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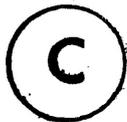
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M. A. THESIS

AID TO JAMAICA: A STUDY OF THE ROLE OF FOREIGN AID
IN THE DEVELOPMENT OF POST-INDEPENDENCE JAMAICA

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ABSTRACT OF THESIS

AID TO JAMAICA: A STUDY OF THE ROLE OF FOREIGN AID IN THE DEVELOPMENT OF POST-INDEPENDENCE JAMAICA.

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Supervisor: Professor Koilpillai J. Charles.

The purpose of this thesis is to examine the role of foreign aid in the development of Jamaica over a ten-year period after the country gained independence. A lot of existing empirical data relates to the role of foreign aid to developing countries from the viewpoint of the donor countries or foreign aid advocates who generally conclude that more aid has to be sent to these countries. This thesis attempts to study the subject from the recipient's viewpoint.

Before independence the Jamaican economy was highly dependent on foreign factors of production -- it required foreign capital, labour, know-how and foreign markets. Ten years later the situation remained the same.

Growth figures represent a statistical success in terms of most developing countries. A fast rate of economic growth tends to lead to a higher level of domestic saving which in turn makes the growth process more self-supporting. Has this been true of the Jamaican situation? We find that the success has not been for the majority of the people; the participation of the masses in the development process -- economic, social, political and psychological -- is a contradiction in terms. Regional and rural-urban imbalances in incomes and employment are considerable and the gap seems to be forever worsening.

The industrial sector though statistically highly developed is largely controlled by foreign capital and personnel. Publication of figures of transfer of salaries is severely limited but such transfer is estimated to be very very high and increasing annually. Imports are continually growing and slow to adjust to desired levels. The massive inflow of foreign exchange provided the major share of the rising import bill.

The thesis starts with a general review of the theoretical literature on aid. It then provides an economic and historical survey of the pattern of development Jamaica has followed. After a detailed examination of the domestic resource mobilization and effect of aid on national savings, and contributions from various donors the thesis finally reexamines, with specific reference to Jamaica and the structural defects of that country's economy, the general assumption that foreign aid is a sine qua non to developing countries.

This thesis adds to the existing empirical literature concerned with foreign aid to the third world. Even with the severe constraint of limited available data some evidence is presented to support the hypothesis that the country mismanaged its resources -- that there is no critical shortage of savings to necessitate increased influx of aid.

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ACKNOWLEDGEMENTS

This thesis was borne out of an idea given me by Dr. Chris Jecchinis, Professor and Chairman of the Economics Department. Professor Jecchinis supervised the thesis until his work load made it difficult for him to continue to do so. He has nonetheless shown great interest all along and lent me books on certain occasions. I am deeply grateful to him for his help, interest and the very existence of the thesis.

At the commencement of the thesis Dr. K. J. Charles, Professor of Economics, was away on leave of absence. Since his return Dr. Charles has been my chief advisor and supervisor. As an able and internationally-known economist in the field of development economics, I must say I consider myself lucky to have studied under his tutelage. My special thanks go to Dr. Charles for his critical encouragement and advice throughout the thesis and for arousing in me a passion for analytical rigour even though some of the data here do not readily lend themselves to such.

I am grateful to a number of people in various departments and agencies in Kingston, all of whom I cannot mention but special thanks are due to Messrs. L. Wilson of the Ministry of Trade, D. Thomas of the UNDP, J. H. Dunlap of the USAID, Dr. Owen Jefferson of the Department of Economics, U.W.I, Mona and Miss R. MacLean of the Ministry of Finance.

Finally, I must render special thanks to Mrs. June Cleeves who painstakingly typed the manuscript over and over and Miss Sherry Johnston who prepared the final manuscript.

Chapter I

Introduction

Massive transfers of capital from developed to developing countries is frequently advocated as the solution for bridging the "Great Divide" between the living standards of the poor and rich nations of the world. This stems from the view that poor nations cannot finance their economic growth and development from their own savings and as such require significant capital flows from the rich countries. Official international thinking evidenced by most U.N. publications on the subject cater to this view.

Unfortunately some of the poor countries have come to believe so strongly in this view themselves that they virtually encourage the inflow on the assumption that an increasingly high and substantial inflow has a direct correlation to the betterment of their economic development.

Others like the Republics of China and Tanzania opt for the 'strategy of disengagement' under which Third World countries are urged to explore maximum possibilities of self-reliance. Where there is shortage of capital they investigate how well they can use their own surplus labour. In situations of shortage of advanced skills intermediate technology is used and an attempt is made at further developing traditional expertise. This school of thought also emphasizes on at least a partial disengagement from the international capital system reasoning that the

International system of trade and investment is so structured that the full integration of a Third World country cannot but lead to exploitation. It argues that transfers in the form of foreign investment and foreign aid has entailed exploitative relationships ranging from distorted patterns of economic development within developing countries to enforced purchasing of advanced equipment from the donor countries.

Yet another school of thought in the developing countries advocates for the 'strategy of counter-penetration.' This involves "not a withdrawal from the international capitalist system but a readiness to infiltrate that system and make it more vulnerable to Third World pressures. If Saudi Arabia had disengaged from the international capital system, it would not today be enjoying an immense economic influence at the international level out of all proportion to its size and the level of its technological skills. By being substantially integrated through its own resources into the international capital system, Saudi Arabia gradually built within that system an immense economic leverage."⁽¹⁾

Post-war Jamaica falls into the former category of developing countries -- encouraging foreign inflow -- and the tendency seems to be the same after the country's independence from Britain in August 1962.

We here attempt to examine how foreign capital, specifically in the form of aid has contributed to Jamaica's economic development a decade after independence and what

(1) Mazrui, Ali A. "Petropower and Third World Solidarity" in Horn of Africa (An Independent International Journal) Jan/March 1978, Vol. 1 No. 1 p.34

economic implications could be drawn from the findings. This period coincidentally falls within the first U.N. Development Decade (1960-70).

1) Theoretical Framework

The general format of the thesis may now be explained.

We introduce the topic of aid with a general review of the theoretical literature on aid. Here we examine the beginnings of the concept of aid and its growth since the war, some pros and cons of aid in general then we define our own working concept of aid narrowed down to development assistance -- mainly government to government and from international institutions excluding private foreign investment and military aid.

We then attempt a brief economic and historical survey of the pattern of development Jamaica has followed. We examine in Chapters II and III the history and structure of the economy and the national income -- its production and distribution. We compare Jamaica with other developing countries at the same stage of development. We also examine the impact of aid donors on income distribution generally.

We proceed to examine in Chapter IV domestic efforts at resource mobilization. Since a proper analysis of savings behaviour requires estimates of personal savings, corporate savings, total private savings and governmental savings we try to cover these categories in the Jamaican economy. It seems the full potential saving of the household sector is not mobilized due to inadequate development of financial

institutions and instruments which suit the savers preferences. So here again we discuss some financial and social security institutions' which provide facilities for mobilizing savings e.g. some banks, life insurance companies and the building societies. We also discuss some studies on the effect of aid on national savings.

From 1962 onwards the tendency has been for government expenditure to grow faster than government revenue. The situation has been contained by a heavy reliance on large scale borrowing. Since 1965 foreign loans have accounted for about 5 to 11% of the total government revenue. With the marked shift in favour of loans for financing, all loans -- domestic and foreign went into the Consolidated Fund as the main source for disbursement. This of course affects the public debt over the years. Chapter V looks into the country's balance of payments and how the external account is balanced. Chapter V also examines the 1963-68 Independence Plan -- This is the last development plan Jamaica ever published. We try to find out how heavily this plan relied on aid for its implementation.

Chapter 6 looks closely as data permits at the donor countries and their various contributions. These are principally the U.S. administered by U.S. A.I.D., U.K. by the Overseas Development Agency and Canada by CIDA and the U.N. and its affiliated agencies through UNDP in Kingston, Jamaica. We attempt a breakdown of the development assistance given by these -- grant funds, loan funds and food aid. Next we discuss the government departments,

public and semi-public agencies involved in the utilization of foreign aid in Jamaica. Here we trace the allocation of funds to projects and their eventual use. We also look at a specific project under aid programme -- a project to improve the Kingston-North Coast highway ---- The Spanish Town-Kingston Highway funded by The World Bank. The rate of technical assistance is also examined.

We end with general concluding remarks on the findings of the study ---- Has there been enough aid? How far has aid helped Jamaica? Does Jamaica at all require aid? Have resources been misused or not? If so, how? These are some of the questions to which we try to find answers and comment.

ii) Economic Aid - Background

Public expenditure has vastly increased in all countries in the post-war period. In the developing countries this growth in public expenditure has been aided to some extent ^(1a) by foreign economic assistance widely referred to in the literature as foreign aid. The subject of foreign aid has a broad spectrum covering political and military objectives and economic and social progress. Aid as a concept has stemmed from the effort to reduce the widening gap between the developed and developing countries. This

(1a) The help they receive from the rich nations annually is small compared with the money and effort that they earn themselves and invest in their own growth. The aid is marginal; a fall in crop prices (e.g. cocoa in Ghana 1954-5) has been known to cost some of the developing countries more than all the aid they received in that year.

effort has been manifested according to popular belief, in massive transfers of resources from richer and so-called developed to poorer or developing countries. This involves more than a mere transfer of funds. The donor countries offer financial assistance in the main and the recipient countries contribute in local manpower, materials and resources on a co-operative basis for development goals. It also involves technical resources -- transfer of technology and ideas through technical assistance programmes.

Yet contrary to popular belief, there are cases evident to the fact that massive transfers of resources have taken place rather from developing countries to developed or rich countries channelled as it were through aid programmes. This is quite different from the outflows of interest and amortization. On commenting on the U.S. tying of aid to exports and the resultant increased costs to the underdeveloped countries concerned, Galo Plaza of the Organization of American States (OAS) ⁽²⁾ points out:

"A semantic cloud hangs over United States aid programmes and makes it difficult to see them as they really are. Most U.S. aid under The Alliance for Progress is not a gift (but) is in form of loans that are being repaid . . . it is not at all unreasonable to turn the picture around, and think about the benefits accruing to the United States as a result of what we call aid . . . Nearly all of this (the loans) is being spent in the United States on United States goods. In this way, they help create jobs for U.S. workers. They generate earnings for U.S. manufacturing enterprises and their stockholders, and taxable income for the U.S. Government. They give the U.S. a surplus in its balance of payments with

(2) Jamaica joined the OAS in June 1969 and thus qualified as a member in the International Development Bank (IDB). It subsequently applied for loans for higher education and agriculture from the IDB.

Latin America" (3).

Aid, at times, has seemed to have been used as a bribe or political pressure. This is evidenced by the U.S. "imperialistic adventure" -- its involvement in Vietnam and by the following anecdote related by Myrdal.

"When I was in Karachi, Pakistan, a few weeks before Ayub Khan's putsch in 1958, a government report was confidentially circulated showing that the American experts placed at the disposal of the Pakistan government were reckoned to cost, on the average, around \$40,000 -- including all the amenities, fringe benefits, and working facilities of various sorts added to the high salaries. The Pakistanis implied that they could buy such services very much cheaper elsewhere, if they instead were given the dollars for free use. The new government repaid the friendly reception their putsch was given by the United States by suppressing that report among other things" (4).

Other informed people have pointed out the trade advantages flowing from aid activity. Thus William S. Gaud Administrator of AID in the Johnson government said in 1968:

"The biggest single misconception about the foreign aid program is that we send money abroad. We don't. Foreign aid consists of American equipment, raw materials, expert services, and food -- all provided for specific development projects which we ourselves review and approve . . . Ninety-three percent of AID funds are spent directly in the United States to pay for these things. Just last year some 4,000 American firms in 50 states received \$1.3 billion in AID funds for products supplied as part of the foreign aid program" (5).

- (3) Myrdal, G. 1970 The Challenge of World Poverty New York: Pantheon Books p. 349-50
- (4) Ibid p. 350
- (5) Ibid p. 350

This misconception seems to be an undercurrent in the aid activities of most of the donor countries -- France, Japan, Germany etc. On the British side, Earl Grinstead, a one-time Minister of Overseas Development remarked:

"About two-thirds of our aid is spent on goods and services from Britain . . . trade follows aid. We equip a factory overseas and later on we get orders for spare parts and replacements . . . We shall spend on aid . . . because it is right and because it is in our long term interest" (6).

A Parliamentary Committee commenting on Britain's aid programme spelt out in concrete terms:

"Aid plays an important part in stimulating trade. Subject to the basic moral purpose of the aid programme, aid should be increasingly concentrated in those countries which offer the greatest potential market for goods originating from Britain" (7).

Aid in its present forms i.e. development assistance to other than colonial dependencies, is a recent phenomenon dating from the 1950's and early 1960's when a large number of British, Belgian and Italian colonies were admitted to the U.N.

"British development aid, however, began in a small way in 1929 when provision was made for the first time in assisting colonial governments to develop their economies by means of grants and loans for what has come to be called "infrastructure" development. A supplementary aim of the Colonial Development Act under which these sums were made available was to provide employment for British industry through increased demand for exports of various kinds". (Bailey, 1970). The first major Colonial Development and

(6) Ibid p. 358

(7) Ibid p. 358

Welfare Act was passed in 1940. This Act and several more which followed it undertook to provide grants for economic development to the colonies⁽⁸⁾. In 1948 the Colonial Development Corporation (the Commonwealth Development Corporation (1963)) was set up to work as a commercial organization investing money in enterprises in colonies which could not get finance elsewhere (Barker, 1964). It financed many enterprises linked with agriculture, especially smallhold farming, finance companies, building societies and in partnership with a firm of English potters launched a ceramics industry in Jamaica. British bilateral aid to independent developing countries of the Commonwealth started with the independence of Ghana in 1957⁽⁹⁾. The British aid programme then grew in response to changes in the position and needs of the Commonwealth countries. It was in the fifties that the whole process of development came to be seen as a world-wide pattern. As awareness of world poverty spread public attention was concentrated on growth i.e. increase in the per capita national income. The aid philosophy that evolved then was to encourage acceleration of growth in developing countries for it was believed by many third world economists such as Raul Prebisch that high rates of income growth will tend to generate the bulk of savings required to sustain the developing countries in the same manner as Japan, Europe

(8) This Act with its allocation of funds over a ten year period generated at the end of World War II a spate of Ten Year Development Programmes. Jamaica's A Ten Year Development Plan presented in 1947 was one of these.

(9) Before this time the independent Commonwealth countries just like many colonial governments raised private capital on the London market.

and North America in the past. In recent years aid has increasingly been given for purposes of long-term development with greater concern for the economic performance of the receiving country vis-a-vis its efforts of resource mobilization, self-help and internal reform to facilitate economic and social progress.

Aid emanates from various advanced countries now -- in Britain administered by the O.D.M., in the U.S. by A.I.D., in France by the Ministere de la Cooperation (directed mainly to former French colonies in Africa), Sweden by the Agency for International Assistance, Japan - Ministry of Foreign Affairs, Germany - Federal Ministry of Economic Cooperation (BMZ) CIDA in Canada and also from the U.S.S.R. Nonetheless the U.N. and its associated bodies of international agencies and organizations have been the main advocates of this effort to reduce disparities and remove inequalities in the relations between the rich and poor countries. The U.N. Charter implores members to "employ international machinery for the promotion of economic and social advancement of all peoples". They have, inter alia, formed committees of Development Decades and have focussed much attention on problems of development aid. The aims of the Development Decade 1950 - 60 were:

- (1) to raise the annual rate of growth in the GNP of developing countries from $3\frac{1}{2}$ to 5 percent

- (2) to increase the share of the developing countries in world trade from 26 to 28 percent
 - (3) the share of trade of primary producing countries to gain 12 points lost after Korean boom or at least gain 8 points
 - (4) the developed countries with about \$700 per capita income per annum to devote about 1% of their national income in economic assistance.
- (Ward and Bauer, 1966).

Both the size and geographical direction of aid reflect its political character. However, granted that a great deal of aid is motivated by political considerations this thesis proposes to study only the economic and developmental impact of foreign aid.

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) gives figures for development aid presented as "total flows of long-term financial resources to developing countries." This term of course includes items which have no element of aid such as private investment and export credits. Reverse flows -- outflows of profits and capital from developing countries to the developed countries -- are not accounted for. The flows are not related to the inflationary movement of relevant price indices and whilst presented as "financial flows" do not often flow in that form. The result is that these figures present inflated values of what could be discerned as genuine official aid.

The U.N. definition of economic aid excludes short-term loans and private investments but includes outright gifts or grants, long-term loans on commercial terms from international bodies such as the World Bank, the I.D.A. and from national governments.

Throughout the thesis we adopt Mason's definition which is the same as that of the U.N. really. (Mason 1964, p.12).

"We might as a first approximation advance the proposition that aid means a transfer of resources from the government or citizens of one country to those of another on terms that from the point of the receivers, are easier than could be obtained from the capital market. This would exclude foreign private investment and supplier's credit unless the terms on which these flows were made available were softened by reason of government schemes guaranteeing repayment or in other ways absorbing part of the risk. It would include, of course, in the private flows, grants, soft loans, and technical assistance from foundations, churches and other charitable institutions. Such a definition would include most of the flow of funds from government and international public institutions".

Although private investment plays a large part in capital mobilization in the developing countries we do not include it in our definition because we are concerned here only with aid transfers that involve governmental policy. In any case, private foreign investment has never been considered aid however much it may contribute to economic development. Aid, in our present context, therefore, comprises grants funded by various governments, loans and credits, U.S. Public Law (P.L.) 480 -- food surplus assistance, technical assistance Jamaica's sugar quota and debt rescheduling. Using the U.N. definition H.W. Singer (1960) pointed out "in the past five or six years the flow of resources to the underdeveloped countries by medium of public aid has been a more dependable

element in the flow of foreign exchange and resources to the underdeveloped countries than either export earnings, service payments, flow of capital or any other balance of payments item. Foreign aid has steadily and year by year increased at a rate of 15% per annum from \$2 billion around 1954 to around \$3½ billion now without a single setback in any year". (Myint 1964 p.100). The Pearson Commission quotes \$6.5 billion in 1968. It is estimated that in the whole post-war period about 10% of investment in poor countries was financed by aid. About two-thirds of this originated from the United States.

"Historically, some countries have developed without significant capital imports and, in some cases, the achievement of sustained growth preceded a substantial capital inflow. On the other hand, large capital inflows have frequently made little contributions to development. As a general proposition external capital or aid is neither a necessary nor a sufficient condition for development". (Mikesell 1968 p. 258)

Conclusions vary from economist to economist as to whether or not foreign aid does make some contributions in the development process.⁽¹⁰⁾ It is to be noted though that the significance of any contribution of aid to the economic development of a country depends to a large extent on the policies of the recipient country rather than the donor countries' intentions. The mere provision of aid in terms of resources or technical knowledge is not enough by itself to start a cumulative process of economic growth and thus development. The economy must create social conditions which are conducive to development.

(10) cf. Ward and Bauer 1966 Two Views on Aid to Developing Countries London: Institute of Economic Affairs

Various studies⁽¹¹⁾ indicate that foreign aid forms a small fraction of about 2 percent of the total national income of the developing countries yet finances about 10 percent of their investment. The figure varies from 10-50 percent for individual countries such as Korea, Pakistan, Tunisia and India. Triantis, (1970) however, argues that there are no fundamental reasons why developing countries today should depend significantly on aid to such an extent because over the last decade the growth rate of developing countries has been about 5 percent per annum whilst aid has financed just 6-7 percent of their capital investment. So if they increased their saving income ratio by just about 1% they could provide all their capital investment themselves. He therefore stresses increase in the savings income ratio in contrast to dependence on aid for any portion at all of their total capital investment. He points out the disadvantages of dependence on aid e.g. "the whimsical changes in the West's aid policies,⁽¹²⁾ the economic or political conditions often attached to capital assistance, the mounds of next to useless reports and the stream of third-rate experts". Other economists like Mikesell (1968) reject the savings ratio as a critical independent variable in the process of economic and social

(11) See Partners in Development Pearson chairman
 Praeger, New York 1969
 Mikesell 1968: The Economics of Foreign Aid Weidenfeld and
 Nicolson
 Barker 1964 British Aid to Developing Nations London: H.M.S.O.
 Triantis, S.G. 1970 The Future of Foreign Aid -
 McGill University

(12) For an example of this see the Daily Gleaner, Kingston daily Tuesday January 22, 1974 regarding cut of U.S. aid if Jamaica traded with Cuba.

transformation. As Mason puts it "there are more things in economic development than are dreamed of in this philosophy". Mikesell (1968, p.91-6) presents a critique of various growth models vis-a-vis aid requirements based on projections of savings and concludes "It is my contention that the behaviour of savings in developing countries has been far too erratic to provide a basis for a foreign-aid model in which the marginal savings ratio constitutes a critical variable". Although its quantitative role has been marginal aid has helped to provide a means whereby policies and programmes have been undertaken in hopes of improving the economic and social levels of many a developing country for the repercussions of aid on policies and institutions affect the allocation of resources in the receiving country. Quite apart from supplementing resources foreign aid has also helped to mobilize resources in the recipient country and also helped to transform these into goods and services needed locally or for export growth.

To have a clearer perspective of the impact of foreign aid one has to examine it in country or sectoral contexts. It is with this view that we set out to examine the role of foreign aid in the development of Jamaica. This thesis attempts to assess the effects of foreign aid on the economic development of Jamaica since it gained constitutional independence in 1962 and it proposes to make the study of aid in the Jamaican economy purely as an academic exercise not in line with other studies which posit persuasive arguments for increasing aid to the poor nations. The study is, however,

angled from the aid-recipient's point of view and covers the period 1962-1972.

The overall significance of this study cannot be underestimated either on academic or pragmatic grounds. Such a study may well contribute immensely toward provision of new evidence regarding the implicit assumption that capital inflows automatically contribute to the acceleration of the process of economic development. In the course of our analysis we would be able to pinpoint any misconceptions regarding the developmental impact of aid funds and where possible indicate policy changes because the decisive condition for the success of development aid, in the final analysis, is the pursuance of a realistic economic policy by the recipient country.

Apart from the evaluative goal of the study we will also be able, it is hoped, to answer such questions as how has Jamaica coped with the preponderant problem in poor countries vis-a-vis importation or uncritical copying of techniques of production, types of products and standards of services from rich countries that tend to be unsuitable for their particular economic context; in other words, has aid helped to increase Jamaica's potential rate of growth by providing techniques and resources more cheaply or could other ways have been used?

Chapter II -- Economic Background

This chapter refrains from a lengthy summation of the Jamaican economy; it presents a brief survey of the relevant historical background for the reader unfamiliar with Jamaica with the hope that it would help in understanding certain institutional factors that have helped shape the present pattern of the economy.

i) History

Jamaica is a small island (148 miles long, 55 miles wide) in the Caribbean Sea with a population of 2 million.⁽¹⁾ The Spanish conquered the island in 1494 and enslaved its original inhabitants, the Arawak Indians. There are no surviving species of the Arawaks: they were completely exterminated within fifty years. The name Jamaica originates from the Arawak name "Xaymaca" meaning "land of Wood and Water".

The Spanish imported African slaves and cattle to work on the land after extermination of the Arawaks. The British conquered the island in 1655 and continued to import slaves to work the sugar estates, as sugar had then become a most valuable export commodity in the world. This intensified slavery was stopped in 1838 resulting in the emergence of a free peasantry in Jamaica. The British resorted to indentured labour from India and China and before the end of the century there was an influx of Chinese, Lebanese and Jewish immigrant merchants. This, coupled with the existence of the colored

(1) See Appendix C

Jamaican -- the result of unions between masters and slaves -- forms the basis of the racial multiplicity of the Jamaican society.

Jamaica became a Crown Colony in 1865. 1938 saw the advent of two political parties and two aligned trade unions and in 1944 a democratic House of Representatives was elected. It attained internal self-government in 1959 with the British Government still in charge of Defence and Foreign Affairs. The evolutionary process went on till August 1962 when Jamaica attained full independence. From then on Jamaica has been an independent country with Dominion status within the British Commonwealth.

Aid to Jamaica before Independence was, consonant with British colonial policy, administered under the Colonial Development Act 1929 later amended to become the Colonial Development and Welfare Act 1940. Since this is strictly outside the period presently under review we will only give a general overview of the Act as it affected all colonies at the time and not actual allocations to Jamaica over the entire period.

The English mercantilist classes of the eighteenth and nineteenth centuries were only interested in developing the natural resources of the colonies for the sole benefit of Britain and themselves. They were less interested in the welfare of the colonial peoples. Thus investment was largely in raw materials such as gold, bauxite and manganese in Ghana, diamond (stones) in Sierra Leone, copper in Zambia and some export agricultural commodities like rubber in Malaya,

sugar in Jamaica, the whole West Indies as a matter of fact, and cocoa in Ghana among others. British Exchequer Funds were until late nineteenth century not used for the economic development of the colonies. This colonial neglect and its lingering remains is evidenced all over the former colonies. As regards recurrent expenditure the colonies were expected to be self-supporting -- they were to finance their economic development from local revenues and proceeds from their exports. Assistance towards economic development in the colonies started with the Colonial Development Act 1929. Wicker's Table on percentage of total assistance recommended by type of scheme gives an idea of the sectoral distribution of development assistance under the Act. (3)

In 1940 mainly as the result of recommendations from the West India Royal Commission the Colonial Development and Welfare Act 1940 (C.D. & W.) was passed. The Commission had unanimously declared "There is a pressing need for large expenditure on social services and development which not even the least poor of the West Indian Colonies can hope to undertake from their own resources". (3a) The 1940 Act covered operating charges, capital expenditure and expenditure on education. A ten year development plan was a sine qua non for assistance. (4) The ten year plan was to be sent to Britain for examination by the Secretary of State and several committees. In lieu of loans the colonial governments were to -----

- (3) Wicker, E. 1958 "Colonial Development and Welfare 1929-57" in Social and Economic Studies Vol. 7. No. 4 pp. 170-192
 (3a) Recommendations of the West India Royal Commission, Cmd. 6174, H.M.S.O. 1939 (V).
 (4) See Jamaica's "A Ten Year Development Plan 1947-57" op. cit.

receive free grants for development assistance and there was a set amount purposely for promotion of colonial research. Any unutilized amounts of the total assistance given was to be returned to the British Treasury at the end of the fiscal year. This clause was removed in the amendment of 1945; the colonial governments could use such amounts later on. The act was also extended to 1956 and required the colonial governments to finance their development plans from local reserves and loans (both local and external) in addition to the Fund provided by the Act. Wicker (1958) ⁽⁵⁾ points out that until 1957 local financing and loans accounted for two-thirds and C. D. & W. one-third of the total estimates of development expenditures.

Preparations for World War II on the part of Britain and also for the ten year plans by the Colonial governments delayed the implementation of the Act until the 1945 fiscal year. Wicker gives a summary of development assistance under the Act 1946-57.

Further amendments were carried out in 1949 and 1950 resulting in increased allocations and a shortened period for the development plan. A five year period was recommended because the ten year period had been found too long for any realistic planning.

Actual allocations to Jamaica under the C. D. & W. scheme after 1957 compared with total capital revenue are shown

(5) Wicker, E. op. cit.

below. From 1958 onwards the West Indian Federation received the grants en bloc and distributed among the individual members. Jamaica did not qualify for much because it was already gaining significant revenue from its bauxite industry which was booming at the time.

