The Future We Aim For: Towards a “360 Resilience” Development Paradigm for the Caribbean

Kari Grenade
Allan Wright
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Kari Grenade
Allan Wright

Macroeconomic Advisor, Government of Grenada
Inter-American Development Bank
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Abstract

This policy brief discusses strategic imperatives to build “360 resilience” in Caribbean countries. In this regard, it calls for a change of course in the region’s development trajectory and puts forward strategies to build resilience on several fronts: economic, fiscal, technological, social, environmental, and governance and institutional. Specifically, it argues for the following: (i) unlocking the economic potential of the Blue, the Green, and the Orange Economy; (ii) modernizing agricultural production and practices; (iii) strengthening fiscal governance; (iv) expanding the use of digital technologies; (v) building human and social capital; (vi) protecting environmental assets and reducing hazard and climate risks; and (vii) developing new governance and institutional models.

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“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.”

Buckminster Fuller

1. Introduction

Building resilience is a key imperative for Caribbean countries, be they tourism-based economies or commodity-based ones. Indeed, in addition to long-standing development challenges, such as narrow production bases and vulnerability to external economic shocks, Caribbean countries have to confront new challenges such as climate change and new realities such as the 4th industrial revolution. Old and new challenges must be simultaneously addressed. Grenade (2015) observed that the challenges that confront the Caribbean region are extraordinary ones, and as such, must be matched by extraordinary policy responses.

This policy brief discusses transformative shifts in policies and strategic actions that can contribute to building “360 resilience” of Caribbean countries,¹ that is, resilience on several fronts: economic, fiscal, technological, social, environmental, and governance and institutional. In building 360 resilience, simply extrapolating from the past or present development policies might not be enough. Indeed, policies to secure 360 resilience must (i) be bold, but realistic; (ii) implemented urgently but with flexibility; and (iii) not be contradictory but minimize tradeoffs. This policy brief explores some options in this regard and in so doing, contributes to the resilience and sustainable development discussions that are ongoing in the Caribbean.

Figures 1 to 6 provide a snapshot of trends in relevant socioeconomic indicators to expose the kinds of development outcomes and results that the Caribbean as a whole has experienced since 2000. Average per capita income levels rose steadily over the period 2000–2018 except for the dip in 2009, but the average increase over the entire sample period was modest, at 3.0 percent. Meanwhile, real GDP growth has been weak and erratic, averaging 2.1 percent over the 19-year period. Other important indicators of development, as measured by the Human Development Index, have improved slowly, but income inequality for the region has been persistent, though abating in recent years. Moreover, fiscal challenges² have been long-running, with public debt being burdensome for the majority of Caribbean countries, averaging 76.0 percent for the Caribbean as whole over the 19-year period. Trends in governance indicators³ show that the region did well in two areas—voice and accountability and political stability—but faltered in regulatory quality and government effectiveness.⁴

On balance, the trends in the development indicators examined indicate limited socioeconomic progress of the region over the past 19 years. Indeed, a change of course in the region’s

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¹In this policy brief, the Caribbean is defined as the 14 independent member countries of the Caribbean Community (CARICOM): Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

²An inefficient public service and weak fiscal governance have impacted the credibility of governance throughout the region. However, recent adoption of fiscal responsibility legislation in some countries (The Bahamas, Grenada, and Jamaica) and fiscal reforms have started to raise hopes that the high levels of the budget deficit and debt burden will gradually be reduced, while changing the fiscal-structural culture towards one of better public sector financial management.

³Available information on governance points to a decline in the government’s performance in the past decade. The rate of decline is more noticeable in government effectiveness, rule of law (which includes, among others, the quality of the police, the courts, and the likelihood of crime and violence) and regulatory quality.

⁴The Caribbean as a whole is a difficult environment to do business. The ranking remains low in the World Bank’s Doing Business indicators. The Doing Business report identifies several areas of regulatory inefficiency—required time and cost, as well as cumbersome processes for regulatory compliance—that negatively affect private business. The Caribbean region ranks particularly low on registering a property, starting a business, connecting to the electrical grid, and obtaining constructions permits. The process to start a business illustrates the challenges for businesses. It involves up to eight different procedures at eight different agencies, requiring on average 21 days in some Caribbean countries.
A multifaceted approach is required that integrates economic, fiscal, technological, social, environmental, and institutional change to secure inclusive, sustainable, and resilient development in Caribbean countries.

