

Aid to the West Indies

by D. J. Morgan

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Aid to the West Indies

The four million people of the Commonwealth West Indies get more aid per head from Britain than almost any other part of the Commonwealth – £8m in 1962/3, an annual average of over £3 a head for the past three years. In addition to this official government aid, a substantial subsidy is given through the Commonwealth Sugar Agreement.

Yet some of the countries aided can be said to have reached self-sustaining growth. Should they continue to get aid – or should donors begin to taper off their contributions in favour of others less developed? Should the smaller, non-viable, territories continue to get aid under the old colonial system of grants-in-aid? Is British aid to the West Indies in fact being spent in the most effective way?

The purpose of this survey is to pinpoint obstacles to the effective use of British aid. It outlines the problems faced by the different groups of West Indian countries and examines how far British aid contributes to their solution. It is the result of a return visit to the area by D. J. Morgan, now an ODI staff member and formerly for four years Head of the Department of Economics at the University of the West Indies, Jamaica.

He concludes that although Britain's assistance has been helpful in the past, changes are now needed if it is to maintain and increase its effectiveness. He points out that the grant-in-aid system saps local initiative. He stresses the need for technical assistance in education and training even to countries whose economic development makes capital aid less necessary. He criticises the delays encountered in aid administered through London as compared with American or United Nations programmes. He calls for a regional aid office to administer Britain's contribution and regional programmes in, for example, medicine and agriculture. He suggests that a conference on aid could clear up many of the difficulties that both donor and recipients are anxious to overcome.

Though the survey is of primary interest to those concerned with the West Indies, the points it raises have a wider application, and deserve attention by all those involved in the development of smaller countries.

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Overseas Development Institute

Aid to the West Indies

a survey of attitudes and needs

by **D. J. Morgan**

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Contents

Preface and Acknowledgements	5
1 Introductory	
Declaration of Policy	7
Size, Population and Population Densities	8
Separateness	10
Integration	11
Breakdown of Federation	13
The Little Seven	14
Grouping of Territories	14
2 Bermuda and the Bahamas	
Bermuda	16
The Bahamas	17
3 Jamaica and Trinidad and Tobago	
Jamaica	21
Trinidad and Tobago	26
4 British Guiana	
5 Barbados, the Leeward and Windward Islands	
Budgetary Assistance	34
Capital Assistance	38
Educational and Technical Assistance	41
6 Some Proposals	
Feeling of Neglect	43
Special Status	45
CD & W	47
Assistance in Trading	49
Conference on West Indian Aid Problems	51

Preface and Acknowledgements

I made a six weeks' trip in February/March 1964 to the West Indies with the double purpose of studying banking developments in the area and of discussing problems of obtaining and using British aid. The visit was financed by a grant from the Houblon-Norman Trust of the Bank of England. The report on banking will appear in the symposium *Banking in the Commonwealth*, edited by W. F. Crick, CBE, which will be published by Oxford University Press early in 1965.

The visit came at an opportune time. The ODI was just completing its survey of British aid to developing countries. My own contribution – a study of the origins and history of British aid to developing countries – had been completed and has since been published under the title of *Colonial Development* in the series of aid pamphlets. Attention was, therefore, moving at the ODI from the donor end to the recipient end of British aid. The West Indies was an obvious candidate for study as it has a long history of British aid stretching back to the sugar bounties of the last century. The findings and recommendations of the West India Royal Commission, 1938/9, helped to inaugurate the Colonial Development and Welfare system for providing aid to colonies. This system made significant contributions in the West Indies itself. It was felt therefore that an examination of the existing situation would be rewarding.

Arrangements were made to discuss problems of obtaining and using aid from Britain in each of the territories visited, namely Bermuda, the Bahamas, Jamaica, Trinidad, British Guiana and Barbados. Attention was focused on the need for aid, local attitudes to British aid, the relationship between donor and recipient and the efficiency with which aid was being used. The purpose was to suggest, wherever appropriate, improvements that would increase the efficiency of the aid system. In this the author was enormously helped both by his knowledge of the area and by the readiness of all whom he contacted to discuss freely. As I had been Head of the Department of Economics at the University of the West Indies, 1955–9, living in Jamaica and travelling widely throughout the area, it was possible to contrast conditions in 1964 with those five years earlier. During the trip Governors,

Premiers, Ministers of Finance, Financial Secretaries and others both within and outside the machinery of government gave me the benefit of their knowledge and experience, and I acknowledge this with gratitude. Officials of the British Council helped to make the arrangements for the trip and its local representatives, sometimes at inconvenience to themselves, did much to make the stay in each territory both useful and pleasant. I should also like to record my warm thanks to those who kindly commented on an early draft. Not least I thank the Director and staff of ODI for their usual help and forbearance. None of these is in any way responsible for what is said: that responsibility must, of course, remain entirely with the author.

D. J. MORGAN

August 1964

Aid to the West Indies

Corrections

Various errors in the first printed version of this pamphlet have come to light and corrections should be made as follows:

Inside front cover	line 7	reached, not reahced
Page 7	line 10 from bottom	comparison with, not relation to
Page 18	line 14 from top	1961, not 1941
Page 19	line 7 from bottom	financing, not finanancing
Page 23	line 6 from top	high, not low
Page 26	line 3 from bottom	skilled, not unskilled
Page 42	line 5 from top	omit 'either' and add instead 'only one of these requirements'
Page 45	line 13 from top	for 'few' read 'four'
Page 48	line 25 from top	between 'some' and 'virtually' add 'reason'

1—Introductory

Declaration of Policy

Aid is a lively topic in the West Indies. At their meeting of January 1964, the Premiers of Jamaica, Trinidad and Tobago, Barbados and British Guiana discussed the subject at length. They considered the difficulties which Caribbean countries of British tradition have encountered in obtaining economic aid. In their declaration of policy the difficulties were said to be:

- (1) The criteria used by agencies involved in financial aid, both bilateral and multilateral, such as *per capita* income, recent economic growth rates and balance-of-payments situation, did not take into account many of the important factors bearing on the development of the economies.
- (2) Aid was available for projects of a certain minimum size, which minimum ruled out the smaller projects for improvement which were needed by the territories.
- (3) The practice of assisting only to the extent of the foreign exchange requirements of projects resulted in a large burden for local costs and also ruled out many projects, such as those in the agricultural sector.
- (4) The limited aid that was made available by the metropolitan countries in the colonial period had been used for social purposes rather than productive projects.
- (5) The projects which were attractive from the point of view of the lenders were often not those accorded the highest priorities by the territories.

It was held that such criteria did not adequately allow for 'the special problems and unique features' of the economies. Reference was made to the smallness, except for British Guiana, of the land area of the economies and it was noted that the territories had in consequence little untapped resources to exploit. Although absolutely small in relation to most countries, their population was large in relation to resources. Unemployment was high, leading where possible to emigration. It was, therefore, proposed that the governments of the United Kingdom, the United States of America, Canada and such others as might be agreed to, as well as representatives of international agencies, should be invited to meet with governments of Commonwealth Caribbean countries in order to formulate concrete proposals for economic aid. It was stated in the declaration that these proposals for economic aid from developed economies should emphasise

(a) aid for general programmes rather than aid for specific projects and (b) aid not limited to the direct foreign exchange component of projects or programmes.

This declaration of policy sets the stage for any enquiry into aid problems in the area. Whether the requirements just mentioned are accepted or not – and this must be examined – it is the claim for special treatment that stands out. This dictates the pattern of what follows. First of all four features of the West Indian situation will be outlined and then the territories will be grouped for more detailed discussion. Finally the proposals arising from the enquiry will be elaborated.

Size, Population and Population Densities

Table 1 shows the areas, population and population densities of the West Indies territories plus Bermuda and the Bahamas. Alongside for comparison the same data are given for roughly comparable areas in the United Kingdom. It is seen that Jamaica, the largest island, is somewhat bigger than Devonshire and Cornwall and the population half a million greater. Trinidad and Tobago are slightly bigger than Lancashire while Barbados is a mere 19 square miles bigger than the Isle of Wight. Montserrat, the smallest of the East Caribbean islands, is only 32 square miles. Bermuda is little more than half as big. British Guiana is by far the biggest, roughly equal to the area of England, Scotland and Wales, while British Honduras is about the size of Wales. The relative densities are revealing. Jamaica is more heavily populated than Devonshire and Cornwall while Barbados, with very little industry, is half as densely populated as industrial Lancashire. Grenada and St. Vincent are more heavily populated than any in the West Indies apart from Barbados. The density in Trinidad and Tobago is higher than in Jamaica. Both the continental territories are thinly populated. Bermuda is still more densely populated than Barbados. Many islands clearly have problems of population pressure.

These islands are smaller than the smallest countries considered in *The Economic Consequences of the Size of Nations** which concluded that small countries can achieve a sufficiently large scale of manufacturing to benefit from economies of scale. The smallest countries considered were Switzerland, Belgium and Portugal with populations respectively of 5·8m, 9·2m and 8·8m. These are much higher than any in the West Indies. Indeed the population of Switzerland is at least double that of more than

*Edited for the International Economic Association by E. A. G. Robinson (London, Macmillan, 1960).

Table 1

Areas, Populations and Population Densities of the West Indies and the United Kingdom

Territory	West Indies			Region	United Kingdom		
	Area (Sq. miles)	Population	Population per sq. mile		Area (Sq. miles)	Population	Population per sq. mile
Jamaica ...	4,411	1,613,000	365	Devonshire and Cornwall ...	3,968	1,164,654	296
Trinidad and Tobago ...	1,980	828,000	418	Lancashire ...	1,878	5,132,000	2,786
Barbados ...	166	242,000	1,458	Isle of Wight ...	147	96,000	653
Dominica ...	290	60,000	203	Isle of Ely ...	375	89,000	237
St. Lucia ...	238	86,000	361	Middlesex ...	232	2,230,000	957
Antigua and Barbuda	171	57,000	316	Rutland ...	152	24,000	157
St. Kitts-Nevis-Anguilla	153	57,000	373	Isle of Wight ...	147	96,000	653
St. Vincent ...	150	80,000	533	Isle of Wight ...	147	96,000	653
Grenada ...	133	89,000	669	Isle of Wight ...	147	96,000	653
Montserrat ...	32	12,000	375	Soke of Peterborough ...	83	74,000	891
British Guiana ...	83,000	590,140	7	England, Wales and Scotland	87,818	51,250,000	580
British Honduras	8,000	90,000	11	Wales ...	8,000	2,640,000	330
Bermuda ...	21	45,491	2,166	Soke of Peterborough ...	83	74,000	891
Bahamas ...	4,446	110,000	25	Devonshire and Cornwall ...	3,968	1,164,654	296

20 independent countries. This must be recognised as in the book an optimistic note is struck and smallness is on the whole concluded not to be a bar to the economies of scale, especially if some industrial specialisation occurs. The general view was that most of the required economies of scale are obtained at a comparatively small size of factories and in larger factories little more is gained beyond the critical stage. Some general statements were made about the critical size, ranging downward from Professor Austin Robinson's (p. 360) that the major economies of scale even in the large-scale industries were exhausted at 4,000 to 5,000 people per firm. Other economists putting forward definite sizes of plants suggested that for many industries additional economies secured by sizes of plant of more than 500 or even 200 employees were not great. While in countries of the size of Switzerland or Belgium it is feasible to have, say, three competing plants of 200 or even 500 employees in the chief branches of industry, particularly if there is specialisation in certain industries, the position is quite different in the really small economies of the West Indies. So while Jamaica and Trinidad might attain a large enough scale in some industries if they specialised and exported their products, this is hardly possible for the others, which, at best can only expect to develop a narrow range of import-substitution industries based on locally available raw materials. In his discussion of industrialisation of the West Indies* Sir Arthur Lewis argued that:

'The first step (after establishing a customs union, which is almost a *sine qua non*) is to set up a special Industrial Development Corporation, which will be responsible to the government . . . Since there must be a single agency, and a unified customs area, it follows that there cannot be much headway until there is a single federal West Indian government. But . . . it is idle to talk about industrialising the island in any big way, adequate to solve their problems, until they are brought together under a single federal administration.'

Today it is necessary to proceed without these requirements.

Separateness

One cause of separateness is obviously distance. Excluding Bermuda and the Bahamas to the north, the territories are scattered over an area of 2,200 miles from British Honduras in the west to British Guiana in the east and 1,200 miles from the most northerly point of British Honduras to the most southerly point of British Guiana. Until air travel was developed the

*Caribbean Economic Review, May 1950, p. 44.

movement of persons was negligible and the position is still poor for cargo.

