the industry increased by almost 80 percent from J\$113 million in 1967 to J\$202 million in 1971. The expansion of alumina capacity during the period made a substantial impact on the economy through the investment associated with it. A large-scale expansion of alumina refining and of related bauxite mining operations was completed in early 1972. It involved investment of some \$620 million over 1967-72, equivalent to over two-thirds of private capital inflows and to one-third of gross domestic investment during this period.

3. Alumina overtook bauxite in 1970 as the country's most important export commodity; it now makes up nearly two-thirds of mining exports. The tendency in favor of alumina production and exports has been influenced by the Government's objective to maximize the value added to the raw bauxite which it supports through tax holidays and capital allowances to alumina producers.

4. The fact that bauxite/alumina production in Jamaica is mainly oriented to the demand from the four major North American aluminum producers has become a constraint to the growth of the industry. These companies have lost some of their traditional pre-eminence since Japanese and European producers, as well as U.S. independents, have grown faster, and the four major companies operating in Jamaica have lately dispersed their resource bases, especially to Guinea and Australia. None of the companies has as yet announced further expansion plans for their Jamaican operations.

5. The strengthening of the world aluminum market underway - demand is expected to increase by around eight percent annually during most of the 1970s, and over-capacities in alumina probably will be worked off by mid-1974 - ought to benefit the Jamaican economy. Increases in mining exports of eight to ten percent annually therefore appear feasible. In order to further enhance the contribution of the sector to the economy, the Government has some options. A short-run possibility appears to be increases in tax levels. Sufficient margins seem to exist for the companies to absorb a higher income tax or an additional export tax and still earn a reasonable level of profits on their Jamaica operations. For longer-term purposes, invitations to new entrants, renegotiations with companies presently operating in Jamaica concerning an expansion of their Jamaican operations in line with their overall expansion, and forward integration to primary aluminum smelting appear worth considering.

Oil Refinery/Alumina Smelter

6. It has long been Jamaica's ambition to secure the establishment of an aluminum smelter. Lack of essential low-cost power needed for such a project has so far been the major obstacle. Jamaica now hopes that it may be able to solve the problem of low-cost power through the use of cheap high sulphur content residual oil for thermal generation. Early in June the Government signed an agreement with Saras, an independent refining company owned by the Moratti Group of Milan, Italy, to build a petroleum refinery in Jamaica producing 250,000 barrels-per-day. With the tighter anti-pollution restrictions on the US Northeast Coast, the Caribbean, and in particular Jamaica, with its natural deep-sea berths for large tankers, offers attractive locations for the construction of oil refineries. The Jamaican refinery will be located at Luana Point near the mouth of the Black River to the southwest of the island. The refinery, which is scheduled for completion in 1976, will process crude oil from the Middle East and will attempt to market the petroleum products in the U.S.

7. Investment costs are estimated at US\$370 million for the refinery and ancillary services (up to US\$600 million if the smelter were to be included). Moratti will be providing an equity contribution of US\$10 million; loans of well above US\$300 million have been committed by Italian banks and suppliers, bearing a guarantee of the Government of Italy. The Jamaican Government will not guarantee any loans raised by the joint venture; it will, however, initially have a ten percent interest and an option to increase its holding after a 15-year tax holiday to 20 percent. It is not clear how the Government proposes to finance its equity holding but this could consist of the value of the land, the social cost arising from the additional pollution, and the provision of infrastructure estimated to cost about \$20-25 million.

8. Since the refinery will work on a contract basis, export earnings will be limited to the processing fee and will initially be exceeded by debt service payments. However, the refinery is intended to provide the energy base for an aluminum smelter, whose completion is envisaged for around 1980. The

planned capacity - initially 0.12 million tons - would involve investment of \$120-150 million. Bechtel Corporation is to provide a feasibility report by end-July. The mining companies have so far not committed themselves to participate in the smelter project nor to an expansion of alumina capacities (of about 0.24 million tons) necessary for smelting operations. The Government is, however, engaged in negotiations with the companies concerning unutilized mining leases, expanding alumina production and participation in the envisaged smelting operation.

SUBJECT BRIEF

Education and Training

Introduction

1. In spite of substantial and growing expenditures on education and training, the educational system in Jamaica has not been able to meet the demands placed upon it by an expanding economy in recent years for a literate, well-trained and skilled labor force. In the midst of high unemployment, particularly prevalent among the unskilled adolescent and females, there are acute shortages of skilled labor in almost every sector of the economy. Also the high percentage of functionally illiterate people (it is estimated that there are presently approaching one-half million illiterates in a population of less than two million) has underlined the need for a thorough overhaul of the educational system in Jamaica.

Sector Problems

2. The problem is a diverse one and requires tackling on a broad front. A priority need is to upgrade the primary level of education (grades 1-6) both in terms of modernizing obsolescent schools, building new ones and expanding the supply and quality of primary school teachers. The Government has already requested assistance from CIDA for the third phase of a primary school-building program which will provide accommodation for about 17,000 students at a cost of about \$2.5 million; but, beyond this some 40,000 extra student places will have to be provided. It has been estimated that at least 50 percent of the teaching force of the primary and junior-secondary levels is unqualified by government standards, and about 20 percent of the teaching force at the upper secondary level is expatriate. Unless a large-scale in-service teacher training program is developed an acute shortage of qualified teachers is likely to develop by 1980. The problem has been aggravated in the primary schools by the natural tendency of teachers to gravitate to the junior and secondary high schools where pay and facilities are better. In 1968/69 the teacher-pupil ratio for primary schools was 1:52, for junior-secondary schools 1:35, for high schools 1:18 and for comprehensives 1:25. Special incentives may have to be devised to attract and retain teachers in the primary schools. Another urgent need is to revise and modernize the scope and character of the curriculum, particularly in the second cycle of secondary education (grades 10-13), to introduce more practical subjects so as to better equip students to undertake worthwhile employment on leaving school. To this end the Government recently introduced a "Curriculum Development Thrust" program whereby the Ministry of Education is charged with the responsibility for on-going review and development of curricula to ensure that subjects being taught are more geared to the changing social and economic needs of the country. A closely related need is the revision of the examination syllabus, which at present relies heavily on the United Kingdom system, to take account of the new curriculum content as it develops and to provide more relevant direction to the educational system.

3. In order to satisfy the manpower requirements of the economy for skilled workers and trained technicians the Government proposes within the

formal educational system to provide increased facilities for vocational and pre-vocational training and to diversify upper secondary education by expanding technical and vocational schools and by offering a greater range of technical subjects in the traditional secondary high schools. Outside the formal educational system, the Government has established a basic skills training program related to a special employment-generating project while various ministries have established or are expanding their own training facilities. In addition to the present 17 trade-training centers, there are plans to build eight more by 1975 to be operated by the Ministry of Labour and the Ministry of Trade and Tourism, and the Tourist Board also plans two new hotel personnel training centers. The Youth Development Agency, which presently organizes and operates five residential youth camps with 1,700 youths providing pre-vocational and skilled training for 18-24 months, intends to establish 32 new youth community centers. These centers will be essentially non-residential in character and the aim will be to try to relate training more to the specific needs of the local community and encourage the trained output to remain to help develop their own communities and reduce urban migration. In support of this policy the Government has recently announced the establishment of a National Youth Service, starting on a voluntary basis in November 1973, whereby youths will be asked to devote two years to community service in education, the health service of the civil service. During the first years the scheme will concentrate on education and in particular on encouraging school leavers to spend two years teaching younger children at the primary school level. The scheme will be broadened in scope and put on a compulsory basis from September 1974.

4. The Government has recently given prominence to the need for educational reform. Its policies and programs were set out in a government paper which the former Minister of Education, Mr. Glasspole, presented to the House of Representatives in May 1973, during his farewell speech. (He is to become the new Governor-General.) Also the Prime Minister, during a major budget speech on May 2, 1973, announced the introduction of the National Service Scheme and also that the remaining fees for secondary school tuition would be abolished. However, behind this proliferation of schemes and projects lies the fundamental problem of how to coordinate and integrate them into a balanced program of human resource utilization and development. This will require a major management effort on the part of the Government and considerable strengthening and upgrading of the staff of the ministries now concerned with their implementation.

Bank Assistance

5. The Bank is assisting the Government in the education sector through its two education loans (\$9.5 million in FY68 and \$13.5 million in FY71). Implementation of the first project, which is now virtually complete, and also the second project, has been poor. (Further information is provided in Existing Projects in Execution). A third loan for \$10.0 million has been included in the FY75 lending program. The content of the project has not yet been defined although we would expect a larger element of technical assistance and vocational training than was contained in the first two projects. The Bank has recently participated in an AID education sector study to assess inter-alia the objectives of the Jamaican system and the constraints to achieving them, and

to identify priority investments for domestic and external financing. The conclusions of this study will shortly be available and should provide a useful framework for the development of a third Bank project. However, we have informed the Government that we will not be prepared to embark upon a third project until we have evidence of greater progress in implementing the second project.