Table 2.1 C. D. & W. Grants to Jamaica 1957-62 in £

	1958-59	1959-60	1960-61	1961-62
C. D. & W. Grants	727,000	1,333,445	286,867	191,651
Total Capital Revenue	1,610,822	2,457,875	1,602,815	1,522,351

Source: Estimates (Annual)

With Independence C. D. & W. ceased; Jamaica received Commonwealth Assistance Grants 1963-64 until the end of Fiscal Year 1965-66.

ii. Economic Structure

Before Emancipation 1838 Jamaica was a purely agricultural country based on a plantation economy -- producing sugar as an export commodity to British markets. There was a slump then since the new peasantry of freed slaves refused to continue work on the plantations; they engaged in subsistence farming which expanded the domestic food production. This gave rise to a dualistic form of agriculture -- plantation and peasant agriculture. However, the sugar output grew in the 1930's spurred on by the monopoly granted by the Imperial Preference whereby Britain assumed the role of a monopoly buyer of Jamaica's exports of sugar and bananas. A great global shortage of sugar, caused by the collapse of the Indonesian sugar industry resulting from the occupation of Java, helped Jamaica's sugar production to rise to highly significant levels 1937-53. (6)

Data for the period presently considered show production of farmers (not estates) declining even though their acreage reaped is increasing. (7) This increase is attributed to a government minimum guaranteed price of \$8.00 minimum per ton of cane. The farmers are cashing in by reaping fields which were not previously harvested. There is a contrasting effect on the sugar estates. Whilst acreage is declining tons of cane per acre is somewhat increasing. In 1972 acreage reaped was 70,400 compared with 67,400 in 1971 and tons per acreage increased from 29 to 31.

(6) See Hicks, J.R. and U.K. 1955 Report on Finance and Taxation in Jamaica Kingston: The Government Printers

(7) See Economic Survey - Annual - National Planning Agency

The record high prices of sugar in 1963 declined to an all time low of \$66 per ton in 1965 from \$143.40 per ton. The acreage price for 1972 was \$145.05 which was quite a record judging from previous prices of \$88.80 to \$102.91 for the period 1968-71. In 1972 there was a mooted plan of World Bank investment in Jamaica's sugar production.

During the period of the sugar slump up to 1940 when the industry collapsed, bananas became the chief export of the country. It produced 60 per cent of Jamaica's export value. By 1969 it had dwindled to a mere one-twentieth of the annual export trade. Exported quantities to U.K. over period 1968-72 were estimated to have fallen well below requirements. The Jamaica Banana Board was reconstituted in January 1970. A stream of international experts was invited to confer with local experts on the reorganization of the industry. As a result the new Board embraced a development programme called "Action". The Programme was slated to cost J\$4 million over 3 years. The Government undertook to underwrite "Action" and work commenced in the middle of 1971. By mid 1972 production volumes had begun to increase and the price per ton increased significantly. 1972 exported quantity was 127,000 tons from 125,000 tons in 1971. A marginal but an increase nonetheless.

The Government set up the Agricultural Marketing Corporation in 1964 to provide an effective internal marketing system for farmers' produce. The Corporation assures the farmers of a ready market for specified crops "at reasonable prices" and guaranteed prices for certain commodities. The

Government established the Land Development and Utilization Commission in 1966 to look into the most efficient use of arable land since Jamaica is quite handicapped vis-a-vis this recourse. (8)

The country is industrially developing and is more developed than most others at the same stage of the development process. This is because Jamaica has a larger 'modern' sector than most developing countries. This also accounts for its relatively high per capita income. Evidence indicative of the strides made in its diversification and industrial development range from an oil refinery, glass works, cement, tyre and fertilizer plants, steel, paper, flour and feed mills to a modern deep water facility. Jamaica manufactures textiles, electronics, cement, chemicals, ceramics, leather, footwear, paint, plastics, processed food pari passu.

In a determined effort to break away from its traditional mould of a totally agricultural economy Jamaica established the Jamaica Industrial Corporation in 1952. By 1972 no less than 200 companies were operating in the country encouraged by the Jamaica Industrial Corporation (JIDC) and the liberal industrial incentive laws e.g. in 1967 the Industrial Incentives Law provided income tax relief for companies for a period of 10 years and up to 15 years to companies which planned to establish factories in specified "development areas" outside the capital. There is a Productivity Centre attached to the JIDC which the United Nations Development Programme (UNDP) helped to establish.

(8) See Appendix A.

Mining (of bauxite and alumina) which was non-existent prior to 1950 has become a major contributor to the Gross Domestic Product. (See Table 3.1). From \$45.5 million in 1963 it increased to \$102.5 million in 1967 and by 1972 its contribution to GDP was \$141.1 million (current prices). Jamaica is presently one of the world's largest producers of bauxite and alumina.

Gypsum (used in the manufacture of cement and plastic boards) and cave phosphates (used in the manufacture of fertilizers) are mined and exported mainly to North American markets. Only about 5% is retained for local use. Bauxite and alumina production is the main mining industry and accounts for 90% of the total output of the mining sector. The U.S. companies controlling a large portion of the bauxite deposits attached a great strategic importance to this since Jamaica is geographically closer to them than any other bauxite producing country. Between 1956 and 1961 the U.S. government purchased over 6 million tons of Jamaica's bauxite to add to its stockpiles of strategic materials. This practice has since ceased and the main determinant has been the production of alumina.

Until the construction of an alumina plant in Jamaica in 1969 only Canada through Alcan -- and only out of considerations of excessive transportation costs -- engaged in conversion of bauxite into alumina inside Jamaica. The U.S. companies exported the bauxite to their main plants in the U.S. for alumina production. Girvan (1971) using Jamaica as a case study devotes his entire book to the economic implications

of income foregone by the local economy in such a situation where vertically integrated foreign companies control local resources such as Jamaica's bauxite.

In 1968 the industry was estimated to have provided less than 1% of employment, 4% of national income, 14% of government tax revenue and 17% of retained foreign exchange earnings.

The government sector is small; private enterprise operates most of the economic life in Jamaica and even here there is a shortage of local entrepreneurship. Infra-structural development covering facilities like telephone service, electricity and gas, rural roads and water supplies and port development is in the private sector run by foreign-owned companies. Until fairly recently -- April 1974 -- except the railway, the public transport in the corporate area was in the private sector controlled by a monopolistic foreign company. In the rural sector transportation is operated by a few local entrepreneurs. Distributive trade has been for a long time operated mainly by private firms established by local families over the years. A cohort of 'small business women' called higglers cater for the internal marketing of agricultural produce for local consumption. Decision making in mining and tourism is largely influenced by multinational corporations because they have invested substantial amounts of foreign capital in these industries.

Local institutional set-ups like a central bank were non-existent until 1961 and even then their operation has been restricted to certain technical fields with severe constraints on their authority. Yet with a distorted price

structure as obtains in Jamaica and acute shortage in a number of sectors Jamaica needs an active monetary policy backed by fiscal measures. Most of the financial system is still operated by branch plants of foreign companies. The fact that most of the key sectors of the economy are controlled by foreign-owned companies puts Jamaica in a very peculiar position where she is highly dependent on foreign capital, thus borrows heavily abroad whilst at the same time she is the source of large capital flights in the form of corporate profits to non-residents.

In spite of active and growing efforts to diversify the structure of production Jamaica is very heavily dependent on exports and imports. The domestic agricultural sector that produces food for local consumption has been sagging markedly over the years and the situation is worsened by the constant rural-urban migration, and the decline in external migration due to the tightening of the immigration policies of those countries to which Jamaicans used to migrate. P.L. 480 food imports are increasingly becoming, as in India, a fixed feature of Jamaica's economic landscape. Hicks and Hicks (1955) commented "Though she produces a large quantity of foodstuffs, the foodstuffs which she is most capable of producing are not those which her people most desire to consume, or even such as it would be good for them to live on. Though she is beginning to develop some industries with which to satisfy her own wants, these industries depend in large part, upon imported equipment and imported materials. These

imports have to be paid for by exports. Thus the prosperity of the Jamaican economy depends to a quite exceptional extent upon the prosperity of her export trades. When the exports are bringing in a good income, Jamaica is prosperous, when they do not she is bound to be in trouble".⁽⁹⁾ Almost two decades afterwards the situation is very much the same.

Consumption patterns and aspirations lean heavily on goods and services from the developed West (especially North America) and East for that matter without any technological innovations or adjustment of existing production techniques. Since the concept of development and the division of the world by the yardstick of that development, with a world of the developed East, another world of the developed West and the third world of the underdeveloped or developing -- Africa, Asia and Latin America -- all Third World members have sought to emulate the developed countries to the detriment of their potential for capital formation. Their balance of payments has weakened as a result of this and structural unemployment and underdevelopment have been perpetuated, therefore, the inequality between social and income groups been sharpened. We shall examine these closely with regard to Jamaica in subsequent chapters.

The Department of Statistics started a bi-annual labour force survey in 1968. (There were no surveys in 1970 and 1971). The surveys are conducted in April and October. Figures for October 1972 indicated that the labour force was 41.5% of the total population and 72.2% of the population 14 years and over.

 (9) Hicks J.R. and U.K. Op. cit.

The proportion of women in the labour force was 43.5 per cent -- although slightly less than the October 1969 figure of 44.6 per cent. This still shows an increase over the 38.7 per cent of the 1960 census. The fact that the census was taken at a different time of year, in April, does not invalidate the comparison since it is supported by the April 1972 survey which showed that women constituted 43.8 per cent of the labour force. ⁽¹⁰⁾ Table 2.2 shows the distribution of employment in the major sectors and Table 2.3 shows employment in selected industries.

Table 2.2

% Distribution of Employment
by Industry Group October 1972

INDUSTRY	PERCENT
Agriculture, Forestry, Fishing and Mining	33.6
Manufacture	12.7
Construction and Installation	6.6
Transportation, Communications and Public Utilities	4.1
Commerce	13.1
Public Administration	10.8
Other Services	19.0
TOTAL	100.0

Source: Economic Survey 1972

(10) Economic Survey 1972

Table 2.3

Employment in Selected Industries 1969-72

INDUSTRY	<u>No. of Persons Employed</u>			
	1969	1970	1971	1972
Sugar (Peak employment during crop)	61,132	58,277	54,726	52,712
Sugar Estates	24,260	23,085	21,725	21,000
Cane Farms	16,000	15,200	14,300	13,900
Self Employed	20,872	19,992	18,701	17,812
Bauxite and Alumina	10,579	13,390	11,629	9,719
Mining, Processing and Related Activities	5,114	5,493	6,162	6,756
Construction	3,438	5,910	3,938	1,530
Agriculture and Agricultural Processing	2,027	1,987	1,529	1,433
Hotels, Guest Houses, Cottages and Apartments	8,150	8,730	9,400	9,580

Source: Economic Survey 1972

These are the main industries for which specific figures are available. We should point out, however, that the figures for the sugar industry are estimated from direct employment -- those engaged by contractors for field work and by truck owners hauling canes are not included.

Chapter III

Growth and Distribution of National Income

This chapter shows that much structural change occurred during the period studied, nonetheless, the changes were not those that would make the growth self-sustaining or help raise living standards of the masses who are at the bottom of the socio-economic ladder. Structural dependence on external capital and material poverty still persist. The implication is that before inviting foreign capital in every form the government first has to promote a significant growth of personal and government savings and direct these to other strategic sectors of the economy e.g. agriculture and manufacturing unlike mining and tourism which have grown substantially from their ties to foreign capital. Hence maximum mobilization of domestic resources should rate high in the consideration of national priorities. We shall deal with domestic resource mobilization in the next chapter.

Although there are many other dimensions of development, both economic and non-economic, for operational purposes economists generally define it in terms of economic growth -- national aggregated growth of production or income. Myrdal (1970)⁽¹⁾ posits "Development should be defined as a movement upward of a whole system of interdependent conditions of which "economic growth" assuming that it could be properly defined and measured, is only one of several categories of

(1) For a thorough discussion on the reliability of growth rates and statistics regarding the developing countries see Myrdal 1970 op. cit. pp 267-271.

casually interrelated conditions. A halt to improvement of other conditions usually called "social conditions" and still more an actual deterioration of them, will cause a trend towards disintegration of these newly founded national communities". Whilst the analysis of the gross domestic product and its rate of growth is one of the best indicators of the overall performance of the economy over time we should bear in mind that the distribution of wealth and income is equally important in the transformation of the whole social system or economy. We proceed then to examine the growth and distribution of national income in Jamaica over period under consideration.

i) Growth of Output and Income

Jamaica uses similar accounting techniques as most developed countries in estimating national income. In his estimates for 1960-2 Thorne concluded "Although levels of living in Jamaica are very low by Western standards, and subsistence production is not unimportant, economic organization is much more like that in a developed country than like in most underdeveloped countries. There is no important section of the Jamaican population which is completely outside the price and money system. And even where production for home use is important, it never completely supplants production for sale".⁽²⁾ This reinforces an earlier observation by Phyllis Deane regarding subsistence production in Jamaica.

(2) Thorne, A.P. 1955 Size, Structure and Growth of the Economy Supplement to Social and Economic Studies Vol.4 No.4 p.1

Deane had commented it was a "subsidiary form of economic activity".⁽³⁾

The Independence Plan 1963-68 projected an annual growth rate of 5.0 per cent but gross Domestic Product at factor cost rose at an average annual rate of 5.7 per cent. The period ending 1972 saw Jamaica as a fast-growing economy under inflationary pressures. Gross Domestic Product at current factor cost rose by an average annual rate of 9.6 per cent but the increase in real terms was 5.2 per cent. The Gross Domestic Product estimated at J\$480.9 million in 1962 was J\$719.1 million in 1971. The relevant output and expenditure figures are given in Tables 3.1, 3.2, 3.3. The figures portray one significant fact -- the rapidly changing structure of the economy reflected in the declining percentage contribution of agriculture to the GDP. The figures indicate that the contribution of agriculture fell substantially from 13.4 per cent in 1963 to 9.1 per cent in 1972 compared with mining and quarrying which almost doubled in 1970 from 8.9 per cent in 1963 to 15.2 in 1970 and was 12.2 per cent in 1972. Manufacturing declined but not significantly. The contribution of the government sector rose slightly and there were slight fluctuations in the contribution of the other sectors.

The structural change is a reflection of the differential growth rates of the various sectors. Table 3.2 however, shows the aggregated growth rates of the economy during the period considered.

(3) Deane, Phyllis 1948 The Measurement of Colonial National Incomes Cambridge University Press, p.95

Table 3.1

Percentage Contribution made by Industrial Sectors to Gross Domestic Product
at Factor Cost (Current Price)

1962 - 72

INDUSTRIAL SECTORS	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Agriculture	11.9	13.4	12.5	11.6	11.0	10.8	9.9	8.9	8.1	9.3	9.1
Mining, Quarrying & Refining	9.6	8.9	9.5	9.7	14.4	14.2	12.7	14.4	15.2	13.8	12.2
Manufacturing	13.7	15.4	15.4	15.0	14.5	14.3	14.7	14.0	13.6	14.0	14.3
Construction and Installation	10.8	10.2	10.6	10.7	10.2	10.1	12.1	12.1	11.7	11.6	11.3
Electricity, Gas and Water	1.2	1.2	1.3	1.4	1.3	1.3	1.3	1.5	1.5	1.5	1.6
Transportation, Storage and Communication	8.0	7.4	7.4	7.4	7.1	7.3	7.4	7.3	7.2	7.2	7.3
Distribution - Wholesale and Retail	16.0	15.6	14.6	14.4	13.4	13.0	13.0	12.6	14.2	14.1	13.9
Financial Institutions	4.5	3.7	3.8	4.4	4.3	4.5	4.5	5.2	5.8	6.1	6.6
Ownership of Dwellings	3.3	3.3	3.5	3.5	3.2	3.1	2.9	2.8	2.8	2.7	2.7
Public Administration	7.2	7.3	7.5	7.5	7.4	8.4	8.9	9.2	8.4	8.3	9.4
Miscellaneous Services	13.8	14.2	13.9	14.4	13.2	13.0	12.6	12.0	11.5	11.4	11.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Income and Product 1970, 1972

TABLE 3.2 GROSS DOMESTIC PRODUCT, GROSS NATIONAL PRODUCT, NATIONAL INCOME & PER CAPITA NATIONAL INCOME 1962-1970

YEAR	Gross Domestic Product at Current Prices		Gross Domestic Product at Constant Prices		National Income at Current Prices		National Income at Current Prices		Per Capita Income at Current Prices		
	A C T U A L		A C T U A L		A C T U A L		A C T U A L		A C T U A L		
	J\$ Million	Annual % Increase	J\$ Million	Annual % Increase	J\$ Million	Annual % Increase	J\$ Million	Annual % Increase	J\$ Million	Annual % Increase	
1962	480.9	4.2	451.8	1.6	506.9	4.4	427.1	4.6	258.5	4.1	
1963	511.6	6.4	466.9	3.3	540.2	6.5	452.9	6.1	270.2	4.5	
1964	547.9	7.1	503.4	7.8	589.0	9.0	489.4	8.0	286.2	5.9	
1965	594.3	8.5	543.9	8.1	637.4	8.2	529.8	8.3	303.5	6.0	
1966	682.1	14.8	567.8	4.4	692.7	8.7	576.5	8.8	323.1	6.5	
1967	723.1	6.0	582.9	2.7	745.3	7.8	618.8	7.3	341.2	5.6	
Average Annual % Increase for the period 1963 to 1967		9.0		5.7		5.0		8.4		8.1 ^x	6.0 [@]
1968	784.6	8.5	610.6	4.8	821.6	10.2	679.7	9.8	370.5	8.6	
1969	858.8	9.5	643.7	5.4	906.3	10.3	741.3	9.1	399.8	7.9	
1970	951.1	10.8	679.3 ⁺	5.5 [*]	981.3	8.3	806.2	8.8	429.8	7.5	
Annual Rate of Increase 1967 - 1970		9.6		5.2		9.6		9.2		8.0	

+ Projections were made in constant prices for 1963 and 1967 only.

x The projected annual increase in constant prices was 5.0 per cent.

@ The projected annual increase in constant prices was 2.9 per cent per annum

* Estimated

Source: National Planning Agency

Table 3.3

Expenditure Components Expressed as Percentages of Gross National Product 1962 - 72

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(Percent)

ITEM	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Personal Consumption Expenditure	73.2	72.1	75.7	73.6	72.2	71.3	69.5	70.0	70.4	73.9	74.5
Government Purchases of Goods and Services	10.7	10.8	10.8	11.0	11.1	12.0	12.7	13.3	12.2	12.9	13.2
Gross Domestic Investment	20.5	18.5	20.5	20.2	22.0	24.9	28.1	28.3	26.9	27.0	25.3
Net Exports of Goods and Services	-3.7	-1.2	-7.1	-5.0	-5.5	-7.2	-10.5	-11.6	-9.7	-13.8	-13.2
Statistical Discrepancy	-0.7	-0.2	+0.1	+0.2	0.2	-	+0.2	-	+0.2	-	+0.1
GROSS NATIONAL PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Income and Product 1970, 1972

In the first four years of the Plan there were high growth rates compared to the slump in 1962 and the absolute size of the GDP in these years clearly bears out the fact that the economy was fast growing. The dynamism of the economy is reflected in the 1966 growth rate but in 1967 there was another slump and the rate slowed down considerably. It picked up again in 1969 and the latest figure is 9.1 in 1972.

In examining the impressive growth rates of the economy one has to take into account the fact that international corporations control the key sectors of the Jamaican economy and there was a large capital inflow to the mining and tourism sectors especially.

Until fairly recently they had absolute control of the use and allocation of resources in these sectors⁽⁴⁾ 'thus integrating the country's economy into a world-wide system of production and distribution of goods'⁽⁵⁾. Underdevelopment is perpetuated in spite of the high growth rates. Undistributed profits and depreciation funds of these foreign-owned enterprises are not really part of Jamaica's "surplus" because

- (4) Jamaica announced in 1974 the imposition of a production levy and increased royalties on bauxite and alumina to invest in its capital development fund. See Budget Speech, May, 1974.

The bauxite companies threatened to take the matter up to the International Centre for the Settlement of Investment Disputes (ICSID) as they claim Jamaica had broken a contract signed in 1957 part of the original terms being that no further tax would be imposed. See Daily Gleaner op.cit. 17th May 1974 p.1

- (5) This stems from a long history of close economic association with the U.S. especially regarding bauxite and since 1963 when a greater proportion of Jamaica's imports tended to shift to North America, U.S. mainly, instead of Britain as in the period prior to Independence.

the government has no say in its use⁽⁶⁾. Its use is purely at the discretion of the multinational companies. Jamaica thus loses a significant part of its savings. This is the sort of phenomenon that prompts Triantis (1970) to comment "Nationalism in Canada or Australia is little more than making sure that the resources of these countries are controlled and used by the nationals of these countries and those people whom they wish to admit to their lands"⁽⁷⁾. According to Jefferson (1972) there was a capital flight of factor incomes to foreigners amounting to almost 7 per cent of the Gross Domestic Product in 1968. The net outflow amounted to 4.3 per cent of the Gross Domestic Product after deducting allowances for inflows of factor incomes to residents⁽⁸⁾. This represents quite a significant drain on the domestic resources of the country.

ii) Income Distribution

Per capita national income is often viewed in the literature as a direct function of development even though its impressive increases in the statistical sense may be associated with certain undesirable political and social variables. A criticism often levelled against it is that its very presentation implies an equal distribution e.g. given the national income of Kuwait on a per capita basis it would appear the people of Kuwait are the richest or most developed

(6) In the "Foreword" to the Five Year Independence Plan 1963-68 Hon. Edward Seaga, then Minister of Development and Welfare, says "A good deal of the resources of the country are outside of Government control".

(7) Triantis, S.G. 1970 op. cit.

(8) Jefferson, Owen 1972 op. cit. p. 51

in the world but it's a well-known fact that the wealth of Kuwait is controlled by a very small but extremely powerful section of the population and the people at large are very poor.

Nevertheless per capita national income is widely used in the literature as a convenient measure of economic development because it is an easy concept to grasp and use. Economists encourage it because it facilitates them in numerical analysis and model building and politicians and laymen find it easy to grasp.

Jamaica's population is large in relation to land and capital yet using the per capita income to measure its relative standing among other developing nations Jamaica emerges as an economy with a higher level of economic development than most developing countries. (9) Table 3.2 shows its growth rates over the period. National income per capita increased from J\$258.5 in 1962 to J\$514.4 in 1972 (at current prices) and the annual average rate of growth was about 6.0 per cent in the period 1963-7 and 8.0 per cent in 1967-70.

As aforementioned the distribution of income is equally important in the transformation of the economy. It gives a clearer picture than the average or per capita income. Both demand and supply are greatly affected by the pattern of distribution. A massive rural exodus to urban areas like

(9) Jamaica is in the top 20 per cent of the less developed countries. See IBRD World Bank Atlas, Population, Per Capita, Product and Growth Rates (Washington D.C. 1969)

Montego Bay and Kingston especially (in hopes of getting relatively higher wages) without any significant increase in job opportunities had and continues to have its inevitable concomitant -- creation of urban slums and its associated social ills, inter alia, high rates of unemployment and crime. (10)

Income distribution in Jamaica is highly skewed. Ahiram (1964) studied the pattern of distribution in 1958. (11) He used the Gini index (12) to compare some fifteen countries -- seven developed and eight developing. Ahiram's main conclusions are that Jamaica had the most unequal distribution of the lot. Jamaica's upper 5 per cent of households received 30 per cent of the national income, the upper 10 per cent received 43 per cent of the income but the greater proportion of the lower percentile i.e. 60 per cent at the bottom received only 19 per cent of the total income. The tax effect was very negligible and thus had no redistributational effect on income. The higher income groups and the urban sector were the main beneficiaries of economic growth and even among these categories the distribution varied widely.

(10) This is reflected in the high incidence of gun crimes especially and the recent passing and establishment of the Gun Act and Gun Court. March 1974.

(11) Ahiram, E. 1964 "Income Distribution in Jamaica 1958" Social and Economic Studies Vol. 13 No. 3 pp. 333-369.

(12) The Gini index measures inequality: by dividing population and income into percentiles, it shows what proportion of the income is received by what proportion of the population.

Another factor in the unequal distribution of income in some developing countries, Jamaica not excepted, is the fact that most of their development effort exhibit a geographical imbalance. These countries tend to concentrate all industries and new projects in the south where they almost invariably have their capitals -- e.g. Kingston in Jamaica -- at the expense of the northern and rural sections. The rapidly shifting rural population to the cities partly caused by the growing disparities in earnings between agriculture and the new sectors of manufacturing -- mining and tourism -- worsens the already very dense population there and the rural agricultural sector lacking the 'spread effects' of development continues to stagnate. This accounts for the declining percentage contribution of agriculture to the gross domestic product and in a way slows down the rate of growth of the national economy. Highly unequal distribution of income and property also tends to distort the pattern of demand for both consumption and investment. This often renders the idea of depending on prevailing prices to provide guidance for optimum allocation of resources very nebulous.

There has not been any published study on income distribution in Jamaica since Ahiram's. However, data gleaned from the annual economic surveys, on the steadily rising unemployment situation and the rural-urban drift coupled with the fact that no significant change has occurred since 1958 in the socio-economic groups and their earnings, seem to suggest that the inequality rather than being relieved has

been aggravated. ⁽¹³⁾ Between 1963 and 1968 the Government proposed a method of affecting income distribution by investing a greater portion of its capital expenditure in agriculture and labour-intensive construction projects but this effort had very little success. Of the \$46.7 million envisaged for agricultural projects J\$30.3 million was actually forthcoming. The construction projects did not start in time resulting in short-period jobs in the main. In 1969 the Government announced an increase in tax reliefs for the lower income groups, personal allowance was raised from J\$600 to \$1,000 for the \$1,000 or less income groups. But here again this has had no significant redistributive effect.

The impact of aid donors on employment and income distribution is brought out so effectively by Cohn and Erickson ⁽¹⁴⁾ that they are here quoted at some length:

"Impact of Aid Donors"

Donor agencies, including AID, inevitably affect employment and income distribution, regardless of their intentions or whether they even realize that they are doing so. Their influence makes itself felt in many ways, notably

(1) the types of technological and capital transfer which they finance; (2) the orientations of the LDC

(13) See R. Hon. Michael Manley -- Prime Minister's Budget Speech 1974, 29th May, 1974. The P.M. remarked in his introduction that his government had inherited in 1972 "an elitist society with a dependent psychology and an unequal distribution of economic benefits".

Cf. Dudley Seers on "Towards full employment"
The Columbia Report ILO 1970.

(14) Cohn, Edwin and Erickson, John 1972 Employment and Income Distribution Objectives AID Policy Background Paper October 1972.

institutions the development of which they support; (3) the effect of these transfers on what the developing countries do with their resources (i.e the demonstration effect); (4) the training in developed countries which they provide for LDC administrators and technicians; and (5) the general policy advice they give to LDC governments. AID policies and practices are especially significant in these respects because, despite the diminishing role of U.S. foreign assistance, they continue to exert an influence on multilateral agencies and bilateral donors.

Many practices and policies followed by multilateral and bilateral donors, including AID, have unwittingly made income distribution more unequal and have created less additional employment than they could have; in some instances they may even have reduced employment. These results have occurred as a consequence of donors' (1) often encouraging capital-intensive, labour saving technologies, notably in agriculture, manufacturing, and civil engineering works, and (2) restricting their concern to aggregate growth and neglecting which socio-economic groups contribute to the increased production and receive the benefits. This is not to say that donors have consistently, much less intentionally, acted in ways contrary to expanded employment and more equal distribution of income; many activities, notably PL 480 and program loans have brought important benefits, although this matter has never been systematically studied or even roughly evaluated. But donors have often leaned in the wrong direction and this could and should be corrected.