Again, the territories are not well endowed with natural resources. Trinidad has rich oil and asphalt resources, British Guiana and Jamaica have extensive bauxite deposits. But by and large the territories depend heavily on a few staple crops, especially sugar and its main by-product, rum. Antigua has its Sea Island cotton, Grenada its nutmegs and mace, St. Vincent its arrowroot, Dominica its limes and several have bananas. There are few products with substantial local trading possibilities. But there are some: Trinidad's oil, Guiana's rice, Honduras's timber are obvious candidates. There could be more. Some territories produce surpluses or could produce surpluses to supply the deficiencies of others if tariff levels were cut and import prohibitions removed. In time, if a freer market were established, a varied and useful trade in local agricultural products could develop. Insularity is thus a product of economic and social policy as well as a result of natural and geographical features. This is too often overlooked in the area.

Integration

Proposals for integration have usually claimed a political rather than an economic purpose. It has long been recognised that the separateness of the West Indian economies from one another has induced a markedly parochial outlook. As early as 1922 Lord Halifax (then Major the Hon. E. F. L. Wood, MP) reported after an official visit:

'The establishment of West Indian political unity is likely to be a plant of slow and tender growth. If any advance in this direction is to be achieved, it can only be as the result of a deliberate demand of local opinion, springing from the realisation of the advantages of co-operation under modern world conditions. . . . I am satisfied that, so long as public opinion stands where it does today, it is both inopportune and impracticable to attempt amalgamation of existing units of government into anything approaching a general federal system.' (Cmd. 1679.)

Few have reported with so much prophetic insight.

During the 1920s and 1930s such consideration as this issue received was aimed at reducing administrative expense and providing for improved agricultural and land settlement policies. A Commission reported in 1932/3 in favour of a union of the Windward and Leeward Islands with headquarters in St. Lucia (Cmd. 4383). No unification of services was recommended for

the early stages apart from that of the police force and agriculture. Local governments were asked to prepare estimates. When it was found that the amalgamation would involve a net increase in annual expenditure of about £6,000 in addition to certain non-recurrent expenditure, the Secretary of State, Lord Swinton, decided, in view of the local divergence of opinion, particularly on the question of the additional expense, it was not practicable to proceed with the scheme. The West India Royal Commission, 1938/9, disagreed with the view of witnesses before the Commission of 1932/3 that for any federation or closer union to be acceptable it must achieve economy in administration. The Royal Commission commented:

'That is, no doubt, a desirable end in itself, but it would be short-sighted policy to reject the principle of amalgamation merely because in its initial stages it would not secure savings on salaries or other administrative expenses. On any long view it appears unquestionable that monies available for social services can be better and more wisely controlled if these services in a large number of islands are made to work to a uniform plan under common direction. The savings thus obtained should soon outweigh any immediate additional expense. In particular, if Your Majesty's Government are to make more financial provision for the needs of the West Indies, it appears to us to be more important that these monies should be well and wisely spent than that small economies in administration should be obtained. Any measure of closer union, however small, should help in this direction.' (Cmd. 6607, pp. 327-8.)

But its recommendation on this point was weak, namely:

'That the West Indian Governments should be invited to accept the principle of local unified services and, if that is generally accepted, should address themselves to the task of giving practical effect to it at the earliest possible date. It should not be difficult to make a start by establishing a Unified Medical Service for the West Indies.' (ibid, p. 541).

Special assistance from the United Kingdom was still not proposed. It was the depression and consequent unrest of the 1930s which secured a favourable response in the islands for the idea of federation. Demands for constitutional change were thought at the time to be unlikely to succeed owing to the size of the territories: change therefore involved federation. The then Secretary of State, Mr. Creech Jones, voiced this view in 1947:

'... it is clearly impossible in the modern world for the present separate communities, small or isolated as most of

them are, to achieve and maintain full self-government on their own . . . On the one hand a community of well over two million people in the Caribbean area, with much that is homogeneous in their culture, could reasonably hope to achieve real self-government and to be strong enough to stand against economic and cultural pressure and to formulate and carry through a policy and way of life of its own.'

The resolution put forward at the Conference, held later that year at Montego Bay, at which the principle of a West Indies Federation in which each constituent unit retained complete control over all matters other than these specifically assigned to the federal government, was accepted by all the territories taking part except British Guiana. Looking back, it registered the high-water mark of pro-federal sentiment.

Breakdown of Federation

The agreement to federate was signed on 23 February 1956, but the constitution did not come into operation until 3 January 1958. On 19 September 1961, a referendum was held in Jamaica to determine whether or not Jamaica should continue to be a member of the Federation. It resulted in a vote of 46% in favour and of 54% against. Consequently Jamaica withdrew. Jamaica's change of attitude between the Montego Bay Conference of 1947 and the decision to hold a referendum in 1961 might be attributed to two causes. One was the remarkable change in the economic position of the island during the 1950s following the development of the bauxite and alumina industries and the enhanced revenue from bauxite under the agreement of 1957. Tourism and secondary industries had also made headway. As a result Jamaica in 1961 was a very different place from what it had been in 1947. The other cause followed. In January 1960 the British Government, at the request of a delegation from Jamaica, enumerated eight requirements for independence of the Federation. They were (1) possession of a defence force strong enough to maintain internal law and order and to deter minor aggression from outside; (2) a diplomatic organisation capable of representing the territory at the United Nations, within the Commonwealth and with the more important friendly and neighbouring countries; (3) an effective central administration; (4) 'adequate financial resources, based on independent taxing and loan-raising powers sufficient to enable it to finance its own recurrent expenditure and obligations as these develop'; (5) central control of the currency; (6) the start of a workable customs union; (7) freedom of movement of peoples within the Federation; and

(8) the constitutional right to negotiate treaties and agreements in the fields in which sovereign states normally negotiate with one another, this including all aspects of overseas trading.

By 1960/1 Jamaica felt it could in fact fulfil all the conditions – (1) and (2) could be provided, (3), (4) and (5) existed, (6) and (7) were irrelevant for a unitary state, while (8) would go along with the other five. Once Jamaica decided to secede, Trinidad and Tobago had to choose between leading the rest of the Federation towards independence or seeking its own independence. In January 1962 the latter choice was made and the Federation broke down. Since then Trinidad and Tobago has offered to accept Grenada within its unitary system but no merger has so far been effected.

The Little Seven

The very small territories, Barbados chief among them, are left. Separateness is not as pronounced as between, say, Barbados and Jamaica. But vested political interest is easily as substantial while poverty of resources and skills is greater. With the advantage of hindsight, the establishment of ministerial government in each of these islands, brought about in order to establish unit governments in the proposed Federation, can be said to have been unfortunate. Administrations are seriously top-heavy and have become an obstacle to integration. Past policy has led to uneconomic production. Grenada should not try to produce rum nor St. Lucia to make soap, while Antigua is too dry for sugar. Any satisfactory scheme for development must tackle these errors of the past. Perhaps the greatest has been the sorry working of the grant-in-aid system. The colonies of the Eastern Caribbean raise an important issue in British aid policy, namely whether territories should remain indefinitely recipients of grants-in-aid of administration under United Kingdom Treasury control or whether those with the potential should be provided with sufficient development aid in various forms to achieve a modest degree of viability. The recent publication by the Department of Technical Co-operation in its series of Overseas Research Publications of *A Survey of Economic Potential and Capital Needs of the Leeward and Windward Islands and Barbados** provides a basis for discussing this issue.

Grouping of Territories

Jamaica and Trinidad are now independent countries within the Commonwealth and might for the discussion of aid be taken

*By Carleen O'Loughlin (HMSO, 1963).

together. The Little Seven, or, with Grenada, the Little Eight, form another group. British Guiana is seeking independence as Guyana but is again in a state of emergency. While much can be said about the potential for development and need for aid of the territory, it seems highly unrealistic to expect any serious attempts to realise it while it remains politically unstable. Meantime it is very clearly *sui generis*.

Bermuda and the Bahamas are not usually regarded as part of the West Indies although they have certain features in common, notably smallness, interest in tourism and mixed populations. Recently, too, the Bahamas have drawn closer to the West Indies in becoming affiliated to the University of the West Indies. Economically and financially, however, both are unlike the territories of the West Indies proper. They have virtually no unemployment, no manufacturing industry, no income or death duties and are large net dollar earners. They form a group with which it is convenient to begin.

2—Bermuda and the Bahamas

Bermuda

Bermuda, with a population of around 43,000, has a high density of 2,166 per square mile as seen on Table 1. The standard of living has risen appreciably in recent years and compared with many parts of the world Bermudian workers are fortunate in the well-being they enjoy. Some 65-70% of the income of the island is derived, directly and indirectly, from the tourist industry which is the only industry where expatriates are allowed to set up in business. Much of the rest comes from the United States bases located there under the 1941 agreement and from international 'exempted' companies attracted to the colony by its political and social stability and its freedom from direct taxation. Hitherto government expenditure has been met largely by the revenue from import duties; capital expenditure has been met largely from current revenue and resources; there is no public debt.

In keeping with its feelings of sturdy independence Bermuda has never sought capital aid in the past. And while it levies no income taxes and has no public debt, it has a rather weak claim on United Kingdom grants or cheap loans. Technical and educational assistance have been received on a small scale, including, for example, limited assistance in preparing maps provided by the Overseas Survey Department of the DTC for the recent aerial survey; a training course for the government public relations officer and assistance under schemes of Commonwealth educational co-operation. The main schemes under the latter heading are those of the Commonwealth scholarship and fellowship plan and schemes for teacher training and the supply of teachers. Bermuda has particularly benefited from teacher training schemes. Here, as in other fields, it is not the financial help as much as the specialist facilities that are wanted. Bermuda is too small to maintain training of the diversity and standard required. More courses for head teachers and senior teachers of the standard to be found in the United Kingdom would be welcomed.

In time the need of the island for training courses that cannot be provided locally is likely to expand. In his *Appraisal of Bermuda's Economy and Future Prospects** J. Henry Richardson argued:

*The Bermuda Press, February 1963.

'Bermudians need improved standards of education if more of them, especially from the coloured section of the population, are to be able to undertake highly skilled work and responsible jobs. Such improved education would enable more Bermudians to take the places of immigrants.'

While much would have to be done on the spot in improving and extending education and training at all levels, the provision of specialist courses and the help of specialist advisers and know-how have to come from advanced countries. However, while employment continues to be well-paid and easily obtained, the attractiveness in Bermuda of training schemes will remain limited. Pressure to adopt a more ambitious social welfare programme raises financial implications. If Bermuda's needs for schools, hospitals, housing, improved roads and other substantial capital items are to be met, Richardson says:

'It may become desirable in the near future to borrow money for urgently needed developments, especially any which could be self-liquidating during relatively short periods, for example low-cost housing based on economic rents and tenant purchase payments. If Bermuda's essential needs cannot be covered adequately by government loans, some form of direct taxation will be needed.'

While Bermuda's calls on technical and educational assistance are, however, unlikely to expand at all considerably over the next few years the value of specialist help to the small community should not be underestimated. The provision of fuller periodic information of assistance from the United Kingdom that might interest them would facilitate greater local efforts.

The Bahamas

The Bahamas are an archipelago of about 3,000 islands extending over 500 miles. New Providence, though not one of the larger islands, is the most important as it contains the capital and chief port, Nassau, and half the total population of 110,000. The rest of the population is distributed very unevenly among the Out Islands, where rapid development is currently taking place. The growth of income, investment and land values has been spectacular since the early 1950s owing to the growth of tourism and the attraction of tax freedom. Since 1949 the government, through its Development Board, has spent rather more than 10% of its total annual revenue to promote the tourist trade, which now contributes about 60% of incomes. Most of the rest comes from offshore companies owned by United States interests which conduct their foreign operations from the Bahamas and from

funds attracted by tax freedom and speculation in land values. As the result of these developments, it is estimated that the Bahamian economy has grown over the past decade at an average rate of 15% a year. Nassau itself has become a centre of international business, receiving from and, to a lesser extent, lending funds to most parts of the world.