SUBJECT BRIEF

Housing and Urban Development

1. It is projected that the rural population growth of the country will remain stable over the next 20 years and that the population increase of about three-quarters of a million will virtually all be in urban areas. Although the Government's policy is directed towards encouraging the development of urban centers outside Kingston, its population is likely to continue to grow at a considerably faster rate than the population of the country as a whole.

The Kingston Metropolitan Area (KMA)

2. Kingston, which first developed as Jamaica's administrative and commercial center, is also the industrial center and the hub of the transportation and communication networks of the island. Modern Kingston grew out of Kingston Parish, a narrow strip of land along Kingston Harbour. Urbanized areas of Kingston Parish soon expanded into neighboring St. Andrew Parish, so that today the two parishes are consolidated for administrative purposes into Kingston-St. Andrew Corporate Area (KSAC). Urban development now covers most of the relatively flat areas at the bottom of mountain ranges in St. Andrew Parish and has partially occupied the hillsides. To the west of the corporate area lies level agricultural land covered mostly by sugar cane. Spanish Town, the third largest city in Jamaica after Montego Bay, lies twelve miles to the west of Kingston. The recent completion of a Bank-financed highway improvement project will undoubtedly increase the interaction between the 40,000 residents of Spanish Town and the employment opportunities in Kingston.

3. The population of Jamaica is about 1.9 million. This compares with 1.6 million in 1960 - an increase of 252,000 or 1.5 percent per year. The population in the urbanized areas has grown at a much faster rate. In 1960 there were eleven cities and towns of over 4,000 inhabitants with a total population of 473,700. By 1970 the same towns had a combined population of 679,300 - an increase of 205,600 or an annual increase of 3.7 percent per year. The boundaries of many of the towns have been redefined to account for the rapid expansion of the urbanized areas.

4. The primacy of the Kingston Metropolitan Area remains pronounced. In 1960 KMA had 376,500 inhabitants (23 percent of the national population) and 16 times as many people as Montego Bay, the second largest city. In 1970 KMA's population was 506,200 (27 percent of the national population) and was twelve times as large as Montego Bay. The growth rate of KMA, at approximately 3.0 percent per year, was twice that of the growth in national population. If the trend of the past ten years were to be projected to 1990, the population of KMA would reach 914,000 or 34 percent of the projected national population of 2,671,800. Because the nearby towns, such as Spanish Town, will be growing at an even faster rate, both in area and population, it is expected that KMA and its contiguous urban areas will exceed 1,000,000 or well over 40 percent of the national population. Approximately 500,000, if not more of the projected 770,000 increase in population between 1970 and 1990 will be located in the KMA region.

5. Unemployment and underemployment is a serious problem in Jamaica and especially so in KMA. Official estimates for unemployment in Jamaica are about 18 percent and about 25 percent for KMA, which has approximately two-thirds of all the unemployed in Jamaica.

Urban and Regional Planning in Kingston

6. The responsibility for urban and regional planning is fragmented, with very little coordination and limited capability for implementation. Development and economic planning is done by the National Planning Agency under the National Economic Council of the Prime Minister. Physical planning is done by the Physical Planning Unit of the Ministry of Mines and Natural Resources, whose staff had been carried over from the UNDP study on the National Physical Plan for Jamaica, 1970-1990. Some project planning in and around Kingston is done by the Urban Development Corporation in conjunction with their urban renewal projects. The activities of these organizations are not coordinated with the building and zoning codes enforced by the KSAC government. The latest land-use plan for the region was developed in 1964, and no updating has been done since. The real estate tax, based on an assessment made during the 1930s, is not based upon current land values, especially agricultural areas which have been converted to urban use. However, the Government is now taking steps to bring property values in the area up-to-date. Every expenditure and revenue measure of KSAC must be approved by the Ministry of Local Government, which has little information on land use or economic planning.

Housing Demand

7. Within the contiguous urbanized areas of Kingston and Spanish Town, there are approximately 140,000 households. Of these only 30 percent (or 42,000 households) have had incomes above US\$3,100, the level above which they have been capable of buying unsubsidized housing. The current annual increase in population in this area is approximately 21,000, half of it from in-migration from rural areas. This is roughly 5,000 new households per year, increasing at about 3 percent per year, i.e. 6,720 new households per year in about ten years. These projections are very tentative because the rate can be affected by a number of factors such as government efforts to decentralize industrial development which would reduce the number of in-migrants to KMA. If the same levels of income as those of the existing households are assumed, only 1,500 of the newly-created households would be able to afford unsubsidized housing. Of the remaining 3,500 households, it is estimated that approximately 500 would occupy housing in downtown areas vacated by households who had moved on to new housing in the suburbs. Hence, it is estimated that 3,000 new households will require assistance in varying degrees. With an additional 800 households that are "decanted" from existing slum areas, the demand is 3,800 households per year, of which 2,200 households earn less than US\$875, the current minimum income level required for "normal" built, subsidized housing.

Government Efforts in Low-Cost Housing

8. A low-cost housing unit is defined by the Government as a house and developed site costing less than US\$4,800. The 400 or so housing units built by the Government in 1968 cost an average of US\$4,000. When compared with actual low-income housing demand, the Government schemes have been (a) insufficient in quantity; (b) highly subsidized; and/or (c) mainly for middle-income households. The shortcomings of the previous government's program have resulted in a spread of squatter settlements in many parts of KMA -- mostly on government property.

9. The newly elected Government, recognizes that the deteriorating housing situation, especially among low-income households, must be improved quickly by formulating programs which can meet the new housing demand and improve existing squatter settlements. In a budget speech, made in July 1972, the Minister of Housing presented his program based on a study made by his staff and the consulting firm of Shankland Cox and Associates. As outlined in the report, Kingston Region Draft Low-Income Housing Strategy, the Government's new low-income housing strategy consists of constructing approximately 1,600 subsidized low-income "normal" built housing and 2,200 site and services lots for self-help housing. Exclusive of administrative costs and assuming the use of available government land, the cost of the government's program will be US\$9.5 million for the normal built housing component at an average cost of US\$5,850 per unit and US\$2.82 million for the site and services component at US\$1,400 per prepared lot with material for self-help housing (US\$940 for site only). Compared to the cost of site and services projects executed elsewhere in Latin America, i.e. US\$340 in Panama, US\$400 in Chile, and US\$540 in Venezuela, the estimated cost per site is high. The costs are being subjected to rigorous analysis in the context of the proposed Bank-financed projects so as to avoid excluding the lower income groups or too much reliance on subsidies.

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OVERCOMING INSULARITY IN JAMAICA

By Michael Manley

IN the long run it may yet transpire that the differences between stages of economic development as between various nations and regions of the world are a more important determinant of history than differences in ideology or systems of government. Religious wars are contested with fervor at the time; so are wars to make the world safe for democracy. But sooner or later, the economic historian presents an alternative analysis which seems to put the hysteria of yesteryear in a more realistic frame.

And so today, press, pulpit and politician would have us believe that a new ideological focus is at the heart of the uncertainties, tensions and conflicts of the second half of the twentieth century. Once again, I suggest that tomorrow's historians will point out that behind the hysteria lay economics and that the real battleground was in that largely tropical territory which was first the object of colonial exploitation, second, the focus of non-Caucasian nationalism and more latterly known as the underdeveloped and the developing world as it sought euphemisms for its condition. It has now proclaimed itself the third world to mark its transition from an age of apology to one of assertiveness.

To the extent that all this is true, any development in any part of the third world has an importance that far outweighs the size, wealth or power of that particular part of that world. And so, recognizing that this explanation may be required, I do not apologize for writing about Jamaica with its 4,000 square miles and two million people and its relationship to the English-speaking Caribbean which covers many more square miles but still adds up to only a little more than five million people.

Because Jamaica and the Caribbean are a part of the third world, they are best understood if one first isolates certain basic features that are common to that world and its general condition at this moment of history.

I think that four factors can be distinguished. First of all, the third world has joined the other two worlds in one feature that is common to both: nationalism. Basic to attitudes in the third world is the fear of foreign domination. Inevitably, in the

second half of the twentieth century, foreign domination is understood in economic terms just as clearly as it used to be understood in political terms. And no consideration of third-world politics can proceed unless this is borne clearly in mind.

The second factor, in the area of economics, is the adverse movement in the terms of trade between the third world and its highly industrialized and developed neighbors of the North, encompassing not only price trends as they relate to exports and imports between groups but also the terms on which capital is exported from one world to the other.

The third factor inheres in a paradox: the fact that the new taste of nationalism and political independence coexists with a need for external capital. Common to every former colonial territory is a shortage of internal capital resources, a release of popular expectation and an urge toward complete national independence. The paradox consists in the fact that popular expectation cannot be satisfied without capital, and capital cannot be generated from internal sources alone. Thus, the urge for independence and the need for capital come into conflict.

The fourth factor which I contend is common to the third world is that in its dealings with the industrialized nations, the third world desperately needs the strength that can come from regional economic groupings; and, more generally, the development of a common economic diplomacy. This obvious need, however, conflicts with the tendency of all "new" nations to be separatist and insular.

It is against this background that Jamaica's recent history, present posture and future possibilities must be judged.

