

*Towards the Formulation of an OECS Growth and  
Development Strategy  
2018-2027*

*Discussion Draft*  
*January, 2018*

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## Foreword - OECS

The Member States comprising the Organisation of Eastern Caribbean States (OECS) have experienced substantial social improvement in the last two decades of the 20<sup>th</sup> century. This for the most part continued apace into the first decade of the 21<sup>st</sup> century. Improvements in education and health were especially pronounced. Secondary school enrollment increased from about 50% in 1980 to 100% since 2010. In health, infant mortality rates have more than halved to about 12 deaths per 1000 live births and life expectancy has increase by 7 years to just under 75 years. These gains were bolstered by robust economic growth which averaged over 4% per annum, considerably raising living standards and consequently jettisoning thousands of households from poverty and economic vulnerability.

At this juncture of history, real and imminent risks of reversal in these gains confront Member States and their citizens. These emanate from multiple threats that can be broadly classified as: Economic, Social and Environmental. Vulnerabilities: intrinsic in island geography and small size; inherited from a colonial legacy; as well as those fostered by sociocultural practices- provide the interface through which these threats can adversely affect citizens' wellbeing. A partial overview of some the major themes in this regard follows:

- Economic - A secular decline in growth occasioned in part by falling rates of growth in the exports of goods and services as well as deceleration in Foreign Direct Investment (FDI) represent the major economic threat confronting the OECS region. This underscores the region's high dependence on externally driven growth-a vulnerability inherent to all Small Island Developing States (SIDS). The consequence has been elevated levels of unemployment and other forms of economic dislocation. Fiscal challenges further exacerbate these risk (consequences) as governments' ability to appropriately respond is stymied by binding resource constraints.
- Social - The illicit drug trade is a scourge to which Caribbean islands are especial exposed. Their island geography and strategic location between major sources of supply and demand have been exploited by entities of nefarious character for decades. The inevitable consequence, has been high incidences of crack-cocaine abuse (as increasingly these drugs are been used as currency for facilitating such trans-shipment). A further consequence has been elevated levels of criminality and other forms of socially destructive behaviour. In the OECS intentional homicides average 16 per 100,000 persons annually, while this is 25% below the CARICOM average, it uncomfortably high and poses a significant tax to citizens' sense of security and wellbeing.
- Environmental- Rising global temperatures resulting from human influenced climate change represents another substantial threat. Among the major consequences of these increasing temperatures are: rising sea levels and increased frequency and severity of tropical cyclones<sup>1</sup>. With as much as 12% of the population in OECS Member States living in areas below 5 meters above sea level, the region is especially vulnerable to the first of these phenomena. Second, its geographic coordinates makes the region highly exposed to hurricanes and other adverse tropical weather systems. The risk associated with climate change related phenomena is further exacerbated by the coastal location of critical economic assets- hotels and airports being prime examples. The cost associated with these phenomena (mitigation as well as recovery cost) will certainly exert financial strain on private and public entities.

These threats, vulnerabilities and consequently risks must be confronted along with others not mentioned above. As resources are limited relative to challenges faced, OECS Member States must ensure the responses are

1 Hurricanes Irma and Maria and their catastrophic impact on Anguilla, Antigua and Barbuda, The British Virgin Islands, Dominica and St. Martin/Sint Maarten are examples of this.

strategic and are executed in a manner that maximizes impact. As resources available to Member States in responding to the same are limited it is imperative that responses are guided by sound strategy.

On June 18, 2010 the OECS Economic Union or the Eastern Caribbean Economic Union (ECEU) was established. As outlined in the Revised Treaty of Basseterre, the Economic Union formally creates a basis for joint action in charting the collective social and economic future of Member States.

The OECS Growth and Development Strategy (OGDS) therefore represents the systematic approach adopted by the OECS Economic Union to holistically respond to pressing threats to the common ideal of social and economic betterment of the peoples of the OECS. It reaffirms the commitment of the OECS Member States to achieving sustainable development for all. It takes cognizance of the different levels of national development among Member States as well as the need for Member States to individualize policies and strategies. Consequently the responses it will advance will require action at both the national and regional level. In this regard the OGDS neither will replace nor supersede national development plans therefore many items of strategy will be associated with complimentary national and regional actions.

The OGDS will cover the 10 year period to 2027 and it will be complimented by an Action Plan, prepared under separate cover, that will be reviewed and updated in 2022. While the strategy will be firmly situated in the realities of the OECS, it will be aligned to various multilateral development agenda, including especially the UNDP's Sustainable Development Goals (SDGs).

Finally, a strategy is among other things a statement of intent with a broad outline of how intended outcomes are to be arrived at. Strategies and action plans in and of themselves do not achieve anything. Achievement of these outcomes require the systematic coordinated attention and efforts of the parties involved. There are many parties that are key to the task at hand among them are:

- National Governments and National Public Sector Entities
- Regional Institution such as the CDB, ECCB,
- International Development Partners
- Private Sector
- Citizens and Civil Society

This Discussion Draft represents a collection of thoughts gather from consultations with Member States over the years as well as those of the OECS Commission. It is intended to serve as document around which focused discussions can ensue, leading ultimately to an approved Strategy. Your considered opinions and views are vitally important to this process.

## Foreword - ECCB

## List of Acronyms

ABS	Access and Benefit Sharing
AIMS	African Indian Ocean Mediterranean and South China Sea (category of SIDS)
ASEAN	Association of South East Asian Nations
AHFS	OECS Agriculture Health and Food Safety
B-Tool	Benchmarking Tool (Tool to Measure Disaster Risk Management)
BAICO	British-American Insurance Company Ltd
BSOs	Business Support Organisations
CANQATE	Caribbean Area Network for Quality Assurance in Tertiary Education
CANTA	Caribbean Association of National Training
CARPHA	Caribbean Public Health Agency
CARICOM	Caribbean Community
CBRs	Correspondent Banking Relationships
CCA	Climate Change Adaptation
CCCCC	Caribbean Community Climate Change Centre
CCH	Caribbean Cooperation in Health
CCSLC	Caribbean Certificate of Secondary Level Competence
CD	Communicable Diseases
CDB	Caribbean Development Bank
CDEMA	Caribbean Disaster Emergency Management Agency
CIDA	Canadian International Development Agency
CIS	Collective Investment Schemes
CLICO	Colonial Life Insurance Company Ltd
COP 21	21 <sup>st</sup> Conference of Parties
CSEC	Caribbean Secondary Education Certificate
CSME	CARICOM Single Market and Economy
CSS	Caribbean Small States
CXC	Caribbean Examinations Council
CVQs	Caribbean Vocational Qualifications
DaLa	Damage and Loss Assessment
EAC	Economic Affairs Council
EbA	Ecosystem-based Adaptation
ECAI	Eastern Caribbean Appraisal Institute
ECAMC	Eastern Caribbean Asset Management Corporation
ECCAA	Eastern Caribbean Civil Aviation Authority
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECEU	Eastern Caribbean Economic Union
ECD	Early Childhood Development
ECFSRC	Eastern Caribbean Financial Services Regulatory Commission
ECHMB	Eastern Caribbean Home Mortgage Bank
ECPCGC	Eastern Caribbean Partial Credit Guarantee Corporation
ECROP	Eastern Caribbean Regional Ocean Policy
ECSE	Eastern Caribbean Securities Exchange
ECSM	Eastern Caribbean Securities Market
ECSRC	Eastern Caribbean Securities Regulatory Commission

EMA	Environmental Management Accounting
ERIC	Energy Resource Intensive Commodities
FADs	Fish Aggregating Devises
FAO	Food and Agriculture Organisation
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
GCCA	Global Climate Change Alliance (GCCA) (Project)
GDP	Gross Domestic Product
GE	Green Economy
GILM	Global Innovation for Local Market
GTI	Global Technological Innovation
HDI	Human Development Index
HECS	Higher Education Contribution Scheme
IAS	Invasive Alien Species
IDPs	International Development Partners
IHR	International Health Regulations
IFS	International Financial Services
ILO	International labour Organisation
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commission Organisation
IPCC	International Panel on Climate Change
ISM	Island Systems Management
IWRM	Integrated Water Resources Management
JJRP	Juvenile Justice Reform Project
LAC	Latin America and the Caribbean
LCA	Life Cycle Assessment
LHD	Low Human Development
LIT	Labour Intensive Tradables
MSMEs	Micro, Small and Medium Enterprises
NCD	Non - Communicable Diseases
NEMS	National Environmental Management Strategies
NGOs	Non - Governmental Organisations
NVQs	National Vocational Qualifications
OAS	Organisation of American States
OASA	OECS Air Services Agreement
OCSIDS	Other Caribbean Small Island Developing States
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
OECS-CBU	OECS Competitive Business Unit
OECS-EDMU	OECS Education Development Management Unit
OECS-PPS	OECS Pharmaceutical Procurement Services
OECS-ESDU	OECS Environment and Sustainable Development Unit
PAHO	Pan American Health Organisation
PLA	Prior Learning Assessment
PPP	Purchasing Power Parity
PSIDS	Pacific Small Island Developing States
REER	Real Effective Exchange Rate

REMS	Regional Environmental Management Strategy
RGSM	Regional Government Securities Market
ROW	Rest of the World
RP	Regional Processing
RRACC	Rallying the Region to Action on Climate Change (Project)
RTB	Revised Treaty of Basseterre
SDGs	Sustainable Development Goals
SGD	St. George's Declaration of Principles for Environmental Sustainability in the OECS
SIDS	Small Island Developing States
SMEs	Small and Medium Sized Enterprises
TCC	Technical Cooperation among countries
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage
UKOTs	United Kingdom Overseas Territories
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNWTO	World Tourism Organisation
USAID	United States Agency for International Aid
USD	United States Dollar
VHHD	Very High Human Development
VRCP	Vulnerability Resilience Country Profile
WHO	World Health Organisation
WTTC	World Travel and Tourism Council
XCD	Eastern Caribbean Dollar

# Part A: Macroeconomic and Economic Sectors



# 1. Macroeconomic

## Background

OECS economies are small and highly opened with trade typically exceeding 100% of GDP. Their economies are highly dependent on market developments (internal and especially external) in a few sectors. With the exception of Grenada and St. Vincent and the Grenadines the Travel and Tourism sector accounts for at least one quarter of total economic output. At the extremes are St. Vincent and the Grenadines where economic contribution is one fifth of GDP and the sector's impact on employment is estimated at 18.2%, on the upper end of the spectrum is the British Virgin Islands where tourism is responsible for 85.9% of economic activity and 94% of jobs created (source: WTTC 2014 report). Agriculture is another major growth driving sector, especially in the Windward Islands (Dominica, Grenada, St. Lucia, St. Vincent and the Grenadines) with manufacturing (in particular food and beverage manufacturing) playing a supporting role. In much of the Leeward Islands (Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat, St. Kitts and Nevis) there is a strong off-shore financial services sector that plays a secondary role to the tourism sector.

Inflation is generally low- typically below 2.0 per cent over annually. Consequent on the XCD to USD peg, Member States of the OECS have been able to better 'import' the relatively low US inflation rate when compared to countries like Trinidad and Tobago or Jamaica with less restrictive exchange rate arrangements. Due to a relatively contained inflation rate, the Real Effective Exchange Rate (REER) has been falling in most OECS Member States. A downward trend in the REER suggests improving external price competitiveness.

In the OECS as well as the wider CARICOM region most business activity is undertaken by small and medium sized family-owned companies. In the case of St. Lucia, 75% of companies operating are micro enterprises with five or less employees (Owen S. Arthur & Consortium, 2010). Throughout the OECS sole proprietorships dominate as the main type of business operation with a consequent high level of informality surrounding the structure and functioning of enterprises.

Compared to other small island states the ease of doing business indicators in the OECS are generally on par (left-most columns in table 1). However, when compared to the LAC or Upper Middle Income countries, the overall easy of doing business rank for the OECS is less favourable. Furthermore as indicated in the right-most columns of table 1 there is considerable variability in ranking among OECS Member States. In three OECS Member States the ease of doing business rank was less favourable than any group average reported in the table.

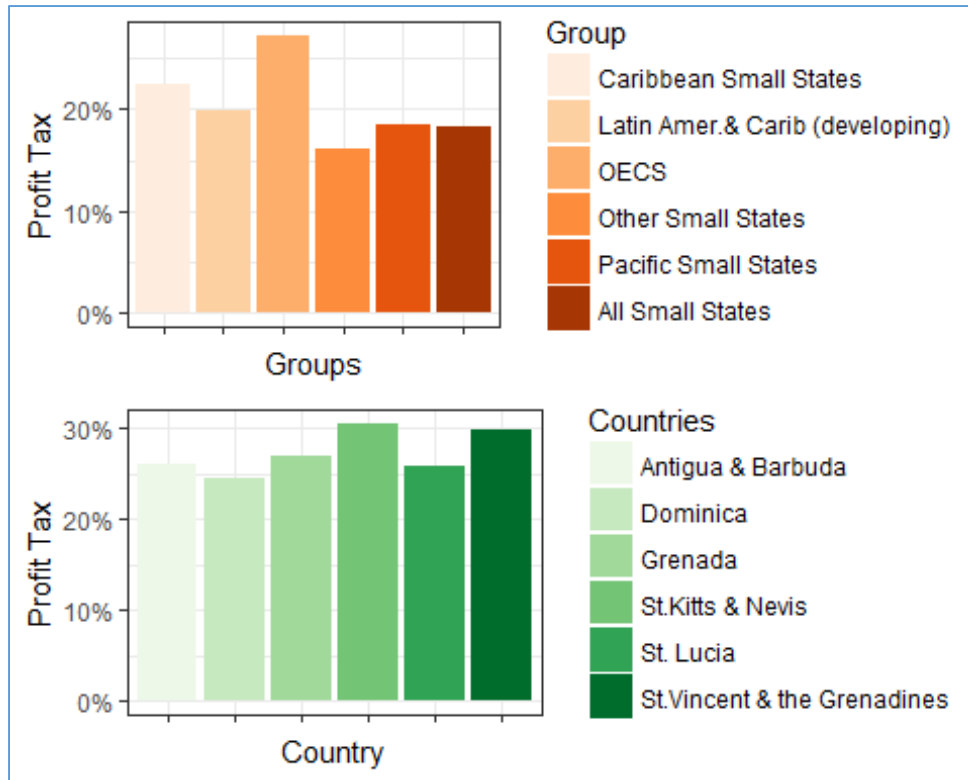
Table 1-1: Ease of Doing Business Ranking (2017)

Group	Ease of Doing Business Rank (Avg)	OECS Countries	Ease of Doing Business Rank
<b>OECS</b>	<b>116.83</b>	Antigua and Barbuda	107
SIDS	116.06	Dominica	98
Upper Middle Income Countries	86.08	Grenada	142
LAC	107.85	St. Kitts and Nevis	134
		St. Lucia	91
		St. Vincent and the Grenadines	129

Source: World Development Indicators

Taxes on profits in the OECS are relatively high. Among small states and the developing countries of LAC, OECS profit tax rates are the highest as can be seen from the upper panel of figure 1. The Lower panel of figure 1 shows the distribution of rates across Member States indicating that the distribution of these rate in the OECS is between 24.4% and 30.5% of profits.

Figure 1-1: Profit Tax- Average (2016 & 2017)

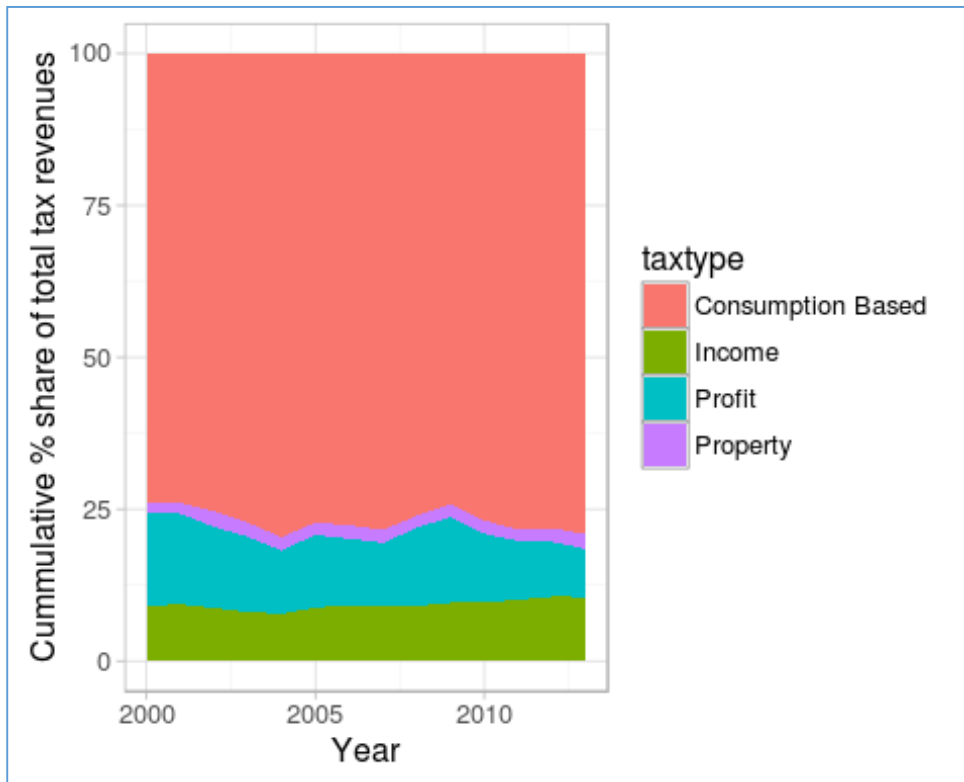


Source: World Development Indicators

The impact of the tax structure (tax mix) on growth is still an emerging research area in tax policy literature. Arnold *et al* in their 2011 contribution to this literature suggested (based on a panel investigation of 21 OECD countries over a 34 year span) a “tax and growth ranking’ with recurrent taxes on immovable property being the preferred tax instrument in terms of long-run GDP per capita, followed by consumption taxes (and other property taxes), personal income taxes and corporate income taxes” (ibid pp. F70).

Figure 2 shows the relative revenue contribution of each of the major tax groups in the OECS over the period 2000 to 2013. The contribution of consumption based taxes (taxes on domestic goods and services plus taxes on international trade and transactions) range between 72.6 to 78.0 per cent. On the other end of the spectrum, property taxes contribute between 1.6 to 2.5 per cent to total tax revenue in the ECCU. It probably would be expected that consumption based taxes will be the ‘revenue work horse’ given their relative ease of collection and the size of the informal sector. However the relatively high contribution of corporate taxes (profit taxes) which averaged 11.5 per cent and the relatively low contribution of taxes on property suggest there may be room to reform the tax structure to make it more growth enhancing.

Figure 1-2: Relative Revenue Contribution of Major Tax Lines in the OECS



Source: ECCB, computations-OECS Commission

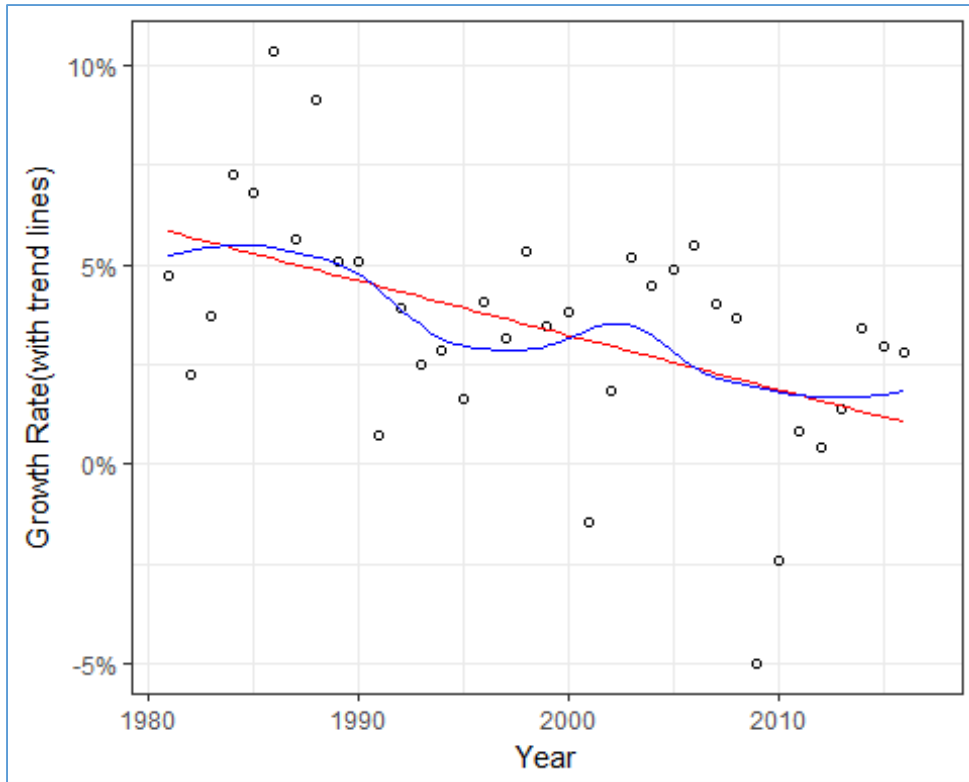
## Key Economic Challenges

The OECS Member States like many other Caribbean states are characterized for the most part by persistently high levels of unemployment. In some Member States over one-fifth of their labour force is unemployed, with this statistic being even higher amongst youth<sup>2</sup>. Slowing growth rates further exacerbate this problem (see figure 3).

In part this secular decline in growth has been occasioned by falling rate of growth in the exports of goods and services (figure 4) as well as decreasing in Foreign Direct Investment (FDI) especially in the post 2000 period - see figure 5. FDI accounts for an average 8.1% of GDP in the OECS.

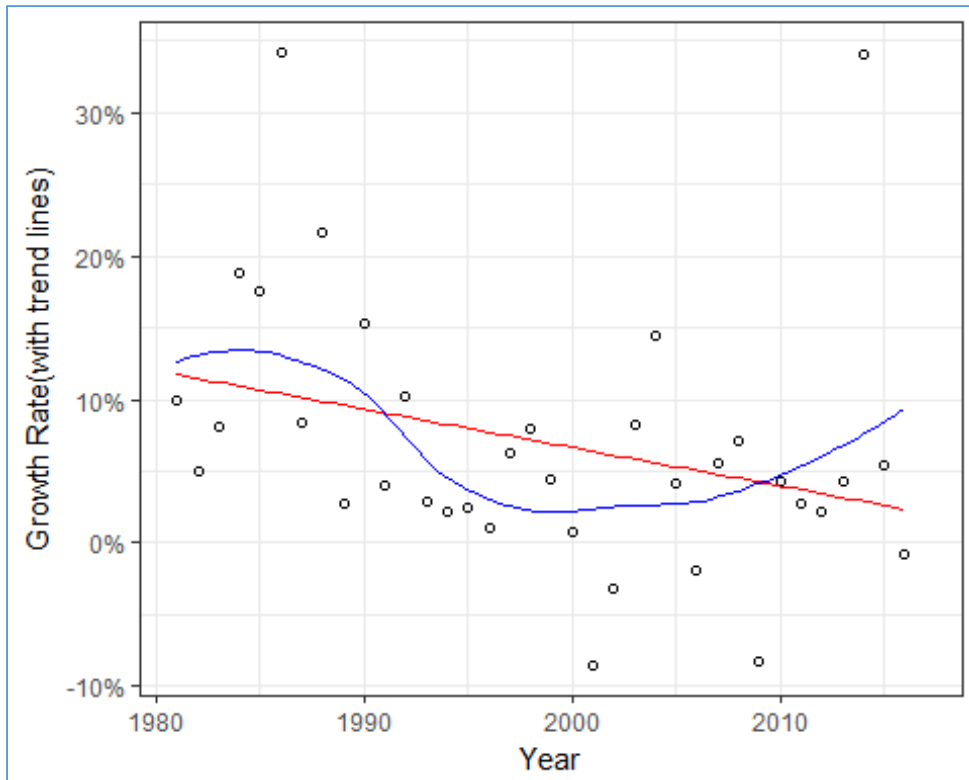
<sup>2</sup> Mónica Parra-Torrado (2014) observes that in recent periods Grenada, Saint Lucia and Saint Vincent and the Grenadines experienced youth unemployment rates around 1.7 times higher than the national unemployment rate.