In its earlier and less affluent days the Bahamas received small grants under the Colonial Development Act of 1929 and its successor Colonial Development and Welfare Acts. The Commonwealth (then Colonial) Development Corporation also took an interest. Given its present economic position the colony might not be thought to qualify for either grants or soft loans. In fact, however, the problem of public finance has been causing anxiety for some time. Thus, in May 1941, when the House of Assembly approved a visit of two members of the Commonwealth Development Finance Company (CDFC) it was felt that the colony needed financial advice as to how funds could be found for the 'colossal expenses which face the country, especially so far as health and education are concerned'. Hitherto the record has been impressive. From 1955 to 1960 gross annual revenue rose from £3.5m to nearly £8m, annual recurrent expenditure rose from £2.7m to over £5m and annual capital expenditure rose from £0.4m to some £3m. Over the six years 1955-60, nearly £8m of capital expenditure had been financed out of revenue and only a small amount had to be financed by recourse to borrowing. But the level of ordinary recurrent expenditure was increasing and there was need for large capital expenditure on public services. The representatives of CDFC recommended, *inter alia*:

- (i) the establishment of a Board of Revenue to control the administration of all government revenues and expenditures;
- (ii) the formation of a Rating Authority to assess all land and property in the colony;
- (iii) the consideration of an undeveloped property tax, a capital gains tax on sales of land and property and sales tax extensions as means of raising revenue without imposing taxes on income or profits;
- (iv) attempts should be made to secure short and medium-term loans within the colony;
- (v) an application might appropriately be considered for assistance from the International Development Association for a 'soft' development loan for sewerage and water schemes.

On personnel it was noted that the Colony was short of skilled administrators, technical and professional men, particularly accountants. In fact, many of the recommendations could only be implemented if skilled and specialist expatriates were employed on suitable terms. It was noted that there was no teachers' training college and no technical training facilities.

In January 1964 the colony attained internal self-government with a cabinet of part-time unpaid Ministers. Little had been done meantime to implement the recommendations of the CDFC mission. The need for finance for capital and recurrent expenditure has, however, increased. Thus, the recommendations on education of the deputy-educational Adviser to the DTC, Mr. H. Houghton, have been accepted, involving enlarged expenditure. A serious shortage of administrators in government service exists. While private businesses tend to employ expatriates on contract, government departments try to avoid this. Apart from appropriate salary revisions, there is, therefore, need for courses in administration to train senior and middle grade officers. Given fuller information on the availability of technical and educational assistance from the United Kingdom, and advice on the formulation of projects, the colony could be expected to benefit rather more than in the past from the United Kingdom's aid programme.

The problem of financing such capital works as the improvement of the harbour at Nassau, a sewerage and water scheme and school and hospital buildings is fraught with difficulty. The social schemes may qualify for soft loans from IDA or elsewhere, including the United Kingdom. Others may not and in the construction period would, if the finance were borrowed at market rates of interest, bear a heavy debt burden. One possible source of short-term finance appears to have been overlooked, namely the excess cover of the currency issue. The Bahamian pound is exchangeable at par with the pound sterling. The Bahamian Currency Board had, in February 1964, backing to the extent of about 110% of the currency issued whereas a cover of 50% is generally regarded to be satisfactory. Some 60% might be used towards financing capital works without expense to the colony other than the loss of interest on the United Kingdom and other Commonwealth government stock sold. Apart from this once-for-all source and the possibility of attracting cheap loans, the Bahamas, which is committed to increased expenditure, recurrent and capital, must choose a combination of the methods suggested by the CDFC mission for raising revenue, controlling

expenditure and internal borrowing, if direct taxation is to be avoided. The question arises whether a colony whose tax freedom has for some years enabled it to contribute a net surplus of dollars should receive soft loans as well as educational and technical assistance.

3—Jamaica and Trinidad

Jamaica

Jamaica became independent on 5 August 1962, closely followed by Trinidad and Tobago on 31 August 1962. Over the previous decade or so both made rapid economic progress. Indeed, as has been mentioned earlier, the Jamaican economy experienced a major transformation, caused principally by the discovery and exploitation of large bauxite deposits, a rise in industrial output and an upsurge in the building industry. Gross domestic product in 1961, estimated at £244m, was more than double the 1953 total. Even after adjustment for price charges, gross domestic product in real terms in 1961 was still nearly twice that of 1953, while domestic product per head was some 60% higher in 1961 than it had been in 1953. The annual rise in real product per head therefore averaged about 6% a year. It fluctuated, reaching 9% over the period 1953–7, falling sharply in 1958, rising to about 4% in 1959–61 and being somewhat lower in 1962/3. The rapid rise in 1953–7 was directly related to investment in the bauxite industry; bauxite and alumina output increased from £2.5m in 1953 to £16m in 1957, and in 1962 exceeded £22m. Since 1957, gross domestic investment for the economy as a whole has decreased. Having risen from an annual average of £17m in 1953/4 to a peak of £57m in 1957, the estimate for 1961 was £52m. Since investment in bauxite and alumina fell off, investment in tourist facilities, building, textiles, cement, oil refining, transport and public utilities have substantially increased.

Owing to a fall in the rate of growth to 2.5% in 1961 and to even less in 1962, the government of Jamaica was faced with the need to stimulate further economic growth. So its Development Plan 1963–8 provided for the expansion of the government sector so that the relative share of government consumption and fixed capital formation expenditure in gross national product will average 16% instead of the 12% for 1956–62. The government's contribution to total fixed capital formation is expected to increase from an average of 10.5% for 1956–62 to 19.4% for 1963–68. The assumption on which this sizeable expansion was planned, namely the need to stimulate the economy might now be questioned. The slackening in 1961/2 of the rate of growth has been variously ascribed to consolidation and to a flight of money and weakening of confidence at the time of independence. By the spring of 1964 funds were flowing back to Jamaica,

confidence was restored and constructional activity was reviving. The economic need for such a large increase in the size of the public sector is consequently less pressing.

For the five years 1963-8 total planned expenditure is £91.4m. Of this £30.4m is expected to come from government to government soft loans and aid. Great store is laid in the Plan on obtaining soft loans. For to borrow the total amount expected from overseas (£25.6m in investment plus £30.4m in aid and soft loans) on the commercial market 'would create an insupportable burden of debt charges on the country's recurrent revenue'. The total seems optimistically high judged either by amount or by the kind of aid wanted. As mentioned earlier, the four Premiers stated that future proposals for economic aid should emphasise '(a) Aid for general programmes rather than aid for specific projects; (b) Aid not limited to the direct foreign exchange component of projects or programmes'. It is possible to explain the wish on the part of some developing countries to receive programme rather than project assistance because projects have on occasions been somewhat arbitrarily selected. Thus in Africa hospitals have been built which the local authorities could neither staff nor finance. Such facade developments have strongly contributed to the desire of such recipients to receive more general assistance. But developments of that kind are not easy to come by in the West Indies. The attitude there against project assistance seems to be due, firstly, to the difficulty of preparing projects for submission to governments and international institutions for assistance and, second, to the feeling that submitting projects which are vetted and later subject to some form of outside supervision is tantamount to a return to colonial status. Economic planning units are weak throughout the area and governments do not appear anxious to strengthen them by employing expatriates, whether as part of technical assistance or directly on contract. Nor does there appear, broadly speaking, to be sufficient staff of the right calibre in the various ministries to direct and carry through the programme laid down in general terms. Administrative weakness will continue until more local staffs are available with experience of government administration. Meanwhile it would be wiser not to attempt to expand the public sector rapidly.

On the second point, namely the fear of the new colonialism, the simplest answer would be for the governments to deal on a larger scale with international institutions rather than the governments of advanced countries. However, in the case of the World Bank, negotiations have not always been successful because the

conditions laid down by the Bank have not been acceptable. The Bank has hitherto been reluctant to cover more than the direct foreign exchange requirements of projects although both the Bank and its affiliate, IDA, are becoming more flexible in their approach to the problem of 'local costs'. For some projects, such as roads or agricultural, local costs are relatively small proportions of total. Such projects tend consequently to be neglected in favour of those with a high foreign exchange component. In the case of bilateral aid, i.e. government-to-government aid, the balance of payments problems of many donor countries tend to confine them to aid for imports only. Even so the question arises whether this effect on choice should be removed by inclusion of low component projects along with high component projects in some kind of 'package deal' or programme arrangement, taking an integrated section of the Development Plan together. Neglect of agricultural development in particular should be avoided in the essentially agricultural economies of the West Indies.

In Jamaica and elsewhere more efficient tax assessment and collection would substantially increase tax revenue and so provide more finance for development. In the Bahamas the yield from the tax on buildings on New Providence Island would be much greater if valuations were generally more realistic and assessments quickly served on the owners. Elsewhere the yield from income tax would be raised substantially if those receiving fees and profits were more fully assessed. A further advantage of this would be that tax rates would not have to be raised as sharply, to obtain more revenue, leading, as it has done in the recent past, to the loss of skilled salary workers, both expatriate and local, to other countries.

Jamaica – and Trinidad – are in fact approaching the stage when they might be expected to find the bulk of their own capital. This view is shared by the West Indian economist, Sir Arthur Lewis, who said in a lecture in Jamaica:

'We need for development purposes something like an extra five or six per cent of national income in order to add something like two per cent per annum to our present rate of growth. . . . The national income per head is actually increasing. So all we need to do is to stop consumption per head increasing so rapidly for a while. . . . How would we get hold of this six per cent? By taxation. It cannot be done simply by making propaganda urging people to save. It could be done by increasing the level of taxation and using proceeds for capital formation, public health and so forth, and for spending in the public and private sectors on capital formation; in the public

sector on land reclamation, electricity, water supplies, and so on; and by lending capital to the private sector, through the agricultural credit institutions, and through industrial banks and residential building agencies.

This opinion that the West Indies can raise all the capital it needs from its own resources is bound to shock many people, because West Indians like to feel that ours is a poor community. But the fact of the matter is that at least half of the people of the world are poorer than we are. The standard of living in the West Indies is higher than the standard of living in India, or China, in most of the countries of Asia, and in most of the countries of Africa. The West Indies is not a poor community; it is in the upper bracket of world income. It is capable of producing the extra five or six per cent of resources which is required for this job. . . . It is not necessary for us to send our statesmen around the world begging for help. If help is given to us let us accept it, but let us not sit down and say nothing can be done until the rest of the world out of its goodness of heart is willing to grant us charity.’*

Apart from soft loans and programme, instead of project, assistance, the need in Jamaica is for more information and earlier information of British aid possibilities. Thus, while the United Nations operates on the basis of a programme and the United States AID worked on a budget year for training courses, the United Kingdom tends to work on an *ad hoc* basis. This greatly reduces the value of these courses as those most likely to benefit are sometimes booked for less appropriate courses elsewhere. The scope for training courses is quite considerable. Training in business and public administration is needed. In the years before independence the Administrative Staff College (of Henley, England) organised a series of courses under the auspices of CD & W. They made a valuable contribution. Further such courses are needed and would be welcomed. Equally, the attachment of middle and lower grade officers to central and local government in the United Kingdom would provide valuable experience.

The Trades Union Congress in the United Kingdom has over the years made a substantial contribution to unions in developing economies. Until the 1930s it limited its concern to particular issues but with the disturbances of the 1930s in the West Indies it formed in 1937 an advisory committee on colonial problems. This committee was in touch with the Colonial Office which in 1942 set up its own advisory committee on labour problems. In

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1946 the TUC appealed to affiliated unions to set up a Colonial Fund to help needy colonial unions. Since then considerable sums have been provided as financial assistance to colonial trade unions. But experience has shown that financial assistance was not always the best form of help, so a basic unit of office equipment was assembled, including a typewriter, duplicator, stationery and set of basic books. Other articles were added as they seemed necessary. British trade unionists were sent to help – the first being sent to Trinidad in 1946. In its report for 1962 the TUC stated that 'in view of continued requests for training from unions overseas and the increasing variety in the needs of students' the TUC's education and training services would be further developed. It co-operates with HMG in courses for overseas trade unionists and labour administration officials under regional technical Assistance Programmes and sponsors annually visits of up to 12 trade unionists for periods of up to 3 months and sends experts to help when requested to do so. The contribution is greatly appreciated throughout the West Indies where both more local training courses and more sponsored visits to the United Kingdom of officials would be welcomed.

There is no less shortage of skills in industry, a shortage accentuated by migration. Some schemes for training have been working well for years. Thus over the last thirty years or more, the sugar machinery manufacturers in the United Kingdom have made efforts to train engineers from Jamaica and other cane producing territories. While this was in part a piece of enlightened self-interest on the part of the sugar machinery manufacturers, it has provided numbers of nationals of the countries concerned with an excellent training which would otherwise have been difficult, if not impossible, to come by. Many expatriate firms have management trainee schemes for local staffs. Recently the Minister for Trade and Industry has arranged for 16 Jamaicans of around the age of 17 to be apprenticed to engineering firms in the London and Birmingham areas for between four and five years. The government of Jamaica pays the cost of passages, makes clothing and book allowances and provides £200 p.a. The firms pay the usual rate for apprentices while £100 is contributed by the DTC. It is hoped in this way to expand the number of potential factory managers in Jamaica. This is a very effective and at the same time a relatively cheap form of aid. While there are obvious limits to which it can be developed, as much use as possible should be made of the Minister's recent initiative.