II

The recent past has been remarkable for three things. A Crown Colony within the British Empire up to 1944, Jamaica became a part of the colonial revolt in 1938. Riots precipitated a trade union movement on the one hand and the island's first mass political party on the other. Alexander Bustamante was the charismatic focus for a unique brand of mass trade unionism and Norman Manley was the equally charismatic force behind a movement dedicated to political independence and social and economic reconstruction. In time, the trade union group formed a political party and the political group began to organize in the field of trade unionism. Less surprisingly than might appear

at first blush, the trade union group, which later formed a political party, became the conservative focus and the nationalists who later became union organizers became the radical focus. The net effect was a polarization of the island's politics and the most effective two-party system among the countries then fighting for national independence.

This two-party system, driven by the two astonishing personalities mentioned, embarked upon what is probably the most orderly transition from colonial status to political independence in modern history. In fact, the transition was so orderly, was handled with such sophistication and poise that many young Jamaicans today feel cheated by history. Deprived of the psychological rallying point of an heroic episode, they feel that they entered upon the estate of freedom so silently, with so little drama, that many question whether it has happened at all.

The formation of this deeply entrenched two-party system, along with the orderly transition from political colonialism to political freedom, are two of the three significant features. The third is Jamaica's part in the West Indies Federation which was launched with more doubt than fanfare in 1958 and collapsed by the end of 1961.

The English-speaking Caribbean is effectively bounded by the Bahamas to the north, British Honduras (in Central America) to the west, Barbados to the east and Guyana (on the South American mainland) to the south. However, the area has hitherto been dominated by its largest island, Jamaica (population, two million), just south of Castro's Cuba, and its second largest island, Trinidad (population, one million), just north of Guyana. Jamaica consists of the city of Kingston with half a million people, an entrenched plantation system mainly centering on sugar, a booming bauxite and alumina industry and a burgeoning tourist trade, all of which coexist with the country's rural peasant majority whose small-scale hillside agriculture is falling further and further behind the progress achieved by the rest of the country. Kingston itself is a classic example of urban life in a developing country, with beautiful suburbs, a growing and expert middle class, a skillful but restless industrial proletariat and huge, smoldering slums all packed together around a port which boasts one of the greatest natural harbors in the world and rests on a plain surrounded by mountains of spectacular beauty.

Trinidad is like Jamaica except that it has no rural peasantry to speak of, and whereas Jamaica has a new bauxite industry, it has a much older oil industry. Like Jamaica, it has extensive sugar plantations, massive unemployment and a growing but more recent investment in tourism. Jamaica has, however, in a subtle but real way, a more practical population. Trinidad, with its carnival tradition and stronger Latin influence, tends to be more volatile.

These, along with the smaller islands of the Leeward and Windward chain, share a predominantly African ethnic origin and a common political and institutional history as ex-British colonies. However, the area consists of eight clearly defined sub-regions, at least one of which has a thousand islands and all of which have separate senses of identity. All this adds up to one of the most tantalizing political problems in the world today.

It is in this regional focus and within the broad perspective of third-world politics that one must now consider Jamaica's part in the abortive West Indies Federation. During the 1940s and 1950s the question of such a Federation was much talked about in Caribbean politics; but however central it was in the rest of the Caribbean, it was always an afterthought in the dialogue of Jamaican politics.

The truth is that Jamaica all along had been preoccupied with its internal problems which were, and are, legion. Once in the Federation, which was not independent in 1958 and whose central government was then largely impotent, the issue had to be faced: "What sort of constitution shall we have when we become an independent nation shortly and how shall the powers of a central government ruling over many separate islands compare with the power remaining with the government of each island?" In the event, geography defeated political logic; Jamaican nationalism proved too strong for the federal principle. The two parties which dominate Jamaican political life failed to agree on federation and in a referendum insularity won. Jamaica voted herself out of federation, and without Jamaica the Federation collapsed.

But federation is a technique. It is a means rather than an end, a point of departure rather than of arrival. Behind this particular federal experiment, which collapsed in 1961 (the vote was approximately 230,000 against to 210,000 for the federation), lies the still larger question of regionalism. Do Jamaica

and the Caribbean stand to lose or gain by regional coöperation?

III

Becoming an independent nation in 1962, Jamaica has nonetheless remained a classic example of what is sometimes described as a "two-tier" economy. Equally important, our economy has remained firmly cast in the colonial mold. The bauxite and alumina industry is entirely North American owned. More than half the tourist and sugar industries are under foreign ownership. Foreign trade continues to grow faster than internally consumed production and remains oriented toward traditional lines of exchange with North America and Great Britain. And those who manage the economy continue to look outward for ideas and expertise.

In spite of dramatic expansions in the bauxite and tourist industries, a balance-of-payments situation in surplus, the rapid development of a sophisticated network of financial institutions and a basically sound civil service, Jamaica remains a prey to many of the evils which beset it in colonial times.

Unemployment runs at a dangerous 20 percent, and is believed to be over 30 percent in the 16 to 25 age group. Agriculture lags badly and is virtually stagnant in an otherwise booming economy. Since approximately half the population depends upon agriculture, either as small farmers or as agricultural workers, this means that half of the population are condemned both to a total defeat of their expectations ever to become independent and to a growing awareness of the widening gap between their condition and that of the rest of the population.

Inevitably, this has led to growing tensions in the society. The older peasantry tends to be bitter, but resigned. The youth, on the other hand, are increasingly disillusioned but by no means resigned. Instead, the anger of the youth tends to focus increasingly on the presence of a dominant structure of foreign capital and contends that we have not altered the equation of our problems in spite of the considerable sacrifice of sovereignty involved in the acceptance of foreign capital. In short, they feel that we are sacrificing economic independence for the explicit purpose of solving our internal problems, but that in the event, since the problems are growing worse, the sacrifice is in vain.

Of course, both the perception of the problem and disappointment with the result involve dangerous oversimplifications

in economic terms. Basically, the economy needs to be restructured. This should involve land reform, import substitution in relation to food consumption and the planned use of inter-industry linkages so as to ensure a growing measure of internal viability to the economy. A largely agricultural country, Jamaica is exporting J\$62 million of sugar, bananas, citrus and coffee, while it imports J\$60 million of food; and this in a context where some 20 percent of its arable land is either totally idle or seriously under-used. In addition, much of the industrial development of the last 20 years has been of the last stage assembly "screw-driver" type, while virtually no attention has been paid to agro-industrial development, which is the most obvious area for establishing inter-industry linkages. The total result has been that agriculture, while supporting more than half of the population, contributed 13 percent to the gross national product in 1960 just before the attainment of independence but only nine percent in 1969.

Broadly speaking, Jamaica has fallen into the same trap as many other developing countries by thinking that the indiscriminate granting of tax incentives to foreign capital—regardless of the contribution which the particular capital can make to development, or of the posture of that capital in the society—will necessarily contribute to progress. Even in recent times, when experiments in forms of joint ownership ventures between foreign and local capital have become the vogue in response to nationalist pressures, there is still no evidence of realistic national planning as to the sort of ventures that are needed and, in particular, industries which seek to exploit local raw materials and by-products. If unemployment is to be significantly reduced and the dangerous gap between the agricultural population and the industrial élite is to be narrowed, radically different policies have to be pursued. These will have to involve new thinking about the use to which internal resources are to be put; a complete reëxamination of the sort of foreign capital which should be invited to participate, and the relationship between foreign capital and the national interest as regards ownership and control.

The question arises as to the frame in which these objectives can best be secured. As a consequence of the federal experience, Jamaica is undergoing a period of ambivalence toward the rest of the Caribbean. In less fanciful terms, the party in power, the Jamaica Labour Party (JLP), is hostile to regionalism partly

in response to the parochial instincts which lay behind its anti-federal fight and partly because it is a prisoner of its success in that fight. The opposition People's National Party (PNP) tends to be afraid of regionalism because its own loss of power was attributable to its support of federation in the 1961 referendum. And yet history has its own inexorable logic. In spite of all these factors which seem to conspire against regionalism, Jamaica has already joined the Caribbean Free Trade Area and is a founding member of the Caribbean Development Bank.

Exploratory talks are already under way as the region makes the first tentative approaches toward a formula for a common external tariff and common policies toward foreign investments. Although many counsel caution—and indeed, this may be the price of ultimate success—one wishes that a greater sense of urgency attached to the whole exercise. Where gross disparities in wealth, massive unemployment, showpiece industries and conspicuous consumption coexist in one overpopulated island, violence and even revolution must lurk in the wings. Clearly, regional economic development provides a more ample prospect in a situation where peaceful progress cannot be more than a marginal possibility. Yet, although the aisle is clearly marked, we seem to come to the altar of history like a reluctant bride with faltering step and lowered gaze.

What is needed, I suggest, is a tough-minded recognition that national survival, like business survival, is a matter of margins and that regionalism can provide the framework in which internal markets are increased, external bargaining power enhanced and international recognition maximized. The fact that all these differences may be marginal, far from disproving the case, represents the limit of what is possible in any event and should be pursued relentlessly in a world which does not offer more than marginal opportunities at best. Perhaps, then, we might now consider what Jamaica stands to gain from regionalism.

