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S E R I E S

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FOR THE CARIBBEAN

## **Caribbean forum: Shaping a sustainable development agenda to address the Caribbean reality in the twenty-first century**

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UNITED NATIONS

E C L A C

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## Abstract

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Twelve years into the 21st Century, Caribbean countries continue to face considerable challenges on their path towards sustainable development and the creation of a post-2015 agenda. These include redefining their niche in the global market place in line with significant shifts in global production systems and trade, recovering from burdensome fiscal deficits and coping with climate change and the negative effects of more frequent natural disasters. In some countries poverty levels are increasing after years of decline. Most have defined a vision for development into the next 20 years, but in light of the global recession these targets may be hard to attain. Caribbean SIDS will require continued international support in the medium-term.

This is a paper in 6 parts. It reviews a number of factors and issues of importance to Caribbean society, economy and ecology as countries in the region seek to grapple with the fall out from the crises in food, fuel and finance, consider the emerging challenges, and halt any resultant derailment of their development trajectory. It gives a status analysis of socioeconomic and socio-environmental conditions in the Caribbean, analyzes the results of Rio+20, the Secretary General's High Level panels on Global Sustainability (GSP) and Post 2015 Development (HLP) Reports for the Caribbean and looks forward to the SIDS 2014 Conference and the post-2015 development agenda.





## I. Introduction

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The small island developing states of the Caribbean —with the exception of Haiti— are classified as very high, medium development with the majority classified as high. This development status has come from investment in human and social capital, political stability, relatively strong governance systems and institutions, and full achievement or strong progress with the Millennium Development Goals (MDGs) and targets. The crises of food, fuel and finance, graduation from concessional financing and preferential trade agreements, high indebtedness with a burgeoning debt to GDP ratio, and the consequences of climate change, as well as problems relating to energy, water, rising levels of crime violence and narcotrafficking, now threaten the development of these microstates which are already recognized in the multilateral system as having peculiar social economic and environmental vulnerabilities. As Caribbean countries look beyond the 2015 Millennium Development Goals deadline, the development agenda must be multifaceted, and it must consider the region's history and the unique obstacles it faces.

Key to the region's development is the ability to successfully grow its economies through diversification and innovation, while consideration should be given to ensuring traditional money makers like agriculture are more efficient —yielding more output, while minimizing input and labour costs. Economies have to be made more competitive with more affordable access to capital for indigenous business. Innovation should be encouraged, and the use of data expanded to support government policymaking, business services and governance. Capital must be found to invest in ageing infrastructure and to further modernize telecommunications.

Safeguarding the tourism industry —a major foreign exchange earner for the region— is vital. Human development, by way of education, encouraging entrepreneurship, innovation and creativity helps to foster a sense of pride and ownership, which has the potential to reduce crime rates, contribute to national development and transform societies, making them more attractive destinations. Focus should also be placed on clean energy and sustainable development efforts that have the potential to mitigate the risk of disasters caused by climate events such as hurricanes, which continually retard, and sometimes reverse development progress in the Caribbean.

While lower crime rates and improved infrastructure (such as stronger buildings and better drainage) can play a vital role in boosting tourist arrivals, governments must recognize that the

industry's success is hugely dependent on external factors such as climate and the global economy. It is therefore imperative that the region places a greater focus on diversifying economies and creating an attractive market for investors. At the same time protracted bureaucratic processes must be simplified and shortened in order to attract foreign direct investment (FDI).

The financial crisis, changes in the global trade environment, and the view that other third world or developing states are in greater need of aid, have all negatively impacted foreign overseas development assistance (ODA) to the Caribbean. The Caribbean's size and limited productive capacity makes support from the international community vital to the Caribbean's ability to sustain development initiatives, but funding has declined by hundreds of millions in less than a decade, and indications suggest that current aid levels are unlikely to increase in the near future. The region must therefore find ways to be globally competitive if it is to survive. If development initiatives are to be truly sustainable, Caribbean governments should follow the context of UN funded programmes by empowering civil society partners to take up the reins. Moreover, innovative financing mechanisms inclusive of Public Private Partnerships (PPPs) and Build Own Lease Transfers (BOLTs), as well as other investment partnerships with the private sector, should be explored and encouraged.

A lack of, and dwindling resources make it virtually impossible for the Caribbean to compete in global markets. Governments should, however, reconsider previous tools used to attract investors. Tax incentives used to entice potential investors to set up business have provided immediate results in some cases, but they generally tend to be short term, and are therefore not truly sustainable. When planning strategies to attract investors, governments are encouraged to think long-term, and to focus efforts on strategies that have the potential to contribute to overall development, rather than specific areas or industries alone.

While changes in global trade and partnerships are forcing SIDS to take charge of their own development, the fact remains that there is a lack of equity. Therefore, in addition to striving to be more competitive, Caribbean governments must be relentless in their efforts to remind the international community of its commitment to tangibly assist small and developing economies in meeting and sustaining their development goals.

If investment from the outside is to be successful, there must first be successful and sustainable investment from within. This form of investment comes from the citizens, as they focus their efforts on investing in the development of their individual homes, thus leading to investing in their communities, institutions and finally, investing in their countries. Just as outside investment is dependent upon a safe and secure society and investment environment, internal investment is dependent upon citizens feeling safe, hopeful and confident of a sound future. This in turn increases the likelihood of wanting to stay in and contribute to the development of their countries.

Remittances have become important to economies in the region and for the support of many resident families. The Inter-American Development Bank reports that remittances received by countries in Latin America and the Caribbean measured just over US\$61 billion in 2012. Consideration should be given to attracting an investment pool from nationals abroad. Governments can ensure remittances are sustainable to encourage development by offering incentives to nationals in areas such as home and land ownership, education and small business development and investment funds.

Crime linked to a number of social factors and rising poverty levels must be addressed. In this regard countries must create greater opportunities for decent work and create social safety nets for the poor and vulnerable. In that regard Conditional Cash Transfer schemes and specific poverty eradication measures are currently being employed, combined with community councils for citizen participation and empowerment. The double target of poverty reduction, job creation and social support for the disadvantaged can prevent further slippage and build social resilience. Investment in the cultural industries can build a strong sense of self and community and create foreign exchange.

The Caribbean must consider its unique strengths and weaknesses as it approaches the post 2015 development framework and the SIDS+20 Conference in 2014. Consideration must be given to how 2014 can bring the region solid partnerships, benefits and funding on key areas for SIDS, such as energy, water, seas, gender, the green economy, technology transfer in the new negotiated agenda. Central to the discussion of these issues is how the region can most benefit from these ongoing multilateral processes and what measures are needed to keep Caribbean SIDS concerns on the radar in the multilateral development process. The enhancement of the BPOA and its adaptation to include new and emerging treats to development - as well as their solutions - is important. A review of the 10 sectors central to the transition to a green economy, and potential impacts on gender are of importance to the region. In order to ensure a SIDS sensitive list for inclusion in the crafting of the SDGs will be vital.



## **II. Promoting diversification, creativity and innovation**

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### **A. Background and introduction: relationship between growth, diversification and structural change**

Traditional economic models place a special emphasis on economic change as a fundamental component of economic development. Lewis' (1954) Theory of Development, for example, largely focused on how an underdeveloped country, based primarily on subsistence agriculture, transitioned to a modern industrial based economy. The model is based on the notion that the subsistence sector is characterised by zero marginal labour productivity (and low wages) while the industrial (modern) sector has a high level of labour productivity (and high wages). Assuming an unlimited supply of labour, the modern industrial sector can expand and create new sectors without increasing the existing wage rate. This process continues until the modern industrial sector absorbs all the labour from the subsistence sector.<sup>1</sup>

The model therefore suggests that with supporting policies, relatively under-developed economies can be transformed into modern dynamic economies. The process of structural transformation is also a fundamental part of theoretical models that emerged from the region, the so-called Plantation Economy models, which argued that the cycle of persistent under-development that characterises plantation economies can only be escaped if radical change occurs in the institutional structure of the economy (e.g. economic, social and political structures) (Best, 1968; Beckford, 1972).

While economic change is a fundamental part of economic development, economic diversification can either increase or decrease with such development. Indeed, Imbs and Wacziarg (2003) argue that there exist U-shaped patterns in relation to per capita income: at early stages of development, diversification first increases, but after a certain per capita income threshold, diversification then begins to fall. In a closed economy, if agents have non-homothetic preferences,

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<sup>1</sup> The existence of unlimited supplies of labour ensures that growth can be sustained overtime.

diversification will change as income rises (greater demand for variety). Since the economy does not engage in international trade, the demand for variety is met via greater production variety or sectoral diversification, but this limits the gains from specialization.

Diversification can also increase with income by linking capital accumulation to the degree of market incompleteness (Acemoglu & Zilibotti, 1997). If it is assumed that economic agents invest funds in imperfectly correlated risky projects (sectors), then not all of these projects are available at a given point in time however, due to minimum scale constraints. This therefore implies that the more sectors or projects that are available, the more likely economic agents would put their funds in risky investments. In addition, as the capital stock of the economy rises, this leads to higher savings and therefore a larger number of sectors. The sectoral diversity that develops is an endogenous response to the desire to diversify idiosyncratic risk. Diversification could also emerge as a result of an increase in the range of varieties offered, and extensive margin, particularly if there is a demand for a wide variety of imports.

Much of the empirical literature on structural change, diversification and development supports the theoretical analysis provided above. As early as the 1950s Kuznets (1956), for example, observed that the dynamics of development were quite uneven: there are shifts in terms of the size and growth of countries. Employing Schumpeterian approach, Kuznets argued that this observation was largely due to demand effects and technological change. Technological progress makes new goods available, but after a while demand reaches its saturation point, and new goods (sectors) emerge. Kuznets therefore argues that growth is closely associated with changes in economic structure. Moore and Walkes (2010) report that more diversified economies tend to have lower rates of output, consumption and investment growth volatility. In addition, these countries are also less likely to experience any negative effects from opening their capital and trade accounts.

## **B. Structural change and diversification in the Caribbean**

Most Caribbean economies have experienced structural change away from agriculture towards services. In 1970, the contribution of services to overall GDP was 68.5%; by 1990 this had risen to 71.4% and to a further 77.7% (table 1). This expansion has largely taken place due to the emergence of tourism and relative activities as well as finance, and to some degree construction activities. At the same time, the share of GDP attributed to agriculture and industry has been declining for much of the review period. Indeed, the share of overall activity attributed to agriculture has contracted in every country considered, while Belize, Grenada and Trinidad and Tobago were the only countries to report an increased share of output going to industry.

The structural shift observed in the region over the last 40 years, could be interpreted in Lewis' (1954) construct as a natural progression: resources are being moved from the low productivity sectors of the economy to the more modern service industries. The Plantation Economy school would argue, however, that this shift to services does not necessarily mean that the underlying characteristics of the economy have changed: economies are still undiversified (with tourism being the main driver of economic activity) and highly dependent on external demand conditions. Indeed, competitiveness is basically about choosing sets of activities that deliver a unique mix of value (Porter, 2008).

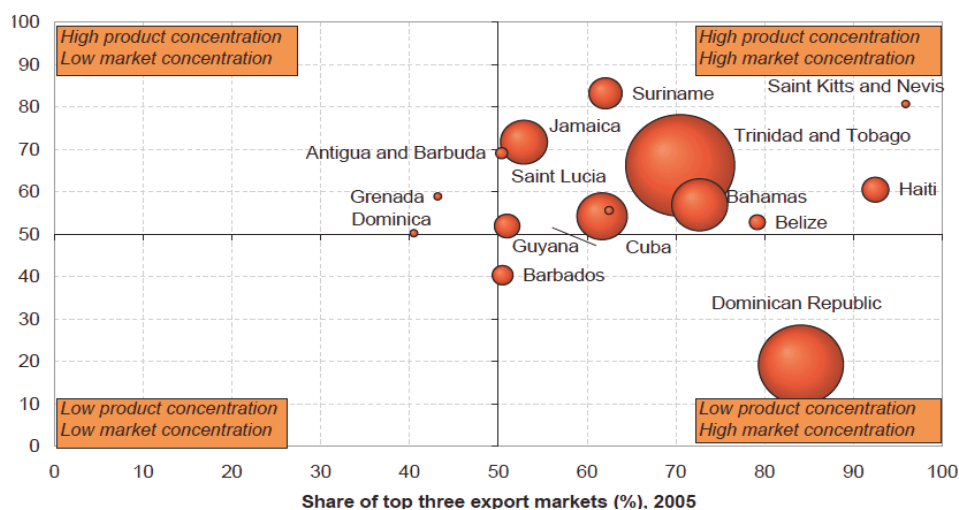
The types of goods that the region exports tend not to be unique: the Caribbean, by and large, exports a small set of goods and services that are being produced by other countries around the world. Moreover, the region tends to be uncompetitive in a number of these commodity goods and services. Figure 1 plots the share of the top three export markets against the share of the top three exported products. The exports from most countries in the region are highly concentrated in a few markets, primarily the US and UK, and by and large, in a few product categories. In Saint Kitts and Nevis, for example, the top three markets account for 95% of exports, while the top three product categories represent 80% of exports.

**TABLE 1**  
**GDP BY ACTIVITY**  
(Percentages of GDP; 1970-2010)

	Agriculture			Industry			Services		
	1970	1990	2010	1970	1990	2010	1970	1990	2010
Antigua and Barbuda	4.5	2.0	2.1	9.8	7.4	7.3	85.8	90.6	90.6
Bahamas	2.2	2.9	2.0	7.4	6.6	7.3	90.4	90.5	90.7
Barbados	6.5	3.8	1.6	12.4	13.2	10.4	81.1	83.0	88.0
Belize	26.2	20.7	11.8	12.6	17.8	16.6	61.2	61.4	71.6
Grenada	20.0	12.7	5.1	5.6	10.1	9.3	74.4	77.2	85.6
Guyana	10.8	31.0	17.6	37.0	21.4	24.5	52.2	47.7	57.9
Haiti	46.9	30.9	20.9	16.5	16.9	9.4	36.7	52.2	69.7
Jamaica	6.4	6.2	5.9	25.4	25.7	13.1	68.2	68.1	81.0
Saint Kitts and Nevis	13.3	4.3	1.6	14.9	11.5	8.5	71.8	84.2	89.8
Saint Lucia	14.7	13.7	3.2	11.2	10.7	8.4	74.1	75.5	88.5
Saint Vincent and the Grenadines	14.0	16.7	7.1	10.6	12.3	10.3	75.4	71.0	82.6
Suriname	8.0	17.3	10.7	33.5	16.6	32.4	58.5	66.0	56.9
Trinidad and Tobago	4.8	2.6	0.6	34.0	36.9	42.7	61.2	60.5	56.7
Average	13.7	12.7	6.9	17.8	15.9	15.4	68.5	71.4	77.7

Source: United Nations Main National Accounts Aggregates

**FIGURE 1**  
**PRODUCT AND EXPORT MARKET CONCENTRATION**



Source: ITC TradeMap.

Note: The size of the bubbles corresponds to each country's export value in 2005



Small Island Developing States, such as those comprising the Caribbean Basin, have undergone a series of transitions with respect to creativity and innovation in the post-colonial era. The region not only represents one of the most ecologically diverse areas on the planet<sup>2</sup> but also possesses an amalgamation of cultural norms and ideals that have the potential to significantly impact upon business practices. The region, therefore, exhibits a comparative advantage that can be harnessed to stimulate much needed economic growth and social improvement.<sup>3</sup>

Innovation is not only the more advanced stage of creativity, but also a vital contributor to economic development. It can be described as “the application of inventions of new production processes and methods to production activities, as well as the introduction of new products. It encompasses the introduction of new social and institutional methods of organization and management commensurate with modern ways of conducting economic activities.” (Todaro & Smith, 2012). Various theories of endogenous growth attempt to model the innovative process rather than acknowledge that it may result from unexplained exogenous factors.<sup>4</sup>

Innovation allows a firm to increase its productive capacity and aids in the development of additional skill sets amongst its workforce. It has the potential to lead to increased profits, hence resulting in lower production and operating expenses as sustainable consumption and production practices are developed. Innovation spurs human capital development as it creates a knowledge platform for new ideas, promotes intergenerational equity as information is transcendent, and thereby promotes technical assistance and capacity building. Further, innovation, especially in SMEs can expand the range of goods and services produced, thereby increasing private sector employment and reducing the burden on the state to act as employer of last resort.