Sources: World Economic Outlook Database, April 2019 and World Development Indicators.
Notes: *In the absence of Gini coefficient data, an approach used by Rodrick (2013) is followed, which proxies income inequality as the ratio of average per capita income to median per capita income. A ratio exceeding 1 implies that the income of the average person exceeds that of the median income for the country, which can be interpreted as a sign of income inequality. Haiti’s data is not included in the calculation of the Caribbean averages because of data unavailability and inconsistencies.
2. Towards 360 Resilience

A 360 resilience development paradigm for the Caribbean requires strategic actions to build resilience on several fronts: economic, fiscal, technological, social, environmental, and governance and institutional. Each is discussed in turn.

2.1 Economic Resilience

Unlocking the economic potential of the Blue Economy, the Green Economy and the Orange Economy; and modernizing agriculture are key elements to accelerate inclusive growth and sustainable development and build economic resilience.

2.1.1 The Blue Economy

The notion of a “Blue Economy was first raised at the Rio+20 Conference (OECD, 2016). The blue economy is particularly relevant for countries with large marine areas and coastlines such as those in the Caribbean. The Caribbean Sea covers 2.75 million square kilometers. Because Caribbean developing states are small island nations, they are also big ocean countries. Indeed, the Caribbean Sea is a natural resource that can be leveraged to promote socioeconomic transformation by providing a source of economic activity and jobs that can increase countries’ wealth, while simultaneously building their resilience to climate change. The blue economy is a new frontier for growth and sustainable development for the Caribbean.

Patil et al. (2016) observed that increasing numbers of countries are looking to the ocean to industrialize and grow. The OECD (2016) projected that the growth of ocean-based industries can outpace that of the global economy, and by 2030 the ocean economy could more than double its economic contribution. For Caribbean countries, Patil et al. (2016) posited that the Caribbean Sea would become an important means of economic diversification by providing new sources of food, energy, and jobs in the years to come. They estimated that the gross revenue generated by the Caribbean’s blue economy was around US$407 billion as of 2012.

The Caribbean Development Bank (CDB, 2018) identified several opportunities that the ocean presents to advance the sustainable development and transformation of Caribbean countries. These are found in the areas of fisheries and aquaculture, coastal and marine tourism, marine renewable energy, and marine transport. CDB (2018) also identified important inputs, such as awareness, infrastructure, start-up investment, and policy, that are needed to grow the Caribbean’s blue economy. The Organization of Eastern Caribbean States (OECS) Commission’s Eastern Caribbean Regional Oceans Policy and Action Plan (2013) laid out a roadmap to support the transition to a blue economy. Individual countries also have policy

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6 The most recent estimate, in 2012, indicates that globally, the economic contribution of the ocean was around US$1.5 trillion annually, or about 3 percent of global value-added (OECD, 2016).
7 Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Martinique, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
documents that support the development of the blue economy; according to Patil et al. (2016), these countries are the Bahamas, Antigua and Barbuda, St. Kitts and Nevis, St. Vincent and the Grenadines, and Grenada. The Inter-American Development Bank (IDB) and the IDB Lab, and in alliance with the Compete Caribbean Partnership Facility, and supported by the Department for International Development, CDB, and the Government of Canada, will help detect firms and organizations seeking to test and gauge business models that use critical technologies to contribute to the sustainable management of marine ecosystems and coastal resources.

To move from policy to practical, sustainable, and implementable actions that promote ocean wealth while simultaneously protecting ocean health, a comprehensive, results-oriented implementation framework is needed. Regional and national actions must be costed where feasible and financing identified. The implementation framework must be underpinned by credible and robust institutional and governance arrangements to promote accountability for results.

2.1.2 The Green Economy

In broad terms, the “Green Economy” concept has its intellectual lineage in the early ideas about the inter-relationship between economic activity and sustainable environmental management espoused in the United Nation’s 1987 Bruntland Commission Report. Since the global economic and financial crisis of 2008, the green economy concept has increasingly become prominent in international, regional, and national development debates and policy documents as countries seek new models of economic development that are premised on sustainability.