IV

As indicated earlier, Jamaica cannot hope to provide the basis of a decent society unless it substantially restructures its economy. The plantation system condemns those who depend upon it to a life of insecurity and is a constant focus for hostility and tension for any society which it dominates. Hence it is almost a

precondition of progress to reduce dependence on fly-by-night foreign capital which will come in briefly for a "quick buck" while wages are low and the conditions for exploitation ideal. But the search for alternatives is no easy matter and a regional economic bloc unquestionably provides a larger frame within which to pursue the restructuring of the Jamaican economy along with those of its Caribbean neighbors. Apart from the obvious advantages of size that come with regional coöperation, there are four other major areas that must be considered.

The English-speaking Caribbean will not benefit from its size until its territories learn to act in unison in matters of common concern. Thus, it is urgent that its governments develop techniques for handling trade and other relations with the outside world on the basis of a common policy. Beginnings have been made in this direction with an annual Heads of Government conference and in certain areas of trade, such as sugar, which are handled collectively. These tentative beginnings have to be pursued with vigor so that the region speaks more and more to the outside world with one voice.

Secondly, the region would benefit enormously if it could learn to handle major foreign capital interests secondary to a common policy. A classic example is the bauxite and alumina industry. The Caribbean region, including the Dominican Republic, Haiti and Surinam (which is next door to Guyana), produces 52 percent of the bauxite consumed in the Western world and 43 percent of world consumption. As the raw material of the aluminum industry, bauxite has a critical part to play in the economic future of Jamaica and certainly of Guyana and Surinam. But it is a wasting asset, which has to make its contribution to general development as rapidly as possible. Interestingly enough, the workers of the region have been much quicker to recognize this than the politicians.

Perhaps because bargaining power is "the name of the game" in trade unionism, the Bauxite Workers Union in Jamaica (a section of the National Workers Union and affiliated with the PNP) pursued a more than ordinarily aggressive wage policy against the giants of the industry—Alcoa, Kaiser and Reynolds of the United States and Alcan of Canada—from the very outset of bargaining in 1952. Later, when the companies began quoting wage rates in Guyana and Surinam against Jamaican union claims in the mid-1950s, the Jamaican Union responded by form-

ing the Caribbean Bauxite Mining and Metal Workers' Federation. In the last ten years, this body has played a significant part in bringing regional strength to the collective bargaining process, and this in turn has led to spectacular gains in wages and fringe benefits for the region's 15,000 bauxite and alumina workers.

Clearly, this is a lead that the politicians and governments of the region would do well to follow. In terms of royalties, taxes and general contributions to infrastructure, the aluminum companies can do far more in the Caribbean region. The ability of the region to bargain, however, to increase the contribution of the industries to general welfare, has been considerably affected by the fact that no coherent policy within a united political front exists. And here, let me make it clear that I am not talking in the spirit of wreaking some sort of spiteful vengeance on the aluminum industry; rather, I am concerned to find by legitimate bargaining that point at which the conflicting interests of the industry and the region may be reasonably resolved.

So long as this and similar industries remain exclusively owned by foreign, multinational corporations, the search for this point of "mutual justice" will be virtually impossible. The very presence of such economic power in foreign hands represents a threat to the sense of independence of a country and a serious obstacle to its freedom of action in economic planning. On the other hand, the corporations have made large investments and provide access to markets and technology. The key, therefore, must lie in joint ownership. It is only when control and ownership are shared reasonably between those who supply the initial capital and know-how on the one hand, and those who supply the raw material and the labor on the other, that mutuality of interest can exist. There is perhaps no greater challenge to man's capacity for wisdom than this. Indeed, the future of the world may be profoundly influenced by the ability of the third world to pursue this goal with calmness and with skill and equally by the ability of the metropolitan world to comprehend the aspirations that lead to the claim for joint ownership and to cooperate wholeheartedly with the process. Where the metropolitan world and its overseas corporations have not learned this lesson in the past, expropriation has often sooner or later been the result. If the world refuses to learn from the past, the old device of revolutionary expropriation may continue to be invoked, not as dogma, but out of practical necessity.

And so to the third proposition. As I said at the outset, it is my conviction that the fundamental problem of the world today is not so much a question of conflicting ideologies as of the economic relationship between the developed economies of the metropolitan world and the less developed economies of the third world. This is not the place to attempt to outline the argument. Suffice it to say that for a variety of well-understood reasons the terms on which trade and capital move between the two worlds do so constantly to the disadvantage of the developing nations and make the problem of real economic progress for small independent countries crushingly difficult.

Clearly, therefore, the ability of the Caribbean to achieve progress goes beyond regionalism to the necessity for the developing world as a whole to evolve a common strategy with regard to its economic dealings with the metropolitan nations. The fundamental rationale of third-world politics is economic. The imperative of the future must be the search for a common economic diplomacy in which, to put it at its simplest, the Caribbean must be as concerned about the fate of Ghana's cocoa as Ghana should be concerned about the fate of Caribbean sugar. And both should be concerned to see that they do not act in such a manner as to undermine each other's possibilities as they trade with the metropolitan world. When we consider the inherent economic power of the United States, Great Britain, the European Common Market and Russia, we see what India, Africa, Latin America and the Caribbean are up against. What is not recognized is that fundamentally they are all up against exactly the same thing. To the extent that the Caribbean region can proceed more coherently and more cogently in acting not only as a part of the third world, but as a sophisticated leader in the development of relevant third-world policies, to that extent can it help to underwrite its own survival.

Obviously, a Caribbean voice will carry more weight in the third world than the sum total of the area's separate voices. And so, therefore, regionalism is important to Jamaican development because it is the natural avenue through which it can enter and influence the stream of third-world politics. What is more, I suggest that third-world politics would benefit enormously from the tough-minded pragmatism which characterizes Jamaican political leadership.

I turn finally to an idea that is not often in general discussion

at all. Because it has something to do with human psychology and a lot to do with attitudes and the scars left by past wounds, it is not an easy one to present with clarity. I begin with the premise that national power and success tend to breed a confident man and that lack of power and success tend to have the reverse effect. Obviously, this will not operate where two societies are unaware of each other. However, colonialism and technology have combined to make all the societies of the world acutely aware of each other. To be a member of a small struggling nation, isolated within the difficulties that beset small struggling nations, puts the ordinary citizen at a psychological disadvantage. And I mean by this something quite different from the straightforward problems that arise from poverty and lack of economic opportunity. There is a sense in which the reality of metropolitan power invades the feeling of security and dignity of members of a fragmented third world.

It is clear that the youth of the metropolitan world are increasingly concerned with the moral quality of life in wealthy countries in spite of the growing economic power of their system. On the other hand, the youth of the Caribbean are increasingly uncomfortable with a situation in which they feel trapped in a helpless isolation and yearn to be part of a system that has a chance because it can face the world from a position of strength. I suggest that not all of the brain drain is a response to higher salaries. Nor is all of it merely discontent with the lack of progress at home. If you talk to young migrants you sense behind and beyond these obvious problems a deeper feeling of futility, as if they are tired of belonging to something which does not amount to much in the world. I believe this tendency to despair will grow in the future unless we wake up to the harsh facts of life and grapple with them. Jamaicans must learn to see beyond the narrow focus of insularity and realize that self-interest must be organized in the wider world because it is there that the battle is going to be won or lost. Jamaica's problem is to organize the conditions for its own survival now and it must do so in a context where the revolution of rising expectations, a revolution that is necessarily intolerant of failure, is the dominant reality of politics. The choice, therefore, in the long run of history lies between a low road of self-imposed, insular impotence and a high road of adventure into Caribbean regionalism leading on to the wider possibilities of third-world strength.

G

STATUS OF BANK GROUP OPERATIONS IN JAMAICA

A. Statement of Bank Loans (as of May 31, 1973)

<u>Loan No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>(US\$ million)</u>	
				<u>Amount (less cancellation)</u>	
				<u>Bank</u>	<u>Undisbursed</u>
2 loans fully disbursed (408 and 454) ^{1/}				26.3	
468	1967	Jamaica	Education	9.5	0.1
598	1969	The Water Commission Kingston, Jamaica	Water Supply	5.0	1.8
690	1970	Jamaica	Population	2.0	1.8
719	1970	Jamaica Development Bank	Agriculture	3.7	2.9
727	1971	Jamaica	Education	<u>13.5</u>	<u>13.3</u>
Total (net of cancellation) of which has been repaid				60.0	19.9
Total now outstanding				<u>4.1</u>	
Amount sold				55.9	
of which has been repaid				1.4	
Total now held by Bank				<u>1.4</u>	
				<u>55.9</u>	
Total undisbursed					<u>20.4</u>

B. Statement of IFC Investments (as at May 31, 1973)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>(US\$ million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1961	Jamaica Pre-Mix Ltd.	Pre-mix concrete	0.2		0.2
1968	Pegasus Hotel of Jamaica Ltd.	Tourism	2.2	0.7	2.9
Total gross commitments			2.4	0.7	3.1
Less cancellations, terminations, repayments and sales			1.1		1.1
Total commitments now held by IFC			1.3	0.7	2.0
Total undisbursed			0.2	0.1	0.3

^{1/} The Telecommunications loan (481-JM) was made in 1967 to the Jamaica Telephone Company and was cancelled by the Borrower during 1967.