As far as the provision of experts and advisors is concerned, it

is felt in Kingston that only top level experts are wanted. While this may be taking a somewhat optimistic view of the current situation, it does reflect the view that Jamaica has passed the stage of 'take-off'. Certainly, the spontaneous revival of investment activity in the early months of 1964 tends to support this view. Jamaica, like Trinidad, is among the few countries that have reached this stage since 1945 and may feel justifiably proud of it. Yet it tends to weaken their claims for soft loans. The White Paper *Aid to Developing Countries* (Cmnd. 2147, p. 5) states that the general purpose of aid is the achievement of 'self-sustained economic growth' by developing countries. Jamaica poses the question: when economies are making continued progress should not donors begin to taper off aid? Trinidad also poses the same question.

Trinidad and Tobago

Trinidad's Draft Second Five Year Plan, 1964-8, claims:

'Between 1951 and 1962, the output in current prices of Trinidad and Tobago as measured by the gross domestic product at factor cost increased from £65m to £210m, and the national income increased from £54m to £162m. This rapid rate of economic growth which carries the *per capita* gross domestic product at factor cost from £100 in 1951 to £246 in 1962, has placed this country among the first six countries of the Western Hemisphere when all countries are ranked according to their per capita gross domestic product.' Real output of the country increased by 8.5% per year and the real national income increased by 6.6% per year. The Draft Plan claims that 'This is one of the highest rates achieved by any country of the world'. Hence the question of need for aid arises. However, the Government of Trinidad has so far declined to accept the offer made by the United Kingdom on the attainment of independence by Trinidad and Tobago partly on disagreement over certain conditions attached but partly also on its inadequacy. In his letter of 5 November 1962 the Premier said 'the very special problem of Trinidad and Tobago is unemployment', giving 15% as a normal rate. It was to deal with this that he had requested an Exchequer loan of £5m. Jamaica's Five Year Plan similarly asserts: 'Unemployment is clearly the major social and economic problem in Jamaica'. A surplus of unskilled workers, particularly women and young persons, exists alongside a serious shortage of unskilled workers.

It is for this reason that the four Premiers in their Declaration of Policy questioned the use of the level of per capita income as

a criterion to determine whether countries were 'developed' or 'underdeveloped'. This would result in Jamaica and Trinidad and Tobago being grouped with 'developed' countries such as Italy rather than with the 'underdeveloped' countries of Latin America and Africa. This is illustrated in the following table.

Table 2

Per capita income of 40 developing economies, 1962

	£		£
Venezuela	209	St. Lucia	65
Trinidad	183	St. Vincent	65
Cyprus	140	Honduras	64
Jamaica	137	Turkey	64
Costa Rica	106	Montserrat	63
Barbados	105	Ecuador	61
Mexico	101	Guatemala	60
Chile	98	Liberia	45
Colombia	98	Libya	45
Nicaragua	87	Ceylon	43
Antigua	85	Haiti	30
British Guiana	85	Kenya	30
Malaya	80	Nigeria	30
Mauritius	80	Aden	25
St. Kitts-Nevis	77	India	25
Ghana	74	Pakistan	25
Dominica	73	Sierra Leone	25
Dominican Republic	73	Uganda	25
Jordan	70	Tanganyika	20
Grenada	67	Burma	17

Trinidad comes second to Venezuela and Jamaica fourth to Venezuela, Trinidad and Cyprus. The four Premiers stated that one of the difficulties encountered in obtaining aid from international agencies was that their criteria, such as per capita income, recent economic growth rates and the balance of payments situation, excluded other important factors. While such criteria should not be used exclusively, the first requirement of economic development is to improve the general standard of living of poor countries and these criteria can hardly be excluded. But many international agencies will not consider plans or projects below a certain size owing to the high overhead cost of such aid. As so many independent countries are really small, this question of minimum size should be reconsidered by the agencies concerned. It is perhaps unlikely that project aid will again be available for the very small scheme, sometimes costing less than £100, which received assistance under CD & W. But some of the smaller economies lack really sizeable projects. They should not for that reason be denied the kind of assistance their larger neighbours receive.

4—British Guiana

Political troubles over the last ten years have obscured the fact the real income per capita in British Guiana has steadily increased since the 1940s. Taking the ten years 1948–57 national product increased by 5% per annum in real terms, thus keeping ahead of the 3% increase in population. Between 1952 and 1957 the growth of output averaged 6%, but 1957 was a peak and in 1958 output slipped back to the 1956 level. The rice crop was poor, house building and other construction tailed off, world sugar prices fell, and the surplus of bauxite meant a reduced output from the mines. Despite this improvement unemployment in mid-July 1956 was estimated to total 29,600 persons, i.e. 18% of the labour force. Underemployment, i.e. less than 30 hours or 4 days employment per week, was estimated to involve 20,200 persons of whom 15,500 would have worked longer if work had been available.* Resumption of the rate growth of 6% per annum was assumed in drawing up the Development Programme, 1960–64. Mr. Kenneth Berrill, in his report on the plan (Sessional Paper No. 2/1960), agreed this could be achieved if the export markets for sugar, bauxite and rice continued to expand and urged that the biggest contribution which the Government could make to the success of the immediate future 'is to see that farmers can get on to the newly available acres without delay'. The opening in December 1963 of the Tapakuma irrigation project handsomely contributed to this end. An area of 35,000 acres on the Essequibo coast benefits from the scheme; 27,000 acres of arable land have been brought into immediate cultivation, the general rate to settlers being £1 5s. per acre. Where internal drainage and irrigation work has been done an additional rate of £1 17s. 6d. per acre is levied. The scheme cost about £2.7m of which approximately £1.2m was paid for by Colonial Development and Welfare grant.

In the Plan, following the recommendations of Mr. Berrill, a programme of £22.9m was prepared with £19m allocated for economic and the rest for social development. The United Kingdom agreed (i) to provide a total of £4.83m from CD & W; (ii) to approve Exchequer Loans up to £4m for 1960–2 and to consider further loans of £4m for 1963/4. The remainder, including the debt charges arising from the Exchequer Loans,

*Report to the Government of British Guiana on Employment, Unemployment and Underemployment in the Colony in 1956 by Edward McGale (ILO, Geneva, 1957).

was felt to be as much as the finances of British Guiana could manage. It was assumed that £3.125m could be found from revenue and £2.08m from local loans. It was also expected that up to £2.08m would be forthcoming from other external sources (e.g. IBRD, CDC). However, by 1962 financial difficulties were being encountered and in 1963 two enquiries were held. The economic and financial consequences of the riots of 1962 and the prolonged stike of 1963 were the primary causes of the difficulties encountered. But the scale of expenditure in the development plan also imposed a strain. This arose because the expected contributions to development from annual budgetary surpluses were estimated in the plan on the assumption that revenue would increase at the rate of 6% a year and expenditure at the rate of 4.5%. In the event both rates were surpassed. The average annual rate of increase in expenditure since 1959 had been 11% against the 4.5% assumed while revenue increased by 7% instead of the 6% assumed. Hence the gap emerged. Less, too, was obtained in the form of external aid than was expected, except from the United Kingdom. The following table shows the position in terms of West Indian dollars (4s. 2d. each, i.e. 4.8 to the £):

Table 3

**British Guiana's Development Plan:
Actual Resources and Expenditure**

		(in WI\$ million)					Total
		1960	1961 (actual)	1962	1963 (estimated)	1964 (forecast)	
Expenditure	...	16.8	22.0	18.8	12.3	[11.0]*	80.9
Resources							
CD & W...	...	5.26	6.2	4.2	3.0	4.0	22.66
Exchequer Loan...	...	8.0	9.0	8.1	6.4	6.9	38.4
Local Loan	...	—	2.5	—	—	1.0	3.5
NDSL	...	—	—	1.4	3.0	[4.0]	[4.4]
Local Revenue	...	5.5	—	—	—	—	5.5
IBRD & UN							
Special Fund	...	0.05	0.2	0.4	1.3	—	1.95
Contractor Finance	...	—	—	2.0	—	0.1	2.1
Total	...	18.8	17.9	16.1	13.7	[12.0]	78.5
Surplus/Deficit	...	+2.0	—2.1	—4.8	—3.4	—2.4	—

*20.7 in Estimates; Balance reserved until resources available.

The table shows that while British aid will have been as promised (if 1964 issues are as shown) British Guiana's contribution will have fallen short; so will other external contributions.

And only an estimated \$80.9m (£16.8m) of a Plan now estimated to cost \$135m will have been spent.

Furthermore, development expenditure even for the period 1954-9 was not contributing significantly to revenue. In the *Report on the Financial Position* (Colonial No. 358 of 1964) it is said that the Boerasirie project costing over £3m had not been successful in its main economic purpose of increasing rice production while expenditure of nearly £4m on the Black Bush Polder Project had yielded very little revenue. On the basis of some admittedly approximate estimates of the return that might be expected from the Black Bush Polder scheme and the Tape-kuma project it was concluded that:

‘The margin between the rate of interest and loan repayments necessitated by such schemes on the one hand and the return in revenue to Government on the other is so much as to make it appear extremely questionable whether these schemes, even if assisted by large Colonial Development and Welfare grants, can safely be financed from loans that call for almost immediate debt charges at 8%.’

and it was added:

‘They are more open to question in view of the fact that these projects have to be undertaken under contract by expatriate firms using heavy equipment, which means that a considerable part of the expenditure is on imported equipment and materials and external overhead charges and that the Government is committed, once contracts are made, to heavy expenditure and borrowing for a number of years regardless of how its financial fortunes may change.’

The political unrest of 1962/3 leading to strikes, disturbances and the declaration of an emergency in 1964 have wrought havoc on the economy. Stocks were allowed to fall, investment in property was curtailed, businesses tended to be run on a care and maintenance basis, purchases of consumed durables were cut and there was a general disposition to hold and transfer cash. In December 1961 the Government extended exchange control, which had been applicable to non-sterling countries, to the sterling area. But exchange control in a territory using a common currency with Trinidad, Barbados, the Leeward and Windward Islands is peculiarly difficult to operate and in practice large transfers of cash have been made to the other members of the British Caribbean Currency Board. The problem of exchange control has prompted the desire for an independent currency and central bank but apart from the production of draft legislation no steps have been taken to make the change. In fact, the

machinery of government is severely handicapped by loss of staff and the by-products of financial stringency. As the *Report* says:

'The orderly and systematic conduct of Government affairs and its services cannot be expected when there is the necessity constantly to count the money in the till or look up the overdraft in the passbook and to alter course according to what is found.'

In the circumstances it is not surprising that the Director of Audit of British Guiana should report that some major development has not produced the desired results owing to inadequate preparation or that the Public Accounts Committee should comment on the laxity in the administration and supervision of development expenditure.

The restoration of confidence in the political field is essential if finances, administration and development are to recover. It is no part of the present purpose to suggest ways and means of bringing about a political resettlement. On the economic side recent experience has shown that infrastructure is too costly unless it can be accompanied by industrial development in order to generate incomes and government revenue. While it is true that cheaper Exchequer loans would have reduced the debt charges, longer loans with a grace period to cover the construction and early use period would have been better still. Providing, and this is a crucial proviso, development projects are well chosen and efficiently carried out, longer loans with a grace period are preferable to cheaper loans. The proviso implies, in the situation in which the country finds itself, the recruitment of experienced staff to prepare and administer projects.

