CHALLENGES INVOLVED IN INCREASING INVESTMENTS IN THE CARIBBEAN FROM CDB'S PERSPECTIVE

Feature Address

by

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at the

Fourth Biennial International Business, Banking and Finance Conference

Hilton Trinidad and Conference Centre

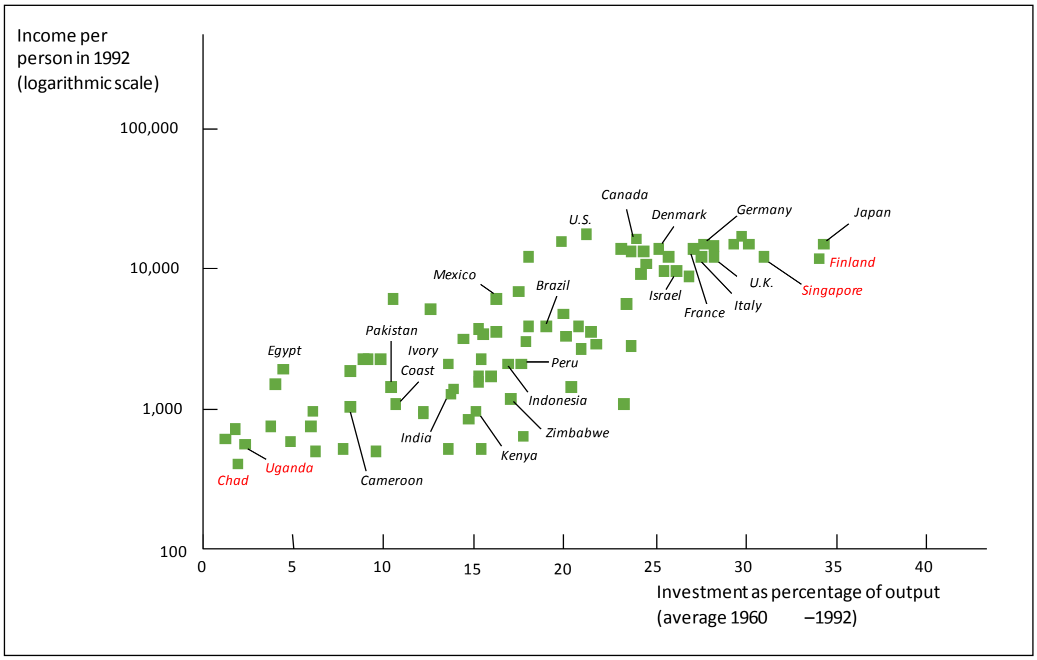
Port of Spain, Trinidad and Tobago

June 22, 2011

I. INTRODUCTION

It gives me great pleasure to address you, this morning, on a subject matter that, in my view, is at the core of macro-economic and social development prospects for the Caribbean. The role, function and potential impact of investment on growth dynamics and social well-being are profound and undeniable. The evidence generated from both cross sectional and time series data is compelling. Chart 1 shows the inescapable correlation between investment and per capita income for a panel data set of countries for the 32-year period 1960-1992. The contrast between the performance of Singapore and Finland *vis a vis* Chad and Uganda, for instance, is not surprising given the vast difference in investment rates, among other things.

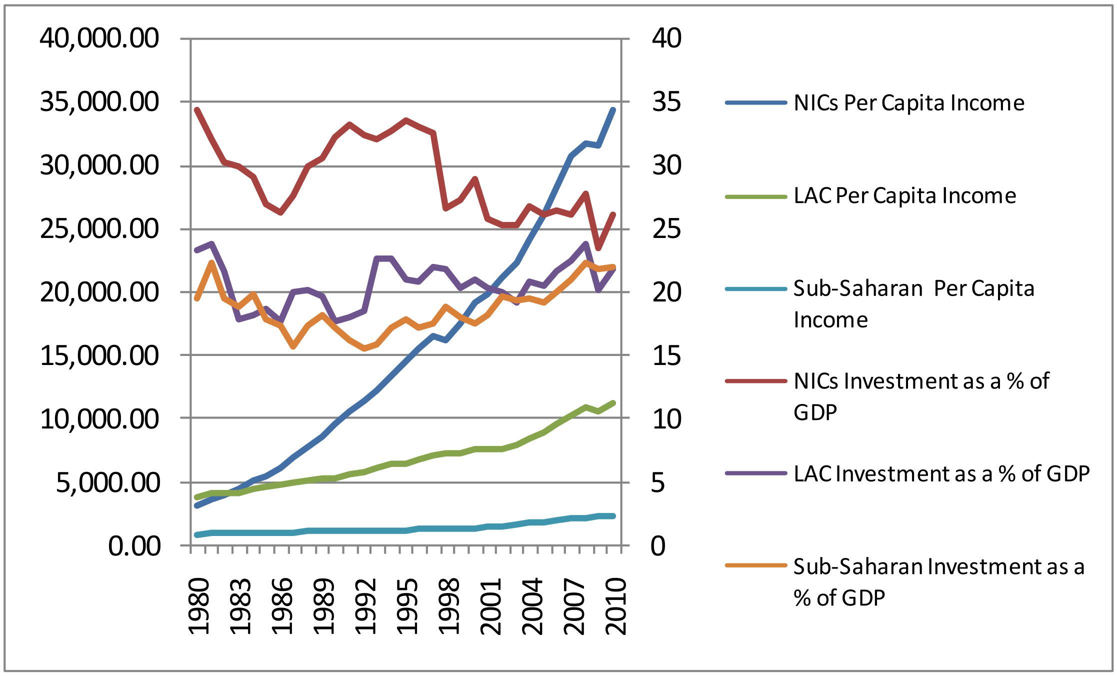
Chart 1: <u>Investment and Per Capita Income</u>