Figure 1-3: Real GDP Growth rate in the OECS



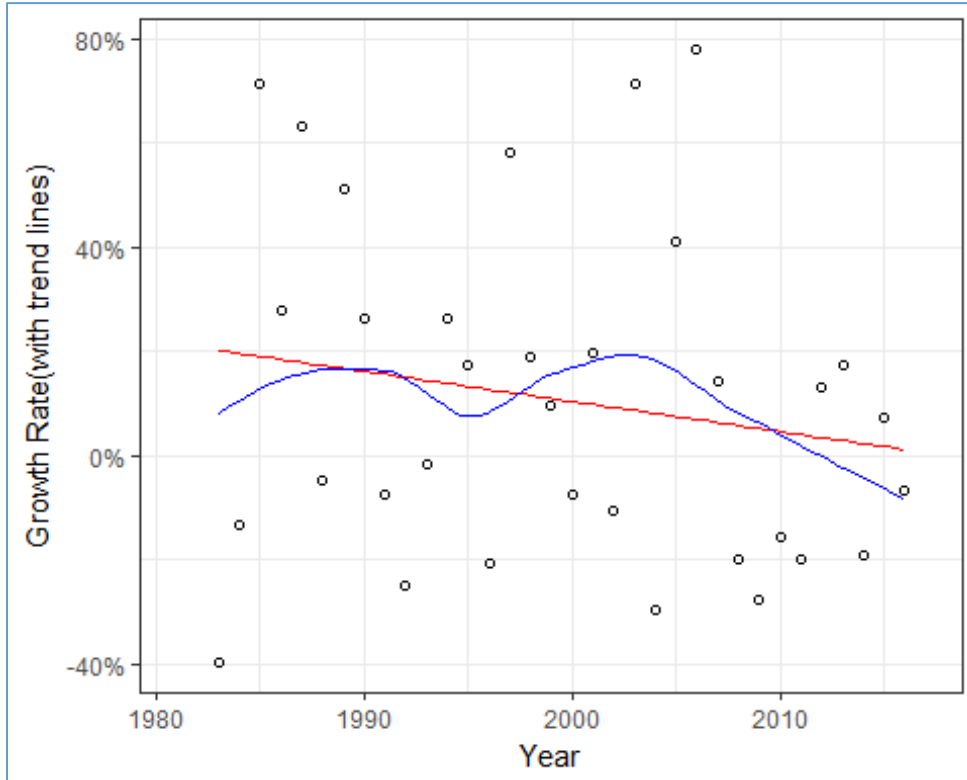
Source: WBOD, estimation-OECS Commission

Figure 1-4: Growth Rate in Export of Goods and Service in the OECS



Source: WBOD, estimation-OECS Commission

Figure 1-5: Growth Rate in FDI Inflows in the OECS

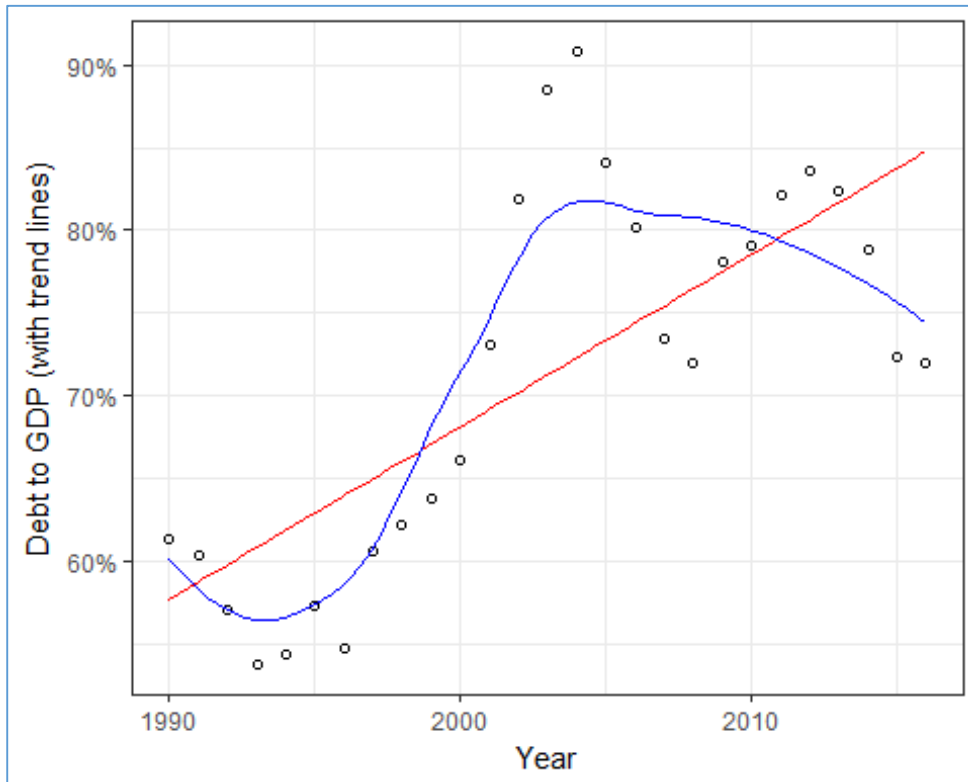


Source: WBOD, estimation-OECS Commission

Generally public sector debt levels in the OECS are considered high. Figure 6 shows the evolution of public sector debt to GDP ratios over period 1990 to 2016. While there is generally an upward (linear) trend in the ratio, *circa* 2005 the region appears to have started to reverse this trend (see blue line in figure 6).

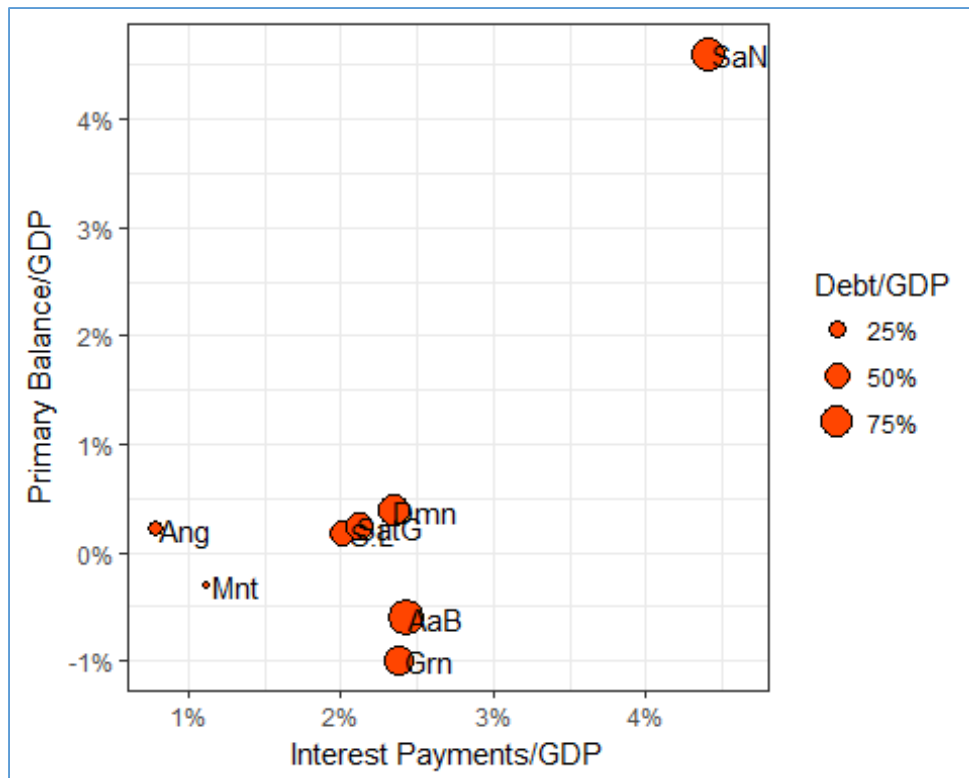
An examination of primary balances indicates that over the period, Member States, for the most part, had primary balances that were on average either negative or relatively small both in nominal terms and as a percentage of GDP. Interest payments on the other hand on average ranged between 0.8 per cent of GDP in the case of Anguilla to 4.4 per cent of GDP in the case of St. Kitts and Nevis. Figure 7 shows the average interest payments and primary balances as well as the average size of the debt stock across Member States. As may be seen from figures 6 and 7 the public sector debt dynamic in the OECS is of concern and consequently presents considerable downside risk to growth.

Figure 1-6: Public Sector Debt in the OECS



Source: ECCB, OECS Commission estimates, estimation-OECS Commission

Figure 1-7: Average (1990-2016) Debt to GDP, Primary Balances and Interest Payments



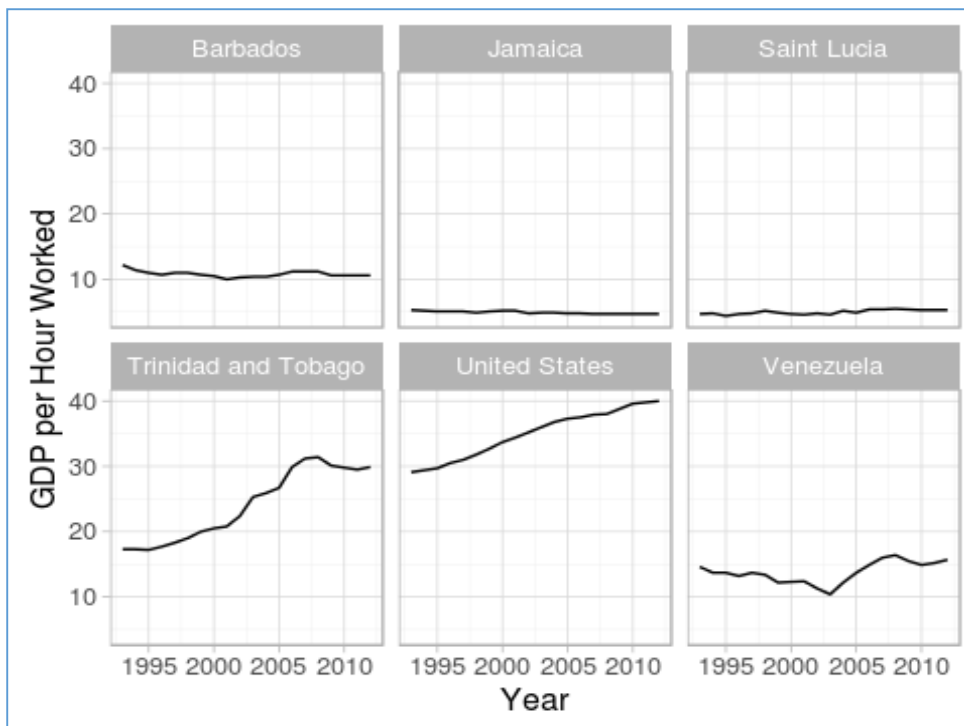
Source: ECCB and OECS Commission Estimates

### Box 1-1: Size of Government, Sovereign Debt and Risk to Growth

Several studies have found inverted U relationships between the size of government and growth as well as sovereign debt and growth (see DiPeitro and Anoruo, 2012 for a brief review of literature as well as panel evidence from 175 countries). Qualitatively these relationships are invariant to development classification. They suggest at some level, government spending and debt switch from being positively growth associated to being negatively associated with growth. Imbs and Ranciere (2005) in a panel of 87 developing countries estimated the point of 'External Debt Overhang' (where the External Debt –Growth curve becomes negatively sloped) at approximately 60 per cent of GDP. Reinhart and Rogoff (2010) found in sample of 44 countries, each with data spanning 200 years that central government debt in excess of 90 per cent of GDP was associated with mean growth that was several percentage points lower than that when debt was below this benchmark.

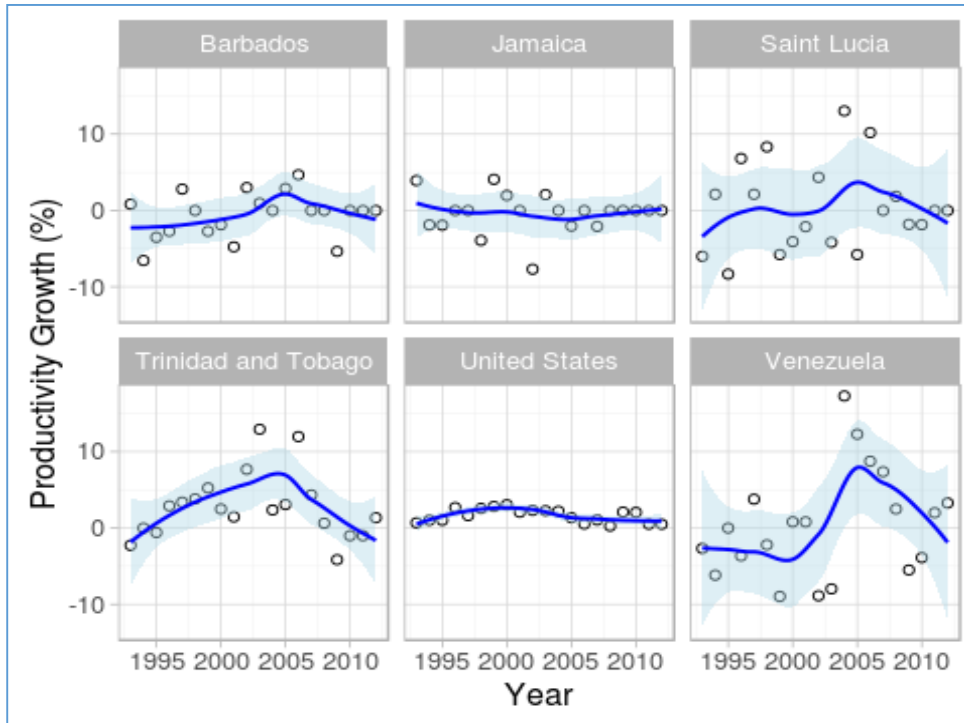
Figure 8 shows that labour productivity in St. Lucia (the only OECS country with available data) is low relative to other CSME Member States as well as Venezuela and the US. Most notably (Purchasing Power Parity) GDP per hour worked has been many times higher and increasing in Trinidad and Tobago than in St. Lucia. While productivity in St. Lucia is slowly catching up, it still is substantially below that of Barbados. From about 2003 (in St. Lucia) there has been positive growth in labour productivity. However the post 2005 period growth in productivity has been falling (see figure 9). To the extent that the data from St. Lucia is reflective of the wider OECS, these charts suggest that labour productivity may be an area of concern for the OECS.

Figure 1-8: Labour Productivity Level



Source: KILM-ILO

Figure 1-9: Labour Productivity Growth



Source: KILM-ILO, OECS Commission

## Policy Context and Constraints

Broadly speaking from a theoretic perspective there are two sets of macroeconomic policies that may be pursued, namely; demand-side management and supply side management policies. Demand-side policies seek to influence aggregate output through manipulating aggregate demand. In so doing, demand-side policies do not (seek to) alter structural characteristics of the economy. Supply side or structural policies on the other hand aim to increase aggregate output through market-based efficiency improvements; that is, making the economy more efficient at producing a given level of aggregate output by addressing impediments to market clearing outcomes. In seeking to attain their growth targets, OECS Member States, for reasons explained below, are for the most part constrained to adopt supply side policies. These policies in addition to being, for the most part, less fast-acting, may require considerable socio-political capital in their implementation. This strategy therefore envisages a process of public sensitization to bolster the support in key publics.

As previously noted, in the current context demand side management policies, for the most part, cannot be employed in a growth enhancing manner. The reason for this is two-fold. First the Member States of the ECCU jointly operate a currency board arrangement with their common currency the XCD being pegged to the USD. This effectively removes the monetary policy option. Second the mounting levels of public sector debt and the financing dynamic that it spawns (it has spawned), leaves no policy space for pursuing expansionary fiscal policy in the short to medium term.

## Strategy

### Strategic Objective and Approach

The objective of the strategic framework presented below is to create a macroeconomic environment conducive for the attainment of targets 1 to 3 outlined previously (at the beginning of Part A). This strategy frame is necessarily supply side oriented. It does however address fiscal policy within the context of the downside risks that current debt levels and debt dynamic pose to growth. A fundamental cross cutting assumption is that there is the requisite societal commitment to the proposed interventions. As supply side policies are typically slow acting and some are known to be inimical to growth in the short run, the following approach to implementation is proposed:

- Address issues that pose the greatest downside risk early;
- Early full-implementation of those strategies that have the potential to be growth enhancing within the short term;
- Phased implementation over the short to medium term of those strategies that are potentially inimical to growth in the short term or have significant welfare distribution consideration.

The strategies in this chapter are grouped according to this three-part implementation approach.

### Elements of the Strategic Framework

#### *Strategy Component 1-A: Reducing Downside Risk to Growth*

##### 1-A.1: Clear Demonstration of Fiscal Sobriety

It may be argued that the Member States of the ECCU have relatively high ‘debt tolerance’ possibly in part due to its fixed exchange rate regime which eliminates external debt default risk pressures occasioned on nominal exchange rate volatility. While this may be the case, recent developments suggest that Member States are approaching (in some cases have approached) the limits of their ‘debt tolerance’. As a consequence of approaching debt tolerance limits interest rates rise sharply as creditors increasingly become less willing to lend, forcing rapid and painful fiscal adjustment (abrupt tax hikes and/or expenditure cut) or outright default. Both of these have strong negative implication for growth, with these implications extending further into the long-run horizon in the case of the default option. It is imperative that concrete steps be taken to demonstrate to lenders (international and domestic) an intention to decisively step back from debt tolerance thresholds. The strategic actions to accomplish this are:

1-A.1(i): *Attaining and maintaining in the short run (up to three years) primary balances equivalent to interest commitments on outstanding debt. At current levels this is equivalent to ECCU average primary surpluses of 2.9 per cent of GDP.*

As a corollary of this action new borrowing by central government in each year over this period will be limited to amount of debt stock (to GDP) amortized in that given year.

1-A.1(ii): *Maintain a moratorium on new ‘other public sector’ debt over the 3 year short run period.*

As a consequence of A.1(i) & A.1(ii), assuming growth consistent with the target at the beginning of Part A is attained, the debt to GDP ratio in 2021 for the ECCU should decline by an estimated six percentage points to 66 per cent of GDP.

1-A.1(iii): *Over the medium to long term contain growth in debt stock to at most one percentage point less than GDP growth to attain by 2024 debt to GDP ratios that are at least five (5) percentage points lower than those of 2019.*

In operationalising these strategic actions Member States will determine country specific tactical mechanisms to be employed. Notwithstanding, each member state is encouraged to establish a standing committee on fiscal and debt management, which shall keep these strategic actions and consequent tactical mechanisms under continuous review.

## 1-A.2 Ensuring the Health of the Financial System

It is a well-established fact that, in periods of prolonged economic stress, the financial institutions in particular banks face increased risk of substantial portions of their loan portfolio turning bad. The nature of banking means that if a significant part of the asset base (loan stock) is non-performing, banks face a real risk of not being able to service their liabilities (deposits) as they become due. Reputation is extremely critical to banks, as such this risk of bankruptcy causes banks to adjust their loans offer schedule in a pro-cyclical manner, resulting in (other things being equal) lower levels of lending and investment during periods of economic downturn (Greenwald and Stiglitz, 1993).

Adequate levels of capitalization can to some degree mitigate this bankruptcy risk, thereby reducing the pro-cyclical swing in lending and risk to depositors, both of which represent downside risk to growth. The ECCB in conjunction with other development partners will:

1-A.2(i)- *Conduct an assessment of the capital adequacy of the banking sector in the ECCU.*

1-A.2(ii)- *If and where necessary devise mechanisms to ensure appropriate adjustments are undertaken.*

## Strategy Component 1-B: Enhancing Growth in the Short-run

### 1-B.1 Create Opportunity for Greater Private Sector Investment

To some extent the increase in public sector debt (noted above) is reflective of attempts by the public sector to cushion the aggregate demand impact of the secular decline in private sector investment. However the current debt levels and fiscal performance do not permit the public sector to sustain these actions. Given the important role investment plays in stimulating and sustaining aggregate output it is therefore imperative that efforts be taken to resuscitate growth in private sector fixed capital investment. The strategic actions to accomplish this are:

1-B.1(i)- *Review impediments to the affordability of and access to credit*

Polius (2002) demonstrated that the level of savings in the ECCU is not influenced by the existence of the minimum deposit interest floor. Rather, she concludes that the minimum deposit interest floor may increase the cost of investment and therefore result in less than optimum level of savings in the long run. Mounsey and Polius (2014) presents evidence to suggest that the minimum interest floor on savings deposits is a structural impediment in the banking sector that has increased the cost of funds for banks and consequently has resulted in lending rates being higher than they otherwise would have been. They therefore suggest that the floor distorts both the price and quantity of funds loaned in the banking sector. Other impediments to affordability of and access to credit may also exist. The ECCB will review all possible (major) sources of distortion in the banking sector and advise the Monetary Council on appropriate remedial action were necessary. Actions so approved by the Monetary Council will represent a substantive component of this strategy.

### 1-B.1(ii)- *Emphasis on inward investment*

In the current environment of declining Foreign Direct Investment (FDI), mechanisms for increasing domestic private sector investment will be explored. These mechanisms will be developed within the context of the Economic Union. They will offer limited time special incentives to Economic Union nationals for fixed capital Investment that involves construction and sustainable long term employment. These incentive packages will be jointly determined (devised) and promoted by Member States.

### *1-B.2- Reposition the OECS Regionally and Internationally as an Emerging Place for Business with Sound Business Opportunities*

Caribbean Small States (CSS) have for the most part lagged behind other key regional groupings in terms of the rate of growth of Foreign Direct Investment (FDI). This performance in attracting FDI seems to point to problem in the Caribbean's brand image as a place for investment. There is no reason to suspect that the OECS brand image is any better, given its FDI performance referenced earlier. Article 17 of the Protocol of Eastern Caribbean Economic Union in the RTOB provides the basis for joint policy and joint action in the area of foreign investment. Pursuant to this article within the wider context of the Economic Union, OECS Member States will seek to jointly reposition themselves regionally and internationally as an emerging destination for FDI. To accomplish this, the following activities are proposed:

1-B.2(i)- *Develop and implement 'a doing business' reform agenda, particularly addressing ease of start-up, issues related to resolving insolvency and administrative related delays in construction*

1-B.2(ii)- *Review Incentive frameworks across the Economic Union with a view to establish a harmonized /coordinated framework of incentives that are at least the most competitive in the English Speaking Caribbean*

1-B.2(iii)- *Establish in each member state seamless (one-stop) processes for business registration, application for incentives etc.*

1-B.2(iv)- *Develop and establish a framework for joint investment promotion*

1-B.2(v)- *Develop and execute a branding strategy*

### *Strategy Component 1-C: Adjustment for Medium to Long Term Growth*

1-C.1 – *Contain Real Wage Increases to be two (2) or more Percentage Points Less than Average National Productivity Growth in the Previous Three (3) Years.*

The ultimate basis of price competitiveness is growth in productivity that outstrips growth in cost. In the OECS production is largely based on relatively labour intensive technologies. It is therefore critically important to ensure nationally that wage increases are more than offset by labour productivity growth. To accomplish this, the following strategic actions will be pursued:

1-C.1(i)- *Conduct regular (at least twice annually) labour force surveys to enable calculation of labour productivity.*

1-C.1(ii)- *Develop social compacts that formalize productivity limited wage increases.*

1-C.1(iii)- *Establish and/or formalize national tripartite based consultative committees comprising representatives from labour, private employers and government to advise on and advocate for mechanisms for enhancing productivity and for the harmonious movement of wages and prices.*

## 1-C.2 -Fully Implement the Economic Union as means widening and deepening the economic and financial space as well as attaining greater economies of scale and scope

The OECS Economic Union provides for the free movement of citizens, the free movement and circulation of goods, rights of establishment and provision of services among participating states. The Economic Union which builds on the extant currency union has the potential to broaden economies of scale and scope as well as increase competition in key markets thus leading to improved economic outcomes. The Protocol of Eastern Caribbean Economic Union in the Revised Treaty of Basseterre provides details which are understood to be fully incorporated in this strategy. A phased approach to the implementation of these provisions has been adopted and to date, the free movement of citizens have been fully implemented and a regime for the free circulation of goods is in the process of being established. Efforts have also started towards giving effect to the provisions for the right of establishment and freedom of trade in services, in conjunction with the formulation of a common policy for development and regulation of the services sector. Efforts should be made to:

1-C.2(i)- *Fully implement the free circulation provision of the Treaty as means of achieving more competitive outcomes in the goods market*

1-C.2(ii)- *Examine legal and other mechanism for the portability of collateral across the Economic Union to facilitate pan OECS business activity.*

1-C.2(iii)- *Formulate and/or update policy, regulatory and accreditation frameworks for service providers so as to allow for freedom of trade in services and greater effective competition among providers in the Economic Union.*

## 1-C.3 – Enhancing Efficiency and Production through Engendering Competitive Markets and Facilitating and Promoting Trade

Apart from the full implementation of the OECS Economic Union, efforts aimed at actively fostering more competitive markets and promoting greater trade will be pursued. These include:

1-C.3(i)- *Establish a framework for policing and regulating competition (anti-competitive practices) in Member States as well as across the Economic Union.*

This framework shall also address anti-competitive practices committed by third countries. The framework will also provide a regional/ national facility (including administrative arrangements) that enterprises can rely on to seek redress against anti-competitive action.

