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Wilton Park



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Report

Caribbean 2030: new thinking for a new generation

Monday 1 – Wednesday 3 June 2015 | WP1404

In association with:



Department
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CaPRI
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The challenges facing the Caribbean region – growth, security, fiscal management, amongst others – are stronger than ever, even while new ones, such as climate change, emerge. At the same time, weaknesses in the governance in the region and the limited effectiveness of both public and private leadership have become increasingly exposed. The regional ‘project’, as reflected in goals articulated by CARICOM, has not lived up to even its own modest goals. If the region is to rise above its disappointing half century of mediocre development and to begin the process of emerging towards its full potential, it will be up to the next generation of leadership to embrace, create and implement a new vision of the Caribbean.

Recognising that the Caribbean has suffered from a lack of vision, weak implementation, widespread mistrust, poor leadership, and institutional malaise, the Wilton Park meeting convened new and next generation of leaders in the Caribbean from different sectors with a broad mix of experience and expertise with a view to:

- providing a removed, neutral setting for them to come together to have an in-depth discussion about their aspirations for the region;
- creating a network of younger leaders encouraged to stay connected to each other, to traditional international partners, such as the United Kingdom (UK), and to other key external stakeholders who they might not otherwise have access to;
- developing an outline vision for the Caribbean for 2030, with the objective that the vision can be shared more widely and subsequently built upon; identifying potential paths forward for politicians, policymakers and others on specific areas; and
- sharing cross-region expertise on the drivers and the opportunities for the Caribbean domestically and internationally.

The key issues raised at the meeting are outlined below.

Changing mind-sets in government and the public service

1. There is a pressing need to review the structure of the public service in the region, to evaluate the degree of power that is afforded to individuals who are permanent in the public service as well as look at a system that will allow greater flexibility in terms of who is placed in the critical positions to ensure that the agenda of the government, and its policies and development plans, are effectively implemented.
2. Governments in the region must be charged with the responsibility of ensuring that the economies function effectively.
3. Special preferential arrangements still dominate the mind-set of Caribbean nationals. The countries of the Caribbean must transition from the traditional relationships with their colonial partners in order to develop more competitive economies.

Capacity building

4. Since institutions at the national level are inherently weak because countries are small, regional institutions need to be transformed to make them more effective, more open and guarantee their role with technical capacity and special attention to innovation.

Regional cooperation

5. Regional cooperation is an inevitable developmental imperative in the region. However, integration should be promoted in the region through complementation of economies rather than fragmentation, given that a more deeply integrated Caribbean, with an active and assertive foreign policy, is a prerequisite to transformative, sustainable and resilient growth and development.
6. Regional and international collaboration between the private and public sector must become a regional priority.
7. To be more competitive abroad, countries in the region must promote interregional trade as well as regional value chains. This can start by identifying or improving the financial architecture needed to support trade in the region.

Connectivity

8. Connectivity is a problem as it is very costly to do business within the region. To guarantee connectivity regional policies need to be promoted that will support the creation of public private partnerships that incentivises the flow of investments within and outside the region.

Fiscal management

9. Most countries suffer from high levels of indebtedness which has discouraged investment in the region. The sources of debt in the Caribbean are structural and in part caused by the vulnerability of the islands and weak fiscal capacity. Governments must embrace fiscal responsibility frameworks (fiscal rules) that put binding constraints on the extent to which they can accumulate debt.

Availability of data

10. The data available for public and private decision-making is inadequate and encourages the use of trial and error to solve the problems governments face in the region. Governments are urged to invest in a regular stream of high quality applied research to guide them through the decisions confronting them each day which can be facilitated through the development of a regional open data initiative.

Climate change

11. The vulnerability to climate change is an inescapable aspect of the region's future since relatively small weather events occasioned by climate change have created and will continue to create disruptive damage in many islands. Design and construction concepts must be developed to make the buildings in the Caribbean more resilient to climate change. A systematic dissemination hub should also be created in the region for climate change information and to build public awareness on the implications of climate change.

Entrepreneurialism

12. There is a challenge surrounding the mindset of Caribbean people to innovative through developing and supporting small and large businesses in the region. The region must embrace creativity and risk taking.
13. For its part, Government efforts should include engaging and stimulating the private sector to invest in research and development and increase patent activity.
14. Banking and other financial mechanisms need to be improved to enable entrepreneurs to expand viable businesses in the region.