Source: Mankiw (2002)

A comparison between the Latin American and the Caribbean (LAC) region, the Newly Industrialised Countries (NICs) and Sub-Saharan Africa also provides fascinating insights. Chart 2 highlights changes in per capita income (adjusted for purchasing power parity) and the evolution of gross investment from 1980 to 2010. Not only were investment levels for the NICs consistently higher than those for the LAC and Sub-Saharan regions; but the marginal efficiency of investment appears to be much higher given the phenomenal change in per capita incomes in the NICs relative to the other two groups. LAC's investment effort has consistently averaged around 20% of Gross Domestic Product (GDP), compared with the NICs which has ranged from between 25% to 35%.

Chart 2: <u>Gross Investment and Per Capita Income</u>



Source: IMF World Economic Outlook Database

In this brief introduction, I want to set the stage for my presentation by making three fundamental points about investments:

(a) they are highly correlated with a country's growth prospects and the well-being of their people;

(b) all investments are not created equally – some more equal than others (MEI); and

(c) to attact them you need to create the appropriate environment.

This conference is taking place at a time when the Caribbean is beset by some of the most challenging development hurdles in recent memory. The onslaught of the global financial and economic crisis has left credit markets timid; business and individual consumer balance sheets weak; and macro-economic trajectories uncertain. Perhaps inevitably, poverty levels have also risen. Moreover, the pre-crisis state of many of our Governments' finances implied that their fiscal defense and response capabilities were, in the main, wholly inadequate to mount a meaningful counter-cyclical response to the crisis.

This is our backdrop. That is our context.

However, economic growth is re-emerging. In his new book, 'Freefall', nobel laureate Joe Stiglitz notes that ***"every recession does come to an end."*** This is indeed true. There are green shoots emerging in many Caribbean countries.

The service-based Caribbean economies, however, are trailing those which are more reliant on commodity production and export; and this performance mirrors the "two-speed" recovery observed in the wider global economy. Essentially, while economic growth in the world's advanced economies can be characterised by a degree of tepidity, commodity-dependent emerging market economies and the NICs have to contend with the risk of overheating.

One of the critical questions that confronts Caribbean policy makers at this time is, 'how can the Region safeguard the recovery?' Or, put more directly, 'what can be done to stimulate and sustain production and output?'

An important element of these two questions, and, indeed, part of the solution is the critical role of investment. From a global perspective, investment relative to GDP is relatively high in many Caribbean countries. The region has experienced significant public sector investment and foreign direct investment, particularly in the tourism and energy sectors, over the last two decades. Nevertheless, and as shown earlier in Chart 2, GDP growth (as a proxy for the returns on investment) has not been as impressive as it has been for other regions.

There are a number of possible explanations. In an IMF Working Paper entitled "Domestic Investment and the Cost of Capital in the Caribbean"[1], Shaun Roache opines that the productivity of capital formation may be low. This coincides with the findings of Khan and Kumar in an earlier study entitled "Public and Private Investment and The Growth Process in Developing Countries", which suggests that the return on public investment is less than that of private investment[2] and that the multiplier effect of past investment may be weak. For example, there may be few linkages between the foreign-owned capital stock (such as resort hotels), and the domestic economy. Alternatively, there may be crowding out of domestic private investors. Indeed, I believe that these are all part of the investment 'cause and effect' puzzle.

In seeking to come to grips with the challenges and opportunities for investment, we will need to resort to short-term and medium-term considerations. While there are some low hanging fruit in terms of ongoing policy reforms which can facilitate quick wins, it will take time to design and implement more structurally-oriented reforms.

I will continue this presentation along the following lines. First, I will touch on macro-economic considerations that are important determinants of investment. Next, I will explore some micro-economic factors which have proven to be equally important for driving investment. I will cast both of these in a global and regional context, highlighting some country experiences. Following the examination of these 'guiding principles', I will outline an action agenda, including the possibilities for strategic support from the Caribbean Development Bank (CDB), working in collaboration with other Donor agencies.

[1] IMF Working Paper No 06/194, 2006.
[2] Khan, Mohsin S. and Kumar, Manmohan S. 1997, *Oxford Bulletin of Economics and Statistics*, Vol. 59.

II. MACRO-ECONOMIC REGIONAL AND SOCIO-ECONOMIC CONSIDERATIONS

(a) Stable macro-economy

Country experiences from developed and developing nations point to one irrefutable conclusion - investment, whether of domestic or external origin, is highly correlated with a stable macro-economic environment where economic policies are transparent and relatively predictable and risk factors tend to be much lower. This type of environment would be characterised by, *inter alia*:

- healthy public finances, inclusive of the debt picture;
- a stable financial sector, which encompasses modern supervisory and regulatory regimes, and well- functioning credit markets;
- a sustainable external balance; and
- a dynamic real economy.

There is a plethora of research work which explores the correlation between fiscal sustainability and investment. The transmission mechanism is normally through market sentiment in relation to growth, and risk perception fuelled by lower or higher levels of indebtedness.