1-C.3(ii)- *Develop and implement mechanisms to provide better technical support to various trade negotiating theatres to ensure harmonized positions with appropriate degrees of market access are secured to both ensure scope for export growth and constructive competition in domestic markets.*

1-C.3(iii)- *Harmonise and improve legislation, create mechanisms to enable enforcement to ensure increased protection of intellectual property rights.*

1-C.3(iv)- *Develop and implement a framework for appropriately dealing with technical barriers to export trade and sanitary and phytosanitary measures.*

Particular attention will be devoted to the possibility of establishing regional testing and laboratory facilities to meet sanitary and phytosanitary export requirements of the US, Canada and EU countries.

## 1-C.4 –Growth Enhancing Tax Reform

While there have been several tax reform initiatives that have greatly improved tax efficiency and yield, it is unclear whether the current high levels of corporate taxes and the relatively low yield of other taxes (mainly property taxes) are optimal as far as growth is concerned. As such the following actions will be taken:

1-C.4(i)- *Review existing tax structures within the OECS with a view to determine aspects that may be recalibrated to become more growth enhancing.*

1-C.4(ii)- *These recommendations if approved by the OECS Authority shall be viewed as an integral component of this strategy.*

## Assumptions and Risk

Several assumptions undergird this strategy, including inter alia: continued robust recovery in the United States supported by a firm economic recovery in Europe in the short to medium term, thereby providing a basis for export demand; oil prices remain stable over the strategy period; continued socio-political stability and general atmosphere of peace and social cohesion.

## Monitoring and Evaluation

The OECS Commission will keep the implementation of this strategy under continuous review. It shall report yearly to the Economic Affairs Council on its progress and success against the targets outlined above.

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## 2. Financial Services

### Background

The financial services sector of the OECS is a mosaic of international and domestic players in the commercial banking sector, credit unions and other non-banking financial institutions. At 28 February 2017 in compliance with the New Banking Act of 2016 there were 25 licenced commercial banks, 45 credit unions, and non-banking financial institutions in the jurisdiction.

Efforts are being made to have every entity licenced in the jurisdiction to fall under the remit of a regulatory authority. All commercial banks fall under the remit of the ECCB, Credit Unions are presently regulated by the Registrar in each separate country. Some non-banking financial services have single regulatory units.

The financial services sector in the Eastern Caribbean Currency Union (ECCU) has played and continues to play, a vital role in the development of the region. The industry is fairly liberalised with no exchange or capital controls and the regional quasi currency board arrangement through the ECCB has provided an anchor for macroeconomic stability and facilitated financial sector development. Traditionally, the commercial banks have been the dominant institutions and non-bank financial institutions include finance companies, mortgage banks, national pension schemes, development banks, insurance companies and credit unions.

The 1980s saw the evolution of the International Financial Services (IFS) sector while the latter part of the 1990s heralded the onset of a new era of financial sector development in the region with the establishment of regional money and capital markets such as the Eastern Caribbean Home Mortgage Bank (ECHMB); Eastern Caribbean Securities Market (ECSM) and the Regional Government Securities Market (RGSM).

Despite the progress, the ECCU financial services industry still lacks the diversity of institutions and mechanisms deemed essential for the efficient mobilisation and allocation of capital to productive sectors of the economies. Specifically, the bank centric structure has left a significant gap in the financing of productive enterprises particularly in new areas. In addition, there is need to strengthen the money and capital markets to provide financing to the private sector and offer a broader range of investment opportunities to investors. At the macro level, the system is highly fragmented which increases its vulnerability to exogenous shocks which was evident in the aftermath of the global crisis. Given the small size of the economies, policy makers in the ECCU have recognised that an imperative for the further development of the financial industry in the region is the integration of the financial systems into a single financial space.

### Key Sector Challenges

There are a number of major challenges and gaps in the current financial system that significantly impedes its fundamental role of intermediation and ability to facilitate economic development and poverty alleviation. The major challenges and gaps result from the inherent weaknesses of a small economy and fragmented financial system, and are as follows:

- i) **A limited range of financial services and instruments for investment and mobilising finance for private sector ventures particularly by small and medium sized enterprises.** In particular, the commercial bank dominance has left significant gaps in the efficient and effective mobilisation and allocation of resources to the productive sectors and the ability of financial agents to effectively mitigate and manage financial risks. Overall, there is inadequate alternative financing for the private sector in the region. Non-bank financial institutions such as the development banks should be reformed or reoriented to strengthen their capacity to play a greater role in providing development finance.

With respect to money and capital markets, the potential gains of the Eastern Caribbean Securities Market (ECSM) have not been fully realised. The fully electronic platform provided by the Eastern Caribbean Securities Exchange (ECSE) to facilitate the issuance and trading of securities remains underutilised and operating below potential. While the Regional Government Securities Market (RGSM) has been relatively

active, the market for equities and corporate debt has been growing at a much slower pace. Overall, there are limited types of instruments available and the secondary markets are illiquid.

- ii) **The effects of the global financial crisis highlighted the vulnerability of the financial system and the fundamental weaknesses with respect to the regulation and supervision of commercial banks and non-bank financial institutions.** It also underscored the need for improved and effective risk management, increased efficiency and improved management and governance within the operations of the banks and non-bank financial institutions. The vulnerability of the insurance sector was also exposed with the collapse of CLICO/BAICO and the resulting impact on the rest of the financial system. Overall, the crisis emphasised the need for a more robust and consolidated supervisory and regulatory framework for the financial system.
- iii) **The financial institutions in the region are faced with the increasing cost of compliance associated with the regulatory framework outlined by Basel, the Foreign Account Tax Compliance Act (FATCA), Global Forum, Financial Action Task Force (FATF), Organisation for Economic Cooperation and Development (OECD) and other bodies.** Furthermore, the recent trend in “de-risking” adopted by global banks which have led them to either terminate or threaten to terminate their correspondent banking relationships (CBRs) with banks in the region continues to pose a serious threat to the operations and overall sustainability of the financial institutions.
- iv) **Legal and administrative impediments to the further integration of the financial system for the establishment of a single financial space particularly with respect to the enactment and harmonisation of foreclosure and insolvency legislation; company’s legislation; and alien landholding legislation.** Furthermore, the lack of critical market infrastructure in the financial system such as a functional regional credit bureau to assist in mitigating information asymmetries and reducing the high levels of credit risks in lending to individuals and micro, small and medium enterprises (MSMEs) is also recognised as a significant impediment.
- v) **Educational and cultural impediments continue to impact the level of participation in the money and capital markets both on the supply and the demand sides.** There is the risk averse and “buy and hold” culture across the region which continues to mitigate the potential benefits of efforts to promote financial literacy and awareness of the financial markets and institutions in the region. Additionally, there is a limited knowledge

## Policy Context and Constraints

Policies for the financial sector are usually established by the Monetary Council; the collective of Ministers of Finance for each member state of the ECCU. The Permanent Secretaries or Financial Secretaries or other competent individuals are selected by the Member States to serve on the Board of Directors according to the ECCB Agreement and the New Banking Act 2014. In response to the challenges, the ECCU Member States have implemented a comprehensive framework for strengthening the resilience of the financial system and supporting its further development. This approach is underpinned by two pivotal pillars, namely:

- i) the establishment of an OECS Economic Union including provisions for the creation of a single financial space; and
- ii) the implementation of the ECCU Eight Point Stabilisation and Growth Programme.

The establishment of a single financial space, as provided for in Article 4.1(e) of the Revised Treaty of Basseterre establishing the OECS Economic Union is expected to support the development of an innovative, economically competitive and dynamic financial sector which is able to provide a solid foundation for the Economic Union. A single financial space for the region means that the financial system will operate as one territorial boundary, under the same laws and supervised by a common regulatory body (bodies). Efforts geared toward further integrating the financial markets and institutions could potentially address some of the challenges relating to the small size, fractionalisation and fragmentation of the current financial systems in the region.

In addition, the ECCB continues its efforts with respect to the implementation of key elements of the Eight Point Stabilisation and Growth Programme which was developed by Member Governments in response to the significant economic and financial challenges faced by the ECCU as a result of the 2007/08 Global Crisis. Reforms and initiatives for the strengthening and further development of the financial sector are covered under points six, seven and eight of the Programme which addresses financial safety net programmes; amalgamation of the indigenous commercial banks; and rationalisation, development and regulation of the insurance sector.

## Strategy

### Strategic Objective and Approach

*The overall goal of the region wide sector strategy is to enhance the free movement of capital to facilitate the efficient mobilisation and allocation of foreign and domestic capital in the ECCU to foster economic growth. This goal is based on a vision for the financial system in the ECCU as articulated by the ECCB in 2014. The vision is premised upon a strong and resilient financial system which offers investors more diverse investment opportunities and alternative mechanisms to private sector businesses for accessing finance, while at the same time ensuring the existence of an appropriate and well-functioning legal and regulatory system. The vision is cognisant of the over-riding constraints of the size of the region's markets and the scale of operations or activity in regard to the instruments, institutions, and markets to achieve economies of scale and enhance viability. Hence, a key feature of the proposed financial architecture is the further integration of the financial systems in the region which will facilitate the achievement of a single financial space as envisaged under the Revised Treaty.*

Developing modern financial system architecture for the ECCU would entail building on the successes achieved over the past two decades, undertaking the necessary reforms for ensuring the further development and stability of the system; and leveraging the region as an emerging and growing economy to attract investors. In pursuit of such efforts, the ECCB has engaged its development partners in the regional and international development community (CDB, IMF and World Bank) for technical assistance to strengthen and further develop the financial system in the ECCU. To this end, the Bank is working closely with the World Bank and FIRST Initiative on a technical assistance project to support the development of a strategy and action plan for a more diversified financial system. The Bank is also collaborating with the Savings Bank Foundation for International Cooperation of Germany on a project which seeks to support the strengthening of the financial sector and improvement of access to financial services by MSMEs.

### Elements of the Strategic Framework

The member governments of the ECCU have adopted a comprehensive approach towards the further strengthening and development of the financial services sector in the ECCU. The strategic response for the financial sector in the ECCU seeks to respond with three components with specific deliverables under each component namely:

#### ***Strategic Component 2-A: Maintain adequate resources to support a strong and stable EC Dollar by promoting monetary stability***

##### ***2-A.1: Strengthening the implementation framework for achieving a single financial space in the region***

This would entail the establishment of an effective mechanism to provide oversight and management of the activities for the creation of a single finance space with established timeframes and clear lines of responsibilities. Specific activities to be undertaken include:

*2-A.1(i)- The implementation of the New Banking Act in all countries of the ECCU.*

*2-A.1(ii)- The efficient management and supervision of financial institutions to ensure strict compliance with the rule of law as enshrined in the new act or other regulatory laws for the jurisdictions.*

*2-A.1(iii)- Proper monitoring and evaluation of the legal regulatory framework.*

*2-A.1(iv)- Periodic review for repeal or replacement of outmoded sections of the Laws.*

## Strategic Component 2-B: Financial Sector Stability and Development

Following are major elements of the strategic framework for further development of the sector in the ECCU:

2-B.1: Implementation of the necessary reforms and initiatives for enhancing the resilience of the banking system in keeping with Point 6 of the ECCU Eight Point Stabilisation and Growth Programme

Specific activities to be undertaken include:

- 2-B.1(i)- Implementation of the New Banking Act in addition to policy and legislative changes for strengthening the supervisory and regulatory framework;*
- 2-B.1(ii)- Strengthening and restructuring of weak and undercapitalised banks;*
- 2-B.1(iii)- Operationalisation of the Eastern Caribbean Asset Management Corporation (ECAMC) for the recovery of bad assets; and*
- 2-B.1(iv)- Establishment of a Deposit Insurance Fund as a financial safety net to improve the safety and soundness of the system.*

2-B.2: Amalgamation of the ECCU's Indigenous Banking Sector as provided for under Point 7 of the ECCU Eight Point Stabilisation and Growth Programme

Specific activities to be undertaken include:

- 2-B.2(i)- Conduct extensive diagnostics to obtain the requisite approvals from the Monetary Council and the National Parliaments for efforts to be taken regionally or nationally.*
- 2-B.2(ii)- Get "buy in" from public education and awareness programmes regionally and nationally.*
- 2-B.2(iii)- Diagnostics on the Indigenous Banking Sector in the ECCU.*
- 2-B.2(iv)- Identification of a competent authority to identify and design a suitable legal framework for the Amalgamation of the Bank or Banks.*
- 2-B.2(v)- Establish regulatory framework with applicable laws and regulations for the Bank or Banks to carry out the mandate.*
- 2-B.2(vi)- Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

2-B.3: Implementation of the consolidated regulatory and supervisory model for the ECCU to feature a more robust and comprehensive institutional regulatory structure to mitigate the systemic risks within the financial services industry

The model would comprise of the following:

- The Eastern Caribbean Central Bank (ECCB) with responsibility for regulating and supervising the licensed financial institutions;
- The Eastern Caribbean Securities Regulatory Commission (ECSRC) with responsibility for the securities market and
- The Eastern Caribbean Financial Services Regulatory Commission (ECFSRC) with responsibility for the supervision and regulation of the non-bank financial institutions including insurance companies, private pension schemes and credit unions.

The key activities to be undertaken for the implementation of the consolidated regulatory and supervisory model for the ECCU include:

- 2-B.3(i)- Ensure the Legislation and regulations for ensuring efficient and effective oversight are revised or updated to become current and compliant with international best practices where necessary.*
- 2-B.3(ii)- Ensure there is adequate human, financial and technological capacity to implement the relevant policies and programs*

2-B.3(iii)- *Ensure that there is wide public education and awareness to all constituents as to the efforts being made to ensure safety and soundness of the financial sector in the ECCU.*

2-B.3(iv)- *Put in place reporting modalities in simple layman terminology to show the incremental gains of this particular component's achievement of its objectives.*

#### 2-B.4: Establishment of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)

Specific activities to be undertaken include:

2-B.4(i)- *Conduct extensive diagnostics to ascertain the willingness of Members States to participate in the process. (Completed)*

2-B.4(ii)- *Identification of a competent authority to identify and design a suitable legal framework for the establishment of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). (Completed)*

2-B.4(iii)- *Convene meetings to design and approve the appropriate regulatory framework with applicable laws and regulations for the establishment of the ECPCGC to carry out the mandate. (Completed)*

2-B.4(iv)- *Obtain the requisite approvals from the Monetary Council and the National Parliaments for uniformed ECPCGC to be enacted across the ECCU. (Ongoing)*

2-B.4(v)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

#### 2-B.5: Strengthening the capacity of both financial institutions and MSMEs to increase the access to finance by the latter in conjunction with the German Savings and Development Bank

Specific activities to be undertaken include:

2-B.5(i)- *Conduct extensive diagnostics to ascertain the willingness of both the commercial banks and ECCU MSMEs to undergo training and attachments to increase financial literacy and thus increase the access to finances. (Completed)*

2-B.5(ii)- *Identification of a competent authority in Germany (the Lubeck Sparkassen) to design a suitable framework for the delivery of this program in the OECS starting with a pilot project in one of the Member States. (Completed and pilot ongoing in Saint Lucia with 1<sup>st</sup> National Bank)*

2-B.5(iii)- *Start the collaboration process by having a Field Study tour to Germany by potential stakeholder institutions. (Completed)*

2-B.5(iv)- *Duplicate the piloted program across the other ECCU Member States over the next six years.*

2-B.5(vi)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

#### 2-B.6: Implementation of reforms for the further development of the payment system

This would entail activities for enhancing the Payment and Settlement System Oversight Framework in the region to ensure that it is robust enough to capture all forms of financial technology and any other forms of payment and it adheres to the core principles for a systemically important payment and settlement system. Specific activities to be undertaken include:

2-B.6(i)- *To update the legislative and regulatory framework with the assistance of a competent authority to facilitate this significant move from paper based to digital technology.*

2-B.6(ii)- *Within this legal framework implement the Eastern Caribbean Automatic Clearing House and the Electronic Funds Transfers projects. (Ongoing)*

2-B.6(iii)- *Convene appropriate forums with the key players (commercial banks, ACH and EFT operators, Credit Unions, private sector representatives, money services businesses, and other stakeholders. (Completed)*

2-B.6(iv)- *Build capacity in technology and human resources in financial institutions for the efficient and effective implementation of pilots and rollout of both projects. (Ongoing)*

2-B.6(v)- *Establish pilot projects in specific financial institutions for the roll out of the ACH in the ECCU. (Completed)*

- 2-B.6(vi)- *Establish pilot projects in specific financial institutions for the roll out of the EFT in the ECCU. (Ongoing)*
- 2-B.6(vii)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

#### 2-B.7: Establishment of the ECAI (Eastern Caribbean Appraisal Institute) as an institute for fostering the enhancement of appraisal standards in the region

Specific activities to be undertaken include:

- 2-B.7(i)- *Identification of a competent authority to identify a suitable legal framework for the institute.*
- 2-B.7(ii)- *Establish regulatory framework with applicable laws and regulations for the Institute to carry out its mandate.*
- 2-B.7(iii)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*
- 2-B.7(iv)- *The institute will promote the adaptation of best standards and transparency within the appraisal profession in the region.*

#### 2-B.8: Implementation of the necessary reforms for facilitating the rationalisation, development and regulation of the Insurance Sector in keeping with Point 8 of the ECCU Eight Point Stabilisation and Growth Programme

Specific activities to be undertaken include:

- 2-B.8(i)- *Diagnostics on the Insurance Sector in the ECCU.*
- 2-B.8(ii)- *Identification of a competent authority to identify and design a suitable legal framework for the Insurance Sector inclusive of a single regulatory unit.*
- 2-B.8(iii)- *Establish regulatory framework with applicable laws and regulations for the Insurance Sector to carry out the mandate.*
- 2-B.8(iv)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

#### 2-B.9: Establishment of the Regional Credit Bureau

Specific activities to be undertaken include:

- 2-B.9(i)- *Conduct extensive diagnostics to ascertain the willingness of Members States to participate in the Regional Credit Bureau. (Completed)*
- 2-B.9(ii)- *Identification of a competent authority to identify and design a suitable legal framework for the establishment of the Regional Credit Bureau. (Completed)*
- 2-B.9(iii)- *Convene meetings to design and approve the appropriate regulatory framework with applicable laws and regulations for the establishment of the Regional Credit Bureau. (Completed)*
- 2-B.9(iv)- *Obtain the requisite approvals from the Monetary Council and the National Parliaments for laws and regulations related to the Regional Credit Bureau to be enacted across the ECCU. (Ongoing)*
- 2-B.9(v)- *Ensure that there is wide public education and awareness to all constituents as to the efforts being made to ensure safety and soundness of the financial sector in the ECCU.*
- 2-B.9(vi)- *Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with the best international standards for compliance.*

#### 2-B.10: Implementation of reforms and initiatives to strength the capital markets

The approach includes the following:

- An enhancement of the securities legislative framework to support the establishment of Collective Investment Schemes (CIS) in the ECCU; and
- A revision of the Capital Markets legal and regulatory framework; and
- An evaluation of a re-launch of the ECSE's Entry Level Tier Market as a junior SME market.

Specific activities to be undertaken include:

*2-B.10(i)- Identification of a competent authority to identify and design a suitable legal framework for updating the Securities Legislations not updated since 2001. (Completed)*

*2-B.10(ii)- Identification of a competent authority to identify and design a suitable legal framework for updating the Collective Investment Schemes (CIS) to repeal and replace the Mutual Funds and Investment Trust Legislations and regulations not updated since 2001. (Ongoing)*

*2-B.10(iii)- Design and sent out to strategic partners for broad based consultation on the new Securities and Collective Investment Schemes Legislations and regulations.*

*2-B.10(iv)- Obtain the requisite approvals from the Monetary Council and the National Parliaments for the updated legislations and regulations related to the Securities and Collective Investment Schemes to be enacted across the ECCU.*

*2-B.10(v)- Meet all of the necessary conditions for application to and achieving membership of the International Organisation of Securities Commission Organisations (IOSCO).*

*2-B.10(vi)- Provide the appropriate monitoring and evaluation processes to ensure good governance and compliance with IOSCO Standards for compliance.*

*Strategic Component 2-C: The facilitation of components 1 and 2 which provide access and availability of finance to micro, small and medium sized enterprises through meaningful collaboration with social and development partners on the growth, competitiveness and employment agenda*

*2-C.1 Support the OECS Commission in the continued refinement of the OGDS and implementation of an ECCU-wide Growth Action Plan*

Specific activities to be undertaken include:

*2-C.1(i)- Institutionalise an Annual Growth Forum.*

*2-C.1(ii)- Collaborate with the OECS Commission on refinement of the OGDS and implementation ECCU-wide*

*2-C.1(iii)- Facilitate public-private-partnerships to enhance growth and development*

*2-C.1(iv)- Expand availability and access to financing for MSMEs where possible consistent with the bank's safety and soundness mandate*

*2-C.1(v)- Support ECCU Member States to improve regional competitiveness and ease of doing business*

### Assumptions and Risks

This strategy is predicated on several assumptions included inter alia:

- a) An active and consistent level of participation and cooperation from all stakeholders for implementation of the identified reforms and initiatives.
- b) An increased impact of efforts geared towards enhancing financial literacy and awareness in the region in order to broaden the level of participation in the financial institutions and markets.
- c) The continued availability of technical and financial resources from regional and international development partners to support the full implementation of the identified reforms and initiatives.
- d) Collaboration with other development and financial institutions which offer technical assistance and opportunities for establishing benchmarks in compliance with internationally accepted best practices.

### Monitoring and Evaluation

The OECS Commission and the ECCB will keep the implementation of this strategy under continuous review. Regular (quarterly) monitoring and evaluation reports will be provided yearly to the Economic Affairs Council, OECS Authority and the Monetary Council on its progress and success against the objectives outlined above.

### 3. Tourism

#### Background

##### Emerging Global Trends

Despite being challenged by multiple crises over the years the outlook for the global tourism sector appears promising with evident signs of growth. One billion tourists travelled the world in 2012, breaking a new record for international tourism. Growth in international tourist arrivals is projected to reach 1.8 billion by 2030 according to UNWTO.

The expansion of the global tourism sector has also brought about evident changes in the tourism evolution dynamics. Today's global tourism market context is markedly different from that in which the Caribbean was a leading travel destination a few decades ago. The tourism map today is more diverse with many more destination options. Countries are also trending towards consolidating their tourism promotion and development efforts to derive synergistic effects to produce growth and development in the sector. The ASEAN region, the Baltics, Central America, African, Scandinavian and Central European countries, are good examples of regionalising Tourism. As the World Economic Forum puts it: Cooperation is the new Competition.

At the consumer level, tourist behavioral patterns are also evolving. Today's tourist is becoming increasingly savvy and discerning, demanding a wider spectrum of more authentic, enriching, engaging and educational experiences. A 2014 World Travel & Tourism Council (WTTC) report revealed that the countries with fastest growing tourism sectors (based on fastest growth in visitor exports in 2013) globally, attribute their strong competitiveness to a diverse mix of offerings that present the leisure traveler with a rich menu of things to do.

The World Economic Forum 2015 Tourism Competitiveness report attributes the success of the most competitive or tourism-ready economies of the world to the tremendous strides those countries such as Spain, France, Germany, the US and the United Kingdom have made in facilitating travel to their territories, promoting their natural and cultural heritage, and making one's stay there enjoyable.