However, the prosperity of British Guiana is to a considerable degree outside local control, depending on prices in international markets, the Commonwealth Sugar Agreement and the willingness of those with funds, both within and outside the economy, to commit them in local schemes. Now, as often in the past, the political leaders appear to be seduced by the mirage of an El Dorado from tackling the priorities of their economic problems. In 1960 sugar accounted for 17% of gross domestic product and for 11% of employment.* It dominates the economy. But the main sugar land is below sea level and requires an exceptionally large amount of capital to develop production. Consequently, British Guiana is a high cost producer and with a limited market she cannot rely upon her sugar export being competitive and

*According to Mr. McGale's *Report*, of the 31,100 labourers resident on the estates only 17,500, i.e. 56%, were attached to the sugar industry.

profitable beyond the extent to which she has secured outlets (such as the Commonwealth Sugar Agreement and the United States quotas). So while it is to be hoped that there will be expansion of the order of 3 to 4% per annum in sugar, the main expansion of the economy must be found elsewhere. Bauxite, which contributed 9% of the gross domestic product in 1960 and employed 1.8% of the labour force, is no less dependent on the international markets. Rice, too, which accounted for 6% of gross domestic product and employed about 40,000 families in 1960, is already fairly fully developed. Timber might offer opportunities for expansion. Otherwise it seems that more effort should be put into producing various import substitutes. In 1963 the Guyana Industrial Development Corporation was established by the Government to stimulate, facilitate and undertake industrial development. Private investors are offered sites on industrial estates, technical and marketing assistance, special financing and small enterprises, training courses and so forth in addition to tax concessions. With development funds and private investment alike, considerable technical study and training are necessary if funds are to be spent wisely. At present there are neither well prepared projects nor the staffs for the preparatory work. The scope for well spent funds is therefore limited for the time but could widen once the preliminary stage is over. 'Planning' has however, little meaning in the present state of British Guiana. Until there is an adequate administrative framework any attempt to enlarge the public sector will lead to wasteful investment and frustration of the objectives of any plan. Nor could schemes be efficiently run until expertise is built up by re-organising the agricultural extension service and providing a managerial service for public enterprises. External aid should in due course as a first step help to provide the experts, advisers and training courses to build up the necessary administrative and technical basis for further economic development.

5—Barbados, the Leeward and Windward Islands

Following the decision of both Jamaica and Trinidad and Tobago to withdraw from the Federation of the West Indies the Premier of Barbados and the Chief Ministers of the Leeward and Windward Islands held a meeting on 19 January 1962 with the Secretary of State, at which they presented proposals for a federation between their eight territories. After further discussions between themselves and with the Secretary of State, the latter announced on 16 April 1962, that HMG felt that a federation of Barbados and the Leeward and Windward Islands appeared to offer the best solution to the problems of the area, provided that the federal constitution was such as to provide adequate powers to the central government and to offer a reasonable prospect of economic and financial stability. A Conference of representatives of the eight Governments to consider this proposal took place in London in May 1962. The Conference agreed to recommend that there should be a federation of the eight territories and issued a *Report** concerned largely with the provisions to be made in respect of the new Federation from the time of its inception. Of particular relevance here is the discussion of economic and financial matters. It was agreed that one of the advantages to be gained from the establishment of a federation would be the opportunity to encourage economic development by the creation of a single market and of machinery for economic co-operation and consultation between the Units. 'It was recognised that, before the Federation was established, consideration would have to be given to what external assistance might be made available to it.' The paragraph on United Kingdom assistance reads as follows:

'The United Kingdom Delegation stated that the United Kingdom Government recognised that a Federation of Barbados and the Leeward and Windward Islands would stand in need of external assistance for a period after it was established, both on capital and on budgetary account. The United Kingdom Government had noted with interest proposals put forward by Dr. Arthur Lewis. Under these, budgetary assistance would be continued for a limited period after the establishment of the Federation but on a tapering basis from

* Report of the East Caribbean Federation Conference, 1962 (Cmnd. 1746 of June 1962).

its present level. At the same time Dr. Lewis proposed that United Kingdom capital assistance should be fixed at a given annual level for an initial period of five years after the setting up of the Federation. This approach merited further study in the light of a more detailed survey of the economic needs and potential development of the area which the United Kingdom Government proposed to put in train.'

Whether the Federation will emerge or not depends above all on the answer to this question of the scale and timing of United Kingdom assistance. Not long after the London Conference elections in Grenada led to a change of government there and the new government decided to enter into negotiations with the Government of Trinidad and Tobago on the possibility of establishing a unitary form of association between the two territories. Grenada is still expected, with varying degrees of confidence, to merge with Trinidad so the 'Little Eight' may become the 'Little Seven'.

The London Conference agreed that fiscal and civil service commissions should be appointed to formulate recommendations in the light of the Conference *Report*. The commissions reported in April 1963.* The Colonial Office invited the Institute of Social and Economic Research of the University of the West Indies to prepare a report on the economic needs and potential for development of the area. A preliminary study was published in August 1963.† These three reports deal with the three aspects of aid that must be discussed in turn, namely budgetary assistance, capital aid and technical and educational assistance.

Budgetary assistance

Small territories lacking oil or other large revenue-producing resources normally find it difficult to maintain a minimum standard of public services. A drop in export incomes or in emigrant remittances can easily reduce government revenue and at the same time increase government expenditure, bringing about a gap. The United Kingdom has since 1878 felt obliged to see that the standard of public services is not depressed below a minimal 'plimsoll' level. Any unavoidable budget deficit therefore brought a United Kingdom grant-in-aid of expenses of administration. The grants contributed from 1958/9 to 1962/3 and the estimates for 1963/4 are shown in Table 4 along with those of other dependencies receiving similar assistance.

* Cmnd. 1991 and 1992.

† *A Survey of Economic Potential and Capital Needs of The Leeward Islands, Windward Islands and Barbados* by Dr. C. O'Loughlin (HMSO, 1963).

Table 4**Colonial Grants in Aid of Administration**EXPENDITURE 1958/9 TO 1962/3 AND TOTAL ESTIMATES
1963/4
(£'000)

	1958/9	1959/60	1960/1	1961/2	1962/3	Total Estimate (1963/4)
West Indies						
West Indies Fed....	438	1,750	1,675	2,000	220	—
Antigua ...	—	—	—	—	63	18
Dominica ...	—	—	—	—	222	300
Grenada ...	—	—	—	—	127	261
Montserrat ...	—	—	—	—	137	218
St. Lucia ...	—	—	—	—	184	—
St. Vincent ...	—	—	—	—	163	227
St. Kitts-Nevis ...	—	—	—	—	106	107
Turks & Caicos Isl.	—	—	—	—	84	130
Virgin Islands ...	87	95	189	214	188	159
British Honduras	225	187	125	375	469	204
Africa						
Kenya ...	—	—	—	4,725	101	—
Gambia ...	—	—	—	—	600	736
Nyasaland ...	—	—	—	—	682	4,547
N. Cameroons ...	—	—	350	—	—	—
Somaliland ...	682	659	1,145	—	—	—
Basutoland ...	—	120	425	1,141	1,441	1,567
Bechuanaland ...	600	650	970	1,155	1,363	1,609
Swaziland ...	—	—	—	262	534	1,008
Other Territories						
St. Helena ...	83	93	121	120	113	133
Seychelles ...	121	76	84	108	90	25
Solomon Islands...	298	347	436	378	512	437
Total ...	2,534	3,977	5,520	10,478	7,399	11,686

Barbados alone excepted, all the islands of the Eastern Caribbean have in recent years been grant aided. St. Kitts was not aided until 1961, Antigua required no grant in 1963, and St. Lucia required none in 1964. While the purpose of maintaining minimum standards is wholly commendable, the system has involved a form of control of the territories' finances which denies initiative to the territories that have to accept it. Under the original system all decisions about these territories' current and future policies were transferred to the United Kingdom Treasury where they were very closely scrutinised. Decisions were made in London on the basis of Parliamentary Vote procedure, the United Kingdom's current financial position and other considerations not strictly relevant to the economies involved. Treasury control was exercised over any proposed increase in

expenditure down to a minute level, though the Treasury did not, usually it could not, exercise the same kind of control over possible increases in revenue or reductions in expenditure, unless the annual audit suggested an irregularity. The psychological effects of grant-aided status on the civil servants and politicians of a territory has been most unfortunate. Where the grant-in-aid exceeded 15% or so of a territory's annual current expenditure, apathy and the feeling of financial irresponsibility resulted as the hope of doing without a grant-in-aid was too remote to provide any strong incentive to improvement. Poor colonies tended as a result to remain poor unless and until changes took place outside the governments' sphere of influence. Nor, in the opinion of an experienced observer, did the system operate to check unwise spending. Sir Sydney Caine concluded in his report of 1955* that financial extravagance and serious overspending by the grant-aided territories of the West Indies had, broadly speaking, played but a minor part in bringing about deficits while expenditure differed very little under the system of Treasury control from what it was when the control was removed. Essentially, then, the system sapped incentive to improvement. The problem posed was one of restoring incentive without seriously undermining the Treasury's responsibility for seeing that United Kingdom money was spent as Parliament directed. One possible method of doing this was to make grants for a number of years and, providing the money was spent in a proper manner, to leave surpluses that arose from economies in administration in local hands. In principle, this is admirable but it is difficult to foresee needs, especially in small agricultural economies. Hurricanes, droughts and market changes can make forecasts look absurd. However, a start was made with the introduction of block grants in the West Indies in 1953 whereby any savings from 'careful and prudent administration' could be spent on 'deferred maintenance' of items in a specified list of public works. The Public Accounts Committee (1953/4) however held that 'a system which allows colonies to retain surpluses which, though approved in principle, were not provided for in the British Parliamentary Estimates, involves an important departure from previous practice, and may tend to weaken Parliamentary control'. The proposal was given a two-year trial. It proved so difficult to agree on savings that could be attributed to 'careful and prudent administration' that a maintenance allowance was included in the block grant. A second method that has been tried in the West Indies is that of estimating the block grant over

*Cmd. 9618, chapter 9.

a period of five years. The Select Committee on Estimates of the House of Commons in its Fourth Report (Session 1959/60) concluded:

'The "forecast estimate" has great advantages for colonial governments, as they can gain experience of financial control and the allocation of resources in anticipation of independence, and the guarantee of grants-in-aid over a period of years enables the planning of their finances over a longer term. . . . Your Committee recommend that similar systems of granting aid to colonial governments should be introduced wherever appropriate in the future (Paragraph 11).'

Whereas the first method brings up the difficulty of reconciling the requirements of Parliamentary control with the desire to encourage good financial administration, the second method raises the problem of forecasting revenue and expenditure in small economies heavily dependent on one or a few staple exports. In passing it might be remarked that it is curious that in their interesting pamphlet issued in September 1962 – *Imperial Post-script: A New Era for the Smaller Territories* – the Bow Group recommended the allocation of specific sums for specific projects instead of block grants. On the basis of past experience, this would not appear to be the way to reduce Treasury supervision or to stimulate local initiative. Be that as it may, the territories of the Eastern Caribbean bear witnesses to the lack of a satisfactory system. It was concluded by the fiscal commissioner in April 1963 that:

'It is clear that the grant-in-aid as given in the last five years was unsatisfactory, first, because it gave help where help was not most badly needed and for purposes for which it had not been intended, and secondly because local tax collections tended relatively to contract and the grant to expand. . . . There is one further point. It is a necessary protection of the grant-giving authority that governments which receive grant-in-aid to cover a current deficit, should not be able to use the grant to build up their own capital position, so that they cannot be allowed to accumulate reserves. This constitutes a further disincentive to increasing their own taxes, and is hence a very undesirable feature.'

On 1 January 1964, a new system was introduced with respect to the administration of grant-in-aid to the West Indies, with the object of eliminating some of the former detailed control. Control is still severe though limited to: (a) approval of annual estimates, (b) prior approval of the creation of additional posts on the

*Cmnd. 1991, paragraphs 88–89.

permanent establishment carrying an initial salary of £1,000 a year or more, (c) any proposals, including proposals for salary revision, having considerable financial implications, (d) write-offs in certain cases, (e) CD & W expenditure which continues to be subject to existing procedure. It will be the responsibility of governments to ensure that, where the approved estimates indicate a surplus on the recurrent budget available for transfer to the capital estimates, that amount is in no way reduced, or alternatively, where a deficit is shown on the recurrent budget, to be met by grant-in-aid, that deficit is not exceeded. In either case any consequent deficit on the capital budget would not qualify for additional grant-in-aid. Any excess of revenue over the estimate should be available for transfer to the capital budget and not for financing supplementary expenditure on the recurrent budget. Surpluses on recurrent account are no longer to be subject to recovery by HMG although it will be taken into account in assessing a subsequent year's grant-in-aid requirements. On capital estimates the control is now limited to: (a) prior approval of capital estimates, (b) prior approval of new items of expenditure to be met by transfer of surplus from recurrent budget, (c) CD & W continues as before. Any surplus at the end of a year is not subject to recovery by HMG but is transferred to a subsequent year's capital budget.