CDB (2014) identified green sectors, industries, and economic activities with the potential to advance the economic transformation and sustainable development of the Caribbean. Prime areas of opportunities are tourism, transport, and renewable energy. The study offered practical recommendations as well as concrete advice and direction to steer the Caribbean’s transition to a green economy through low-carbon development pathways.

Five years on since CDB’s research, stepped-up actions and scaled-up investments are needed to accelerate the region’s transition to a green economy. Actions are required to establish the appropriate legislative and institutional frameworks and arrangements to support development of the green economy and create opportunities for “green” jobs and investments. Bold actions are also needed to encourage and incentivize greater private sector involvement through either strategic partnerships with the public sector or direct private sector investments in green sectors, industries, and technologies. A comprehensive regional financing strategy that identifies sources, options, modalities, financiers, and partners has to be part of the suite of strategic actions to push forward the region’s low-carbon and green development agenda. Institutional strengthening,
capacity building (intellectual and technical), research and outreach, and mainstreaming green principles in development plans, policies, and public financial management systems also need to be intensified.

2.1.3 The Orange Economy

The “Orange Economy,” a term coined by the IDB (IDB, 2017a), refers to all sectors and industries whose goods and services are based on intellectual property. The creative industry, including arts, craft, fashion, videogames, film, TV, as well as the cultural industry including music, carnivals, visual and performing arts, are covered under the rubric of the orange economy. According to the IDB (2017a), the creative and cultural industry is one of the fastest growing in the world. The IDB (2017b) estimated that in 2015, the orange economy generated more than US$124.0 billion in revenues and provided jobs to more than 1.9 million people in Latin America and the Caribbean. Indeed, a shift is occurring in the world’s economy from one based on manufacturing and heavy industries to one of knowledge, information, creativity and innovation.

The Caribbean is rich in culture and creativity. If properly leveraged, this culture can provide yet another pathway to build resilience through economic diversification and transformation. Unlocking the economic potential of the orange economy will require strong enabling institutional arrangements, progressive policies, and legislation that de-risk investments in the creative and cultural economy, new markets for cultural and creative products, creative financing, and mindset shifts away from limitations and obstacles towards possibilities and opportunities. A comprehensive strategy and results-oriented action plan must be developed not only to build economic resilience and promote sustainable and inclusive growth and development, but equally important, to preserve and consolidate the region’s rich cultural heritage and identity.

2.1.4 Modern Agriculture

The Food and Agricultural Organization (FAO) and CDB (2019) reported that growth in agricultural productivity in the Caribbean region has been slow; consequently, the sector has been unable to meet the ever-increasing demand for high value-added products. Moreover, agriculture is highly vulnerable to climate change. Thus, there is a strategic imperative for the region as a collective to address the pressing challenges that constrain the sector’s productivity and performance and limit its ability to adequately contribute to the region’s food security and ultimately its sustainable development. Focused attention must be paid to value-added production, the use of modern technology, youth involvement, capacity building, research and development, and adaptation to climate change.

Increasing the value of primary agricultural products is crucially important to enhance the competitiveness of agricultural exports and ultimately boost foreign exchange earnings, economic diversification, and sector linkages within and across countries. Increasing the value-added of agricultural commodities would help to improve livelihoods and reduce poverty, especially in rural communities, through the creation of higher-paying jobs (relative to what would be paid to harvest raw products) and relatively more stable income flows for farmers. Increasing value-added in production would require widespread use of modern technology, robust research and development, access to financing, and an enabling institutional ecosystem that supports farmers’ Development Plan and Vision2040, The Bahamas’ National Development Plan.

The agriculture sector in some Caribbean countries currently accounts for a smaller share of the economy that it did in the 1970s and 1980s. In the British Virgin Islands, the Cayman Islands, and Trinidad and Tobago, agriculture represents less than 1 percent of GDP. In other countries, such as Dominica, Grenada, Guyana, and Haiti, agriculture is still an important sector of the economy. See FAO and CDB (2019).
business education, strategic marketing, and efficient logistics. Expanding the widespread use of modern technology is also critically important to achieve key development objectives such as improving farming practices, boosting agricultural production and, by extension, increasing economic output, jobs, and wealth. Furthermore, the creation of Caribbean-specific agricultural technological applications would address critical priorities, such as connecting farmers to markets throughout the Caribbean and attracting young people to the sector.