Carmen Reinhart and Kenneth Rogoff found that at debt levels of around 60% of GDP, growth is reduced by 2%.[3] At much higher levels of indebtedness, GDP growth could be

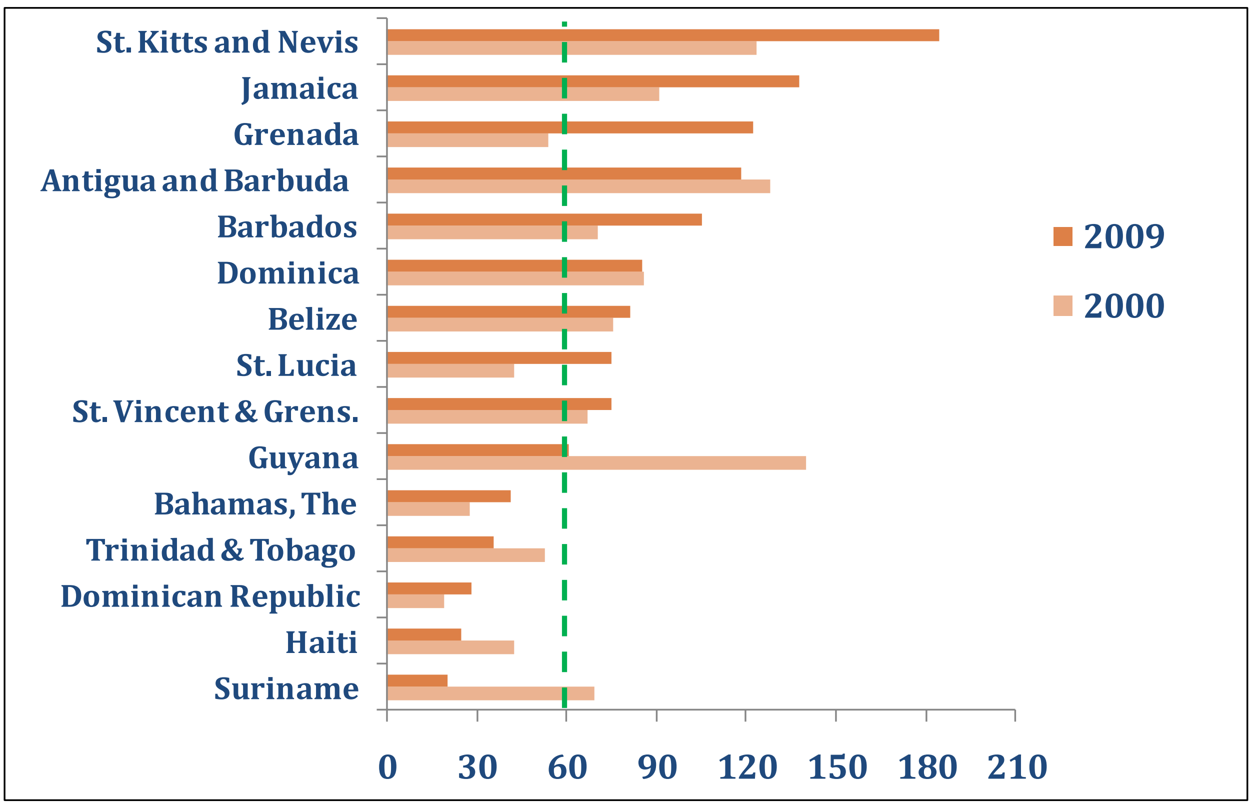
[3] Reinhart, Carmen M.; Rogoff, Kenneth S; American Economic Review, May 2010, v. 100, is. 2, pp. 573-78.

reduced by as much as one half. In a 2010 study, Manmohan Kumar and J. Woo[4] also found that a 10% increase in public debt led to a 0.2 to 0.3 percent decline in per capita GDP growth per annum.

Against that background where does the Caribbean stand in relation to its debt levels?

As a group, our region has the highest concentration of heavily indebted middle income countries in the world. Nine countries have debt levels in excess of 60% of GDP, which is generally seen as a maximum acceptable level.

Chart 3: <u>Public Debt and GDP</u>



Source: World Bank

[4] Manmohan, S. Kumar and Woo, J; 'Public Debt and Growth' (IMF Working Paper No. 10/174, 2010).

In a paper exploring the dynamics of stabilisation, debt and fiscal policy in the Caribbean, Ratna Sahay highlights the rapid accumulation of debt, particularly in the 1990s, due in part to fiscal deterioration.[5] Using an accounting/gap treatment, she concluded that the implied fiscal adjustment consistent with sustainability was significant if one assumed that the debt/GDP target was 60% and that real growth and interest rates remained at historical averages. The paper also highlighted the additional risks to fiscal sustainability given the Region's exposure to natural hazards.

Clearly, there is considerable work to be done.

(b) Financial Development

Indeed, a stable macroeconomic environment with manageable levels of debt is a necessary but not a sufficient condition for lifting investment flows. The level of financial development also plays a critical role. A well developed financial system is important for the mobilisation of savings, the allocation of funds for investment, and the redistribution of risks. Within this context, the extent of regulatory and supervisory oversight is fundamental to the maintenance of the integrity of the system and to undergird market confidence.