While it must be admitted that the difficulty is to find a system which on the one hand gives sufficient flexibility to local government as well as an incentive to mend its own fences and on the other hand to satisfy the requirements for proper control, the new system takes but a modest step in the right direction. The total estimate for the West Indies for 1963/4, which is unlikely to be fully used, comes to £262,791. However, the form of control must be judged in relation to the efficiency of local administration. The fact that the grant-in-aid was suspended in recent years in three of these territories for the misuse of funds is evidence of local inefficiency. Can the Eastern Caribbean break out of the vicious circle?

Capital assistance

The *Survey* requested by the Colonial Office was intended to answer this question – surely the most important question that can be asked at the present time. On its answer depends in fact the constitutional future of the colonies in the area. For whether federation – and independence – comes to pass or not depends on whether each prospective unit can reasonably be expected to finance local services without federal grants once United Kingdom

assistance has ceased. Barbados, with its own population problem, is no more anxious than either Jamaica or Trinidad was to subsidise other units. With the collapse of the former Federation in mind, political leaders now approach the possibility of a federal link between the Little Seven as a matter of close economic calculation rather than high political ambition. No doubt it was at least in part in appreciation of this that the Colonial Office gave wide terms of reference for the *Survey*. They were:

- (a) Can this territory achieve the level of economic activity necessary to secure a rising standard of living for its growing population and independence from recurrent external aid?
- (b) What measures, in the form of increasing public utilities, developing industry and agriculture, attracting foreign investment and obtaining trained manpower and other basic needs, would be necessary to bring this about?
- (c) How can these measures best be implemented?
- (d) How long before these objectives can be achieved?

These questions appear to assume the existence of a technique of economic forecasting which will provide firm estimates of a variety of requirements which in combination would guarantee viability. Owing to the number of variables and their varying degrees of interdependence with one another, the calculation would require a large number of alternative sets of assumptions between which the policy-maker might have little rational basis to choose. For such small economies local influence on the rate and direction of change is bound to be rather limited. The existence of commodity schemes and schemes for 'supplementary', or compensatory, finance might have more influence by giving private investment a feeling of economic stability than large public works schemes, which on occasions might work in the exactly opposite direction. The calculations and conclusions of the *Survey* are built around the proposition that if gross domestic product grows at a greater rate than government expenditure and if revenue can bear a higher relation to gross domestic product, emergence from grant-in-aid is assured sooner or later. Each territory was surveyed and targets were set for financial viability which were thought to be within the fiscal and economic competence of the territory. Those with intimate knowledge of one or more territories will find much to agree with and, no doubt, something to query among these details. Only in the case of Montserrat was it not found possible to predict recurrent viability within the period 1963-73, although

St. Lucia and St. Vincent were thought likely to require capital assistance after 1973. Over the ten-year period the total minimum capital and recurrent assistance required on the basis of the projections approximated £65m. The basic projections, as is indicated in the *Survey*, are not predictions. They make certain assumptions concerning the growth rates of gross domestic product, gross domestic fixed capital formation in the public sector, government revenue and government recurrent expenditure. And it is implicit in the theory underlying these calculations that if the islands are given a 'big push' through large public investment they will in time become viable. Broadly speaking, the programme put forward to effect this is the present CD & W programme writ large. It is thought that the need is sharply to raise annual expenditures on roads, schools, communications, training and agricultural development. These items constitute the larger part of the suggestions of the *Survey*. Some of the major items have been approved under the 1963-6 CD & W allocation. These include a new hospital in St. Kitts and the completion of the deep water harbour scheme for St. Vincent. Negotiations are also in progress for loan schemes for electricity and telephones in several islands. For the most part the current CD & W allocation has been absorbed in continuations of the road programmes, school building programmes and in some cases for continuation of payments to staff which should be absorbed into the recurrent budget. Several of the larger schemes of the *Survey* are not included.

The *Survey* is admittedly a preliminary study. Its assumptions and the belief in the 'big push' approach may be questioned. More effective aid is not synonymous with more aid, in the West Indies or elsewhere. It is certain that CD & W funds have been less effective in the territories than they might have been because of inadequate programming and costing; equipment and materials have not been available as required and sometimes in consequence funds have been diverted to other projects for which they were insufficient. Uncompleted roads and other uncompleted projects are legacies of these shortcomings.

While the *Survey* has made a useful beginning, it needs to be followed up by a study of a somewhat different type. For small open economies viability is more a matter of markets and attractions for private investment than a matter of the size of the public sector. With gradually rising income levels in mind, a survey should be made of the minimum recurrent and capital needs of the public sector. Major shortcomings, as revealed for example in the operation of CD & W schemes, should be given top

priority. Both budgetary assistance and capital assistance could then be estimated. Had the Federal Government continued, it is understood that the grant-aided units would have been given tapering grants to cover budgetary deficits – fixed sums over a five year period. HMG could still do this. In addition, an enlarged CD & W programme might be drawn up to provide capital works. This could only be done if technical and educational assistance was considered along with capital assistance.

Educational and Technical Assistance

The smaller islands in general suffer from lack of staffs competent to draw up and implement sound development projects. The *Survey*, for instance, explains that 'due to staff shortages' the data necessary for a fuller study of Barbados could not be prepared by the Economic Planning Unit and Statistical Service there.* At the same time the general lack of development in some of the islands does not provide sufficient encouragement for highly competent and energetic officials to stay. For an island of the size of Montserrat there might well be no answer to this apart from emigration. But the problem is not confined to the senior grades. It runs through all grades. The Manktelow Commission reported in 1962 that in the Leewards and Windwards in particular.

'each year Public Service Commissions have found it increasingly difficult to fill vacancies at the clerical levels with persons fully qualified to enter the Service and been forced to accept recruits lacking the minimum prescribed qualification. . . . Evidence was repeatedly given to the Commission about the competition for recruits offered by firms in the private sector and the increasing number of secondary school graduates who emigrate. We think that this problem would be partly overcome by the adjustment of initial salary but the real solution lies in increasing the flow of secondary school graduates from which the public sector is likely to benefit.'†

Until educational and training facilities are having an impact on the quality of staff available, it is unlikely that sharply increased expenditure would in fact lead to sustained growth. Whereas it often appears to be thought that developing economies generally resemble Europe at the time of Marshall Aid, they in fact lack the skilled labour and economic organisation that were basic to the success of the Marshall Aid effort. Indeed, developing countries are more akin to the aircraft industry in Britain before

* p. 119.

† Quoted in Cmnd. 1992, p. 164.

Lord Beaverbrook's programme of expansion. At that time an attempt to spend more money would not have produced more aircraft as the existing capacity was being fully used. The Eastern Caribbean lacks both men and money for development and a programme which concentrates on either will be of limited benefit.

The allocation to the West Indies of technical assistance expenditure for the years 1961-3 is shown in the following table. Allocation to the area is seen to rise very slightly from 2.7% in 1961 to 2.9% in 1963 of total net bilateral aid to all countries. Other smaller territories fared rather better. Thus the High Commission Territories (Basutoland, Bechuanaland and Swaziland), which received only £66,700 in 1961, increased to £330,600 in 1962 and £240,100 in 1963. Mauritius received £2,600, £62,500 and £90,800 in the three years and Sierra Leone £46,300, £108,100 and £111,300 while the Fiji Islands were allocated £30,700, £338,400 and £402,300 in those years. These comparisons tend to suggest a relative neglect of the West Indies as far as technical assistance is concerned.

Table 5

**British Technical Assistance:
Allocation to the West Indies
1961-3**

(£'000)					(Calendar Years)	
					1961	1962
						1963
Bahamas	...	...	...	...	1.3	7.6
Barbados	...	...	...	...	37.9	52.2
Cayman Islands	...	...	...	...	—	2.9
British Honduras	...	...	...	...	32.7	91.1
Jamaica	...	...	...	...	3.7	87.7
Trinidad and Tobago	...	...	...	...	10.6	102.5
Turks and Caicos	...	...	...	...	1.0	6.1
Antigua, St. Kitts-Nevis, Montserrat and Virgin Islands...	...	...	...	...	19.6	54.8
Grenada, St. Lucia, St. Vincent and Dominica	...	...	...	...	43.6	83.7
West Indies (Federal and General)...	...	...	...	...	266.0	224.6
Total	...	...	...	...	416.4	713.2
Total Bilateral (net) all countries					15,428.0	24,289.5

6—Some Proposals

Feeling of Neglect

There is a general feeling in the West Indies that over the last decade or so interest has moved away from their problems to those of Africa. Mr. Ian Macleod clearly feels in part responsible for this as he has said that his one great mistake as Secretary of State was to allow the Federation of the West Indies to founder while giving Africa priority. It is academic to speculate now whether the Federation could have been saved if it had received more attention and more aid. Tariffs, migration and taxation were all issues in dispute in addition to the poverty of the smaller islands. Above all, the absence of a strong feeling of West Indian nationhood in the end brought about the withdrawal of Jamaica, followed by Trinidad and Tobago. The Little Seven appear to have learnt the lesson and are unwilling to federate unless and until their fundamental problem, the viability of the smaller islands, is felt to be soluble. This is prudent, as a premature move towards federation which failed would indefinitely postpone any further attempts at political merger in the area.

The figures on West Indian aid provide a rather equivocal picture. As shown in Table 6 aid to the West Indies varied both absolutely and relatively over the years 1945–63. If annual averages were deflated for price changes they would, however, not show quite the same increasing trend as appears in the

Table 6

UK Bilateral Aid, 1945–63

	1945/6– 1956/7 (12 years)	1957/8– 1959/60 (3 years)	1960/1– 1962/3 (3 years)
Total (£m)	528.1	257.3	421.9
To West Indies (inc. Bahamas) (£m)	52.5	31.0	35.8
Percentage to West Indies ...	10%	12%	8.45%
Annual average to West Indies (£m)	4.38	10.34	11.95

unadjusted figures. Varying population sizes can be allowed for by comparing these figures on a *per capita* basis. Table 7 shows how high the West Indies have stood throughout the period.

Furthermore, while no single development plan in the West Indies was wholly financed from CD & W sources in the late 1950s, four of the plans for 1960–4 are. They are those of Dominica (£1m), St. Lucia (£900,000), St. Vincent (£540,000)

Table 7

Aid per capita (annual averages)
(£m)

	1945/6- 1956/7 (12 years)	1957/8- 1959/60 (3 years)	1960/1- 1962/3 (3 years)
West Indies (including Bahamas) ...	1.40	2.61	3.01
Nigeria ...	0.10	0.08	0.20
Sierra Leone ...	0.15	0.43	1.10
Uganda ...	0.10	0.25	0.80
Tanganyika ...	0.11	0.17	0.70
Kenya* ...	0.60 (0.28)	0.57 (0.32)	1.70 (1.70)
Malaya* ...	0.46 (0.24)	0.63 (0.23)	0.70 (0.70)

Note: *Figures in brackets exclude emergency aid.

and Montserrat (£327,000), totalling £2,767,000. Allocations of CD & W money for 1963-6 total £2,110,000, being divided thus: Barbados - £500,000; Antigua - £250,000; St. Kitts-Nevis - £125,000; Montserrat - £75,000; Dominica - £350,000; Grenada - £150,000; St. Lucia - £260,000; St. Vincent - £400,000. Research assistance provided by the DTC is still predominantly African and West Indian as in earlier years.* The main research emphasis is in the natural resources and medical fields.

Apart, then, from the effect of price changes and, perhaps, to a limited extent, the collapse of the Federation there seems to be little evidence of serious neglect. Indeed, to some extent resources have moved away because the West Indies had outgrown the needs of earlier years. The activities of the British Council illustrate this. In Jamaica the British Council built the library service, started the drama festival and encouraged music. Now these are being carried on by the Government and the University. However, the smaller territories had not advanced as far and the switch of emphasis of British Council activities to India, Pakistan and Africa has in part been at the expense of activities in the Eastern Caribbean. In any adjustment, or expansion, of British Council activities, it is to be hoped that this will be corrected. Again, while it was appropriate to site the regional office in Trinidad during the time of the Federation, perhaps this is less appropriate since Trinidad became independent and Barbados has become the centre of the Little Seven.

The British Council helps to operate the scheme for service overseas by volunteers. This scheme is financed by the DTC and directed by the committee over which Sir John Lockwood presides.† In Jamaica there are both cadets and graduates.

* See Cmnd. 2433 of August 1964.

† See *Not by Governments Alone* (ODI, 1964), p. 32.