Energy security

15. The impact of high energy costs has a disproportionate significance for Caribbean countries. The region must overcome competitive challenges of energy costs. Governments are urged to be a model leader in energy conservation and efficiency. Greater emphasis must be placed on modernising the infrastructure in the energy sector as well as diversifying the fuel sources away from the dependence on heavy fuel oil. The governance framework for the energy sectors in the region also needs to be improved.

Education

16. The Caribbean is a multilingual region and recognising that reality in the education system would greatly facilitate closer cooperation among countries with dissimilar dominant languages. Foreign language teaching at the second and tertiary levels needs to be improved and must be linked to the global marketplace and to tourism.
17. To avoid replicating activities in medicine, sports and tourism, the region needs to encourage the idea of centres of excellence which will provide leadership, best practices, research, support and training to deal with the challenges in the region.

This report sets out the main themes of discussions and highlights recommendations proposed during the meeting.

Regional cooperation

The reality

18. Cooperation is critical to the future development of the Caribbean and the regional leadership will determine whether regional cooperation and rationalisation continues to deteriorate or begins to regenerate. Countries in the region should try to move away from the present uneven and fragmented process that has not been conducive to integration and cooperation.

What is to be done?

Political leadership

19. Empower CARICOM with the legal space to drive the implementation of decisions agreed by regional leaders.

Regional institutions

20. The University of the West Indies (UWI) should reconsider its role as a regional University in terms of its purpose, its spread across the region, the nature of the research that it conducts and how that research benefits the wider objective of Caribbean progress, along with the practical and technical assistance it can offer to regional co-ordination.
21. Greater participation in regional fora should be encouraged.
22. An accountability mechanism needs to be created for everyday citizens in conjunction with civil society.

The private sector

23. The private sector should explore the benefits of developing clusters of Caribbean industries with complementary interests particularly in extra-regional export industries.
24. Stakeholders must be encouraged to develop infrastructure and policy frameworks for industries that can provide the productive capabilities of different countries in the region.
25. The private sector should push for and help to develop and upgrade regional infrastructure in communications and transportation.

Developmental partners

26. Developmental partners are encouraged to support the financing of tangible institutions.
27. This includes facilitating research and supporting the development of research clusters. These could bring together academics, policymakers, technocrats and others both within and outside the region geared towards theorising workable, practical policy innovations to cope with the issues that are affecting the region today.

Education

The reality

28. In order to bring the people of the Caribbean closer together, the governments in the region are urged to concentrate on long-term educational efforts given that the Caribbean is a multilingual region and the more the populations across the Caribbean know about one another, the better they will work together. In addition, other deficits in the education system need to be addressed since education is seen as the key to productivity and human resource development.

What is to be done?

Foreign language deficiency

29. Foreign language teaching at the second and tertiary levels needs to be improved and should be linked to the global marketplace and tourism.

Quality of education

30. Schools and the classrooms should be modernised through widespread use of technology.
31. Tertiary education should be expanded to include the use of distance education modalities.
32. Tertiary education should also be aligned more closely to the needs of the labour market, especially in the priority economic sectors such as tourism and hospitality services, financial services, light manufacturing and agro-industry.
33. Secondary education should be rationalised through curriculum reform for the lower grades; embedding different styles of learning, encouraging and discussion and ensuring more extensive career guidance is provided.
34. Various value oriented projects and materials should be introduced in the curriculum that will influence character formation, encourage conflict resolution and engagement, and promote open attitudes.
35. Gender-based teaching should be used to address the gender inequality that exists in the education system.

Management of schools

36. Management of schools should be improved thus facilitating greater involvement of communities and parents and more accountability measures for schools and teachers.
37. Admission and promotion procedures in the education system must be restructured to ensure that the most qualified are selected to lead rather than the most favoured.
38. The status, salary and training of teachers should be improved

Financing

39. Restructuring the financing of education to increase cost effectiveness and include cost recovery, cost sharing and special taxes to meet educational expenditure.