Note: A loan of \$9.3 million for road improvement and maintenance was approved and signed subsequent to May 31, 1973. It is not yet effective.

H

REVIEW OF UNDP ACTIVITIES

1. This is generally a sensible program which is consistent with the development priorities as set out in the UNDP-financed National Physical Plan for 1970-1990, and reflects the priorities given by the Jamaican Government in its development efforts.
2. Development of human resources takes up the largest share of the UNDP program, with emphasis being placed on the training of unemployed youth and of instructors for vocational training. This should help to overcome shortages in various skills and, by easing this constraint, support industrial development. It should also contribute towards alleviating high unemployment among the unskilled youth. Rather more attention might have been paid to manufacturing. Only one new project is proposed in this sector, although included are some comparatively important ongoing industrial projects. Agricultural projects seem well conceived and in tune with the needs of the sector and economy generally.
3. The program contains only a few preinvestment studies. However, in 1972 the UNDP financed a highway organization and maintenance study, for which the Bank acted as executing agency, which formed the basis of the Road Improvement and Maintenance Loan (899-JM) which was signed on June 1, 1973. The limited number of preinvestment studies provided for in the UNDP program should not hamper future Bank operations since substantial soft funds for this purpose are available from CIDA, USAID and the IDB. In short, given Jamaica's access to cheap bilateral preinvestment funds, the proposed program appears to be a useful one which should make a valuable contribution to Jamaica's development program.

Large-Scale UNDP Projects - Jamaica
(Ongoing Projects)

<u>Project No.</u>	<u>Title</u>	<u>Executing Agency</u>	<u>Date Approved</u>	<u>Estimated Completion Date</u>	<u>Estimated Project Cost (US\$ Equivalent)</u>
JAM-67-505	Forestry Development and Watershed Management in the Upland Regions	FAO	Jan '67	Feb '74	1,129,200
JAM-70-512	Development and Management of Water Resources	FAO	Jan '70	May '73	1,161,267
JAM-65-504	Assistance to the Survey Department Jamaica	UN	Jan '65	Jan '74	624,941
JAM-66-507	Productivity Center, Kingston	ILO	June '66	Sept '75	998,568
JAM-71-514	Repair and Maintenance Training and Demonstration Unit	UNIDO	June '71	Jan '75	506,300
JAM-71-517	National Youth Service Program	ILO	Jan '71	Sept '73	951,312
JAM-72-004	National Industrial Vocational Training Program (Phase II)	ILO	Apr '72	July '74	618,850
JAM-67-508	Assistance in Physical Development Planning	UN	Jan '67	Jan '73	452,795

Large-scale UNDP Projects - Jamaica
(Proposed Projects)

<u>Title</u>	<u>Executing Agency</u>	<u>Submitted</u>	<u>Estimated Project Cost (US\$ Equivalent)</u>
National Youth Service Programme (Phase II)	ILO	1973	1,000,000
Telecommunication Training	ITU	191973	250,000

Small-scale UNDP Projects - Jamaica
(Ongoing Projects)

<u>Project No.</u>	<u>Title</u>	<u>Executing Agency</u>	<u>Date Approved</u>	<u>Estimated Completion Date</u>	<u>Estimated Project Cost (US\$ Equivalent)</u>
JAM-72-005	Research on Coconut Lethal Yellowing Disease	FAO	May '72	May '74	60,000
JAM-69-003	Educational Broadcasting Adviser	UNESCO	Nov '69	Jan '73	45,050
JAM-68-007	Economic Analysis Agricultural Planning	FAO	Nov '68	Aug '74	63,331
JAM-68-009	Rural Water Supplies	WHO	Nov '68	Oct '73	120,625
JAM-68-010	Mental Health	WHO	Nov '68	March '73	116,900
JAM-69-002	Industrial Management	UNIDO	Sept '69	Sept '73	101,850
JAM-69-005	Mineral Survey of the Blue Mountain Range	UN	Feb '71	April '73	63,548
JAM-71-002	Industrial Promotion	UNIDO	Sept '71	Feb '73	46,500
JAM-68-004	Human Resources Development Employment	ILO	Nov '68	Jan '73	10,300
JAM-68-003	Natural Resources Development	UN	Nov '68	Aug '74	51,500
JAM-68-011	Telecommunications	ITU	Nov '68	Jan '73	87,963

1

NOTE: INFORMATION SOURCES IN JAMAICA

1. Papers

There are three important papers in Jamaica, The Daily Gleaner (circulation 75,000), The Star (circulation 25,000) and Daily News (just appeared a month ago). The Gleaner and Star belong to the same group.

Contacts: Calvin BOWEN, Daily Gleaner, Joseph GREGORY, The Star, J.C. PROUTE, The Daily News.

Also: "Tom" Sherman, Editor, The Gleaner. (Tom is a good friend. He is one of the leading members of the Inter-American Press Association.) Leslie Ashenheim, Chairman of the Board, The Gleaner Company.

The press is free and quite influential.

2. Television

Only one station, government owned. They claim to have 200,000 sets all over the country, the importance is growing.

Contact: Pat BELIFANTI, Jamaican Broadcasting Corporation.

3. Radio

Two influential networks: a) The Jamaican Broadcasting Corporation, government owned; b) Radio Jamaica Limited.

Contact: Pat BELIFANTI, Jamaican Broadcasting Corporation.
Peter WALKER, Radio Jamaica Limited.

4. Government Information Service

Director: J. NEATA. Usually his deputy, Sam HILLARY is our contact. Neata is the Director of the Jamaican Information Service which is within the Office of the Prime Minister.

ACCENT ON SELF-RELIANCE

GLEANER PARLIAMENTARY REPORTER

A MASTER PLAN for reform and modernization of the agricultural sector, a major breakthrough in the industrial area and new thrusts in education comprise the key points of government policies and programmes as set out in the Throne Speech marking the State Opening of Parliament at Gordon House yesterday.

The objectives were stated by His Excellency the Acting Governor-General, Sir Herbert Duffus, in a 35-minute address before the joint sitting of the Senate and the House of Representatives and directly related to a theme of "progress through self-reliance."

A Ministry of the Civil Service is to be created to facilitate reform of administrative procedures, bringing together all the functions involved in the overall management of Government's manpower resources.

The Government has also decided to change over to the Metric System of weights and measures to facilitate production and keep abreast of world trends.

In recognition of the importance of increased production motivated by the spirit of self-reliance the Throne Speech highlighted the policies and programmes directly related to this theme; it was pointed out that other programmes will be presented in the Budget documents and Ministry Papers to be laid before Parliament.

The industrial breakthrough is to be based on the plans for a petro-chemical complex and it is expected that construction of the projected oil refinery will commence this year.

SUGAR INDUSTRY

Expansion of Operation G.R.O.W. and revitalization of the sugar industry are related to overall plans for the agricultural sector for which government has commissioned a study to formulate a plan for reform and modernization.

Legislation is to be introduced this year to regulate land use throughout the entire island and ensure its proper allocation amongst such competing needs as mining, housing and agriculture. A central licensing system for all quarries will be established and acquisition of land by non-Jamaicans will be controlled.

New thrusts within the formal educational system will involve massive reform of teacher training and special emphasis will be given to the development and expansion of agricultural education as well as technical teacher training.

The literacy programme is seen as attaining peak activity in September 1973 "and experience so far indicates that functional literacy can be attained in a shorter time-frame than originally proposed."

Continued support of expansion in tourism, emphasis on low-income housing, rehabilitation of youth, sporting development in the rural areas, and labour legislation, are other government objectives.

INVESTMENT CAPITAL

Government will also be initiating discussions with other producers of bauxite to arrive at joint international action in the marketing of this resource.

On regional matters the commitment to a Caribbean Common Market and establishment of a Caribbean Community will lead to legislation this year to give effect to a common external tariff for the region.

Internationally, a new era of world political relations is identified, creating "new opportunities as well as risks". To meet the challenge, Jamaica's export trade will be expanded in non-traditional markets and it will seek to diversify sources of supply of investment capital.

The process of establishing diplomatic relations with friendly nations in both the East and the West will be continued and embassies will be established in Tokyo and Havana during this year.

Following is the text of the Throne Speech:
"Mr. President and Honourable Members of the Senate, Mr. Speaker and Members of the Honourable House of Representatives:

"This year we have said a sad but fond farewell to a dear friend, Sir Clifford Campbell, G.C.M.G., G.C.V.O., who graciously resided over these gatherings for some 10 years. His contribution to Jamaica as an educator, politician, legislator and, finally, our first native Governor-General, went far beyond the call of duty. Now that he is retired from active service we pray that he may live to enjoy the peace and comfort of a senior citizen in this community, a state which he so richly deserves.