The region's financial sector offers a relatively diverse range of products. While banks dominate the financial sector in many countries, non-bank financial institutions have also grown rapidly. Of note are the securities dealers in Jamaica and mutual funds in Trinidad and Tobago. Pension and insurance companies are also large players, accounting for approximately 40% and 20% of the total financial assets in Trinidad and Tobago and Jamaica, respectively. Financial markets in the rest of the Region are mostly under-developed and illiquid. Bond markets are dominated by government securities.

[5] Sahay, Ratna, 'Stabilisation, Debt and Fiscal Policy in the Caribbean'; IMF Working Paper 05/26, 2005.

There seems to be a *prima facie* case to be made for a stronger role for venture capital and other modalities that can facilitate investment opportunities, and for initiatives to raise capital, including security trades beyond the current boundaries. This suggests that there is a crucial need to relook the regional financial architecture.

Within this context, the role of integration must also be underscored. Financial integration can increase the availability of capital to the entire region and improve access as both savers and investors can choose from a larger pool of resources. Financial integration can reduce the cost of capital by exploiting economies of scale and lead to improved efficiencies, at the firm level. Financial development, in turn, leads to higher growth by increasing investment and improving resource allocation.

Notwithstanding the potential benefits, there are also barriers to regional financial integration. Policies on exchange and capital controls as well as the poor market infrastructure, such as the state of the payment and settlement system, are examples of such barriers.

(c) Regional Integration

The discussion on the benefits of financial integration provides a good entry point into the broader question of 'how can the region leverage its collective capacities and capabilities for growth and development at the national level?" Similar to those identified with respect to financial integration, significant potential benefits can accrue to investment.

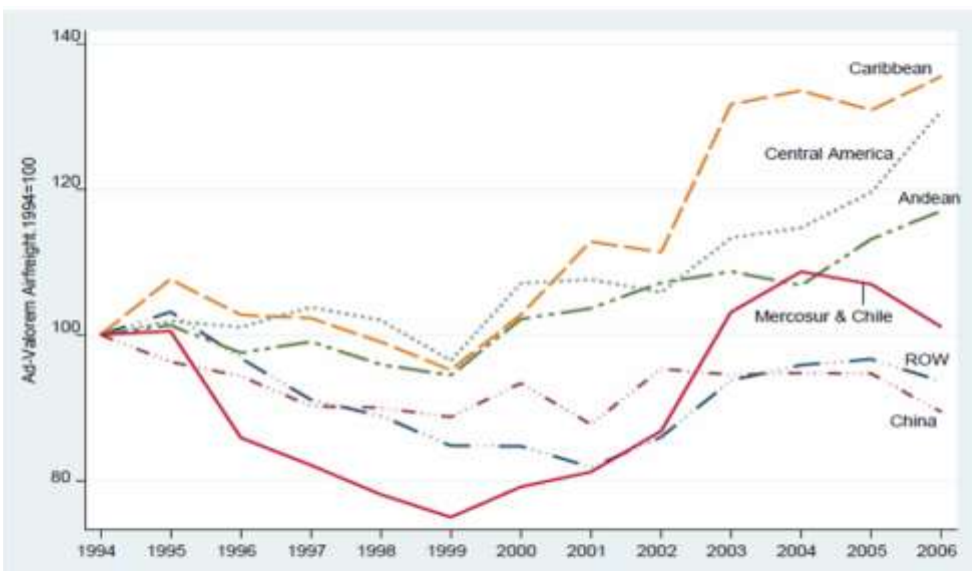
There are five core components encompassed by the CARICOM single market regime. These are:

- free movement of goods;
- free movement of skilled persons;
- free movement of services;
- rights of establishment; and
- the movement of capital.

The **free movement of goods** is, perhaps, the oldest and the most mature of the single market arrangements. Although the administrative and legal hurdles in moving goods are relatively minor, there is a significant logistical hurdle with respect to transportation arrangements. Today, it is still significantly easier and less costly to move cargo between Miami and St. Vincent and the Grenadines than between Guyana and St. Vincent and the Grenadines.

Chart 4 gives a sense of the transportation costs in the Caribbean relative to other jurisdictions.

Chart 4: Relative Transportation Cost



Note: Airfreight is frieght plus insurance as a share of imports. It was estimated by regressing ad valorem freight on the weight to value ratio of the goods imported and on year and parner-good fixed effects. See text for details.
Source: U.S. Census Bureau.

Source: IDB (2010)

These obstacles to trade are also obstacles to investment.