Adoption in LDC's of capital-intensive technologies is encouraged by a variety of donor policies and practices, notably:

(1) passing on to final borrowers, some of the subsidy made possible by concessional lending terms; even when interest rates to final borrowers are raised by the two-step loan device, which is not always the case when public entities are involved, the rates charged to such final borrowers are usually below the opportunity cost of capital. (This is an aspect of the general under-pricing of capital in LDC's but different in that the donor agencies are directly a party to the practice);

(2) limiting aid financing to foreign exchange costs; which induces borrowers to over-emphasize large, foreign exchange and capital intensive projects and to procure more -- and more elaborate -- equipment than they otherwise would;

(3) individual donors tying procurement to their own country, which is likely to result in more capital

intensive equipment being transferred than if LDC's had a greater range of choice among alternative types of equipment. In addition, tying by most donors (not the US) excludes procurement in LDC's (such as India and Brazil) where more appropriate equipment may be available;

(4) donor propensity for financing large, highly visible projects which are presumed to generate public relations benefits for themselves;

(5) the advice of foreign technicians familiar only with advance country technology and not attuned to the need for (or perhaps incapable of) creating/adapting technologies which fit the factor endowments of poor countries;

(6) insistence on the use of foreign contracting firms which, although sometimes notably responsive to local factor endowments, often utilizes the same capital intensive methods it employs at home;

(8) channeling both direct loans and loans through intermediate credit institutions preponderantly to enterprises which are largely located in the major metropolis, and/or owned by wealthy families. Assistance to enterprises which are large and/or in the major metropolis tends to encourage a capital intensive pattern of investment; assistance to enterprises in the major metropolis or owned by wealthy families increases inequalities in income distribution between geographic regions and between socio-economic groups, respectively; and

(9) encouragement for the importation of advanced social legislation (minimum wages, high premia for shift work, payroll-financed social benefits, etc.) which the economy does not yet have the capacity to support but which artificially raises labour costs.

The result of these various practices is to encourage the substitution of capital for labor and thus to exert an adverse effect on the expansion of employment opportunities.

By concerning themselves mainly with aggregate economic growth and paying inadequate attention to which socio-economic groups have opportunities to contribute to increased production or to participate in the fruits of growth, donors have neglected opportunities to exercise positive influence to reduce inequalities in the distribution of income and wealth".

Our conclusion is that although Jamaica's economic organization appears to be very similar to that obtained in developed countries income inequalities are of a greater degree or much more pronounced than in most other countries. Despite impressive aggregate growth rates a relatively large proportion of the population is not sharing proportionately in the benefits of growth. This is manifested in the high and growing unemployment rates and underemployment as the labour force grows faster than the opportunities for employment. See Tables 3.4 and 3.5.

It is difficult to get comprehensive data on the distribution of wealth but it is generally believed that the total productive wealth is far more unequal than the distribution of income. This is another factor for the skewness of income distribution because concentration of productive assets itself leads to greater concentration in income. In Jamaica the important productive asset to be dealt with is agricultural land. Data on distribution of land by size of holdings show that distribution of land is very uneven. Table 3.6 clearly bears out this fact. Even though farms of less than 5 acres account for a greater number of farms a greater proportion of the total acreage is controlled by farms 500 acres and over and there has not been a significant change since 1961.

The faster rate of population growth in the rural and poor groups also results in growing large families hanging on to the same holding and the large exodus of the landless poor to the cities in hopes of a better life. There is also that vicious circle in which the poor find themselves

vis-a-vis income distribution. Income distribution is closely related to employment since that is the source of income for most people. Low levels of education and other labour skills and in some cases a complete lack of education for the poor makes it difficult for them to get employment or high paying jobs and this becomes a critical constraint on their income and hence their ability to obtain the required levels of education and labour skills. The government of Jamaica has tackled a massive national literacy programme as a partial solution to this particular problem of the Jamaican poor. Jamaica's instance of a rapid economic growth goaded by private entrepreneurial activity could justifiably be compared to that described by Koopman and Schmidt (1971).⁽¹⁵⁾ They give a quotation from "an internal document of a developing country" (unnamed):

"Both in the First and Second Five-Year Plans, it was stated that efforts would be made to bring about a more equitable distribution of income and wealth. In practice, however, the concentration of income and wealth in the hands of a few appears to have become more pronounced. An unbridled drive for profits, aided by generous fiscal concessions and a sheltered market, has been, and continues to be, the mainspring of industrial development. But the concentration of economic power, and the unequal distribution of income and wealth, have started producing stresses which can have very injurious effects on the process of development. People in general are becoming very sceptical about the moral justification of sacrifices which they are called upon to bear for the hard and unspectacular task of development if all the benefits of these sacrifices are to be reaped by a tiny privileged group".

(15) Koopman, J. and Schmidt, Adam 1971 "A New Partnership for Development" in Modern African Studies Vol.9 No.1 p.119.

As Balogh (1966) points out Jamaica's inegalitarian social and economic stratification is rooted in its history; it is based on a sharp inequality in land ownership which stemmed from the slave trade. The trend continued in the colonial days as the British administrators preferred to recruit civil servants from Britain so did the absentee landlords recruit British nationals to supervise their property. "The rise of mercantile classes to cater for the needs of the elite completed the structure". (16)

(16) Balogh, Thomas 1966 "Jamaican Future" in The Economics of Poverty Weidenfeld and Nicolson p. 308-9.

Table 3.4 Labour Force by Age Group and Sex 1968, 1969, 1972

Age Group	1968		1969		1972	
	October	July	October	April	October	April
	B	O	T	H	S	E
TOTAL	<u>727,300</u>	<u>726,800</u>	<u>753,900</u>	<u>744,100</u>	<u>808,900</u>	<u>782,700</u>
14 - 24	200,000	200,100	200,200	203,500	225,700	211,800
25 - 34	149,200	151,500	156,100	151,400	171,000	170,700
35 - 44	138,000	140,500	131,700	142,900	148,200	142,800
45 - 54	122,200	114,600	131,000	120,500	127,500	129,800
55 - 64	76,000	81,800	87,700	82,200	89,100	81,500
65 and over	41,900	38,300	46,200	43,600	49,400	46,100

Source: Department of Statistics - Statistical Year book 1973

Table 3.5 Employment and Unemployment: October 1972 By Age Group and Sex

Sex	Age Group	L A B O U R F O R C E			Total	%	
		Employed	%	Unemployed			
Male	14 - 24	81,709	10.1	35,339	4.4	117,048	14.5
	25 - 34	78,208	9.7	11,185	1.4	89,393	11.1
	35 - 54	140,837	17.4	10,238	1.3	151,075	18.7
	55 and over	93,949	11.6	5,259	0.6	99,208	12.2
	Sub-Total	394,703	48.8	62,021	7.7	456,724	56.5
Female	14 - 24	42,400	5.2	50,521	6.2	92,921	11.4
	25 - 34	52,087	6.4	30,250	3.7	82,337	10.1
	35 - 54	94,618	11.7	30,365	3.8	124,983	15.5
	55 and over	42,705	5.4	8,620	1.1	51,325	6.5
	Sub-Total	231,810	28.7	119,756	14.8	351,566	43.5
TOTAL		626,513	77.5	181,777	22.5	808,290	100.0

Source: Economic Survey 1972

Table 3.6 Percentage Distribution of Farms - By Size Group - No. and Acreage 1961, 1968/9

	1961		1968/9	
	Percentage No. of Farms	Percentage of Farm Acreage	Percentage No. of Farms	Percentage of Farm Acreage
0 - 5 acres	71.02	11.57	78.46	15.39
5 - 25 "	25.89	22.76	19.45	22.88
25 - 100 "	2.39	9.79	1.58	8.54
100 - 500 "	0.48	10.84	0.36	9.94
500 Acres +	0.22	45.04	0.15	43.25
All Farms	100.00	100.00	100.00	100.00

Source: Department of Statistics: Census of Agriculture 1968 - 69 Final Report

Chapter IV

Domestic Resource Mobilization

The relation of the supply of domestic capital to the rate of growth in income is very crucial to the whole problem of economic development and aid to developing countries. In this chapter we examine Jamaica's own efforts in mobilizing internal resources for her development. It is hoped such an exercise would emphasize the role of foreign aid because it would give us an insight into the capabilities of the economy in sustaining its own growth without aid funds.

Even with the severe constraint of limited available literature some evidence is presented to support the hypothesis that the country mismanaged its resources.

The rate of aggregate domestic savings was 19% of National Income in 1962-63 and 22.2% for 1964-67. It averaged 23% in 1968-70. In 1971 it declined to 18% and further declined in 1972 to 16.7%. Personal Savings was 6.4% of Disposable Personal Income for 1962-63. For 1964-67 it was 2.8% then increased to 3.5% in 1968-70. In 1971 and 1972 it turned to Dis-Savings of 2.8% and 3.2% respectively.

Jamaica's relatively high per capita income would tend to indicate that voluntary saving would increase but the fact is there is no dramatic change in the already low rate of saving regardless of the impressive growth rates and increasing trend of the per capita income. This is partly because by the very nature of its presentation per capita income presupposes an equal distribution and we have already shown that income distribution in Jamaica is very unequal

and the disparity continues.⁽¹⁾ The higher income groups who would normally be presumed to contribute to the increase in the flow of aggregate savings are prone to indulge in conspicuous consumption. This, inter alia, accounts for the low rate of saving so the government has to find ways and means of channeling would be private saving to public saving. The government's fiscal programme therefore embraces a progressive form of taxation in hopes of affecting a redistribution of income and employment in the Keynesian fashion.⁽²⁾ Even though observation of the economic situation shows that this tends to further reduce the rate of private saving instead of reducing consumption by the full amount of tax, taxation seems to be the "most expeditious way of meeting a rise in capital expenditure"^(2a) as far as internal resources go.

i. Government as a Saver

The central government and its local government wing of 14 parish councils constitute the government sector in Jamaica. Since the local government is largely financed by the central government and accounts for just about 5 per cent of total expenditures in the public sector, for our present purposes we will concentrate on the central government when discussing government revenue and expenditure.

The government operates the non-profit making railway, two international airports -- one in the capital and the other on the north coast at Montego Bay, a number of small

(1) Refer Chapter 3.

(2) See Keynes, J.M. 1936 The General Theory of Employment, Interest and Money MacMillan:

St. Martins Press
(2a) Meier, G.M. ed. 1964 "Sources of Capital Formation-Note" in Leading Issues in Development Economics, p.113

airfields and some agricultural lands. The government also participates in such enterprises as tourism, the national airline and electricity. The government relies mainly on three sources of taxation for its revenue -- income tax, customs duties and excise tax. Taxes formed 13.5 per cent of GNP in 1960-64, 16.7 per cent for the period 1966-68 and 19.4 for 1969-71. This includes the social security contribution of 1.1 per cent. The ratio increased to 21.5 per cent in 1972. The composition of tax for the 1969-71 period is shown in Table 4.1.

Table 4.1

Composition Of Tax In Jamaica 1969 - 71

	<u>Per Cent</u>
Taxes on Income	45.63
Taxes on Property	<u>6.10</u>
Total Direct Taxes	<u>51.73</u>
Taxes on International Trade	22.43
Taxes on Production (Excise etc.)	<u>25.81</u>
Total Indirect Taxes	<u>48.24</u>

Table 4.2 gives a breakdown of government revenue by source and Table 4.3 shows the percentage distribution. Income taxes increased rapidly over the period and alone accounts for about half of the total tax revenue. Customs duties declined substantially and there were fluctuations in the excise duties. GNP for the same period was J\$599 and income tax elasticity with respect to GNP was 3.7 and elasticity for property tax 1.2. Property tax was very low prior to 1972. It was increased in 1972 and had no distributional effect whatsoever. It was increased in 1972 along with a series of changes instituted in the tax structure; the former structure was reduced to one schedule i.e. a marginal rate of 60 per cent was imposed by combining a previous surtax of 75.5 per cent to the regular tax rate of 75 per cent for the \$11,000+, the basic exemption for income tax was raised from \$600 to \$1,000. There was a flat rate for capital gains tax and there were also increases in various forms of duty -- stamp duty on overseas travel, consumption duty on spirits and cigarettes, a gambling tax and a coffee export tax. These were expected to yield a 10-20 per cent increase in the excise tax. On the whole, the changes resulted in a significant increase in total recurrent revenue -- from J\$126.6 in 1967-68 it rose to J\$208.5 in 1970-71 and increased at an annual rate of about 19 per cent since 1970-71 compared with 12 per cent up to 1967-68.

In determining the government's role as a saver we have to examine its expenditure side too. Government expenditure was the fastest growing component of aggregate demand during the period averaging 7.4 per cent per year in real terms.

Table 4.2 Sources of Government Revenues 1962 - 72
(in \$J million)

Year	Customs Duty	Excise Duty	Income Tax	Other Tax Revenue	Total Tax Revenue	Non-Tax Revenue	Total Recurrent Revenue
1962-63	25.8	11.2	30.1	3.4	70.4	9.6	72.2
1963-64	26.2	13.4	28.2	4.4	72.2	10.2	74.0
1964-65	27.6	21.0	33.8	6.4	88.8	7.4	96.2
1965-66	28.8	24.0	38.7	7.4	99.0	8.6	107.6
1966-67	29.8	26.2	38.1	8.4	102.6	8.6	111.2
1967-68	31.6	30.0	44.4	10.6	116.6	10.0	126.6
1968-69	35.1	34.7	46.9	14.1	130.8	13.4	144.3
1969-70	39.7	39.7	65.8	15.8	161.0	15.1	176.1
1970-71	43.3	43.8	83.8	18.4	189.2	19.3	208.5
1971-72	51.8	48.9	109.1	23.6	233.4	15.2	248.6

Source: Accounts - Estimates, The annual Estimates give actual accounts for the last year but one.

Table 4.3 Sources of Government Revenue - (Percentage Distribution), 1962 - 72

Source	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
Customs	36.6	36.3	31.1	29.1	29.0	27.1	26.8	24.7	22.8	21.1
Excise	15.9	18.6	23.6	24.2	25.5	25.7	26.5	24.7	23.2	21.2
Income Tax	42.8	39.1	38.1	39.1	37.2	38.1	35.9	40.8	44.3	47.8
Other Tax Revenues	4.8	6.1	7.2	7.6	8.3	9.1	10.8	9.8	9.7	9.9
Total Tax Revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: From Table 4.2

(Arithmetic differences due to rounding)

Table 4.4 gives a breakdown of government expenditure and its percentage of GDP and Table 4.5 shows government expenditure by function for the period reviewed.

The National Planning Agency attributes the rapid increase in government recurrent expenditure 1963-68 to -

- (i) the development and extension of services in response to the needs of the country and the demands of project implementation.
- (ii) the rising cost of labour, materials, equipment etc., constituting the government's current purchases of goods and services.⁽³⁾

The government spent a lot on infrastructural development and services to meet the rapid growth of production. For example, expenditure on community services for the period was J\$57.4 million far exceeding the plan figure by \$51.4 million. A greater portion of this covered expenditure on roads, bridges, drainage and reclamation. The estimation is that about 20 per cent of the government's capital expenditure has gone towards construction of roads and bridges since 1963 and 17 per cent was invested in agriculture for the same period.

Lags in expenditure on other sectors such as agriculture, education and health resulted in underspending for certain projects because they were implemented at reduced scales, overspending for some and yet others did not get started at all. The problem of lags here illustrates what happens when foreign aid is given on an annual basis.

(3) Economic Review 1963-68.

Table 4.4 Government Expenditure 1962 - 72
(in J\$ millions)

Year	Recurrent Expenditure	Development Expenditure	Total Expenditure	Total Expenditure as % of GDP
1962-63	69.6	22.6	92.2	17.6
1963-64	75.6	23.2	98.8	17.7
1964-65	85.4	30.6	116.0	19.2
1965-66	90.2	37.2	127.4	19.4
1966-67	103.0	32.9	135.9	19.8
1967-68	115.7	40.2	155.9	20.6
1968-69	124.3	46.7	181.0	21.1
1969-70	143.3	59.7	203.0	21.1
1970-71	176.3	78.8	255.1	24.7
1971-72	212.5	89.9	302.4	29.3

Source: Estimates, Annual

Table 4.5 Government Capital Expenditure By Type Actual Expenditure
(in US\$ millions)

CATEGORY	1963-64	1967-68	1970-71	1971-72
GENERAL SERVICES				
Administration	9.0	14.8	22.7	21.5
Defence	4.2	5.6	4.8	5.4
Justice and Police	7.2	10.4	14.5	17.2
	<u>20.4</u>	<u>30.8</u>	<u>42.0</u>	<u>44.2</u>
COMMUNITY SERVICES				
Roads and Waterways	8.8	11.2	17.1	19.6
Water Supplies	1.8	3.4	7.7	10.0
Other Community Services	3.0	4.8	4.6	4.3
	<u>13.6</u>	<u>19.4</u>	<u>29.4</u>	<u>33.9</u>
ECONOMIC SERVICES				
Agriculture	8.2	15.4	26.5	24.6
Transport, Communications and Storage	5.4	7.6	10.7	15.6
Other Economic Services	4.2	13.2	20.3	20.8
	<u>17.8</u>	<u>36.2</u>	<u>57.5</u>	<u>61.0</u>
SOCIAL SERVICES				
Education	15.4	25.0	42.4	55.7
Health	11.0	14.4	25.7	32.3
Social Welfare and Cultural Services	4.4	10.4	15.2	30.0
	<u>30.8</u>	<u>49.8</u>	<u>83.3</u>	<u>118.0</u>
OTHER SERVICES				
Public Debt Charges	6.4	12.2	25.2	27.2
Public Debt Redemption	-	2.6	0.2	-
Grants to Local government	7.2	10.8	12.0	14.5
Pensions	3.2	4.4	0.6	-
Miscellaneous	0.6	0.8	0.9	0.5
	<u>17.4</u>	<u>30.8</u>	<u>44.3</u>	<u>42.2</u>
TOTAL	100.0	167.0	256.5	299.3

Uncertainty surrounding the availability and magnitude of aid and its timing affects the implementation of certain projects and as such the economic development of the recipient country. For a worthwhile utilization of aid funds the receiving country must know ahead of time the amount donated and when exactly it would be available otherwise projects become abandoned, or are carried out at a reduced scale and generally disrupting the planning programme of the recipient country. What happens then is that even though some short-run benefits may accrue these do not get into the long-run transformation process because of the lack of essential inter-industry and inter-sectoral linkages.

Expenditure on tourism and industrial development far exceeded what was envisaged in the plan. Here the government had to maintain airports, ensure a system of water supply and provide houses⁽⁴⁾ for employees in addition to the building and maintenance of roads and bridges. This has resulted in an expansion of the manufacturing sector and has had a positive effect on the growth of the tourist industry. The number of visitor arrivals and expenditure has increased significantly since. Stop-over visitors increased from 235,025 in 1967 to 407,806 in 1972 and total visitor arrivals increased from 332,838 to 493,488 for those years. Estimated visitor expenditure rose from \$57.8 million in 1967 to

(4) The U.S. AID assisted the housing programme by granting Jamaica a U.S. \$10 million housing guarantee loan in 1971 for the development of a secondary mortgage market.

\$107.9 million in 1972. Next to bauxite and alumina tourism is the second largest earner of foreign exchange for Jamaica and accounted for 18 and 20 per cent of total export earnings in 1971 and 1972. It is estimated that it generated direct employment for about 9,500 persons in 1972. ⁽⁵⁾ Tax revenues derived from the tourist industry amounted to \$1,552,000 in 1972. Of this \$887,000 was room tax -- the tourist has to pay a 3 per cent hotel room tax imposed in 1969. There is also a \$2 departure tax and again the tourist pays indirect taxes on a number of consumer items. Such indirect taxes were calculated to be \$665,000 of the total tourist tax figure for 1972.

From 1968 - 72 there was a great concentration on government expenditure on social services especially education and health and on economic services especially tourism, industry and financial institutions to help mobilize and utilize local resources. In 1970 a number of financial institutions including the Jamaica Investment Fund (Unit Trust) and the Stock Exchange were set up. In 1971 the Jamaica Mortgage Bank was established with funds from the AID and the National Savings Committee was reorganized. The Committee conducts a lot of research and promotes savings on a national scale. Expenditure was also concentrated on the Employment Programme with several labour-intensive projects. The Employment Programme is a manifestation of the government's effort to increase the country's human capital and hence the contribution of labour to the general growth of the economy

(5) Economic Survey 1972

and thus solve the growing problem of soaring unemployment since the private sector cannot meet the demands of the labour market. \$7.3 million was spent on this programme in 1970 and expenditure on it is rapidly rising at an annual rate of about 5 per cent. The projects include training in skills and managerial talents because in spite of the very high unemployment rate Jamaica nonetheless has serious shortages of personnel essential for the process of economic development.

A study, of the multiplier effect of government expenditure on aggregate demand, done by the OAS Secretariat showed these results.

Jamaica: Impact Multiplier effect of a unit
 increase in Government Expenditure

Impact on	Multiplier
GNP	2.96
Consumption	2.01
Consumption on Non-Durables	1.07
Consumption on Durables	0.27
Consumption on Services	0.67
Personal Income	2.13
Government Revenue	0.17
Personal Income Tax Collections	0.17
Imports	0.06

Source: OAS Secretariat op. cit. p.212

Tables 4.6 and 4.7 show the relationship between gross savings and the composition of investment. Table 4.8 gives a breakdown of the financing of the capital expenditure for selected years. The figures show that the government as a saver does not save much even though in some years e.g. in 1969-70 its capital expenditure was financed by its own savings and domestic borrowing. One would have thought that government savings would be high enough to compensate for the low level of personal savings but this is not the case in the Jamaican situation. In its efforts to expand the capital budget in furtherance of improvement in the social and economic services the government has become highly dependent on market loans. It has relied mainly on borrowed funds both internal and external. As one observer puts it ".....there is indeed a substantial psychological commitment to the exclusive importance of the role of foreign capital in providing the base for economic transformation. It seems that the main preoccupation in this respect is with the quantum of funds and the extent to which substantial quantities of capital may be used to provide rapid transformation of particular sectors".⁽⁶⁾ The massive inflow of foreign capital to Jamaica financed large investments in the bauxite-alumina and tourist industries in the main but it also provided the foreign exchange which made possible increasing imports of various consumer items including foodstuffs, clothing as well as capital equipment.

(6) Chairman's remarks -- National Savings Committee Seminar
September 1973

Table 4.6

Domestic Savings and GNP (In US millions)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
National Savings	105.2	90.7	108.5	122.9	130.5	158.6	169.3	196.9	163.8	165.8
Capital Inflow	-6.6	30.6	22.0	30.7	47.3	73.5	91.7	78.0	131.3	139.0
Total Financing of Investment	98.6	121.3	130.5	153.6	177.8	232.1	260.7	274.9	295.1	304.8
Local Corporate Savings	28.4	33.0	35.6	36.8	36.5	40.2	43.3	43.5	57.0	50.2
Capital Consumption Allowance	41.5	42.3	45.7	50.1	52.4	58.9	66.7	81.3	83.0	96.9
Personal Savings	29.8	3.0	10.6	11.3	19.6	33.6	14.8	20.7	-22.5	-28.4
Government Savings	5.6	12.5	16.6	24.5	22.0	25.9	44.1	51.5	45.5	47.0
GNP	540.2	589.0	637.4	692.7	745.3	821.6	916.0	1015.9	1089.8	1198.0

Source: National Income and Product 1970

Table 4.7 Foreign and Domestic Components of Net Investment

Year	Net Investment (J\$ millions)	Net Domestic Savings (J\$ millions)	%	Net Capital Inflow (J\$ millions)	%	I/Y	I/ Δ Y
1962	63.8	57.8	90.5	6.0	9.5	0.14	4.7
1963	57.2	63.8	111.5	-6.6	-11.5	0.18	3.0
1964	79.0	48.4	61.3	30.6	38.7	0.20	2.5
1965	84.8	62.8	74.1	22.0	25.9	0.20	2.7
1966	103.4	72.7	70.3	30.7	29.7	0.22	2.8
1967	125.5	78.2	62.3	47.3	37.7	0.24	3.4
1968	173.2	99.7	57.6	73.5	42.4	0.28	3.0
1969	206.0	114.3	55.5	91.7	44.5	0.28	2.8
1970	193.6	115.6	59.7	78.0	40.3	0.27	2.7
1971	211.6	80.2	37.9	131.4	62.1	0.27	4.0
1972	307.8	168.8	54.8	139.0	45.2	0.25	2.8

Source: National Income and Product

Table 4.8 Financing of Capital Expenditures: Percentage Distribution

	1962/63	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73
Current Savings	11.5	27.1	35.1	54.9	38.7	35.5	28.3
Capital Revenues	32.7	21.6	15.5	14.6	5.8	5.1	5.0
Domestic Borrowing	43.8	37.8	40.9	35.8	26.9	22.6	31.9
Foreign Borrowing	6.7	8.5	24.0	7.0	7.9	26.6	19.8
*Other Sources	5.3	5.0	-15.5	-12.5	20.7	10.2	15.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: OAS Secretariat op.cit. p.215

* Includes direct aid like grants and budgetary aid.

Girvan comments on the inability of government savings to substantially rise thus: "The growth of government revenue and therefore its capacity to save is itself heavily dependent on the growth of the bauxite and tourist industries. Hence the growth of government savings is largely dependent on the growth of industries which are institutionally dependent on foreign capital financing. If these industries are not growing it is likely that the government can maintain its rate of expenditure growth only by increasing the rate of its foreign borrowing".⁽⁷⁾ In 1964 official capital inflows were more than half of the total capital inflows but because private flows have been rising rapidly since then official funds amounted to a very small proportion of capital inflows in 1970. Another factor is the government's difficulty in obtaining overseas loans as a result of the general state of capital markets abroad and the very high interest rates prevailing since 1967. Foreign borrowing has therefore been confined to government loans and loans from international institutions and commercial banks.

(7) Girvan, Norman 1972, op. cit. p.241.

ii. Corporate Savings

An analysis of the components of net domestic savings shows that corporate saving is the largest component and has been over a long period. Capital investment by Kaiser, Alcan, Reynolds and Alcoa -- all North American companies -- is the largest single form of investment and capital inflow and indeed has been since the 1950's when the U.S. government and the aluminium companies turned to Jamaica for their bauxite requirements mainly because of its geographical proximity vis-a-vis other sources like Ghana in Africa and what they claimed to be economies of scale for their large alumina plants. The trend persisted and has made Jamaica the largest bauxite ore producing country in the world. The industry is also the largest export in Jamaica. However, the benefits for the Jamaican economy from this industry have been mainly from tax payments. On this Girvan argues that the industry is considerably under-taxed because the commodity is not sold but merely transferred between various branches of the same vertically-integrated company. There is also the incidence of tax evasion by some companies.

Although capital inflow has contributed significantly to the increase of output capacity of the economy this has not led to related increase in incomes, savings or structural changes in the economy. The fact that such inflow has gone mainly into construction and installation in the bauxite industry and to finance special infrastructural projects has precluded inter-industry and intersectoral linkages needed for general economic development. Another negative

factor for domestic resource mobilization has been the flight of funds in the form of corporate profits for non-residents. This is bound to affect the reinvestment process. It is to be noted that there is no argument against capital inflow in itself, but the way it has been used so far with the inevitable concomitants some of which we have summarized above.

The corporations on the whole have a higher marginal propensity to save than the Government or Households. For 1964-67 the savings propensity for the corporations was 86.6 per cent compared with 15.7 per cent for the Government and 4.1 per cent for Households. This is to be expected in a private enterprise economy such as that of Jamaica.

However, in discussing domestic resource mobilization we here only consider the local corporations because the undistributed profits of the foreign companies are calculated as an outflow of factor income and the reinvested portion is calculated as part of net capital inflow. Table 4.6 shows the different components of domestic savings in relation to GNP.