## **C. Key issues constraining diversification, creativity and innovation**

### **a) Institutions**

Institutions are a critical part of the long-term sustainable growth of nations. The institutional structure of a country consists of the commercial legal system, property rights, regulatory regime, public administration and bureaucracy and the business practices that exist (North, 1990). In the absence of property rights, for example, there is little incentive for individuals to invest in new technologies or upgrade physical and human capital as the returns from this investment would not only accrue to the original owner. Indeed, Holden and Howell (2009) note that there is a strong and positive association between institutions and competitiveness.

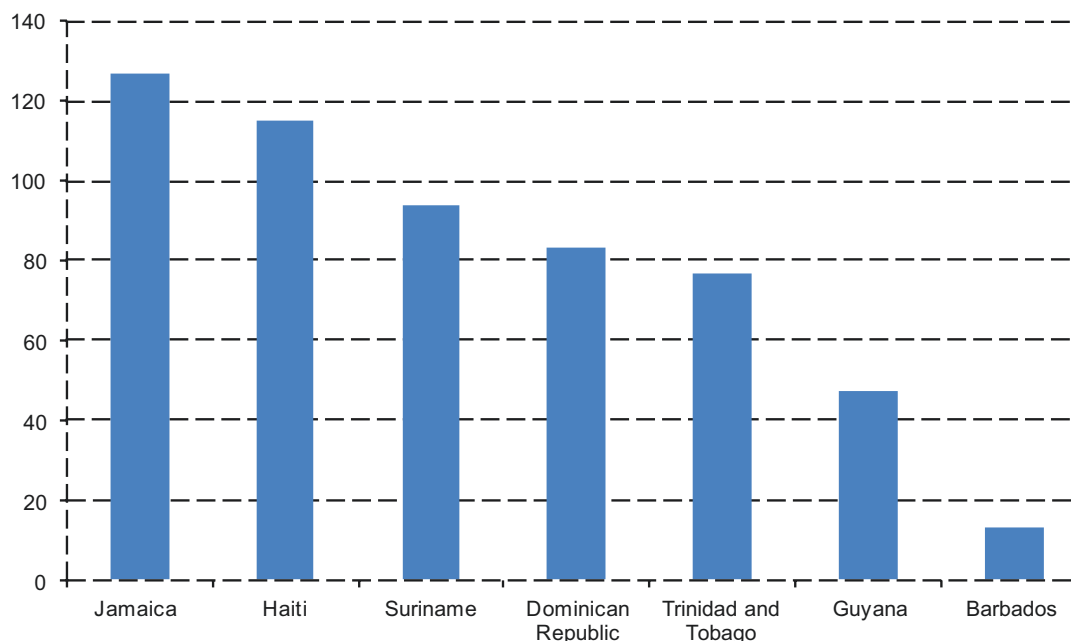
By and large, the institutional framework for doing business in the Caribbean is weak. Figure 2 provides a ranking of the strength of institutions in the region. While some countries performed quite well (e.g. Barbados), most countries were in the bottom half of the rankings, with Haiti being ranked 143 out of 144 countries considered in the assessment. Key areas identified in need of institutional strengthening were the burden of government regulation, the efficiency of government spending, transparency in government policy making, government services for improved business performance, crime and security and maximising opportunities under the Caribbean Single Market and Economy (CSME).

<sup>2</sup> The State of Biodiversity in Latin America and the Caribbean, UNEP 2010

<sup>3</sup> ‘Biodiversity and Ecosystems: Why these are Important for Sustained Growth and Equity in Latin America and the Caribbean,’ UNDP Status Report based on the 2008–2011 UNDP Regional Programme for Latin America and the Caribbean. Available at: [http://www.bb.undp.org/uploads/file/pdfs/energy\\_environment/misc/Biodiversity%20and%20ecosystems%20in%20LAC%20-%20Concept%20Note%20Phase%20II.pdf](http://www.bb.undp.org/uploads/file/pdfs/energy_environment/misc/Biodiversity%20and%20ecosystems%20in%20LAC%20-%20Concept%20Note%20Phase%20II.pdf)

<sup>4</sup> The term creative destruction – coined by Schumpeter (1942), is often used in the literature to refer to the decisions to create and destroy production arrangements.

**FIGURE 2**  
**QUALITY OF INSTITUTIONS (2012-2013)**



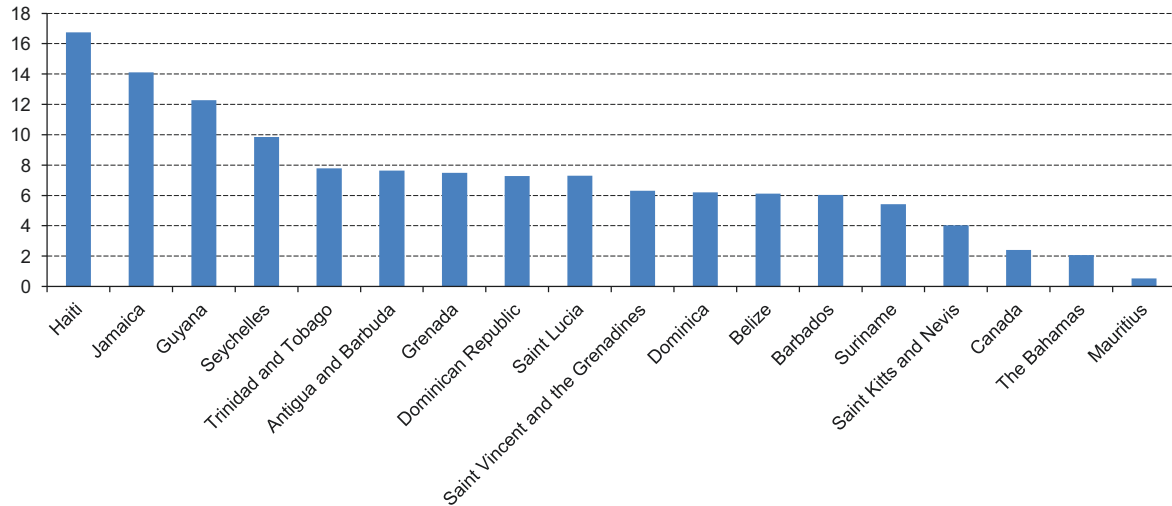
Source: Klaus Schwab, World Economic Forum, The Global Competitiveness Report 2012-2013

One area Holden and Howell (2009) identified in need of institutional strengthening was the process of registering and transferring land title. The authors note that in Jamaica, for example, the cost to purchase and transfer land (including commissions) can be about 25% of the value of the transaction. As a result, many land holdings, particularly in lower income areas, tend to be held via informal arrangements. In Guyana, the land tenure system impedes outright ownership (requests in some instances take more than two years to complete) and has therefore resulted in most land being held through 25-year lease arrangements. This process limits the ability of leases to use the land as collateral, and is a severe hindrance to the ability to access credit to develop small business.

Most English-speaking Caribbean countries are based on the Common Law system, while French civil law has influenced the legal tradition in Saint Lucia, and Roman-Dutch law in Guyana and Suriname. Holden and Howell (2009) note that in most Caribbean countries, laws governing the operation of business and related practices tend to be heavily influenced by colonial-era regulations as well as modifications enacted after independence. In relation to commercial law, many countries have not updated their legal frameworks since the colonial era. In relation to intellectual property, most Caribbean Countries have ratified various international treaties aimed at protecting intellectual property. These treaties have also been enforced via copyright protection legislation, aimed as supporting the growth of the creative industries. Hendrickson et al. (2013), however, note that piracy still remains a major issue in the region, while the management of copyright is weak.

A substantial component of the cost of doing business is the time and amount of money spent to comply with regulations. While regulations are necessary due to market failures, it is important that these regulations do not hinder innovation and competitiveness. Figure 3, however, suggests that in many Caribbean countries, regulations are significantly reducing the competitiveness of businesses. World Bank (2010) notes that senior officials in the Dominican Republic, Guyana and Saint Kitts and Nevis spend more than 10% of their time dealing with the requirements of government regulations. Similar obstacles were also highlighted in relation to obtaining business permits. In the Dominican Republic it took 138 days to obtain an operating permit, over 150 days to obtain a construction permit in Grenada, Saint Vincent and the Grenadines and Suriname, while 2 out of every 3 companies in Jamaica and Saint Kitts and Nevis identified tax rates as a major constraint to doing business.

**FIGURE 3**  
**BURDEN OF GOVERNMENT REGULATIONS**

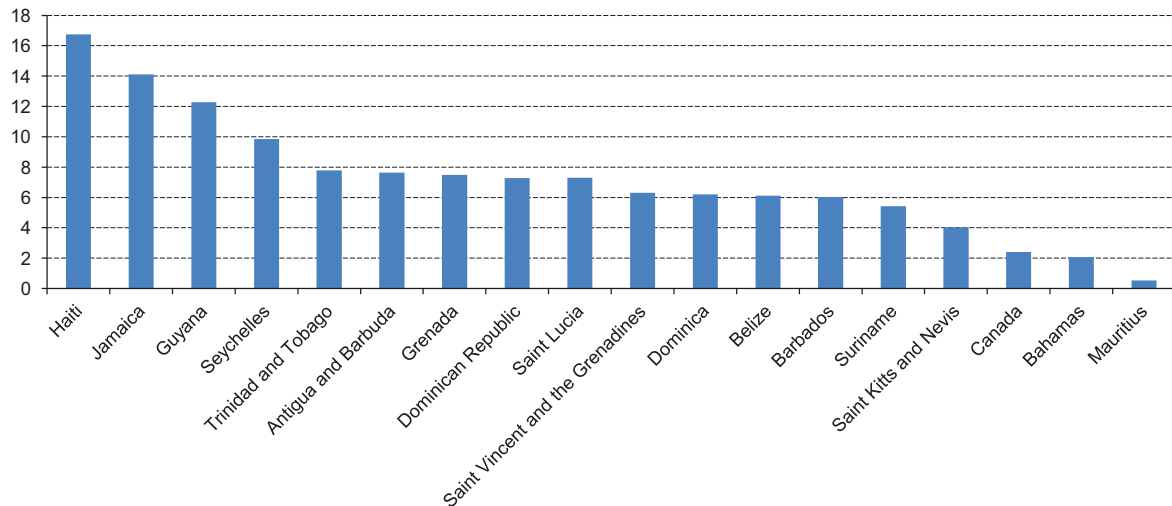


Source: Klaus Schwab, World Economic Forum, The Global Competitiveness Report 2012-2013

## b) Access to Finance

Compared to the other countries, credit markets in the Caribbean are relatively inefficient when measured by the spread between lending and deposit rates. Most countries have spreads of roughly eight percentage points; while Guyana, Jamaica and Haiti had interest rate spreads over 10 percentage points. Although banks complain that high spreads stem from high administrative costs and required reserve ratios, they nonetheless suggest that credit markets are relatively inefficient.

**FIGURE 4**  
**INTEREST RATE SPREAD, 2010**



Source: World Development Indicators

Given the importance of domestic firms in the economy, domestic savings play a fundamental role in relation to the availability of credit. At the end of 2010, bank credit as a ratio of bank deposits was also 80%. This suggests that most savings in the region are utilised to finance credit. Despite these relatively high conversion ratios, most countries were still in the bottom half of the Doing Business rankings in terms of the ease of getting credit. This suggests that business finance (or the lack thereof) is both a supply and demand problem. On the supply-side, there is the perceived risk associated with supplying loans to the small business sector, while on the demand-side entrepreneurs and small businesses may lack the ability (e.g. record keeping and well formulated projects) to access available lending facilities. Indeed, Caribbean countries tend to have some of the highest collateral requirements among comparator countries: 220% of the value of the loan. The Bahamas at (231%) and the Dominican Republic at 234%, have collateral requirements that are higher than average. These relatively high collateral requirements exist despite the relatively high level of penetration of banking services in the region.

### c) Technology and innovation

A National Systems of Innovation (NSI) is an important element of building the capacity necessary to develop knowledge-intensive and high-tech goods and services in small states. NSIs are simply private and public sector institutions whose activities result in the modification, diffusion and/or initiation of new technologies. Private organisations are key elements since they are the ones innovating. However, in order to benefit from economies of scale in research and development, it is important that there is a link and interaction to benefit from group knowledge and abilities (Lundvall, 1992). In this framework, innovation is seen as a national public good. Intangible investments in research and development will, by necessity need to be a private-public enterprise. Public Policy provides the overall direction and coordination of the NSI. This direction comes in the form of not only setting the rules and regulations, but also undertaking research that may not be practical, for whatever reason, for the private sector to undertake.

The NSI in the Caribbean tends to be quite weak, with little or no coordination of innovation systems. Given the small size of regional markets and the high fixed costs of engaging in research and development (R&D) it is not surprising that in most countries R&D expenditures amount to less than 1% of GDP. This relatively miniscule investment in R&D is reflected in the trade statistics for the region. Table 2 shows that in 6 out of the 15 countries considered, high tech exports are less than 10% of total exports, while in the other countries; the share has been stagnant or declining. The areas of technology use and certification are used to a lesser extent than the electronic media for communicating (Table 3).

**TABLE 2**  
**HIGH TECH EXPORTS**  
*PERCENTAGE OF TOTAL EXPORTS*

	2000	2005	2010
Antigua and Barbuda	0.092	0.780	n.a.
Bahamas, The	6.808	0.000	n.a.
Barbados	22.715	20.348	12.131
Belize	0.000	0.010	n.a.
Dominica	6.535	7.482	0.015
Dominican Republic	n.a.	8.404	3.163
Guyana	1.956	0.193	0.442
Grenada	30.109	0.111	n.a.
Haiti	n.a.	n.a.	n.a.
Jamaica	0.059	0.088	0.570

(continues)

Table 2 (concluded)

Saint Kitts and Nevis	0.640	0.681	n.a.
Saint Lucia	5.524	8.500	n.a.
Saint Vincent and the Grenadines	0.009	0.054	0.156
Suriname	8.166	13.699	12.141
Trinidad and Tobago	0.913	1.347	n.a.

Source: World Development Indicators

**TABLE 3**  
**TECHNOLOGY AND INNOVATION INDICATORS FOR THE CARIBBEAN**

Economy	Percent of firms with an internationally-recognized quality certification	Percent of firms using technology licensed from foreign companies*	Percent of firms having their own Web site	Percent of firms using e-mail to interact with clients/suppliers
All	16.5	15.2	35.1	64.5
Latin America and Caribbean	16.7	12.8	44.8	82.9
Antigua and Barbuda	3.7	0.0	26.3	87.9
Bahamas, The	31.1	20.1	50.1	89.5
Barbados	18.3	6.6	68.2	100.0
Dominica	1.3	10.3	1.8	70.8
Dominican Republic	11.8	24.1	48.9	85.3
Grenada	32.6	15.2	42.5	80.6
Guyana, CR	29.5	17.4	46.0	92.5
Jamaica	16.5	14.6	36.4	72.6
Saint Kitts and Nevis	19.4	9.6	40.4	91.6
Saint Lucia	0.6	0.0	15.4	53.9
Suriname	16.9	5.4	11.0	58.5
Trinidad and Tobago	11.0	2.2	30.8	81.2
Saint Vincent and the Grenadines	20.9	24.6	32.3	82.2

Source: Enterprise surveys

The performance of the region is also due to deficiencies in both the supply and utilisation of qualified individuals. In most countries, the number of researchers per thousand persons in the labour force is less than one, compared to more developed countries where the ratio normally exceeds five. Even when researchers are available, the productive system of the region tends to de-emphasise knowledge investment and technological innovation as key profit-making tools (Melo, 2001).

#### **d) Infrastructure and communications**

Infrastructure penetration not only influences the marginal returns on additional capital investment, but also the growth rate of the nation's capital stock (Barro & Sala-i-Martin, 1992). The availability of new infrastructure allows firms to reorganise production to enhance productivity and engage in research and development. Private capital investments are closely related to the institutions in a country since private companies are unlikely to undertake major public infrastructural investments unless private property rights are in place (Henisz, 2002).

The quality of infrastructure in the region tends to be quite heterogeneous. Some countries have been able to undertake significant investments in their infrastructure and communications technology (both from the private and public sectors). On average, however, most countries in the Caribbean tend to be in the bottom half of the quality infrastructure rankings. The Dominican Republic and Guyana, for example, were ranked 96th and 83rd out of 144 countries considered. Fay and Morrison (2007) make the following observations regarding infrastructure investment in Latin America and the Caribbean (table 4):

- Infrastructure improvements in the region over the past decade have been modest.<sup>5</sup>
- Private entities did not offset the decline in public investment.
- The region needs not only to investment more in public infrastructure, but also to spend better.
- Governments are key elements of infrastructure service delivery.
- The region needs to learn from the past in terms of supporting private investment.