Technological, socio-economic and cultural forces are driving people to travel internationally more than ever before. The emergence and increasing prevalence of mobile technology is one of the most influential trends expected to shape the future of the travel industry. A 2014 Euromonitor International report entitled: Understanding the 21st Century Traveler reveals that in 2013 25% of all sales in tourism were made online. According to this report, smartphones are one of the "most significant technological developments" with "major impact on the travel industry". Internet-enabled mobile devices as well as smart watches, Google glass and connected cars are starting to transform travel planning behavior. The Google 2014 Travel Study report reveals that travellers did about 45% of their searches on smartphones and tablets — not just on desktop computers.

An interesting corollary of these developments in technology is the impact that they have on the behavior of travelers resulting in a fundamental shift in patterns of planning and consuming travel. Online booking has swayed the contemporary traveller towards becoming increasingly independent of intermediaries in making travel plans. The fast penetration of mobile devices enables exploration and booking on the go, tempting travelers to plan less in advance and keep their options open. They are now able to choose and buy accommodation, food services or experiences while already in the destination rather than before departure. This shift is strengthened by other trends that are very important to the industry: the rising demand for experiences and eagerness to connect with the authentic local character of places. To enable a truly local experience travellers often opt for exploring first and choosing local providers while on the ground. With mobile technology and on-the-go booking capabilities, they

are less locked to a specific itinerary and able to engage in unplanned and spontaneous experiences along their travel journey.

These trends present copious opportunity for tourism development in the OECS.

### Sector Importance

Tourism is the lead economic sector in the OECS, contributing as much as 85% and 94% to GDP and employment respectively (see table 1). While tourism remains the lead economic sector in the OECS, the number of international tourist arrivals to Member States is small (averaging just over 191,000 in 2014) compared to key benchmark destination such as Aruba, Barbados, The Bahamas, Curacao and Jamaica. The OECS average represents less than two-fifths of the arrivals to Barbados the smallest (in terms of arrivals) of the benchmark destinations.

*Table 3-1: Tourism Contribution to Key Economic Variables in the OECS*

Country	GDP	Employment	Exports	Investment
Anguilla	61.2	63.4	86.5	13.2
Antigua & Barbuda	58.3	53.0	71.6	42.0
BVI	85.9	94.5	62.0	17.2
Dominica	26.4	24.0	48.0	15.8
Grenada	24.2	22.1	47.8	13.7
Montserrat	...	...	...	...
St. Kitts & Nevis	25.5	24.2	34.7	17.4
St. Lucia	39.5	44.1	59.2	20.5
St. Vincent & the Grenadines	19.9	18.2	49.1	15.9

*Source: WTTC (2014)*

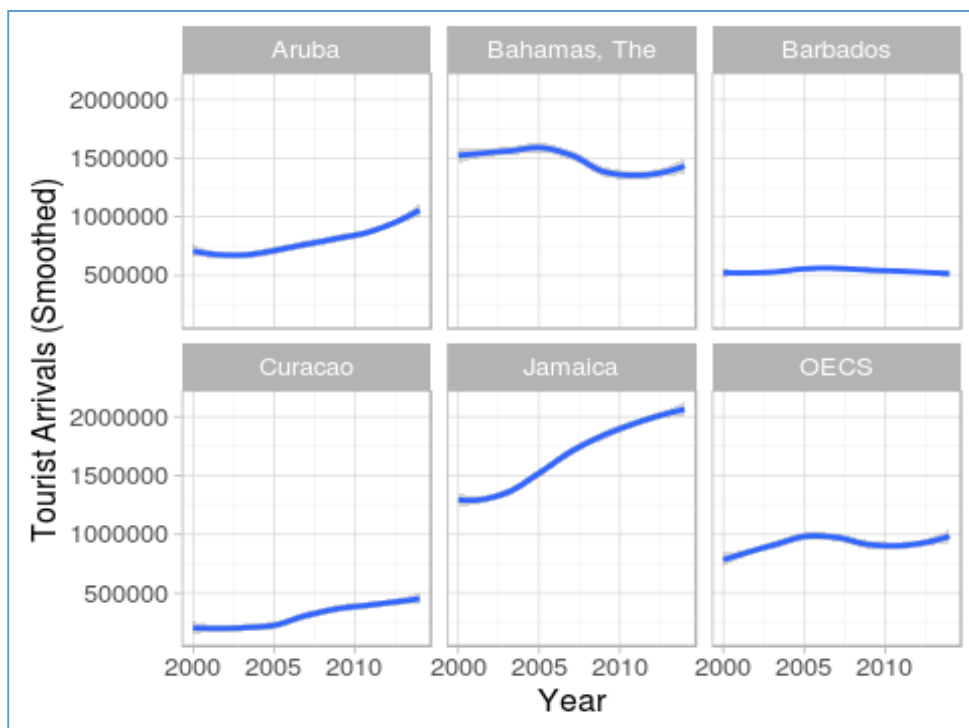
### Tourist Arrival Performance

In the OECS (as a whole) tourist arrivals had been expanding robustly prior to the great recession with the estimated annual average growth rate of 3.5 per cent annum. However this growth was not uniformly distributed as growth ranged from 2.3 % per annum in St. Lucia to 10.2% per annum in St. Kitts and Nevis. Grenada, suffering the effects two major hurricanes, experienced an average decline of 1.2 % per annum over the 2000-2007 period.

In the three years immediately post the 2007/8 global recession tourist arrivals to OECS decline at an annualized average rate of 3.4 per cent. While there has been a return to growth since 2011, it has taken four years for arrivals to return to pre-recession levels. This experience is not unique to the OECS as other Caribbean countries such The Bahamas and Barbados have undergone similar developments, see figure 1. Notwithstanding these similarities figure 1 illustrates that arrivals to some Caribbean countries such as Aruba, Curacao and Jamaica responded differently to the same external shock. In these countries while growth in arrivals slowed in response to the 2007/08 recession it never slipped into negative territory. The picture which therefore emerges is while post-recessionary

tourist performances in Caribbean countries were mixed, OECS performance though not the worst has fallen behind some key benchmark countries.

Figure 3-1: Tourist Arrivals in OECS and Key Benchmark Destinations



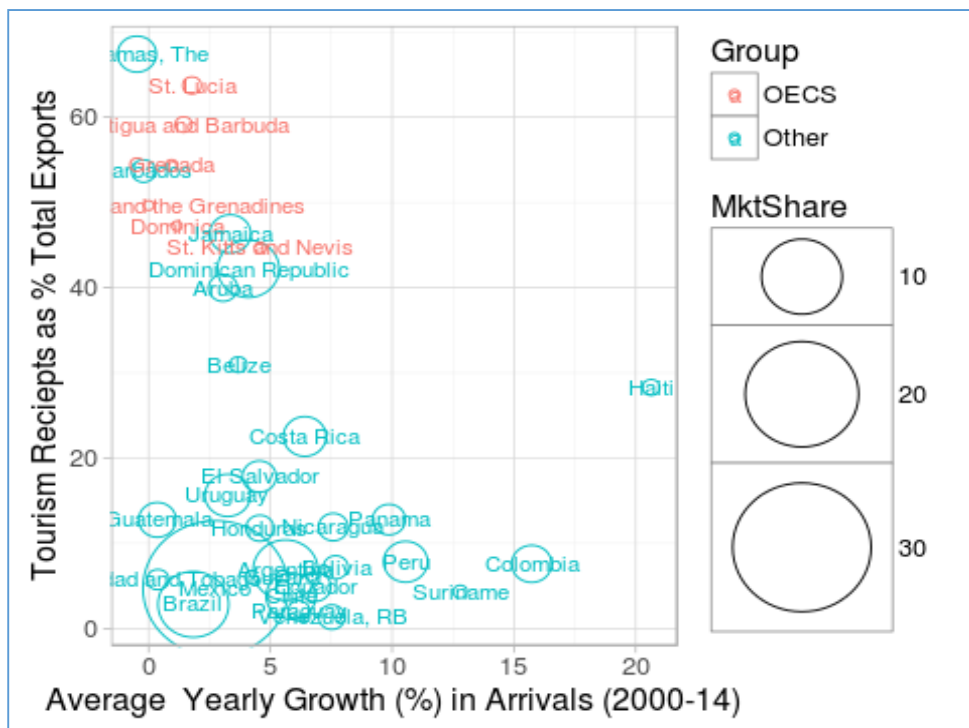
Source: WBOD

### Key Sector Challenges

The key challenge facing the tourism sector in the OECS is highlighted in figure 2. Figure 2 shows the importance of tourism to national economies (here approximated by tourism receipts to total export revenue), average yearly growth in tourist arrivals, as well as the relative market share (in arrivals) of each country. The figure shows that while OECS economies are highly dependent on the sector with direct tourism receipts accounting for 50 percent or more of export earnings, in most OECS countries. It also shows that they, along with the other countries of the English speaking Caribbean, have been the slowest growing tourist destinations in LAC region. With the exception of St. Kitts and Nevis average yearly growth for the period 2000 to 2014 was below 2.5 per cent per annum. The growth rates in the OECS are typically below that of Mexico which attracts on average over 30 percent of visitors to LAC.

This situation of relatively low growth means that the OECS (and most other English speaking Caribbean countries) has been losing (their limited) market share to other LAC countries over time. This therefore raises some concern about long-term destination competitiveness in the OECS.

Figure 3-2: Growth in Arrivals, Contribution to Exports and Market Share (%)



Source: WBOD, Calculations-OECS Commission

### Policy Context and Constraints

In 2011 the OECS adopted a Common Tourism Policy. This policy emanated from extensive consultation with the public and private sectors across the OECS. Accordingly, the Policy aims to:

- Deliver synergy throughout OECS Member States, by adding value and thereby achieve more than what states could achieve autonomously;
- Achieve economies of scale that will lead to reduced unit costs/lower costs to individual states and deliver greater market impact;
- Create a sound framework for long-term tourism development within which the region’s private sector can invest and do business with confidence;
- Contribute towards a wider understanding, awareness, and appreciation of the value of tourism amongst residents in OECS Member States; and
- Share intelligence and examples of good practice; and
- Harmonise standards and practices that will facilitate travel and make the region and its tourism experiences more accessible to visitors.

### Strategy

#### Strategic Objective and Approach

This strategy aims to complement national level efforts at addressing issues of destination competitiveness. In doing so it is hoped that these efforts will contribute to an environment that maximally leverage in a sustainable manner the tourism sector for generating output and creating jobs, thereby contributing to the attainment of targets 1 to 3. The strategic frame presented here should be read as the regional component of a two part package

consisting of strategies to be executed by Member States and those to be executed jointly at a regional level. At the member state level, strategies will orbit around issues of infrastructural development, land use planning to ensure room for sector growth, destination marketing, etc.

The strategic frame below (the regional component) is developed around the following outcomes:

- Value added by delivering synergy throughout OECS Member States;
- Operationalising the single tourism space in the OECS;
- Tourism products developed and enhanced to increase visitor satisfaction levels;
- Increased awareness and appreciation of the value of Tourism in the OECS; and
- Improved overall competitiveness of the region's tourism sector globally.

Elements of the Strategic Framework

### *Strategic Component 3-A: Ease of Intra-Regional Travel*

#### *3-A.1: Implement a system of hassle free travel within the OECS Economic Union*

The aim of this element of strategy is to facilitate ease of travel for visitors into and between OECS Member States resulting in hassle-free entry and transit experience for visitors. Accomplishing this will require harmonised customs and immigration procedures throughout the OECS Economic Union. Pursuant to this the following strategic actions will be taken:

*3-A.1(i)- Facilitate application of full clearance procedures at visitors' initial port of entry only, including meeting minimum security requirements (as set out by ECCAA) and the standardisation of information requirements*

*3-A.1(ii)- Establish measures for effective sharing of information and intelligence, and standardize risk management systems with a view to ensuring that border security is not compromised*

*3-A.1(iii)- Simplify and standardise marine clearance procedures throughout the OECS and implement the SailClear system for visiting yachts*

*3-A.1(iv)- Harmonise customs and immigration procedures and visa policies*

*3-A.1(v)- Conduct research on factors inhibiting intra-regional travel, with emphasis on the air services needs of the region.*

#### *3-A.2: Access and Transportation*

*3-A.2(i)- Work with Member States to attract international airlines, through a joint approach, including sharing market intelligence and transparency on marketing support and incentives*

*3-A.2(ii)- Support liberalisation of regional civil aviation regulations*

- In particular efforts will be made to operationalise the OECS Air Service Agreement and intensify efforts toward the creation of a single regional air space within the OECS; and
- Encourage the simplification of air transport operations by embracing new technologies as proposed by the International Air Transport Association, to contribute towards greater efficiency, improved customer service and cost savings.

*3-A.2(iii)- Regional cooperation*

- Work within the wider Caribbean initiative as a collective, to negotiate the most advantageous conditions for the region, in terms of regulations, standards, and tariffs such as head taxes;
- Explore opportunities to develop inter-island ferry services in the region

### **Strategic Component 3-B: Marketing**

#### 3-B.1: identify, launch and establish collaborative marketing initiatives for niche tourism

Limited budgets have stymied past efforts at more aggressively pursuing key niche tourism markets. However similarity in product offering and the proximity of the islands as well as advances in internet marketing offer significant opportunity for a collaborative approach to niche marketing. In this regard, Member States will continuously explore opportunities for a joint approach to the development of key niche products and events amongst neighbouring countries and /or countries with a common interest in a particular niche product (e.g. diving, sailing, events).

#### 3-B.2: Marketing Communications

Design a comprehensive tourism marketing strategy based on modular platform that allows Member States flexibility in participation. This strategy will clearly identify the brand position as well as value proposition statement of each Member State. In designing this strategy consideration will be given to feasibility and desirability of an OECS brand to facilitate joint marketing. Opportunities and areas with potential for joint product development will also be identified.

3-B.2(i)- *Conduct brand position and destination awareness and perception benchmarking exercise*

3-B.2(ii)- *Develop and run educational programme on digital technology & social media opportunities for Member States*

### **Strategic Component 3-C: Improved Research and Development**

#### 3-C.1: Comprehensive, evidence-based analysis and information on the tourism sector to inform policy and decision-making

Critical to the success of any destination is a fundamental understanding of its brand position and value propositions (intended and actual) and how these relate to market demand as well as a mechanism for measuring actual performance against these. A pivotal resource in this regard is timely, relevant information about visitors and their travel preferences and patterns. Over the short term the following strategic outputs will be achieved in this regard:

3-C.1(i)- *Establish a common statistical database for tourism, including yachting statistics*

3-C.1(ii)- *Develop a visitor survey template that can be shared, but also customised, by all OECS Member States*

3-C.1(iii)- *Assess competitiveness of Tourism in the OECS*

3-C.1(iv)- *Develop a harmonised framework for Tourism market intelligence in the OECS*

3-C.1(v)- *Collaborate with ECCB and CTO in the adoption of the UNWTO TSA model with a view to demonstrate the impact of tourism on regional and national economies*

### **Strategic Component 3-D: Product Development**

#### 3-D.1: Develop inter-sectoral business linkages and expand community participation in tourism

Explore opportunities for improving linkages between tourism and other relevant sectors (e.g. food and beverage, agriculture and crafts, SMEs in other sectors); and simultaneously increasing opportunities for local communities to benefit directly from tourism. In doing so the following will be done:

3-D.1(i)- *Execute recommendations proposed in the Agro-Tourism demand study*

3-D.1(ii)- *Execute the OECS Community-Based Tourism Programme*

### 3-D.2: Investment and Product Development

3-D.2(i)- *Review tourism investment and re-investment policies and procedures within Member States*

3-D.2(ii)- *Assess the possible introduction of a common tourism product quality scheme (which may be a tourism classification system) across the OECS.*

### 3-D.3: Community Participation and Sectoral Linkages

3-D.3(i)- *Review regulatory and support mechanisms that apply to micro and small businesses in tourism and ancillary sectors and reduce red tape*

3-D.3(ii)- *Stage an OECS tourism linkages business networking event*

3-D.3.(iii)- *Promote inter-sectoral linkages via sharing lessons and good practices from the OECS and wider Caribbean*

3-D.3.(iv)- *Execute OECS Community-based Tourism Programme*

### 3-D.4-Environmental and Cultural Sustainability

3-D.4.(i)- *Develop a Climate Change Policy/Action Plan/Programme for the Tourism Sector in the OECS*

3-D.4.(ii)- *Develop guidelines for environmental compliance and enforcement for the tourism sector including methods to address territorial waste & combat marine pollution by vessels*

3-D.4.(iii)- *Develop a Green Tourism Programme, including environmental management toolkit for Tourism*

3-D.4.(iv)- *Develop a network of OECS heritage sites and encourage a commitment at regional and national levels to conserve, interpret and promote the region's cultural heritage*

3-D.4.(v)- *Implement OECS Sustainable Tourism Programme focusing largely on capacity building for hoteliers and other service providers in energy efficiency and water conservation practices etc.*

### 3-D.5-Human Resource Development

3-D.5.(i)- *Develop an integrated system of hospitality training institutions with identified specialisations in each Member State particularly in areas where gaps have been identified*

3-D.5.(ii)- *Develop a common curriculum, standards and assessment via the OECS Network of Excellence in Tourism and Hospitality Training and Education*

## Assumptions and Risk

This strategy is predicated on the assumption that it will be supported by national tourism organisations and aligned with tourism strategies/policies at the Member State level. These national strategies will among other things, address issues that can only be validly articulated at a national level. Issues such as the desired intensity of tourism, the desired level of tourism investment and destination brand position strategies can be more effectively addressed in these national strategies. While this regional strategy does not presuppose the result of these national strategic planning exercises, it does presume that there will exist a significant degree congruency among national strategies and this regional strategy.

Continued growth in outbound tourism demand in major source markets is also a key assumption. Any factor (such as: occurrence of natural disasters, outbreaks in highly communicable life threatening illness to the failure of the

ongoing economic recovery in main sources to keep pace with consumer expectations) that militates against this assumption represents a significant risk.

## Monitoring and Evaluation

The OECS Commission will keep the implementation of this strategy under continuous review. It shall report yearly to the Council of Ministers-Tourism on its progress and success against the targets outlined above.

The OECS Commission will position itself to support implementation and provide necessary insights and information, in collaboration with Member States' tourism and statistical offices in particular. Part of that responsibility must include taking steps to define criteria for assessing performance, evaluating shortfalls in attainment of targets, establishing plans for corrective action, and reporting on progress and improvements made and lessons learnt. The overarching aim is to register demonstrable and measurable impact and progressively higher levels of attainment of desired outcomes over time.

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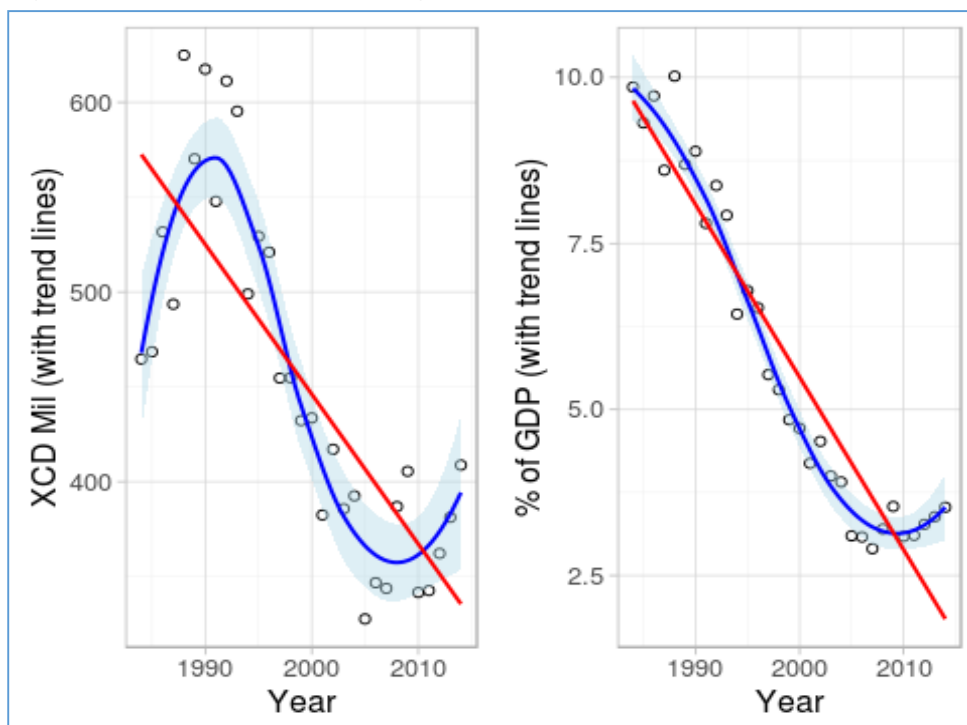
## 4. Agriculture and Fisheries

### Background

#### Agriculture

In the OECS, agricultural sector output has been declining since *circa* 1990 both in an absolute sense and as a percentage of GDP (refer to Figure 1). Since 1990, value added in the agricultural sector has declined at an average rate of 2.3% per annum, with its relative contribution reduced from 8.9% of Gross Value Added in 1990 to 3.5% in 2014. This adverse development was largely due to the decline in the production and export of bananas and sugar – traditional agricultural commodities – from the Windward Islands and St. Kitts-Nevis respectively.

Figure 4-1: Real Value Added in Agriculture Sector (with trend lines)



Source: ECCB, Computations-OECS Commission

In the OECS approximately 9.3% of available land is cultivated (see table 1). Despite this percentage being significantly higher than the averages for CARICOM or the LAC region, the quantum of arable land (on average 4,430 hectares per member state) is low relative the population in the OECS. In the OECS there is an average of approximately 35 hectares of cultivated land per 1000 persons, compared to 140 and 180 hectares in CARICOM and the LAC region respectively. This low ratio of cultivated land to persons suggest a fundamental challenge to significantly meet domestic food demand. OECS Commission estimates suggest that if the total land currently under cultivation in the OECS were used for domestic food needs, it would at most be sufficient to feed about one-fifth of the OECS population.