Because of the low level of company development there is not much data on local corporate savings in Jamaica so it is difficult to present any rigorous analysis of it.

iii. Personal Savings

Personal savings represent the difference between personal disposable income and consumption expenditure. There is not much data on this category of savings in Jamaica. However, the National Savings Committee estimate that it

fluctuates over time and though generally underestimated could be said to account for 5-7 per cent of average disposable income. See Table 4.9.

The financial institutions involved in the accumulation of savings are urban in character and hence mainly cater to a salaried clientele in the economy. e.g. About 50 per cent of commercial banks and branches are located in the capital and its confines. In 1972 these commercial banks accumulated about 60 per cent of all savings and distributed 78 per cent of loans of which only 3 per cent went to the agricultural sector. This has given rise to a number of informal savings schemes e.g. the "partner" and friendly contributory savings schemes whereby a few individuals or friends or households get together and put aside an agreed amount at regular intervals for a fixed period of time. There is no interest paid on the deposits. This is a common phenomenon especially in the rural sector and unlike the developed countries where such savings would be regarded as marginal to total savings this comes to quite an appreciable proportion of total savings in Jamaica. 18 per cent of 28.4 rural households interviewed in a 1972 survey by the National Savings Committee were involved in the "partner" scheme. The assets of such societies were estimated to be well over J\$75,000 in 1965. (8) Table 4.10 shows personal savings by occupational

(8) Annual Report - National Savings Committee

Table 4.9 Personal Savings as Percentage of Personal Disposable Income 1962 - 70

Period	Personal Disposable Income (J\$Millions)	Personal Savings (J\$millions)	Percentage
1962	398.5	2.6	0.65
1963	420.8	29.8	7.1
1964	450.2	3.0	0.6
1965	481.5	10.6	2.2
1966	513.2	11.3	2.2
1967	553.9	19.6	3.5
1968	607.0	33.6	5.5
1969	651.3	14.8	2.3
1970	717.6	20.7	2.9

Source: National Income and Product 1970, 1972

Table 4.10

Distribution of Personal Savings by Occupational Groups

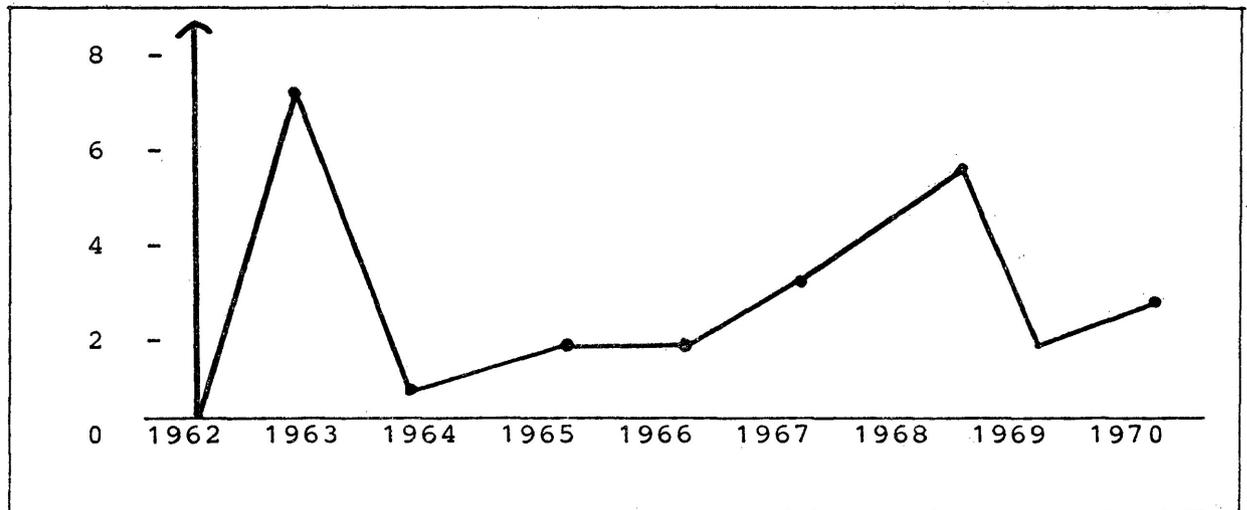
Occupational Group	TOTAL		SAVINGS DEPOSITS										Shares & Stocks		Development Bonds		Life Insurance		Non-Institutional ("Partner")	
	No.	Amount	Commercial Banks	Government Savings Bank	Building Societies	Credit Unions	Other	Shares & Stocks	Development Bonds	Life Insurance	Non-Institutional ("Partner")	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
1. Professional & Technical	100,515	26,379	31,688	10,856	2,948	118	10,778	1,647	9,793	593	5,096	448	2,784	766	2,046	6	23,322	10,229	12,060	1,716
2. Managerial	10,666	16,461	3,789	14,381	1,009	200	524	133	756	8	638	58	-	-	-	-	2,508	1,419	1,422	262
3. Clerical & Sales	68,445	13,549	20,838	6,331	4,688	206	3,517	222	3,553	154	3,150	281	1,589	182	3,448	108	14,350	4,704	13,312	1,361
4. Craftsmen	6,506	1,336	2,815	592	-	-	340	160	526	20	-	-	-	-	-	-	1,329	446	1,496	118
5. Other Skilled	175,525	16,918	48,516	5,196	18,184	657	9,120	544	12,518	304	16,425	907	3,040	67	1,600	7	23,733	4,093	42,389	5,153
6. Semi-Skilled	78,504	10,852	20,399	2,611	7,147	376	5,355	352	5,021	78	7,085	1,308	1,724	193	-	-	11,305	4,116	20,478	1,958
7. Unskilled	80,953	6,501	21,149	1,965	8,011	999	2,409	70	3,793	119	8,275	-70	-	-	-	-	4,697	621	30,624	2,257
8. Not Reported	153,474	14,064	41,679	2,084	19,910	800	8,759	834	5,758	47	13,211	339	2,575	2,427	-	-	24,012	4,767	37,570	2,566
TOTAL	674,568	106,060	190,863	44,016	61,897	3,356	40,802	3,962	41,718	1,323	53,880	3,911	11,712	3,595	7,094	121	107,251	30,385	159,351	15,391

Source: National Savings Committee, 1972 Survey

(\$'000)

groups and it is evident that sections of all groups participate in the "partner" scheme and the amount realized far exceeded that of the Government Savings Bank, Building Societies and Credit Unions put together.

Figure 4.1 The Personal Savings Ratio 1962-70
Per Cent



Source: Adapted from Table 4.12

(8) Annual Report -- National Savings Committee

The 'partner' scheme channels a substantial proportion of funds into non-institutional savings. The accumulated funds from such a source do not usually enter the main flow of funds planners and statisticians contend with therefore poses problems, inter alia, for the measurement and estimation of national savings. This necessitates a promotional drive and marketing strategy to get people, especially in the rural sector, and the urban artisan group to change their attitudes and use some institutional form of saving.

The tendency has been for the savings ratio to decrease even when real incomes are rising rapidly. This is quite unusual and may be explained by the fact that inflationary expectations⁽⁹⁾ caused anticipatory buying and also the phenomenon previously referred to as common in Jamaica -- prestigious buying or the proclivity for ostentatious consumption coupled with the demonstration effect vis-a-vis the uncritical copying of North American standards⁽¹⁰⁾ (to the extent that some people do create debt in an attempt to maintain certain 'minimum standards of living') could be said to account for the drop in the propensity to save and the downward drift in the savings ratio.

(9) Constant inflation is the result of structural features of the Jamaican economy. Also the consumption expenditure has a very high import content.

(10) e.g. in a hot tropical country like Jamaica with no snow at any time it is very common to see people buy large pine and spruce trees (both natural and artificial imports) for Christmas trees with all the trimmings of electric lights and tinsel for snow effect. The local "Christmas tree" -- poinsettia -- seems to exist only in name.

Deposits held by Jamaican nationals in the countries to which they have emigrated e.g. U.K., U.S. and the Bahamas are estimated to amount to several millions. The question arises as to why some of this at least could not be encouraged to be sent home for capital formation, and why the situation arises in the first place. If it's the political and social environment, or interest rate or exchange control policy which fosters this what is the Government doing about it -- what can it do? What is the role of the National Savings Committee in this? We do not presume to offer the solutions to these within the scope of our present framework; we merely point out that there is the need for a promotional drive to encourage Jamaicans abroad to save at home and engage in productive investment -- not just in real estate for speculative purposes which is the present practice.

iv. Others

We now consider the banks and other financial institutions which serve as agents of mobilization and allocation of the resources discussed above. A Central Bank -- The Bank of Jamaica⁽¹¹⁾ -- was established a year before Independence 1962. It serves as a banker to the government and to the commercial banks. It is also in charge of exchange control and issue of government securities. The Government

(11) For a thorough discussion of the Bank and its operations since inception refer Chapter 7 of Girvan, N. Op. cit.

Savings Bank operates like any commercial bank even though its funds are largely drawn from small savers and a greater proportion of it is allocated to the government.

There are eight commercial banks with about 200 branches in 1972 but until the recent programme to localize or 'Jamaicanize' the financial system in terms of ownership and control⁽¹²⁾ these were all foreign-owned and controlled. A number of them still are in spite of efforts to sell a few shares to the indigenous people.⁽¹³⁾ The same applies to the Life Insurance Industry and some Jamaicans have advocated that the government should take an effective part in the ownership and control instead of just transferring from a foreign to a local elite group.

The commercial banks attract more savings than any other financial institution.

This is partly because they have had high and rising

(12) Since 1967 there has been a growing advocacy to 'Jamaicanize' financial institutions in terms of ownership of shares and the composition of board of directors and management personnel.

(13) The Bank of Nova Scotia sold 25 per cent of its shares to Jamaicans in 1967. By 1970 local shares had increased to 30 per cent and it is hoped to increase to 51 per cent within five years.

The Jamaica Citizens Bank Limited was established in 1967 with 51 per cent local participation and 49 per cent shares held by the Citizens and Southern Bank, Atlanta.

The Bank of Montreal (Jamaica) Limited started operations November 1970 with 25 per cent shares open to the local market. The other banks have expressed intentions to incorporate locally in the immediate future.

interest rates over the period compared with other institutions like the Government Savings Bank whose interest rate was 2.5 per cent until 1971 when it rose to 3 per cent. Yet some savers prefer to use the Government Savings Bank than seek higher interests existing at the commercial banks. This does not indicate a positive response to increased interest rates. The interest rate for the commercial banks has ranged from 3.5 to 9 per cent per annum in 1972. Another factor for attracting more savings is the fact that the commercial banks have so many branches throughout the country so they tend to be more accessible than any other financial institution. Table 4.11 shows the assets of major financial institutions in the economy. The commercial banks emerge as the financial institution with the greater assets and as such the major supplier of funds as working capital for industry and other sectors. An examination of the sectoral distribution of their loans and advances indicate that over the period reviewed the bank has extended credit mainly to manufacturing and personal and professional borrowers. Money loaned to the agricultural sector has almost invariably been to the plantation agriculture as they hardly ever cater to the peasant farmers. (14)

The pricing mechanism in the banking industry poses problems too -- there is a set of loan and deposit rates set by the Bankers Committee, at the same time the quasi-

(14) For a complete analysis of the problems faced by the small farmer see Edwards, D. 1961 An Economic Study of Small Farming in Jamaica Mona: I.S.E.R.

monopolistic banks have their own set of market loan rates which far exceed the average deposit interest rate. This renders price an ineffective mechanism in the allocation of resources.

The commercial banks mobilize savings both domestic and foreign for domestic investment and they have also been known to invest such savings abroad on occasion; since they are foreign-owned they have easy access to foreign funds from their parent companies abroad so when investment opportunities are greater in Jamaica they import capital to invest locally and when opportunities are better abroad they export capital. This international mobility of funds has undoubtedly affected the balance of payments in Jamaica. When there is a capital import or inflow for domestic investment this helps reduce the deficit on current and capital account. There is an inverse relationship between the current and long-term capital account, money supply and capital exports by the commercial banks. To mitigate this the Banking Law 1960 (amended in 1973) requires the commercial banks to maintain a minimum of 21 per cent of their deposit liabilities in domestic liquid assets. The liquidity ratio can vary up to a 35 per cent maximum. This has had the effect of making the commercial banks keep a lot more of their assets locally since Independence than previously. In 1968 there were large inflows of funds from abroad, government expenditure was very high, at the same time there was a high level of liquidity in the banking system so the Bank of Jamaica reduced the bank rate from 6 to 5 per cent and introduced the Bankers Deposit and Loan

Table 4.11 Value of Assets of Major Financial Institutions
Selected Years - December 31st, 1966, 1969, 1972

Financial Institution	1966		1969		1972	
	\$J mn.	%	J\$ mn.	%	J\$ mn.	%
Commercial Banks	216.5	69.0	388.6	72.4	632.1	70.4
Insurance Companies *	46.1	14.7	68.9	12.8	152.6	17.0
Building Societies	28.3	9.0	48.1	9.0	74.4	8.3
Government Savings Bank	16.5	5.3	22.0	4.1	25.0	2.7
Credit Unions	6.3	2.0	9.5	1.7	13.2	1.5
TOTAL	313.7	100.0	537.1	100.0	897.3	100.0

* 12 companies reporting

Source: Monetary Statistics, Department of Statistics
National Savings Review - Annual Reports

Fund, The Exchange Deposit Fund and the Special Deposit Facility. These are all interest-bearing and were designed to make use of idle commercial bank balances. In June 1969 the minimum liquidity ratio was raised from 15 to 17.5 per cent. Again it was raised in July 1972 to 18.5 per cent. In 1972 the foreign liabilities of the commercial banks increased very rapidly resulting in a rapid increase in loans and advances that was mainly used to finance import of consumer goods e.g. motor cars, home appliances and furniture. Foreign liabilities of the commercial banks almost tripled to J\$54.6 million in December 1972 while there was little change in their foreign assets. This was a factor in the worsening trend of the current account and the country's deficit was estimated to be J\$132.0 million in 1972.

The conclusion is that the commercial banks play a major role in the mobilization of savings towards capital formation in the economic transformation but their allocation of funds vis-a-vis capital exports and the state of the balance of payments and their loan and advance structure that largely cater for consumption of imported goods and construction projects instead of more credit towards financing of agriculture especially agriculture for locally used commodities as against export agriculture for example, has to be closely scrutinized over time otherwise domestic resources tend to get inadvertently misused through their actions and policies.

It has also been argued by local economists that the commercial banks operate at too high costs intolerable in a developing country like Jamaica. Whereas their non-interest expenses like wages, salaries, and allowances rose at 30

per cent per annum during 1967-72 the growth in deposits were 20 per cent per annum. The following comment by Basil Buck, a Duke Street financial analyst, succinctly summarizes the problem of mis-allocation of funds: "It is here contended that the over-domineering influence of the commercial banks in the country's financial system, and the deficiencies in effective control of these institutions have generated major functional deficiencies in the Jamaican financial system and 'ipso facto' a sub-optimal mobilization and distribution of savings. Projecting this thesis into the next decade one visualizes the embryo of a perpetuation of this misallocation and domination by the subtle move into financial intermediation through merchant banks, trust companies and discount houses in the concept of the international banking activities of the metropolitan banks. In effect, we see signs of a continued and possible increasing domination of the country's financial infrastructure by the banking system, with its attendant functional deficiencies and misallocation of the country's limited savings."^(14a)

The Life Insurance Companies also play a major role in capital formation in the process of development. As a saving medium in the Jamaican economy they come second only to the commercial banks. (Refer to Table 4.11). Sixteen of the nineteen companies existing in 1967 were foreign-owned i.e. 50 per cent of the shares were owned by a company outside Jamaica or at least 25 per cent shares owned by a single non-resident person or group of shareholders. By 1972 there

(14a) "Proceedings of the Seminar on Savings in Jamaica", National Savings Committee Report, 1973, p.80

were 24 companies. ⁽¹⁵⁾

Life Insurance, as a means of savings, is popular among Jamaicans because it provides family security, liquid assets for transactionary purposes and is tax free. Bailey and Bourne ⁽¹⁶⁾ recommend that the Government impose taxes on the proceeds of policies surrendered such as occurs in Trinidad and Tobago and some other CARIFTA countries.

According to Ally ⁽¹⁷⁾ the growth in life insurance exceeded the growth in GDP for the period 1962-72. GDP grew at 10% per annum whilst life insurance grew at 14% per annum. The average size of a policy in 1972 was J\$6,500 comparable to Canada whilst in 1965 the average size was J\$2,937. The premium incomes grew from J\$9.4 million in 1962 to J\$31.3 million in 1972. Over this period the life insurance companies mobilized J\$206.9 million in premium income as compared with a net annual increase savings and time deposits of J\$290.3 million in the commercial banks. Ally estimates the savings thus mobilized by the life insurance companies is about 80 per cent of that mobilized by the commercial banks. Ally also estimated that only 40 per cent of the life insurance dollar

(15) Department of Statistics.

(16) Bailey and Bourne, 1973. "Life Insurance in Jamaica" Paper presented to Society for International Development (Jamaica Chapter) Seminar on Life Insurance in Jamaica.

(17) Ally, Asgar, 1972 "An Appraisal of the Life Insurance Industry In Jamaica" Bank of Jamaica (Mimeo)

is available for investment and capital formation -- that 60 per cent was spent on consumption. The companies have to export capital to cover "administration" charges to head offices and as investment income to foreign owners. This has resulted in, just as in the case of the commercial banks, a leakage of domestic resources abroad. They have to pay the local salesmen too in addition to various bonuses. The expense ratio of the industry is very high. Bailey and Bourne present the following table which indicates that the savings component of funds deposited in commercial banks is far higher than that of the life insurance companies. It is to be noted, however, that the life insurance companies have medium and long-term loans whilst the commercial banks operate on short-term basis mainly.

Expense Ratios of Commercial Banks and
Life Insurance Companies in Jamaica

Year	Life Insurance Companies	Commercial Banks
1963	.426	.051
1964	.438	.047
1965	.440	.047
1966	.442	.055
1967	.484	.056
1968	.572	.063
1969	.522	.056

Source: Bailey, J. and Bourne, C. 1973 Op. cit. p.26

Most companies invest heavily in mortgages and government securities. Of the J\$152.6 million assets in 1972, J\$124.6 million was invested locally and \$28 million invested abroad. The companies have provided working capital for the building and construction industry and like the building societies have helped quite a number of people to own

their homes in a country where ownership of homes is priced very highly.

There are four Trust Companies associated with the commercial banks -- these provide mortgage finance and long-term capital for the initial establishment or expansion for agriculture and other industrial enterprises.

The Building Societies also provide working capital for the building and construction industry. They mainly provide mortgage finance for housing and have helped significantly in the process of ownership of homes by Jamaicans. They attract savings from small savers and their assets are not huge compared to the commercial banks and life insurance companies (See Table 4.12). Nonetheless they accounted for 22 per cent of the total mortgage financing in the period 1962-67.

Another institution of the capital market we should discuss is the Jamaica Stock Exchange. There are some forty companies listed on the stock market but these surprisingly do not include some of the largest companies e.g. those in the bauxite and alumina industry. Such foreign-owned companies do not depend on local sources for financing and so do not show an interest to go public. Undoubtedly, if such companies were listed, a large source of untapped investible funds would find its way into the capital market and provide credit for long-term investments. As it is some companies with growth potential depend on overdraft for capital expansion. There has to be some incentive to get more companies to list their shares and stocks on the market.

It has been suggested that Jamaica Development Bank,

Jamaica Mortgage Bank and Jamaica Industrial Development Corporation be allowed to borrow on the market by issuing bonds and debentures instead of or before borrowing abroad compounded the inflationary and balance of payments problems.

The above analysis has shown how the Jamaican economy mobilizes its domestic resources. On the subject of allocation of these resources we found out how foreign ownership of key sectors and institutions contributed towards an almost constant leakage of resources abroad whilst Jamaica remains in the category of developing countries who are supposed to be short of capital. This might well be what Mr. Chester Bowles, Special Advisor to President Kennedy was referring to when he wrote, in October 1962, of Jamaica being one of the countries -

"whose problems were sufficiently acute to require U.S. aid, but whose difficulties resulted mainly from 'misuse and maldistribution' of their wealth" (18).

Foreign Aid is generally expected to supplement and even induce capital formation, yet recent studies seriously question the effect net capital imports have on both the level of national saving and the average saving rate.

Some suggest an increase in foreign funds causes a relaxation of government saving and thus reduces the average national saving rate. Others argue that foreign capital inflows have almost no effect on domestic savings in the developing countries; whereas an increase in exports and capital inflow provide the foreign exchange needed to support

(18) Girvan, Norman, Op. cit. p.118.

a higher level of investment. The increase in capital imports also sends the current account deficit soaring high. Hence the measured gross domestic saving does not register any increase even though gross domestic investment may have increased by the amount of the capital inflow.

Singh, S.K. (1971) in his 'The Determinants of Aggregate Saving' (an IBRD mimeo) examined the relationship between an increase in the ratio of F to Y_g or of F to S and APS in an equation.

$$S/Y_g = a_0 + a_1 (F/Y_g)$$

derived from the Keynesian savings function.

$$S = a_0 + a_1 Y_g$$

where F = Net foreign capital inflow

S = Aggregate National saving

Y = Net national product

Subscript g = gross national product

a = constant MPS (marginal propensity to save)

$$a_0 < 0 \text{ and } 0 < a < 1$$

with the assumption that the APS (average propensity to save) increases with the rise in the level of income.

Singh found both correlations to be significantly negative and so concludes that foreign capital is a substitute for domestic saving but the degree of substitution varies inversely with the level of average saving behaviour -- also for an $APS > .15$ an increase in F will lead to increased savings.

He therefore stresses that "self-help" in domestic resource mobilization is not only a condition for maximizing

the benefits of foreign aid, it is a sine qua non for realizing any benefits of foreign aid.

Chapter V

Financing for the Independence Plan 1963 - 68

The "Independence" Plan is the third national plan for Jamaica. The first plan "A Ten Year Development Plan for Jamaica 1947 - 57" was largely financed by the Colonial Development and Welfare Fund. The second was "A National Plan for Jamaica 1957 - 67". Financing for this plan was confined to borrowing but during the period government savings increased due to higher bauxite revenues and an unexpected increase in recurrent revenue resulting from the export of sugar, bauxite and the tourist industry. The amount of borrowing over six years was about the same as planned for the first three years but the share of domestic borrowing in total borrowing increased. Eighty-one per cent external borrowing was proposed over 3 years but actually 55% was borrowed externally over six years. Sixty-one per cent of the £13 million borrowed on the local market was raised on long-term and the rest by short-term instruments in the form of larger issues of Treasury Bills. So even though the government relied mainly on external markets for long-term borrowing it was still able to tap domestic resources to a greater extent than planned due to a growth of the domestic money and capital markets. This plan actually ran till 1962 when there was a change of government.

The economy had achieved high rates of growth up to 1957 as a result of heavy foreign investment in the mining industry and induced growth of other industries. The rate of growth worsened after 1958 with fluctuations instead of expected increases in the bauxite industry. The reflections in personal incomes and consumption highlighted the inequalities in income distribution. The small farmers -- the bulk of the rural population and the masses of urban unemployed disillusioned by the lure of a better life in Kingston were particularly affected. These groups constituted the majority which voted the former opposition party into power in 1962. So the new government felt it incumbent upon itself to strive for the improvement of living standards especially of these groups. In the same year Jamaica gained Independence. The new government replaced the 1957 - 67 Plan with the Five-Year Independence Plan 1963 - 68. The Plan placed a high priority on the rural sector and on the provision of social and community services.

i. Basic Objectives of the Independence Plan

The chapter on goals of the "Independence Plan" begins thus:

"In broad terms the fundamental goals of the Long-Term Development Programme are economic viability, and social and cultural development and integration. These are long-term objectives, and the Five-Year Independence Plan represents the first phase of a systematically organized programme for the utilization of the country's resources toward the achievement of these goals" (1).

The plan recognized the existence of discontent and unrest of the working classes as immediate problems and so aimed at full concentration on economic growth in the hope that this

(1) Five Year Independence Plan 1963 - 68

will lead to an improvement of levels of living of the people. The immediate task was the provision of employment opportunities and boosting consumer demand to stimulate an increase in output. Construction projects particularly housing and road-work were thought helpful in this respect. Since 1960 the government has tried several times to use physical infrastructural works as a means to create income and employment. Clearly for such projects to be profitable they must necessarily be able to engender some positive economic activity in other sectors of the economy. Unfortunately these infrastructural works, quite apart from the time lag usually involved, are not geared to the growth of productive capacity in specific industries; they are rather provided in hopes of future uncertain demand -- that this will stimulate the birth and growth of some industries which will need them. This is another factor explaining why investment in the public sector tends to be unproductive vis-a-vis the private sector because it is very seldom that any using industries emerge.

Rural purchasing power was especially emphasized as a valuable stimulus to industrial development in much the same way as Lewis had done in his study of the Gold Coast. (2)

Projections were made for various industrial sectors and sub-sectors of the economy and the plan aimed at a 5 per cent growth in GDP. See Table 5.1 for the breakdown of expected growth rates.

(2) Lewis, W. A. 1953 Report on Industrialization and the Gold Coast
Gold Coast Government, Accra

Table 5.1 Projections of G.D.P. at Factor Cost (1960 Prices) by Industrial Origin

Sectors	1960	% of Total	1963	\$ of Total	1967	% of Total	Average Annual % Rate of Growth 1963-67
	J\$mn.	G.D.P.	J\$mn.	G.D.P.	J\$mn.	G.D.P.	
Agriculture	55.2	11.9	60.0	11.9	68.4	11.1	3.3
Mining	41.2	9.0	51.6	10.3	56.0	9.1	2.0
Manufacturing (including Sugar)	68.8	15.0	77.6	15.3	99.2	16.1	6.9
Construction	55.2	12.0	56.8	11.0	69.0	11.2	5.0
Public Utilities	4.6	1.0	6.2	1.2	9.0	1.5	10.0
Transport	30.2	6.5	31.2	6.1	38.6	6.2	5.5
Distribution	78.8	17.1	81.2	16.0	100.4	16.3	5.5
Ownership of Dwellings	14.0	3.0	14.8	2.9	16.4	2.7	2.5
Services	81.0	17.5	89.0	17.6	110.6	18.0	5.6
Government	33.0	7.0	38.2	7.6	48.2	7.8	6.0
Total	462.0	100.0	506.2	100.0	615.8	100.0	5.0

Source: Five Year Independence Plan 1963 - 68.

NB. Original figures in ~~1~~ converted by author to keep in line with other figures in this work.

National income was envisaged to increase from J\$410mn. in 1960 to J\$445mn. in 1963 and J\$504.8mn. in 1967. Per capita income was expected to increase by 12.3 per cent from 1963 to 1967 i.e. from J\$262.6 to J\$294.8. However, no mention was made of expected changes in employment even though unemployment was one of the major and immediate problems to be dealt with.

ii. Financing - Required and Available

The expenditure projected for the financing of the plan was far in excess of that for the 1957-62 Plan -- in fact it was more than double. The allocation for community services was to increase by 129 per cent and for economic services by 79 per cent.

Agriculture was to receive the largest allocation but in implementing the plan less than half of the proposed allocation was spent. The same applied to actual spending on housing and social services like education and health. Proposed budgeting on finance and development however jumped from 22 to 36 per cent and spending on communications, works and home affairs increased from 17 to 24 per cent of the total capital expenditure.