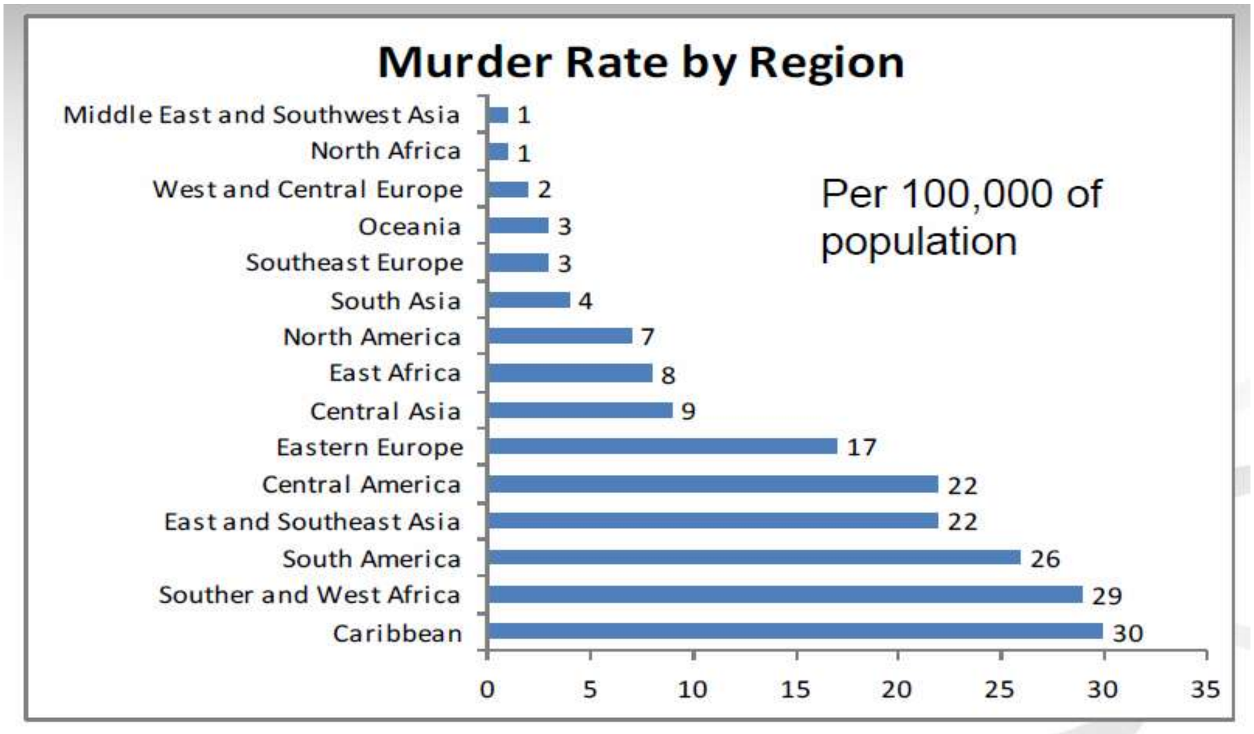
With respect to the **free movement of skilled persons**, there are variations in both law and practice among the CARICOM member states regarding different elements of the free movement instruments and their application. The regime for wage and salaried persons has borne a disproportionate share of the blame for imported competition in national labour markets.

Similarly, the **free movement of services** is a significant issue, if only because of the weight of services in regional economies and the direct connection to free movement of people and to the rights of establishment. Consequently, the free movement of services has also been hampered by inconsistent application of relevant laws and practices.

With regard to **rights of establishment**, Member States have generally removed discriminatory aspects within the provisions of company laws, such as non-national participation in directorships and in shareholding. Member States have been complying with the under-taking to remove restrictions to allow for company and business registration as well as for access to land, buildings and other property and the treatment of managerial, technical and supervisory personnel.

(d) Crime and Citizen Security

A fourth consideration that is both a macro-economic and a socioeconomic concern is that of the impact of crime and violence (or "citizen security", as it is now more elegantly being labeled) on Caribbean societies. The incidence of crime, particularly serious crimes, including homicides, has escalated in recent years, and is now among the highest in the world. This weighs heavily on the pace of growth and development by redirecting scarce resources to limit its impact and by deterring critical investment in other areas. In one country, the murder rate in 2006 stood at 50 per 100,000, placing it third behind only South Africa and Colombia. In another Caribbean country, murders jumped from 118 in 2000 to 485 in 2010, placing that country second, in terms of serious crimes, in the Region. That same country also has one of the highest rates of kidnapping for ransom in Latin America and Caribbean.



Source: World Bank

A 2005 report by the Inter-American Development Bank (IDB) identifies the root causes of crime as the destabilising family structure; the decline in societal values and attitudes; income inequality; relatively high unemployment, a chronic drug culture leading to the availability of illegal firearms; growing levels of illiteracy; and political tribalism. Conservative estimates indicate that 1% - 2% of GDP is shaved off the national output annually as a result or rising crime rates. The impact is cross-cutting with serious cost implications for productivity loss due to injury and related health issues; the deterioration in education outcomes; and moral decay.

The Region must move with alacrity to reverse this worrying trend by targeting preventative strategies, in particular, through well targeted youth-at-risk programmes, and through appropriate reforms in the justice sector. Beyond this, the institution of the family must reclaim responsibility for providing guidance, direction and moral leadership to the youth.

(e) Education, Innovation and Investment

The final broad macroeconomic issue that merits some attention is the education, innovation and investment nexus. The recently published 'Growth Report' by the Commission on Growth and Development emphasises a well documented position. Most countries that sustain high growth for long periods put a substantial effort into schooling its citizens and deepening its human capital. It is believed that the social return probably exceeds the private return. In other words, educated people contribute more to society than they get back in higher pay.

What is also important is the timing of the provision of education services. Investment at the early childhood level raises the returns to investment later in life. Equally important is the quality and relevance of education offerings. Evidence suggests that in many instances, unemployment tends to be structural in nature. This situation arises when the education system fails to take sufficient account of changing dynamics in the labour market. Oftentimes, what obtains is a mismatch between labour supply at both the secondary and tertiary levels and the emerging labour requirements at the firm level.