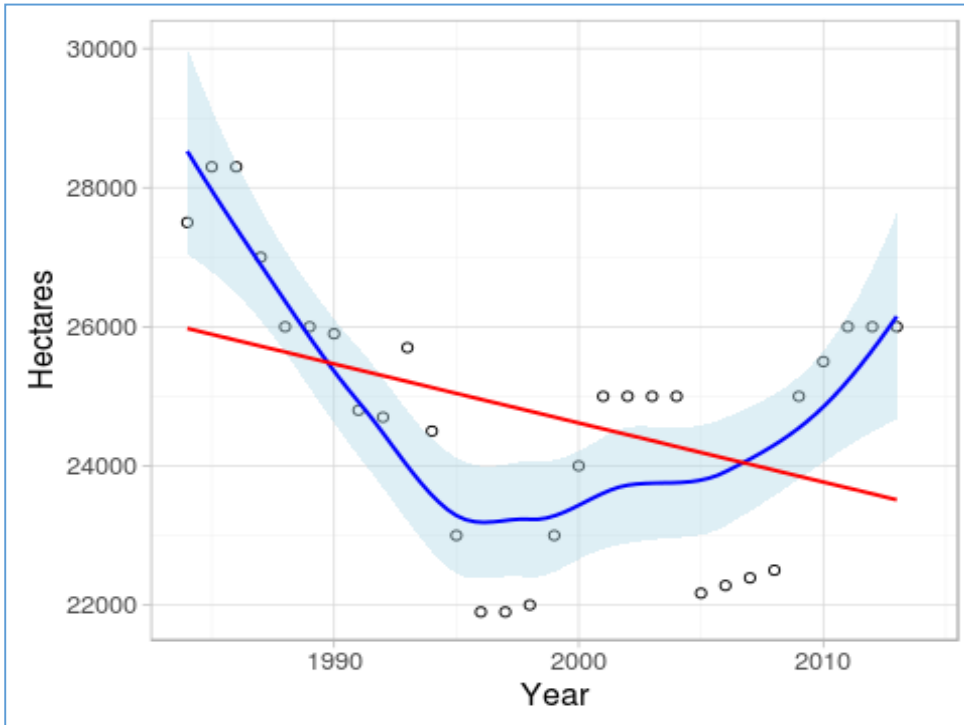
Table 4-1: Cultivated Land Statistics in 2012

Country/Region	Cult. Land (000 hect.)	Cult. Lands (%)	Cult. Land/Pop
Antigua and Barbuda	4.0	9.1	0.045
Dominica	6.0	8.0	0.084
Grenada	3.0	8.8	0.028
St. Kitts and Nevis	5.0	19.2	0.093
St. Lucia	3.0	4.9	0.017
St. Vincent and the Grenadines	5.0	12.8	0.046
<b>OECS Average</b>	4.4	9.3	0.035
<b>CARICOM Average</b>	284.2	4.0	0.14
<b>Latin America &amp; the Caribbean Average</b>	38,800.0	8.4	0.18
<b>World Average</b>	53,200.0	10.8	0.17

Source: Based on data from FAO, Computation-OECS Commission

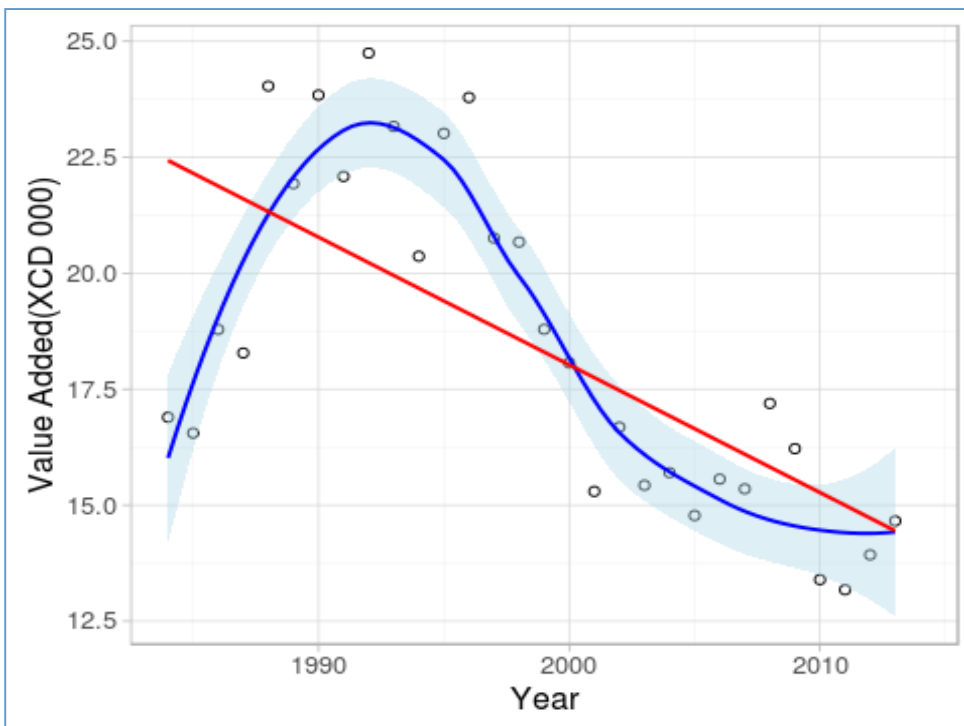
Figure 2 shows developments with respect to land under agriculture cultivation in the OECS over the period 1984 to 2013. Generally, a U-shaped development has occurred in this regard, with a sharp decline in land under cultivation in the period up to the mid-1990s followed by a modest recovery from the late 1990s. Overall however the trend seems to be slightly negative with a 5.5% reduction in cultivated land over the entire period under consideration.

Figure 4-2: Lands Under Cultivation in the OECS (6 independent Member States)



Source: FAO, computation-OECS Commission

Figure 4-3: Real Value Added per Hectare (with trend lines)



Source: FAO, ECCB, computation-OECS Commission

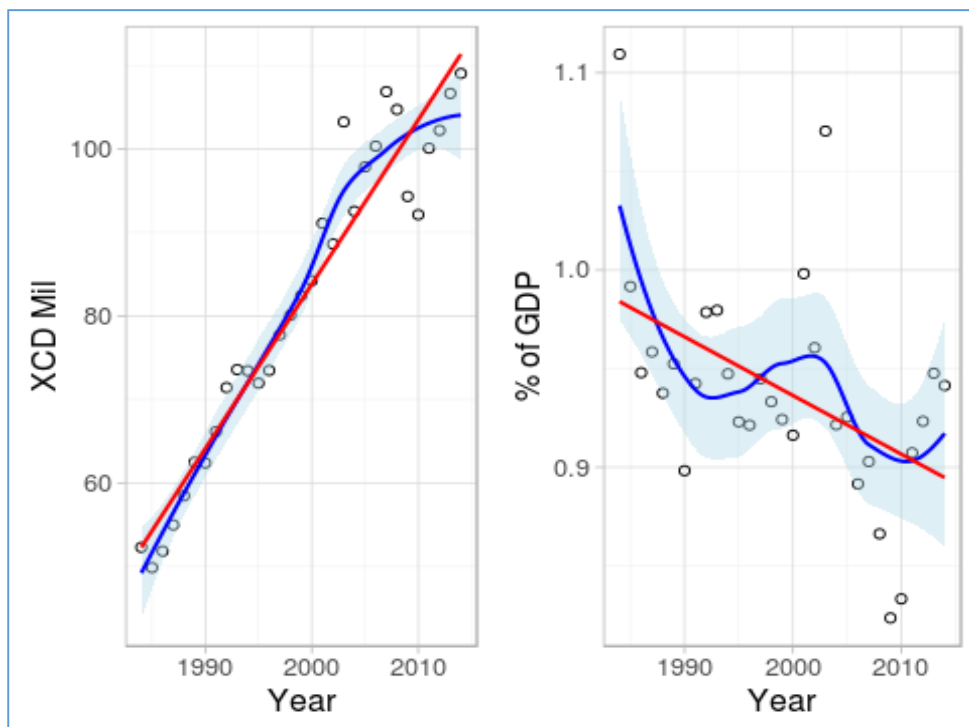
Figure 3 shows that since the early 1990s the value added per hectare of cultivated land has been falling. This was precipitated in the main, by adverse developments in the 1990s and onwards in the export markets for bananas and

sugar. The figure suggests that since *circa* 2010 real value added per hectare has been stabilizing following declines averaging 2.9% over the period 1992 to 2009.

### Fisheries

Output in the fisheries sector has grown steadily for several decades (see figure 4) at about 2.5% per annum. Generally, the sector has benefited from significant public sector investment in the form of landing, storage and distribution facilities. These investments may in part explain the robust growth experienced. However, growth in the sector has lagged somewhat behind that in the rest of the economy as value added in the sector as a percentage of total GDP has been declining over the 30-year period.

Figure 4-4: Real Value Added in Fisheries Sector (with trend lines)



Source: ECCB, Computations-OECS Commission

### Key Sector Challenges

Figure 3 illustrates one of the major challenges facing the agricultural sector in the OECS. It shows that per hectare value added has been falling – in some cases precipitously- since the 1990s. In the case of Dominica and St. Lucia the direct economic contribution of one hectare of cultivated land fell by 50% and 79.4 % respectively over the period 1996 to 2012. This decline in the income yield of agricultural land remains one of the biggest challenges facing the sector.

Another related challenge is the loss of agricultural land, and may be partly attributable to the concomitant increase in the value of other socio-economic sectors (see figure 2). This trend has been occurring for several decades and has been exacerbated by the declining income yield in agricultural lands (see figure 3). Other significant challenges facing the sector includes inter alia:

- inadequate land tenure;

- underdeveloped shipping systems;
- limited use of improved technologies; inability to incorporate modern agricultural practices
- diseconomies of scale and fragmented units of production;
- low product quality and standards and concomitant low supply volumes;
- poor natural resource management and fragile ecosystems;
- the effects of climate variability;
- food and nutrition insecurity and rural poverty, coupled with reduced earnings and unemployment;
- weak Production and Market linkages with high value local (tourism) and international markets;
- inadequate Marketing infrastructure, more particularly regional transportation services;
- limited access to finance
- plant disease, pest control

## Strategy

### Strategic Objective and Approach

The objective of the strategic frame presented here is to increase output and employment in the agricultural and fisheries sectors, thereby improving livelihoods in the rural economy. More specifically the aim is to increase real output (value added) in agriculture by approximately 48% in ten years, thereby returning sector output in real terms to 1990 output levels of USD 241 million (in 2005 prices). In the fisheries sector the key objective is to sustain growth of about 3.0% per annum over the 10-year planning horizon.

The strategic approach to be employed has been adopted from the Revised Plan of Action for Agriculture which identifies six (6) priorities for modernising and growing OECS Agriculture. The strategy advanced here is developed around two clusters of strategies namely those aimed at: (A) increasing production; and (B) expanding market opportunities within and beyond the OECS. The strategies presented in this chapter are presented in accordance with this two cluster approach, and where appropriate, the specific timeframe will be indicated.

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#### Box 4-1: The Revised Plan of Action for Agriculture

*The Revised Plan of Action for Agriculture identifies six (6) Priorities endorsed by national and regional stakeholders for modernising and growing OECS Agriculture. These priorities are:*

*Promotion of a market-oriented agribusiness approach to alleviating poverty and food and nutrition insecurity.*

*Develop and promote agro-tourism sites and services*

*Develop synergies with CARICOM/CSME*

*Mobilise resources for implementation*

*Strengthen capacity of the OECS Commission /agriculture desk*

*Undertake climate change mitigation and adaptation and secure water resources for sustainable development*

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## Elements of the Strategic Framework

### **Strategic Component 4-A: Increasing Production**

Following steep declines in the 1980s and 1990s in the acreage under cultivation in Dominica, Grenada and St. Lucia, the quantity of land under cultivation has rebounded somewhat in the post-2000 era (see figure 2). In 2012 according to FAO statistics approximately 26,000 hectares of land was under cultivation (arable land) roughly

equivalent to the quantum cultivated in 1990. This fact notwithstanding, value added (OECS wide) in the sector has been falling by an average of 3% since 1990. The decline in value added was occasioned by significant price decreases in key export commodities following the loss of preferential market access. Another part of the narrative seems to be that because of high production costs, farmers are unable to attain, in the domestic market, market clearing outcomes that is equivalent to the income shortfall from the export market. The aim of this strategic cluster is to provide a facilitative mechanism whereby agricultural incomes can be increased through increased production.

#### *4-A.1- Organise small farmers and fishers for better market participation*

Most agricultural producers in the OECS may be classified as small, many of them having land holdings of under one hectare. Similarly fishers are typically small operators, with most operating vessels of less than 10 feet in length. Small producers are especially vulnerable - limited by scale and many times informational asymmetries from effectively participating in the domestic as well as export markets. In the domestic market wholesale buyers of agricultural commodities have reliability concerns when purchasing from small domestic suppliers. Small suppliers are typically challenged to meet the contract type production arrangement that these buyers require. While larger producers exist, and do benefit from these arrangements, they do not exist in sufficient quantity to satisfy local demand in a given commodity. The consequence is that, in many cases, commodities that can be produced domestically at reasonable cost are imported because of these reliability concerns. The establishment of effective small farmers' and fishers' associations is part of the solution. In this regard, mechanisms will be adopted to ensure that these organisation can be:

- credible negotiating partners for contract farming;
- a means through which micro-financing and inputs can be channeled;
- a means of mitigating scale disadvantages;
- a means for reducing informational asymmetries.

To accomplish this the following activities will be executed in the short term:

4-A.1(i)- *Conduct capacity audit of farmer organisations in the OECS and review and implement recommendations for future agribusiness development of farmer fisher groups/chamber organisations*

4-A.1(ii)- *Establish farmer group training and exchange visit models*

4-A.1(iii)- *Establish farmer association (cooperative) development portfolio in Ministries of Agriculture*

4-A.1(iv)- *Provide specialized training of farmers in production planning and agri-business principles to mitigate the effects of seasonality and stability of output and prices*

#### *4-A.2- Improve production techniques through technology-adoption and technology-adaptation in select products*

In recent times there has been a significant advance in farming technologies which mitigate the conventional disadvantages associated with small land holdings. Technological advancements in vertical farming, hydroponics and aquaponics allow small-sized farms to increase their yields per acre by factors as high as 20. With appropriate financing the initial financial outlay for these technologies are not prohibitive and the improved yields many times offset the increased recurrent cost. These technologies therefore allow small land holders to be price competitive in select crops (especially those with shallow root systems). In this regard the following actions will be pursued:

4-A.2(i)- *Establish demonstration facilities in conjunction with small farmer associations, other stakeholders and interest groups.*

4-A.2(ii)- *Launch targeted educational campaigns on the use of technology in agriculture*

4-A.2(iii)- *Secure financing window for farmers seeking to implement new technologies*

4-A.2(iv)- *upgrading and retooling extension services*

4-A.2(v)- *Support/collaborate with R&D agencies to strengthen productivity of farmers through the use of greenhouse technologies, artificial insemination technologies and the usage of climate resistant varieties and encourage wider use of soil fertility innovation*

4-A.2(vi) - *Enhance the utilisation of drought mitigating technology such as small irrigation systems including rain water harvesting*

#### *4-A.3- Mitigate Cobweb price effects*

The extreme self-reinforcing price volatility (in agricultural produce) emanating from supply changes in response to previous price levels – the so called Cobweb effect- has a debilitating long term effects on agricultural production. The cycle of scarcity and glut that is at the heart of the Cobweb effect is, at a fundamental level, caused by the inability of individual producers to accurately forecast and react to the intended action of others. The following actions will be pursued in attempt to smooth production and, by so doing, reduce the probability of output volatility induced price spirals:

4-A.3(i)- *Conduct regular agricultural (ex-ante) supply and demand surveys for select agricultural crops.*

4-A.3(ii)- *Establish appropriate channels to disseminate survey findings to farmers associations.*

#### *4-A.4- Mitigate Seasonal Effects on output and prices*

The seasonal variation in temperature and rainfall represents another source of output and price volatility in agricultural crops. This volatility (in output) in part reduces the ability of farmers to effectively penetrate certain markets such as hotels and restaurants where reliability of supply is critical. Mechanisms that allow farmers to maintain production of (highly weather sensitive) crops all year round will be promoted, among these will be inter alia: (1) small irrigation systems including water harvesting; and (2) greenhouse technologies. Appropriate incentives will be devised for promoting these and others where appropriate.

#### *4-A.5-Improve land tenure*

Land tenure issues are a significant feature of OECS agriculture that adversely affect production. In many cases issues of land tenure effectively lock out many farmers and potential producers from the formal credit market. This in turn may stymie efforts to increase scale of operation or improve production methods. This chapter recognizes the need for a comprehensive legislative agenda for addressing this issue that plagues not only the agricultural sector but other economic sectors and will have significant social impact on those affected. Specifically there is need to:

4-A.5(i)- *Review the suitability of the existing land tenure framework*

4-A.5(ii)- *Develop a more facilitative framework (legal, institutional and technical) for regularising land tenure*

#### *4-A.6- Safeguard Long term production*

It is necessary to establish mechanisms that will ensure the sustainable and optimal use of terrestrial and maritime resources. From the perspective of the agricultural sector this mechanism will involve inter-alia:

- 4-A.6(i)- *Establish appropriate plans and legislative framework for land use at the national level;*
- 4-A.6(ii)- *Develop framework for more effective utilization of arable land through the mechanisms such as land banks*
- 4-A.6.(iii)- *Establish enhanced mechanisms to safeguard livelihoods of farmers and fishers. These mechanisms may include among others:*
- *agriculture/fisheries insurance;*
  - *methods for improved participation in social security systems*

#### *4-A.7- Improving production and productivity in fisheries*

To improve the production and productivity levels of the fisheries sector, there is a need for the restoration of near shore fishing stock to maximize fish landings in the medium term. This includes greater monitoring, control and surveillance of marine reserves and marine protected areas. An improvement in the capacity to predict and identify invasive alien species is critical to ensuring that the fish stock is protected against predators.

Investments in deep-sea and off-shore pelagic fishing is important for increased fish landings. This can be achieved by the deployment of Fish Aggregating Devices (FADs) and also by improving financial incentives through soft loan facilities for fishers to engage in multi-day fishing activities. The identification of species under strain and the development of a plan for sustainable harvesting by means of commercial production along with the development of incentive and governance frameworks for aquaculture, and efforts to promote non-traditional climate-smart aquaculture are also important actions to increase efficiency in this sector.

### *Strategic Component 4-B: Expand market opportunities within the OECS*

#### *4-B.1-Leverage opportunities in the tourism sector for increasing agricultural output demand*

Annually there about 1.9 million tourists (stay-over visitors) to the OECS region, with an average stay of ten days, suggesting that there may be substantial potential for linkages between the agricultural and tourism sectors. Furthermore, several studies including a 2008 World Bank study have found that hoteliers generally are willing to purchase more local agricultural produce assuming that appropriate quality and supply reliability can be assured. The tourism sector can therefore represent a significant source of new demand. In this regard the following actions will be executed:

- 4-B.1(i)- *Conduct agro-tourism market demand study and opportunity analysis to establish basket of commodities and services required by the tourism and hospitality sector*
- Disseminate results of study to farmers*
- 4-B.1(ii)- *Investigate the requisite supporting mechanisms needed to facilitate greater linkages with the tourism sector*
- 4-B.1(iii)- *Promote joint regional strategy for agro-tourism trade*

#### *4-B.2-Promote intra-OECS agricultural trade*

In the OECS Economic Union there is sufficient differentiation in economic structure to allow a viable trade in select agricultural commodities. The economies of the Leeward Islands are less concentrated on agricultural production, whereas those of in the Windward Islands have a revealed comparative advantage in agriculture. There currently exists an active trade in fresh produce from Dominica and St. Vincent and the Grenadines to the Leeward Islands including St. Maarten. This trade is plied by freighters that were not designed for carrying such produce. The fleet is aged and consequently there are issues associated with reliability, efficiency and cost. Full exploitation

of opportunities for expanding intra-OECS agricultural trade requires improved transportation arrangements. In this regard the following actions will be executed:

4-B.2(i)- *As a short term measure explore opportunities for improving shipping (plying the intra-OECS trade) to better handle agricultural products*

4-B.2(ii)- *Design a comprehensive OECS air and sea transport solution that meets the future needs of agriculture*

4-B.2(iii). *Identify the needs/demands by intra-OECS consumers, hoteliers, supermarkets through research and development of a database*

#### *4-B.3- Expand extra-regional market opportunities*

The external marketing of agricultural commodities is being done by various private sector entities. These entities are generally small and generally are not adequately resourced to ensure compliance with various sanitary and phytosanitary requirements of many extra-regional export markets. In this regard steps will be taken to enhance OECS Agriculture Health and Food Safety (AHFS) Systems. These will include inter-alia:

4-B.3(i)- *Enhance legislative framework for agriculture health and food safety through a programme of amending /enacting new legislation*

4-B.3(ii)- *Upgrade testing facilities and surveillance systems to meet international standards*

4-B.3(iii)- *Enhance training and support to farmers and agro-processors in GAP, GMP and HACCP certification. Support mechanisms being considered here include access to concessional finance to facilitate retrofitting and process re-engineering to meet requirements.*

4-B.3(iv)- *Conduct research on new markets, demand for new products by collaboration and participation with international stakeholders*

#### *Assumptions and Risk*

Favourable weather is major underlying assumption in the above. As such weather related events represent major risks, in particular unseasonal and/or event of unusual intensity represent significant threats.

#### *Monitoring and Evaluation*

The OECS Commission will keep the implementation of this strategy under continuous review. It shall report yearly to the Council of Ministers-Agriculture on its progress and success against the targets outlined above.

#### *Works Consulted*

Dr. Ralph Henry/Gov't of St. Lucia: "Medium Term Strategy and Development Plan", May 2012;

Dr. Sylvia Charles /Gov't of Grenada: "Grenada National Strategic Development Plan 2012-2017", October 2012;

Gov't of Dominica: "Third Medium Term Growth and Social Protection Strategy", January 2012;

Hon. Ralph Gonsalves, Minister of Finance: "Budget Address – January 2013" Government of St. Vincent and the Grenadines, 15 January 2013;

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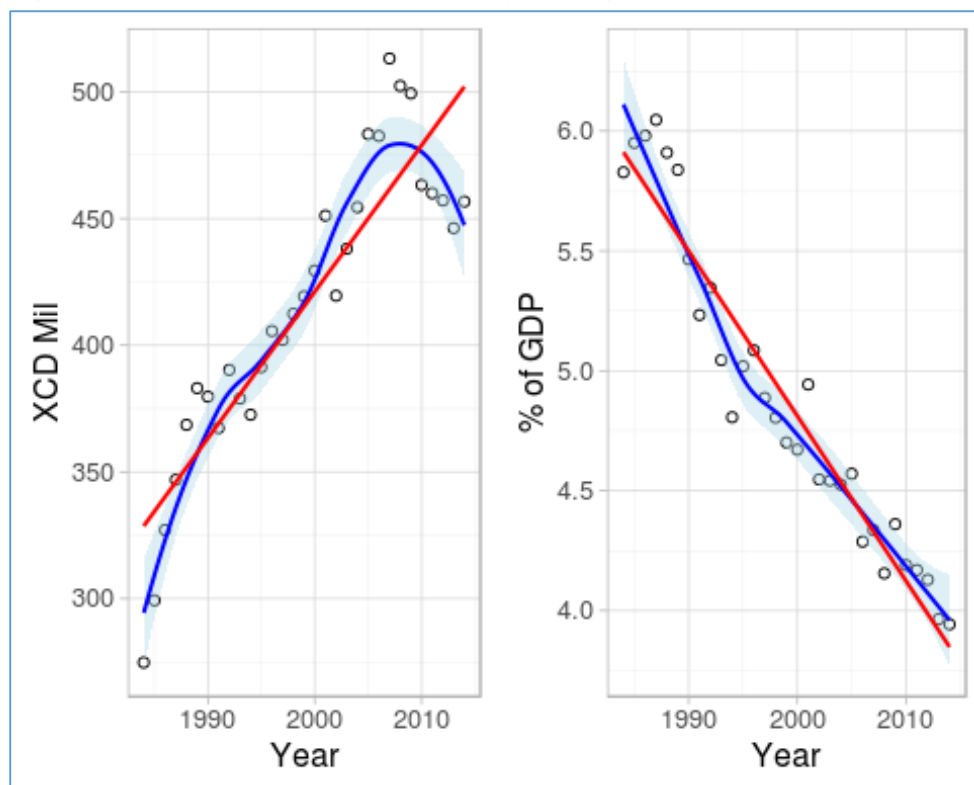
## 5. Manufacturing

### Background

The manufacturing sector in the OECS is a significant generator of employment as well as major contributor to merchandise exports. In St. Lucia for example, the sector employs an estimated 5 per cent of the employed workforce in 2015, while for the OECS the sector is estimated on average to account for approximately 25 per cent of merchandise exports. Value added in the manufacturing sector has typically exceeded 4.0% of GDP. Manufacturing therefore represents a strategically important sector to OECS economies.

Over the period 1984 to 2014 real output in the manufacturing sector expanded at an average annual rate of 1.5 per cent (see figure 1-left). This rate of growth was significantly lower than the rate of overall economic expansion of 2.9 per cent per annum. Consequently, the sector's contribution to economic output has fallen over time as reflected in figure 1-right. Furthermore, manufacturing output has been declining since *circa* 2007. From 2007 to 2014 the manufacturing sector declined at an average rate of 2.0% per annum consequent on weak external and domestic demand.

Figure 5-1: Real Value Added in the Manufacturing Sector (with trend lines)



Source: ECCB, Computations-OECS Commission

### Key Sector Challenges

Generally, the growth in manufacturing output in the OECS was relatively modest when compared to other Caribbean states. Over the period 1984 to 2012 manufacturing output grew at average annual rates in excess of 4.3 per cent in Guyana, Dominican Republic, Trinidad and Belize, while annual contractions of 1.0 and 2.2 per cent were estimated for Jamaica and Barbados respectively. The experiences of Guyana,

Dominican Republic, Trinidad and Belize suggest that manufactures can possibly make a greater impact on growth in the OECS.