**TABLE 4**  
**INFRASTRUCTURE INDICATORS FOR THE CARIBBEAN**

Economy	Quality of verall Infrastructure	Quality of Port Infrastructure	Quality of Electricity Supply	Fixed Telephone Lines/100 pop
Barbados	21	17	24	11
Dominican Republic	96	51	130	92
Guyana, CR	83	119	117	64
Haiti	144	141	139	134
Jamaica	76	39	83	94
Suriname	68	42	91	77
Trinidad and Tobago	62	92	50	57

Source: World Economic Forum

## e) Environment

The environment plays a key role in the development of most Caribbean countries (Girvan, 1991). The sustainable development challenge for the region is closely correlated to the limited physical size of land area, island topography, fragile tropical ecosystems, limited renewable and non-renewable resources, limited amounts of flat land, arable land and restrictions to the carrying capacity of land and climatic events (e.g. hurricanes and drought).

Hurricanes are the most devastating natural events to affect the region. The impact of hurricanes on Small Island Developing States is likely to be larger, given the vulnerability of the population to economic and dwelling loss, as well as injury or death (Lewis, 1991). In terms of the infrastructural effects of tropical storms, most of the damage occurs due to (Prevatt, Dupigny-Giroux, & Masters, 2010):

- Extreme winds and flying debris
- Storm surges
- Torrential rainfall, flooding and landslides

<sup>5</sup> Repair and maintenance is a problem- there is probably a need to create “infrastructure improvement” funds out of savings from boom times

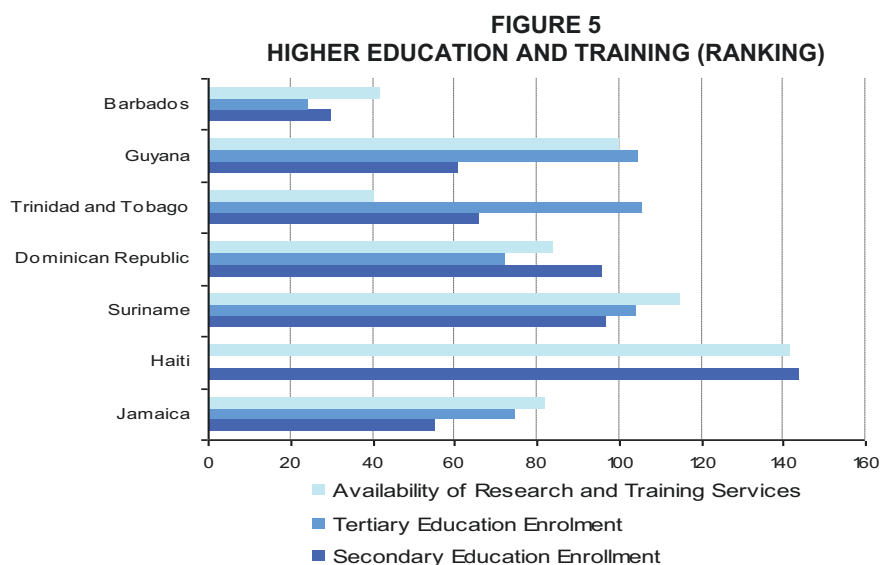
Davenport (1990) estimates that after the passage of Hurricane Gilbert in 1988 over Jamaica, estimated economic losses were US\$1.6 billion or two-thirds of GDP. Approximately one house in four suffered damage, largely roofing and water damage. Gibbs (2004) obtains an even larger estimated of the impact on the housing stock due to the passing of Hurricane Ivan over Grenada (80% of houses were affected; of this number 10% were destroyed). The total economic damages suffered by the island amounted to almost twice GDP for the previous year (OECS, 2004). More recently, Hurricane Tomas 2010 (a category one storm) left a trail of damage throughout the region. Saint Vincent reported losses of US\$67 million (mostly bananas and plantains), Saint Lucia suffered significant damage to its road network and utilities and also experienced landslides, and Jamaica reported losses due to floods and infrastructural damage.

Small states are also particularly vulnerable to the effects of climate change. Simpson et al. (2010) estimate that a one meter sea level rise could result in nearly 1,300 km<sup>2</sup> of land area lost, over 110,000 people displaced, at least 149 multi-million dollar tourism resorts damaged or lost and damage to almost one in every three airports in the region. When combined with a one in 100 year storm event the impact on the coastal infrastructure in the region is significant. The study estimates that the capital costs of climate change by 2050 would be US\$26 billion for a mid-range sea level rise scenario and US\$61 billion for a high-range sea level rise scenario. UN ECLAC (2011; ECLAC, 1999) also note that climatic shifts are likely to also have significant impacts on agricultural production, transportation, freshwater resources, coastal and marine environment, human health, tourism and energy.

## f) Labour and training

Human capital – the economic value of an employee’s skill set – is usually thought to have a positive impact on growth (Barro, 1991). These skills mean that the labour force in the country tends to be more productive and finds innovative ways of doing business. Education and training programmes in the Caribbean suffer from insufficiencies in terms of access, enrolment and quality. These programmes are critical inputs, necessary to provide the labour for new industries that might emerge, particularly in relation to the creative industries (See Figure 5).

Although one normally conceptualises innovation taking place via a maverick entrepreneur working in his garage on the ‘next big thing’, in practice, tertiary and other higher education initiatives support the creation of competitive products and services.



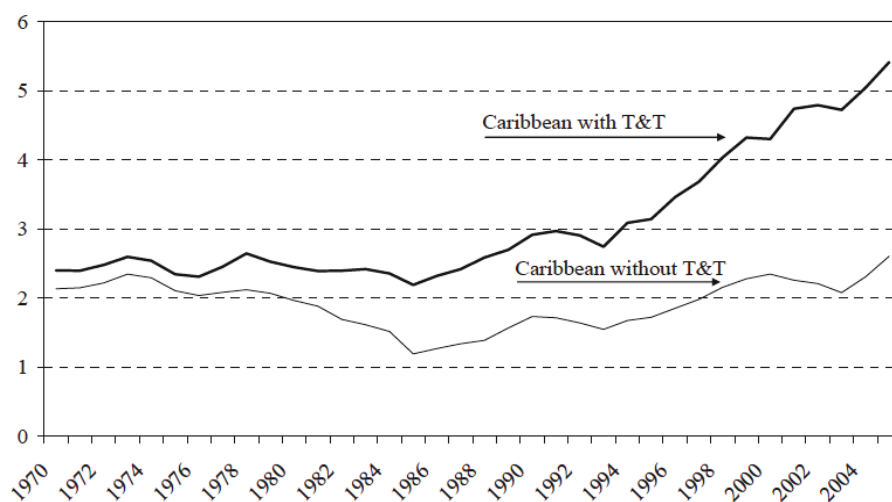
Source: World Economic Forum

For many persons in the Caribbean the informal economy either supplements income from the formal economy or is the main source of earnings. Sookram and Watson (2008), however, report significant wage differentials between males and females in the informal economy. Given the important link between poverty and the informal economy, policies targeted at the informal sector could have a significant impact on the livelihoods of females in the informal economy, as well as the overall level of poverty.

### g) Energy

With the exception of Trinidad and Tobago, most countries in the Caribbean are net energy importers. The majority of Caribbean countries with the exception of Trinidad and Tobago, Barbados and at one time St Lucia, were all signatories to the PetroCaribe Energy. Between 2005, when the majority of Caribbean signatory countries entered the PetroCaribe Agreement with Venezuela, and 2007, oil prices ranged between US \$60 and \$70 per barrel. Subsequently international oil prices rose sharply and by mid-2008 were at the historical high of US \$147 per barrel. In 2007, before the superspike in prices, the regional debt to PetroCaribe was estimated at US 1.17 billion dollars. Based on 2007 prices, Professor Norman Girvan (2008)<sup>6</sup> had been estimating that the Caribbean debt to PetroCaribe would stand at US \$4.56 billion by 2010. Since the superspike however, more recent projections (2011) by Venezuela put Caribbean debt accrual at US \$5 billion per annum.<sup>7</sup> In the Caribbean, the level of energy expenditure generally and PetroCaribe debt specifically, is quite high relative to GDP and when added to the overall economic challenges in the Caribbean, as outlined in this paper, pose a serious difficulty on the macroeconomic landscape.

**FIGURE 6**  
**FINAL CONSUMPTION OF HYDROCARBONS, 1970-2005**  
BOE/CAPITA



Source: OLADE; WDI

<sup>6</sup> Girvan, N. (2008) <http://www.normangirvan.info/wp-content/uploads/2008/05/alba-petrocaribe-and-caricom.pdf>

<sup>7</sup> <http://caribbeannewsnow.com/topstory-Caribbean-nations-oil-debt-to-Venezuela-increasing-at-almost-%245-billion-annually-under-PetroCaribe-agreement-7346.html>



Due to the rising cost of energy, many countries have developed national energy policies (Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines). These policies mandate that utilities utilise local and/or renewable energy sources into their input mix. In order to increase the penetration of renewable energy technologies in the region, the Caribbean Information Platform on Renewable Energy (CIPORE) provides links between RE agencies, Ministries of Energy and universities. A thorough programme based on the triad of reduced fossil fuel use, increased efficiency in the used of current sources of energy and the transition to feasible sources of renewable energy is perhaps needed. A transition to renewable energy sources will also have positive implications for the Caribbean's energy security.

This feature of volatility and debt liability means that economic developments are highly susceptible to international oil price shocks.<sup>8</sup> Figure 6 shows that the annual per capita consumption of barrels of oil equivalent over the past two decades has more than doubled, as has expenditure on petroleum products, due largely to rising prices. According to Cleantech Investor, a UK-based business intelligence service, the cost of electricity in the Caribbean is probably the most expensive in the world. CARICOM countries, with a combined GDP of US\$52 billion, spent US\$12 billion on imported fuel in 2007, almost double the 2004 bill of US\$6.5 billion, using up already scarce foreign exchange and reducing company productivity. The small size of the countries militates against their attracting private investment for less costly sources of energy or benefit under the UNFCCC's Clean Development Mechanism.

## **h) Water**

Potable water is essential to life and development. It is particularly crucial for countries dependant on tourism. A majority of Caribbean countries are now either officially classified as water scarce or water stressed, with particular difficulties noted in tourism dependent islands such as Antigua and Barbuda, Bahamas, and Barbados. This growing problem, made more so by climate change, is becoming a significant development threat.

## **D. Prioritising issues and regional efforts to date**

Holden and Howell (2009) make three key recommendations to enhance the institutional strength in the region: (1) legal and regulatory reforms; (2) utilise public-private sector consensus building initiatives; and (3) utilise regional institutional structures to benefit from economies of scale in regulation. In the area of legal and regulatory reforms the authors recommended that countries should harmonise legal requirements and procedural steps and draft legislation that minimise compliance costs. The reform process will also need to build legal capacity of practitioners and judges as well as the reform of bureaucratic processes.

Public-private-labour forums are aimed at improving the business environment. Ideally these panels would focus policy on sustainable development priorities, rather than short-term electoral cycle aims and objectives. Given the size of the region, there is tremendous scope for obtaining economies of scale in relation to institutions. Holden and Howell (2009) identify the possibility of the formation of regional registries and a regional arbitration center. Further work should be done to operationalize the Caribbean's draft Strategic Plan for Regional Development that puts forward the idea of the development of regional public goods. Moreover, Caribbean countries need to give strategic priority to the establishment of National Systems of Innovation (NSI) as an important element of building the capacity necessary to develop knowledge-intensive and high-tech goods and services in small states.

There is tremendous potential for renewable energy in the Caribbean. At the Fourteenth Inter-Sessional Meeting of CARICOM (2003), Barbados, Grenada, Guyana, Jamaica, Suriname and Trinidad and Tobago were asked to develop a regional energy policy. In 2007, the report on the

<sup>8</sup> In recent years some countries have received sizeable amounts of energy products from Venezuela at below-market prices and favorable financing terms (PetroCaribe Initiative).

Region's Energy Policy was put forward and this made recommendations in a number of areas related to energy management in the Caribbean. Key recommendations included intra-community trade in energy, greater use of energy conservation and efficiency, as well as the enhancement of the region's human and institutional capacity. However, the recommendation made by ECLAC (1999), is still relevant - in addition to this initial policy framework, significant work is needed in the area of funding trials of various renewable energy technologies, national policies on inter-connection and the use of an integrated planning to energy management.

CARICOM Heads of Government adopted a regional Science and Technology policy aimed at integrating and harmonising national policies and a regional policy framework for action was formulated in 2007. The plan identifies 12 key priority areas and nine supporting institutions and mechanisms. The 12 priority policy areas were identified as:

- Agriculture and the food sector
- Biotechnology and biosafety
- Environmental management
- Coastal and marine resources managements
- Waste managements
- Integrated water resources managements
- Alternative energy and energy management
- Disaster preparedness
- Health
- Sustainable tourism
- Development of small, medium and micro enterprises
- Information and communication technology

The supporting institutions and mechanisms were:

- Infrastructure
- Policy and planning
- Development finance
- Innovation and entrepreneurship
- Standardisation
- Human resource development
- Science and technology education
- Research and development
- Regulatory framework and intellectual property rights

Hendrickson et al. (2013) identify a number of creative industries that can be considered as part of the regional diversification effector. These included music, the audio-visual sector, visual as well as performing arts. However, challenges in relation to product development, cost of and access to financing, education and training as well as data collection would have to be overcome. Nurse (2009) also notes that the trade in cultural goods and services has been hampered by cumbersome and

restrictive border measures, weak institutional capacity in key government departments, limited infrastructure development and poor marketing and distribution of regional cultural goods and services.

To address the significant challenges posed by climate change, in June 2011, CARICOM Heads of States approved a Regional Framework for Achieving Development Resilient to Climate Change as well as an Implementation Plan.<sup>9</sup> The document provides a roadmap for action by member states and key regional institutions. Key strategic objectives of the plan included: mainstreaming climate change adaptation strategies in the sustainable development agenda for the region; promoting actions to reduce greenhouse gas emissions; encouraging action to reduce vulnerabilities to natural disasters and promoting policies that derive social, economic and environmental benefits via prudent management of forests. To achieve these objectives, the Implementation Plan identified the establishment of a framework outlining how regional and country bodies would work together, securing investment, promoting monitoring and evaluation systems and obtaining buy-in from member governments as key. A green growth strategy would be consistent with regional climate adaptation plans and also facilitate diversification objectives.

## **E . Conclusions and recommendations**

Structural change is a fundamental part of economic development. Indeed, traditional development theory is largely focused on how an underdeveloped country, based primarily on subsistence agriculture, transitions to a modern industrial based economy. If this structural change results in greater economic diversity, this can result in lower rates of output, consumption and investment growth volatility. In addition, more diversified economies are also less likely to experience any negative effects from opening their capital and trade accounts (Moore & Walkes, 2010).

- In pursuit of sustainable development, governments should pursue a programme of diversification based both on upgrading traditional sectors and the development of new innovation-intensive sectors that produce high quality, differentiated products and services is required
- It will be necessary for governments to pay attention to six key factors (1) institutions; (2) access to finance; (3) technology and innovation; (4) environment; (5) labour and training; and (6) energy
- The efforts of governments across the region will have to focus on three elements - enacting legal and regulatory reforms; utilising public-private sector consensus building initiatives; and utilising regional institutional structures to benefit from economies of scale in regulation, including maximising opportunities under CSME
- Given their potential for advancing business opportunities and competitive advantage, consideration should be given to national systems of innovation, greater institutional support and investment in renewable energy technologies, the implementation of the regional Science and Technology policy, greater support for the creative industries and a regional strategy for adaptation to climate change.

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<sup>9</sup> <http://www.iadb.org/intal/intalcdi/PE/2011/10128.pdf>

### **III. Financing sustainable development in the small, middle income countries in the Caribbean**

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#### **A. Background and introduction: the Monterrey conference and consensus**

In March 2002, Heads of State met in Monterrey, Mexico to review the challenges of financing development, in particular achieving the Millennium Development Goals (MDGs) and finding innovative ways to meet the challenges of financing. They emphasized the need for a partnership between developed and developing countries in this regard.