LESS THAN A YEAR

"It has been less than one year since the presentation of the 1972/73 Throne Speech. At that time, the newly-elected Government outlined the philosophical framework within which it proposed to implement a series of wide-ranging programmes designed to fulfil the mandate for social and economic change which the electorate had given it.

"Central to this philosophy is the concept of self-reliance — a concept which this Government has emphasized time and time again as the key to any meaningful progress for the Jamaican

"Recent events, especially those on the international monetary scene, have served to underline the fundamental importance of overcoming the inherited psychology of dependence and the need to rely on our own efforts to produce more, thus achieving ultimately the maximum degree of internal self-sufficiency possible. Attainment of this goal will enable the country to withstand external economic pressures more effectively than it can at the present time.

OVERWHELMING RESPONSE

"Recognising the importance of greatly increased production motivated by a spirit of self-reliance, the Government has decided to make a departure in the presentation of the Throne Speech by highlighting only the policies and programmes which directly relate to this theme. Other programmes will, of course, be succinctly presented in the Budget documents and Ministry Papers which will be laid before this House.

"The Government is confident that this call for increased production through self-reliance will elicit a positive response among Jamaicans who have already demonstrated on more than one occasion their willingness to participate on a voluntary basis in meaningful projects.

"It is significant that the most overwhelming response was made at the launching of operation G.R.O.W. at Hounslow, the Government's first major programme based on the concept of increased productivity through self-reliance. An outstanding feature of this event was the participation by student bodies in the agricultural activities.

"The administration, recognizing the magnitude of the problems to be overcome, spent its first year in careful evaluation of the country's resources, examination of the institutional structure for implementation of programmes and the formulation of appropriate social and economic programmes to form the basis for Government action from 1973 onwards.

"The problems of high unemployment, particularly amongst young men and women; the overwhelming need to develop adequate employment opportunities hand in hand with improvement in the skills and literate abilities of our human resources; the need to preserve our external reserves and contain our demand for goods and services within our ability to pay for such products are serious problems to be tackled with gusto if our society is to avail itself of a better quality of life.

"Recently, fiscal and monetary action has provided an environment for the creation of jobs by giving a competitive edge to local and industrial enterprises over imported products and a stimulus to increased output. This year, this thrust will be greatly intensified both through better planning mechanisms and Civil Service implementation practices, and a variety of programmes in the productive and social sectors.

"This Government restates its adherence to the philosophy of a mixed economy whereby both private and public sector plans and actions complement each other in harmony for the good of the community. The planning mechanism has been re-structured to accommodate the closest inter-Ministerial co-operation and the participation of the private sector through consultative machinery and procedures.

"There will be no doctrinaire bias towards planning for its own sake, but rather the formulation of action programmes related to specific production activities for private and public sector implementation, associated with the necessary and related social and economic infrastructure requirements.

NO DOCTRINAIRE BIAS

Hand-in-hand with an effective planning mechanism must go adequate machinery for speedy implementation of Government programmes and projects. Furthermore, it is imperative that the ordinary services which the Government provides for the normal, day-to-day activities of the community should function efficiently and to the satisfaction of the public. Consequently, proposals will be placed before you this year to improve the overall efficiency of the Civil Service. These will include:

- The creation of a Ministry of the Civil Service which will bring together in one place all the functions involved in the central direction, deployment and overall management of Government's manpower resources; this Ministry will be responsible to the Deputy Prime Minister and Minister of Finance;
- All posts in Ministries and Departments of the Government will be reclassified on scientific lines. A new pay plan will be introduced which will have regard to the pivotal importance of the managerial functions at various levels and provide improved remuneration for retaining and recruiting qualified professional and technical personnel;
- New inter-Ministry co-ordinating machinery will be established.

THE DAILY GLEANER, FRIDAY, APRIL 6, 1973.

\$458,899,956 expenditure estimates

GLEANER PARLIAMENTARY REPORTER.

ESTIMATES OF Expenditure totalling \$458,899,956 were tabled in the House of Representatives yesterday, representing the gross figure of proposed Government spending for 1973/74.

Tabled by Finance Minister, the Hon. David Coore, the second Budget of the present Administration was referred to the Standing Finance Committee for study, beginning next week Tuesday, and scheduled debate, beginning on April 18.

The projected expenditure is over \$90 million greater than the estimates presented to the House last June. The gross figure is made up of \$323,668,744 of Recurrent Expenditure and \$135,631,212 Capital.

Deduction of Appropriations-in-Aid of \$27,277,019, being Government receipts and transfers between Ministries, leaves a net projected expenditure of \$431,622,937.

The Estimates this year are presented in a single volume, along with another volume containing schedules of personal emoluments and showing the Civil Service establishment.

Mr. Coore explained that the schedule of emoluments had been extracted and put together, in order to make the book of Estimates easier to handle.

In recent years, the Estimates have been presented in separate booklets relating to separate Ministries.

GROSS EXPENDITURE

The current Estimates, as printed, showed a figure of gross expenditure of \$457,259,556 and a net figure of \$429,981,537; but an addendum representing amendments made after the printing was also tabled. These amendments will be moved during Finance Committee.

Other tabulations of expenditure according to functional groupings, such as for development or for employment, were not ready for presentation, but are expected to be laid along with the Revenue Estimates, when Mr. Coore makes his presentation.

Major allocations in the Estimates go to the Ministry of Finance with \$112.2 million, reflecting mainly the responsibility for Public Debt charges; to the Ministry of Education, with \$66.1 million; Health \$49.2 million; Works, \$35.7 million; Agriculture, \$35 million; Local Government, \$34.7 million.

Other major allocations are: Ministry of Home Affairs, \$22.2 million; Public Utilities, Communications and Transport, \$21.1 million; Industry and Tourism, \$14.6 million; Housing \$10.4 million.

Reflecting the major new thrust contemplated for Agriculture, there is provision of \$1.5 million for agrarian reform, involving the acquisition of lands for agricultural purposes; \$2 million under the Food Farm project to finance the operation of food farms now being established on Government-owned lands throughout the island; \$1 million under the Land-Lease project to lease lands suitable for agriculture for re-lease to farmers with the aim of increasing agricultural production.

A provision of \$282,300 is made for fisheries development, representing the initial expenses in connection with the establishment of a fishing port complex, the start of the Rae Town Beach project, and the purchase of a new training vessel.

\$4.3M FOR FARM ROADS

Related to Agriculture is an allocation under the Ministry of Works of \$4.3 million for farm roads, some \$2 million of which is provided for the start of a special programme of road rehabilitation and maintenance which forms the subject of a proposed agreement with the World Bank. The project is expected to take five years.

There is also a provision of \$400,000 to finance reconstruction of high priority secondary main roads and Parish Council roads, under the terms of a proposed agreement with the Inter-American Development Bank.

Under the Ministry of Education there is provision of \$655,050 for the Curriculum development Thrust, providing for a complete revision of existing curricula throughout the school system; and the on-going development, evaluation and implementation of new curricula within an integrated framework.

Formulation of general educational objectives for the entire school system is contemplated, including curriculum development, co-ordination of teacher-training with the development of schools, forward planning on the basis of population projections and dealing with international agencies in developing new policies.

There is also provision of \$910,000 for construction of new teachers' cottages and expansion and improvement of existing institutions.

The current objective of policy is stated as providing facilities to enable the teaching institutions to turn out 1,700 trained teachers a year by 1975.

NEW TEACHERS' COLLEGE

A new teachers' college is planned for Montego Bay, four other colleges will be expanded, and facilities at Knockalva Agricultural Training Centre will be expanded to enable 30 students to be trained as teachers of agricultural subjects.

Special provisions are also made to enable the Jamaica School of Agriculture and CAST to provide special training for teachers of Agriculture and other technical subjects.

One new Technical High School is to be constructed, five others to be expanded under the Second World War Programme and a new Technical High School is to be located in Montego Bay from local funds.

Under the Ministry of Health, there is provision of \$4.3 million for the hospital services, including the extension of the Victoria Jubilee, a new out-patient facility for the Children's Hospital, the new Casualty Block of the Kingston Public Hospital and improvement of the wards at Bellevue.

The Comprehensive Health Centre at Slige Pen Road in Kingston has been selected to initiate a programme of upgrading certain health centres to meet the needs of a large number of patients who normally visit hospitals. The aim is to ease the burden on public hospitals.

There is further provision of \$619,750 for the Community Health Aide Programme and \$1,212,000 for Family Planning.

A provision of \$2,600,000 is to be spent on the County of Cornwall Regional Hospital, started in 1963. The estimated cost of the hospital is put at \$16,317,293 and the funds expended up to March 31, 1973 amounted to \$11,342,437.

HOSPITAL MAINTENANCE

Under the Ministry of Works, there is a Recurrent provision of \$1 million for the establishment of a Hospital Maintenance Services Unit to control all activities in connection with the maintenance of hospital buildings and equipment.

An inter-Ministry Committee is to be established to ensure proper co-ordination of the services, and the transfer of the maintenance unit to the Ministry of Health is to be considered when it is adequately staffed and all systems are functioning efficiently.