Three of the cadets are attached to the Jamaican Youth Service at the Chestervale Camp in the Blue Mountains. The four graduates are teaching. Jamaica is anxious to have more volunteers of both types. At present volunteers from the United Kingdom seem not to be as well known as the American Peace Corps, which has greater numbers and better publicity. Hitherto no volunteers have been sought by Trinidad although there is, as elsewhere, a shortage of secondary school teachers. A Cabinet decision is awaited. There seems to be considerable scope in the West Indies generally for volunteers, both graduate and non-graduate. It is a movement which deserves to be better known in the area.

Special Status

The declaration of policy of the few Premiers claimed that the territories had special problems and exhibited unique features. Throughout the relative smallness of the islands has been stressed, particularly those of the Eastern Caribbean. Income levels are around half in the Windwards and Leewards of the level of Trinidad or Jamaica. Not only do they lack deposits of oil, asphalt and bauxite but they are permanently limited by their smallness from developing secondary industries in any numbers. They cannot offer sizeable projects. So the overhead costs of any project is bound to be high. This is a point which inhibits the Commonwealth Development Corporation in the area. It is nearly as expensive to deal with small island projects as with large island projects and this often discourages local schemes. For projects below the sizes customary elsewhere the CDC in the Caribbean should receive a grant to cover this overhead. This would not, it is true, solve all the local problems of the CDC. Managerial ability is in short supply and reasonable prospects of continuity of management of a scheme is desirable. But allowance for the exceptional overhead costs incurred would help to get more schemes launched. This would be a relatively cheap and effective form of aid.

Size affects the cost of running public services and this cost is for essential services an unavoidable penalty of smallness. But it might be asked whether the existing governmental machinery is in fact of minimum size. Separate island government developed in the days of poor communications and should be adjusted to improvements due to air transport and inter-island telephones. Also, in preparation for the Federation each island received a ministerial form of government. If the goal is viability, the possibility of remodelling island governments on the lines of

town or county councils as they operate in the United Kingdom might be explored. At present this is not a readily acceptable view. Thus the *Survey* states that the extra cost of separate legislators and administrators might well be worthwhile 'since the existence of a unit government attracts aid and stimulates business and has been important in enabling overseas visitors to get early decisions directly from ministers with a minimum of red tape.'

The West Indies exhibit two phenomena not usually found together, namely relatively high *per capita* income and high unemployment. The explanation is that they are dual economies, with a high wage sector and a largely peasant sector. Skill is at a premium and much of the unemployed labour is made up of unskilled men, women and young people, also unskilled. It is said in the West Indies that in order to explain the expectation in the West Indies of relatively high wages sociological influences must also be taken into account. The chief of these would be the nearness of the American economy, providing high wages for seasonal workers and having a demonstration effect on spending patterns. Whatever weight attaches to this influence on attitudes, the setting of relatively high wage rates for unskilled labour by public bodies has been highly influential also. The growth of the tourist industry has reinforced both the demonstration effect and the effect of the wages policy of the public sector. Skilled labour is in short supply and points the need for crash programmes in education and technical training. Public utility services, where lacking, can be supplied relatively easily once the finance is available. Increase of skills is a lengthier process. It is no less essential if public and private capital is to be spent wisely. The development plan of Jamaica says:

'The low educational level of the majority of farmers is a major factor responsible for poor standards of husbandry and the bulk of farmers lack the capacity to benefit fully from the training provided by the Government Extension Services. . . . It is clear that any effort aimed at tackling the problem of the farmer before educational progress has enabled him to absorb technical knowledge is bound to fail, and it is necessary therefore to redesign the educational system at all levels to give full recognition to agricultural training.'

What is said of Jamaica can be said generally throughout the area. Given these features of smallness, relative wealth with high unemployment and unbalanced growth, West Indians feel that their islands merit special assistance. It is difficult to assess the claims of competing territories but recent agreements with

colonies achieving independence provide support for West Indian claims. As *The Times* commented on the proposed defence and aid agreements with Malta:

'They should startle the British taxpayer. They give Malta, relative to size and population, more than any available colonial economy being fitted out for independence. If they run the full ten years, they will average £5m a year in development aid and budgetary support, of which, in the first five years, three-quarters of the sum would be an outright gift.' (22 July, 1964.)

Malta and Gozo cover 122 square miles with a population of 329,000, i.e. 2,697 per square mile.

CD & W

The West India Royal Commission, 1938/9, reported that there was a pressing need for larger expenditure on social services and development which not even the least poor of the West Indian colonies could hope to undertake from their own resources. It recommended therefore that a West Indian Welfare Fund should be established with a grant of £1m for 20 years, with a special organisation to administer the Fund. Its objects would be the financing of schemes for the general improvement of education, the health services, housing and slum clearance, the creation of labour departments, the provision of social welfare facilities and land settlement, apart from the cost of the purchase of land. It was further recommended that the new organisation be set up in the West Indies but independent of the local governments. These recommendations were accepted. HMG gave special assistance immediately for certain schemes and provided for further assistance to be given to the West Indies, on about the recommended scale, within the wider framework of the CD & W Act of 1940. At the same time Sir Frank Stockdale was appointed as Comptroller for Development and Welfare in the West Indies with headquarters in Barbados. The organisation was wound up when the Federation came into being.

A complaint made in the declaration of policy is that aid was used for social purposes rather than productive projects in the colonial period. An analysis of CD & W commitments, 1946-63, shows that since 1946 40% of expenditure was on schemes for social development, including about 20% on education. These proportions are high but the need was shown by the West India Royal Commission Report for better housing, water, sanitation and health services in what were very poor economies.

As Professor W. M. Macmillan wrote at the time of the disturbances of the 1930s: 'A social and economic study of the West Indies is . . . necessarily a study of poverty'* In the smaller islands virtually all public works in the last twenty years have been financed by CD & W. Finance was made available from the territorial allocation on the approval by the Colonial Office of schemes submitted by the colonial government. So the proportion spent on social welfare reflected the priorities of the governments in the territories concerned.

It is also said that the Comptroller for Development and Welfare, through whose office applications for CD & W funds passed on their way to London, tended to favour a series of small projects scattered around the area rather than a few sizeable projects. But many of the smaller islands had no sizeable projects to submit. The relative smallness of projects in the West Indies generally explains the slight impact CD & W expenditure has made on the minds of West Indians. Few are aware of the extent to which CD & W has financed economic, social and educational projects throughout the area. The £6m spent on the buildings and equipment of the University seems to be the only part that has made a wide impression. CD & W is only too often associated with delay, form filling and inflexibility by those who had to administer it at the receiving end and rarely with the benefits received. Any assessment of the contribution of aid to economic growth is, for the same, virtually impossible. However, one feature of the CD & W system is appreciated, namely that it allocated funds over a period of years and so facilitated planning. In an address on aid the Premier of Trinidad stressed this aspect and argued that aid to independent countries should also be guaranteed over the period of their development plan.† This is generally true. It has been said recently of India that 'Nothing is more striking than the extent to which, today, Indian planning on a five and fifteen year basis is hamstrung by the fact that external assistance is arranged from year to year and is usually available only on a piecemeal basis as projects are started.‡ In order to revert to this feature of CD & W the donor countries might reasonably seek assurances of the uses to which the aid will be applied and of the efficiency with which it is spent. The bargain must be politically acceptable on both sides. Recipients are likely to accept supervision if it is clearly limited to the need for assuring taxpayers in the donor countries that their money is

* *Warning from the West Indies* (1936, reissued in Penguin Books 1938).

† *Some Thoughts on Economic Aid to Developing Countries* (Government Printing Office, Trinidad, 1963), p. 11.

‡ *India at Midpassage* (ODI, 1964), p. 17.

not being frittered away on worthless projects or the enrichment of those who handle it. Marshall Aid involved Western Europe in this kind of accountability and so do credits from the IMF. Once a country accepts the economic assistance provided by another, it might be regarded as having accepted the need for supervision of the utilisation of such aid.

Assistance in trading

Apart from CD & W perhaps the most effective form of aid given to the West Indies since the war has been in trading. This has taken two main forms. Firstly, there was the continuance of the preferences granted in the inter-war period. The West Indies, because of its interest in sugar, bananas and citrus, had the biggest stake in tariff preferences given by the United Kingdom to colonial products. However, since the war, effective margins of preference have fallen with the rise of prices. Preferences have been largely eroded.* Second, there were commodity agreements. The most notable and, for the West Indies, the most important, is the Commonwealth Sugar Agreement which has operated since January 1952. Originally for the period ending in December 1959 it now runs until December 1969. The Agreement is in the form of a long-term contract, providing a guaranteed market in the United Kingdom for a proportion of Commonwealth sugar exports at an annually negotiated price which provided a reasonable return to efficient producers. The United Kingdom undertook to buy, and the exporting territories undertook to sell, some 1.5m tons annually at the negotiated price, this amount being the 'negotiated price quota' and was a little less than two-thirds of the sugar exports of the exporters. Until 1963, when raw sugar reached its 43-year peak price of £103 10s. 0d., the negotiated price has been usually above the price obtained for sales outside the Agreement. At the January 1964 Conference the Premier of Trinidad enquired

'... whether, without interfering in any way with the Commonwealth Sugar Agreement, some formula might not be reached whereby some part of the fantastic price that is now available might be provided to developing countries, while fully recognising the fact that for so many years we have been getting £46, where the world price was £20. Through the Commonwealth Sugar Agreement we were able to maintain a certain level of stability. Notwithstanding that, . . . something might be done for territories like Trinidad, Barbados and Jamaica

*For details see the present writer's paper 'Imperial Preference in the West Indies, 1929-55' (*Economic Journal*, March 1962).

who are seeking international assistance in one form or another for the implementation of comprehensive Development Plans.' However, no issue was made of the suggestion. The Government of Jamaica agreed with Dr. Williams that the Agreement 'is one of the best of the commodity agreements' and while it welcomed the possibility of further funds for economic development was anxious not to suggest there was any right on the part of producers to share in the benefits being obtained at the time by the United Kingdom.

Under agreements that recently expired the banana industry of Jamaica was assisted by the United Kingdom through a price assistance scheme and the citrus industry benefited from a ten-year contract for concentrated orange juice. A price guarantee plan now operates for citrus. Clearly, therefore, the promise of HMG made at the United Nations Conference on Trade and Development, to continue its participation in commodity agreements is welcomed in the West Indies. Mr. Heath argued that agreements of this kind 'should cover the problem of access of markets as well as of prices'*. West Indian development in the future will depend to an important extent on the degree to which exports can be expanded. In the past there has been heavy dependence on special marketing arrangements and, as a consequence, insufficient effort has been made to find new markets and to expand existing ones for commodities capable of increased supply. In some cases there is little difficulty in increasing output but market conditions limit the quantities that can be sold. Oil, bauxite, alumina and sugar all come into this category. In other cases the markets exist and West Indian products sell easily but output has lagged. Coffee and cocoa come in this group. Better agricultural education, methods and incentives are wanted and here aid of various kinds would be appropriate. For the processed and light manufactured goods that can be economically produced in relatively small factories the essential prerequisite for increases in production is access to markets. The outcome of the Kennedy round of tariff reductions will be awaited with keen interest for its effects on tariffs on these goods. While the United Kingdom tariff is generally low or non-existent on tropical exports, it remains high on some products of interest to the West Indies, notably rum and cigars.† A lowering of tariffs would encourage consumption in the United Kingdom and stimulate West Indian exports of things for which they possess both the natural advan-

*Cmd. 2417 of July 1964, p. 14.

†The preferential Commonwealth duty for imports into the United Kingdom in 1964 are: West India rum, £12 17s. 6d. per proof gallon; Jamaican cigars, £4 3s. 3d. per lb of tobacco.

tages and manufacturing skills to produce. Such products should be given priority treatment.

In their declaration the Premiers stated that due to the need for taking positive action to attract capital by, for example, offering tax incentives, they were not reaping the full benefits of such development as was taking place. To some extent there has been competitive bidding for external capital, thus reducing the local benefits of the capital attracted. This, however, is a matter for local decision. Where the United Kingdom could help is by recognising the purposes of tax holidays and tax rebates and agreeing to reduce the United Kingdom tax liability accordingly. This is effected at present only through recently re-negotiated double taxation agreements. It therefore applies only to legislation enacted in Pakistan, Malta and Israel. Otherwise the United Kingdom frustrates overseas tax concessions by charging more, up to the standard rate, when developing countries charge less. There appear to be serious difficulties in re-negotiating the remainder of the existing double taxation agreements while the United Kingdom authorities are, not unnaturally, reluctant to legislate for the unilateral application of tax concessions some of which might not be regarded as suitable for relief here. However, a protocol to existing double tax treaties might be offered to overseas territories where the incentive legislation falls within the pattern already approved in the cases of Pakistan, Malta and Israel. A relatively small sacrifice of tax – which developing countries are sacrificing already – would be a useful form of United Kingdom economic assistance. It should not be overlooked that reliance on private enterprise is as great in the West Indies as anywhere in the Commonwealth.