More recently, in June 2012, at the UN Conference on Sustainable Development in Rio de Janeiro, Heads of State and Government renewed the call for promoting sustained, inclusive and equitable economic growth, and considered “innovative financing mechanisms” as a way of expanding the financing options open to developing countries (figure 1). While countries recognized that some progress had been made since 2002, they called for a “scaling-up of initiatives” to achieve the agreed goals.

#### **B. Caribbean economies: the challenges of financing**

In line with the Millennium Development Goals (MDGs), Caribbean governments have given priority to the following areas for achievement in their quest for development:

- A healthy and educated population in line with international standards
- Effective social protection
- Strong economic infrastructure
- Globally competitive industries
- Strong governance
- Macroeconomic stability

New communication technologies and travel opportunities have led to increased citizens' demands on governments for improved basic services and more effective governance. Governments are being driven to accelerate development.

Basic health and education for most of the population in the Caribbean is funded primarily from central government budgets, although there is increasing involvement of private actors at the secondary and tertiary education levels and in health care delivery. On the other hand, certain elements of social protection, such as micro credit and insurance and disaster preparedness and relief are sometimes the subject of significant donor interventions. Governments usually manage National Insurance schemes with contributions from employers (including governments) and employees, but there are gaps in coverage.

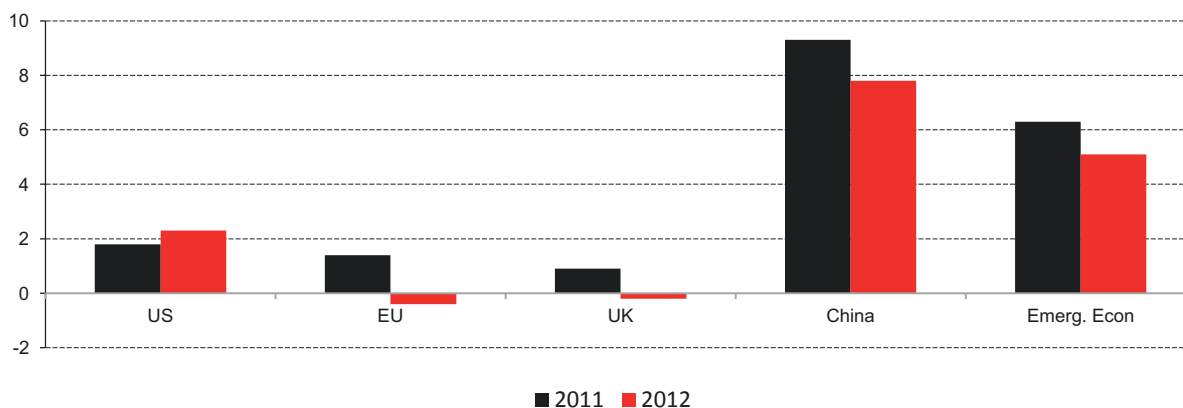
### C. The changing global environment and impact on financing for the region

Owing to their small size, limited productive capacity as well as certain weaknesses in policy making, Caribbean countries are constrained to internally generate adequate levels of resources for development. As a result, they have been heavily dependent on overseas development assistance (ODA) and foreign direct investment to sustain development initiatives.

At the time of the Monterrey conference in 2002, Caribbean countries were already experiencing a downturn in ODA. Official Development Assistance declined from approximately US\$1.2 billion in 1995 to US\$400 million in 2002. While in the new decade Foreign Direct Investment (FDI) inflows continued apace, this did not make up for the significant drop in ODA. The global recession has negatively affected OECD countries, which have been the traditional sources of both ODA and FDI inflows and tourism revenues into the Caribbean. The current prediction for the EU Commission is that the Euro zone is likely to experience negative growth of 0.3 for the first half of the year.

The global trade environment and terms of trade have also changed, closing valuable international production chains and one-way trade preferences with the EU, Canada and the US to new reciprocal partnerships and agreements. This transition means that these highly vulnerable and indebted countries will have to transform their economies and become more globally competitive. Further, the recession in key markets has worsened the current account deficit.

**FIGURE 7**  
GLOBAL GROWTH LEVELS 2011 AND 2012  
(Percentage)



Source: CDB, 2013

## **D. The Caribbean's difficult macroeconomic situation**

One of the most constraining factors for Caribbean countries in financing is the high debt-to-GDP ratio —one of the highest in the world on average— and high levels of outflows for debt service payments with some countries paying out as much annually as 45 -55% of gross revenues on debt payments, with little available for financing development. Several of the region's governments are currently in the midst of IMF sponsored adjustment programmes, which have limited social spending. OECS countries —as well as Belize and Jamaica— are among those countries, which have embarked on debt restructuring. Barbados has seen its creditworthiness downgraded by Moodys because of fiscal weaknesses, and Belize, which prior to 2008 had very moderate debt accumulation, declared in August 2012 that it was unable to meet its commitment of interest payment of US\$46 million on Belize's accumulated US\$544 million foreign debt.

The debt problem has been exacerbated by persistently high and increasing prices for oil and now natural gas. Current economic issues make social safety nets more necessary. Barbados and the OECS countries are receiving multi donor support for the development of conditional cash transfer programmes. Jamaica, however, has the most mature programme in CARICOM, which is linked to enrollment in educational facilities and primary health care.

## **E. The domestic private financial market**

The commercial banks have been the core of the financial sector in the Caribbean. However, notwithstanding high liquidity levels, SMEs continue to complain about lack of financing, and venture capital is limited. Credit unions continue to play a key role in micro financing, along with other informal sources, but they usually insist on traditional sources of collateral. The capital markets are still fairly underdeveloped, but growing. Activity is limited in some of these very small markets and consolidation and growth through a regional market has not fully materialized. The IDB's Multilateral Investment Fund (MIF) has provided financing for micro projects of social and physical infrastructure services at the community level through NGOs in other parts of Latin America, but the IDB has little activity of this kind in the Caribbean.

## **F. International development assistance and funding/financing from foreign sources**

Indications from the OECD suggest that current aid levels, especially for budget support, are not likely to increase meaningfully in the immediate future. Growing relations and cooperation between the region and emerging economies like Brazil, India, the OPEC countries, the People's Republic of China and Venezuela are of special importance, although the long-term viability of the Petro Caribe programme for the supply of oil to the Caribbean is under question.

The United States Agency for International Development has assisted the OECS Secretariat with interventions in disaster risk management, biodiversity management, and facilitating the transition of some Member States to open trade, and better enabling them to function and compete more successfully in the global economy. Similarly, the Canadian International Development Agency has, among other things, provided assistance for capacity development for environmental management in the OECS subregion. The CARICOM Secretariat continues to receive contributions from the European Community and a number of friendly governments (such as Spain, France, Brazil and Mexico), to undertake specific regional sustainable development initiatives. Financing of the MDG strategy is largely through domestic resource mobilisation with some foreign financing (grants or borrowing).

Much of the funding for Sustainable Development initiatives in the region often takes place in the context of UN programmes, especially Global Environment Facility (GEF) programmes – such as

the GEF/UNDP/UNEP Small Grants Programme and the Protected Areas and Associated Livelihoods (OPAAL) project of the OECS. The German Agency for Technical Cooperation (GTZ) is actively involved in supporting the sub-region in the employment of renewable energy technologies through the Caribbean Renewable Energy Development Programme. The United Nations Department of Economic and Social Affairs (UNDESA) has focused efforts in programmes for the promotion of tools for self-empowerment by civil society partners in the governance process.

Stability in Caribbean economies is critical. The role of the IMF is vital here. The Fund successfully expanded quota subscriptions in order to shore up countries' vulnerabilities and undertake crisis lending. It is now being called on to leverage these funds to expand its policy advisory services to small, middle-income countries to assist them towards a sustainable growth path. The EU Regional Indicative Programme is now in implementation phase but the amount available for programming has been reduced from the 165,000 euros for the 2008 —2013 period. The UN has negotiated and signed off on development assistance frameworks for many Caribbean countries for the period 2012 – 2016. These incorporate the MDGs.

Assessed financial needs for the 5-year development programme include:

- Barbados and the OECS – US\$35.36 million
- Guyana – US\$15.9 million
- Jamaica – US\$37.6 million needed

## **G. Innovative financing mechanisms**

At the UN Conference on Sustainable Development in Rio de Janeiro, governments agreed “that innovative financing mechanisms can make a positive contribution in assisting developing countries to mobilize additional resources for financing for development on a voluntary basis.” As government financing shrinks, it will become increasingly important to attract and utilise private sector capital to fund government and development projects. Some of these mechanisms are explored below:

### **a) Public Private Partnerships (PPPs)**

PPPs can be a cost-efficient method for attracting new private resources to implement needed infrastructure projects, especially for the cash-strapped countries of the Caribbean. It works when there are regulatory frameworks and the planning and oversight capacity to ensure that outcomes meet agreed objectives. A few Caribbean governments are looking at PPPs for the development of various projects but there is need for more knowledge and information/experience sharing on these “new frontiers.”

The IDB/MIF sees itself as a catalyst for private investment involving PPPs, but, until recently, its experience in this regard has been mostly with the larger countries of Latin America. In July 2012, the MIF launched the Building PPPs for Development programme, which aims to strengthen government capacities in the design, execution and management of PPPs through advisory services in institutional strengthening and projects selection, and with a focus on smaller countries.

### **b) Build Own Lease Transfer (BOLT)**

Build Own Lease Operate Transfer mechanisms are also useful in bringing private sector capital to the funding of governments' infrastructural, new construction and certain types of environmental and development projects.

### **c) Remittances as a development tool**

In the case of Guyana, Haiti and Jamaica among others, remittances amount to about 10% of GDP and as such make an important contribution to the balance of payments. The recipients usually use these funds for basic (and occasionally not so basic) needs including food and education particularly for children who have been left in the islands when their parents emigrated. Transfers can be in kind or

cash, and cash transfer methods are undertaken by commercial banks, building societies and other institutions which ordinarily offer savings or investment services and could offer these to remittance recipients.

The challenge is to shift the remittance conversation from poverty reduction, and beyond balance of payments to investments, savings and wealth creation. The IDB is beginning to promote this shift by interesting financial institutions in providing savings products that suit the receivers, and give them more opportunities to access the services of the formal finance sector and efficiently use these funds for activities such as mortgages and business development.

#### **d) Pooling of resources**

This has worked well to finance targeted challenges, especially in an environment of declining ODA. The Global Fund for Aids Tuberculosis and Malaria which comprises donor governments, Foundations, other NGOs and international agencies have raised billions of dollars since its establishment. The same concept could be used in efforts toward other development and antipoverty activities and programmes.

#### **e) Financing small infrastructure projects at the sub-national level**

In a recent UN/DESA Working paper, it was noted that development banks and other agencies tend to finance large national infrastructure projects, but little attention is paid to smaller infrastructure projects at the local or sub national level. The weakened fiscal situation of many governments has left citizens —especially in the rural areas— demanding better services, such as community roads and water and cheaper energy sources. International agencies, working with local financial institutions such as credit unions, could foster the development of small infrastructure investment funds; possibly using a system of matching grants combined with the right government incentives for community participation.

This would mean capacity building in project management at the local/sub national level, and risk mitigation for participating local financial institutions. However, this must be viewed against the high level of collateral already required by the Caribbean banking sector. As the fiscal difficulties globally and in the region are prolonged however, Caribbean governments may have to reconsider their “paternal” role and give space to civil society, local private sector and sub regional government structures to play a more significant role in local development.

### **H. Expanding the goals for health and education: financing issues**

Reducing the incidence of HIV/AIDS is one of the MDG goals. On this basis, the Pan Caribbean Partnership against HIV/AIDS (PANCAP) was awarded over US\$29.8M over five years to assist with the fight against HIV/AIDS and the social and economic impact on households. This sum has been complemented by further donor funds, and with the support of PAHO, other international agencies and the newly formed Caribbean Public Health Agency (CARPHA) —an amalgamation of five agencies— has received grants of over US\$10M.

In the Caribbean, non-communicable diseases (NCDs) such as diabetes, stroke and hypertension, and mental health issues are increasingly affecting people in their productive years and equally undermining employment and development. The NCDs have become the major cause of death and disability in the Caribbean. According to PAHO, while non-communicable diseases account for 60% of the regional disease burden, less than 30% of ODA is applied to health. The overarching issue facing cash strapped governments of the Caribbean is how to deliver affordable health care to the wider population.



The increasing disease burden and shortage of funding is compounded by the fact that most citizens do not have health insurance, which is relatively expensive in the region. Similar challenges apply to the financing of education. The provision of quality primary and secondary education through appropriate strategies, services and infrastructure, continues to be a challenge for Caribbean governments whose vision of productive investment and poverty reduction is based on an enlarged skills pools. Health and education are central to building human and social capital in SIDS. The World Health Organization (WHO, 2010) notes the nexus between poverty and NCDs, which are predicted to hinder poverty reduction initiatives in the region.

## **I. Financing climate change resilience**

Mainstreaming environmental sustainability is still a challenge for Caribbean small states and will continue to be after 2015. This encompasses a range of interrelated issues and challenges. The small island states with high dependence on the economic use of their marine and coastal areas are already seeing their beaches and fish stock declining and as a result, livelihoods compromised due to pollution and climate change impacts.

Following the Cancun Agreements of December 2010 to commit about US\$30 billion for climate change adaptation and mitigation, developed countries have pledged about US\$39 million. Delivery modalities include grants, concessionary loans, equity and private investment. Some of these funds are being channelled through multilateral institutions.

Caribbean governments should focus on strategic measures to carve out and make full use of these resources to address targeted sustainable development problems such as land and coastal erosion, marine pollution and degradation of reefs, terrestrial and marine biodiversity impacts, water stress and scarcity, clean energy solutions—including at the micro level—and integrate environment sustainability into sectors such as tourism, agriculture and industry.

## **J. More targeted productive foreign direct investment**

Foreign Direct Investment has played a key role in the strategies of Caribbean governments for creating productive employment and attracting new technologies and financing for development. Tourism, ICT, financial services and non-oil mining, and for Trinidad & Tobago oil and natural gas have been the main sectors attracting FDI in the Caribbean in the last decade. A key tool used by many Caribbean governments for attracting FDI has been tax incentives to potential investors to set up business. The value of this policy tool to promote sustained growth and development has been questioned.

Barcena et al (2012)<sup>10</sup> noted that FDI should be viewed as part of a country's overall development vision and strategy and not used to create enclave industries which have little link to the rest of the economy and are not/cannot be leveraged to facilitate growth and competitive advantage in other areas of the economy. This is critical for small Caribbean countries with limited market-size.

## **K. Conclusions and recommendations**

- Through multilateral processes Caribbean governments should continue to assertively remind developed country governments of their commitment targets in respect of the MDGs. Greater donor coherence could be used to improve efficiencies and the strategic use of available grant funds

<sup>10</sup> Bárcena, A, A, Prado, Mario Comoli and Ricardo Perez, 2012, Foreign Direct Investment in Latin America and the Caribbean 2011, LC/G.2538-P. ECLAC, Santiago, Chile. 184pp.

- Caribbean countries should also consider strengthening their relations with the emerging economies of the “South
- Governments should continue to pressure international agencies to tangibly recognize the particular characteristics of small, vulnerable, middle-income countries and work together to develop financing instruments which can best address this group. The Commonwealth/World Bank Task Force on Small States had recommended that the special situation of small should be taken into account in the programmes of multilateral trade, finance and development agencies. The World Bank, with the IMF, which has begun a review on the needs of small, middle-income states, can take the lead in close collaboration with the CDB. They should also use the new funds made available for addressing the global economic crisis, to help Caribbean countries become more resilient to external shocks
- As resources dwindle, Governments may need to be more strategic in their investment planning, targeting those sectors and industries that can have the greatest socio-economic impact in the medium and long-term, and focus FDI efforts within this context
- Serious consideration should be given by both governments and regional development financing partners to expanding new modes of financing development and in particular, funding social services and small infrastructure in communities
- The further development and financing of social security programmes will be critical in the medium term with the expected continued contraction of government budgets.