An allocation of \$1,900,000 is made for maintenance of approximately 2,700 miles of main arterial and secondary main roads through the island. The provision includes \$1.3 million for a special programme of maintenance forming part of Government's Emergency Employment Programme.

There is provision also of \$2 million for some 20 road projects involving major construction and improvements. A sum of \$2,500,000 has been allocated to cover outstanding liabilities in connection with construction, land acquisition and operating expenses of the new four-lane Kingston-Spanish Town highway.

Under the Ministry of Mining and Natural Resources there is provision of \$9 million for loan to the Urban Development Corporation to finance infrastructure works in Montego Bay, Oracabessa, Hellshire Hills and Central Kingston and investigations in other areas.

There is provision also for administration and enforcement of the Mining, Quarries and Petroleum Production Laws, geological mapping, mineral resources exploration, surveys of and planning for water resources and for town planning, involving the control of urban development.

TOURISM DEVELOPMENT

The Ministry of Industry and Tourism has been allocated \$7.1 million for a grant to the Jamaica Tourist Board for development of tourism.

Under Public Utilities there is provision for the Water Commission, including construction of trunk and distribution mains, to get a loan of \$502,000 to finance Corporate Area water supply design of the Blue Mountain Water Supply and stabilization of the Hermitage Dam. There is also provision of a \$733,700 loan to the Water Commission to finance sewerage projects in the Corporate Area.

Provision is made to complete three Post Office projects, involving buildings and modern equipment, and for ten new projects. A \$3.1 million allocation will be spent to continue development of the two international airports.

Under the Ministry of Youth and Community Development there is provision of \$2.1 million for a grant to the Social Development Commission which is to undergo substantial re-organization this year to provide more adequately for youth and community needs.

Government is to convert existing youth camps from their present status of catering to residential campers only, into youth community centres essentially non-residential in character while retaining some residential facilities, and open to both sexes. A number of other centres are to be constructed on the new lines.

The National Commission on Unemployment, established in 1966, is to be phased out and its functions undertaken by the National Planning Agency. A reduced provision is made under the Ministry of Labour and Employment relating to four months only of operation by the Commission.

There is a total provision of \$1.2 million for industrial training.

TRAINING CENTRE

There is provision for the start of construction of an automotive mechanic training centre at Marcus Garvey Drive on the basis of an agreement entered into with the government of the Federal Republic of Germany.

Under this agreement, the German Government will finance the cost of machinery and equipment, their transportation and installation, the salaries and travelling expenses of instructors for a period up to five years.

Under the Ministry of Home Affairs and Justice, there is a capital provision of \$486,820 to start construction of four new police stations at Port Maria, Ocho Rios, Clarks Town and Black River; kennels for 24 dogs in the Corporate Area, and completion and improvement of other police stations.

Two new court houses, at Clarks Town and Chapelton, are also planned.

Altogether \$16.5 million has been allocated for law enforcement and maintenance of peace and order.

Some \$7.3 million has been allocated for the maintenance and operation of the Jamaica Defence Force. A capital provision of \$3.5 million is earmarked for major items of equipment to strengthen the JDF.

CULTURAL COMPLEX

A new cultural complex is planned and \$50,000 has been provided to finance planning expenses for a complex of buildings to accommodate organizations concerned with developments in the Arts (including sculpture, ceramics, music, dance and drama) as well as a block to house the headquarters of the Jamaica Festival Commission.

A sum of \$39,530 has been provided to meet the expenses of the preparatory work for the Ombudsman system.

Provision is made in the Estimates to meet a Government loan of \$750,000 to the Jamaica Cricket Association to help it finance expansion of facilities at Sabina Park.

of reform in administrative procedures; to determine recruitment standards, promote better staff/Government relations and encourage the use of more advanced methods of personnel management throughout the Service.

"This year a start will be made on a coherent programme of office buildings and other measures designed to improve the physical surroundings in which Government employees must work and the public may carry on business with the Government.

"It is recognized that no economic programme however well conceived, no administrative mechanism, however well organised, can effectively function in a society without an adequate basis of order and stability. To this end the Government has provided the Law enforcement Agencies of the country with additional manpower and equipment and will be providing better training facilities to enable them to deal effectively with crime and lawlessness.

KEY TO PROGRESS

"The agricultural sector is the key to Jamaica's progress. We must feed our people. We must ensure that land is available to those who wish to farm and produce the necessary food supplies. The Government will see to it that under-utilised and unutilised land resources are brought into the productive stream so as to ensure increases in output. There will be no fragmentation of land.

"Parcels which are made available within Government programmes will be in economically viable units. Emphasis will be put on providing land on the basis of leasehold rather than freehold tenure, and the organization of agriculture within Government land schemes will focus on co-operative action.

"However, where necessary, Government-owned farms will be developed largely to demonstrate the viability of agricultural operations based on proper methods of culture and farming practices and also to ensure increased output in crops which are not fashionable.

"A programme for the disposal of the farms in the ownership of the Frome Monymusk Land Company on the basis of leasehold and within a co-operative structure, will be implemented this year. The G.R.O.W. programme will be considerably expanded to achieve the objective of establishing state and co-operative food farms to a total of 25,000 acres at a Budgetary cost of \$2 million.

"In addition, the Government will continue the programme for leasing of unutilised private lands for sublease to genuine farmers who wish to participate in the production of our food supplies and raw materials. Budgetary resources of \$1 million will be allocated hereto.

"The Self-Supporting Farmers' Development Programme will be extended by a follow-up project at a cost of J\$14 million. Negotiations with the Inter-American Development Bank will be completed in time for the start of this third stage in the latter part of this year.

AGRICULTURAL REFORM

"To ensure that the agricultural sector is developed within a coherent and consistent programme, the Government has commissioned an agricultural sector study from which will emerge a master plan for the reform and modernization of the agricultural sector. In addition, the study will provide broad programme objectives and related projects for speedy implementation. In particular, the study will indicate the directions for re-vitalising the Sugar Industry with emphasis on the uses to which its residual material may be put in developing vital and worthwhile by-products.

"The Government remains firm in its view that the sugar sub-sector has an important role to play in Jamaica's economic future and is determined that every effort be made to strengthen the industry and establish its viability. This goal can only result from joint action between the Government, the workers in the industry and the owners of factories.

"As a first step, negotiations are now in progress aimed at re-structuring the industry under the umbrella of a centralised organisation with Government participation. This organisation will undertake the continued planning, development and direction of sugar cane and by-product processing, and provide central services at economic costs.

"The land is our basic resource and its proper utilisation is critical to the success of the agricultural programme. Legislation will, therefore, be introduced this year to regulate land use in the entire Island and ensure its proper allocation amongst such competing needs as mining, housing and agriculture. Further, the Quarries Law is to be amended to establish a central licensing system for all quarries and place the exploitation of this resource on a planned and orderly basis. Legislation is also to be introduced to control and regulate the acquisition of land by non-Jamaicans.

"To complement the effective use of our land resource and ensure the availability of water for expanding agricultural and consumer needs, new legislation will be tabled to provide a legal basis for protecting, conserving and distributing Jamaica's water resources.

WORK OPPORTUNITIES

"The Government's programme for creation of employment opportunities recognises the important role of the Tourist Industry sensitive area for quick growth. Accordingly, the Government will continue to support the expansion of the sector and will be laying before you this year proposals for improving the services offered to visitors through rationalising ground transportation system, the licensing of U-drive operators and the revision of the in-bond scheme.

"On a longer term basis, the Government will take steps to restructure the industrial incentive programme so that it is consistent with our national goals and aspirations both in terms of Jamaican participation in the ownership of the means of production, the expansion of our productive capacity and absorption of available labour on an intensive basis.

"This programme will put special emphasis on export oriented enterprises. To further facilitate production and keep abreast of world trends, the Government has decided to change over to the Metric System of Weights and Measures.

"A programme for the implementation of the new system will be available for public discussion in the near future.

"For a long time, Jamaica's fortunes have rested on the three legs of agriculture, tourism and bauxite/alumina. It is clear to the Government that if the economy is to continue to sustain growth at acceptable rates, there must be a major breakthrough in the industrial area. As a basis for a petro-chemical complex, the Government has entered into negotiations with an international oil refinery company with a view to establishing an oil refinery in Jamaica at an early date.

MAJOR OIL REFINERY

"It is expected that construction of a major oil refinery project will commence this year. To strengthen the bauxite/alumina sub-sector, the Government will be initiating discussions with other producers of bauxite to arrive at joint international action in the marketing of this resource.

"Jamaica must not only produce more goods but, to finance the expansion of productive capacity, save and invest more of its National Income in local ventures. The Workers' Bank, which comes into operation this year, will be an important addition to the community's financial structure. Foreign private investment is welcome, but should be associated with local capital on joint venture bases. We can only ensure maximum participation by increasing the pool of local savings for investment.

"Foreign workers in areas of manpower shortage are also welcome on terms which will assist in the productive process. This facilitates the transfer of technology. But every effort must be made by employers to institute training programmes for developing local expertise in replacement of imported labour at the earliest possible time. It is in our national interest and the viability of our external payments, to ensure that import substitution is as effective in the services category as for goods. The Work Permit Law and procedures will be revised within the foregoing principles.