Connectivity

The reality

40. The Caribbean suffers from high costs associated with moving goods both intra-regionally and with the rest of the world due to poor connectivity. The drivers of these high logistics costs include economies of scale, port efficiency and vertical integration of the logistics chain. Such high costs reduce competitiveness within the region. In addition, nearly all countries of the Caribbean are running trade deficits.
41. Caribbean ports vary widely in infrastructure, superstructure, efficiency and related services, ranging from ports such as Kingston demonstrating levels of efficiency close to international best practice, to Port of Spain which has been plagued from inadequate infrastructure for a number of years.
42. This situation leads to a backhaul problem for logistics service providers, such as carriers, since there is more cargo coming in than going out. This increases the cost of both maritime and air transport. Handling charges are two or three times higher than in similar ports in other regions of the world, with the overall cost of transport and insurance in the Caribbean basin some 30 percent higher than the world average. In some cases, it costs significantly less to ship a container to Hong Kong or Europe from a Caribbean country than it does to ship to a neighbouring island no more than 100 miles away.

What is to be done?

Logistics studies

43. A systematic regional approach to collecting, organising and analysing transport and trade logistics data is needed. The region must take steps to create a freight database with origin-destination matrices that could facilitate the orderly analysis of commodity flows.
44. Collective economic, social and environmental impact studies would also be valuable to guide investments in port developments and infrastructure and develop regulatory policies.
45. Regional stakeholders are also urged to undertake a formal logistics audit that will help to design an effective logistics strategy in the region.

Sharing knowledge

46. A centre of excellence or a logistics unit should be set up that will act as a trade facilitation and logistics knowledge platform for the Caribbean as well as an effective mechanism for knowledge sharing at the regional level. The Caribbean's logistics issues can only be resolved successfully if tackled at a regional level with the buy-in and participation of a wide range of stakeholders. These should include carriers, freight forwarders and other logistics services providers, importers, exporters, producers, line ministries, port authorities and other regulatory agencies, academic institutions along with support from regional bodies and the donor community. Collectively, these players must build a trade facilitation and logistics knowledge platform for the Caribbean which would be a cross-sectoral and collaborative initiative covering all countries, involving a number of partners, to harness the experiences and knowledge of these partners that operate in a wide range of sectors in order to have transformative impact on improving logistics services and overall connectivity in the region.

Logistics committee

47. A Logistics Committee for developing a regional trade logistics strategy should also be set up with responsibility for preparing the regional logistics strategy. This committee should include significant representation of the users, operators and regulators of the regional logistics systems, with working groups dealing with specific topics made up of members of the broader team. Some of the issues that the committee should address

must be related to the alignment and harmonisation of rules, regulations and standards; data collection and benchmarking and a regional approach to port security and safety.

Governance, crime and national security

The reality

48. The powerful potential of the Caribbean will not be realised unless the issues of governance, crime and security are fully addressed, since Caribbean countries have the most homicide per capita globally. Efforts should be doubled to ensure that the region performs better on the two critical World Bank indicators of good governance, namely rule of law and control of corruption while increasing the Caribbean voice on issues related to drugs and violence.

What is to be done?

Public awareness

49. Public awareness should be built to develop the social will to understand and to stand up against unaccountable conduct, to demand action against those in relation to whom there is credible evidence of corruption, to award politicians who are honest and clean, punish those who are 'tribalists' and identify, promote and celebrate the best practices that operate in the region.

50. The media, traditional and social, civil society organisations, business people of integrity, young entrepreneurs will need to take the lead in building this public awareness to develop social will (professional and private sector) to ensure that there is backbone in the political will.

51. Traditional external partners are also challenged to assert themselves more to uphold standards of good governance.

Network building

52. Emphasis should be placed on establishing and sustaining networks. Younger politicians need to network more effectively within political parties who share the same vision. Networking is also needed across national political parties to break the tribal divides, and across the region. Politicians should also engage with like-minded persons across the private and public sectors and with civil society.

Diaspora engagement

53. The government needs to take steps to engage the diaspora in not only philanthropic contributions but in becoming a strong voice for good governance and partnering with the internal forces of reform against red tape and bureaucracy by building effective targeted advocacy groups.

Debt management

The reality

54. Caribbean countries are among the most indebted countries in the world which continues to constrain economic growth by crowding out capital expenditure in fiscal budgets and reducing private investments from local capital markets. It also creates uncertainty in the business environment and draws attention away from the real pressing issues in the region.