## **IV. Promoting human development, citizen security and human rights in the Caribbean small island developing states (SIDS)**

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### **A. Background and introduction: human development in Caribbean SIDS**

Human development can be defined as a process of enlarging people's choices. The most critical ones are those that lead to a long and healthy life, education and access to resources needed for a decent standard of living. Human development also encompasses other choices valued by people ranging from political, economic and social freedom, to opportunities for being creative and productive, and enjoying personal enjoyment, respect for self and others in the society and guaranteed human right.<sup>11</sup>

The Millennium Development Goals (MDGs) represent a global commitment to human development aimed at advancing the well-being of developing countries using a human rights approach<sup>12</sup> by reducing extreme poverty, extending gender equality and advancing opportunities for health and education.<sup>13</sup>

The Human Development Index popularized in UNDP's Human Development Reports is a method used to assess and measure the level of human development of countries. This assessment looks at the average achievements in a country, and is based on specific standardized criteria enabling access to a long and healthy life, access to knowledge and a decent standard of living.

The Human Development Report 2012 identified Barbados as the only Caribbean country with “very high human development,” with a rank of 38 out of 186 countries. Following Barbados, other Caribbean countries with “high human development” are Bahamas (49), Cuba (59), Grenada (63),

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<sup>11</sup> UNDP (1990). Human Development Report 1990. [http://hdr.undp.org/en/media/hdr\\_1990\\_en\\_front.pdf](http://hdr.undp.org/en/media/hdr_1990_en_front.pdf). Accessed March 1, 2013.

<sup>12</sup> UNDP. (2004). Regional Report on the Achievement of the Millennium Development Goals in the Caribbean Community. <http://web.undp.org/latinamerica/docs/RegionalMDGCaribbean.pdf>. Accessed March 1, 2013.

<sup>13</sup> UNDP. Human Development Report. 2006 Beyond Scarcity: Power, Poverty and the Global Water Crisis.

Antigua and Barbuda (67), Trinidad and Tobago (67), Dominica (72), Saint Kitts and Nevis (75), Saint Vincent and the Grenadines (83), Jamaica (85), Saint Lucia (88), and Those countries in the region with “medium human development” are Belize (96) Dominican Republic (96); Suriname (105) and Guyana (118). Haiti is the only country in the Caribbean in the “low human development” group with a rank of 161.<sup>14</sup>

The Caribbean Human Development Report of 2012<sup>15</sup> records significant strides as having been made in human development in the Caribbean particularly in health and education, with significant increases in life expectancy and a marked decline in infant mortality across most of the countries of the region since the 1960s. However, according to the World Bank (2011),<sup>16</sup> the Caribbean has undergone demographic and epidemiological transitions, characterized by populations living longer, thereby creating new demands on health systems, with even greater stress being imposed by the rise in chronic non-communicable diseases (NCDs) and their increase in poverty levels.

Access to secondary education is nearly universal and access to tertiary education has increased. Scores and rankings for Caribbean countries in the Human Development Index (HDI) reflect the numerous advances made in improving living standards and reducing poverty levels. Additional advances have also been made in political development and democratic governance in the Caribbean’s relatively stable democracies in which there has been consolidation in the rule of law, with high levels of political participation and low and declining levels of political violence (mainly related to electoral cycles in a few countries). The Report also notes the reduction of undue and unlawful political influences on law enforcement and the protection of independence of the courts.

Another factor impacting on human development in the Caribbean is international and regional migration. Caribbean peoples have migrated both internally and externally for decades in search of better economic opportunities leading to the formation and structure of triangular family links. Recent literature on Caribbean kinship has reversed the image of the Caribbean family unit as one of fragmentation, breakdown and dysfunction by highlighting functioning and supportive extended family networks despite residential and geographical separation<sup>17</sup> .... “the Caribbean family emerges as a transnational institution, powerful and resilient.”

## B. Citizen Security

Citizen security may be regarded as a dimension of human security where the focus is on the citizen as the subject to be protected and served by the state. It positions the citizen as a participant, and a power to which state actors are directly accountable. In this construct, it is conceived as the social situation in which all persons are free to enjoy their fundamental rights and in which public institutions have sufficient capacity, against a backdrop of the rule of law, to guarantee the exercise of those rights and respond efficiently when they are violated. Furthermore, the concept of ‘citizen security’ is associated with security against the threat of crime or violence and is used to refer to the paramount security of individuals and social groups. It does not stand in opposition to the preservation of the territorial integrity of the state.<sup>18</sup>

Citizen security rests on the following assumptions, that citizen participation improves:

- The responsiveness of the state

<sup>14</sup> <http://hdr.undp.org/en/statistics/>

<sup>15</sup> United Nations Development Programme (UNDP). (2012). Caribbean Humana Development Report 2012: Human Development and Shift to Better Citizen Security. [http://hdr-caribbean.regionalcentre-lac-undp.org/images/PDF/caribbean\\_hdr\\_2012.pdf](http://hdr-caribbean.regionalcentre-lac-undp.org/images/PDF/caribbean_hdr_2012.pdf). Accessed February 20, 2103.

<sup>16</sup> The World Bank. (2011). The Growing Burden of Non-Communicable Diseases in the Eastern Caribbean. [http://siteresources.worldbank.org/LACEXT/Resources/informe2no\\_jamaica.pdf](http://siteresources.worldbank.org/LACEXT/Resources/informe2no_jamaica.pdf). Accessed March 1 2013.

<sup>17</sup> See UNICEF 2003.

<sup>18</sup> Caribbean Human Development Report 2012

- The effectiveness of the crime prevention and control programmes and the work of the responsible state institutions
- The definition and targeting of the problems and information flows
- The degree of accountability of the state, trust and confidence by the citizen

The primary source of insecurity in the Caribbean is social violence, defined as the violence of citizens against other citizens (Harriot 2010). Jamaica, for example is considered among the top three most violent countries in the world. Caribbean “violence may be associated with predatory crimes, drug crimes or with conflicts”... such as gang violence in communities. “The state is also a source of insecurity, but this is due mainly to the use of perverse methods to manage criminal violence” which often borders on the violation of human rights. The Jamaican situation is atypical of the rest of the Caribbean although levels of violence and serious crime are generally rising.

In terms of crimes of a domestic nature, available Caribbean data paints a horrific landscape, confirming the fact that the region has one of the highest incidences of gender-based violence (GBV) globally. Data for the ten-year period 2001 to 2011 collected by the Crime and Problem Analysis (CAPA) unit of the Trinidad and Tobago Police Service<sup>19</sup> indicate that domestic violence claimed the lives of an average of twenty-five persons annually.

A 2009 ECLAC publication<sup>20</sup> indicated that femicide (murders of women related to domestic violence) in the Bahamas represented 42% of all homicides in 2000, 44% in 2001 and 52% in 2002. Literature on global statistics and the phenomenon of GBV deem this phenomenon as one of the major obstacles to the full realization of gender equality and the empowerment of women. There have been efforts in the Caribbean at addressing domestic violence through the implementation of domestic violence legislation and stiffer penalties and rehabilitation programmes for those committing these crimes. Barbados already has legislation that deals with spousal abuse.

Many Caribbean countries also face severe security challenges of organized crime, such as narco-trafficking, corruption, juvenile crime, and youth gangs. Public perception of limited commitment by governments to promote citizen security, reduce crime and violence, and contain conflict may result in a lack of credibility in public institutions such as the judiciary and police. Crime, violence and conflict also generate both direct and indirect social, economic and political costs impact on development prospects and potentially make the region unattractive for investment. The Caribbean Development Bank (CDB) (2007)<sup>21</sup> has also highlighted the rising effects of social and economic deficiencies including: high levels of unemployment among the youth, growth in urban poverty, new types of rural poverty and the relationship between crime and poverty as issues of great concern in the region.

## C. Human rights and sustainable development

Human development is a broader framework that includes not only the MDGs, but emphasizes principles of human rights, democracy and participation to shape pathways for change. The United Nations has reported that many human rights conventions are being violated (UNIRSD, 2011).<sup>22</sup>

<sup>19</sup> Express Woman – The new fight against domestic violence. Express Newspaper of Trinidad and Tobago, September 16, 2012

<sup>20</sup> ECLAC 2009. No More! The Right of Women to Live a Life Free of Violence in Latin America and the Caribbean.

<sup>21</sup> Caribbean Development Bank (CDB). (2007). *Annual Economic Review 2006*. Bridgetown: Caribbean Development Bank. <http://www.caribank.org/publications/annual-economic-reviews/annual-economic-review-2006>.

<sup>22</sup> United Nations Research Institute for Social Development (UNRISD). (2011). *Social Development in an Uncertain World: UNRISD Research Agenda 2010 – 2014*. 16 pp. [http://www.unrisd.org/80256B42004CCC77/\(httpInfoFiles\)/43BFA3387807E7E680257920004253C7/\\$file/ResAge10-14a.pdf](http://www.unrisd.org/80256B42004CCC77/(httpInfoFiles)/43BFA3387807E7E680257920004253C7/$file/ResAge10-14a.pdf).

Generally, Caribbean countries are signatories to international agreements on human rights, and in that regard are obligated to ensure their protection. These states have also introduced national legislation and reforms and implemented programmes and projects to complement these conventions.

These agreements and supporting national laws provide the blueprint for action by Caribbean Governments to promote and protect the human rights of persons to live a life of dignity, free from poverty, and abuse, with substantive rights relating to an adequate standard of living, including access to adequate food, water and sanitation, housing, clothing, health services, education, employment, enjoyment of culture, freedom of expression, assembly and association, and international assistance and cooperation. However, many of the development gains have been reversed as a result of recent crises and challenges such as widening poverty gaps, food shortages, climate change, rising unemployment, popular unrest, the global financial crises, and other pressing issues which confront our sub-region today. These challenges have undermined the ability of countries to mobilize resources for development and maintain MDGs. “Citizen security should therefore be kept in view as developmental goals are pursued.”<sup>23</sup>

## **D. Inequality and social exclusion**

Social exclusion embraces a sub-set of circumstances linked to poverty but which are more pervasive and linked more directly to factors that promote inequality. Features of social exclusion include lack of access to opportunities that promote full participation in political, economic, cultural and social aspects of society such as unequal distribution of income and assets, but more fundamentally, is linked to social deprivation. Hence the concept of multidimensional poverty is an important aspect in defining social inequality and social exclusion, and in the identification of factors that lead to an overall improvement in wellbeing.

The lack of voice and power is most visible in the low representation of excluded groups such as the poor, youth and women in political decision-making. For example while the number of women in decision making has been increasing, they still hold less than twenty percent of seats in Parliament, although the region has two female Prime Ministers. Social exclusion has an intergenerational dimension that locks certain groups into poverty over several generations.

## **E. Social protection in the Caribbean**

Caribbean countries provide an impressive range of social protection programmes to support vulnerable groups and more are being developed and implemented. There are, however, significant gaps and deficiencies that result in inadequate support to disadvantaged households and communities. While social protection measures are often equated with social welfare policies, more recently, many Caribbean governments have implemented Conditional Cash Transfer (CCT) programmes, which are viewed as the new generation of anti-poverty policies. These programmes are aimed at the elimination of poverty amongst women who are often the poorest of the poor and who have major responsibility for households and the unpaid care-work in the home. It is to be noted that social protection encompasses a broad range of provisions including unemployment benefits, taxation schemes, and labour market interventions, such as skills training.

Social protection is viewed as a long-term development measure, with the goal of reducing poverty, vulnerability and risk amongst low-income households by providing them with financial and other assistance to enable them to meet their basic needs with regard to consumption and services. They have become an important component in social development policies and social protection which is aimed at protecting individuals and their households from poverty and deprivation, and at

<sup>23</sup> Harriot Anthony 2010. Citizen Security and Human Development in the Caribbean – some Thoughts: Charting the Way Forward for the Preparation of the Caribbean Regional Human Development Report on Citizen’ security. Kingston.

providing the vulnerable and deprived with basic safety nets.<sup>24</sup> These programmes are part of the social safety net necessary to protect vulnerable and at risk sections of the population and are a necessary corollary to promoting policies to create more and better jobs and decent work.

## F. Responses and interventions

Governments have addressed the persistence of poverty through the implementation of various poverty reduction policies and strategies, social protection interventions and strategies that support the improvement of infrastructure, reforms in health, education, and the social safety net.<sup>25</sup> Despite this, poverty remains a problem as new types of poverty are emerging and this continues to undermine the role of the family in the Caribbean as a unit of social cohesion.<sup>26</sup>

## G. Conditional cash transfer programmes

Caribbean countries have taken steps to implement conditional cash transfers (CCT) as a vehicle for the reduction in poverty and as a means towards accelerating achievement of the MDGs. These programmes are premised on the long-term transformation of beneficiaries who are supported to protect and build their human capabilities. Evidence based on monitoring and Evaluation of CCTs in other regions indicate that well targeted programmes have contributed to improvements in the incomes of poor households, helping to lift them out of poverty and do play a valuable role as basic protection. (Eduardo Zepeda, 2006).

Conditional cash transfer programmes share the same feature of targeting women as the primary beneficiaries of the transfer. In addition to being the predominant care givers, research shows they are also more likely than men to invest their income into meeting the needs of family members, goods and services, and are more likely to have positive effects on the children's well-being (Soares and Silva 2010). The goal of CCTs is to eliminate intergenerational poverty by investing in children's health and education.

The government of Jamaica embarked on the reform of its social safety net programmes in order to increase their efficiency and effectiveness and ultimately contribute to the achievement of the MDGs. The Programme for Advancement Through Health and Education (PATH) implemented in 2001 is viewed as a new approach to social protection in the Caribbean, combining social assistance with the promotion of human capital development among children and young people as a means of breaking the poverty cycle, through monetary transfers to poor households to assist with ensuring that their children receive adequate health, nutrition and educational provisions. In 2008, the government implemented changes to the PATH programme by expanding the size of the target group and introduced higher benefits at the primary and secondary transition points, with an extra 10% for boys who, when compared with girls, are underperforming in education in the Caribbean<sup>27</sup>. Evaluation indicates early successes in targeting the poorest households for benefits, and in particular, increased school attendance among children in beneficiary families and a reduction in poverty levels. The programme was therefore deemed to have had a positive impact on school attendance, and overall poverty had fallen from 19.1% in 2002 to 16.1% in 2004. This has contributed significantly to the country being on track to achieve the first Millennium Development Goal.

<sup>24</sup> Social Safety Nets ensure that all the different groups of the population have reasonable access to minimal income and basic social services in situations as involuntary unemployment, old age or sudden economic crisis. They traditionally are introduced during economic crisis and phased out during period of recovery. If there are no safety nets a fall in income can lead to permanent poverty.

<sup>25</sup> World Bank. (1995). Trinidad and Tobago: Poverty and Unemployment in an Oil Based Economy. [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1995/10/27/000009265\\_3961008024114/Rendered/PDF/multi0page.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1995/10/27/000009265_3961008024114/Rendered/PDF/multi0page.pdf). Accessed February 27, 2013.

<sup>26</sup> ECLAC. (2008). Exploring Linkages between Poverty, Crime and Violence: A Look at Three Caribbean States. <http://www.eclac.cl/publicaciones/xml/2/33252/L.172.pdf>. Accessed February 22, 2013.

<sup>27</sup> Economic and Social Survey of Jamaica 2008. Planning Institute of Jamaica



Similar programmes have been introduced by the Government of Trinidad and Tobago, which in 2006 implemented a national CCT programme providing short term food assistance and developmental initiative targeting vulnerable people and families with limited or no income. Barbados established programmes specifically aimed at poverty reduction and youth training, housing development and support for the poor through urban and rural development programmes in 2000. In the following years the Human Development Reports showed these programmes to be impactful. In 2011 the Government of Barbados implemented the pilot phase of the Identification, Stabilisation, Enablement and Empowerment (ISEE) Bridge programme with funding from multilateral institutions. It is a rights-based targeted intervention programme, which will provide assistance to address the needs of members of vulnerable households and the reduction of intergenerational poverty.

## H. Challenges

The Caribbean, the world's most heavily tourism dependent region, is becoming highly susceptible to crimes of opportunity. Caribbean tourism destinations are increasingly becoming hosts for sporting events, and the targets for new and varied types of crime, including terrorism and international crime. The financial services sector, which is a major source for revenues in some countries, already opens the region to international financial crimes such as money laundering. The implementation of the Caribbean Single Market and Economy (CSME) may arguably increase the region's susceptibility to such events.

According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2008),<sup>28</sup> the linkage between poverty, crime and violence is based on two central arguments that (i) crime and violence can retard growth and development and lead to increasing poverty and inequality and (ii) that inequality, relative deprivation and social exclusion contribute to increasing levels of crime and violence much more than the absolute measures of income poverty. This is evident in the Caribbean, where economic growth, while promoting increased opportunities has at the same time created unrealistic expectations leading to high levels of inequality and exclusionary trends. These trends are manifested in high youth unemployment and jobless growth, resulting in high crime rates, including violent crimes.