The linking of education and industrial policies is crucially important as a key ingredient for driving growth. Recent studies on competitiveness also suggest that human competencies may be even more important during recessions. According to Edward Glaeser, a high stock of human capital allows both workers and firms to acquire new competencies and adopt new technologies faster.[6]

Building a strong skills base in the Caribbean is particularly important to undergird competitiveness and to move up the value chain in services, light manufacturing, agriculture and

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[6] Glaeser, Edward. Porta, R et al: 'Do Institutions Cause Growth?'; National Bureau of Economic Research, Inc. NBER Working Papers: 10568, 2004.

agro processing. In a survey of foreign investors across the Caribbean, firms in the services sector stand out as requiring more professional and skilled labour than their manufacturing counterparts. In addition, niche and specialty product manufacturing will require a continuous adaptation of product to stay abreast of the competition.

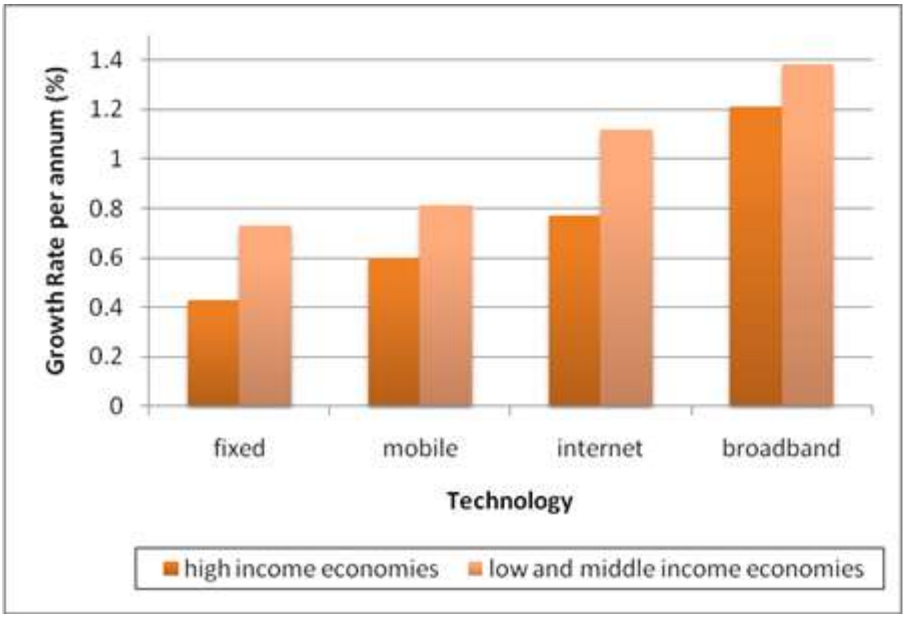
This brings me to the subject of research, development and innovation.

Increasing investment in the Region will track perceived opportunities and the associated returns on those investment opportunities. One way to enhance the return on capital is to leverage research and development (R&D) or innovation to the production process. Here, I define production broadly to encompass goods and services. Nobel laureate, Robert M. Solow, underscores the potential of increasing total factor productivity through exploiting efficiency gains in the production process. Using the standard growth accounting model he ascribes that part of output that cannot be attributed to any input accumulation - the famous ‘Solow residual’ - to technological progress.[7] Theoretical literature has established the role of technological capability in explaining growth and trade performance. A recent study by the World Bank also supports the technology/growth nexus. The study found, for example, that a 10% increase in broadband penetration accounts for about a 1.38 percentage point increase in economic growth for developing countries.[8] (See Chart 6).

[7] Solow, Robert M. “Landmark Papers in Economic Growth”, Edward Elgar Publishing, 2001.

[8] Christine Zhen-Wei Qiang, and Carlo M. Rossotto with Kaoru Kimura “Economic Impacts of Broadband” in *Information and Communications for Development 2009: Extending Reach and Increasing Impact*, page 45, World Bank, 2009.

Chart 6: Technology and Growth



Source: World Bank, ICT4D, 2009

Technology has been assigned an important place in the policy framework of most industrialised and newly industrialised economies. Governments in these countries aggressively promote innovative or R&D activities of national enterprises. As a result of the significant government subsidies, R&D expenditure as a proportion of GDP has risen from 1.85% in 1980 to 2.55 % in recent years, with the ratio as high as 2.7% in the United States and 3.3% in Japan. In many advanced economies, direct subsidies account for a substantial proportion of R&D performed by business enterprises - 28.3% in the United States and nearly 20% in Germany. The European Union also pursues significant Framework Programmes to strengthen the technological edge of European enterprises with R&D subsidies.[9]

Compared with the NICs, the Caribbean has been left behind with respect to putting innovation to work. Limited fiscal capacity cannot be advanced as a sufficiently strong argument for not leveraging innovation.

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[9] Kumar, Nagesh, "An Innovation-led Growth Model" in 'Business Standard' April 29, 2011.

The Caribbean region, as a set of mainly small island states, must leverage information and communications technologies (ICTs) and place increasing emphasis on the utilisation of modern technologies in order to drive investment and growth.

III. MICROECONOMIC CONSIDERATIONS

There are also some key micro-economic considerations which can stifle investment and, therefore, warrant attention. These considerations, broadly speaking, relate to the ease and cost of 'doing business' in the Region. In the World Bank's 'Doing Business' report, several factors that affect business facilitation are considered:

- starting a business;
- dealing with construction permits;
- employing workers;
- registering property;
- getting credit;
- protecting investors;
- paying taxes;
- trading across borders;
- enforcing contracts; and
- closing a business.