55. Addressing these high levels of indebtedness is therefore a critical economic imperative. However, this requires an understanding of the sources of debt accumulation in the region. The largest portion of debt accumulation in the Caribbean came about not because governments borrowed money excessively, it is argued, but because of liabilities that were accumulated outside central government but which ended up being assumed by central government. These include the liabilities of public enterprises as well as private companies, in the case of the financial sector. Another

portion of the debt can be attributed to natural disasters. These liabilities are also contingent. Thus, the proximate cause of debt accumulation in the region is contingent liabilities while the ultimate cause is weak public administrative capacity, which seems to be a problem inherent in the size of a country being small. This source of debt is unlike many other regions where debt accumulation tends to be for capital investments. There is a lack of awareness about this cause of debt within the region.

What is to be done?

Regional focus

56. Debt management needs to be done on a regional level. There are calls for the expertise of the individual governments to be centralised and applied to the management of the individual country debt portfolios in some of the regional institutions, particularly the Caribbean Development Bank (CDB) and the technical support sought elsewhere. As a result of the problem of scale, this is one of the areas in which regional cooperation can compensate for the small scale and the weak public administration that comes from it.

Institutional and capacity improvement

57. Governments are urged to embrace fiscal responsibility frameworks (fiscal rules) that put binding constraints on the extent to which they can accumulate debt.
58. Better and more transparent accounting practices need to be developed which will expose the accumulation of debt early in the fiscal cycle.
59. The region should also embrace more explicit, overt and clear management of contingent liabilities and active and sophisticated risk management.

Risk management

60. Policies of divesting risks that cannot be managed properly need to be developed.
61. Contingent contracts should be put in place where risks exist and competent entities responsible for managing contingent risks must be created.

Energy

The reality

62. The countries in the region are encumbered with the necessity of importing oil products for transportation and electricity generation. The volatile price of electricity is the most important issue in the energy sector as electricity prices in the Caribbean are among the highest in the world although they have dipped recently. The primary cause of the high cost of electricity is that most Caribbean countries are surrounded by water which prohibits the interconnection of national grids thus making the islands unable to share reserve capacity. As a result, there is an inseparable linkage between the fiscal crisis confronting the Caribbean region and the reality of paying some of the world's highest per capita energy costs.

What is to be done?

Research and training centre

63. A regional centre for energy policy analysis, regulatory research and training should be established to assist regional governments in formulating policies, strategies, programmes and projects through public private partnerships in the energy sector and regulated utilities in order to meet long term developmental challenges. The centre could also identify and provide assistance in accessing opportunities for cooperation, develop regional and national databases and provide necessary skills to prepare policies, strategies, structure financial engineering and assist in identifying projects that will help to lower the cost of energy and enhance fuel diversification.

Renewable options and energy efficiency

64. A new energy future is needed which would encourage public and private sectors to invest in viable renewable energy technologies.
65. A customs regime is needed which encourages the importation of renewable energy and energy efficient equipment and inputs such as solar panels, wind turbines and electric cars. Subsidies should not be promoted in order to fully realise the role renewable energy can play in an overall competitive environment.
66. Maximise energy efficiency in both the public and private sectors.
67. Encourage investment and entrepreneurship in energy diversification.
68. Governments and private sector entities should adapt recent developments in natural gas technology and supply to transform the Caribbean's energy market.

Share best practices

69. The countries in the region are urged to coordinate and share best practices to exploit domestic and regional energy or natural resources.

Climate change

The reality

70. In the Caribbean, climate change adaptation should be seen as an opportunity to improve and protect development outcomes both now and into the future as coastal areas, of which islands have proportionally more, are especially vulnerable. There is a need to manage the risks from climate change and extreme weather in the Caribbean as the consequences of climate change for the Caribbean are potentially very significant and represent major challenges to current development gains and planned future developments.
71. However, for future development to be climate resilient there needs to be a good understanding of current hazards and the risks associated with these hazards. Without this, it will not be possible to ensure future development is resilient to future climate hazards which, in general, will be similar in nature though often more intense or frequent than previously experienced. Any development which reduces the vulnerability or exposure to climate hazards will directly increase resilience.

What is to be done?

Advance development goals

72. Mitigation and adaptation measures such as adjusting and implementing building codes, restricting construction in areas susceptible to coastal flooding, changing crop varieties according to long-term weather forecasts and enhancing the preservation of natural mangroves must be included in developmental strategies, programmes and actions.