The allocation by the two plans is illustrated by Table 5.2

While the dependence on external aid may have to be large at the outset of a development programme, most plans aim for a progressive reduction in aid and the eventual realization of a self-financing plan. The Government of Jamaica, however, proposed to finance this plan mainly from

Table 5.2 Actual and Planned Expenditure for 1957 - 62 Plan and 1963 - 68 Plan

	Actual Expenditure 1957-62 (J\$mn)	Plan Expenditure 1963-68 (J\$mn)	% 1957-62	% 1963-68
Economic Services	39.0	77.2	45.5	42.2
Social Services	17.4	42.2	20.3	23.1
Community Services	23.4	51.4	27.3	30.6
General Services	6.0	12.0	7.0	6.6
Total	85.8	182.8	100.0	100.0

Source: Five Year Independence Plan 1963-8.

external sources including economic aid. Sixty-five per cent of the financing was to come from abroad. Table. 5.3 sets out planned and actual sources of finance for capital expenditure for the plan period and Table 5.4 gives a breakdown of capital expenditure by function.

The plan did not identify the magnitude and sources of aid inputs. It just indicated -

"It is expected that a number of projects in the plan will qualify for soft loans and that approximately one-third of the capital budget requirements will be financed from this source" (3)

"It is clear that great store is laid on the obtaining by Jamaica of soft loans. The Government is dependent on overseas borrowing to finance its capital formation. To borrow the total amount on the commercial market would create an insupportable burden of debt charges on the country's recurrent revenue. The recurrent cost in debt charges on soft loans is lower than on commercial loans, therefore, the obtaining of these loans would help significantly in holding the line on recurrent expenditure" (4)

Table 5.5 sets out the foreign exchange requirements and investment of the public sector as a proportion of the total capital formation over the period.

In the actual financing soft loans and aid came to a very marginal sum. This could be explained by the fact that at the beginning of the Plan in 1963 the country had no firm confirmation, other than the Commonwealth Assistance Grants, of actual pledges from donor countries or institutions.

(3) Five Year Independence Plan op.cit. p.226

(4) Ibid p.229

Table 5.3 Sources of Finance for Capital Expenditure - Financial Years 1963/64 to 1967/68 (in J\$mn)

Source	1963/1964		1964/1965		1965/1966		1966/1967		1967/1968		TOTAL	
	Plan Est. val	Act- val										
General Revenue	7.2	8.5	7.2	14.1	7.0	21.4	7.0	10.8	7.0	14.9	35.4	69.7
Commercial Loans	13.4	18.5	16.6	19.9	20.8	18.9	17.8	20.3	18.0	22.5	86.6	100.1
(i) Internal	5.0	15.5	5.6	10.5	7.8	7.2	7.8	14.3	9.2	15.2	35.4	62.7
(ii) External	8.4	3.0	11.0	9.4	13.0	11.7	10.0	6.0	8.8	7.3	51.2	37.4
Gov't. to Gov't.) Soft Loans) and Aid**)	6.4	nil	12.0	0.2	11.0	1.0	15.8	1.6	15.6	3.1	60.7	5.9
TOTAL	27.0	27.0	35.8	34.2	38.8	41.2	40.6	32.7	40.6	40.6	182.8	175.7

** The figures for actual receipts are disbursements at the end period on loans negotiated totalling \$27.4 million.

Source: National Planning Agency

Table 5.4 Government Capital Expenditure by Function - 1963/64 to 1967/68

	1963/64	1964/65	1965/66	1966/67	1967/68	(J\$ Million) Total 1963/64 - 1967/68	% of Total
GENERAL SERVICES	<u>1.3</u>	<u>1.5</u>	<u>1.8</u>	<u>1.4</u>	<u>1.4</u>	<u>7.4</u>	<u>4.8</u>
COMMUNITY SERVICES	<u>7.7</u>	<u>10.9</u>	<u>13.9</u>	<u>13.0</u>	<u>11.9</u>	<u>57.4</u>	<u>34.7</u>
Roads, Bridges & Highways	3.9	4.6	4.8	4.6	5.2	23.1	14.0
Water Supplies & Sewage	0.8	2.0	4.5	3.2	2.7	13.2	8.0
Drainage & Reclamation	2.4	3.7	4.4	5.2	3.8	19.5	12.0
Other Community Services	0.6	0.6	0.2	...	0.1	1.6	
ECONOMIC SERVICES	<u>8.0</u>	<u>14.4</u>	<u>14.7</u>	<u>14.4</u>	<u>18.3</u>	<u>69.8</u>	<u>42.2</u>
Agriculture	3.4	5.0	7.7	5.9	8.3	30.3	18.3
Transport, Communications & Storage	0.4	0.5	0.8	1.4	0.5	3.6	2.2
Tourism & Industrial Development	2.0	2.3	2.6	3.4	4.1	14.4	8.7
Other *	2.2	6.6	3.6	3.7	5.4	21.5	13.0
SOCIAL SERVICES	<u>4.5</u>	<u>4.8</u>	<u>6.5</u>	<u>6.1</u>	<u>8.7</u>	<u>30.6</u>	<u>18.5</u>
Education	1.8	2.0	1.9	2.2	3.5	11.4	6.9
Health	1.0	0.5	0.7	0.4	0.7	3.3	2.0
Housing	1.6	2.4	3.6	3.5	4.3	15.4	9.3
Other	0.1	...	0.3	...	0.1		

... Less than 0.1

* Includes Debt Redemption and Loans to Urban Development Corporation and the Development Finance Corporation (Now the Development Bank)

Source: National Planning Agency

Table 5.5 Capital Formation and Foreign Exchange Components of the "Independence" Plan

Year	(1) Capital Formation J\$mn.	(2) Government Sector J\$mn.	(2) as % of (1)	Foreign Exchange Requirements
1963	101.2	16.2	16.0	4.2
1964	106.2	21.4	20.1	5.6
1965	111.6	23.2	20.8	6.0
1966	117.2	24.4	20.8	6.4
1967	123.0	24.2	19.7	6.2
TOTAL	559.2	109.4	19.4	28.4

Source: Extracted from "Five Year Independence Plan 1963-68".

Girvan argues that Jamaica offered the U.S. Government a military base on the island in 1962 possibly because it contemplated the U.S. as the chief prospective donor. However, in 1963 the U.S. revised its aid policy and modest allocations became the rule as opposed to previous large-scale aid disbursements. Thus U.S. aid to Jamaica in 1966, for example, was principally in the form of technical co-operation in housing and water supply. Only about 29% of the 65% of the financing envisaged to come from abroad was available and a greater portion of this was from commercial sources with interest rates far in excess of 3 - 5 per cent. Foreign aid came to 3.8% of the projected 33% and 20% of a projected 28% was realized in foreign commercial borrowing. As a result of the unexpected boom in the export industries like bauxite, sugar and tourism and associated taxes government savings increased to 30.8% relative to a projected 19.4%. The growth of the domestic money and capital markets enabled the government's domestic borrowing to increase to 45 from the planned 19.4 per cent of total capital expenditure.

Jamaica, like most developing countries, has been experiencing balance of payments difficulties not necessarily in its overall surplus or deficit but in its effect on employment, incomes and general production. With the exception of 1963 the current account has been exhibiting deficits with an increase in the deficit every year. Table 5.6 gives a summary of the balance of payments from 1963-72. In 1967 the deficit of \$50.6 millions was equivalent to 7% of the G.D.P. as against a projected 5.8% of G.D.P. By 1972 the deficit had more than tripled to \$157.6 millions -- about 13% of G.D.P. -- with a balance of payments deficit of \$43.6 millions.

The Investment Income shows a deficit that has been growing over the years. The reason for such large deficits is embedded in the huge inflows of foreign capital especially in the mining, some manufacturing and the hotel and residential construction industries and the subsequent outflow in the form of investment income. Payments on this account cover interest, profits and dividends to foreigners. This amounted to 7% of G.D.P. in 1969 and 10.5% in 1972. Table 5.7 shows the distribution of corporate profits. This reflects what we indicated earlier that corporate funds form the largest portion of capital formation and government revenue. The proportion of profits distributed is rather low about 5%. The high proportion of retained profits to total profit is to maintain high reserves for internal financing and the promotion of corporate growth. Unfortunately, we do not have

the separate data for patents, fees and salaries. An examination of these may give a further indication of the extent of capital repatriation.

The receipts on the Investment Income cover interest and dividends earned by the Government on holdings of Securities abroad. About two-thirds of the receipts cover interest and dividends earned by individuals and companies in Jamaica.

Freight and Insurance also shows a growing deficit. This is due to increases in imports, general freight rates and increase in foreign travel by Jamaican nationals with the result that payments to foreigners on transportation far outweighed receipts from foreigners.

Though exports have been rising steadily the increase in imports more than offset the increase in exports thus creating a growing imbalance in the visible trade.⁽⁵⁾ The traditional agricultural products did not increase much but the increase in the export volume of bauxite and alumina and the increase of export of services mainly in the tourist industry made significant increases to total exports. Bauxite increased by 7.2% and alumina 3.6%. The increase in manufacturing was also a significant 6.5%. However, the extent of services in diversifying exports was limited.

(5) For a detailed theoretical and statistical analysis of the components of external trade, see Jefferson, Owen op.cit. Chpt. 8.
Also Economic Survey 1968-72.

Table 5.6
BALANCE OF PAYMENTS: SUMMARY 1963-72
(in J\$ millions)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Merchandise (f.o.b.)	6.8	-25.8	-27.2	-5.7	-18.0	-67.7	-74.4	-89.2	-108.2	-121.0
Services										
Freight and Insurance	-27.4	-18.6	-16.8	-20.6	-26.4	-34.5	-41.2	-50.1	-49.6	-44.5
Foreign Travel	20.4	22.8	37.8	48.0	49.2	62.8	65.4	66.7	77.2	91.4
Investment Income	-26.4	-28.8	-30.6	-64.8	-67.2	-61.0	-72.5	-81.8	-85.7	-100.4
Other Services	0.5	1.6	-2.2	-3.2	-5.4	-4.3	-0.8	-0.6	3.8	-5.4
Transfer Payments	14.4	13.0	12-2	10.4	10.0	10.2	11.9	18.2	17.3	22.4
Current Account Balance	7.0	-31.2	-21.8	-30.1	-50.6	-86.2	-103.0	-127.2	-142.3	-157.6
Net Capital Movements	20.6	14.9	11.9	46.7	64.9	114.4	91.8	134.1	+160.2	117.0
Government	4.4	8.2	6.0	7.4	5.0	12.6	12.2	-1.2	4.0	18.6
Private	16.2	6.7	5.9	39.3	59.9	101.8	79.-	135.3	156.2	98.4
SDR's Allocation	--	--	--	--	--	--	--	5.3	4.7	4.7
Errors and Omissions	--	--	--	--	--	--	--	5.4	13.7	7.7
Overall Surplus (+) or Deficit (-)	-27.6	-16.1	-10.0	+16.6	+14.3	+28.2	-11.2	+17.6	+36.3	-43.6

Source: Economic Survey (Annual)

Table 5.7
DISTRIBUTION OF CORPORATE PROFITS 1963-72

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Corporate Profits	51.1	55.6	63.3	77.5	80.6	88.1	105.6	101.3	114.9	115.8
Dividends	3.3	4.1	4.0	4.3	4.7	4.9	5.6	5.2	5.1	5.8
Taxation	18.3	17.9	23.0	35.2	38.2	41.7	55.4	51.3	51.1	57.9
Undistributed	28.4	32.9	35.6	36.8	36.5	40.2	43.3	43.5	57.0	50.2
Depreciation	41.5	42.2	45.7	50.1	52.4	58.8	66.7	81.3	83.1	96.8

Source: National Income and Product.

The exports of manufactured goods have a high-import content and its foreign-exchange content is equally high. Jamaica has to a large extent been importing capital and raw materials for her manufactured goods hence the high imports of raw materials and intermediate goods contributed to the increase in total imports. The tourist industry too imports goods for tourist use and a substantial portion of the installation of hotels and guest houses is based on foreign capital. The high foreign-exchange content therefore is on payments abroad and net profits on foreign capital. This renders the foreign exchange earnings of these exports relatively low, so is their multiplier effect on a given increase. In calculating multipliers for G, I and X for 1968, Jefferson arrived at 1.8, 0.93 and 1.28 respectively. (6)

G = Government purchases of goods and services.

I = Gross domestic fixed investment.

X = Exports of goods and services.

The traditional agricultural exports are labour-intensive and provide employment for the bulk of the labour force as compared to the bauxite, tourist and manufacturing industries which by their capital-intensive nature tend to rather displace labour. Thus over the period the sugar industry alone provided employment for about four times the number provided by the bauxite and tourist industries combined. See Table 5.8 for the employment figures for selected years. It is to be noted that the figures for the sugar industry could have been still higher but there again a few jobs had to be curtailed because of mechanization.

(6) Jefferson Ibid. p.60

Table 5.8
EMPLOYMENT IN SELECTED INDUSTRIES

INDUSTRY	No. of Persons Employed				
	1967	1969	1970	1971	1972
Sugar	63,244	59,632	58,277	54,726	52,712
Bauxite & Alumina	4,719	5,114	5,493	6,162	6,756
Tourism	15,000	8,150	8,730	9,400	9,580

* Construction & Agric. activities excluded.

Source: Economic Survey (Annual)

Over the plan period 1963-67 the average annual increase of imports was 11.9%, much higher than the projected figure of 3.6% per annum. Capital goods and raw materials contributed most to the increase between 1967 and 1972. From a development point of view it is not only the volume but also the composition of imports that matters. We, therefore, present Table 5.9 to show the composition of imports 1963-72. The high increase in imports of capital goods and raw materials reflects the expansion of the productive capacity of the Jamaican economy and also reflects the inflow of investment funds from the U.S. and Canada where a major proportion of the imports derived. On the consumer goods side imports of foodstuffs was the largest. Adams' study compared the trend of import price index with that of the food component of the consumer price index and came to the conclusion that since local food prices rose faster than import prices the price factor tended to result in a substitution of imported for local supplies. (7) The consumption imports financed by capital inflows through the banking system largely account for the balance of payments deficit especially as this involves repayment often in the short run.

Private transfers, in the main remittances from Jamaican migrants abroad, have been fluctuating since the 1962 Commonwealth Immigrants Act restricting immigration from Jamaica and other Commonwealth countries but in 1972 the increase in such payments was at a recorded low because of restrictions imposed in June by the U.K. Government on outflow of funds. Official transfer payments cover grants to the University of the West Indies and The University Hospital at Kingston

 (7) See Adams, N. op. cit. pg. 7.

Table 5.9
COMPOSITION OF IMPORTS 1963-73

Year	All Imports		Consumer Goods		Raw Materials		Capital Goods	
	Value in J\$mn.	J\$mn.	% of Total	J\$mn.	% of Total	J\$mn.	% of Total	
1963	161.0	66.7	41.4	56.8	35.3	37.4	23.2	
1964	206.6	78.8	38.1	77.3	37.4	50.4	24.4	
1965	206.4	81.6	39.5	72.2	35.0	52.5	25.4	
1966	233.8	83.1	35.5	83.2	35.6	67.1	28.7	
1967	252.6	84.8	33.6	89.5	35.4	78.1	30.9	
1968	320.4	99.9	31.2	111.4	34.8	108.7	33.9	
1969	363.3	118.1	32.5	119.1	32.8	125.4	34.5	
1970	437.8	131.2	30.0	139.8	31.9	163.5	37.3	
1971	459.7	138.9	30.2	159.9	34.8	159.6	34.7	
1972	493.2	165.4	33.5	179.0	36.3	148.2	30.1	

Source: Economic Survey (Annual)

(Jamaica being the largest contributor), Jamaica's contribution to the Caribbean Development Bank and the Inter-American Development Bank. Here again paucity of data precludes a rigorous analysis of the composition.

Net official funds include drawings on loans from the IBRD, the U.S. and Canadian governments and foreign commercial banks. Except for 1964 and 1965 official and private inflows adequately provided for the finance of the annual deficit on current account for the plan period. External reserves which fell from \$59.1 million in 1963 to \$31.4 million in 1965 recovered amounting to \$62.3 million at the end of 1967. Jamaica has been drawing significantly on its foreign exchange reserves to cover part of the balance of payments deficits. In 1972 Jamaica ran down her foreign reserves as the balance of payments deficit amounted to \$43.6 million.

Excessive borrowing by the government both internally and externally has led to a growing public debt. From \$75.6 million in 1962 it rose to \$241.6 million in 1969 and by 1972 was \$391.5 million. However, Jamaica has been able to meet the costs of the foreign component of the national debt. For the period 1963-72 the ratio of the external debt service to exports of goods and services has been between 1.8 and 3.2 per cent. The relatively small ratio may be explained by the easy availability of foreign exchange. Foreign exchange has been used to import the deficit of food needed. Also PL480 food plan under the auspices of the U.S. A.I.D. has helped in meeting the food scarcities.⁽⁸⁾ Inflow of foreign exchange largely from bauxite exports provided the major share of the rising import bill.

(8) See Chpt. VI

In the bauxite industry, capital investment by the 4 North American aluminum companies form the largest portion of investment and of capital inflow in the economy -- this has resulted in the industry becoming the largest export industry and the largest single source of the government's taxes. In the pre-independence era Jamaica's external public debt was financed mainly in The United Kingdom money markets. Canadian and New York markets provided new sources of funds for the government starting with the advent of independence, so did the international agencies and their participation has increased steadily since. For 1965-71 authorizations from international organizations were in excess of U.S. \$120 million. The yearly disbursements rose from U.S. \$4.5 million in 1965 to \$17 million in 1971. The percentage distribution for selected years is as follows.

(See also Table 5.10)

	<u>Total Foreign Debt - % distribution</u>			
	<u>1948</u>	<u>1962</u>	<u>1966</u>	<u>1970</u>
U.K.	100	80.5	74.5	74.5
U.S.A.		19.5	20.9	20.9
Canada	-	-	4.6	4.6
Total	100.0	100.0	100.0	100.0

Source: Bank of Jamaica

Table 5.10

JAMAICA: THE STRUCTURE OF TOTAL EXTERNAL DEBT *
(In millions of J\$)

	1962	%	1966	%	1970	%	1971	%	1972	%
Market Loans	18.8	96.4	30.5	93.9	35.8	61.2	64.1	58.3	71.5	56.0
International Institutions	-	-	.5	1.5	5.6	9.6	14.0	12.7	17.8	13.9
Inter-government	.7	3.6	1.5	4.6	4.5	7.7	13.4	12.2	15.2	11.9
Line of Credit					12.6	21.5	18.4	16.7	22.3	17.5
Suppliers Credit							0.1	0.8	0.8	0.7
TOTAL	19.3	100.0	32.5	100.0	58.5	100.0	110.0	100.0	127.6	100.0

*As of December 31, 1972, includes commercial loans.

Source: Bank of Jamaica.

Tables 5.11 and 5.12 show the value of loans and their disbursements by sectors for 1969-72. In general the U.S. A.I.D. and the Banks, i.e. The World Bank and Export-Import Bank are by far the greatest donors of aid to Jamaica. Chapter 6 discusses this in detail.

At the end of 1968 the Jamaican banks had deposits far in excess of what they could possibly loan out. Part was used for repayment of foreign debts; at the same time the interest rate was so high the manufacturing and agricultural sectors could hardly borrow for their development projects. This sort of situation does not boost up the foreign exchange earnings and also stultifies growth especially in agriculture.

Increases in food imports and the PL480 food plan have the long run effect of stagnating domestic agriculture and promoting consumption of luxury goods which most of the population cannot afford. The result is that the needy turn to crime just to keep up with the rich and in some cases for mere survival. With an unemployment rate in excess of 22 per cent and lots of fallow land domestic agriculture could be restructured to absorb a great portion of the unemployed into productive labour but Jamaica still continues to import food-stuffs and other consumer goods in large quantities -- a practice which is creating a disservice to its economic and social development. What is needed is a fuller participation of domestic agriculture in the growing demand for food and a restructuring of the price system to reduce the elasticity. Without an increase in productivity in agriculture neither Jamaica nor any developing country can hope to have any real development.

Table 5.11

JAMAICA: DEVELOPMENT EXTERNAL LOANS BY AGENCY OR COUNTRY

(In millions of J\$)

	Amount of	Disbursements				Undisbursed Balance as of December 31, 1972
		1969	1970	1971	1972	
Canada	13.6	1.2	.5	1.2	.5	5.8
AID	25.8	.2	.6	.6	.7	18.1
IBRD	59.3	1.6	4.8	4.2	1.5	18.4
IDB	19.1			3.6	5.2	9.1
EXIMBANK	13.3		4.2	7.8	1.0	.3
United Kingdom	.9				.9	
TOTAL	132.0	3.0	10.1	17.4	9.8	51.7

Source: CIAP Secretariat based on information supplied by financing agencies.

Table 5.12

JAMAICA: DEVELOPMENT EXTERNAL LOANS BY SECTOR
(In millions of J\$)

SECTOR	External Loans	Disbursements				Undisbursed Balance as of 12/31/72
		1969	1970	1971	1972	
A. Economic and Social						
Infrastructure	<u>33.3</u>	<u>1.1</u>	<u>2.1</u>	<u>3.5</u>	<u>1.9</u>	<u>15.4</u>
Water and Sewage	12.1	.5	.6	1.9	.7	3.6
Other	21.2	.6	1.5	1.6	1.2	11.8
B. Social						
Health	<u>33.4</u>	<u>1.7</u>	<u>3.2</u>	<u>2.7</u>	<u>2.6</u>	<u>16.9</u>
Education	3.8	-	-	.3	.1	2.7
	29.6	1.7	3.2	2.4	2.5	14.2
C. Agriculture						
	<u>11.9</u>	<u>.2</u>	<u>.6</u>	<u>3.1</u>	<u>2.2</u>	<u>3.1</u>
D. Multisectoral						
	<u>53.4</u>	-	<u>4.2</u>	<u>8.1</u>	<u>3.1</u>	<u>16.3</u>
TOTAL	132.0	3.0	10.1	17.4	9.8	51.7

Source: CIAP Secretariat based on information supplied by Financing agencies.

VI Volume and Scope of Aid

i Various Donors

The number of bilateral agencies is not large -- Canada, U.K., U.S. A.I.D., Netherlands, West Germany and Ford Foundation provide assistance to Jamaica but only the first three are substantial programmes. The IBRD is the major multilateral agency. Here we will attempt a breakdown of the various donors and their contributions. Technical assistance is covered separately in another section.

CANADA

Canada's financial assistance to Jamaica dates back to 1958 when Canada pledged \$10 million in grants over five years to the newly-formed West Indian Federation. Jamaica was a member of this Federation. With the dissolution of the Federation in 1962 a separate allocation to Jamaica began in 1964. Grants and loans allocated to Jamaica between 1960 and 1972 total \$36 million according to figures from CIDA. Disbursement figures for the period before 1965-66 are not readily available but for 1965-72 they are as follows:

Disbursements to Jamaica in \$'000's

<u>Year</u>	<u>Loans</u>	<u>Grants</u>
1965-66	-	356
1966-67	251	745
1967-68	1,288	723
1968-69	1,708	654
1969-70	1,849	875
1970-71	1,312	1,212
1971-72	2,030	1,884
1972-73	3,310	1,435

The relatively small grant had more than tripled within the decade and loans had increased from 251 to 3,310 thousands of dollars.

Canadian aid to Jamaica is largely involved in education; other areas of assistance are transportation and water supply.

In education CIDA has financed the construction of 128 primary schools and has sponsored university extension in small fairly isolated places in neglected areas. A grant of C\$794,000 and a loan of C\$504,000 were used to build, equip and staff a teacher training department at Kingston's College of Arts, Science and Technology (CAST). This involves 19 man-years of Canadians working at CAST and 25 man-years of study by Jamaicans in Canada. These also include staff tours. A project in management studies was rated highly successful -- The Department of Management Studies at the University set up with the help of a C\$1.6 million Canadian loan and a twinning arrangement with the University of Western Ontario enabled 8 Jamaican students and 2 professors to study at the University of Western Ontario and 6 Canadian professors taught at the University of West Indies, Jamaica, the first year. Classrooms and office facilities for the management course were also financed as well as the construction of two library buildings at U.W.I. under CIDA's bilateral program with the University.

A team of Canadian classification specialists completed a project involving reclassification guidelines for the Jamaica Public Service. The Jamaica School of Agriculture received grants for programmes in the development of seedlings, silver culture, forest growth, cutting and planning. See Table 6.1 for CIDA's grants for a summary year 1972-73. For projects

covered over the twelve year period 1962-72 see Appendix A1.

Canada has been involved in various pre-feasibility studies especially in the development of Jamaica's two international airports. A Radiotelephone project under a 1966-69 C\$760,000 loan enabled VHF and UHF communications equipment to link various government services around the country.

CIDA loans totalling C\$3.4 million have gone into the financing of construction of water supply systems for the north eastern parishes of Port Antonio and St. Mary. See Table 6.2 for sectoral distribution of loans. Canadian engineers were seconded to the National Water Resources, National Planning Agency and the Control Data Unit. A loan of C\$300,000 for building small bridges signed in 1968 involved financing of Canadian building materials to build 5 bridges. For this Jamaican engineers were used. Final disbursements were in 1971.

CIDA also made available C\$735,000 in 1969 for kitchen and operating theatre equipment for Cornwall Regional Hospital near Montego Bay. Another loan of C\$1 million went towards the purchase of beds, tables, and other equipment in 1971. The Jamaica Development Bank benefitted from a C\$1.3 million line of credit at 3% per annum. This is to provide financial assistance to clients especially small businesses with no collateral for loans. The loan is tied to 20% purchase of capital equipment in Canada.

For the three-year period 1969-72 bilateral disbursements amounted to C\$11.19 million. Imports to Canada for the same period amounted to C\$121 million and exports from Canada

C\$164.7 million.

As aforementioned Canada's aid to Jamaica is largely involved in education. CIDA feels through education Canada can help with social development - the quality of the indigents' lives in their social environment rather than with mere concentration on economic growth. In his speech at the University of Ottawa, May 29, 1974 the President of CIDA stated "We should likewise be disposed to favour the establishment of a new international order which will help to reduce the present imbalance among nations -- an orderfavoring an equalization of opportunity among peoples. The message is clear: there is not enough aid, and aid is not enough."

