Caribbean priorities for economic development
Report of Caribbean webinar held May 23rd, 2014

1. Background
The international community is working to develop a set of post-2015 Sustainable Development Goals (SDGs) which will replace the Millennium Development Goals (MDGs) as the overarching global development framework after 2015. As part of this process, CARICOM Member States are seeking to identify regional priorities and effectively negotiate these in the post-2015 SDGs process. This work is intimately linked with preparations for the Third International Conference of SIDS being held in Samoa in September 2014. SIDS have agreed that sustainable development priorities identified for Samoa should be reflected in the post-2015 agenda.

The Caribbean Natural Resources Institute (CANARI) has been working to provide technical assistance, independent input and analysis to support development and negotiation of a strong and coherent regional perspective, reflecting priorities of Caribbean stakeholders across countries, in the post-2015 SDG and SIDS processes. As part of this work, CANARI is facilitating a series of webinars to reach out to Caribbean stakeholders to elicit opinions on key issues drawn from the topic areas identified in the post-2015 process, as well as Caribbean priorities identified in the preparatory process for the SIDS 2014 conference. CANARI is conducting the webinars as part of a two-year programme of work by the Independent Research Forum (IRF), which is being funded by the Swiss Agency for Development and Cooperation (SDC).

The specific objective of the webinars is to refine sustainable development priorities for the Caribbean and provide technical input to contribute to the identification of potential targets which can help to inform CARICOM negotiation in the SDGs and SIDS processes.

2. Scope of the focus area
For the focus area on “Economic growth, employment and infrastructure,” the proposed global goal is to: “Promote sustainable, inclusive and sustained economic growth and decent jobs for all.”

Recognising that interlinkages would exist between this goal and other goals, draft targets identified under this goal as of early May were:

   a) sustain income growth of the bottom 40% of the income distribution of each country to reduce income inequalities by 2030
   b) achieve full and productive employment and decent work for all who seek employment including for marginalized groups by 2030
   c) halve the number of youth not in employment, education or training by 2020
   d) by 2030 improve by x% the energy and resource productivity of economic activities and reduce by y% their waste and emissions per unit of output
   e) create appropriate climate for SMEs, entrepreneurship and innovation by 2020
   f) increase the share of high productivity sectors and activities in the economy, and strengthen productive capacities through technological upgrading and greater value addition, with a particular focus on LDCs
   g) develop sustainable infrastructure accessible to all, with attention to needs of countries in special situations, and by 2030 provide access for 100% of rural populations to basic infrastructure and services

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1 This is taken from the latest working document available at http://sustainabledevelopment.un.org/focussdgs.html.
h) protect the rights of all workers, including migrant workers, in compliance with ILO fundamental rights at work
i) end child labour by 2030
j) encourage formalization of informal sector activities and employment

3. Webinar topics and speakers
Recognising the breadth of the focus area, presenters in the webinar focused on discussing the following:

- A new inclusive approach to economic development and environmental sustainability: Michael Witter, Sir Arthur Lewis Institute of Social and Economic Studies (SALISES), University of the West Indies, Mona Campus
- Debt sustainability and economic growth in the Caribbean: Justin Ram, Director, Economics, Caribbean Development Bank
- The potential for Small, Medium and Micro Enterprises (SMMEs) to be at the centre of a sustainable economic growth strategy for Caribbean states: Akosua Dardaine-Edwards, Expert in Entrepreneurship and Business Development

4. Summary of key findings and recommendations

- **Caribbean economies are highly vulnerable:** Although the Borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB) are classified as middle and upper middle income economies (with the exception of Haiti which is low income), the economies are very small and open and face numerous fundamental challenges, and are therefore extremely vulnerable. The total population of the Caribbean is less than 17 million people and the total GDP is only US$70 billion. Economies are largely service based, with the exception of Trinidad and Tobago and Guyana. High energy costs (except for Trinidad and Tobago) are a major barrier, and productivity and competitiveness is low. There is very high youth unemployment (more than 30% across much of the region) which results in negative social impacts, and ultimately reduces economic output and productivity. Several countries are highly dependent on remittances, which contribute significantly to their economies (e.g. Haiti 21%, Jamaica and Guyana each 15%). There is a high incidence of natural disasters which have a large economic impact (e.g. the earthquake in Haiti resulted in an economic loss equivalent to 65% of the country’s GDP). Savings rates are low, averaging at only 15%. Poverty is still a major challenge, with a significant proportion of the population living below the poverty line (e.g. Haiti 78% 2001, Belize 41% 2009, Grenada 39% 2008, Guyana 36% 2006, Montserrat 36% 2009, and St. Vincent and the Grenadines 30% 2009). Growth in the BMCs has averaged at only 3% over the past decade, below the 3.8% global average and 4% for other SIDS. The Caribbean has chronic deficits in its Current Account Balance and the External Balance on Goods and Services. Countries have limited access to concessional financing and most are highly indebted, with debt being close to or more than 100% of GDP for some countries (e.g. Jamaica 149%, Grenada 116%, Antigua and Barbuda 95% and Barbados 92%). Many countries are not generating the necessary primary balances to reduce their level of indebtedness. Some are negotiating structural reforms. Widespread negative credit ratings discourage investment and mean countries face high interest rates on debts. The Caribbean region is among the most indebted in the world and the negative loop created by debt burdens is impacting economic performance.