Caribbean countries need to apply a checklist aimed at systematically improving rankings on a consistent basis. This will require strengthening appropriate trade facilitation policies; reflecting on labour laws with a view to modernisation, where necessary; streamlining port operations; and reviewing the judicial system in order to enhance case management and quicken the adjudication process.

There are also two key inputs into the production process - high energy and telecommunication costs - which must be singled out. In all but one Caribbean territory (which is heavily subsidised), energy costs are burdensome, erode competitiveness and can be a significant disincentive to investment. Operating inefficiencies in the public utilities also tend to be high with transmission and distribution losses exceeding world-wide industry norms. The rising cost of fuel only serves to aggravate these concerns.

Going forward, the Caribbean must embrace green technologies, including solar, to improve competitiveness and to reduce the Region's carbon footprint.

The Region must also embrace a strategy that reduces telecommunications cost, perhaps through increased competition and improved regulatory oversight. Telecommunications can play a catalytic role in expanding production possibility frontiers. As such, developed countries in North America and Europe are encouraging the development of broadband access or high-speed internet access throughout their jurisdictions.

Broadband access promises to impact productivity growth in a revolutionary manner by allowing all users inside the production and planning processes, to realise the productivity potential of the internet. Broadband-enabled internet applications offer exceptional opportunities for productivity gains in a range of different areas including education, healthcare, government, and business.

IV. AGENDA FOR ACTION

So how can we ascribe a time horizon within which to pursue all the strategies I have identified for improving the investment climate in the Caribbean? Where do we begin?

Here is the action agenda, as I see it.

(a) Immediate Actions

An immediate imperative is to do those things now which will lead to an improvement in the medium term outlook for Caribbean economies. Such an improvement will only come about when policymakers take appropriate action to correct and improve macroeconomic fundamentals.

The debt overhang, which is clearly unsustainable in some countries, will require urgent corrective action. Many countries, including Antigua and Barbuda, Jamaica, and St. Kitts and Nevis have already taken, or are in the process of taking, bold reforms to deal decisively with this issue, but the job is far from being finished.

CDB has been actively engaging regional governments in discussions about the efficacy of their policy posture; and since Board approval of the new policy-based financing instrument in 2005, has been helping countries to design programmes that promote macroeconomic stability and private sector-led growth.

Since introducing the new policy, CDB has approved almost US$370 million in loan financing and $10 million in grants to 9 of its 18 borrowing member countries. The important feature of this new instrument is that beneficiary governments are provided with much needed fiscal space to implement policy and institutional reforms. Equally important and given the substantial financial requirements that are normally required in these programmes, the borrowing member countries have been able to use the CDB resources to leverage additional resources from other development partners and other creditors.

While policy-based financing is regarded as a critical addition to the Bank’s intervention modalities for improving development effectiveness, the expected gains from improvements in governance will be unsustainable if fiscal adjustments are unsupported by a comprehensive reform programme to diversify the economy, spawn new sources of growth, and stimulate growth enhancing private investment.

Secondly, the soundness and integrity of the financial system is vitally important for gaining investor confidence and trust and, therefore, for facilitating economic expansion. The 2008 global financial sector crisis has uncovered fundamental weaknesses in regulatory and supervisory oversight, particularly among our non-bank financial institutions, that cannot go unnoticed. The recent collapse of large financial institutions in the Region has resulted in major losses to both institutional and private investors and is another reminder that failure to secure our financial systems reduces institutional ability to avert impending crises. The second imperative, therefore, calls for closer supervision and regulation of the financial sector from a regional perspective. This becomes an even bigger imperative as we move swiftly to integrate regional markets.

Given its importance, CDB has kept the regional financial sector within its cross-hairs. In 2010, the Board of Directors approved a US$37 million dollar loan to assist the Government of St. Vincent and the Grenadines in undertaking major financial sector reforms, including divestment of the public-sector-owned commercial bank. Additionally, CDB recently met separately with OECS Ministers of Finance and with the World Bank to discuss possible approaches to strengthening the sub-regional financial system and to providing a barrier against further instability.

Third, and although it is one of the most difficult challenges to overcome because of the power and wealth of the international crime syndicates, we must confront and win the battle against citizen insecurity in many Caribbean countries. This will require according higher priority to the justice sector and to social sector interventions aimed at enhancing skills development and fashioning youth at risk programmes.

CDB has been working very closely with governments, community-based organisations and other stakeholders to address the infrastructure deficiencies and social interventions needed to engage and transform communities adversely affected by crime and violence. The Bank is financing a child development/juvenile justice project in St. Kitts and Nevis; and projects in Belize and Jamaica are being developed to deal specifically with youth in urban communities. The Basic Needs Trust Fund (BNTF) Programme remains in the forefront of the Bank's efforts with respect to direct poverty reduction, providing access to basic infrastructure and services in rural and urban communities. The BNTF itself will have to be repositioned so that its many years of experience in small community development can inform the process of reconstructing and transforming at risk communities across the Caribbean.

CDB is also engaged in dialogue with the Inter-American Development Bank and the United Nations Development Programme, among others, to determine the scope for collaboration in devising regional responses to this problem of citizen security. A regional approach recommends itself because of the regional and international dimensions of modern criminality and the need to share intelligence and lessons learnt.