Transnational crimes such as drug trafficking are increasing in the Caribbean, which in turn has fuelled an increase in gun violence. This further contributes to local drug use, gang violence, prostitution and property crime (ECLAC, 2008).<sup>29</sup> Human trafficking in the region is now believed to be a growing problem and has been recognised by regional bodies such as the Caribbean Community (CARICOM), the Association of Caribbean States and the Organisation of American States (OAS).<sup>30</sup> Another growing subject of debate is the contribution to crime in the Caribbean of criminal deportees from the UK and US. The region is ill informed and ill equipped for their return. Apart from just being threats to society, the deportees find it difficult to integrate into Caribbean societies with which they have little social or cultural connection (UNDP, 2012).<sup>31</sup>

More is required to move towards an integrated people-centred, citizen security approach that takes into account the central concerns of human security in order to successfully address the challenges of human development in the Caribbean. The focus must therefore shift from the view

<sup>28</sup> Economic Commission for Latin America and the Caribbean. (2008). Exploring Policy Linkages between Poverty, Crime and Violence: A look at Three Caribbean States. <http://www.eclac.cl/publicaciones/xml/2/33252/L172.pdf>. Accessed February 22, 2013.

<sup>29</sup> Economic Commission for Latin America and the Caribbean. 2008. Exploring Policy Linkages between Poverty, Crime and Violence: A Look at Three Caribbean States. <http://www.eclac.cl/publicaciones/xml/2/33252/L172.pdf>. Accessed February 22, 2013.

<sup>30</sup> Kempadoo, Kamala. (2006). The war on Human Trafficking in the Caribbean. *Race Class*, 49 (79). [http://myweb.dal.ca/mgoodyea/Documents/Migration%20studies/The%20war%20on%20human%20trafficking%20in%20the%20Caribbean%20Race%20Class%202007%2049\(2\)%20%2079-85.pdf](http://myweb.dal.ca/mgoodyea/Documents/Migration%20studies/The%20war%20on%20human%20trafficking%20in%20the%20Caribbean%20Race%20Class%202007%2049(2)%20%2079-85.pdf).

<sup>31</sup> United Nations Development Programme (UNDP). (2012). Caribbean Humana Development Report 2012: Human Development and Shift to Better Citizen Security. [http://hdr-caribbean.regionalcentreclac-undp.org/images/PDF/caribbean\\_hdr\\_2012.pdf](http://hdr-caribbean.regionalcentreclac-undp.org/images/PDF/caribbean_hdr_2012.pdf). Accessed February 20, 2103.

citizen security is solely the province of the state toward building resilience at the community level by empowering communities. This would engender a participatory bottom-up approach to citizen security that increases its focus on the community and the individual that in turn feeds into national policies and plans, regional policies and strategies and international partnerships.

## **I . Conclusions and recommendations**

The new paradigm on human security promotes a concept of security rooted in respect for all human rights and democratic principles rather than on traditional defense approaches. The concept can also contribute to sustainable development, particularly through poverty eradication, and emphasizes prevention at the root of various forms of violence, discrimination and conflict. Overall, it provides an all-encompassing theme on the core human security concerns that once addressed, can that benefit populations largely affected by partial and interrelated insecurities .

The following recommendations may be considered in enhancing a rights-based approach to sustainable development:

- Incorporation of aspects of human rights in existing policies in the sub-region, mainstreamed into cross-sectoral policies
- Strengthening the legal framework in order to make allowances for equity in social, economic and environmental factors in the work place, for example, labour laws that are in keeping with international commitments made by the Caribbean
- Improvements in economic stability in the sub-region by addressing unemployment and improved working conditions through the promotion of equity in remuneration and gender, improved access to natural resources and decent work
- The creation of greater opportunities for the participation of citizens in decision-making and governance processes
- Addressing the health concerns especially of the poor, elderly and handicapped. Special attention needs to be paid to vulnerable groups within the society with a view to either enhancing their capabilities
- Addressing the health concerns, especially those of vulnerable groups within the society
- Programmes that increase security and co-opt the skills of all citizens to address crime and violence need to be developed



## **V. Enhancing institutional infrastructure and governance for sustainable development in the Caribbean small island development states**

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### **A. Background and introduction**

In their efforts to achieve sustainable development and emerging from the Rio+20 Conference, Small Island Developing States (SIDS), continue to pursue urgent and concrete actions to find solutions to their major development challenges. Caribbean states have identified some of the critical issues, which must be addressed if the sub-region is to remain on a path of sustained growth and development, and if the benefits of that development are to be distributed equitably to all its citizens. One of the priority concerns identified for the region is the enhancing of institutional infrastructure and governance for sustainable development. The definition published in 1987 by the Brundtland-Commission in their report ‘Our Common Future’, van Zeijl-Rozema et al (2007)<sup>32</sup> has determined sustainable development to be a normative concept, dealing with different temporal and spatial scales and with multiple stakeholders. Governance is viewed as a collection of rules, stakeholder involvement and processes to realise a common goal and as a means to steer the process of sustainable development.

### **B. Governance frameworks – the context**

The Caribbean regional report for the five-year Review of the Mauritius strategy for the further implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing states (MSI+5) notes the progress made by Caribbean SIDS at both the national and regional levels, with regard to increased the frameworks for delivery of good governance, including institutional capacity for carrying out policy reforms and formulating appropriate strategies and action plans. The report acknowledges that this achievement was primarily through the efforts of the Caribbean SIDS themselves, with critical support from international development partners, regional

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<sup>32</sup> Van Zeijl-Rozema Annemarie, Ron Cörvers and René Kemp. 2007. Governance for sustainable development: a framework. International Centre for Integrated assessment and Sustainable development (ICIS) Maastricht University, Maastricht, The Netherlands. Paper for Amsterdam Conference on “Earth System Governance: theories and strategies for sustainability”, 24-26 May 2007.

inter-governmental organizations, non-governmental organizations, and the international financial institutions.

## 1. Policies and plans

The available data show substantial achievements in policy formulation, with an impressive range of documents created in response to the international environmental agenda, as well as for the social dimensions covered in the Millennium Development Goals (MDGs), such as poverty reduction, education, health and labour matters. Further, over the BPOA implementation period there have been significant and positive changes in the perception of countries about the role of the environment in sustainable development. Policy changes in relation to sustainable development have been further demonstrated in the integration of several emerging issues into national development strategies. These include green jobs and social inclusion, food security and sustainable agriculture, sustainable tourism, health (HIV/AIDS), renewable energy, sustainable cities, and improved resilience (climate change adaptation) and disaster management.

Some Caribbean SIDS have embraced major policy shifts, adopting various approaches to transform their economies into green economies. For example, Dominica is using the concept of transformation into an Environmentally Sound Organic Island; while in Guyana, the emphasis is on implementing a Low Carbon Development Strategy, and in Barbados, focus is being placed on the transformation into a Green Economy. Belize has also taken a holistic approach to sustainable development through a National Poverty Elimination Strategy and Action Plan. Fiscal and monetary policies of Caribbean SIDS have also been adjusted in recent times to respond to the global economic crisis. In addition, the CARICOM Secretariat's investment policy currently under preparation, aims at attracting extra-regional FDI especially in major drivers of Caribbean economies by leveraging the synergies of the Single Market and Economy.

## 2. Governance architecture – institutional roles and responsibilities

The regional report on the five-year review of the Mauritius Strategy details the institutional architecture for governance in the region, demonstrating the strong integration of the countries in international, regional and sub-regional governance mechanisms. The governance architecture for sustainable development includes regionally based UN agencies and other international institutions, major regional intergovernmental institutions such as Association of Caribbean States (ACS),<sup>33</sup> and the Caribbean Community (CARICOM),<sup>34</sup> CARIFORUM, Organisation of Eastern Caribbean States (OECS),<sup>35</sup> as well as powerful NGOs, notably the Caribbean Policy Development Centre (CPDC), the Caribbean Natural Resources Institute (CANARI) and the Caribbean Conservation Association (CCA).

The region has a number of substantive regimes for environmental governance —of the Caribbean Sea, through the CEP (one of the UNEP Regional Seas Programmes)— for energy policy, for coastal zone management, and for sustainable tourism,<sup>36</sup> regional intergovernmental organisations with an environment-related remit or focus such as the Organisation of Eastern Caribbean States Environment and Sustainable Development Unit (ESDU) in Saint Lucia, as well as other initiatives to implement the Multilateral Environmental Agreements (MEAs); the Caribbean Community Climate Change Centre (CCCCC, Belize), sectoral initiatives such as the Caribbean Large Marine Ecosystem Project (CLME)<sup>37</sup> or the CREDP. There are also other important regional CSOs, such as the Caribbean

<sup>33</sup> <http://www.acs-aec.org>

<sup>34</sup> <http://www.caricom.org>

<sup>35</sup> <http://www.oecs.org>

<sup>36</sup> Protocol to the Convention Establishing the Sustainable Tourism Zone of the Caribbean (STZC).

<sup>37</sup> CLME is run out of UWI's Centre for Resource Management and Environmental Studies (CERMES), a major regional environmental research institute.

Network for Integrated Rural Development, the Caribbean Environmental Health Institute, the Island Resources Foundation, and the University of the West Indies Centre for Environment and Development and Centre for Resource Management and Environmental Studies (CERMES).

More recently established institutions of importance to the governance framework in the Caribbean include Caribbean Court of Justice (CCJ), Caribbean Catastrophe Risk Insurance Facility (CCRIF), Caribbean Community Climate Change Centre (CCCCC) and Regional Coordinating Mechanism (RCM).

### **3. Knowledge management**

The knowledge management process in the Caribbean is evolving and systems built on a modern information and communications technology infrastructure, continue to be pursued for mitigating the effects of limited capacity, isolation and remoteness of Caribbean SIDS. E-governance initiatives were reported from Antigua and Barbuda, Dominica, Grenada, and Saint Kitts and Nevis. Another noteworthy regional ICT initiative is the establishment of a Caribbean Knowledge and Learning Network (CKLN), the main objective of which is to enhance the competitiveness of Caribbean countries by upgrading and diversifying skills and knowledge through increased regional collaboration and use of ICT to connect citizens. However, there is still a paucity of good quality data collation and analysis for policy making and systematic monitoring of government initiatives and programmes.

Efforts to address these data and information gaps include various regional initiatives, such as the multi-donor initiative, ‘Support to poverty assessment and reduction in the Caribbean’ (SPARC), and an ECLAC sub-regional project that provides technical assistance to enhance monitoring and reporting capacities on Millennium Development Goals and other internationally agreed development goals.<sup>38</sup> The various reviews also indicate that the technical possibilities to monitor environmental change at scales appropriate for small islands have improved greatly. However, effective knowledge sharing is still hampered by cultural and social barriers, including the multicultural and multilingual diversity in some Caribbean SIDS.

### **4. Participatory mechanisms**

When consistent with their own core values, Non-Governmental Organisations (NGO) representatives play a significant role in both advising and supporting government negotiating positions in international forums. Such non-State actors also have a consultative status with Caribbean Governments through the Regional Coordinating Mechanism. Some governments have created participatory governance mechanisms at the local level through the establishment of local government councils or community development councils. Supporting mechanisms for coordinating actions across Ministries, public agencies and civil society have also been created within the Disaster/Emergency Management framework, in Community Disaster Management Committee prototypes. CSOs are more light-footed in the regional political arena than their governmental counterparts and three of them have been able to negotiate an effective functional division of labour across the three pillars of sustainable development, CANARI<sup>39</sup>—social and environmental, CPDC<sup>40</sup>—economic and CCA<sup>41</sup>—environmental.

### **5. Infrastructure for sustainable development**

The infrastructure for the governance and management of sustainable development in the Caribbean region has been largely embedded in environmental law. Caribbean countries have made significant progress in establishing comprehensive policy, institutional and legal frameworks for environmental management and sustainable development, although these vary widely across countries. As active

<sup>38</sup> [www.eclac.cl/id=37073](http://www.eclac.cl/id=37073)

<sup>39</sup> Caribbean Natural Resources Institute <http://www.canari.org>

<sup>40</sup> Caribbean Policy Development Centre <http://www.cpdngo.org/cpdc/>

<sup>41</sup> Caribbean Conservation Association <http://www.global500.org/Roll-of-Honour/-/Laureate-Database/Caribbean-Conservation-Association-CCA.html>

participants in the main environmental treaties and conventions, these international instruments dealing with the environment, represent a form of “soft law”<sup>42</sup> and play a vital role not only in supranational governance, but also in the development of domestic environmental policy and law.

While not all international instruments have been incorporated into national laws, new legislation in support of the sustainable development agenda has been proposed in some countries including Acts to address Climate Change, Environmental Management, Disaster Management, Physical Planning and Development, and the general inclusion of the Precautionary Principle in local legislation. The legal context within which Caribbean SIDS operate is evolving with the revision of the Treaty of Chaguaramas<sup>45</sup> which established The Caribbean Community and which now includes the CARICOM Single Market and Economy (CSME) and the jurisdiction of the Caribbean Court of Justice (CCJ).

## C. Governance challenges and gaps

The major challenges in governance facing the Caribbean region, within the three pillars of sustainable development —environment, economic and social are presented below:

### 1. Objective challenges

One of the perceived challenges for implementing good governance for sustainable development stems from differences in sustainable development objectives as it relates to linking environmental considerations to the traditional economic development paradigm. Challenges in achieving convergent development objectives and targets, often result in weakened political will for participatory decision-making both at the international and Caribbean-regional levels. Policy and programmes related to the environmental pillar are often secondary in priority to those related to the economic pillar.

### 2. Policy challenges

The policy gap stems largely from the fragmentation of sustainable development roles and functions across sectors (ministries and agencies) and communities. Fragmentation —of treaties, financing, and overall authority for environmental and sustainable development governance— has resulted in a lack of policy coherence<sup>46</sup>. Further incoherence in sub-national policy needs and national policy direction is caused by silo approaches to policy formulation and implementation. In addition, there is inadequate integration of sustainable development into decision-making especially in the wider macro-economic policy domains of finance and trade. Moreover, the science-policy interface remains underdeveloped inadequate and suffers from a lack of capacity, especially at the national level. Furthermore, the social aspect of sustainable development seems to be the least prominent on the policy agenda. A consistent, systematic multi-dimensional approach to policy development, strong political leadership and commitment will be required to drive the adoption of an approach which involves the participation of all stakeholders in the formulation of public policies and national decision-making.

### 3. Administrative challenges

Inadequacies and gaps identified in the existing institutional and administrative arrangements include inter alia:

- Weakness and fragmentation in the current sustainable development institutions
- Disconnect between Ministries of Environment, Foreign Affairs, Finance and Development Planning over sustainable development issues, approaches and strategic priorities

<sup>42</sup> Soft Law is constituted of “regional and global agreements treaties which may not come into force, codes of practice, recommendations, guidelines, standards and declarations of principles, resolutions, that are not legally binding” but may still have some level of adherence at national, regional and international levels. (Birmie and Boyle 2002)

- Absence of mature mechanisms for monitoring, data collection and assessment for sustainable development
- Genuinely effective participation by all the relevant stakeholders in policy development and decision-making, especially by marginalised, socially excluded and disadvantaged groups, is still more of an exception than the rule, particularly with regard to challenging the capacity of governments' to act rapidly
- Slow progress on a wide range of sustainable development priority areas and environmental concerns
- At country level, there is inadequate inter-institutional coordination and infrastructure for the delivery of services. This also applies to the regional level
- The incorporation of stronger accountability and transparency safeguards in policy and process is essential.

#### **4. Information challenges**

Instruments for revealing and sharing information to enhance decision-making are largely inadequate. Where data is available it exists in differing formats and in different locations, which makes it problematic for decision-makers to obtain accurate information on a sustained basis and at opportune moments. This scenario also has an added impact on the effectiveness of regulation and enforcement.

The integration of scientific knowledge into intergovernmental decision-making also needs to be improved. Communicating sustainable development to the general population is a challenge and the analysis of public awareness is a rare activity in the Caribbean. This is a weakness that needs to be remedied. Behaviour is bound to be unpredictable.

Addressing information challenges in governance for sustainable development will require the rebuilding of existing systems and knowledge-management processes with particular focus on infrastructure, a coherent analytical framework and specialised expertise to create regional, national and sub national networks for information sharing and dissemination.