Ensuring that the agriculture sector adequately adapts to climate change is a pressing priority. Accordingly, ongoing efforts within and across countries must be scaled up to mainstream climate-smart agricultural practices, such as using modernized irrigation systems and farming methods, increasing organic production to reduce the use of harmful chemicals and pesticides, and bolstering hazard mitigation measures through mechanisms such as a regional agricultural insurance framework. Effective land-use planning and management within and across countries would also be important to promote the sector’s adaptation to climate change.

2.2 Fiscal Resilience

Building fiscal resilience is crucial to sustainable development in Caribbean countries. Strategic actions within and across countries that institutionalize strong public financial management systems are needed to build fiscal buffers, increase fiscal savings, entrench fiscal discipline, support good fiscal governance, and promote fiscal transparency and accountability. Wright, Grenade, and Scott-Joseph (2017) called for the urgent adoption of fiscal responsibility laws (FRLs), with explicit fiscal rules enshrined to usher in a new fiscal-structural culture. They argued that FRLs are needed to support transformative shifts in fiscal practices as well as the institutional arrangements and systems that undergird fiscal management.

At the time of this writing, only Jamaica, Grenada, and The Bahamas had an FRL with explicit fiscal rules enshrined. Grenada’s fiscal performance improved markedly since the adoption of its FRL in 2016. The public debt and primary surplus as ratios of GDP averaged 67.7 and 5.7 percent, respectively, in 2017–2018, compared to an average of 96.2 percent and a primary deficit of 2.3 percent, correspondingly, in 2014–2015. Jamaica reduced interest payments to 11.0 percent of GDP in fiscal year 2010–2011, from an average of 16.0 percent in previous periods. Losses in public entities were reduced, generating savings of 2.3 percentage points. The Bahamas Fiscal Responsibility Legislation was passed in October 2018, and as such, it is too early to assess fiscal outcomes.

The remaining independent member countries of CARICOM will be well served to adopt FRLs with enshrined fiscal rules as a strategic imperative to build fiscal resilience within their respective territories and the region as a whole. Importantly also, all countries should pursue climate-smart fiscal policies that mainstream climate resilience into public financial management systems and practices.

2.3 Technological Resilience

The World Economic Forum (2018) reported that countries in Latin America and the Caribbean have low levels of digitization and technology adoption rates compared to other regions. In this digital era, the Caribbean region must intensify ongoing efforts to fully unlock the transformative powers of digital technologies.

First, the region’s digital infrastructure and ecosystem in both the public and the private sectors must be upgraded and scaled up to adequately support modern e-government and e-commerce activities. According to Suominen (2017: 33), a digital-enabling environment requires “internet connectivity, well-functioning online payments, work forces with technological skills, regulations conducive to digital trade, and entrepreneurship.” Grenade and Wright (2018) observed that financial institutions in the Caribbean would have to harness the powers of digital technologies to re-engineer themselves if they are to remain relevant in the 21st century because financial institutions of the future will be digitally driven.

Second, barriers to digital trade and transaction must be dismantled. Suominen (2017) reported several e-frictions affecting the operations of existing digital companies and potential entrants in the digital trade space, such as market access and regulatory barriers, customs procedures, online payments, and legal liability issues. Removing the barriers will require new and progressive legislation, enabling regulatory regimes, new trade policies, and strategic partnerships within and across Caribbean countries. It would also be important for Caribbean countries to deepen regional integration efforts through harmonized regional strategies and policies to address common issues such as cybersecurity, consumer protection, privacy, and internet interoperability to ultimately accelerate digital trade within the region.

Third, digital skills and literacy must be fundamentally improved if the region is to thrive in the digital era of the 21st century and beyond. There is a need for a comprehensive regional strategy to guide the Caribbean’s digital up-skilling and capacity building to allow the region to effectively function in the digital economy.