Conference on West Indian Aid Problems

The West Indies are littered with the reports of committees and commissions. They usually provide excellent advice but little action seems to follow. The purpose of the present survey of aid problems was to pinpoint obstacles to the most effective use of British aid. With the recent undertaking at the United Nations Conference on Trade and Development that aid plus private investment will be raised to a minimum of 1% of the national income without taking repayments into account, i.e. 1% net instead of gross as at present, it is important to decide without delay on what changes in policy and method are required to maximise the effectiveness of the bigger allocation. The best way of becoming informed is to ask recipients. This could be done by calling a Conference on West Indian Aid Problems. Many

Conferences on specific topics have been held in the past with very considerable benefit to later policy. Two such, namely a Conference of Colonial Supplies Officers, 1949, and a Conference on the Technique of Development Planning, 1951, have been described and discussed in *Colonial Development*, a pamphlet in the series on British Aid.* Those concerned with aid policy and the administration of aid projects might be invited to discuss with their opposite numbers in London. In this way some of the present difficulties might quickly be solved.

Anyone travelling around the West Indies is soon made aware of the nature of some of these. Thus it was said several times that there were tremendous delays in obtaining approval of schemes for assistance, that it was most difficult to get approved schemes changed as circumstances altered and that the present system placed considerable handicaps on the use of unspent balances. How far do these administrative obstacles at the London end account for aid money being consistently underspent? Where are the obstacles – in the Colonial Office or the Treasury or both? Again, while much satisfaction was expressed about the help provided through the DTC, three queries cropped up several times. One concerned the Overseas Service Aid Scheme. In the Eastern Caribbean it still seems to be misunderstood. The civil service commissioner noted:

‘As a result of the application of this scheme the gross emoluments of the expatriate officer are increased to such an extent that not infrequently he draws more than his more senior local officer. It is perhaps no more than human, but unfortunately we found that the Scheme was often misunderstood by local officers.’†

In a few cases apparently local officers emigrated as a result and so increased the shortage that the Scheme was meant to reduce. If this be so, perhaps the Scheme might be either better explained or remodelled, or both, to avoid these results. In the case of experts, long delays are complained of, although it is realised that acute shortages exist for certain categories and the initial requests had not in all cases precisely defined what was wanted. Finally it was said that longer notice was desirable in order that better use might be made of courses.

It was noticeable that complaints of delay were less in the independent countries, Jamaica and Trinidad, than in the colonies. The High Commissioners pass requests and information

*By D. J. Morgan (Overseas Development Institute, 1964).

† Cmnd. 1992 of April 1963, p. 35.

of availabilities quickly through in either direction. The independent countries deal directly with the United Nations and other donors. So, too, does Barbados deal directly with the United Nations. The other colonies feel handicapped in having to apply through London. All felt that more information about the availabilities of British aid would be useful. This does raise the question whether a regional office should be established in the West Indies. Ideally, any such office would not deal only with educational and technical assistance but with capital aid also. While the United Nations representative in Trinidad provides a much appreciated service, the UN is restricted largely to technical assistance as the World Bank is concerned with capital assistance. A United Kingdom regional office would help to reduce delays by advising governments in the area in the formulation of applications. It would be much stronger if it dealt with aid funds as well as the whole category of technical assistance. The Plowden Report recommended that technical assistance work overseas should be an integral part of the tasks of the new Overseas Service, usually performed by regular members of the Service.* The extensive use in the aid programme of men whose earlier orientation was not in that field may be open to criticism.† For small territories it seems wasteful to attach well-qualified men to one or other of the High Commissions and unfortunate to post less qualified men. So the case for a regional office is particularly strong in an area such as the West Indies. If a Ministry of Overseas Development is established with overall control of both capital and technical assistance, the regional office should belong to it and service the High Commissions in the area. While such a regional office would be separate from the regional office of the CDC in Barbados, there would be much to be said for a close link between the two so that they could share knowledge of the region, co-ordinate trips in the area and be fully aware of one another's activities.

The breakdown of the Federation does not lessen the need to think – and act – in regional terms on the West Indies. An idea canvassed for several years has been that of establishing a Colombo Plan type of organisation in the Caribbean. This, however, is something different from the regional aid mission proposed. The idea of the Colombo Plan for co-operative economic development in South and South-East Asia was born at the meeting of the Commonwealth Foreign Ministers held in

* Cmnd. 2276 of February 1964, pp. 75–6.

† The administration of the Canadian aid programme has been criticised on these grounds in *Canada's Overseas Aid* by A. A. Fatouros and R. N. Kelson (Canadian Institute of International Affairs, 1964).

Colombo in January 1950. The original members were: Australia, Britain and her territories in Malaya and British Borneo, Canada, Ceylon, India, New Zealand and Pakistan. They set up a Consultative Committee at Ministerial level which has since met in various countries on 15 occasions. From the outset the Commonwealth countries manifested their concern with the area as a whole and its partners today embrace 24 countries, 18 within the region and 6 outside the region. The Sydney meeting of the Consultative Committee in May 1950 gave practical shape to the Plan with the formulation of a Technical Co-operation Scheme, as an integral part of the Plan, which provides the framework for the exchange of technical assistance between participating countries and the establishment of a Council for Technical Co-operation in South and South-East Asia. Operations have retained their bilateral nature at all times. A significant feature of the Plan is the gradual blurring of the distinction between the donor and recipient countries. The original donors were the members outside the region. More recently the countries of the region, particularly India, Pakistan and Malaysia, have shared their training facilities with other countries in the region. However, the Colombo Plan has in fact channelled a relatively small part of the bilateral aid flowing to its participants. Perhaps its most useful contribution has been the opportunity it has provided for comparison of plans and planning techniques. There is little here, however, to build on if we seek a means for the comprehensive co-ordination of aid in the Caribbean. Nor would such an organisation necessarily increase the amount of aid flowing to the area. Ideally, all territories in the Caribbean should be involved – British, French, Dutch, American and the independent republics – but this hardly seems a practical proposition at a time when neither Jamaica nor Trinidad are members of either the Caribbean Commission in Puerto Rico or of the Organisation of American States. Certainly, it does not offer an alternative to the proposal made for a regional office to deal with United Kingdom capital and technical aid.

For the Eastern Caribbean one of the obvious ways to improve the situation is to operate regional schemes. Take by way of illustration requirements in the field of medicine. The big and richer territories are fairly well off but the smaller poor territories are in a bad state. This is directly due to lower salaries and less amenities. It might be overcome if there were a plan to 'refederate in medicine'. It is obvious that Antigua cannot afford a full cadre of specialists, and neither can St. Kitts, nor several of the other territories but if they combined they could share. Another

solution would be for the University of the West Indies to have Senior Registrars, and indeed Consultants, on extra-establishment, to do tours of duty in the smaller territories and return to the University from time to time, if on the permanent staff, or at the end of their duty, if temporary. It is a feasible alternative but would be relatively expensive. With one scheme or the other in operation competent men would be more attracted to the area and more likely to stay.

Medicine has been taken as an illustration. The same applies in other fields. While much is heard of the need for large scale capital aid in the form of grants and soft loans – and these claims merit careful and sympathetic consideration – the bottleneck appears at present to be in administration even more than in finance. In many directions the investment requirements to launch an effective programme for raising productivity appears to be relatively small. The main problems involved are organisational rather than financial. It should be remembered that even the most carefully designed programmes are no better than the quality of their implementation. Targets may provide useful indications of required advances and may help to focus effort but no less important are the specific measures needed to realise them. In the absence of an adequate administrative framework any attempt sharply to enlarge the public sector is bound to lead to wasteful investment and consequential frustration. Shortages of economists, statisticians and others render it impossible at the present time for local staffs to proceed much further than to draw up development plans in fairly general terms. The immediate limitation on development is therefore the inability to sort out priorities and to work out projects in sufficient detail to attract aid. A whole series of feasibility studies are wanted and few can be produced locally. Either regional officers will have to be appointed, as proposed in the medical field, or reliance must be placed on visiting teams, which on the whole is bound to be less satisfactory. The drain away from the less attractive to more attractive employments is a universal phenomenon. The West Indies must allow for it by making posts more attractive or by training more than are likely to stay. A Printing School has been established in Jamaica because of the loss of operatives to the United States.

Regional schemes are no less desirable in agriculture, education, technical training and rural credit. Federation is one possibility and, to be meaningful, implies regionalism. A viable Eastern Caribbean Federation is the ultimate goal in that area but while this hangs fire much might be done by regionalising

certain schemes and services. A unified agricultural service would provide better advice and help in the smaller islands than they can obtain separately. More teachers could be trained for a given outlay if there were a regional programme and, with better prospects of promotion, the islands might retain more teachers. The Development Bank recently established in Barbados might operate more satisfactorily if extended to the other six islands. It might be suggested that the most valuable contribution that the United Kingdom could undertake at the present time in the Eastern Caribbean would be to offer to organise, staff and finance these four schemes on a regional basis. While such an offer to an independent Commonwealth country might possibly give rise to suspicions of neo-colonialism, in the Eastern Caribbean such an offer would clearly be intended to help them towards viability and independence. There should be less hesitation both in offering and in accepting it. Once regional schemes got under way, international institutions, including the World Bank, might be prepared to take a practical interest as regional schemes tend to be favoured.

This, then, is proposed as the agenda for a Conference on the next phase of Aid to the West Indies. The area has special features and special problems. The metropolitan influence has been strong there for over three centuries, leading to its early concentration on sugar and to acceptance of responsibility by the United Kingdom for its economic and social well-being. Jamaica and Trinidad and Tobago have become independent after reaching the stage of self-sustaining growth. With a new policy which accepted responsibility for regional schemes for education, agriculture, technical training and rural credit most of the smaller islands of the Eastern Caribbean might also be brought to this stage. The visitor of 1964 feels that with more information the present aid programme of the United Kingdom could be larger and more effective in the area. But that in itself is not enough: there is need for a new approach if the smaller islands are to advance to a position where a new and lasting Federation is to come about.

Overseas Development Institute

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It is now generally accepted that the problems of the developing countries in Asia, Africa and Latin America will be increasingly decisive in national and international politics during the next ten years. The industrialised countries are faced, in particular, with the problem of how to help in the development of these others.

To study this problem the Overseas Development Institute was set up in London in the autumn of 1960 as an independent, non-governmental body financed by a grant from the Ford and Nuffield Foundations and by donations from British industrial and commercial enterprises. Its policies are determined by its council under the Chairmanship of Sir Leslie Rowan; its Director is William Clark, and Deputy Director, Tom Soper.

The functions of the Institute are :

- 1** To provide a centre for the co-ordination of studies on development problems;
- 2** to direct studies of its own where necessary; at present on a grant from the Nuffield Foundation it is undertaking a broad study of the relation between methods of aid and the problems of development;
- 3** to be a forum where those directly concerned with development can meet others and discuss their problems and share ideas;
- 4** to spread the information collected as widely as possible amongst those working on development problems;
- 5** to keep the urgency of the problems before the public and the responsible authorities; in particular to inform the public about the need for action, and about the results of any action taken.

British Aid—5

Colonial Development

The British Government's aid programme to developing countries is running at £175m a year. It is administered by seven different Departments. Both the size of the programme and its present organisation are greatly influenced by Britain's relations with the colonies during the first part of the century.

Colonial Development outlines the colonial background of today's aid programme. It traces the emergence of the idea of aid specifically for development. It examines the Colonial Development Act of 1929 and the series of Colonial Development and Welfare Acts which began in 1940. Debates, reports, conferences and committees up to the middle of the 1950s are discussed in some detail and the Aid White Papers of 1957, 1960 and 1963 are also covered. The text is supplemented by tables giving statistical data. There are also sections on the important subjects of sterling balances, colonial currency systems and Commonwealth trade.

The study, which is based largely on unpublished material, is part of the ODI's factual survey of British aid financed by the Nuffield Foundation. The author is D. J. Morgan, a member of the ODI's staff.

Most of the countries which were colonies in the period covered by this survey are now independent. The study raises questions about the future aid programme, e.g. whether some aspects of colonial aid might not usefully be extended to independent countries, and whether the old system is still wholly appropriate for those now dependent and likely to remain so.

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