TABLE 6.1
Development Assistance in Jamaica 1972/73

Source of Assistance	Assistance Received (US\$)	Jamaica's Contribution (J\$)
A. Grant Funds		
United Nations & Specialized Agencies	1,523,400	321,650
OAS	120,000	155,584
Canadian International Development Agency (CIDA)	1,259,200	n.a.
UK (ODA)	1,112,200	n.a.
US/AID	4,821,000	n.a.
Other	n.a.	<u>158,343</u>
Total Grant Funds	<u>8,795,600</u>	<u>635,577</u>
B. Food Aid		
US/AID Food for Peace	3,413,760 (2 years)	2,092,800 (2 years)
UN/FAO World Food Programme	n.a.	5,000
Total Food Aid	<u>3,413,760</u>	<u>2,097,800</u>
C. Loan Funds		
IDB	9,002,097	3,786,238
CIDA	1,602,000	1,102,911
US/AID	294,987	624,639
World Bank	621,913	1,492,803
	<u>11,520,997</u>	<u>6,406,591</u>

Table 6.2

JAMAICA: LOANS AT THE END OF 1972

(In thousands of J\$)

	Amount of Project	Local Contribution	External Loans Agency	Grace Period (years)	Contractual Date	Interest Rate	DISBURSED BALANCES AS OF DECEMBER 31			
							1969	1970	1971	1972
ECONOMIC INFRASTRUCTURE										
Water and Sewerage										
1. Harbour View Sewerage	2.300	1.500	12.100	10	1965	3/4	1.078	2.108	3.482	1.869
2. Water Supply (St. Mary) (Islington/Nutfield)	2.600	1.400	.800	7	1969	3.00	.458	.588	1.872	.699
3. Water Resources Programs Port Antonio Phase I	1.500	-	1.500	7	1969	3.00	.150	.070	.020	.010
4. Community Water Supply	1.000	.500	.500	7	1970	3.00	.300	.300	.090	.040
5. Jamaican-Kingston Water Commission	9.300	6.200	3.100	10	1963	3/4	-	-	.200	.020
	5.000	-	5.000	3	1969	6 1/2	.008	.158	1.262	.489
Other			21.200				.620	1.520	1.610	1.170
1. Construction of five (5) Bridges	.600	.300	.300	7	1968	3/4	.200	.020	.010	.010
2. Construction of six (6) Bridges	.500	.300	.200	7	1970	2 1/4	-	-	.100	.040
3. Construction of Nine (9) Bridges	1.500	1.000	.500	10	1971	3/4	-	-	-	.200
4. Kingston-Spanish Town Highway	12.000	6.500	5.500	5	1965	5 1/2	.200	1.500	1.400	.700
5. Feasibility and Preinvestment Study	1.200	-	1.200	7	1967	3.00	.200	-	.100	.150
6. VHF Radio and Television System	.700	-	.600	8	1969	3/4	.020	n.a.	n.a.	n.a.
7. Transportation Survey	2.900	-	2.900		1971		-	-	-	-
8. Farm Roads	13.100	3.100	10.000		1971		-	-	-	.070
SOCIAL										
Health										
1. Montego Bay Hospital I	14.700	13.900	.800	10	1969	3/4	1.700	3.230	2.760	2.620
2. Montego Bay Hospital II	-	-	.800	10	1969	3/4	-	-	.340	.080
3. Population Project	3.600	1.600	1.000	5	1970	7.00	-	-	.300	.030
Education										
1. School Building II	1.800	.800	29.600	10	1968	3/4	1.700	3.230	2.420	2.530
2. Junior-Secondary Schools I	29.200	19.700	1.000	5	1966	6.00	.300	.030	.100	.010
3. Student Loan Fund	6.200	1.500	9.500	5	1971	2 1/4	1.400	3.200	1.400	.010
4. Mechanical Equipment	1.200	.300	4.700		1971		-	-	.900	1.600
5. Junior Secondary School II	24.600	11,100	.900		1971		-	-	-	.900
			13.500		1971		-	-	.020	.010

Table 6.2 (Cont'd.)

	Amount of Project	Contribution	External Loans	Agency	Grace Period (years)	Contractural Date	Interest Rate %	DISBURSED BALANCES AS OF DECEMBER 31			
								1969	1970	1971	1972
AGRICULTURE											
1. Dairy Development	2,700	-	11,900	AID	5	1965	3 1/2	.200	.600	3,100	2,195
2. Self-Supporting Farmers' Program I	15,000	8,800	6,200	IDB	4	1972	2 1/4	.200	.600	.600	.010
3. Self-Supporting Farmers' Program II	13,500	10,500	3,000	IDB				-	-	2,500	1,500
								-	-	-	.685
MULTISECTORAL											
1. Jamaica Public Service Commission	13,300		53,371	EXTMBANK	2	1970	5 3/4	-	4,174	8,078	3,112
2. " " "	20,700		13,300	IBRD	4	1966	6	Used	4,174	7,843	1,000
3. Jamaica Development Bank	1,100		20,700	Canada	7	1970	3	-	-	-	-
4. " " " (Agriculture)			1,100	IBRD	6	1971	7 1/4	-	-	.105	.236
5. " " " (Industry & Tourism Dev. I)			3,071								
6. " " " (Small Business & Tourism II)	2,000		2,000	IDB		1971	4 1/2			.027	.400
7. Jamaica Mortgage Bank (Housing Development)	3,200		3,200	IDB	3	1971	3 1/4			.130	1,000
TOTAL	-		10,000	AID	5	1971	3.00	-	-	- 7	476
			131,971					2,978	10,112	17,447	9,796

Source: OAS Secretariat

U.K.

We have already touched on the beginnings of British bilateral association with Jamaica. ⁽¹⁾ However, British aid since independence almost entirely covers technical assistance (See Section VIiv). British aid programme disbursements for 1968-71 are as follows:

British Bilateral Aid Disbursements to Jamaica in £'000's.

	Gross	Net of Amortization	Net of Amortization and Interest
1968	3,580	2,855	1,989
1969	3,201	2,330	1,265
1970	1,811	831	309
1971	2,809	1,962	732

Source: Office of U.K. High Commission, Kingston, Jamaica.

Note: These are exclusive of financial grants and the cost of technical assistance.

Jamaica received a large U.K. exchequer loan 1962/63 at its independence. The interest on the loan is curiously comparable to commercial loans - 6 3/8 per cent - and the loan is payable over 25 years. After that there was a relative lapse in soft borrowing until 1966/67; by then Jamaica relied more on U.S. and Canada's external aid.

(1) Refer Chpt. 2, Section 1.

Jamaica as the largest sugar producing country in the Commonwealth Caribbean enjoys a special quota to the U.K. market under the Commonwealth Sugar Agreement. A review of this Agreement in 1971 resulted in a decision to raise the Negotiated Price for Quota Sugar (N.P.Q.) from £43.50 to £50.00 per long ton for the period 1972-74. In addition, the developing countries of the sugar-exporting members were to receive a special payment varying from 7.00 to 11.00 per ton related inversely to the world market price. The maximum special payment was to be paid to exporting members who suffered major reductions in their crops or were unable to take advantage of increases in world prices.

This resulted in Jamaica receiving a price of £122.00 per ton for N.P.Q. sugar shipments -- that represented an increase of £19.00 over the 1971 price. It was also agreed between the U.K. and the E.E.C. that upon entry into the Community, previous commitments under The Commonwealth Sugar Agreement would be honoured. This meant the N.P.Q. arrangements would continue till 1974 when new arrangements were to be made to sell to the enlarged community. Table 6.3 gives a breakdown of the sugar export tonnage to Jamaica's available markets.

The export quotas represent Jamaica's share of those allocated to the sugar-producing territories in the Commonwealth Caribbean and Guyana. Shortfalls in any of these territories can be made up by another. The division of quotas is carried out through the West Indies Sugar Association of which all the sugar-producing territories in the area are members.

(1) Refer Chpt. 2, Section 1

Table 6.3 - Jamaica's Quota, and Export of Sugar, 1962-72

Country	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
	1. United Kingdom	(a) (iii) 651,050	651,050	725,000	725,000	725,000	725,000	725,000	725,000	725,000	725,000
	(b) 207,645	249,884	240,987	241,783	224,176	213,838	229,749	221,297	229,756	230,562	234,290
2. United States	(a) n.a.	n.a.	n.a.	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000
	(b) 82,926	60,531	84,600	78,931	107,853	93,149	81,911	60,778	63,538	68,075	41,354
3. Canada	(a) 245,600	245,600	245,600	245,600	245,600	245,600	245,600	178,500	178,500	178,500	178,500
	(b) 87,736	83,605	91,355	103,554	75,320	45,249	71,233	19,070	-	-	-

(a) Quota (long tons)(b) Export (long tons)

N.B. (i) Under the rebate arrangement with Canada, the West Indies & British Honduras had a quota of 275,000 metric tons

With the coming into force of the International Sugar Agreement in 1969, the West Indies received a quota "Basic Export Tonnage" of 200,000 metric tons & British Honduras, 22,000 metric tons. The West Indies therefore, was limited to this latter figure in their exports to Canada.

(ii) Area's Quota cut to 35,000 tons.

(iii) The West Indies & Guyana, as a whole allocated 651,050 tons. In 1964 the present quota of 725,000 tons was set.

One member's shortfall in the region may be taken up by the other members of the region.

Source: Ministry of Trade, Industry & Commerce, Kingston, Jamaica.

The sugar industry is a major cause of foreign exchange for the island amounting to about J\$36 million per annum of which it is estimated 86% is retained in the island and has a multiplier effect of 1.7 per J\$1.

Asked about the functional relationship of the curtailment of aid with donor exports to recipient countries the U.K. High Commission claimed there was none; in other words such eventuality would have no effect on an increase/decrease of exports to a recipient country.

U.S.

U.S. aid to Jamaica covers capital development loans, Food For Peace, malaria eradication and the all-important provision of technical assistance to bridge the gaps in Jamaica's own supply of skilled and specialized manpower. It also includes the Export-Import Bank and military assistance.

In 1965 U.S. technical co-operation programmes totalled \$5 million, \$57,000 of which was A.I.D. regional funding, capital development loans totalled \$14 million, malaria eradication \$71,000 and military assistance \$500,000. There was a \$10 million credit to the Export-Import Bank. This Bank has become a substantial source for aid in recent years. Unfortunately, data was unavailable from them.

A large percentage of U.S. aid in the form of technical assistance and loans has been directed into housing projects and construction of water supplies. Other sums have gone into feasibility surveys towards various development projects. Government to Government loans from the U.S. started in 1967-68 with interest rates ranging from 3-1/2 to 3/4 per cent

with repayment periods of 23-40 years. A list of loans from the various donors and their terms of repayment is set out in Appendix A₂. See also Appendix A₁.

A \$2.8 million loan in 1963 provided financing for construction of some 605 owner-occupier low cost houses at 6 sites in the capital. The loan also financed installation of sewage disposal systems at 2 of the sites. By early 1969 all work on the project was completed and final disbursements made. Loans totalling \$3.7 million signed in 1962 and 1963 greatly helped the capital financing of 5 major rural water supply systems. Of a \$2.9 million loans for dairy development, \$1.5 million went to the Agricultural Credit Board, whilst the rest was directed into general dairy development. This went towards the establishment of 57 new small dairy farms and a portion of it was used for financing pasture improvement and stock for the farms. The Agricultural Credit Board assisted existing dairy farmers to improve and expand their production.

Feasibility studies in 1964 included studies on the problem of siltation in Kingston Harbour, the development of community water systems, water utilization in the Rio Minho Valley and the development of vocational education. There was also a project to study the feasibility of bringing water from the north side of the Blue Mountain into the Kingston/St. Andrew area. This location is easily traced on the map in Appendix D.

The U.S. has also been providing Jamaica with concessional sales of agricultural commodities under Title I of PL480

more commonly referred to as Food For Peace. The first agreement with Jamaica was signed in 1966 and expired in 1972. The ocean freight was paid by Jamaica and the U.S. paid the differential. A loan under Title II was for 18 years -- a regular dollar loan with a low interest rate of 3 per cent. Title II also covers food donations. Programmes are carried out under a variety of arrangements with a "co-operating sponsor" being the sine qua non. The sponsor may be the government of a recipient country, a U.S. non-profit voluntary agency or a combination of such agencies or inter-governmental organizations including the U.N. Relief and Works Agency (UNRWA) and UNICEF. Title II resources are also channelled through the World Food Programme -- a multilateral food assistance programme. In Tables 6.4 and 6.5 we set out for a particular year, 1972, a comparison of total commodities received and number of recipients of these commodities in Jamaica and two other Caribbean countries. We chose 1972 mainly because for the period covered it's the only year with annual figures; the rest are aggregate figures cumulative from 1954 to 1972.

The Catholic Relief Services (C.R.S.) programme has over 27,000 recipients in Jamaica and the Government to Government programme with nearly 185,000 recipients includes a school lunch project in which about 50,000 patties (meat loaves) are distributed to school children. This is administered by the Ministry of Education and has been deemed a very successful project. Guyana receives the largest share of the WFP allocations but recipients in Jamaica far outnumber those in

Table 6.4 Title II, Public Law 480 total commodities shipped by programme sponsor, fiscal year 1972

Country and Programme Sponsor	Total CCC (thousand dollars)	Commodities (thousand pounds)									
		Total	Wheat Flour	Bulgur	Wheat	Corn Meal	Rollled Oats	NFDM	CSM	WSB	Vegetable Oil
Jamaica	1,700	11,958	3,253	846	734	1,525	138	2,516	364	198	2,384
CRS Government	498	2,817	449	100	40	249	138	923	309	198	411
Government to	1,111	8,314	2,394	735	694	1,166		1,495			1,830
WFP	91	827	410	11	-	110	-	98	55	-	143
Trinidad & Tobago	152	574	142	-	-	-	-	410	-	-	22
UNICEF	142	410	-	-	-	-	-	410	-	-	-
WFP	10	164	142	-	-	-	-	-	-	-	22
Guyana	343	2,780	1,310	145	-	-	124	516	370	474	271
Government to	219	1,758	620	145			124	349	370	474	106
Government	124	1,022	690	-	-	-	-	167	-	-	165
WFP											

Definitions:

CSM (corn, soya mix) WSB (wheat soya blend)
Vegetable Oil (soybean) NFDM (Non fat dry milk)
CCC (Commodity Credit Corporation)
WFP (World Food Programme)

Table 6.5 Title II, Public Law 480 - number of recipients, by programme type and sponsor fiscal year 1972.

Country and Programme Sponsor	Total	Food for Development			Emergency Assistance		Welfare (General Relief)	
		Maternal Child Feeding	School Feeding	Other Child Feeding	Refugee	Disaster		
Jamaica	233,984	99,000	105,000	4,500	24,749	-	-	735
CRS	27,435	22,500	-	1,500	2,700	-	-	735
Government to Government WFP	184,500 22,049	76,500	105,000	3,000	-	22,049	-	-
Trinidad and Tobago	29,200	8,000	20,000	-	1,200	-	-	-
UNICEF WFP	28,000 1,200	8,000 -	20,000 -	- -	- 1,200	- -	- -	- -
Guyana	133,442	14,500	53,000	65,942	-	-	-	-
Government to Government WFP	127,500 5,942	14,500	53,000	60,000	5,942	-	-	-

Source: 1972 Annual Report on P.L. 480

Guyana and Trinidad and Tobago.

Under the CCC Private Trade Agreements (PTA) the credit extended to a recipient country is used to finance facilities which will assist in the development and expansion of future commercial markets for the U.S. agricultural commodities e.g. proceeds from the sale of 14,000 metric tons of corn exported in 1972 under this agreement with a Jamaican company were used to construct a modern cornmeal plant in Kingston. It was hoped that by providing a locally produced, reasonably-priced quality product the new plan will expand cornmeal consumption. To meet this expansion it was estimated that the company will almost double its annual corn imports when the new plan becomes operational the next year or two.

Section 104(f) of the PL480 provides that U.S. owned local currencies generated by Title I sales be used to promote agricultural and economic development in the recipient country. Particular emphasis is placed on food production, processing and distribution in countries with food shortages. The funds are disbursed in loans and grants.

Jamaica, like other recipient countries, feels that sales under PL480 though meant as a form of budgetary aid to the recipient country, in the long run really benefit the donor more and in fact, rather jeopardizes the development of the former's agricultural sales and even production because it tends to flood the local market, like in India, and also affects the price structure. Such sales provide substantial balance

of payments benefits to the U.S; currency use payments and repayments of economic development loans are used by many U.S. agencies to defray overseas expenses that would otherwise require U.S. dollar expenditures. Such balance of payments benefits in fiscal year 1972 was estimated to have reached U.S. \$301 million and interest payments and arrearage at end of fiscal 1972 was U.S. \$5 million. (2)

PL480 commodities are valued at prices higher than their world prices and because funds created from sale of such commodities are used to defray expenditures of U.S. missions in the recipient country there is inevitably a net reduction in the amount of aid funds available to Jamaica or any other recipient country.

Best points out the immediate income effects arising from the sale of aid commodities -- the fall in the price of agricultural goods arising from similar aid goods serves effectively to increase the real purchasing power of consumers of such goods and since this leads to an increase in the demand for other goods, total demand in the economy does not fall. But unless there is saving the demand curve in the manufacturing sector and/or the importing sector shifts upwards, price rises since the elasticity of supply is small and manufacturers' incomes rise. The income elasticity of demand of manufacturers for agricultural goods will dictate a further effect on the demand for agricultural goods with consequent price changes. If instead the demand curve of the importing sector shifts upwards the induced effects on manufacturers' incomes will be lessened and this might adversely affect the balance of

(2) 1972 Annual Report on PL480 op. cit. p.17.

payments and the terms of trade. Corrective measures for these may themselves adversely affect growth and the whole development process.

The U.S. AID also has a Special Development Activities (S.D.A.) Fund of \$50,000 a year which provides direct assistance toward self-help projects like the building and equipping of a community centre or training centre in rural areas, small schools and basic schools. This fund covers about 35 projects each year and nearly all the thirteen parishes in the country have been represented with projects assisted by the S.D.A. Fund.

Since 1963 U.S. external aid to Jamaica has been significantly reduced because the U.S. felt Jamaica did not need much by way of aid or outside help; the U.S. felt that Jamaica's own industries properly managed would make it relatively self-sufficient. This was mainly based on the fact that between 1963 and 1967, during the Independence Plan period, when Jamaica sought large sums of external aid abroad, its own industries like sugar, tourism and bauxite were enjoying a considerable boom. These industries in fact increased the general revenue significantly during the period. At the same time, the domestic market capably provided high levels of capital; thus the U.S. categorized Jamaica as one of the nations who "were capable of putting their financial houses in order, and the U.S. should suggest to them corrective measures and provide advice."⁽³⁾

(3) Girvan, N. op. cit. p.118

I.B.R.D.

On the basis of a report prepared by The World Bank in 1954 a 10 year development plan was effected for the accelerated economic development of Jamaica. Again in 1964 a UNESCO team evaluated the education plan on which a National Educational Plan 1966-80 was based. Two external aid programmes resulted from this. The first was a first phase 9.5 million I.B.R.D. loan in September 1966 for the establishment of 50 junior secondary schools and expansion of teacher, agricultural, industrial and commercial training. The other was the \$1.55 million loan by CIDA to construct and renovate 128 primary schools.

The Bank's second phase loan for the plan was in March 1971 -- a \$13.5 million loan with a total cost of \$28.2 million. This phase covered 40 junior secondary schools, 3 teacher training institutions and 2 vocational training centres built or expanded and equipped to increase enrolment by an estimated 19,300. The funds also covered an extension of instructional television programmes to help senior sections of primary schools.

The Bank's first loan, however, was for transportation -- construction of the Spanish Town-Kingston Highway to improve a section of the highway connecting the two towns. (See Section Vi iii on 'Project Examined' for details on this.)

Towards agricultural development the I.B.R.D. authorized a \$3.7 million agricultural credit loan in 1970 which was channelled through the Jamaica Development Bank (J.D.B.). This loan was to provide long-term credit to some 140 commercial farmers

for financing investment for the development and expansion of farms in the production of citrus, beef and dairy and also the expansion of coconut production by some 23,200 acres and introducing the Malayan dwarf species which are resistant to the yellowing disease that has been crippling Jamaica's coconut production. The total cost of the project is estimated to be \$8 million and was in co-operation with the F.A.O.

Other sums have gone into family planning education in hopes of helping reduce fertility in this island. In addition to setting up clinics in various rural centres a 1970 \$2 million loan from the Bank went towards construction of a 150-bed wing at the Victoria Jubilee Hospital in Kingston. U.S. A.I.D. has been contributing sums averaging \$500,000 yearly in this field.

In 1966 the Bank made a \$22 million loan available towards financing of the construction of a thermal power plant in Old Harbour Bay. This project was to help Jamaica's electric power. A 22,000 kilowatt plant was set up in Montego Bay and transmission lines covering 190 miles were installed. Total cost for this project was estimated to be \$41.1 million.

Another loan in 1969 -- \$5 million -- went towards improvement and expansion of the Kingston water supply system. This was designed to meet the increased demand in the city's population and from tourism and industry. The project estimated to cost \$9.1 million covers construction of a pumping and distribution system.

Over the period under consideration, the Bank loans add up to \$62 million in original amounts and the Bank/IFC amounts loaned reached \$75.4 million totalling \$137.54 million

from the Bank Group. For the terms and interest rates of the loans see Table 6.2.

ii Agencies Administering Funds

The Economics Division of the Ministry of Finance and Planning have the responsibility for the co-ordination of aid programmes: They prepare in-depth appraisal and evaluation of projects especially those with large capital or recurrent costs. They also concentrate on sectoral analysis to aid on-going programmes and project planning. The Central Planning Unit of the Ministry, now a ministry on its own -- The National Planning Agency -- was the co-ordinating authority for technical co-operation. This Ministry is now entirely responsible for the formulation of the national development plan and publication of the annual economic survey. As we mentioned before the 1963-68 Independence Plan was the last published national plan. This Ministry has been preparing a series of economic reviews and guidelines they call "Strategy for Development". In this they list some national priorities and proposed methods for achievement.

The Department of Statistics compiles the statistical data on key economic indicators. To correct some deficiencies like an acute shortage of manpower statistics the Department recently (1974) started publication of a statistical yearbook which incorporates some of their quarterly publications in greater detail.

There are planning units in the Ministry of Agriculture and Fisheries and the Ministry of Education. The former carries on a lot of research and planning in agricultural matters and a new ministry of Rural Land Development takes

care of such fields as forestry, field extension work and education. The planning unit of the Ministry of Education is very small and even with a number of bilateral Canadian advisers does not contribute much to effective educational planning. The Canadians contend this is because they have no co-ordination with local counterparts.

Any ministry requiring aid funds submits a formal requisition with the Ministry of Finance which co-ordinates all external aid programmes and projects. They must state the name of the project, sponsors and the general purpose for which assistance is needed. They must also list the items to be financed -- materials, equipment, labour and any other items and state the total costs, amount requested and if any amount is to be raised from other sources. The Ministry of Finance checks with the National Planning Agency and the Economics Division of the Office of the Prime Minister as far as national priorities go and also to avoid duplication of projects by other Ministries then approves the project. From here the Ministry approaches the Office of the High Commission or Embassy or U.S. A.I.D. or U.N.D.P. depending on the multi-lateral or bilateral agency involved. In cases of request for assistance from the Special Development Fund of U.S. A.I.D. evidence must also be shown of community support for the activity. All this involves high level talks and discussions with Ministry officials at various stages and with donor country representatives.

Once the donor country approves, details are worked out with the Ministry of Finance and the disbursed amounts arranged to be sent to the Ministry of Finance which in turn

allocates the funds to the requesting Ministry which in turn assumes direct responsibility for the project. e.g. in the case of the Spanish Town-Kingston Highway the Ministry of Finance obtained the funds from the IBRD and allocated to the Ministry of Communications and Works because it was the ministry directly responsible for the project.

iii Project Examined

The U.N.D.P. stress that more often than not programming problems have resulted from pressure on the co-ordinating authority; planning weaknesses due to pressure on government manpower resources; and from 1968 onwards the fact that there was not a national development plan or statement of priorities, difficulties in ensuring a sectoral and inter-sectoral focus in requests and the use of feeder projects.

Slippage occurred in some components of the projects under aid programmes but seldom was there a hold-up across the board resulting in a whole project scheduled delayed. Man-months programmed under technical assistance components were usually fairly well delivered whereas fellowship man-months were not always delivered according to expectations.

It was apparent often enough that the timing and level of inputs allowed for the achievement of objectives was not realistic. It has also been realized that objectives for projects are often too ambitious taken into account such factors as problems of counterpart staff accentuated by the level of emigration and the lure of rapidly increasing wage rates in the private sector especially in the bauxite industry, late arrival of experts; a problem that seems to affect all projects and neglect of institutional factors in project preparation and design. We cannot elaborate on all these here re: the numerous projects so we go on to examine a specific project taking the above factors into consideration.

The Spanish Town-Kingston Highway

In April 1965 the World Bank authorized a \$5.5 million

of an estimated \$11 million for transportation in Jamaica. This was the Bank's first loan to Jamaica and was to improve a portion of the Kingston-North Coast Highway. The loan bears an interest rate of 5 1/2 per cent per annum. Table 6.6 shows disbursement on the loan. According to the Government Annual Estimates the actual expenditure was as follows:

	J\$
1965-66	12,720
1966-67	352,966
1967-68	3,200,000
1968-69	1,250,228
1969-70	1,647,234
1970-71	3,363,837
1971-72	2,679,915

The idea was to construct a four-lane highway from Kingston to Angels via Spanish Town as the existing lanes were inadequate to meet the growing traffic requirements. This entailed the construction of two additional lanes adjacent to the previous lanes from 3 miles along the Spanish Town Road to Angels along the Bog Walk Road,⁽⁴⁾ embracing a distance of about 15 miles. This was expected to be completed by June 1972. However, it was not completed until some two years later. By December 1972 construction was still in progress. This was a clear case of unrealistic timing of inputs; cost

(4) See Appendix D.

Table 6.6

LOAN No.: 408 Jm. LENDER: IBRD (World Bank) PROJECT: Highway
 INTEREST RATE 5½% COMMITMENT FEE 3/8 of 1% GUARANTOR: Kingston Spanish
 RELATED FILES: 164/015 SERVICE CHARGE:- EXCHANGE RATES Town

PRINCIPAL: U.S. \$5,500,000 (8/4/65)

DATE	UNDISBURSED AMOUNT		DISBURSEMENTS		INCREASE/DECREASE IN COMMITMENT		AMMORTIZATION RUNNING TOTAL		BALANCE OUTSTANDING
	U.S.\$	Jamaican Currency	U.S.\$	Jamaican J\$ Currency	U.S.\$	Jamaican Currency	U.S.\$	Jamaican Currency	U.S. \$
8/4/65	5,500,000.								
8/8/66			38,126.80	127,232.00					38,124.80
26/10/66			31,648.40	22,606.00					67,783.20
14/2/67			70,176.40	50,126.00					139,949.60
			Total Disbursement in 1966/67 = U.S. \$		139,949.00				
6/7/67			116,284.00						356,233.60
22/8/67			101,976.00	72,840.00					358,205.60
30/10/67			99,901.20	31,358.00					458,180.80
21/2/68			60,324.00	50,270.00					518,434.86
			Total Disbursement in 1967/68 = U.S. \$		378,485.20				
19/6/68			49,588.28						568,023.48
20/9/68			57,196.80						625,219.88
19/10/68			127,044.00						752,283.80
6/3/69			67,255.20	56,046.00					819,519.08
			Total Disbursement in 1968/69 = U.S. \$		301,084.28				
19/8/69			159,537.60	132,948.00					919,056.68
10/10/69	4,495,222.51		25,720.81	21,434.00					1,004,777.49
			Total Disbursement in 1969/70 = U.S. \$		185,258.61				
15/7/70	4,495,222.51						75,000.10		929,777.41
31/7/70	3,532,916.93		962,305.58	801,921.00					1,892,083.07
30/11/70	5,135,559.59		397,357.36	331,131.00					2,289,440.43
16/12/70	2,696,294.59		439,264.98	336,054.00					3,728,105.41
15/1/71	2,696,294.59						150,000.00		1,553,105.41
			Total Disbursement in 1970/71 = U.S. \$		1,798,927.92				
25/3/71	1,630,662.96		1,065,631.63	888,026.00					3,719,337.04
16/6/71	1,571,050.56		59,612.40	49,677.00					3,778,549.44
15/7/71	1,571,050.56						230,000.00		3,698,949.44
20/8/71	1,429,511.30		141,434.20	117,866.00					3,840,388.04
22/11/71	1,036,248.86		393,362.50	314,690.00					4,233,751.14
15/1/72	1,036,248.80						310,000.00		4,153,851.18
28/1/72	818,013.30		218,235.56	167,505.00					4,311,986.70
28/1/72	742,806.71		75,207.59	57,725.00					4,447,194.24
9/2/72	739,674.55		3,151.16						4,450,325.45
			Total Disbursement in 1971/72 = U.S. \$		1,956,620.04				
10/4/72	545,699.54		183,975.00	148,884.00	1.40				4,644,300.46
24/5/72	336,221.80		209,477.74	160,783.00	1.30				4,853,778.30
17/7/72	336,221.80						390,000.00		4,768,778.20
8/11/72	240,942.34		34,279.46	73,131.00	1.30				4,864,057.56
21/12/72	118,302.82		122,639.52	60,089.00					4,986,647.18
15/1/73	115,302.82						480,000.00		4,901,697.18
7/2/73	23,239.72		95,063.10	86,421.00	110				4,496,760.28
8/3/73			23,239.72	21,127.02	110				5,020,000.00
			Total Disbursement in 1972/73 = U.S. \$		739,674.55				

SOURCE: MINISTRY OF FINANCE, KINGSTON, JAMAICA.

estimates for the Bank and national physical inputs exhibited great discrepancies. Construction costs seem particularly prone to inflation; as with other projects prices spiralled during lags caused by delays between the negotiation and agreement on items and their subsequent procurement.