"Self-reliance calls for the utilization of the country's available human resources to the best advantage in resolving problems of manpower shortages. It demands initiative, imagination and innovation.

"An excellent example of such self-help is the community health aide scheme which commenced last year as a pilot project, and which has already produced some 300 health aides now caring for the sick. The programme will be considerably expanded in the coming year. In addition, a parallel scheme for nurse practitioners to relieve doctors of routine medical activities, will be implemented.

SELF-RELIANCE

"Both adults and juveniles must be provided with the basic requisites to permit self-reliance and self-help. Accordingly, the Government will intensify the current skill training programme and literacy efforts. The second cycle of skill training within a series of evening classes will be implemented this year. This will bring to 1,700 the student places of the islandwide industrial training centre programme.

"The literacy programme will attain peak activity in September 1973 and experience so far indicates that functional literacy can be attained in a shorter time-frame than originally proposed.

Modifications to the programme to include more advanced literacy training are contemplated. An automotive mechanics training school will be established under the bilateral assistance programme of the Federal Republic of Germany. A centre for training industrial sewing machine operators and mechanics will be set up by joint Government and private sector efforts.

"The rehabilitation of youth and the provision of opportunities for improving technical and vocational training, and participation in community service will be the major thrust of this year's youth development programme. The basic concept is to make youth training an integral part of the community in which the young people live. Additional youth community centres and clubs will be established in towns of the rural areas and existing youth camps converted to provide joint training for male and female students.

RURAL SPORTS

"Sporting activities in the rural areas will be enhanced by the development of playing fields to be used by needy children who, in the absence of such facilities, play on the streets of our towns and villages. Such centres would also function as a focal point for civic and cultural pursuits.

"Within the formal educational system, major new thrusts are planned. Teacher education in Teacher Training Colleges will be reformed and massive efforts will be made to upgrade the quality of teaching throughout the whole system. A Technical Teacher Training Department will be established at the College of Arts, Science and Technology. Special emphasis will be given to the development and expansion of agricultural education, and this year ten additional Tutorial farms will be established at selected primary and Junior Secondary Schools. Secondary High Schools will also be participating in this programme.

"In the industrial relations area, it is the Government's expectation that both employers and employees will through their own efforts, assisted by the Government's conciliation machinery, develop an understanding which will preserve our industrial peace. To further strengthen the machinery, proposals will be placed before you for enactment of legislation to establish a permanent arbitration tribunal for regulating industrial relations in the essential services and in other industries in circumstances where the national interest is clearly involved.

"It will also empower reinstatement by arbitral decision of workers wrongfully dismissed. Legislation will also be introduced to ensure adequate notice and the payment of severance pay where an employee's service is terminated through no fault of his own.

"Self-help will also be an important factor in a new type of housing project for low income families to be introduced later this year with the assistance of the World Bank. Participants are to be provided with basic infrastructure at minimal cost, but must contribute their time and effort in constructing basic housing units which are capable of expansion.

HOUSING CORPORATION

"The project will encompass community facilities and areas for commercial and manufacturing operations. It is a basic principle that the participants be assured of meaningful employment and thereby the means of meeting housing charges.

"A National Housing Corporation has been established with the object of mobilizing the joint efforts of the Government and the private sector into greater production of low income houses.

"There have been far-reaching international developments in the past twelve months which show beyond doubt that the end of one era is approaching and a new era is beginning in world political relations. Now is the opportunity for the nations of the world, if they have the will, to establish a more relaxed world order on the basis of peaceful co-existence amongst all states, irrespective of ideologies. Foreign economic relations are also changing as the balance of economic power has been altered by the increasing economic importance of the European Economic Community and Japan.

"The Government recognizes the significance of these new opportunities as well as of the risks which confront us. The Government will seek actively, therefore, to expand Jamaica's export trade in non-traditional markets, to diversify our sources of supply of investment capital, and to select those industrial technologies which are best suited to our state of development.

"With this aim in view, the Government will continue the process of establishing diplomatic relations with friendly nations in both the East and the West. Embassies will be established in Tokyo and Havana during this year.

CANVASSING

Extending our belief in the value of self-help from the domestic to the international sphere, the Government will continue to canvass amongst Third World nations its proposal to establish a fund for the development of Third World economies to be financed and operated by the developing countries themselves.

"The Government will also join other member states of the Organization of American States in a review of the system of inter-American co-operation for development, and in devising new institutions for such co-operation. The Government will seek particularly to ensure that the new institutions and programmes of development are open to all of the Western Hemisphere nations without exception.

"All these developments in international affairs underscore the essential timeliness of the Government's decision last October to take part in speeding up the process of economic integration for the Commonwealth Caribbean region. The Government, in joint arrangements with other Commonwealth Caribbean countries, will commence negotiations this year to find a reasonable basis for association with the EEC.

"The Caribbean initiatives embarked upon have been followed up since then in close consultation with the CARIFTA Secretariat and other Caribbean countries. Later this year, the Government will present to the Legislature for examination and approval a treaty to convert the Caribbean Free Trade Association into a Caribbean Common Market and to establish a Caribbean Community. Within these commitments, amendments to existing legislation will be tabled in the House —

- (a) to give effect to a common external tariff for the region; and
- (b) to provide a new basis for the grant of future fiscal incentives to industry and to harmonise the extent of these incentives amongst countries of the region.

INDUSTRY PROTECTION

"Proposals will also be placed before you to implement a common policy for the protection of local industry throughout the Caribbean region.

"Progress through self-reliance cannot be achieved by Government action alone. While the role of the Government is a necessary ingredient, it does not of itself ensure success. The basic principles for community action will be established, the guidelines clearly demarked and dynamic and purposeful leadership provided. But the success of our great adventure rests with each citizen and his or her response to the challenge.

"The Government of Jamaica is confident that the Jamaican people have the toughness and strength of character to respond positively in marching onwards towards a goal of prosperity motivated by the spirit of self-reliance.

"The Estimates for the fiscal year 1973/74 will be laid before you. May God's richest blessings attend your deliberations."

Budget at a glance

DEPARTMENTS/PORTFOLIOS	Recurrent	Capital	Total
GOVERNOR-GENERAL	\$ 84,950	—	\$ 84,950
AUDIT	\$ 476,875	—	\$ 476,875
PARLIAMENT	\$ 872,080	—	\$ 872,080
SERVICES COMMISSIONS	\$ 380,080	—	\$ 380,080
PRIME MINISTER	\$ 6,687,540	\$ 130,000	\$ 6,817,540
DEFENCE	\$ 7,542,670	\$ 4,022,000	\$ 11,564,670
EXTERNAL AFFAIRS	\$ 4,631,826	\$ 120,000	\$ 4,751,826
FINANCE	\$ 90,179,491	\$ 21,052,848	\$ 111,232,339
AGRICULTURE	\$ 15,259,076	\$ 19,754,714	\$ 35,013,790
MINING AND NATURAL RESOURCES	\$ 4,132,632	\$ 19,287,745	\$ 23,420,377
INDUSTRY AND TOURISM	\$ 1,552,720	\$ 13,083,110	\$ 14,635,830
COMMERCE AND CONSUMER PROTECTION	\$ 1,817,540	\$ 30,000	\$ 1,847,540
PUBLIC UTILITIES COMMUNICATIONS AND TRANSPORT	\$ 15,590,152	\$ 5,593,700	\$ 21,183,852
WORKS	\$ 14,894,565	\$ 20,854,600	\$ 35,749,165
HOUSING	\$ 1,984,350	\$ 8,462,000	\$ 10,446,350
EDUCATION	\$ 55,744,156	\$ 10,446,595	\$ 66,190,751
YOUTH AND COMMUNITY DEVELOPMENT	\$ 7,905,035	\$ 962,500	\$ 8,867,535
LABOUR AND EMPLOYMENT	\$ 2,917,177	\$ 850,000	\$ 3,767,177
HEALTH AND ENVIRONMENTAL CONTROL	\$ 35,064,501	\$ 5,220,300	\$ 40,284,801
HOME AFFAIRS AND JUSTICE	\$ 21,040,374	\$ 1,189,000	\$ 22,229,374
LOCAL GOVERNMENT	\$ 30,757,485	\$ 3,972,100	\$ 34,729,585
PENSIONS AND SOCIAL SECURITY	\$ 4,353,469	—	\$ 4,353,469
TOTALS	\$323,868,744	\$135,031,212	\$458,899,956

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JAMAICA

STATEMENT OF BANK SUBSCRIPTION

IBRD

	<u>Number</u>	<u>Amount</u> ^{1/}	<u>Percent of Total</u>
Shares	446	44.6	.18
Paid-in capital		4.46	
Subject to call		40.14	
Voting Power	696		.25

^{1/} Expressed in thousands of US dollars of the weight and fineness in effect on July 1, 1944. The amounts expressed in current dollars amount to 538 million for the paid in capital and 48.42 million for the amount subject to call.

June 27, 1973