#### **5. Capacity challenges**

Capacity challenges are considered in the context of capacity requirements for effective and successful formulation and implementation of policies for the governance of sustainable development at the regional and international levels. In the region, human resources and knowledge networks are also relevant variables in the assessment of capacity challenges. Capacities for policy-relevant knowledge production and retention however, tend to be severely impacted by the combination of small population size, brain-drain, and also of the 'brain-drift' whereby skilled individuals stay in-country but move out of the environment sector. Improving the human resource capacity through training and skills improvement, particularly with regard to policy, research and analytical capability, is a key requirement for bridging the capacity gap.

#### **6. Funding challenges: nature and level of funding to support SD initiatives**

Caribbean SIDS face the long-standing challenge of generating sufficient finance to aid implementation and/or build capacity for sustainable development. While the international community has provided some financing and technical assistance in some sectors, for the most part, countries in the region, within the constraints of limited financial resources, have utilised national resources while at the same time addressing increasing obligations under international agreements. This, unfortunately, has resulted in an increase in ad hoc stand-alone projects, rather than a programmed or strategic approach to sustainable development.



## 7. Accountability challenges

Ensuring transparency remains a real challenge to governance. There appears to be insufficient user commitment to establish adequate instruments for measuring institutional quality, or to strengthen the integrity framework and instruments to enhance citizens' involvement in order to ensure accountability. Tackling accountability challenges in Caribbean SIDS will consequently require a mix of formal and informal measures including administrative and judicial procedures for transparency in government policy, personnel and programmes.

## D. Conclusions and recommendations

Most Caribbean countries have well-established public administration systems based on the rule of law, rational specialisation of functions, reasonable transparency and accountability systems. These are generally accepted as the elements constituting the building blocks of good governance. The ongoing dialogue of the Global Thematic Consultation on Governance in the post-2015 Development Agenda<sup>43</sup> has emphasized the centrality of governance to sustainable development. Key suggestions include streamlining governance into the vision and outputs of other sustainable development goals and the adoption of a regional approach for governance.

The following amalgamate and expand the recommendations of the most recent reports and platforms relevant to governance and the sustainable development agenda in the Caribbean. These include:

- Build participatory governance capacities for policy development and decision-making, by strengthening existing national, sub-regional and regional mechanisms and enhancing inter-institutional co-operation across ministries and public agencies; use of multi-level governance approach with clearly define roles and responsibilities of public authorities. It is recommended that building on existing mechanisms, the Regional Coordinating Mechanism (RCM) provide direction and oversight to the achievement of development goals, regional harmonization of MEA programming and implementation
- Establish Sustainable Development Councils or Commissions should also be explored with credibility and authority to influence national policy and institutions
- Improve the economic system to achieve reconciliation of environmental considerations and social planning with economic growth, guarantee minimum economic security to achieve sustainable livelihoods, and provide economic incentives for clean technologies, and economic diversification that can absorb exogenous shocks
- Improve monitoring and evaluation tools for sustainable development, through a redesign of policy frameworks for sustainability metrics in the Caribbean, adopting broader measures of progress or alternative metrics to Gross Domestic Product (GDP), which measure actual improvements in well-being, further development of sustainable development indicators, combining variables from the three pillars of sustainable development. Public procurement policies could also be used as tools for mainstreaming sustainability in development programmes
- Foster capacity building at all levels of government. In this regard Caribbean governments will need to facilitate the creation of an innovation-friendly environment. This implies combining investment in technical, scientific and infrastructure

<sup>43</sup> The consultation is co-led by UNDP and the Office of the High Commissioner for Human Rights, in association with the Governments of Germany and South Africa. A reference group with 20 members, comprising parliamentarians, civil society and academia, and including UN agencies and more than 10 CSO (networks) is also supporting the consultation.

- Create, update and harmonise appropriate mechanisms/platforms, including information systems and electronic databases for sharing knowledge and experiences, utilising improved/reliable information from diverse sources of knowledge; establishment of a permanent science-policy interface and/or an information clearinghouse mechanism such as national and regional Information Networks” to provide real-time access to environmental information to support socio-economic decision-making at all levels, ensuring the inclusion of those groups and individuals that have been marginalized in the decision-making process.



## **VI. Building resilience and social cohesion by leveraging cultural capital and community empowerment**

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### **A. Background and introduction: social vulnerabilities in the Caribbean**

Caribbean nations are among those most at risk from climate change and natural disasters. Social changes over the past decade have also reshaped vulnerability patterns. Democratisation, privatisation, and participatory development may have freed social capital, allowing civil society to reduce grassroots vulnerability, while urban growth, modernisation and declining group leisure activities may have contributed to social fragmentation.<sup>44</sup>

Godfrey St. Bernard, who developed an index of social vulnerability for Caribbean countries suggested that, "...social vulnerability is the inability of human units (individuals, households or families, to cope with, and recover, from stresses and shocks, their inability to adapt to and exploit changes in physical, social and economic environments and their inability to maintain and enhance future generations."

Resilience, on the other hand, often embedded within the vulnerability construct, speaks to the capacity of the population, system, or place to buffer or adapt to changing hazard exposures.<sup>45</sup>

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<sup>44</sup> St. Bernard, Godfrey (2004). "Social Vulnerability Measurement in the Caribbean Sub region – a Pilot Test". Paper prepared for the ECLAC/CDCC Seminar: Reporting on the Results of the Social Vulnerability Index 24-25 June 2004, Port of Spain

<sup>45</sup> Cutter, S. L., L. Barnes, M. Berry, C. Burton, E. Evans, E. Tate, and J. Webb. (2008). "A place-based model for understanding community resilience to natural disasters." *Global Environmental Change* 18(4): 598-606.

St. Bernard<sup>46</sup> also opines that vulnerability of social systems can be defined as the flipside of sustainability.

Chambers and Conway<sup>47</sup> defined social sustainability as “the ability of a human unit (individual, household or family) to cope with and recover from stresses and shocks, to adapt to and exploit changes in its physical, social and economic environment”.

Based on these definitions, social vulnerability within the Caribbean is an attribute critical to determining the survival of the region’s sustainable development processes.ackground and introduction.

## **B. Causes of social vulnerability in the Caribbean**

Access to drinking water, sanitation, energy, mortality rates, nutrition and food security have all progressively improved since 1992, but recent global crises have reversed some of those gains. Slum dwellings are increasing, and health systems are overburdened. The causes of these vulnerabilities can be summarised, inter alia, as follows:

- Increasing unemployment, poverty and decreased consumption in poor households resulting from the global financial crisis
- Youth crime and violence - linked to high unemployment and disenfranchisement - costs CARICOM countries 2.8% to 4% of GDP annually, in terms of revenue lost tackling it, and from decreased tourist arrivals
- Poor land management and agricultural practices contribute to soil degradation and undermines food production and the availability of clean water. River siltation, caused by the build up of eroded soil increases flood-risks in low-lying areas with potential for loss to life and property
- Ineffectively policed borders - due in part to the region’s geography - results in the illicit flow of guns, ammunition, illegal drugs and trafficked persons. These activities weaken the rule of law and make the region susceptible to terror attacks. Overcrowded urban slums plagued by poverty also breed armed groups and remain a source of broader instability
- Natural hazards of increasing frequency and intensity associated with climate change are severely impacting the region and depleting national budgets
- Natural disasters in the Caribbean impact the family structure, leaving persons orphaned and widowed at a time when community and extended family solidarity is not available and public services are severely disrupted
- Rapid urbanisation, overcrowding, poverty and increasing unplanned human settlements expose greater numbers of vulnerable persons and communities to hazard events
- The highest prevalence of chronic Non Communicable Diseases (NCDs) in the Americas, afflicting subregional populations

<sup>46</sup> St. Bernard, Godfrey (2003a) “Towards the Construction of a Social Vulnerability Index – Theoretical and Methodological Considerations”, Paper Submitted for Publication in the Journal of Social and Economic Studies, The University of the West Indies, Mona, Jamaica

<sup>47</sup> Chambers, Robert and Gordon R. Conway (1991) “Sustainable Rural Livelihoods: Practical Concepts for the 21st Century” IDS Discussion Paper 296.

## C. Responding to social vulnerabilities

Caribbean countries are responding to these vulnerabilities both individually and collectively. While some responses are challenging, a few examples of the good practices are:

- Caribbean governments implemented policies to counter the effects of the global financial crisis. These included: expenditure programmes, tax waivers and selective credit availability. In general, fiscal expenditure programmes directed funds primarily towards investments in economic and social infrastructure,<sup>48</sup> such as education, health, roads, schools, air and seaports and technology
- Governments have led the way in establishing crime and violence prevention plans, with NGOs and community groups contributing. Citizen groups are securing their communities while other government and NGO funded projects focus on reducing high homicide levels and youth violence in inner cities. The programmes combine modern methods of policing with prevention interventions
- National and regional interventions have been designed to control the rapid degradation of Caribbean marine and terrestrial ecosystems. In Belize for example, The Partnership Initiative for Sustainable Land Management (PISLM), through the Ya'axche Conservancy Trust, is supporting an ecotourism project that has as its primary objective, the introduction of agricultural and land-use techniques that will sustain traditional livelihood practices and reverse land degradation cause by slash and burn subsistence farming techniques. In Barbados, developers must submit plans outlining preservation and conservation before proposed land development is approved
- The Caribbean Community (CARICOM) established the regional Crime and Security Framework in 2005 to counter border security issues, and in 2009 the formation of the Caribbean Basin Security Initiative brought together all CARICOM members, the Dominican Republic and the United States to collaborate on regional security. The CBSI is producing tangible results, with CARICOM States reporting illicit drugs, small arms and light weapons seizures at record levels. Member states continue to work collaboratively and individually to secure their borders and to harmonize and standardize policies, practices and procedures utilized by border security agencies throughout the region
- The Caribbean, in 1994, commenced preparations to counter the effects of climate change. These included building capacity, assessing vulnerability and adaptation planning. The Caribbean Catastrophe Risk Insurance Facility (CCRIF) —the world's first regional insurance resource, launched in 2007 —provides participating Caribbean governments with immediate access to liquidity if hit by a hurricane or earthquake. The Caribbean Community Climate Change Centre has also been established to harmonise research and policy approaches to the consequences of climate change. Guyana, in 2012, received additional funding from the Government of Norway for its Reducing Emissions from Deforestation and Forest Degradation (REDD) initiative. The funds are being assigned to investments identified in Guyana's Low Carbon Development Strategy.<sup>49</sup> Jamaica, through its Vision 2030 National Development Plan, is presently implementing an EU financed Climate Change Adaptation and Disaster Risk Reduction Project aimed at increasing resilience and reducing risks associated with natural hazards in vulnerable areas due to climate change threats. Caribbean countries also have access to the Climate Change Adaptation Fund, established to finance concrete adaptation projects and programmes in developing country

<sup>48</sup> Commonwealth Secretariat (2009). *Sustaining Development in Small States in a Turbulent Global Economy*. Summary Report of July 2009 International Conference

<sup>49</sup> [http://www.lcds.gov.gy/index.php?option=com\\_content&view=article&id=454:guyana-to-receive-additional-45-million-from-norway-for-climate-services&catid=58:slide-show&Itemid=176](http://www.lcds.gov.gy/index.php?option=com_content&view=article&id=454:guyana-to-receive-additional-45-million-from-norway-for-climate-services&catid=58:slide-show&Itemid=176) Accessed on February 25 2013.

Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change

- By embracing a framework for Comprehensive Disaster Management (CDM), CARICOM focused its efforts on enhanced Regional Sustainable Development. Resulting disaster mitigation projects are credited with saving lives and millions of dollars in property in Jamaica during Hurricane Sandy in 2012. Twenty-eight communities benefited from micro-disaster risk reduction projects financed by the Canadian International Development Agency (CIDA). A similar program is on going in Guyana. The Government of Suriname received financing from the Inter-American Development Bank (IADB) for improving integrated disaster risk management for climate resilient development”, and for mainstreaming disaster risk management into development planning<sup>50</sup>
- Some countries have developed social housing projects to improve living circumstances and reduce environmental impact. Trinidad and Tobago’s Neighborhood Upgrade Programme, launched in 2011, is designed to promote wholesome, sustainable communities, by enhancing the quality of life of low and middle-income groups. Saint Lucia’s Housing Assistance Programme, funded by its government and the European Union, provides assistance to needy and indigent individuals living in deplorable housing conditions. Special consideration is given to the elderly, disabled and to households with young children, and those affected by natural disasters and fires
- CARICOM, with support from the Pan American Health Organization (PAHO), has adopted a declaration to stop the epidemic of chronic non-communicable diseases in the Caribbean. Governments are focusing on preventative programmes and health related education. ‘Sport For Life!’ is active in Barbados, Saint Lucia, Saint Vincent and the Grenadines and Trinidad and Tobago. Based at principal sports stadiums, the program targets children from poorer backgrounds who are underperforming at school. It uses the power of sport to inspire them achieve success.

## D. Conclusions and recommendations

### 1. Building social resilience

Caribbean governments have for two decades worked toward building the region’s resilience. Nonetheless, there have been many instances when it has been eroded because of factors beyond the control of governments. Natural hazards such as hurricanes, floods and droughts, the global financial crisis and increased food prices have all magnified the fragility of Caribbean states. Evidence and experience demonstrate that economic, social and ecological vulnerabilities are permanent concerns for Caribbean states. Vulnerability analysis, inclusive of all its dimensions - economic, environmental and social - should therefore be an integral part of the national development planning framework of Caribbean States. Such inclusion could result in more realistic national goal setting particularly where achieving growth targets, the Millennium Development Goals and other sustainable development goals.

### 2. A new paradigm for building social resilience in the Caribbean

A new paradigm to mitigate the vulnerabilities that plague the Caribbean is urgently needed. Building resilience involves increasing a system’s social and ecological ability to withstand shocks and surprises, and to recover if damaged. The new paradigm for building resilience in the Caribbean should therefore focus on creating social capital at the community level and building social resilience

<sup>50</sup> <https://www.devex.com/en/projects/275696/print> Accessed on February 23 2013.

and cohesion by creating redundancies<sup>51</sup> through community networks, social safety nets and civil society organisations. Social capital at the community level in the Caribbean is currently weak and several communities are poorly organised.<sup>52</sup>

Guy Sapirstein<sup>53</sup> developed the proposed model for social resilience. It recognises that social resilience is a complex, multidimensional concept. Nevertheless, much of this process is a local, bottom-up approach, rather than the traditional top down approaches. In this respect it differs from many of the policies aimed at reducing social vulnerability. Such programs are often dependent on central governance in assisting and attaining the development goals. Experience from the Caribbean and elsewhere shows that social resilience must be developed at the community level. Assistance from centralized or local government is of secondary importance. The proposed model uses a “human preparedness” lens, which focuses directly on people and community needs. It moves away from the doctrine of independence, and embraces a culture of interdependence. Organisations and networks at the local level can help their various stakeholders prepare for, adapt to, and mitigate the effects of vulnerabilities. As long as these organizations buy-in, communities can efficiently and cost-effectively enhance their ability to “bounce forward” after a potentially devastating event.

### **3. Using culture and cultural industries to build Caribbean social resilience**

Culture is at the heart of Caribbean social fabric. It shapes people’s identities, aspirations, relations and lifestyles. It also shapes the landscape. Cultural factors influence lifestyles, individual behaviour, consumption patterns, values related to environmental stewardship, and our interaction with the natural environment. Local and indigenous knowledge systems and environmental management practices provide valuable insight and tools for tackling ecological challenges, preventing biodiversity loss, reducing land degradation, and mitigating the effects of climate change. Respecting and supporting cultural expressions contributes to strengthening the social capital of a community and fosters trust in public institutions.

Heritage, visual and performing arts, music, publishing, fashion and design all manifest themselves strongly in daily life, but the contribution that cultural and creative sectors can bring to building social resilience in the Caribbean is still not fully recognised. Cultural heritage, cultural and creative industries, sustainable cultural tourism, and cultural infrastructure all lend themselves as strategic tools for revenue generation. They promote greater social inclusiveness and rootedness, resilience, innovation, creativity and entrepreneurship for individuals and communities, and the use of local resources, skills, and knowledge.

<sup>51</sup> There is more than one system of coping -- when one system is impacted the other systems help with continued functioning; the greater the redundancy, the more resilient the system.