Responsibility for this project rested with one ministry -- The Ministry of Communications and Works as the Administering Agency with the Ministry of Finance as a co-operating agency. Particulars of service, however, were not forthcoming from the Ministry as officials were generally tight-lipped about release of any information. The general idea gathered was that the work was mainly by contract and caused much controversy because most of the workmen -- contractors, surveyors, engineers were foreign recruited. The local artisans resented this very much -- that engineering, surveying, carpentry was not provided from Jamaican sources -- they contend that they had enough qualified engineers, contractors, etc. for this project. This is just an instance of cases often occurring in which foreign technical experts and controllers of foreign aid programmes insisted on routines which were completely alien and thus arouse the suspicion of the recipient government. This also reflects neglect of institutional factors granted that sharing arrangements differ from project to project.

The loan was granted to help the country in the long run and like any project aid directly assisted a specific development project -- in this case building a highway -- by procuring or financing the procurement of equipment and materials required to be imported as well as providing

technical assistance in connection with the project. The Jamaican nationals feel that, especially in a country with such high unemployment rates, recruiting local manpower e.g. carpenters and construction workers for such a project would have created jobs for the indigenous people and as such made a dent, however small, in the unemployment situation.

The U.N.D.P. claim the problem of senior counterparts to experts is not recruiting them but in retaining them, the constant turnover of middle level supporting staff particularly technicians slowed down project operations and made training in-depth impossible. The high level of emigration principally to the U.S. and Canada has virtually denuded the skilled manpower of the technical departments in the public service and therefore manpower is stressed.

Insufficient data does not allow us a vigorous examination here, however, the test of effectiveness of any project is in its successful execution given that the project is relevant to the demonstrated needs of the sector and economy. As a resident representative of the UNDP put it "Too many projects languish and fade away once international assistance withdraws because they do not represent a vested interest to someone." The Spanish Town-Kingston Highway is one project that never faded away. It certainly fulfilled a priority need in the country. It has had a substantial impact on the economy if not at the national level certainly at the two connecting points. Traffic flows easier than ever before and this has helped greatly in the matter of getting

foodstuffs and other agricultural produce from the villages to towns faster than before. In a hot tropical country like Jamaica without much storage facilities, food literally rots in the villages whilst whatever gets to the towns is sold at exorbitant prices. A good transportation system eliminates or cuts this problem down by far.

iv Technical Assistance

Technical assistance is what one observer calls aid with men and know-how. This covers the provision of skilled people to start a job and keep it running until the recipient country is able to train sufficient people to carry on. Much of this is carried on in the recipient country itself but thousands of trainees are also sent to the donor countries to train in schools, universities and technical colleges. The United Nations has recognized that shortage of skilled people may be a greater obstacle to growth than shortage of resources or finance.

Technical assistance to Jamaica is provided in these categories.

- 1) Service of experts -- in an advisory or operational capacity;
- 2) Training -- primarily fellowships, scholarships and special courses;
- 3) Staff missions -- groups of experts from institutions (usually financial) undertaking pre-investment surveys, feasibility studies, research and other assistance in planning;
- 4) Volunteers -- usually non-experts in an operational capacity;
- 5) Equipment and supplies -- primarily educational materials, food, and for medical emergencies and other aid. (4)

(4) Source: OAS Secretariat.

Jamaica receives approximately U.S.\$4.0 million worth of technical assistance annually -- \$1.56 under multilateral programmes, bilateral programmes covering the remaining \$2.46. The U.N.D.P. is the major contributor in the multilateral agencies whilst Canada, U.K. and U.S. A.I.D. form the major contributors under the bilateral programmes. See Table 6.7 for non re-imbursable technical assistance to Jamaica 1969-72.

Table 6.7

JAMAICA: NON - REIMBURSABLE EXTERNAL TECHNICAL ASSISTANCE
GRANTED TO JAMAICA FROM 1969 to 1972

(In thousands of US\$)

(Estimated)

SOURCE	1969	1970	1971	1972	1969-72
<u>Multilateral Agencies</u>					
UNDP	1 170.0	1 500.0	1 600.0	2 305.0	6 575.0
IDB	-	47.0	-	244.0	291.0
PAHO <u>1/</u>	117.2	117.1	191.0	219.3	644.6
OAS <u>2/</u>			47.0	64.0	111.0
<u>Bilateral Programs</u>					
US/AID	900.0	800.0	900.0	1 000.0	3 600.0
CANADA	1 600.0	1 200.0	1 200.0	1 200.0	5 200.0
UNITED KINGDOM <u>3/</u>					
TOTALS	3 787.2	3 664.1	3 938.0	5 032.3	16 421.6

1. Portions of inter-country programs are included.

2. Data converted to calendar year basis per dates of services provided.

3. Not enough data available for certain years.

U.N. Technical Assistance

The U.N. provided 91 experts and advisers and 34 scholarships and fellowships to Jamaica during 1964-67. In addition it shared four local and regional projects with Jamaica under the Special Fund Project:

- 1) Groundwater Research Survey
- 2) Map Production
- 3) Faculty of Engineering, University
of the West Indies - Caribbean Regional
- 4) Fisheries Project - Caribbean Regional ⁽⁵⁾

On the 1st of Jan. 1966 the U.N. Special Fund was amalgamated with the Expanded Programme of Technical Assistance to form the U.N.D.P.

1) Groundwater Research -- This was to determine the possibility of groundwater development in 2 areas of Jamaica selected as first priority zones and of estimating ground and surface water resources for the development of agriculture. This was a very important project because it was to delve into the storage potential of white Karstio limestone formation in certain areas of the country with a view to help water shortage and irrigation problems.

Local staff were given training in groundwater research and the existing research unit was expanded into a service which could carry on research in other areas of the country. This project was signed for in March 1965 and operations began in April 1965 for a duration of 3 years. The Executive Agency

(5) Source: Ministry of Finance, Kingston, Jamaica.

was the F.A.O. and the local government agency was the Geological Survey Dept. of the Ministry of Development and Welfare. The total cost of the project was J\$1,223,697 of which the Special Fund contribution covered J\$756,400. The Jamaican government's contribution was J\$467,297. The project was so successful that it led to development of several major water schemes for consumption and agricultural use and became the focus of water resources development and management in Jamaica.

2) Map Production -- The Special Fund contribution here was \$328,000 and the Jamaican government contributed \$448,255. The U.N. was the executing agency in co-operation with the Survey Department of the Ministry of Agriculture and Lands. The project was to be carried on over a period of 4 years and was designed to assist Jamaica in establishing a photogrammetric map compilation section and to train Jamaican personnel to staff it. The Survey Department thus acquired modern map-preparation technique and equipment including photogrammetric plotters.

3) Faculty of Engineering -- Jamaica contributed to this 5 year Trinidad-based project by UNESCO but we do not have the actual figures; the total contribution by the Caribbean governments came to J\$2,522,900 and the Special Fund Allocation was J\$977,900.

4) Fisheries Project -- Jamaica signed for this project in March 1965 for a 4 year period. The Caribbean governments contributed J\$772,800, Jamaica J\$103,000 and the Special Fund contribution was J\$1,558,500. The F.A.O. was in charge

and the project was designed to provide a basis for the future growth of fisheries in the Caribbean region by indicating the most economic and promising methods of boosting both domestic and export markets and how best to use further capital investment in fisheries.

The project was in 3 parts.

- 1) Exploratory fishing; which was contracted out to U.S. Bureau of Commercial Fisheries.
- 2) Marketing study and demonstration.
- 3) Training programme -- further training for fishery officers and master fishermen. Some were sent to Canada to undertake several fisheries courses. It was hoped this would eradicate the general tendency of the Fisheries Division to over-rely on the international expert. (The F.A.O. has been sending various master fishermen to Jamaica since 1960.) Two of the five vessels used in the project were based in Jamaica.
- 5) Productivity Centre -- The International Labour Organization helped Jamaica in setting up a Productivity Centre as a wing of the Jamaica Industrial Development Corporation. The project was signed for in May 1963 for a period of 5 years. The total cost of the project was estimated to be J\$2,917,884, and of this Jamaica's contribution was \$1,949,684 in kind, and J\$11,500 in cash, towards local operating costs.

The Centre is now a great boon to the local small craftsmen and tradesmen who have benefitted from advice and expertise of international specialists; many of these have received vocational training and they have also been granted various loans to help them get established in their crafts and small businesses.

The U.N.D.P., through technical assistance, has also helped Jamaica with teams of entomologists and virologists in research into the yellowing disease of coconuts -- a serious problem which has been plaguing the coconut industry thus affecting the exports of coconuts aside from the 25% crop loss due to labour problems, wages and working conditions.

The shortage of hydraulic engineers in Jamaica is a major constraint on the country's ability to meet the demand of new water systems and water quality control as a result of rapid urbanization and growth in the tourist industry. The U.N.D.P. has been supplying Jamaica with hydraulic engineers since 1965 and a training programme for understudies to the U.N. experts was started in 1971.

Since 1967 the College of Applied Arts, Science and Technology has been running various telecommunications training courses with a number of U.N. experts as tutors. The courses have been most successful and both the government and the College seem well pleased with the training programme to date. Initially, the lack of adequate laboratory facilities was a major constraint on the ability of the experts to improve

the quality of the courses but new laboratories set up after the expansion of the College with an I.B.R.D. loan rectified the situation. By 1970 there were 4 Jamaicans on fellowship in the U.K. and U.S. furthering studies in telecommunications in the hope of returning to take over the experts' work as international assistance is not forever.

A team of instructors are also assigned from time to time to teach a variety of skills in youth camps in Jamaica; (The Youth Camp project is to provide out of school adolescents with the necessary academic, technical, social and cultural training to enable them to improve their employment opportunities and to participate effectively in the economic and social development of the country). These are volunteers, unlike the experts they are not administered as U.N. staff members but a few are serving at junior professional levels in U.N.D.P. field offices. They are considered useful in bridging the gap sometimes existing between the high level experts and planners and the local population.

The volunteers with less specialized backgrounds are more readily available, cost less -- about U.S. \$3,000 as opposed to U.S. \$30,000 per annum for a full-fledged expert. They provide feed-back to the U.N. staff which could help keep projects relevant; valid and efficient in relation to the real needs and aspirations of the local community. As such they effectively assist the experts by releasing them from time consuming work which does not require their expertise. In 1972 there were 20 such volunteers in Jamaica. See Table

6.8 for classification of other experts in a particular year. By 1968 there were a few German, Israeli and Dutch volunteers also helping in various fields.

The World Health Organization and P.A.H.O. have provided Jamaica with consultants and experts in several sections of the Health Service including nursing administration and education, dentistry, bacteriology, pathology, hospital services, disease control and health statistics. A number of fellowships have also been provided to Jamaicans in these fields. WHO/PAHO experts have been largely instrumental in helping Jamaica eradicate malaria. Unlike most tropical third world countries Jamaica can boast of an almost negligible rate of death from this killing disease. Studies are still being carried on in insecticides and their effect on different mosquitoes especially the Aedes Aegypti (Yellow Fever) mosquito. Free doses of small-pox and yellow fever vaccines have been brought to Jamaica in thousands. A radiation physicist has been making visits from time to time in an advisory capacity to look into the effects of radiation on industrial workers throughout the country.

U.K.

British aid to Jamaica after independence is almost entirely confined to technical assistance. Britain gives Jamaica this form of aid worth £ 1/2 million a year, equivalent of J\$1,014,000. This is administered by The Ministry of Overseas Development and includes the supply of advisers,

Table 6.8 Technical Assistance Experts and Teachers assigned to Jamaica by Ministries
(April 1966 - June 1967)

MINISTRY	UNITED NATIONS	UNITED	US/AID	CANADA	ISRAEL	WEST GERMANY	HOLLAND	FORD FOUNDATION
Agriculture and Lands	12	4	5	-	2	-	-	-
Education:								
(a) Teachers	-	-	-	10	-	-	-	-
(b) Teacher Trainers	-	-	8	9	-	-	-	-
(c) Experts and Advisers	-	-	7	1	-	-	-	-
Communications and Works	4	1						
Finance and Planning	21	4		4				
Health	12	1	2	2				
Home Affairs & External Affairs		4	2					
Housing			1					
Labour & National Insurance	4	4						
Local Government	1	3						
Trade and Industry	4	2						
Youth & Community Development	1	3						
Central Planning Unit							2	1
University of the West Indies	2	1	-	9	-	1	-	-
TOTAL	68	26	26	36	2	1	2	1

Source: Central Planning Unit

teachers, and other operational personnel to work and maintain public services, the provision of education and training in Britain for Jamaicans and the supply of equipment and conduction of surveys and research.

British aid helped establish the Bureau of Standards in 1967-68. Subsequent years have brought consultants to provide advisory services and to carry on several feasibility studies in other fields such as taxation, police officer/dog training, education, agriculture and engineering in the Water Commission, Fisheries and Marine Departments. British consultants and experts have provided assistance in the testing of banana, general food storage and the lethal yellowing disease. There is a big yam trade to Britain now as a result of the study in food shortage.

The British Government has nearly always provided equipment, especially gas cylinders, free of charge. The British Government paid the firm of civil engineers sent to work on the Rio Cobre Scheme -- a water scheme whereby billions of gallons of water were channelled into the Hermitage Dam. For other work in Ocho Rios and St. Ann's, Jamaica paid 10% and the British Government paid 90% of the expenses. (6)

The British Government also runs a supplementation scheme whereby staff -- not so much experts as such -- are supplied, whose salaries are supplemented. There are doctors and other medical staff, taxation officers and surveyors; there have been about 60-66 such staff a year sent to Jamaica. There has also been a large fellowship programme to the U.K. 83-90 Jamaican personnel are trained in Britain yearly including about 50 nurses.

 (6) See Appendix A₁

The U.S.O. though a private organization receives substantial grants from the government so offers an indirect form of aid. This organization has provided personnel mainly in the teaching field, are scattered over 30 places in different towns in the island, and are quite instrumental in the expansion of this country's education.

British bilateral technical assistance disbursements to Jamaica for 1968-72 were as follows:

<u>Year</u>		<u>J\$</u>
1968	260,000	520,000
1969	329,000	658,000
1970	383,000	766,000
1971	442,000	884,000
1972	506,000	1,112,000

The total outstanding loans on British Aid programmes was 1 million at an interest of 0.6 million. For 1972 the disbursement was -- students and trainees 80,000, wholly financed personnel 120,000, assistant personnel and volunteers 238,000, equipment 33,000 and other 35,000. The British Government also presents books periodically to the Jamaica Broadcasting Corporation, Ministry of Education and the children's libraries totalling about 8,000 a year.

U.S.

Table 6.9 gives a breakdown of technical co-operation obligations for 1964-1966; the breakdown for subsequent years is not available. The U.S. has sent several experts, consul-

tants and specialists to Jamaica, over the period considered, to help expand its education. Other experts and specialists have served assignments in agriculture, housing, police work, audio visual training, water quality control and family planning.

The Peace Corps. started operation in Jamaica in 1962. There were 32 volunteers at that time, by 1972 the number had more than tripled. They are mostly teachers in primary schools, educational T.V. and the basic school teacher training programme. Some are with the Registrar of co-operatives and others have done substantial work in growth development projects in the youth camps. The Peace Corps is especially involved in the self help projects which come under the Special Development Activities Fund. Community participation in these projects is emphasized; the community provides the labour services and the U.S. A.I.D. provides the materials and equipment, and the expertise actual physical help of about 200 Peace Corps. The U.S. A.I.D. set aside \$50,000 each year for 22 - 35 projects. There are projects in each parish of the country and there are about 5 based in Kingston alone. Most of those are for building and maintenance of basic schools.

Scholarships and fellowships tenable in the U.S. have been offered to Jamaicans in all fields including various branches of police work, international taxation, hormonal cytology, public administration and audio visual education. The duration of the fellowships range from 3 weeks to 2 years. The U.S A.I.D. stress that training if not the sole aim of

every project should at least be a major component -- thus Jamaica and for that matter all recipient countries should not completely rely on foreign expertise all the time -- this will relieve the hiatus that occurs when a foreign expert leaves the country.

CANADA

Canadian technical assistance covers technical -- vocational teacher education and curriculum development, agriculture and the improvement of administrative apparatus for project planning and implementation. C.I.D.A. administers through the High Commission in Kingston, Jamaica. In all projects Jamaica provides counterpart funds, personnel and/or facilities but it is difficult to arrive at a figure for Jamaica's contribution to technical assistance programmes which provide personnel services, training and equipment. Jamaica's contribution is in the form of counterpart staff, lands and buildings, local transportation and ancillary services.

Over the period considered Canada has given assistance to Jamaica in airport management and civil aviation. The Ministry of Education has benefitted from Canadian assistance, advisory services, and expertise in school design, library work and operational services at various departments in the University, and assistance with the teaching of technical subjects at the College of Arts, Science and Technology.

Table 6.9

UNITED STATES AID -TECHNICAL COOPERATION OBLIGATIONS (1964-66)

<u>Project</u>	<u>Financial Year 1964</u> J\$	<u>Financial Year 1965</u> J\$	<u>Financial Year 1966</u> J\$
Human Resources (including Family Planning)	85,000	94,000	200,000
Agricultural Production and Marketing	205,000	250,000	107,000
Low Cost Housing	68,000	48,000	30,000
Community Water Supplies	140,000	80,000	75,000
Special Development Activities	-	-	50,000
Technical Support*	<u>102,000</u>	<u>194,000</u>	<u>102,000</u>
TOTAL	\$ <u>600,000</u>	\$ <u>666,000</u>	\$ <u>564,000</u>

*This project finances the general costs of the overall U.S. Technical Cooperation and Loan Programme in Jamaica. It includes salaries, travel, rent, etc., which go to support more than one project and whose cost cannot be distributed easily among the various projects involved.

Source: Central Planning Unit, Jamaica.

Canadian experts have regularly offered advisory services in forest conservation and organization and methods at the Ministry of Finance. C.I.D.A. made available \$2.4 million toward a census computer and offered demographic assistance too.

A team of Canadian classification specialists successfully completed a 3-year task of preparing reclassification guidelines for the 25,000 Jamaica civil service and early in 1973 re-classification was well under way. A major study for the expansion of the island's 2 international airports, Norman Manley (Kingston) and Sangster (Montego Bay) and detailed designs for water supply systems for 4 Jamaican cities were also completed. C.I.D.A. helped finance and supplied materials for both studies.

Canadian engineers are carrying out the \$3 million second stage of an island-wide transportation survey financed substantially by C.I.D.A. loans.

A number of Jamaicans have also received various fellowships to train in Canada. These average 35-40 a year.

Other organizations -- non-governmental but supported by C.I.D.A. -- are also active in the development process in Jamaica. These include the United Church of Canada which established a school and community development centre at Spaldings, the Canadian UNICEF Committee, The Manitoba Association for World Development, the Rotary Club of Waterloo and The Canadian Save The Children Fund.

Both the Canadian University Services Overseas (CUSO)

and The Canadian Executive Services Overseas maintain programmes in Jamaica.

The total cost of development projects carried out by Canadian non-governmental organizations in Jamaica between April 1968 and March 1973 was C\$2.5 million, C.I.D.A. contributed \$315,000 to this amount.

Others

West Germany awarded Jamaica a few scholarships in hotel management, artificial insemination, political science and the German language. One or two German experts in ceramic pottery and languages at The University have also spent some time in Jamaica helping to train Jamaican nationals.

Dutch technical assistance has been mainly in the development of tobacco production. There are a number of Jamaicans training in agricultural engineering in Israel under the technical assistance programme and Israeli experts have been involved in Agriculture and land reform in Jamaica since 1965.

The financing of the costs of technical assistance is shared by the donors in the form of grant funds and soft loan funds and the recipient country, Jamaica in this instance, covers the local costs from its annual budget. Local costs cover counterpart staff lands and buildings, local transportation, medical facilities and secretarial work.

Various industries and agencies requiring technical assistance send their requests to the Ministry of Finance which has a joint responsibility with the Central Planning Unit for assessing and reviewing the requests to fit in with the general needs of the nation. These are then forwarded to the multilateral and bilateral agencies. The Ministry of Finance is also responsible for the general allocation of funds thus secured.

Whilst technical assistance is appraised and absorbed in many fields including government administration, civil aviation, geology, planning, health and nutrition, statistics and processing, greater emphasis is placed on technical assistance for agricultural development and the development of human capital through education and training.

So even though it has been difficult to arrive at conclusive amounts of the actual percentage of investment foreign aid financed over the whole decade and how it affected the savings ratio, in the areas of transportation, electric power and education -- infrastructural areas which are important in the development process the contribution of foreign aid has been very significant as evidenced in the above chapter.

CHAPTER VIICONCLUSIONS

Jamaica's economy is open in its trade and dependence on foreign capital for financing its economic development.

In Chapters IV & V we indicated the extent of the growth of government revenue from taxation and other sources and government borrowing from both internal and external sources.

Foreign capital inflows (in the form of commercial loans and aid funds) at an increasing high rate have become a common and accepted phenomenon in the economy. From 5.2% in 1963 it had reached 11.1% of G.N.P. by 1968 and was still on the increase by 1972. Although this has helped to defray mounting deficits on the current account nonetheless jeopardizes any efforts to establish effective mechanisms of monetary and fiscal policies and eventual structural changes in the economy in efforts towards self-sustaining growth.

Jamaica has been living at a standard above what is economically viable for the country as far as consumer imports go. Foreign exchange resulting from the capital inflows has been used in financing imports of consumer items. These include food imports because this agricultural country's food demand has far exceeded supply even though exports have also risen. The explanation for this is Hicks's observation as indicated in Chapter II.

Domestic food production has not risen as fast as the domestic food consumption. PL480 programmes have assisted in this respect, (see Chapter VI) but then since PL480 is based on the U.S. desire to get rid of its own agricultural surpluses there is the tendency to view such commodities as having less value than resources from other programmes. There is a general resentment from local economists that this sort of programme reduces incentive to produce the necessary

items locally or to increase productivity in agriculture generally yet Jamaica like many third world countries cannot hope to have any real development without a developed agriculture. In this respect, the real value of such aid is seriously questioned. They recommend that the developed countries alter their commercial policies as regards excessive protection of their domestic agriculture, high revenue duties on items such as tropical beverage products and bananas and high tariff rates on the labour-intensive, technologically simple products e.g. processing of primary products and manufacturing of consumer goods' in which Jamaica and other developing countries have actual or potential advantage.

The "Prebisch effect", or the worsening of the relationship between export and import prices of developing countries is also cited as a factor in the relative low success of aid. The real national income is reduced by a decline in the terms of trade. Such a decline almost invariably affects the amount of resources available for capital formation; the decline, therefore, significantly lessens the value of the additional resources accruing from the inflow of foreign aid - for the period studied there was a significant decline in Jamaica's terms of trade between agriculture and also in the income terms of trade.

Any meaningful development presupposes a broad and popular participation in the process and its benefits toward upgrading the general standard of living; on the whole no redistribution of wealth took place over the decade studied. Average incomes and living standards of the masses were not perceptibly raised; they rather got worse. This is reflected in the soaring rates of unemployment and resort to violence, the rapidly increasing general price level, low incomes and abject poverty of the masses and the worsening of the rural-urban income gap.

The heavy importing has not been growth-oriented. One of the stultifying factors has been project-tied aid. Aid tied to purchases of goods from donor countries tends to dictate a set pattern of imports with long-term benefits to the donor country mainly and the recipient country is saddled with unnecessary extra costs, for such imports usually carry higher prices than goods on open world markets, e.g. Studies elsewhere have proved that for tied aid U.S. prices were 40-50% higher than international prices for most iron and steel products and that freight charges on U.S. ships - usually required to carry 50% of aid supplies - were 43-111% above the international market rate. (1)

Another stultifying factor has been the international demonstration effect which we discussed in an earlier chapter. If Jamaica's development is to be assessed by Jamaicans in their own context rather than vis-a-vis Jamaica's developed neighbouring countries of the West e.g. U.S. and Canada, by closely imitating them, this problem could be eliminated because such a situation again dictates a set pattern of imports contrary to what is really viable for the country and its development - the pattern of development is peculiar to each particular country.

Although aid programmes have added to the cash inflow and technical resources to help with the perennial problem of shortage of high level manpower especially in the scientific and technological fields, they have not offered much toward employment. Most of the funds went into development of infrastructure (often using foreign personnel) and retraining of already employed personnel. (See Appendix A₁.) They did not generate much by way of job creation. Aid per se was not a statistically significant determinant of the growth rate; it was as part of the aggregate capital inflow.

(1) Mehmet, Ozay op.cit. pg.42

The study shows that there was a significant increase in the growth rates in the first decade of independent Jamaica, and that foreign aid played a useful role in the development process. We only qualify this that the contribution was not that great to make a deeply felt impact. Jamaica, like an interested observer remarked about Mexico in the 1970's, seems "balanced on a knife edge." The present structure depends on high rates of growth for development, the high rates of growth depend on foreign capital, foreign technology, foreign tourists - but foreign dependence is a political anathema.

There is a long road ahead. It's difficult to visualize Jamaica managing further growth unaided - which is the eventual aim for all third world countries. Meanwhile, it is apparent that with some re-organization of the financial structure of the economy to reverse an untenable situation whereby Jamaica is both a net exporter of capital and at the same time in dire need of capital for its domestic projects it may not even need as much as it received within the decade studied, which brings us back to the President of CIDA's remarks "...aid is not enough."

There is the need to strengthen the efficiency and productivity of existing industries. This is something the government has to take a critical look at. It is also essential that an alternative economic strategy be developed. The government has to be "dedicated fully to the task of bringing about the rapid development of the economy and a just and equitable distribution of the resources of the society" (2) -- this means a committal to genuine development which far transcends any importance in the transfer of funds from donors to recipient economies.

Whereas it is good to be conscious of the importance of technological progress and desirable to learn and adopt new production

(2) Charles, K.J. "The International Economic Order - Old and New" Seminar on "World Economic Problems", Mexico City, June 21-28 1978, p.12

and management techniques from foreign firms, foreign capital in any form has to be utilized within the framework of the Jamaican government's own policy for development of its domestic industries not the present system whereby the multi-national corporations take advantage of cheap local labour in manufacture, especially in the bauxite industry and the financial institutions, almost exclusively for their parent companies and markets abroad with the inevitable concomitants which we indicated earlier. Charles, K.J. (1978) ⁽³⁾ points out that in addition to the now familiar phenomenon of the brain drain from the developing to the developed countries there now appears a new form -- "that of the educated talented national of the developing country who works for a multinational corporation situated in his own country, but whose talents as a result are not available to his nation." This is so true in the Jamaican situation and compounded with the wastage of labour manifested in the record high unemployment and the largely capital-intensive technology copied from or dictated by the nature of industries that the multinational corporations engage in adversely affects the long-term development of Jamaica as a nation.

