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SECRETARY'S CIRCULAR NO. 83/116

To: Members of the Executive Board

From: The Secretary

Subject: Report on the IMF Institute Seminar in Barbados

Attached for the information of the Executive Directors is a report on the IMF Institute seminar on financial policy for the Caribbean region, held in Barbados during the period August 8 through 12, 1983.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

Report on the IMF Institute Seminar in Barbados

August 8 - 12, 1983

Introduction

The IMF Institute, in collaboration with the Central Bank of Barbados, conducted a seminar on financial policy for the Caribbean region in Barbados, over a five-day period--August 8 - 12, 1983. This was the third seminar held in a member country by the Institute to discuss issues of common interest with officials of member countries.

The subjects selected for discussion were jointly decided by the Barbadian authorities and by the IMF Institute in collaboration with the Western Hemisphere Department. The discussion papers for the seminar were prepared by designated officials from the region and the Fund staff. The Central Bank of Barbados, in consultation with other official financial agencies of participating countries in the region, selected the participants and handled the administrative arrangements.

Twenty-three officials and two non-officials from five countries and one interregional organization participated in the seminar. Among the 25 participants, 16 were from Barbados (two non-officials), two from the Bahamas, two from Belize, one from St. Lucia, two from Trinidad and Tobago, and two from ECCA (see Attachment I). The staff who participated in the seminar were Messrs. Ciro Tognetti (INST--Head of the mission), Samuel Stephens (WHD), and Michael Martin (INST).

The presence of a few well experienced participants provided for high quality discussions. At the end of the seminar, participants expressed satisfaction at having had the opportunity to have discussions among themselves and with Fund officials within the framework of a seminar.

Organization of the Seminar

The seminar consisted of six sessions (see Attachment II). A paper was presented in each session, normally by the author, and two or three selected participants acted as discussants for the paper before the floor was opened for general discussion.

In addition to presenting papers on "A Comparative Study of the Balance of Payments Developments and Financial Policies in Two Caribbean Countries" and "The Use of Fund Resources and Adjustment Programs", the Fund team chaired sessions and served as discussants for papers presented by other participants.

The seminar focused on the reasons for external imbalances in countries of the Caribbean region and on appropriate policy responses, although other issues were also discussed.

There was a large measure of agreement among participants on the main reason for external disequilibrium in the region, but much less on the policies required to bring about adjustment. The major controversial points were on the effectiveness of the exchange rate and interest rate as policy instruments for adjustment. Several participants argued that the level of the real effective exchange rate is the result of very complex relationships within an economy, and a change in the value of the currency with respect to a peg does not ensure a lasting change in the real effective exchange rate. With regard to interest rates, the contention, again, of several participants, was that the marginal productivity of capital in the region is low and, therefore, the real interest rate has to be low. To guard against excessive credit expansion and the outflow of capital, some argued for selective credit control and exchange restrictions on capital flows.

Among the other issues discussed were the appropriate measurement of changes in the real effective exchange rate and the implications of certain provisions contained in the statute of the proposed multi-state Central Bank for the countries of the East Caribbean region, e.g., the possibility of compensation to some countries using the common currency in case of a change in the nominal value of that currency.

In addition to the papers presented at the seminar, the staff team utilized, in the discussions, studies carried out by the Fund staff and reported in various Fund publications, including the Annual Report and the World Economic Outlook. These included three Supplementary Notes published in Appendix A of the 1983 World Economic Outlook: Exchange Rate Policies of Developing Countries 1973-82; Financial Policies and External Adjustment Among the Non-Oil Developing Countries.

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IMF Institute Seminar in Barbados

August 8 - 12, 1983

List of Participants

NAME	POSITION	AFFILIATION
<u>Barbados</u>		
1. ALLEYNE, Edison	Budget Analyst	Ministry of Finance and Planning
2. ARTHUR, Owen	Research Fellow	University of the West Indies
3. BOAMAH, Daniel	Economist, Research Department	Central Bank of Barbados
4. BRAITHWAITE, Vernese	Budget Analyst I	Ministry of Finance and Planning
5. CODRINGTON, Harold	Economist, Research Department	Central Bank of Barbados
6. COX, Winston	Advisor	Central Bank of Barbados
7. HAYNES, Cleviston	Economist, Research Department	Central Bank of Barbados
8. HOLDER, Carlos	Economist, Research Department	Central Bank of Barbados
9. McCLEAN, Wendell	Senior Lecturer and Head, Department of Economics	University of the West Indies
10. PHILLIPS, Edsil	Economist, Research Department	Central Bank of Barbados
11. PRESCOD, Ron	Economist, Research Department	Central Bank of Barbados
12. SAUNDERS, Muriel	Senior Statistical Assistant, Research Department	Central Bank of Barbados

NAME	POSITION	AFFILIATION
13. WHITEHALL, Peter	Economist, Research Department	Central Bank of Barbados
14. WILKINSON, Lawrence	Chief Budget Analyst	Ministry of Finance and Planning
15. WILLIAMS, Marion	Deputy Manager, Banking and Currency Department	Central Bank of Barbados
16. WORRELL, DeLisle	Director, Research Department	Central Bank of Barbados
	<u>Bahamas</u>	
17. BROWN, Sharon	Manager, Exchange Control Department	Central Bank of Bahamas
18. HORTON, Francina	Finance and Accounting Officer, Treasury Department	Ministry of Finance
	<u>Belize</u>	
19. SWIFT, Robert	Acting Financial Secretary and Deputy Governor	Ministry of Finance and Central Bank of Belize
20. BARNETT, Carla	Acting Foreign Exchange Controller	Central Bank of Belize
	<u>St. Kitts</u>	
21. ALLEN, Errol N.	Deputy Managing Director	East Caribbean Currency Authority
22. WILLIAMS, Arthur	Economist, Research Department	East Caribbean Currency Authority
	<u>St. Lucia</u>	
23. DEMYERS, Jacinta	Economist II	Ministry of Finance

NAME	POSITION	AFFILIATION
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<u>Trinidad and Tobago</u>		
24. DESILVA, Charles	Research Officer II, Research Department	Central Bank of Trinidad and Tobago
25. FARRELL, Terrence	Acting Director, Research Department	Central Bank of Trinidad and Tobago

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IMF Institute Seminar in Barbados

August 8 - 12, 1983

Papers Presented at the Seminar

1. "The Fiscal Deficit and the Balance of Payments in Barbados," by Winston Cox, Central Bank of Barbados.
2. "Effective Exchange Rates and Policy Objectives," by DeLisle Worrell, Central Bank of Barbados.
3. "Multi-State Central Banking with Special Reference to ECCA States," by Errol Allen, East Caribbean Currency Authority.
4. "Management of Balance of Payments Surpluses," by Terrence Farrell, Central Bank of Trinidad and Tobago.
5. "A Comparative Study of Balance of Payments Developments and Financial Policies in Two Caribbean Countries," by Fund Staff.
6. "The Use of Fund Resources and Adjustment Programs," by Fund Staff.