2.4 Social Resilience

The World Bank (2018) has documented ongoing efforts of the Caribbean community as a collective to build resilience. However, much more concerted effort is required to strengthen social resilience, including (i) improving social safety nets and social protection systems for greater impact and development results; (ii) increasing the capacity and capabilities of communities to rebuild and bounce back after shocks; (iii) creating pathways for individuals and communities to own assets and pursue wealth-creating activities (not merely income-generating) activities; (iv) building human capital by investing more in health and education, including both academic and vocational-technical training to build the skills that will be necessary for the jobs of the future; (v) mainstreaming inclusion and equality in development planning and programming; specifically, policies to build social resilience must address gender issues and priorities; (vi) bolstering citizen security and safety; and (vii) scaling up investments in disaster-resilient infrastructure.

2.5 Climate Resilience

The Caribbean is one of the region’s most vulnerable to climate change, especially the impacts from rising sea levels and increasing intensity and frequency of tropical storms and hurricanes. Ongoing efforts of individual Caribbean countries and the region as a whole to adapt to climate change and mitigate its effects must be bolstered. Of necessity, the region as a collective must increase and intensify its advocacy for “climate justice.” It is well known that Caribbean countries contribute minutely to global greenhouse gas emissions but are disproportionately affected relative to the large emitter countries, whose activities are contributing to climate change. Regenvanu and Persaud (2018: 1) summed it up well: “It’s time for those who caused climate change to pay for it. If the consequences of climate change were felt disproportionately by those who have contributed to it, it would have stopped long ago.”
Caribbean countries must be more forceful in calling on the international community to establish a fairer and more morally just damage and loss global funding facility, which would require those countries whose activities are contributing the most to climate change (largest emitters of greenhouse gases) to make payouts (grants) to countries, such as those in the Caribbean, that contribute the least to greenhouse gas emissions but are disproportionately affected by the effects of climate change.

The fact that Caribbean countries are small contributors to global greenhouse gas emissions but suffer disproportionately from the impacts of climate change does not absolve Caribbean countries, individually and as a collective, from taking full responsibility for building climate resilience and reducing disaster risks. Indeed, Caribbean countries must intensify efforts to (i) mainstream climate resilience in development planning and policies; (ii) strengthen the legislative and regulatory frameworks to support sound environmental management and practices; (iii) develop a risk-layering strategy for climate financing that includes contingency funds; (iv) enhance disaster risk management systems; and (v) increase climate-smart education by heightening public awareness and building a culture of respect for and preservation of the environment and natural resources.

2.6 Governance and Institutional Resilience

It is well appreciated that good governance and strong institutions are essential for sustainable growth and development and ultimately a resilient Caribbean. The IDB (2018) provided a comprehensive and rich exposition of the Caribbean’s institutional context and the role of institutions in underpinning the region’s sustainable and resilient development. It focused mainly on economic and political institutions, as well as those related to the rule of law and the development of human capital. However, inclusive governance, that is, the involvement of ordinary citizens in the governance and decision-making processes within their countries, is also crucially important. Indeed, an empowered, engaged, and active citizenry is essential to promote transparency in public policies and accountability of those implementing public policies. Citizen engagement is also important to promote country ownership (not just government ownership) of development projects and programs. Citizens must have a voice and must be able to exercise their democratic rights and freedoms to shape public policies and programs, with a view to bringing about positive changes be they socioeconomic, environmental or governance-related, and in so doing, build governance and institutional resilience.

3 Conclusion

This policy brief examined options to build 360 resilience in Caribbean countries. It identified transformative shifts in policies, practices, and institutional arrangements that are required to secure the region’s resilience on several fronts: economic, fiscal, technological, social, environmental, and governance and institutional. Prioritization and sequencing of strategic actions will depend on country context and are beyond the scope of this paper.

The policy brief also called for collective responsibility in building a 360 resilience development paradigm for the Caribbean. Policymakers in the public sector and non-state actors must share responsibility in supporting the formulation and implementation of strategic policies to bestow to generations to come a Caribbean that is inclusive, wealthy, and resilient on all fronts. Development partners also have a crucial role to play in guiding the design of strategic actions, as well as supporting their implementation through technical and financial assistance.
References