The main hypothesis emerging in the study is that there is no critical shortage of savings in Jamaica to necessitate increased influx of aid -- There is a critical need for proper allocation of savings. (Refer Chapter IV) More investment opportunities have to be created both in the private and public sector to enable resources to flow into local production of more of the items of domestic consumption so that the benefits stay within rather than outside the economy. This calls for a tightening of the controls on consumer

 (3) Charles, K. J. 1978 "The International Economic Order - Old and New." Seminar on "World Economic Problems" Mexico City, June 21-28.

imports and efforts at development of indigenous technology based on local resources and such technology oriented educational structure so that school-leavers come out with real marketable skills. There is a critical need for efficient instruments, encouragement of local entrepreneurship and most important improvement of the social and economic environment; to lessen the hunger and suffering and anger of the common or poor man at the bottom of the socio-economic ladder (and this constitutes a rather large group in Jamaica) and thus alleviate social strife and tension.

Aid has not affected domestic resource mobilization in any significant terms of size and composition over the period studied. While it has been definitely helpful as indicated in the study the likelihood of a significant drop in the rate of growth as a result of the withdrawal of aid seems remote.

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APPENDIX ABasic Features of The Jamaican Economy

Basic Date:	(1970)
Population	2.0 Million persons
(Density:	c440 per sq. mile)
Area:	4,411 sq. miles. Extremely mountainous with just about 20% of the land flat 8% or more is considered unsuitable for agriculture or afforestation.
Currency:	The unit used before September, 1969 was the Jamaican pound symbolized by £. This was equal to the pound sterling. In September 1969 Jamaica decimalized her currency and the unit became the dollar - J\$ - which is the equivalent of U.S. \$1.10.
Date of Independence:	August 1962
Income per capita:	J\$266.00 (constant prices) (1968) J\$514.4 p.a. (current prices) The income distribution is highly skewed. Ahiram's study indicated that "Jamaica has one characteristic which is typical of underdeveloped countries; a high percentage of income, over 30 percent, accruing to the top 5 percent of income recipient units - as compared with 20 - 24 percent for the developed countries. The income accruing to the lowest 60 percent of recipient units is among the lowest recorded - 19.0 percent" (Ahiram, 1964, p. 343) The distribution favors the higher income group and the urban sector.
Urban rate of unemployment:	15.5% (1960)
Rural rate of unemployment:	3.6% (1960)
National rate of unemployment:	22.5% (1972)

APPENDIX A₁

Country: Jamaica

SOME ETERNALLY FINANCED PROJECTS AND ACTIVITIES

1962 - 72

Source: U.N.D.P. Kingston, Jamaica

Courtesy of Mr. Douglas Thomas

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973Country Receiving Assistance: JAMAICASector: AgricultureCode: 05

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
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Forestry Develop- ment & Watershed Management in the Upland Regions JAM/67/505	FAO/UNDP	Total \$1,536,966 1973 (approx.) \$350,540	1967 - 1975	To assist the Government in establishing sound develop- ment plans for forestry and watershed management in the upland regions through a land use survey and pilot demon- stration areas. The project studies have been the basis of a US A.I.D. loan for \$4.4m for a three year period for forestry development.
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Agricultural Planning JAM/68/007	FAO/UNDP	Total \$101,000 1973 (Approx.) \$30,000	October 1969 - September 1974	The main objective being to provide the services of the head of the Macro Planning Section of the Agricultural Planning Unit of the Ministry of Agriculture until this function can be fully taken over by the National Counter- part.
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School of Agriculture -	W.F.P.	\$126,000	1972 - 1977	To permit the release of budgetary resources accrued from W.F.P. supplies to be used for the construction and expansion of the training facilities of the two institu- tions at Twickenham Park.
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Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973.

Country Receiving Assistance: JAMAICASector: EducationCode: 15

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
National Youth Service JAM/71/517	UNDP	Total \$954,100 1973 \$386,279 (approx.)	January 1971 - October 1973	To assist the Government in the development of a compre- hensive national youth service programme to enable Jamaican youth to participate more actively in the national development.
Training in Youth Camps and Con- struction of an additional youth camp. Project no. 178	W.F.P.	\$422,000	1968 - 1973	Food assistance in training in youth camps and in the construction of an additional youth camp at Kenilworth in Hanover, Jamaica.
Food for peace	U.S. A.I.D.	\$2.1 million	Continuing	Shipments of U.S. food principally for school lunch and maternal/child health programmes.
General training in the USA	U.S. A.I.D.	No details. Grants.	Several years	600 Jamaicans for short and long term training in various disciplines.

(1) Project Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Agriculture and Rural Development Agriculture Development	Peace Corps	No cost figures given	1972 - 1974	To improve livestock, vegetable and fruit produc- tion of new techniques to farmers by means of extension services, classes, research and co-operative assistance. No. of volunteers 1973 = 24 No. of volunteers 1974 = 30
Tobacco Experts	British Government	No cost figures available	1969 - 1973	4 Experts in tobacco growing.
Lethal Yellowing of Coconuts (see also UNDP assis- tance)	British Government	92,000 \$35,000 US approx.	1972 - 1975	To assist the Coconut Industry Board in association with the Botany Department - U.W.I.
Coconut Tissue Culture	British Government	5,000 approx.	1971 - 1973	To assist the Coconut Industry Board in association with East Malling Research Station Wye College and Glasshouse Crops Research Station. Object to obtain true strains.

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Teacher Training	Peace Corps	No cost figure supplied	1968 through September 1974	No. of Volunteers: 110 September 1973 109 September 1974 To train in-service pre-school primary and secondary school teachers in new curriculum, methods and skills in Early Childhood Education, Industrial Arts, Mathematics, Guidance, Physical Education, Dance and Art.
Mona Rehabili- tation Centre	Federal Republic of Germany	DM 160,000 \$55,000 U.S.	September 1972- 30 October 1973	One Orthopaedian for the Mona Rehabilitation Centre, including equipment donated.
Regional Teacher Training Consul- tant	British Government	No cost figures given. UNDP estimate for 1973 only \$30,000	1 December 1969 - December 1973	Initially based at the Institute of Education, U.W.I., but works mainly in the Eastern Caribbean.
Training in Britain	British Government	1971/72 45,000 1972/73 50,000 1973/74 56,000	1971 - 1974	During the financial year ended March 1973 the Jamaican Government nominated 52 trainees for training in the U.K.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: Jamaica Sector: General economic and social Code: 20

policy planning

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Development of In-Service Training in the Civil Service	UN/UNDP	Total \$435,000 1973 \$98,000 (approx)	March 1972 - July 1976	To assist the Government to establish effective pro- grammes of staff training and development in the Jamaica Civil Service. A comprehensive programme of In-Service Training will be provided within the organization and facilities of a Civil Service Training Centre to be developed and equipped by Government for this purpose.
Tax Administration	U.S. A.I.D.	Grant \$116,000	July 1972 -	U.S. A.I.D. is providing the Ministry of Finance advisory and training services to aid the Government's plans for improving income tax administration.
Public Safety and Narcotics Control	U.S. A.I.D.	Grant \$133,000	July 1972 - July 1973	U.S. A.I.D. provides training and advisory services as well as some equipment to the Jamaica Constabulary Force and its Narcotics Unit.

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Advance Course Training	British Government	UNDP estimate \$210,000 as no cost figures given.	June 1967 - June 1974	An Instructor in Personnel Administration.
Training Officer	British Government	UNDP estimate \$120,000 as no cost figures given.	15 September, 1970 to 28 October 1974	An Instructor in Personnel Administration.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973Country Receiving Assistance: JAMAICASector: HealthCode: 25

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Food Aid to hospital patients Project 604	W.F.P.	\$1,120,400	1970-1976	

Implementing food aid to hospital patients. To provide a more balanced diet to hospital patients and to establish occupational therapy in hospitals from savings realized from W.F.P. supplies in Kingston & Spanish Town.

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Health Services Jamaica 3100	PAHO/WHO	\$86,092	1972 - 1975	The Government of Jamaica, in trying to achieve its goal that every citizen regardless of means or location is entitled to receive proper health care, is handicapped by the uneven distribution of resources between rural and urban areas, e.g., there is one doctor per 1,024 people in urban areas and only one per 7,692 in rural areas. Superimposed on this is an acute shortage of nursing personnel with a heavy loss of graduate nurses through emigration (2,735 between 1953 and 1971). The objectives of this project are -

(1) to analyze the organization and management of the headquarters of the Health Ministry and to develop a new organizational structure and system of management in keeping with the new policies for delivery of health care;

(2) to undertake studies on the use of auxiliaries to ensure the most economic method of providing comprehensive medical care to urban and rural areas and to train selected nursing personnel to undertake some duties now only performed by doctors; and

(3) to develop an information system for the management and programming of the health services.

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Mental Health Jamaica 4300	PAHO/WHO	\$48,647	1972 - 1975	Almost half of Jamaica's 7,000 hospital beds are in the large Bellevue Mental Hospital. Psychiatric services are largely concentrated in this hospital, which serves the whole island but isolates the majority of the patients from their family and community and promotes chronicity. As of 1964, two-thirds of the patients in Bellevue Hospital had been hospitalized for five years or longer. There is a critical shortage of nurses and psychiatrists at Bellevue. Of 327 staff nurse positions, only 100 are filled. There are only one full-time and one part-time psychiatrist in the hospital. Many of the medical and nursing personnel throughout the country have had little exposure to psychiatry, although this is changing rapidly. Public and professional attitudes toward the mental hospital, and mental illness in general, are predominantly negative. The purpose of this project is to improve the level of psychiatric

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Mental Health	PAHO/WHO	\$48,647	1972 - 1975	<p>care and thereby reduce the number of mentally-ill patients becoming chronically institutionalized. The objectives are (1) to decentralize psychiatric care through increased use of general hospitals and the development of regional psychiatric services based on health centres; (2) to reduce the tendency to create the chronically institutionalized person by utilizing therapeutic techniques and rehabilitation programmes; and (3) to strengthen the follow-up of psychiatric patients.</p>
Sanitary Engineering Education Jamaica 6400	PAHO/WHO	\$3,500	1972 - 1975	<p>Few of the personnel working in sanitary engineering and environmental health programmes in Jamaica have received special training in these subjects. Most of them have gained knowledge of their work only by practical experience. The purpose of this project is to improve the training of professional, technical, and auxiliary personnel working in these fields. Intensive short courses on special topics related to sanitary</p>

1973 figures only

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Sanitary Engineering Education Jamaica 6400	PAHO/WHO	\$3,500 1973 figures only	1972 - 1975	and environmental health engineering will be organized at the College of Arts, Science and Technology in Kingston. This project will also seek the improve- ment of laboratory and library facilities.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Industry Code: 35

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Productivity Centre	UNDP	Total \$1,223,966	1966 - 1975	To initiate a capacity for training and developing management consultants to publicize and promote industrial productivity in industry.
National Industrial Vocational Training Programme JAM/72/004	UNDP	Total \$1,265,250 Ph. 1 \$646,400 Ph. 2 \$618,850 1973 \$325,000 approx.	April 1969 - July 1974	Assist the Government in the definition and initial implementation of a National Industrial Vocational Training Programme.
Jamaica Development Bank and Small Business Loan Board	Federal Rep. of Germany	DM 6m. (US \$1.98 m) Capital	1972	To the Jamaica Development Bank for the development of small industries if the Jamaican Government does not decide to use the funds differently.
Boat Yard Manager Port Antonio	British Government	No cost figures given	1971 - 1973	Advising on construction of Ferrocement boats industry (Jamaica Co-operative Union).
Electrical & Electronics	British Government	No cost figures given	1972 - 1973	Industries Specialist for the J.I.D.C.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA

Sector: Labour Management & Employment Code: 45

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Scholarship Programme	Federal Rep. of Germany	Monthly allowance DM 670 US \$240.	1972 - 1974	Training 12 - 24 months starts with 4 month language course. Training 1973 - Hotel management - 5 Physics Chemistry - 3 Mechanics - 3

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Natural Resources Code: 50

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Water Resources Division	Federal Rep. of Germany	DM 340,000 US\$ 111,100	21 November 1971 - 31 October 1974	One hydrologist working with the Water Resources Division; including equipment donated.
Water Commission Computer Services	British Government	No cost figures given. UNDP estimate 1973 only US\$22,500.	1972 - September 1973	A Data Processing Manager/ Consultant for Municipal and Water Commission Computer Services.
Development of Rainfall Catchment Systems	British Government	No cost figures given UNDP estimate for 1973 \$20,000 U.S.	30 June 1971 - 30 August 1973	Assistance to the Geological Survey Department.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Population Code: 55

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
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Training & Commodities	U.S.A.I.D.	Grant \$629,000	July 1972 - July 1973	
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A continuing programme of assistance in the form of training and supplies such as the provision of adequate facilities for the research programme at the University of the West Indies.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Social Security and Other Social Services Code: 70

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Special Development Activities	U.S.A.I.D.	Grant \$50,000	July 1972 - July 1973	Small grants to private groups in support of projects designed to promote self help action for community betterment. The U.S.A.I.D. contribution is intended to supplement the local endeavour and provide the margin of resources required to make the project a reality.
Housing Investment Guaranty	U.S.A.I.D.	\$10 million to be channelled through the Jamaica Mortgage Bank. Authorized July 1973 - LOAN.	July 1972 - July 1973	Guaranty of private U.S. investments in housing, addressing the US\$7,000 to US\$12,000 market. The bulk of this loan to the Jamaica Mortgage Bank - \$8m is helping the bank in the development of a secondary mortgage market. The remaining \$2m is available for direct lending to co-operatives and building societies for lower cost housing. N.B. The IBRD is about to authorize a sites and services loan in support of the Ministry's (Housing) Popular Housing Programme. U.S. A.I.D. is programming a second \$10m. housing investment guaranty for 1975.

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Science & Technology Code: 65

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Repair & Maintenance Training & Demonstration Unit JAM/71/514	UNDP	Total \$501,300 approx. 1973 \$124,500	January 1972 - January 1973	To assist the Government in maximizing the country's industrial resources by developing a training and demonstration programme in repair and maintenance of plants, machinery and equipment.
Vocational Training	Peace Corps of Germany	No cost figures given DM 5 Million US\$ 1.98m.	1968 - 1974 Since 1967 continuing	To prepare students for certification in the following trades: welding, pipefitting, plumbing, machinist, carpentry, electrician, refrigeration, sheet metal, automobile mechanics and typing/shorthand To prepare handicapped individuals for employment opportunities. 1 Director with Assistant and 38-40 volunteers working mainly as instructors in Vocational Training Centres in the field of mechanics, electricians, social workers, craftsmen, teachers in Junior Secondary Schools and as CAST printers.
German Volunteer Service	Federal Rep. of Germany	DM 5 Million US\$ 1.98m.	Since 1967 continuing	
Neutron Probe Specialist	British Government	No figures available	1972-1973	To advise the Geological Survey Department (Hydrology)

Externally Financed Pre-Investment and Technical Assistance Projects and Activities: 1973

Country Receiving Assistance: JAMAICA Sector: Transport & Communications Code: 75

(1) Project/Activity (Title)	(2) Source of Assistance	(3) Assistance Committed (\$US Equivalent)	(4) Duration Begin-End Dates	(5) Nature of Assistance and Location
Rural Feeder Roads	U.S. A.I.D.	\$10m. for rural feeder roads. LOAN	July 1972- July 1973	Active loans authorized in financial year 1971 designed to stimulate the productiv- ity and markets acces- sibility of particularly the small farmers through the construction of 200 miles of feeder roads. It comp- lements an IBRD highway construction loan.
Aerodrome and approach	British Government	No cost figures given	1971 - 1973	Instructors to conduct courses on air traffic control.

Appendix A₂ Project Loans to Jamaica from principal donors.

Agency	Agriculture	Communication & Transportation	Education	Health	Housing	Industry	Public Utilities	Urban Development	Principal	Date of Signature	Interest % p.a.	Service Charge	Commitment Fee	Grace Period	Period of Loan	Other Concessional Elements	Comments
JMA/JD 28/3/70	Dairy Development								1 Million (US) 2.68	20.9.69	7 1/2 years)			28 years	23 years		Original loan commitment of US\$12.8 million reduced to US\$12.68. To increase production of fresh milk and other dairy products. Direct loan to Government for construction, improvement and/or repair of five water supply systems - (1) Linwood/Corton/Bag Fall (2) Port Maria/Crookenden (3) Maywell/Sandy Bay (4) Falmouth (5) Bay Farm/Palmetho Pan Direct loan to Government to finance (a) Feasibility studies in the following fields:- (i) Irrigation and Drainage (ii) Storage and Roads (iii) Industrial Development (iv) Harbour Improvement and (b) Project evaluations. Direct loan to Government to provide owner/occupied low cost housing units in five selected sites in Kingston and St. Andrew. Direct loan to Government, to improve rural food and secondary road linking agriculture producers to marketing and processing centres. Guaranteed loan to the Mortgage Bank to finance primary and secondary mortgage market operations. Guaranteed loan to Pro-Nix Ltd. to provide additional mobile equipment expansion of the company and plants. Guaranteed loan to Pegasus Hotels of Jamaica to assist in financing 350-room convention hotel in Kingston. For road construction and improvement, drainage and coverage in Montego Bay. *Interest rate of 7 1/2 per cent plus 1/2 commission on amount withdrawn outstanding.
									(US) 3.7	31.8.69	6.75	1/2 of 1%	5 year	40 years			
									(US) 1.3	12.11.64	3.5		48 years	23 years			
									(US) 2.8	1.5.63	2		30 years	30 years			
									(US) 10.0	16.8.71	2 1/2 years) 3 there-) after)		6 years	31 years			
									(US) 10.0	1971	2 1/2 years) 3 there-) after)		5 years	30 years			
JMA/JMO 25/04/70	Rural Feeder Roads				Low Cost Housing				(US) 10.0	16.8.71	2 1/2 years) 3 there-) after)			6 years	31 years		
									(US) 10.0	1971	2 1/2 years) 3 there-) after)		5 years	30 years			
International Finance Corp. (I.F.C.)									(US) 0.22	13.6.61	7			5 years	8 years		
									(US) 2.18	6.8.68	8.5		12 years				
Caribbean Development Bank									(US) 1.00	(approved only)	7	1	1/2		6 years		

Appendix A₂ (Cont'd.)

GOVERNMENT LOANS

Agency	Agriculture	Comm. & Transportation	Education	Health	Housing	Industry	Public Utilities	Urban Development	Principal	Rate of Interest	Tax Exempt	Service Charge	Guarantee Fee	Grace Period	Period of Loan	Other	Companionary	Remarks	Comments	
London (C.I.D.A.)		Oliver Bridge							Million (Cm.) 0.40	7.965	-	1/2 of 1%	1/2 of 1%	10 years	30 years				Project now completed	
		Construction of Bridges							(Cm.) 0.30	2.9068	-	1/2 of 1%	1/2 of 1%	10 years	30 years					
		Construction of Bridges							(Cm.) 0.50	6.1270	3	-	-	7 years	30 years					
		Construction of Bridges							(Cm.) 0.60	6.1171	3	-	-	7 years	30 years				Loan commitment increased from (Cm.) 1575,000 to (Cm.) 1700,000	
		Construction of Bridges	Primary Sch. Sig. I						(Cm.) 0.60	13.766	-	1/2 of 1%	1/2 of 1%	10 years	30 years					
		Construction of Bridges	Primary Sch. Sig. II						(Cm.) 0.95	9.458	-	1/2 of 1%	1/2 of 1%	10 years	30 years					Direct loan to Government to provide equipment for road construction, Public Works, Fire Protection, etc.
		Public Works							(Cm.) 0.47	1.1166	-	1/2 of 1%	1/2 of 1%	10 years	30 years					Direct loan to Government for Transportation study, Aerial Survey, Sewerage Study, Airport Survey (Loan Commitment increased from (Cm.) 11 million to (Cm.) 11.2
		WV System							(Cm.) 0.77	1.1166	-	1/2 of 1%	1/2 of 1%	10 years	30 years					Direct loan to Government for Transportation study, Aerial Survey, Sewerage Study, Airport Survey (Loan Commitment increased from (Cm.) 11 million to (Cm.) 11.2
				Pre-Feasibility & Investment Studies					(Cm.) 1.2	2.269	3	-	-	7 years	30 years					Direct loan to Government to provide equipment for kitchen and therapy unit.
									(Cm.) 0.74	31.269	-	1/2 of 1%	1/2 of 1%	10 years	30 years					Direct loan to Government to provide general hospital equipment
									(Cm.) 1.0	12.172	3	-	-	7 years	30 years					Direct loan to Government to undertake feasibility studies, detailed engineering design reports and briefings.
									(Cm.) 3.0	26.1071	3	-	-	7 years	30 years					Direct loan to Government for providing rural housing. Project terminated.
						Rural Housing			(Cm.) 0.77	7.267	3	-	-	7 years	30 years					Direct loan to Government to provide water supply in St. Mary and other parishes.
									(Cm.) 1.2	2.267	3	-	-	7 years	30 years					Direct loan to Government to provide water supply in Port Antonio
									(Cm.) 0.3	7.1070	3	-	-	7 years	30 years					Direct loan to Government for design of five water supply systems in selected areas.
								(Cm.) 1.5	15.369	3	-	-	7 years	30 years					Direct loan to Government to provide sewerage system in Harbour View	
								(Cm.) 0.23	7.965	-	1/2 of 1%	1/2 of 1%	10 years	30 years					Guaranteed loan to JTB for re-loan to development enterprises.	
						Development Loan		(Cm.) 1.3	16.1170	3	-	-	7 years	30 years						

APPENDIX BGlossary of Abbreviations

A I D	Agency for International Development
BMZ	Bundesministerium für Zusammenarbeit
CARICOM	Caribbean Community and Common Market
CARIFTA	Caribbean Free Trade Association
C D & W	Colonial Development and Welfare
C D C	Commonwealth Development Corporation
C I A	Central Intelligence Agency
C I A P	Inter-American Committee for the Alliance for Progress
C I D A	Canadian International Development Agency
C R O	Commonwealth Relations Office
C U S O	Canadian University Service Overseas
A D C	Development Assistance Committee
D T C	Department of Technical Co-operation
E E C	European Economic Community
EX - IM	Export - Import Bank
F A O	Food and Agriculture Organization
G V S O	Graduate Voluntary Service Overseas
H M G	Her Majesty's Government
H M S O	Her Majesty's Stationery Office
I A D B	Inter-American Development Bank
I B R D	International Bank for Reconstruction and Development
I D A	International Development Association
I F C	International Finance Corporation
I M F	International Monetary Fund
I S E R	Institute for Social and Economic Research
I S V S	International Secretariat for Voluntary Service

APPENDIX B (cont'd)

O D I	Overseas Development Institute
O D M	Ministry of Overseas Development
O E C D	Organization for Economic Co-operation and Development
O E E C	Organization for European Economic Co-operation
O S A S	Overseas Service Aid Scheme
S U N F E D	Special United Nations Fund for Economic Development
U N C T A D	United Nations Conference on Trade and Development
U N E P T A	United Nations Expanded Programme of Technical Assistance
U N E S C O	United Nations Educational, Scientific and Cultural Organization
U N D P	United Nations Development Programme

APPENDIX C

New Orleans

THE CARIBBEAN AREA

G U L F O F M E X I C O

FLORIDA

Li. Abaco I.
Gr. Bahama I.
Gr. Abaco I.
Miami
Nassau
Elizaveta
Andros
Cet I.

BAHAMA ISLANDS

A T L A N T I C

Havana
Gr. Exuma I.
Lang I.
Acklin Island
Crooked I.
Rum Cay
Welling Island
Seneca Island
Morayana Island
Cocos Is.
Cocos I.
Turks Is.
Li. Inagua

O C E A N

M E X I C O

YUCATAN
Galize
BRITISH
HONDURAS

GUATEMALA
HONDURAS
EL SALVADOR
NICARAGUA

JAMAICA
Kingston

Cap-Haitien
HAITI
Pl. au Prince
DOMINICAN
REPUBLIC
Ciudad Trujillo

PUERTO
RICO
San Juan

Virgin Islands
St. Kitts
Kardnaroi
Marie Galante
Martinique
Barbuda
Antigua
Guadeloupe
Dominica

C A R I B B E A N S E A

St. Lucia
St. Vincent
Barbados

COSTA RICA

PANAMA
Panama City

COLOMBIA

VENEZUELA

BRITISH

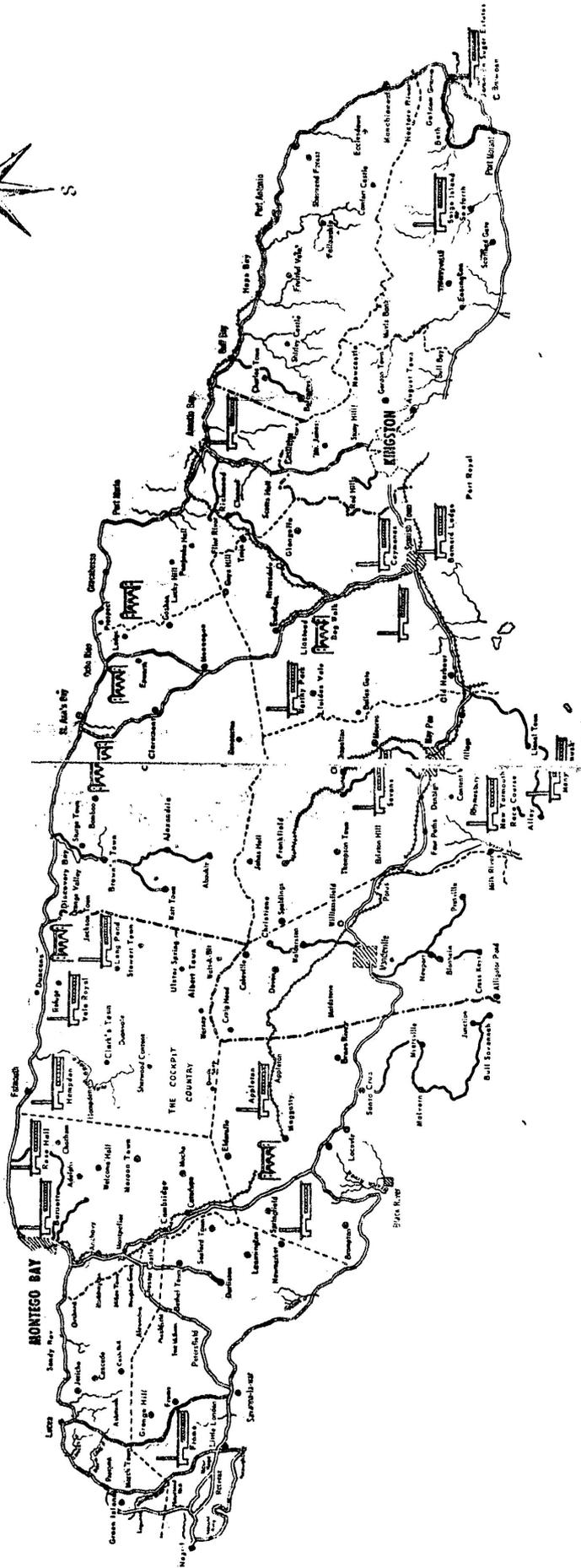
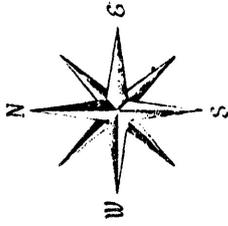
GUIANA

George T.

P A C I F I C O C E A N

JAMAICA

SCALE OF MILES 0 5 10



LEGEND

- PRINCIPAL ROADS
- - - SECONDARY ROADS
- COUNTY BOUNDARIES
- - - - PARISH BOUNDARIES
- ⊢ RAILWAYS
- ⊢ SUGAR FACTORIES