The major challenges that are faced by OECS manufacturers, as documented in several sector studies, are *inter alia*:

1. High cost of energy
2. High cost of labour
3. Limited pool of skilled and semi-skilled labour
4. Small domestic markets
5. High transportation cost

In addition, the potential of the regional and global export market in some industries has not been adequately exploited because of the small-scale nature of production and/or the inability of many producers to meet certification requirements for market access. In respect to the latter, the small scale of operation is often a factor militating against certification as the relative cost (cost as a ratio of expected production) of certification is typically inversely related to operating scale. Furthermore, as SMEs, many of the operators in the sector are not appropriately resourced to adequately attain critical market information, to assist in penetrating new markets and increasing volume and market share in existing markets (domestic and external).

### Policy Context and Constraints

Notwithstanding these challenges the sector is recognised by Member States as an important absorber of semi-skilled labour. As such the sector has benefited from several national policy interventions such as tax holidays. At the regional level the OECS Competitive Business Unit offers direct business support to SMEs in the sector. While manufacturing features in the policy frameworks of OECS Member States, there is sense amongst stakeholders and some sector commentators that the sector may benefit from increased policy focus. It can be argued that this view finds support from much of the recent international literature on emerging sector trends that suggests *inter alia*:

1. Value added in the sector globally has been increasing at steady pace of approximately 3.0 per cent per annum over the period 1998 to 2010 (McKinsey Global Institute, 2012)
2. There is blurring of the demarcation line between manufacturing and services (Yakimov & Woosley, 2010; MGI, 2012 and UNIDO, 2013)
3. Customizable manufacturing is a growing emerging trend and for some products the need for a heterogeneous product mix may trump the established drive for standardization and scale economies (Government Office for Science, 2010; UNIDO, 2013)
4. A growing importance of ecologically, economically and socially sustainable manufacturing in the collective consumer psyche (McKinsey, 2009; Geyer, Scapolo, Boden, Dory, & Ducatel, 2003; UNIDO, 2013)

Point 1 above suggests that, despite the fact that in many advanced and developing economies manufacturing output relative to GDP has been falling, that real demand in the sector has been increasing healthily. Point 2 suggests that a strategy for expanding manufacturing production can also be compatible with one that advocates service sector led growth. Points 3 and 4 provide the possibility for creating a vibrant manufacturing sector that leverages the strengths which are posited as being resident in the artistic

and cultural heritage of the Caribbean and that circumvents to a significant degree the challenges of high energy and labour costs.

## Strategy

### Strategic Objective and Approach

The specific objective of this strategy is to increase the rate of growth in the manufacturing sector as a means of contributing to the realisation of targets 1 to 3 as outlined in the beginning of part A. McKinsey Global Institute (2012, pp.5) identifies five broad categories of manufacturing industries; each of these categories is comprised of industries which are rated on a four-point intensity scale across six dimensions. The industries in each category (cluster) is shown in table 1. The numbers associated with each column in this table is used to identify industries in figure 2.

Table 5-1: Clustering of Manufacturing Industries

Global Innovation for Local Mkts - GILM (1-5)	Regional Processing-RP (6-9)	Energy Resource Intensive Commodities-ERIC (10-14)	Global Technological Innovators-GTI (15-17)	Labour Intensive Tradables-LIT (18 & 19)
Chemicals	Fabricated metal	Basic metals	Computers & office machinery	Furniture, jewelry, toys, other
Electrical machinery	Food, beverage & tobacco	Mineral-based products	Medical, precision & optical	Textiles, apparel, leather
Machinery, equipment, appliances	Printing & publishing	Pulp & paper	Semiconductors & electronics	
Motor vehicles	Rubber & plastics	Refined petroleum		
Other Transport equipment		Wood products		

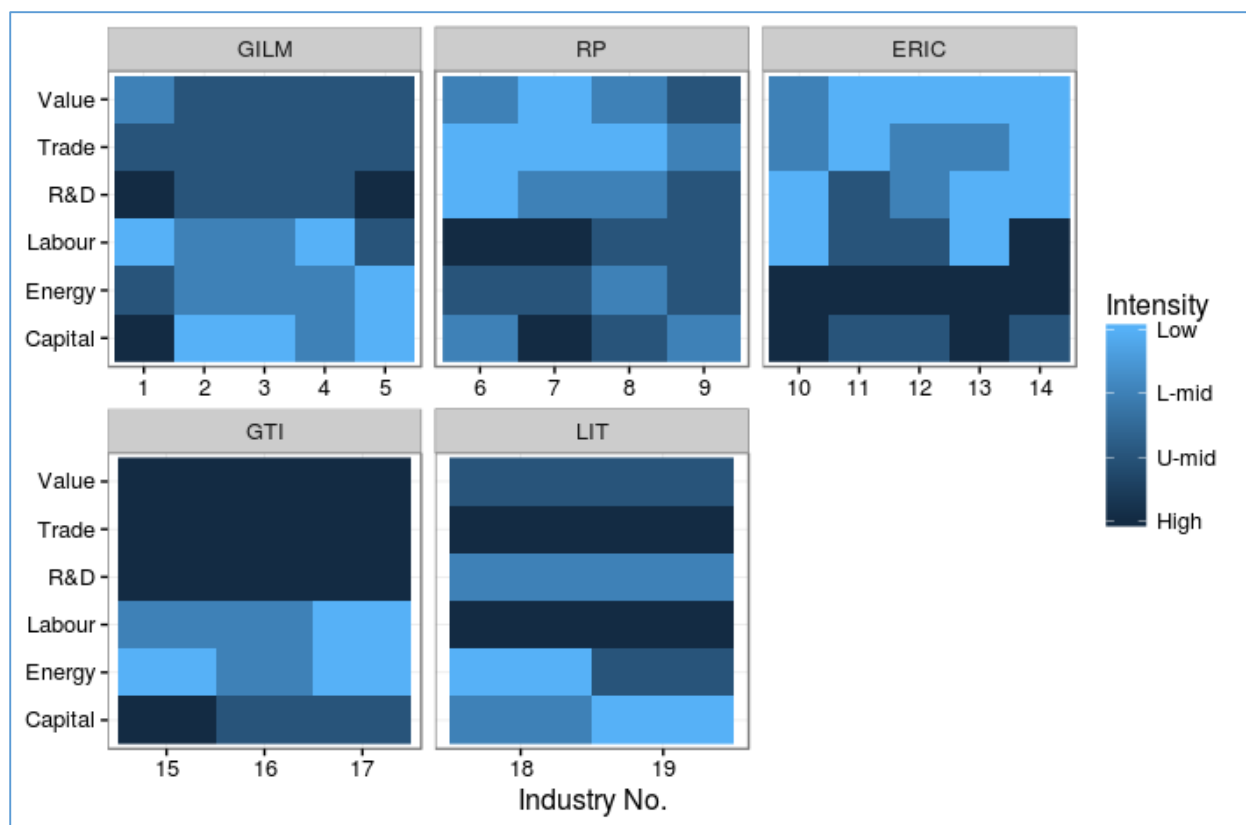
Source: Adapted from McKinsey Global Institute, 2012

Figure 2 shows the intensity rating assigned across six dimensions (on the vertical axis) for each of the 19 industries listed in table 1. According to the McKinsey Global Institute, industries involved in:

- **Global Innovation for Local Market (GILM)** - represent in aggregate approximately 34% of global manufacturing GDP. They are typically ranked in the low to lower middle in terms of labour intensity, in terms of research and development they are ranked upper middle to high, while they are ranked upper middle in terms of trade intensity and value density.
- **Regional Processing (RP)** - represent in aggregate approximately 28% of global manufacturing GDP. They are typically ranked upper middle to high in terms of labour intensity. They are generally ranked low to lower middle in terms research and development intensity and value density. With respect of capital and energy intensity they are generally ranked at mid intensity levels.

- **Energy Resource Intensive Commodities (ERIC)** - represent approximately 22% of global manufacturing GDP. They are highly energy and capital intensive. They are typically lowly ranked in terms of trade and value.
- **Global Technological Innovation (GTI)** - are high in R&D and trade intensity and also high creators of value. They jointly contribute approximately 9% of global manufacturing GDP. Generally, they are low utiliser of labour and energy.
- **Labour Intensive Tradables (LIT)** - have high trade and labour intensity. They are relatively high value creators, representing approximately 7% of global manufacturing GDP. They are typically low in their consumption in R&D and capital.

Figure 5-2: Factor, Trade and Value Intensity of Industries



Source: Adapted from McKinsey Global Institute, 2012

A three prong strategic approach is employed here, the first of these is production focused while the others target marketing related issues. From a production standpoint the strategic approach advocated here is to increase production through general sectoral support as well as targeted support for the RP and LIT subsectors (groups 2 and 5 of Table 1). From a marketing perspective the approaches are: (1) to position OECS manufactures as high value-high spend products targeted at the growing number of socio-ecological and health conscious consumers; while simultaneously, (2) targeting the opportunities in the regional economy as a vehicle for enhancing growth in the sector.

#### Elements of the Strategic Framework

In keeping with the strategic approach above, the following have been identified as major elements of the strategy for achieving increased level of value added and employment in the manufacturing sector.

## *Strategic Component 5-A: Increase production through general sectoral support as well as targeted support for the RP and LIT subsectors*

### *5-A.1 Ensure adequate financing support for exports and working capital needs*

*5-A.1(i) - Evaluate the adequacy of the existing export financing facilities.*

*5-A.1(ii) - Evaluate the adequacy of existing arrangements for working capital support for SMEs, especially as it relates to financing support for working capital to assist client firms undertake remedial works necessary for meeting Occupational Health and Safety and HACCP requirements, and other productivity and quality enhancing interventions and investments.*

*5-A.1(iii) - Where necessary, boost financing support.*

### *5.A.2 Improve Occupational Health and Safety compliance*

Implement the OECS-CBU Project Three of the CIDA – funded Occupational Health and Safety Program (OSH), building upon the Safety Audits that have been conducted under Project Two. Project Three anticipates small grant support for remedial works identified under the audits of Project Two.

### *5.A.3 Enhance general business support to SME and Craft sub-sectors*

Programmes in this regard involve:

*5.A.3(i)- Roll out programme focused on development and commissioning of new packaging and labelling for products.*

*5.A.3(ii)- Roll out a programme providing support in the areas of: financial and operations management; product pricing and costing; and e-marketing.*

*5.A.3(iii)- Provide a concentrated programme of support focused on product development techniques for the furniture and craft sector in the OECS. In developing this programme effort will be made to revive the national design teams launched in 2010 to become focal centres for an OECS “Design Network”. In addition to this technical assistance will be sort in craft design especially coconut and coir craft.*

*5.A.3(iv)- Maintain support to Business Support Organizations (BSOs) for the manufacturing sector in capacity building areas such as administrative, personnel, equipment resources and for activities aimed at strengthening these BSOs to become stronger advocacy agents for their membership.*

### *5.A.4 Accelerated Programme for HAACP and other certification in the Food and Beverage Sector*

Strategies for increasing HAACP, ISO (and other) compliance in the Food and Beverage(F&B) industry as a means for laying the basis for increased exports will be actively reviewed by Member States over the short-term with a view to implementation in the medium term. Among the strategies under consideration are:

- Instituting tax relief for certification and validation related expenditures for previously uncertified F&B manufacturers.
- Establishment of a soft loan facility for certification and validation related expenditures for previously uncertified F&B manufacturers, to allow for capitalisation of such expenses.

## *Strategic Component 5-B: Position OECS manufactures as high value-high spend products targeted at the growing number of socio-ecological and health conscious consumers*

### *5.B.1 Upgrade the level of Skill and Know-how in-keeping with value proposition*

5.B.1(i)- *Create and execute an intensive training programme for existing and aspiring furniture manufacturers in recent evolution in furniture design and materials research with a strong emphasis on the growing role of innovation and technology.*

5.B.1(ii)- *Create and execute a broad based food science intervention (with an emphasis on processing) aimed at the existing and aspiring food and beverage manufacturers. These training programmes will be executed in a multi-level multi-cycle modality to maximise to the extent possible exposure of personnel involved in the industry to the concepts and practices.*

### *5.B.2 Enhance SMEs access to Market Research*

To mitigate the challenges posed by near absence of firm sponsored and owned research, the capabilities of the OECS Competitive Business Unit (CBU) to execute primary as well as secondary market research will be enhanced to ensure that firms can have access to relevant market research at non-commercial rates. The CBU will determine the modalities through which request for research assistance is made as well as the modality for cost recovery.

### *5.B.3 Accelerated Programme for HAACP and other certification in the Food and Beverage Sector*

Strategies for increasing HAACP, ISO (and other) compliance in the Food and Beverage(F&B) industry as a means for laying the basis for increased exports will be actively reviewed by Member States over the short-term with a view to implementation in the medium term. Among the strategies under consideration are: Instituting tax relief for certification and validation related expenditures for previously uncertified F&B manufacturers.

Establishment of a soft loan facility for certification and validation related expenditures for previously uncertified F&B manufacturers, to allow for capitalisation of such expenses.

### *5.B.4 Develop and Launch an Assurance Label to encapsulate value proposition and brand position*

There is a growing market space for products (manufactured or otherwise) that embrace ecologically and socio-economically sound practices in their production. By adopting such a brand position coupled with a 'high value- high spend' value proposition a space can be crafted where manufacturing SMEs in the targeted industries can thrive. If this approach is to be successfully adopted the establishment of an Assurance Label that credible conveys the brand and value position/proposition will be a critical asset.

Sector support especially in the two targeted industries will be required to ensure buy in and commitment to core principles associated with the label. Criteria for products wishing to earn the label should be defined in conjunction with industry and marketing specialists. A process of period recertification will be required to ensure the integrity of the label. In addition to product integrity the success of the label and this element of strategy depends how well it is promoted in select regional and international markets. An appropriate level of resources for the promotion of the label will be determined by the Economic Affairs Council.

## *Strategic Component 5-C: Targeting the opportunities in the regional economy as a vehicle for enhancing growth in the sector*

### *5.C.1 Leverage the OECS economic space as a means of boosting sector exports*

Boost intra-OECS exports of manufactures via:

A series of intra-OECS tradeshows will be organized and executed. Export ready manufactured products will be featured as well as items of craft and export ready services. At least one trade show will be held in each member state and products from all Member States will be featured. Launch a sustained “Buy OECS” media campaign highlighting the importance of OECS manufactures to job creation, the development of inter-sectoral linkages and the overall health of the economic system

### *5.C.2 Leverage the CSME to boost sector exports*

Boost exports in select CSME markets by launching targeted Business to Business (B2B) road shows featuring export ready products. These road shows will be conducted annually for at least the first three years of this strategy and thereafter their success will be reviewed by the Economic Affairs Council (EAC) to determine if they should be continued.

## Assumptions and Risks

This strategy is predicated on several assumptions included inter alia:

- The willingness of SME manufacturers to work together to facilitate branding strategy
- Continued recovery in the US and other major export markets

## Measurement and Evaluation

The OECS Commission will keep the implementation of this strategy under continuous review. It shall report yearly to the Economic Affairs Council on its progress and success against the objectives outlined above.

## References

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Government Office for Science (2010), 'Technology and Innovation Futures: UK Growth Opportunities for the 2020s', London: Foresight Horizon Scanning Centre (UK).

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## Part B: Social Sectors



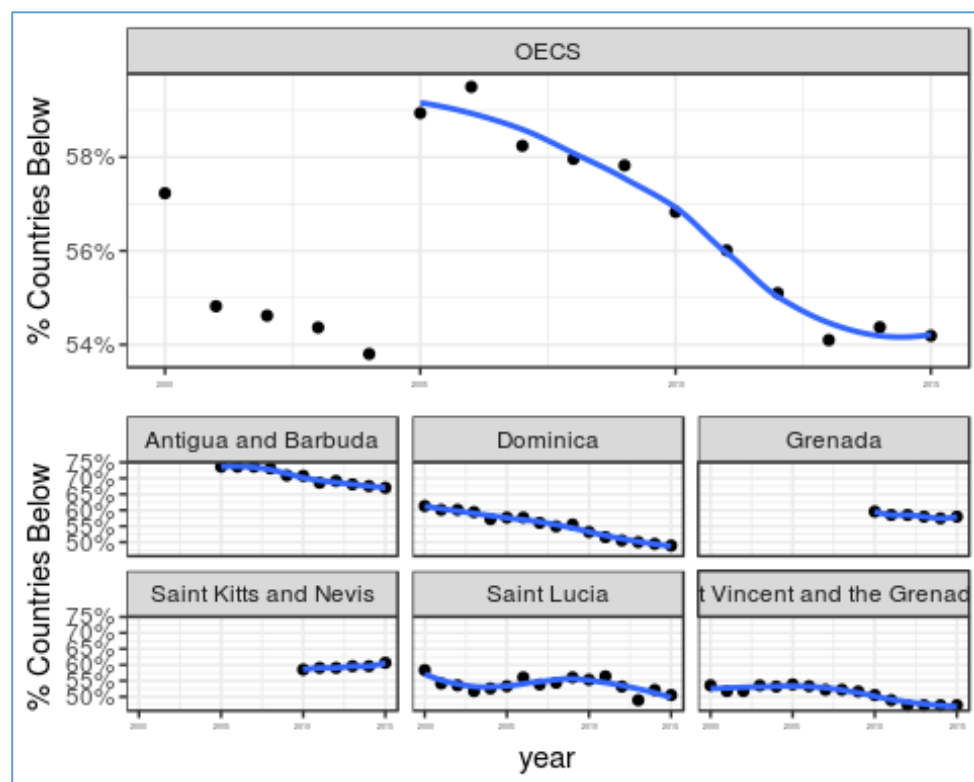
## 6. Social Development and Protection

### Background

Social Development has at its nucleus the overall development of the human being. *It is concerned with processes of change that lead to improvements in human well-being, social relations and social institutions, and that are equitable, sustainable, and compatible with principles of democratic governance and social justice.*<sup>3</sup>

In a move to better quantify the work being done in this arena, the United Nations has adopted the Human Development Index (HDI) and assigned countries to categories of very high human development, high human development, medium human development and low human development. Data collected from 2000 to 2015 show that countries of the Eastern Caribbean have consistently fallen into the category of high human development; occupying ranking positions between 58 and 99 in 2015. While the HDI index has shown modest growth in all OECS Member States, the data indicates OECS Member States have experienced (except for St Kitts and Nevis) gradual declines in their HDI ranking— *See figure 1 below*. It can therefore be argued that the growth in human development in the OECS region is not keeping pace with that of similarly developed countries.

Figure 6-1: Relative HDI Rank



Source: UN Data and OECS Computations

Notwithstanding their relatively high ranking in the Human Development Index (HDI) OECS Member States continue to be challenged by relatively high rates of poverty as demonstrated in table 1. Poor households tended to be larger in size. This fact coupled with high levels of poverty generally results in high rate of child poverty. Based on individual Country Poverty Assessments, it was found that the regional rate of child poverty stands at 32.7%. This means that one-thirds of all children in the Eastern Caribbean are categorized as ‘poor’<sup>4</sup>. Child poverty trends in the region have recorded a shift in trends for male and female headed households: for all but

<sup>3</sup> UNRISD, 2011. ‘UNRISD Research Agenda 2010-2014

<sup>4</sup> Social Safety Net Policy Framework , 2013-2017

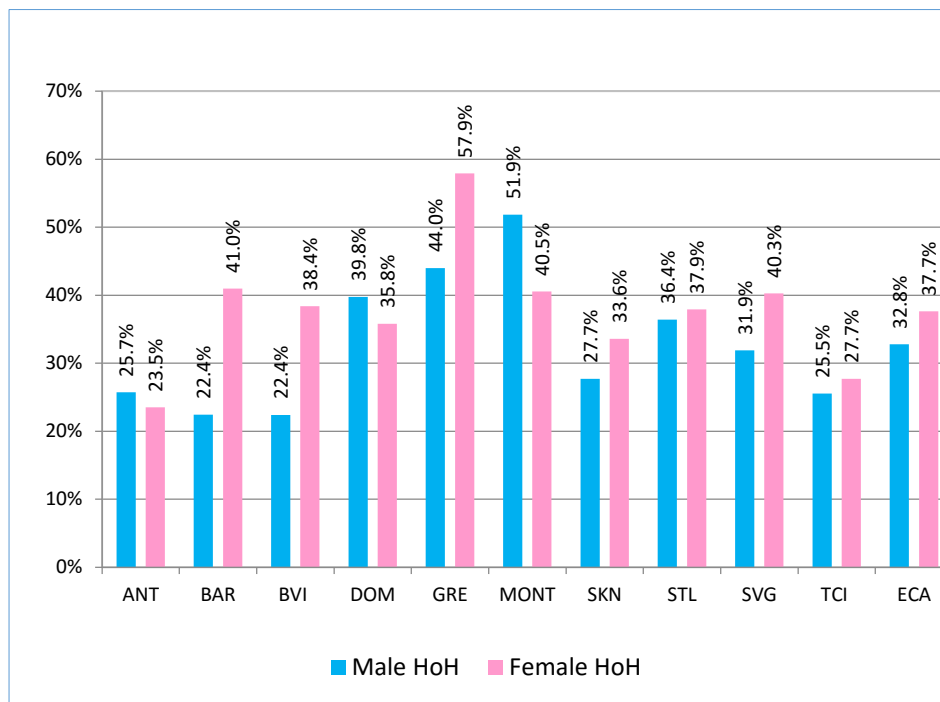
three countries, there was an almost equal number of poor children living in male and female headed households; with the latter showing a marginally greater recording. In Montserrat, Dominica and St Lucia, the slightly higher numbers were for single male headed households- *see Figures 2 below*. Such a shift could be attributed to a greater outflow of women pursuing higher education and better work opportunities in other territories.

Table 6-1: Poverty rates in the OECS various years

Country	Poverty Rate	Year
Antigua and Barbuda	18.3	2007
Dominica	28.8	2009
Grenada	37.7	2008
St. Kitts and Nevis	21.8	2009
St. Lucia	28.8	2005
St. Vincent and the Grenadines	30.2	2008

Source: Caribbean Human Development Report (2016)

Figure 6-2: Child Poverty by Sex of HoH



Source: Child Poverty in the Eastern Caribbean Area, 2017

Social norms and practices have a significant bearing the level and nature of poverty. Within the region, women are still seen as the primary caregiver. Data published in the OECS Education Statistical Digest, 2013/2014 show that female students generally access more years of schooling and higher levels of schooling than their male counterparts. Paradoxically ‘female youth are more likely to be unemployed than the male’<sup>5</sup>, and are thus more likely to fall in the category of ‘poor’ than male youths. A similar trend is observed in the adult population: for 2007-2008, the unemployment rate for women was 49.6% and men 25.3% (Grenada); and 33.8% poor female unemployment rate to 20% poor male unemployment rate (Dominica). This seeming discrepancy can be attributed to women’s role as caregivers to children, elderly, and family members living with disabilities, and the alarmingly high rate of adolescent pregnancy- according to a nine-country CARICOM study, one third of school-going young people are sexually active. The result is a high percentage of children being born out of wedlock to single mothers

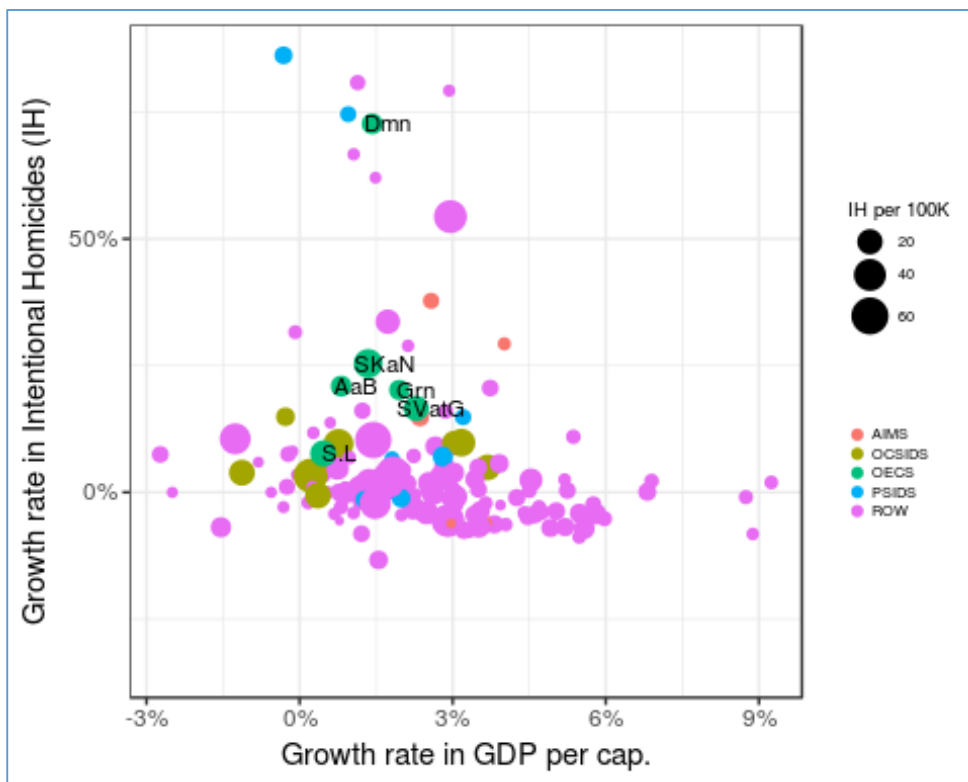
<sup>5</sup> Caribbean Human Development Report

who are now caregivers as well as breadwinners; leading to the increasing feminization of poverty (prevalence of female-headed households among the poor) across OECS Member States. The result, is women who have greater limits placed on the amount of time they are able to work (i.e. be away from home) and by extension the type and level of work they can be contracted to. These restraints are not as keenly felt by young men. They are thus more flexible in their hours and are by extension able to access more job opportunities, allowing them greater capacity to lift themselves out of poverty later in life.