Fourth, the Caribbean must be able to identify and implement strategies that will enable innovation to be leveraged, particularly through ICTs, to drive the growth process and make a significant contribution to social transformation and national progress. In a very short time, the rapid expansion of ICTs has certainly revolutionised the growth prospects for small developing countries like ours and opened up opportunities for the competitive provision of new services and improvements in productivity.

While governments are developing appropriate strategies to encourage innovation and increasing the use of ICTs in business development and expansion, creditors, including CDB will have to carefully review their lending policies to ensure that they do not act as a disincentive to the new wave of entrepreneurs.

CDB is also focusing on the use of ICTs in the area of education to improve access, delivery and quality to transform the human resource pool in the Caribbean at all levels. This is an area that offers interesting possibilities for regional cooperation. An ongoing initiative by the University of the West Indies (UWI) to leverage the capacity of modern ICTs to develop a single virtual university space is worthy of note. The use of this and other technologies which enable the sharing of the best teaching resources over long distances and across the Region needs to be rapidly extended to its logical conclusion to all levels of the education spectrum. Therefore, as we are currently doing with the UWI, CDB will continue to reach out to all stakeholders in the education sector to exchange ideas and to coordinate our programmes.

Without exception, every Caribbean country is extremely vulnerable to the adverse effects of climate change. We cannot ignore climate change since it poses a major risk to economic growth and long term sustainability of our economies. The **fifth** imperative, therefore, is for our countries to position themselves to get their fair share of the pool of resources pledged by developed nations at the United Nations Climate Change Conference in Copenhagen in December 2009 for mitigation and adaptation in developing countries. A concerted joint approach by the entire Region to identify viable projects and to package them for technical and economic appraisal by development partners should enhance our prospects for accessing these funds. CDB will leverage its expertise in project preparation to assist the BMCs in assembling a suitable portfolio of projects and intends to become an intermediary for the effective transmission of these resources to the Region.

V. MEDIUM-TERM STRATEGIES

The remaining strategies are also very important inputs into the Region's development agenda. I classify them as medium-term largely because their full impact will require a longer timeframe to be realised. However, without exception, they require the countries to begin almost immediately to lay the groundwork and commence mobilising the sizeable financial resources that will be required for associated investments. The medium term strategies include emphasis being placed on:

(a) pursuing green initiatives designed to reduce energy costs and boost competitiveness while reducing the region's carbon footprint;

(b) inspecting the checklist of the "Doing Business" survey with a view to devising a comprehensive time-bound strategy aimed at improving indicators on a sustained basis;

(c) reigniting the integration process in an effort to unlock the potential benefits from co-operation. These include the larger pool of investment funds and the push towards greater market efficiencies;

(d) re-examining the region's industrial and education policies to ensure that there is a complementary relationship between the two; and

(e) devising an implementation plan to expand bandwidth as a necessary condition to take advantage of the next technology wave.

Today, in closing, I propose to speak briefly only about the first two of these strategies.

With regard to energy, I find it difficult to imagine meaningful transformation taking place in Caribbean economies without the issue of energy being addressed in a significant way. To date, the Region has been responding to high oil prices, environmental degradation and climate change concerns by seeking to develop renewable energy sources and to encourage the use of clean energy technologies. But this has been largely at the national level.

The benefits from national initiatives can be significantly enhanced if we adopt a regional approach. This view is supported by a recent World Bank study,[10] which concludes that the multi-country responses and the co-ordination of energy policies across participating countries offer the best option for the realisation of scale economies and electricity cost reductions that are associated with the exploitation of our considerable renewable resources.

CDB is prepared to work closely with the World Bank and beneficiary countries in establishing the feasibility of the potential renewable energy sources and the related connectivity of electricity supply and demand across the regional economic space. Our interventions could range from direct investment in energy projects to influencing and assisting BMCs with capacity building, strengthening the enabling environment, and working with our leaders to persuade them of the benefits of cooperation over isolation.

The final but certainly not the least important imperative calls for an inspection of the checklist of the "Doing Business" survey with a view to devising a comprehensive time-bound

[10] Caribbean Regional Electricity Generation, Interconnection, and Fuels Supply Strategy," World Bank, March 2010.

strategy aimed at improving indicators on a sustained basis. If we are to achieve and maintain international competitiveness, we must be benchmarking performance against our competitors and be constantly aware of the importance of meeting and exceeding international best practices. We can only do this if we make monitoring performance a habit; and maintain and keep under constant surveillance a database of relevant performance indicators that sends early warning signals and enables the business sector to make informed strategic decisions.

CDB, as it has done in the past, will continue to support initiatives at the national, sub-regional and regional levels to strengthen data collection and analytical capabilities. The systematic collection and analysis of reliable data and information are also consistent with our ongoing efforts to improve overall performance by encouraging the Region to embrace a results culture and adopt an evidence-based approach to decision-making.

You may have observed that a common thread running through most of these imperatives is not only the responsibility for policy development at the national level but the tremendous opportunity for rapid advancement of national goals through regional cooperation.

VI. CONCLUSION

Ladies and gentlemen, I have just outlined for you an action programme for stimulating investment and spurring growth in the Caribbean.

The good news is that many countries have already begun the process of reforms necessary to create the desired investment climate and to provide a strong foundation for sustainable growth and development.

The biggest challenge ahead is to maintain this resolve and to accelerate the reform process so that we can participate fully in the integration of global markets that is currently ongoing.