Design and construction concepts

73. Physical planning must include climate change adaptation such as designing buildings with efficient cooling systems and building in areas that are at a distance from vulnerable coastal zones.

Post disaster analysis

74. Domestic responses to natural disasters should be strengthened. This could be achieved through: knowledge exchange on regional climate trends and their projected impacts; sharing best practices in disaster management across the region, supporting technical assistance and institutional development across the region.

Promote climate risk insurance

75. Development of affordable reinsurance schemes for the private sector should continue to be promoted to provide some level of asset and financial protection and compensation for businesses in the event of a natural disaster. Transferring risk to insurance markets can be a cost-effective alternative for Caribbean countries that cannot afford huge investments in risk prevention. Insurance will also reduce the strain on public budgets when disasters occur.

Climate change and disaster management

76. Climate change and disaster management should be integrated in risk management activities in the region. This includes using planning frameworks, strengthening the links between institutions at national and community levels to be better prepared for climate-related disasters and to build on existing mechanisms including early warning systems.

Adopt insurance-related action

77. An international insurance mechanism, creating an internationally sourced pool of funds, is needed to help Caribbean countries manage climate change risk and build resilient economies. Collective loss sharing mechanisms and international solidarity funds could address high impact extreme events that are beyond the scope of even subsidized insurance mechanisms.

Tourism

The reality

78. The Caribbean is the most tourist dependent region in the world and one of the most vulnerable to the impact of climate change. As a result, climate change adaptation is crucial to the survival of tourism in the region as the Caribbean is one of the world's premier tourist attractions because of its natural beauty, its location and climate.
79. Tourism has contributed significantly to the economies in the region, providing nearly two million jobs and in the smaller countries accounts for a large percent of GDP.

What is to be done?

Audit assets

80. An in-depth audit of the assets is recommended for the region that will uncover the opportunities to enhance the tourist experience by drawing tourists out of the main resort areas and into the countryside, villages and rural areas which will, in turn, enable more people to benefit from the tourism economy. The information from the audit should be saved for future reference to be used to inform activities aimed at increasing the contribution of tourism to the region.

Educate nationals

81. Stakeholders and the wider populace should be educated to understand the importance of the service sector to the region and to develop their skills in how to receive tourists, what to expect from the tourists and how to interact with them.

Explore other avenues

82. The economy surrounding each airport (and the airport experience for tourists) can be exploited throughout the region.

Reduce taxes on tourism products

83. Governments are urged to ensure that tourists are not heavily taxed, providing incentives for them to travel and spend more within the region.
84. There needs to be collective efforts aimed at expanding the number of marine protected areas in the region to protect its biodiversity and attractiveness as a regional

tourism destination.

Conclusion

Today, the difficulties facing the region are no longer simply about competing effectively in a globalising economy. Rather, they are existential threats which bring into question the fundamental viability of the Caribbean itself – economically, socially, and physically. Governance challenges, transnational crime, the decline of regional industries, international diplomacy, disaster vulnerability, and energy security are some of the problems.

Undoubtedly, these problems can be effectively addressed by improved governance, increased capacity, and regional cooperation to create a peaceful, self-sufficient, globally competitive and resilient region that will deliver for its people a high quality of life in the most important areas of human well-being. These include health, education, employment and security as the Caribbean has the potential of becoming:

- a financially stable, expanded and effectively integrated prosperous region whose economic expansion is driven by innovation, creativity and entrepreneurship with strong linkages to regional and global value chains and connected by efficient and affordable land, sea and air transport, high quality infrastructure and ICT networks;
- a region that enjoys a high level of human development, vibrant culture, citizen security, rule of law and social mobility and low levels of inequality and national and transnational crime; a region that is pursuing development which is environmentally sustainable with respect to waste, pollution, air quality, urbanisation, depletion of natural resources and stands at the highest level of disaster preparedness including a well-capitalized and accessible standby facility to support reconstruction in the event of a natural disaster;
- an energy sufficient region optimising use of renewable energy sources and minimising use of fossil fuels in order to supply efficiently stable, affordable and increasingly clean energy to households and businesses and;
- a politically stable region which coordinates its foreign policy to maximise international influence to advance domestic interests and which engages in transparent management of an efficient and effective public sector that meaningfully engages the private sector, with the main driver of change being trade.

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