

THE CONSTRUCTION SECTOR AND ITS IMPORTANCE

TO THE ECONOMIES OF OECS MEMBER-COUNTRIES

by

DR. THE HONOURABLE RALPH E. GONSALVES
PRIME MINISTER OF ST. VINCENT AND THE GRENADINES



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[FORMAL WELCOME AND GREETINGS!]

On January 16, 2009, at a joint meeting of the Organisation of Eastern Caribbean States (OECS) and the Eastern Caribbean Central Bank (ECCB) it was mandated that a Conference on the construction industry be held in St. Vincent and the Grenadines in March 2009 with participants from the public and private sectors engaged in the construction industry in the member-countries of the OECS. This is a fulfillment of that mandate under my Chairmanship in my capacity as Chairman of the Joint Task Force of the OECS and ECCB to assist in the coordination of our sub-region's response to the socio-economic fall-out consequential upon the current crisis in international capitalism.

In the Communiqué issued from that joint OECS-ECCB meeting, three economic sectors, namely, tourism, fisheries, and construction were identified for immediate coordinated action.

The construction industry has emerged in the last ten to fifteen years as a major economic sector in the member-countries of the OECS. In most of these economies, it has been the main or substantial driver of economic activity. Yet the construction industry has been dismissed, mistakenly, by some, including economists, merely as a “non-traded” sector and an illusory base for sustainable development. Indeed, conventional economic theory, including theoretical formulae from an inadequately elaborated branch of “development economics”, has accorded the construction industry an unjustified and illogical marginality. This is in need of immediate correction.

The marginal role assigned to the construction industry in conventional economic theory and a species of applied economics in developing countries, has meant that the industry has been treated as a king of bastard cousin to named real economic sectors such as tourism, agriculture, fisheries, manufacturing, and assorted services, including international financial and information technology services. This, in turn, has led to haphazard and inefficient developments in the construction sector, and a less-than-sufficiently thoughtful or scientific approach to the institutional arrangements required to drive an efficient, purposeful, and competitive construction industry, both State and private. Yet, this industry in the real world has demonstrated its vitality and immense contribution to the economy. This Conference is intended, among other things, to put the construction sector in its proper place and to lift its competitiveness and contribution, markedly. In a sense, there is a prophetic dimension to all this: *“The stone which the builders refuse is become the head stone of the corner”*. This construction industry has a critical role to play in our quest to

build a modern, competitive, many-sided post-colonial economy which is at once local, national, regional and global.

In small-island developing economies, like those of the member-countries of the OECS, which are in transition from goods-based economies to service-based ones, the construction industry has a most pivotal role. Physical infrastructure projects such as international airports and seaports must be constructed or upgraded to facilitate a more competitive service-based economy. Hotels, marinas, restaurants, entertainment facilities are to be built. Schools and colleges must be built to provide the abundant skills necessary for the modern economy. Houses, hospitals, clinics, cultural and sporting facilities must be built or upgraded to facilitate life and living of a more sophisticated population. The construction of drastically improved facilities for the delivery of water, electricity, and telecommunications services is required. So, too, the provision by the private sector of more modern and quality shopping outlets for food, drink, clothing, and

miscellaneous consumer items demanded by a more modern and demanding populace.

The construction industry thus responds to internally-and-externally-generated demand. The bulk of the resources to finance the construction boom comes from outside: Foreign direct investment; remittances; grants, soft-loans, and in-kind assistance accessed by the State; and external commercial loans contracted largely by the State. Internally, the banking and financial system provides the investment for construction by the public and private sectors.

Interestingly, in developed countries with a large territorial base, the construction sector does not feature prominently when there is a sustained high level of economic performance. Thus, perhaps its relegation to the margins of conventional economic theory. But during periods of economic down-turn or even recession/depression, the developed economies swiftly embrace the construction sector as the necessary and

desirable jump-start for the economy. Thus, the stimulus package in this regard by President Obama in the U.S.A. A reflective and comparative analysis, historically, of the developed economies would teach us in our small-island developing economies which are in transition, not to accept the rote prescriptions from afar. We must be eye witnesses and ear-witnesses to our own realities, devise our theoretical formulae therefrom, and elaborate sensible, practical, home-grown policies and programmes for efficacious implementation.

In the State sector in the OECS member-countries, the central institutional arrangements for the construction sector are to be found in the Ministries of Public Works and Housing, and in public enterprises which formulate and execute policies or programmes touching and concerning construction. By and large the major institutional arrangements in the Ministries of Works and Housing have been shown to be inadequate for the tasks at hand. Indeed, the colonial inheritance has been

hardly altered in many countries of the OECS. Accordingly, institutional reforms and capacity building in the ministries are required as a matter of urgency. These, too, are urgent requisites in the public enterprises and the private sector construction companies.

I note that in the public sector, especially in the Ministry of Works, the larger projects are implemented more smoothly and cost-effectively than smaller ones. Undoubtedly, this is due to the fact that the larger projects are usually under dedicated public sector management supported by qualified external consultants financed by a specified source of external funding, and built by a competent firm of contractors. The smaller projects become prisoners to poor management, bureaucratic inertia, and, sometimes, elusive funding. Frequently, too, the contractors on the smaller projects are deficient in many important areas. There is thus an issue of both public and private sector capacity.

In St. Vincent and the Grenadines, Parliament has enacted the Bridges, Roads and General Services Authority (BRAGSA) Act to reform, markedly, the delivery of the construction and repairs of bridges, roads and associated public works. BRAGSA will come into being, operationally, on July 1, 2009. Similarly, my government has reformed and enhanced the capacity of the Housing and Land Development Corporation (HLDC). Further, it has established the National Properties Limited, a wholly-owned state company which develops state-owned properties.

These reforms are designed, overall, to deliver a more efficient and competitive public sector construction industry. Issues of transparency and accountability are built, centrally, into these public sector enterprises. I hope to learn from the experiences of other countries present here today.

By far, the bulk of the construction industry is executed by the private sector. It is a complex undertaking requiring the highest

quality of management and coordination. Often, these are found to be wanting in several companies in, or connected with, construction.

The sourcing of construction materials of the best quality at the most competitive prices in sufficient quantities is an on-going challenge upon which we are to reflect at this Conference. The range of building or construction materials and equipment is bewildering. A host of difficulties arises, including sourcing, shipping, the public bureaucracy, the weather, and accidents. Then there is the vital question of quality and competitive labour, including skilled and professional labour.

Many of the issues which I have raised here, and more, connected to the construction industry, can be resolved through regional collaboration of both the private and public sectors. Some matters can best be resolved nationally.

This is the first time that an attempt has been made to focus on

the construction industry in the OECS member countries. It is better late than never. This industry has contributed between 10 to 15 per cent of the economy's growth in recent years; it employs thousands of persons; it facilitates the transitional development of the economy; and its linkages are immense. Today, we are engaged in a vital, practical business. We have lots of work to do. Let's get on with it.

Thank you!