Social norms however direct the course of the male youth in another manner. According to the Caribbean Human Development Report, ‘young males are both the main victims and the main perpetrators of crime in the Caribbean, and violence is starting at younger ages than in the past’. For young men, social norms dictate that they be breadwinners and protectors, and individuals whose worth is built in to their ability to not only fend for themselves (financially and otherwise) but for their family and friends as well. The pressure felt by young males to meet these criteria as early as possible has led to a growing tendency of school age children and youth giving up on education and getting involved in what to them are more lucrative activities: drugs, crime and ‘hustling’.

Another major social challenge facing the OECS is crime and violence. As a case in point, the rate in intentional homicide in the OECS is amongst the fastest growing in the world- see figure 3. Crime, violence and their impact on public safety has adverse effects on the region’s economic growth and social development prospects. A 2017 IADB study estimates that crime costs LAC countries, on average, between 2.41 percent and 3.55 percent of their GDP<sup>6</sup>. The size of crime-related costs in LAC is similar to what countries spend on infrastructure and is roughly equal to the share of the region’s income that goes to the poorest 30 percent of the population.

Figure 6-3: Intentional Homicides (IH) - Averages for years 2000-15



Source: World Bank Development Indicators

<sup>6</sup> <https://publications.iadb.org/bitstream/handle/11319/8133/The-Costs-of-Crime-and-Violence-New-Evidence-and-Insights-in-Latin-America-and-the-Caribbean.pdf>

A feature of OECS Member States is their large youth demographic. This situation presents itself as a double-edged sword: on the one hand youth represent a country’s potential for growth, innovation and development; on the other, youth unemployment in the Caribbean represents 28-50% of all unemployed persons<sup>7</sup>. The highest number of unemployed youth and adults has been found to be ‘clustered in low skill, low education kinds of jobs’ (Lashley and Marshall, 2016 in the Caribbean Human Development Report 2016).

Other major challenges confronting youth development in the region include:

- lack of updated youth policies
- Limited budgetary allocation for youth development (about 0.5% of national budgets);
- Duplication of youth initiatives and programs;
- Young males under 35 years old constitute over 60% of the state prison’s population. In most of the OECS region, this constitutes a significant proportion of their labor with negative impacts on GDP;
- A juvenile justice system which is punitive rather than being rehabilitative;
- Lack of a diversified job market

### Policy Context and Constraints

OECS Member States have instituted various policy and legislative frameworks to address persistent social sector challenges (some of which have been highlighted above). Table 2 presents an overview of the policy and legislative frameworks across Member States.

Table 6-2: Social Legislative Status of Member States in the Eastern Caribbean Region, 2016

Country	Social Protection Legislation	Social Protection Policy	Social Protection Framework	Youth Policy
Anguilla	yes	no	no	no
Antigua and Barbuda	yes	no	no	yes
British Virgin Islands	yes	no	no	yes
Dominica	no	yes	yes	yes
Grenada	no	yes	yes	yes
St. Kitts and Nevis	draft	yes	yes	yes
St. Lucia				draft
St Vincent and the Grenadines	no	no	no	yes
Montserrat	draft	draft	draft	yes

Source: OECS Commission

OECS Member States are party to a number of intentional conventions including *inter-alia*:

- The Convention on the Rights of the Child;

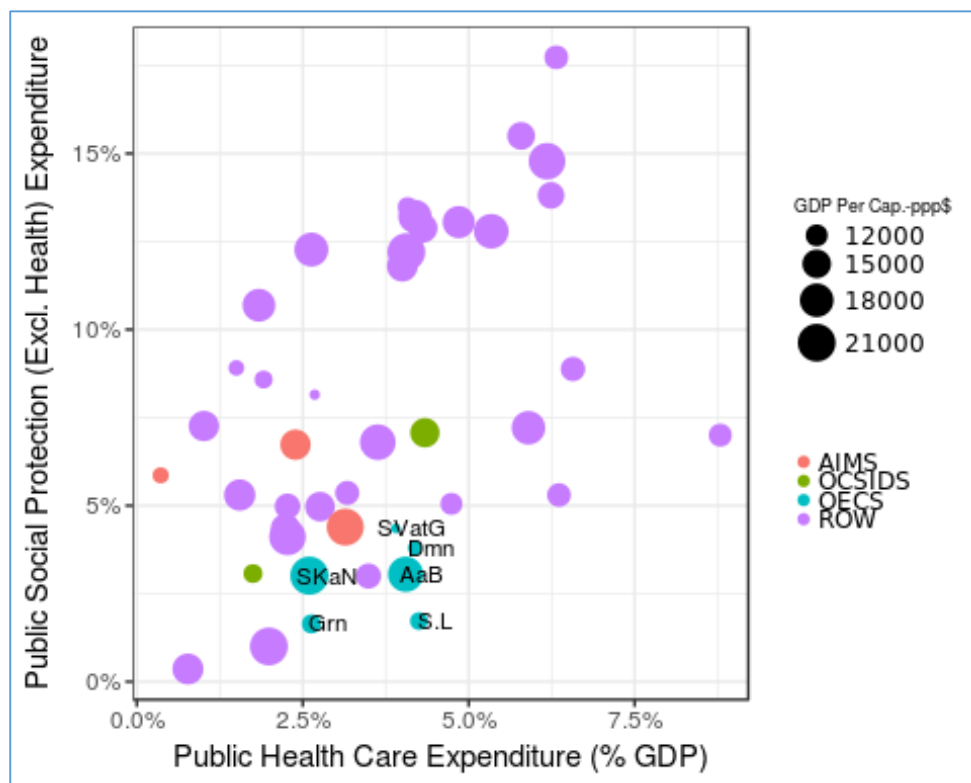
<sup>7</sup> Caribbean Human Development Report

- Convention on the Elimination of all forms of Discrimination against Women
- The Universal Declaration of Human Rights;
- The ILO Social Protection Floor Recommendation 2012 (No. 202)

In addition, the OECS has made notable strides in updating Family Laws, as well as in the area of Juvenile Justice Reform – the latter has been accomplished with the support of the USAID funded Juvenile Justice Reform Project (JJRP).

Public spending on social protection (inclusive of public health) in the OECS falls short of both the world average of 8.6 percentage, and regional Latin America and the Caribbean population weighted average of 13.2%. Figure 4 shows how social protection expenditure in the OECS compare to countries in the same per-capita income range as itself.

Figure 6-4: Public Expenditure on Health and Social Protection (Circa 2010) for Select Countries



Source: World Social Protection Report 2014/15 -ILO & WDI

Low social spending in the region means that many of the households which need such assistance do not or are not able to access it. These limitation in coverage are further exacerbated in an environment with limited growth in GDP, decreases in Foreign Direct Investment (FDI) especially in the post 2000 period and elevated levels of public sector debt since the 1990s.

## Strategy

### Strategic Objectives and Approach

The portfolio of the social and human development sector is as large as it is diverse; touching on topics of employment, vulnerability, environmental sustainability, human rights, social protection, living conditions, and health. To meet the needs of the citizenry in these areas, the strategies will be based on the following overarching objective: to improve the responsiveness and effectiveness of the social development agenda to provide mechanisms that reduce citizen exclusion from the process of socioeconomic development. Building on work

already in train at the member state and OECS level the following interventions will be pursued (in most cases enhance work already done)

### Elements of the Strategic Framework

In keeping with the strategic approach above, the following have been identified as major elements of the strategy for improving the responsiveness and effectiveness of the social development agenda as well as increasing social inclusion in the process of socioeconomic development.

### *Strategic Component 6-A: Improved Access to services*

The key priorities for achieving efficient and effective access to social development programmes and projects include:

#### 6-A.1 Effective targeting

Provide objective, evidenced based assessments beneficiaries and development of programmes aimed at meeting identified needs of the more vulnerable;

*6-A.1(i)- Strengthen the systematic production and use of evidence on multidimensional poverty and vulnerability for better policy design and programming, with a focus on:*

- a. Strengthening the social policy makers and planners' capacity to better analyse and use the available evidence*
- b. Promoting international, regional, national and sectoral social data production initiatives for decision making*
- c. Ensuring that programme design and decision making are based on up-to-date information and problem analysis*

#### 6-A.2 Social Inclusion and Interaction

Develop sustainable and efficient operations geared towards upholding the rights of the more vulnerable. The key priorities for achieving social inclusion for all groups in society include:

*6-A.2(i)- Advocacy and sensitization for special individuals and groups through among other means the dissemination of information on issues affecting the more disadvantage and vulnerable in society;*

*6-A.2(ii)- Inclusive agenda setting: Provide opportunities for the exchange of ideas, and information on issues affecting the social development of citizens*

*6-A.2(iii)- Establish a Community of Learning, which would serve as a platform for collaboration with Member States and development partners.*

*6-A.2(iv)- Improving the life chances of children, youth and persons living with disabilities through a focus on:*

- a. Enhancing equitable access to health services.*
- b. Enhancing equitable access to education services.*
- c. Increasing access to basic services for the poor and most vulnerable population.*
- d. Creating a protective policy and legal environment for the excluded, the poor and the vulnerable*

#### 6-A.3 Sufficient human and financial resources

Ensure properly trained staff and adequate financial resource are assigned to social protection initiatives.

*6-A.3(i)- Provide training in Targeting and Means-Testing, Central Beneficiary Registries/Management Information Systems.*

*6-A.3(ii)- Support the modernisation of social development operating systems, including: legal foundation (youth and social policies are developed and/or updated), assessments (to begin and end social support), monitoring and evaluation of programmes and projects, financing, and data management.*

6-A.3(iii)- *Increasing the poverty reduction focus of social safety net policy design and programming, with a focus on:*

- a. *Consolidating cash assistance programmes into a unified scheme*
- b. *Strengthening the safety net for emergency and disaster situations*

### **Strategic Component 6-B: Expand coverage of measures**

The Key priorities for achieving greater employment stability for vulnerable groups include:

#### **6-B.1 Survival, employment and income generation**

Strengthen options available to poor and vulnerable groups, especially youth, women, the elderly and persons living with disabilities, to reduce income variability and unhealthy lifestyles;

6-B.1(i)- *Helping Families and individuals Achieve Economic Independence, with a focus on ensuring*

- *Equality of work opportunities for all;*
- *Access to work opportunities for the poor and vulnerable;*
- *Maximising job opportunities*

6-B.1(ii)- *Encourage the development of self-sustaining local and national initiatives for meeting nutrition and health needs of the more vulnerable.*

6-B.1(iii)- *Building a stronger bridge between economic policies and social development so that economic policies and fiscal measures are informed by social development goals.*

6-B.1(iv)- *Enhance support mechanisms for micro-enterprise development including expanding opportunities for skills development and entrepreneurial training, especially among youth.*

### **Strategic Component 6-C: Improved Citizens' Safety and Security**

The key priorities for achieving safe communities and residences include:

#### **6-C.1 Holistic reform and care**

Support programmes which promote the rehabilitation and reintegration of victims and perpetrators of abuse (domestic and otherwise); and youth who encounter the law.

6-C.1(i)- *Continue reform of the Juvenile Justice System to reduce emphasis on incarceration (type) measures while improving the success rate of juvenile interventions.*

6-C.2(ii)- *Support the development, updating and implementation of policies, legislation and programmes which work in the area of gender based violence, domestic violence, child abuse, and sexual assault*

#### **6-C.2 Crime, violence reduction**

In addressing crime and violence in the region, governments, International Development Partners (IDPs), civil society and citizens need to partner to:

6-C.2(i)- *Develop mechanisms to identify those most critically “at-risk” of exhibiting violent and criminal behaviour.*

6-C.2(ii)- *Develop early intervention mechanism specifically targeted at those “at risk” communities and individuals;*

6-C.2(iii)- *Appropriately resource these intervention mechanisms.*

6-C.2(iv)- *Enhance the public’s level of confidence in the police and other law enforcement agencies.*

6-C.2(v)- *Invest in the modernization of the Police Force across the region in investigating cybercrimes, vigilance at various ports of entry, DNA testing, crime scene investigations;*

6-C.2(vi)- *Encourage a strong collaboration between the security forces and judiciary in applying legislation that treats with removing the profit out of crime.*

### Assumptions and Risk

In addition to the known exogenous threats to which the region is constantly exposed, the Social Sector Strategy can be negatively affected by the following factors:

- Lack of political commitment to pass, implement and/or update social development legislation; including but not limited to: social protection policies and laws, youth policies and strategies, child protection policies, laws and strategies, domestic violence legislation, and sexual offenses legislation;
- Unsustainable development of rural, squatter and other low income housing areas;
- Inadequate public spending on human development programmes and projects;
- Low visibility given to the issues faced by the more vulnerable: elderly, persons living with disabilities, youth, women and children;
- Increases in the traditional segments of the vulnerable population such as the elderly, children, youth, women and the disabled;
- Significant numbers of new persons falling into ‘sudden poverty’ or in danger of falling into poverty, such as the newly unemployed, retrenched workers and the middle class just above the poverty line;
- Financial constraints faced by Governments; and
- Cutbacks in donor funding.

### Monitoring and Evaluation

As part of a broader monitoring and evaluation programme for the Social Development sub-sector there will be systems established to gather data on key indicators in order to determine progress against the desired targets and goals. This will be the basis for undertaking regular sector analyses and for making adjustments to the strategies, as necessary. Some of the key activities envisaged are as follows:

- Establish and validate measures and targets with the Member States, NGO and Private Sector stakeholders to ensure they take ownership of the agreed Social Sector objectives
- Ensure that agreed measures and targets are satisfactory to all program donors (e.g. UNDP, UNIFEM, CDB) so that M&E activities are effectively streamlined
- Prepare regular reports outlining progress versus agreed targets
- Manage any activity (surveys or studies) required to establish baseline data or to track progress versus baseline targets or eligibility criteria.
- Support the training of local resources (within the OECS Commission and elsewhere) to build M&E capacity.

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## 7. Education

### Background

All countries place a high priority on the development of their human resource as a key strategy for national development. Successive World Human Development Reports over the last 5 years have shown that countries classified as having a Very High Human Development (VHHD) achieve a mean of 12.2 years of schooling compared to a mean of 4.6 years for countries classified as having a Low Human Development (LHD). Similarly, those countries classified as having a VHHD spends the equivalent of 5.1 per cent of GDP on education compared to 3.8 percent by countries classified as having a LHD. The pattern is true for developed economies as it is for developing economies. It is little surprise therefore, that a common feature of countries that have transitioned from low-income to high-income economies with a correspondingly high human development index is the relatively greater effort and resources aimed providing high quality education to a large share of their population.

Like other middle developing economies successive governments of the OECS give priority attention to the delivery of a quality education system. Consequently, over the last two and a half decades of education reform the region has realized some positive results, among which are:

- **High access to basic education** with primary and secondary education enrolment rate nearing 100% in most Member States.
- **Strong social support systems** to assist vulnerable and at-risk students.
- **Significant financial contributions towards education** where on average the equivalent of 5% of GDP is spent on education. This compares favourably for the average of OECD countries.
- **Production of regular and timely data** on the education system that has helped to improve management systems and decision-making
- **Highly qualified central government and school personnel** to help deliver a better quality education service.

### Main Issues and Challenges

Despite these successes some key challenges remain. These are reflected in the national education plans of Member States and give effect to the strong national undertaking by all key stakeholders to address them head on. These include:

- **Inadequate supply of good quality provisions at the pre-primary and tertiary levels.** Net enrolment at the pre-primary level for the region averages just over 66 per cent and fewer than 15 per cent of graduates from the secondary school are able to access higher education.
- **Gender disparities in performance are evident at all levels of the school system** with declining participation of males at the upper secondary and tertiary levels.
- **Learners complete secondary schooling with insufficient formal qualifications** to proceed to the next level of education or to enter the job market.
- **Absence of proper regulations and standards** particularly at the early childhood education level.
- **Attracting and retaining qualified teachers has been difficult**, particularly in some critical subjects like Mathematics, Science, English and ICT. A large number of teachers being deployed to teach subjects in which they are not trained.
- **Social exclusion and inequities in the education systems are evident.** In general, children from lower socio-economic backgrounds attend the lower performing schools and there is a hierarchy of schools at primary and secondary levels.

### PRIORITIES

The issues and challenges confronting the education system in the OECS suggest the need for greater priority attention in four broad areas: (1) Providing **Equitable Access** to educational opportunities at all levels of the

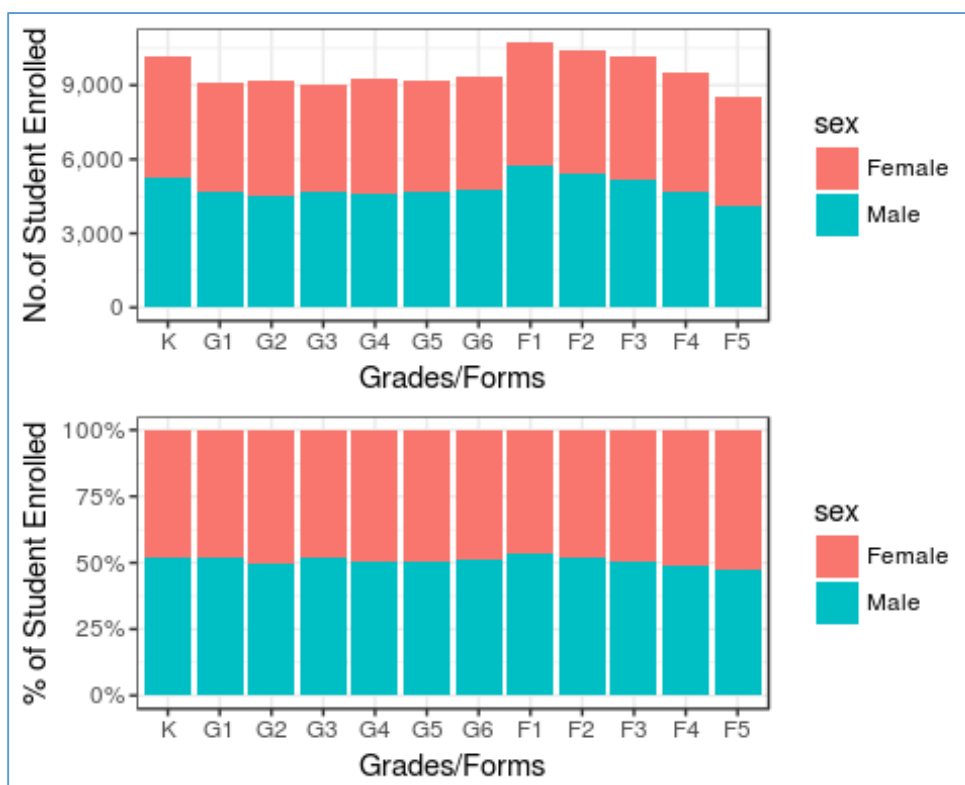
system; (2) Improving the **Quality** of Education; (3) Creating an education product that is more **relevant**; and (4) Strengthening the **Governance** arrangements. Key elements of each of these are discussed in below.

### Equitable Access

#### Student Enrolment

There is a noticeable difference in male and female enrolment from one level of the system to another (See Figure 1). The number of males exceeds that for females at all grade levels except at Forms 4 and 5 of secondary school. It is observed that while dropout is high at the end of secondary, the male dropout rate has historically been higher.

Figure 7-1: Enrollment across Grades-OECS 2015



Source: OECS Education Digest

Pre-primary education is essentially run by the private sector where in 2015 approximately 80% of 3-5 year olds were registered. There are variations across countries where, for example, in Grenada and Montserrat enrolment at private institutions is 50% or less while in Antigua and Barbuda, St. Vincent and the Grenadines and in the Virgin Islands private enrolment is 90% and above. See Table 1).

Table 7-1: Enrolment in Private and Public Institutions in the OECS

	A & B	DOM	GRE	MON	SKN	STL	SVG	BVI
Private	3,409	1,617	1,699	44	1,705	3,902	3,019	1,468
Public	218	226	1,701	155	1,081	841	323	23
<b>Total OECS</b>	<b>3,627</b>	<b>1,843</b>	<b>3,400</b>	<b>199</b>	<b>2,786</b>	<b>4,743</b>	<b>3,342</b>	<b>1,491</b>
% Private	94%	88%	50%	22%	61%	82%	90%	98%

Source: OECS Educational Digest

### System Inefficiencies

Throughout the OECS Member States males are at greater risk than their female counterparts of not completing the basic education cycle. It is also the case that, on average, males take longer to complete the cycle than females.

Repetition: For most countries in the region repetition is relatively low. Regional averages are 2.4% and 8% at the primary and secondary schools respectively. Highest repetition rates are found at Form 3 of the secondary level and Grade 1 of the primary level. Repetition at all grades is higher for males than for females. Highest repetition for males occurs at Form 1 of the secondary school. This is possibly be due to the fact that with universal secondary education combined with the fact that females perform better than males at the Common Entrance Examinations, many males are entering secondary school are least prepared for education at that level.

Dropout: School dropout is a growing problem at the secondary school level while at the primary level it appears to be a non-issue. In the 2014-15 school year a total of just over 100 students dropped out of primary schools across the region while at secondary the number was nearly 900 students. The largest occurrences were at the third and fourth forms. Approximately 60% of dropouts were males.

### Quality

For the purposes of this analysis student performance at the end of the basic education cycle and teacher quality are used as indicators of education quality.

### Student Performance

Overall student performance at the 2015 Caribbean Secondary Education Certificate (CSEC) examinations shows a continued improvement since 2012. All countries have recorded better performances especially in English, Mathematics and Information Technology, among the core subjects being monitored. (See Table 2.)

