

ABSTRACT

**Structural Adjustment and the Growth
Problem in Two Caribbean Countries**

BY

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Adjustment programs a la International Monetary Fund (IMF) and World Bank implemented by two Caribbean countries (Guyana & Trinidad and Tobago) are analyzed, by making use of the budget speeches and other relevant documents of these countries.

The study reveals that in order to meet the conditionalities laid down by the IMF and World Bank, the Governments of Trinidad & Tobago and Guyana cut capital expenditures but at the same time, maintained large levels of recurrent spending. The reduction in capital expenditures resulted in a reduced role of the Public Sector Investment Program (PSIP) in managing the economy. The study also reveals that GDP growth fell sharply

during the adjustment period.

The study therefore points out that if GDP growth is to take place in a period of structural adjustment, fiscal policy should pay greater attention to the PSIP. This means that the PSIP should not be treated as a residual but it should be given first claim on government's financial resources. A number of reasons have been advanced for this.

- (1) Given the nature of Caribbean economies, public sector investments have played and will continue to play for the foreseeable future, an important role in the economic transformation of these economies. This is because public sector investment stimulates private sector participation in the economy and can also impact directly on GDP.

- (11) The PSIP affects every area of economic activity. Also, given that it has been existing long before adjustment programs came into being and that the design, composition and objectives of a properly conditionalized PSIP, are similar to those

of the IMF/Bank program of structural adjustment, the PSIP can form the basis on which a proper adjustment program can be designed for a particular country.

The paper concludes that there are a number of issues such as restoring macroeconomic balances and obtaining positive growth rates in GDP which are equally well addressed and achieved by both the Structural Adjustment Program and a properly conditionalized PSIP.

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