- **Competitiveness is very low:** Doing business in the region is costly, time-consuming and not easy. Challenges include high costs of labour and electricity, insufficient access to affordable credit, bureaucratic red tape, logistical weaknesses, infrastructure gaps, and emigration of skilled labour and skills mismatch. This is compounded by macroeconomic instability, high crime levels and vulnerability to hazards and climate change.

- **A new approach to economic development is needed that is people-centred, inclusive, and environmentally sustainable:** A qualitative change is needed in economic development in the Caribbean to facilitate a more inclusive approach with participation of people and the provision of wider benefits to
people. Key strategies for economic development in the region should recognise that the Caribbean’s most important resources are its rich natural environment and its people (within the region and diaspora), culture and creativity. To be sustainable, growth needs to be export driven, supporting SMEs, broad-based across diverse sectors, inclusive, and environmentally responsible.

- **Small and micro enterprises are critical but need to have a bigger impact:** New industrial structures are needed to adapt to the globalised world in which the Caribbean is becoming increasingly marginalised, climate change is impacting development, and there has been a technological revolution, particularly in Information and Communication Technologies (ICTs). Small and micro enterprises (SMEs) provide the most employment globally, increase social cohesion and community development, and decrease inequality. They have significant potential to be the centre of an inclusive and sustainable economic development strategy in the Caribbean. However, they are currently limited in their impact. Key strategies to strengthen SMEs include using green technologies and ICTs as tools for marketing and communication. Governments need to provide an enabling policy environment that supports the development of SMEs. Social enterprises are emerging, but they are a hybrid between profit and non-profit models and require appropriate laws, regulations and financial instruments. The cooperative model has not been widely successful in the Caribbean, so other models to facilitate collaboration among SMEs (to facilitate joint marketing for example) need to be explored.

- **Gender considerations:** There has generally been insufficient attention to developing enabling policies to address the special needs of female entrepreneurs in the Caribbean. The Trinidad and Tobago draft gender policy, however, does consider entrepreneurship.

- **Transformation in educational systems:** Education needs to promote the development of entrepreneurial skills and encourage persons with tertiary level qualifications to see entrepreneurship as an attractive career choice. The Caribbean Advanced Proficiency Examination (CAPE) for post-secondary education and secondary schools are introducing entrepreneurship into their programmes. Education needs to be seen as an investment in building human capital with relevant skills to drive inclusive economic development.

**Recommendations for economic development**

a. **An inclusive approach to economic development:** Economic development in the Caribbean needs to be inclusive and to provide wider economic benefits to reduce poverty and growing economic inequities.

b. **Product and market diversification:** The Caribbean should position itself to develop “boutique economies” based on providing exotic services and greening economies. It should target sectors with ease of entry and global markets with high returns where the Caribbean may have a competitive advantage, for example entertainment and culture, exotic foods, leisure tourism, service provision via telecommuting, and boutique “green” tourism.

c. **Regional integration:** For example, a regional approach to food production should be taken to encompass using the abundant land resources of the continental countries, labour from throughout, and investment and technology from some countries. This would contribute to food security and take advantage of the opportunity to provide food for the tourism market in the Caribbean.

d. **Protecting natural assets:** Better environmental management, disaster risk management and climate change adaptation are needed to protect natural assets and ensure continued delivery of ecosystem goods and services that are essential for economic development and societal well-being.

e. **Exploring alternative financing:** Given high levels of debt and limited access to concessional financing, alternative financing needs to be explored. Public sector financing (via tailored public-private partnerships [PPPs]) and diaspora bonds can be explored. Crowd funding, angel funding and PPPs can be used to support SMEs.
f. **Enhancing competitiveness:** This would require:
   – fiscal adjustment / macroeconomic stabilisation to enhance national savings and reduce debt to sustainable levels;
   – financial reforms to improve access to credit and improve the regulatory framework;
   – infrastructure development to reduce costs, improve access and quality, and ensure climate proofing;
   – institutional development and capacity building to improve logistics, build institutional capacity, and align the labour market skills with business demand;
   – environmental sustainability and gender equality;
   – regional integration;
   – ICT development.

g. **Achieving energy security:** Energy efficiency and renewable energy are essential to provide a reliable, affordable and sustainable supply of energy to support economic growth.

h. **Supporting the development of SMEs and increasing the scale of impact through:**
   – building entrepreneurial skills and promoting entrepreneurship in secondary and tertiary education programmes;
   – developing an enabling policy, legislative, institutional and financing environment for SMEs, particularly policies to support the special needs of female entrepreneurs as well as social enterprises;
   – promoting networking of SMEs, using national or regional hubs to provide a pool of technical services that could be shared;
   – creation of a regional fund for financing SMEs to support development and enhance competitiveness;
   – exploring innovative financing options such as PPPs, crowd funding and angel funding.