<sup>52</sup> This being said, it is also noted that there are some good examples of community organisations linked to the fight against crime e.g. neighbourhood watch schemes in Barbados, which are organised with the assistance of the Royal Barbados Police Force. It has been an avenue for building solidarity within the community. There are also community level District Emergency organizations (which operate as the volunteer arm of the Department of Emergency Management) and assist with mobilization of community resources to respond to recovery efforts following a natural disaster – which is another avenue of building community networks.

<sup>53</sup> Sapirstein, Guy (N.D.) Social Resilience: The Forgotten Element in Disaster Reduction. Senior Partner Organizational Resilience International Boston, Massachusetts, USA.





## VII. Advancing the case for SIDS in the global development agenda

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### A. Background and introduction

This paper has sought to consider the current status of and challenges to sustainable development in the Caribbean. This final chapter looks to the future, locating the Caribbean in the context of a multilateral post-2015 development agenda and closes with a list of implications of current development events that should be considered by the region. The list is indicative, not comprehensive.

### B. Current status and circumstances

The Barbados Programme of Action which emerged from the 1994 UN Conference on Small Island Developing states<sup>54</sup> reinforced by the Commonwealth-World Bank Report of Small Island Developing States<sup>55</sup> recognised SIDS as having certain peculiar characteristics or vulnerabilities which impact the Caribbean's prospects for sustained development in the long term. The Brundtland Commission defined Sustainable Development as "development, which meets the needs of the present generation without compromising the needs of future generations to meet their own needs." It is predicated on three interlinked pillars —social, economic and environmental. Caribbean countries are classified as high and medium development economies and societies, with only Haiti classified as having low development and have, for the large part made significant progress toward the attainment of the Millennium Development Goals.

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<sup>54</sup> [http://www.un.org/esa/dsd/dsd\\_aofw\\_sids/sids\\_pdfs/BPOA.pdf](http://www.un.org/esa/dsd/dsd_aofw_sids/sids_pdfs/BPOA.pdf)

<sup>55</sup> <http://www.un-documents.net/a47r189.htm>

## C. The challenge facing Caribbean SIDS

Having explored the breadth of the challenges confronting the Caribbean in earlier chapters, the difficulties ahead will be here framed as a single issue. Caribbean SIDS are faced with a number of social, economic, and environmental issues arising from prevailing global conditions, as well as home-grown difficulties which together constitute a potentially devastating development cocktail. It therefore falls to the member-states to formulate a long term development policy and strategy for eradicating poverty, building capacity, resilience, and sustainable development across all three pillars, develop appropriate national and regional structures for implementing these development objectives and then act collaboratively to achieve them. In this regard it will be important to formulate the Caribbean approach to sustainability within the current frameworks being employed by the multilateral process but nuanced to reflect the development realities and strategic policy priorities of Caribbean SIDS.

## D. The Caribbean post-2015

Next year the UN 20 year follow-up to the Conference for Small Island Developing States will take place in Samoa. In the lead up to and preparation for this conference, Caribbean governments must take a decision as to whether the Conference will be used merely to create an addendum to the original SIDS agenda, the Barbados Programme of Action, or whether they will use the opportunity to secure a set of tangible deliverables, funding for development activities, technology transfer, support for mechanisms which will facilitate transition to a regional low carbon economy and the establishment of partnerships and programmes which are potentially transformative. To be relevant, the SIDS Outcome must be anchored in the broader 2015 development agenda which is very much a work in progress with member-states in the embryonic stages of discussion on critical issues such as the SDGs, Sustainable Energy for All (SE4All), oceans, seas and water and an evolving multilateral framework on sustainable development in the context of post-Rio+20, post-BPOA, and post-2015.

The dialogue on the post-2015 development agenda has to date centred on likely successor goals to the MDGs, currently being called the sustainable development goals or SDGs. As much as the Rio+20 Outcome Document reflected the determination by member-states to produce a list of SDGs by way of negotiation, which like the MDGs, may have specified targets and time frames, there must also be an underpinning theoretical construct of development. Hence, the post-2015 agenda is being shaped by four events that are bringing to the table and dialogue the philosophy and core objectives on which the SDGs will rest. The establishment, followed by the report of the Secretary General's High Level Panel on Sustainable Development (GSP), the Rio+20 Outcome Document —'The Future We Want,' the multilateral processes and work streams which it has spawned, the emergence of a set of SDGs and the establishment by the Secretary General of a High Level Panel On the Post-2015 Development Framework<sup>56</sup> (HLP) co-chaired by the Presidents of Liberia and Indonesia together with the Prime Minister of the UK and that Panel's subsequent report. These work streams will also be pivotal to regional development and the Caribbean must prepare itself to engage in these processes with a view to keeping SIDS issues as part of new global policy frameworks.

## E. The Secretary General's High Level Panel on global sustainability (GSP)

In August 2010 the UN Secretary General appointed a High Level Panel on Global Sustainability chaired by the President of South Africa and the former President of Finland. The principal objective of the GSP under its terms of reference was to "reflect on and formulate a new vision for sustainable

<sup>56</sup> <http://www.un.org/sg/management/hlppost2015.shtml>

growth and prosperity along with mechanisms for achieving it. In the attainment of this objective, the GSP posed 5 questions on key issues:

- How to get to a low carbon/green economy
- How to build resilient economies, especially for the most vulnerable countries
- How to eradicate poverty
- How to achieve sustainable modes of consumption and production
- How to provide for development in a carbon-constrained world

Resilient People Resilient Planet —A Future Worth Choosing, its Report of January 30, 2012 is comprised of a status analysis, the Panel’s vision, 56 recommendations in three broad categories and ended with a call to action. The three categories of recommendations were –

- Empowering People for Sustainable Choices (Recommendations 1 to 26)
- Sustainable economy (27-39)
- Strengthening institutional governance (40-56)

## **F. The Secretary General’s High Level Panel on the post-2015 development framework (HLP)**

The Report of the HLP,<sup>57</sup> which was issued on May 30 2013, is titled A New Global Partnership: Eradicating Poverty and Transforming Economies Through Sustainable Development”.

The HLP asked itself 25 “framing questions” around five broad pivots:

- The lessons learned and the context
- Shape of the post-2015 development framework
- Themes and contexts of a new framework
- Partnerships and accountability for development
- Shaping global consensus for the goals

Emerging from its work, public consultations and dialogue, the Panel has advocated the need for “five big transformational shifts”:

- Leave no one behind (move from reducing to ending poverty for all)
- Put sustainable development at the core
- Transform economies for jobs and inclusive growth
- Build peace and effective, open and accountable institutions for all
- Forge a new global partnership

## **G. The Rio+20 Conference on Sustainable Development**

The Rio+20 Outcome Document —‘The Future We Want’<sup>58</sup> contains elements that are of significance to the Caribbean for two reasons. First, they are currently included in a number of initiatives being

<sup>57</sup> [http://www.un.org/sg/management/pdf/HLP\\_P2015\\_Report.pdf](http://www.un.org/sg/management/pdf/HLP_P2015_Report.pdf)

<sup>58</sup> <http://sustainabledevelopment.un.org/futurewewant.html>

worked on as part of a new and evolving multilateral agenda and second, the ROD contains thematic issues of specific relevance to SIDS, in addition to agreeing to a 2014 follow-up conference to the UN (Barbados) Conference on SIDS of 1994. The thematic areas covered in the Rio+20 Outcome Document relevant to the Caribbean development agenda are —“agreement on the concept of a global green economy with the capacity to engender development and eradicate poverty, establishment of a list of Sustainable Development Goals (SDGs), financing for development, technology transfer, poverty eradication, water and sanitation, energy, Sustainable Energy for All (SE4All), science and data for policy and planning, sustainable agriculture, sustainable transport, sustainable tourism, sustainable cities and human settlements, health and population, promoting full and productive employment and decent work for all and social protection, oceans and seas, disaster risk reduction, climate change, biodiversity, desertification, land degradation neutrality and drought, mountains, chemicals and waste, mining, education, finance, technology, capacity building and trade, gender equity, social and economic enfranchisement and empowerment for women and a ten year framework for sustainable consumption and production.” At the Rio+20 business forum there was acceptance of a Natural Capital Declaration to incorporate natural capital considerations into financial instruments, agreed by 37 financial institutions. In addition, the World Bank piloted an initiative to establish natural capital accounting projects in 50 countries.

## H. The green economy in the Caribbean

The islands of the Caribbean have an abundance of renewable energy resources that afford them the base for a green economy. Moreover, the impacts of climate change and the very high costs of energy (amongst the highest in the world) are also powerful incentives for such a transition. A broader policy approach would be required however, to make the shift a reality, to prepare the regional private sector as well as to assess what potential impacts the transition will have on the Caribbean labour force, especially having regard to the sectors in which jobs will be both lost and created and what that will mean for the large numbers of female breadwinners in Caribbean SIDS. UNEP has identified 10 sectors that are central to the shift to a green economy.<sup>59</sup> These areas listed below are relevant to the Caribbean both in terms of the creation of the appropriate enabling policy, legal, and regulatory frameworks for the transition but also in relation to the thematic areas that will eventually be encompassed into the SDGs.

- Agriculture
- Buildings
- Energy
- Fisheries
- Forests
- Manufacturing
- Tourism
- Transport
- Water
- Waste management

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<sup>59</sup> [http://www.unep.org/pdf/Green\\_Economy\\_in\\_SIDS.pdf](http://www.unep.org/pdf/Green_Economy_in_SIDS.pdf)

UNEP also produced a synthesis report on green economy issues with emphasis on SIDS<sup>60</sup> that focused on 5 thematic areas:

- Small scale fisheries and aquaculture
- Tourism
- Water
- Energy
- Water

## I. The natural accounting workstreams and initiatives

In the lead-up to and following Rio+20 a number of workstreams and initiatives have emerged which are impacting the global agenda and which in consequence will impact the Caribbean. The redrawing of the global landscape from brown to green will mean the use of a number of new metrics which draw more heavily on natural resources accounting processes. The World Bank has initiated natural capital accounting pilot projects in 50 countries. Given these programmes and activities it would be prudent for Caribbean SIDS to begin to view the inclusion of natural capital considerations and assessments as part of a new approach which is likely to take root and to manifest itself in myriad ways. In that vein, the valuation of ecosystems and ecoservices together with national environmental audits should be seen as a natural progression of this trend and are all criteria which may come to be required in order to access development financing. In this regard attention should be paid to the System of Environmental-Economic Accounting (SEEA),<sup>61</sup> The Economics of Ecosystems and Biodiversity (TEEB),<sup>62</sup> Wealth Accounting and the Valuation of Ecosystems Services (Waves).<sup>63</sup>

## J. The SDGs

At Rio, member-states agreed on the establishment of an Open Working Group<sup>64</sup> to work on and articulate a set of SDGs, which amongst other things would span all three pillars of sustainable development, be “action-oriented” and “aspirational.” Subsequent to Rio, an Open Working Group of 30 countries, serving on a rotational basis, was established. The Caribbean members of the OWG are Bahamas, Barbados, Guyana, Haiti, and Trinidad and Tobago. Prior to the start of the OWG’s meetings, there was much discussion and articles on how the list would be constituted. The thematic areas most frequently heard are:

- Agriculture
- Biodiversity
- Cities
- Consumption and production
- Education
- Employment
- Energy

<sup>60</sup> [http://www.unep.org/pdf/Green\\_Economy\\_in\\_SIDS.pdf](http://www.unep.org/pdf/Green_Economy_in_SIDS.pdf)

<sup>61</sup> <http://unstats.un.org/unsd/envaccounting/seea.asp>

<sup>62</sup> <http://www.teebweb.org/about/>

<sup>63</sup> <http://www.wavespartnership.org/waves/>

<sup>64</sup> <http://www.wavespartnership.org/waves/>

- Environmental governance
- Food security
- Gender equity mainstreaming
- Governance
- Health
- Oceans
- Job creation and decent work
- Nutrition (this was most frequently linked with the preceding two)
- Poverty eradication
- Universal primary and secondary education
- Urbanisation
- Water (this appeared both on its own and linked with sanitation)
- Water and sanitation
- Zero hunger

## K. Implications for the Caribbean

- SIDS Conference 2014 —Are Caribbean governments preparing themselves to ensure that this conference is more than a talk shop?
- Green Economy —Are SIDS governments and private sector entities ready for a transition? How will this impact on women who constitute a large part of the Caribbean labour force, especially given the 10 critical transition sectors identified by UNEP?
- Natural Capital and Green Accounting —Have Caribbean countries conducted national environmental audits? Has consideration been given to the valuation of ecosystem services within the context of the Caribbean? If development funding was linked to natural capital/green criteria, would the region be in a position to negotiate favourable terms?
- Sustainable Development Goals - Ensuring a SIDS-sensitive list of SDGs is critical
- Limits to GDP and a Sustainable Development Index —What would an SDI for the Caribbean look like and what elements would it contain?
- Sustainable consumption and production (SCP) —could there be scope for competitive advantage in the market place and how would Caribbean countries incorporate this into national policy?
- SE4All<sup>65</sup> —Having committed to this initiative in May 2012, have Caribbean countries positioned themselves to access funding, projects and programmes under the initiative?
- Financing for Development —Is the Caribbean attempting to maximise and harmonise approaches under CSME and find new ways of financing regional development?

<sup>65</sup> <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2012/05/08/small-island-developing-states-agree-to-reduce-dependence-on-fossil-fuels/> See also <http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Change/Barbados-Declaration-2012.pdf>

- Technology transfer —How can the region increase technological innovation, use technology for improved data collection, informed decision making, governance, business and greater efficiency? How can markets and commercial opportunities be found for Caribbean technologies?
- Oceans, seas and water —Does the SIDS+20 Conference present an opportunity to try to press for a seas initiative analogous to REDD and for special protection for the Caribbean Sea?
- Higher Education Sustainability Initiative - attracted over 300 Commitments at Rio+20, does this present an opportunity for greater collaboration between SIDS universities as was anticipated at Mauritius and in the context of heightened South-South and triangular partnership?
- Land Degradation Neutral —With water scarcity, water stress and land degradation issues becoming a serious issue for the Caribbean, across all three pillars of sustainable development what new policy directions and efforts are needed?
- Health was one of the issues addressed in TFWW and the chronic non-communicable diseases (NCDs) were specifically mentioned. NCDs are the greatest cost of death and disability in the Caribbean. In the region some countries have as much of 25% of their population affected by one of more NCD. The incidence of the NCDs in the Caribbean is now amongst the highest in the world
- Considering that SIDS specific issues and approaches were identified in the BPOA, in the MSI and MSI+5 and tangentially in the JPOI and the TFWW, how does the Caribbean best build on these to embed or mainstream sustainable development and advance its cause in the multilateral system, while developing pragmatic approaches to current and emerging realities

This list is not exhaustive but is meant to indicate some of the critical thematic areas on which the region will have to focus in a strategic way as the negotiation process for the SDGs, other post-Rio and post-2015 work streams unfold and as the preparations for SIDS+20 move closer to the point at which crucial decisions have to be taken.

## L. Conclusions

The “Hakone Vision16” submits that despite the several decades of discussion on reforms of the institutional framework for sustainable development, both in scholarly and political terms, the process has not yet shown an indication of converging expectations. The main reason proposed is a growing gap between the United Nations (UN) institutions, in particular institutions for environment and sustainable development, and political reality on sustainable development issues. The issues and political dynamics in the twenty-first century are different from those of 1945, when the systems of the United Nations system were founded. Today’s problems are more intense and diverse, and are characterized by temporal, spatial and sectoral interdependencies, and complexity, as well as uncertainty.

Sustainable development now calls for transformative reform with clear vision. The Hakone Vision Factory proposes principles and recommendations to guide this transformation clustered around three interrelated issues: Aspirations, Actors, and Architecture. Aspirations: requires that objectives, underlying values and norms, as well as knowledge and uncertainty, be refined and operationalised; Actors: demands the meaningful and accountable participation and solutions from people, for people; and Architecture: calls for suitable arrangements based on a set of criteria including meaningful participatory approaches, authority/mandate, compliance and implementation, funding, adaptability, and accountability. Experts contributing to the ongoing Governance Thematic Consultations have surmised that a new sustainable development framework can serve three main objectives: building normative consensus, boosting neglected policy issues and strengthening accountability, while being easily communicable.



Caribbean SIDS, separately and collectively will get the future for which they prepare, plan and fight in the emerging multilateral dialogues and workstreams, and the future they construct through policy formulation, implementation and financing.

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