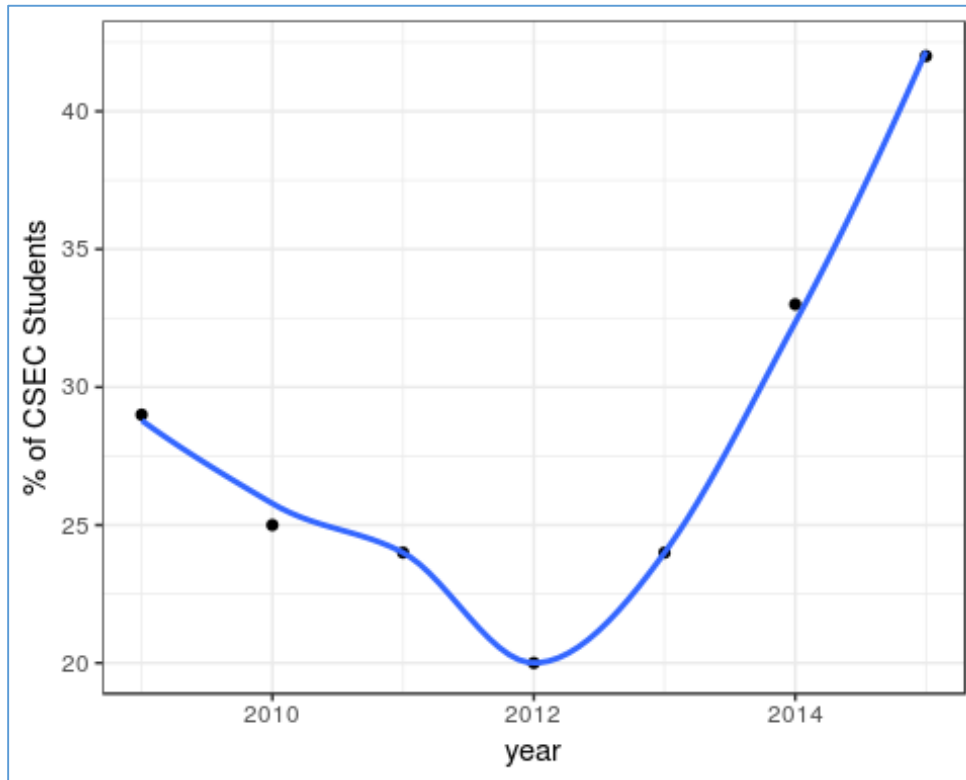
*Table 7-2: Trends in Performance at CSEC- English A, Mathematics and ICT*

Year	% Achieving Grades I - III		
	English A	Mathematics	Information Technology
2015	68	62	90
2014	67	54	87
2013	62	35	86
2012	54	32	86
2011	74	34	82

*Source: OECS Education Digest*

Improvements in Mathematics have resulted in a higher percentage of students reaching the benchmark of a minimum of five CSEC subject “passes” including English and Mathematics. The overall rate for the region has doubled since 2012 moving from 20% to 42% in 2015. (See Figure 2). This is a most welcomed trend, which need to be researched to ensure that measures are taken to ensure that it is sustained.

Figure 7-2: Five or more CSEC passes incl. English & Mathematics

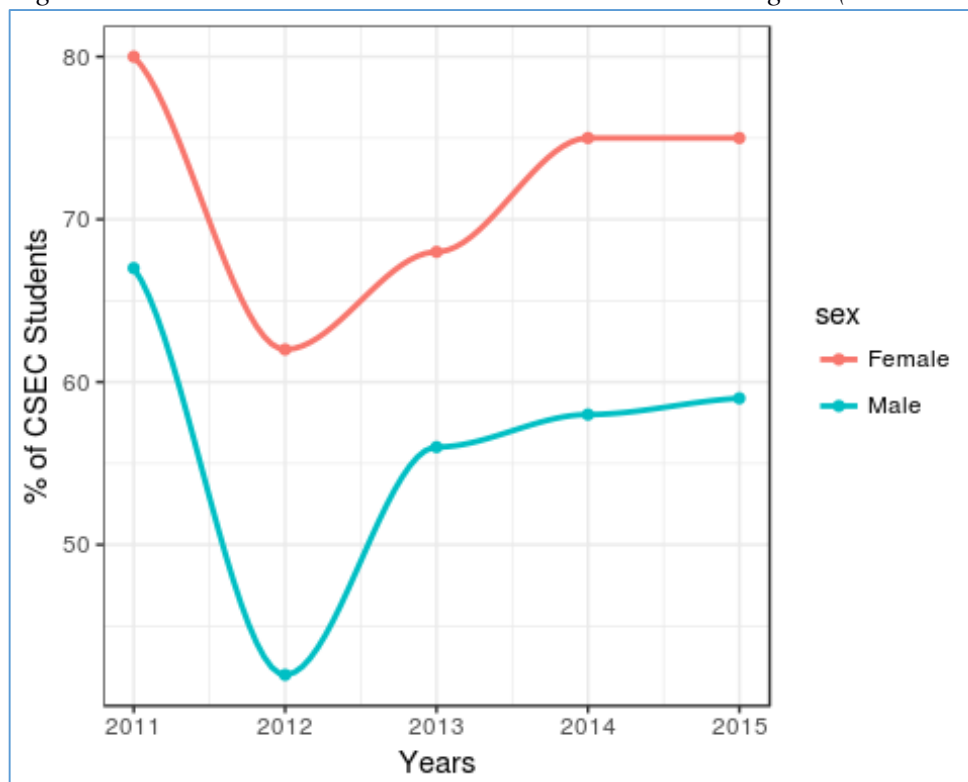


Source: OECS Education Digest

Improvements for the region reflect strong improvements in most Member States with achievement rates ranging from 23% to 55% in 2015 compared to achievement rates from 17% to 33% in 2013.

In all countries of the OECS females perform better than males at the CSEC examinations. Since 2011 females have performed better in English A by about 7 percentage points. In 2015 the achievement rates were 75% to 59% in favour of females. (See Figure 3). In Mathematics however, the rates were 63% to 62% in favour of the girls. Since 2011 there has been a negligible difference in performance in Mathematics, with boys having a 1-2 percentage point advantage in some years.

Figure 7-3: Trends in Female and Male Achievement in English (OECS Average)



Source: OECS Education Digest

#### Teacher Quality

Teacher knowledge of content and competency in pedagogy are widely used indicators of quality teaching. The proportion of trained primary school teachers is at an average of 76% with ranges from 63% to 89% across countries. Those rates have been fairly stable for the region as a whole over the last five years but individual countries have experienced significant shifts lately. Within the last two years St. Kitts and Nevis has shown the greatest improvement from 65% to 79% while Montserrat has recorded the biggest drop from 76% to 64%. (See table 3).

Table 7-3: Percentage trained teachers at Primary School By country

Country	2013	2015
Antigua and Barbuda	66	63
Dominica	63	65
Grenada	62	64
Montserrat	76	64
St. Kitts and Nevis	65	79
St. Lucia	89	89
St. Vincent and the Grenadines	84	86
Virgin Islands		81

Source: OECS Education Digest

The proportion of trained secondary school teachers is significantly less than that of trained primary school teachers and there are wide variations across Member States from 44% to 85% in 2015. Since 2013 the proportion of trained teachers has increased for the majority of countries with just three of them showing declines. (See Table 4.)

*Table 7-4: Percentage of trained teachers at Secondary by country*

<b>Country</b>	<b>2013</b>	<b>2015</b>
Antigua and Barbuda	53	44
Dominica	57	44
Grenada	39	42
Montserrat	42	77
St. Kitts and Nevis	52	66
St. Lucia	69	71
St. Vincent and the Grenadines	69	60
British Virgin Islands	N/A	85

*Source: OECS Education Digest*

In the OECS a large proportion of the teaching force continues to instruct students in subjects for which they have not achieved adequate content mastery. The problem appears to be most acute for subjects like Mathematics, Science and Foreign Languages, as well as many of those in the Technical and Vocational cluster.

### *Relevance*

A key economic argument for education and training is the high added value of schooling for income generation and for productivity gains. High unemployment rates, especially among the youth population is usually blamed on an irrelevant education system. This is certainly the case when such unemployment exists while many vacancies remained unfilled. In many instances when the vacancies are filled there is the constant refrain from industry about the dearth of certain skills among young recruits.

Current youth unemployment is estimated at between 30% and 50% among OECS Member States. For the unemployed young person the solution is invariably the acquisition new skills or higher qualification whether or not there is a vacancy to be filled. This appears to be the case with persons whose highest educational achievement is primary education. However for persons with tertiary education qualifications it is usually a great source of frustration when, after many years of studying, the promised jobs do not materialize. Hence the education reformist advocate for changes to the curriculum offerings making them more demand-driven in the hope that more school graduates will find gainful employment.

Evidently, subject selection at secondary schools is not driven by market conditions. Rather, student choices at CSEC reflect a historical pattern of preference for Business related fields such as Accounting and Principles of Business, in which the market appears to be saturated. This is perplexing when compared to much lower entries for subjects in Science, Technical Vocational Education and Training (TVET) and the Performance Arts Clusters where skills are in relatively higher demand. (See table 5).

*Table 7-5: Average number of subjects sat at CSEC by Subject Cluster*

<b>Subject Cluster</b>	<b>2013</b>	<b>2015</b>
TVET & Performing Arts	601	511
Physical Sciences	1703	1619
Humanities, Soc Sciences & For/Languages	1880	1724
Office & Business	2286	1801
English A and Mathematics	6222	7685

*Source: OECS Education Digest*

## Governance

One of the hallmarks of successful education reforms has been the prevailing good governance arrangement, which have facilitated the management and implementation of those programmes. In almost every case the evidence is clear: up-to-date legislative and policy environments that foster accountability, efficiency, transparency and respect for rule of law always yield good returns to the education sector. The PISA (2016) report highlights the value of school governance, assessment and accountability as one of the core policies and practices for successful schools.

The drafting of the Model Education Bill that was part of the first major effort to reform the education system OECS Countries in the 90's was a defining moment in the history of education in the region. While providing an updated legislative framework for delivering a better quality service its development set the tone for transparency and broad participation by all stakeholders in education matters. The process has since been replicated in many policy development areas although the legislation has not kept pace with a rapidly changing environment. Many countries for example, do not have appropriate legislation to deal with the application of technology in education. Nor is there a clear path, for example, for devolving greater responsibility for school management to community boards.

One of the biggest problems plaguing governance in the OECS is the existence of draft policies that have not been formally approved and therefore never get implemented. At all levels of the system managers and administrators lament the efforts placed on developing these policies only to have then relegated to mere relics in the systems' files. For a very long time this has been the case for policies and regulations in the ECE sub-sector. It often takes special efforts by influential lobbyists and by strong external partners, who usually make approval and implementation a condition for providing support to the sector.

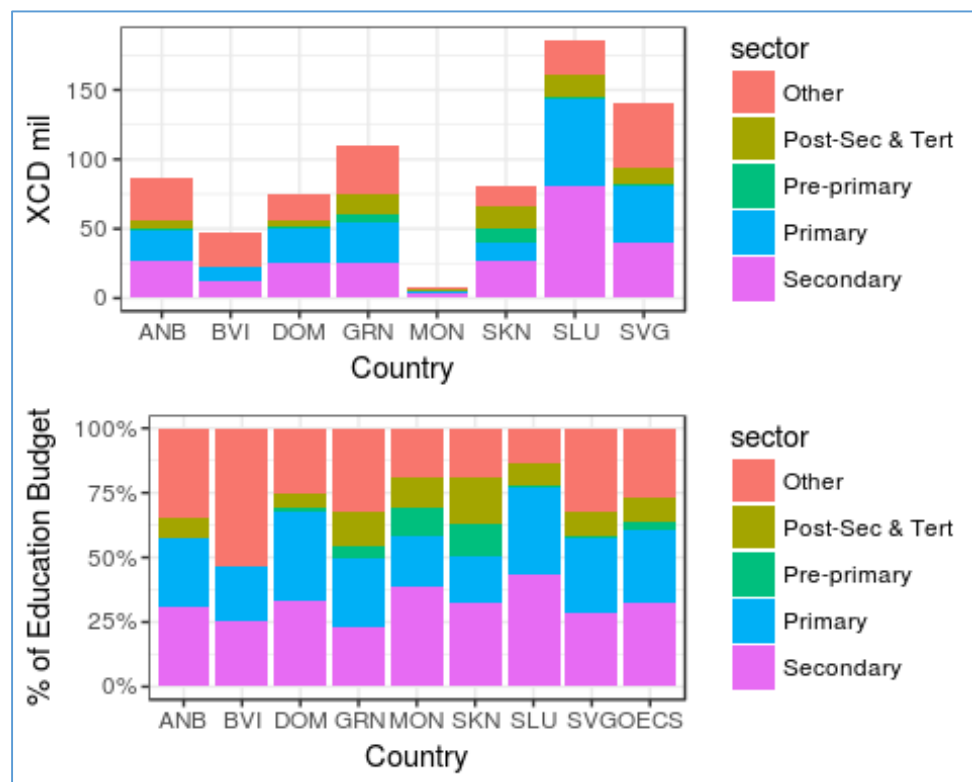
The OECS Economic Union provides a great opportunity for carving out a regional and, therefore, more efficient approach to the governance mechanism across many sectors of the education system. This is particularly so at the tertiary level in matters related to the delivery of joint programmes and the establishment of quality assurance frameworks. Many OECS countries are pursuing the establishment national accreditation bodies as well as national vocational qualifications frameworks. However, problems experienced with getting these off and running prove that national resources are much too meager to permit effective country specific ventures like these. There are useful lessons from the experiences of regional bodies such as CXC, CANTA and CANQATE, all of which are regionally and internationally accepted and supported.

## Cost

National expenditure on education remains relatively high at about 15% of total recurrent budget estimates. Education expenditure has been estimated as high as 21% in certain States when education-related initiatives of government departments other than the Ministry of Education are factored in. Education expenditure ranges between 3% and 6% of GDP among Member States of the OECS.

The education budget is unevenly distributed across the various sub-sectors with the largest shares of the budget going towards primary and secondary education. The share is over two-thirds of the budget in some countries. In all cases the lowest share of the budget goes the Early Childhood Education sub-sector and is less than 1% of the national budget. (See Figure 4). This sub-sector is substantively privately run. In countries such as St. Kitts and Nevis, and Montserrat where there is high public sector involvement, there is generally a higher share of the national budget towards ECE.

Figure 7-4: OECS Education Budget in 2015



Source: OECS Education Digest

## STRATEGY

### Strategic Objective and Approach

The goals of the strategies for the OECS Education sector are in sync with the Goal 4 of international SDGs as they seek to address inclusive and equitable quality education and to promote lifelong learning opportunities for all. The strategies provide a framework for achieving better quality education for every learner in the region through its embrace of the vision that *Every Learner Succeeds*.

Some long-held assumptions about education and training in the region are challenged by these strategies. Firstly, they recognize the fundamental right of all to a high quality education and that every learner can succeed at their full potential despite their unique weaknesses and vulnerabilities. Accordingly, the individual learner and their needs are placed at the centre of interaction in the learning process, and in an environment that promotes learning at their own pace. This dispels the notion of a four-walled classroom with one teacher at the front and dozens of other students sitting at desks looking on.

Secondly, the strategies seek to develop in the learner skills and abilities not merely for the economic purpose of landing better jobs and contributing to more productive economies. Instead, the strategies aim at developing a more complete socially and culturally adaptable person who can pursue their own interests – not necessarily to make more money – but to add value in an array of spheres including to enhance the peace and future well-being of one’s country, the region and the world.

Thirdly, the strategies seek to transform the education system away from the view that students, and schools, should be in constant competition with each other. This takes away the obsession with striving for better grades in a system that is examinations driven and which classifies those with lower grades as failures. A key element of this transformation would be to eliminate the dichotomy between learners who are deemed “academic” and those who are “technical” based on achievement scores on existing tests. Relatedly, the strategies facilitate

multiple pathways to success ensuring that individuals who drop out of the system can reenter the learning stream and become successful no matter their pursuits.

## Strategic Elements

### *Strategic Component 7-A: Equitable Access*

Key priorities for achieving more equitable access to education involve:

- Improving participation, especially among disadvantaged and at-risk groups, at pre-primary and the basic education cycle;
- Extending more affordable and flexible opportunities for post-secondary and tertiary education to a broader cross section of the population;

#### 7-A.1 Increase participation in Early Childhood Education Services

*7-A.1(i) - Seek support from the broad community, including churches, employers, sports clubs and social service groups in educating parents on the importance of early childhood education.*

*7-A.1 (ii) - Facilitate programs to work with low performing schools to identify families where children are not taking part in ECE*

*7-A.1 (iii) - Extend outreach of early learning programmes (Roving Care-givers Programme) to children's homes*

#### 7-A.2 Create increased opportunities for access to post-secondary and tertiary education

*7-A.2 (i) - Facilitate the expansion of access to online and other digital learning options*

*7-A.2 (ii) - Facilitate the expansion of part- time / after work programmes for specific demand courses / programmes e.g Health Care / Nursing, Engineering*

*7-A.2 (iii) - Capitalize on bi-lateral relations to prioritize foreign scholarship programs for aspiring students*

*7-A.2 (iv) - Tailor home-based learning programs for students with special learning requirements;*

#### 7-A.3 Strengthen second chance education programmes

*7-A.3 (i) - Facilitate the expansion of institutions offering second chance learning to successfully offer certified training for NVQs, CVQs and CCSLC*

*7-A.3 (ii) - Engage the private sector to widen acceptance and recognition of NVQs, CVQ and CCSLC among employers*

### *Strategic Component 7-B: Quality*

Key priorities for improving the quality of education services focus on:

- Improving school leadership;
- Establishing standards of practice and performance in teaching and learning that are better aligned with international best practices;
- Initiating more innovative teacher recruitment, retention and professional development policies and practices;

#### 7-B.1: Improve leadership

*7-B.1 (i) - Provide increased opportunities for professional development activities for school leaders*

*7-B.1 (ii) Strengthen accountability and legal frameworks*

*7-B.1 (iii) Benchmark standards and remuneration frameworks to international best practice*

### 7-B.2: Improve instructional delivery (Classroom Practice) including assessment practices

7-B.2 (i) - *Provide differential approaches that actively engage students in their learning*

7-B.2 (ii) - *Use appropriate ICT in instructional practice to engage learner interest, discovery and inquiry skills*

7-B.2 (iii) - *Develop an evaluations framework measures both institution and student successes;*

7-B.2 (iv) - *Upgrade ECD centers to established minimum standards of practice that are internationally benchmarked*

### 7-B.3 Improve teacher quality

7-B.3 (i) - *Adopt more targeted teacher professional development practices*

7-B.3 (ii) - *Strengthen pre-service training for prospective teachers*

7-B.3 (iii) - *Establish regular and systematic teacher appraisal*

7-B.3 (iv) - *Adopt a systematic approach to classroom observation and support for teachers needing assistance*

7-B.3 (v) - *Review teacher remuneration frameworks and benchmark globally*

7-B.3 (vi) - *Establish an international mentorship scheme with the world's best educators*

7-B.3 (vii) - *Review entry requirements for school leavers considering a teaching qualification with a view to attracting the best and brightest*

## Strategic Component 7-C: Relevance

Key priorities for delivering a more relevant education product involve:

- Adopting curriculum content that better reflects the knowledge and skills required for a dynamic and technologically driven global work environment but which also meets individual preferences that are not necessarily related to improving economic activity;
- Creating opportunities for the greater involvement of the private sector in curriculum decision-making and in the delivery of education;

### 7-C.1: Improve curriculum content and assessment

7-C.1 (i) - *Use technology to personalize instruction, provide access to open resources, provide problem-based learning and support alternative and comprehensive assessments like student digital portfolios*

7-C.1 (ii) - *Tailor curriculum to be more culturally appropriate*

### 7-C.2: Develop a comprehensive skills development strategy

7-C.2 (i) - *Establish private public partnerships to inform demand for future skills*

7-C.2 (ii) - *Review and develop a competency-based curriculum that meets employer needs and are available to learners on both vocational and academic routes*

7-C.2 (iii) - *Develop a system of Prior Learning Assessment (PLA) that enables applicants from the workforce to gain credit for their relevant work experience to pursue post-secondary/tertiary certification*

### 7-C.3: Make education more demand driven

7-C.3 (i) - *Establish a private sector steering committee to inform policy at all levels of Government*

7-C.4: Adopt and promote skills development at all levels of the education system

7-C.4 (i) - *Benchmark global best practice in both vocational and tertiary educational streams*

### **Strategic Component 7-D: Governance**

Key priorities for improving OECS school governance arrangements are:

- Instituting cost effective solutions to the delivery of the education service;
- Strengthening the policy and regulatory framework.

7-D.1: Improve legislative, management and accountability frameworks

7-D.1 (i) - *Devolve greater decision-making to schools.*

7-D.1 (ii) - *Expand and strengthen school management boards*

7-D.1 (iii) - *Develop appropriate legal, technical, and regulatory framework to support knowledge management across the sub-region*

7-D.2: Review the legal and institutional frameworks for higher education

7-D.2 (i) - *Pursue the establishment of a regional accreditation body*

7-D.2 (ii) - *Adopt or adapt as necessary, the CARICOM Regional qualifications framework*

**7-D.3: Review existing finance mechanisms for tertiary and continuing education**

*Introduce a HECS (Higher Education Contribution Scheme) where the State pays tuition which is paid back at reduced interest through the national taxation system on the graduate's earnings*

### **Assumptions and risk**

Following are some of the key risks to implementing the strategies across the OECS:

- *Lack of political will* – failure to secure political agreement to the “whole” approach results in piecemeal change, lack of clarity and direction and failure to maximize the benefits of collaboration and partnership;
- *Restrictive legislation* – limited delegated accountability structures and reduced capacity for front line responsibility for change;
- *Fluctuating economic circumstances* -- withdrawal of funding and the failure to secure and sustain investment resulting in failure to deliver sustainable solutions will impact substantially on a medium or longer term change and on the ability to achieve successful outcomes at school or learner levels;
- *Lack of capacity and resources of the OECS Education Development Management Unit (EDMU)* – the EDMU is critical to initiating, driving, sustaining and evaluating the implementation over the life of the strategy;
- *Ineffective communication and advocacy* – “buy in” at all levels across the system is required and failure to secure consensus may not yield the desired outcomes;
- *Inadequate levels of capacity at the national level* – investment in the capacity to deliver, to monitor and evaluate, and to effect change strategies is as critical as is sustained professional development linked to incentives;
- *Environmental disasters* – these can result in the channeling of funding away from education improvements and reform activities;
- *Ineffective and inadequate monitoring and review* – a robust M & E system at institutional, state and regional level is necessary to guide implementation.

## Monitoring and evaluation

The key principle that undergirds the strategy is that monitoring, review and evaluation must focus on two aspects of performance – the outcomes for learners and the implementation of planned strategies and actions designed to improve learner outcomes.

### Monitoring and Evaluating Outcomes for Learners

Monitoring and evaluation will focus on the impact of implementing the strategy on outcomes for learners. It is the improvement in these outcomes, not on the level of activity that has taken place in implementing the strategy that is the critical measure of success. At all stages of implementation, performance indicators, including intermediate outcome indicators defining the impact on outcomes for all learners, will be established and the means of measuring them will be put in place and maintained.

Some of the data needed to assess impact on outcomes will require standardized annual data returns from schools and other educational institutions. Much of this is already in place. Further performance information and data will be provided at institutional and Member State level through the implementation of an accountability framework that may include self-evaluation and external inspection of schools and other educational institutions.

### Monitoring and Evaluation of Planned Strategies and Actions

Effective quality assurance and impact monitoring of the strategy will also require data to be collected on the progress of implementing planned strategies and actions and the achievement of specific targets and milestones that are not defined in terms of outcomes for learners. Annual monitoring reports in standardized format and using common evaluation criteria and methodology from all OECS Member States will enable the EDMU to rigorously evaluate the progress of implementing the strategy and its impact.

Several key tasks have to be performed for effective monitoring, review and evaluation of the strategy. These will include:

- Establishing agreed baseline data at the start of implementation;
- Establishing a cycle of annual agreed data gathering;
- Establishing agreed processes for analysis and interpretation of data at State and OECS levels;
- Establishing formal annual impact reporting processes;
- Agreeing on the respective roles of EDMU and State data units in collection, analysis, interpretation and publication of performance data/information;
- Establishing the human and technological capacity for collection, analysis and interpretation of performance data;

### Key Indicators

Following are the key indicators for monitoring progress towards the desired strategic goals:

1. Gross intake rate (GIR) first grade of primary
2. Gross Enrolment Rate (GER): Primary
3. Gross Enrolment Rate (GER): Secondary
4. Net Enrolment Rate (NER): Primary
5. Net Enrolment Rate (NER): Secondary
6. Repetition Rate (RR): Primary (2013-14)
7. Repetition Rate (RR): Secondary (2013-14)
8. Drop-out Rate (DR): Primary (2013-14)
9. Drop-out Rate (DR): Secondary (2013-14)
10. % of children (0-2) accessing Early Childhood Education

11. Net enrolment in Early Childhood Education (3-4)
12. Percentage of trained teachers: Primary
13. Percentage of trained teachers: Secondary
14. Percentage students passing 5 or more CSEC subjects with English A and Mathematics
- 15. Public expenditure (recurrent only) on education as a percentage of GDP**
16. Public recurrent expenditure on education as a percentage of total recurrent expenditure
17. No. of Primary schools with a School Development Plan
- 18. No. of Secondary schools with a School Development Plan**

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OECS Education Sector Strategy 2012-21

OECS Education Digest (2016)

UNDP (2016) Caribbean Human Development Report

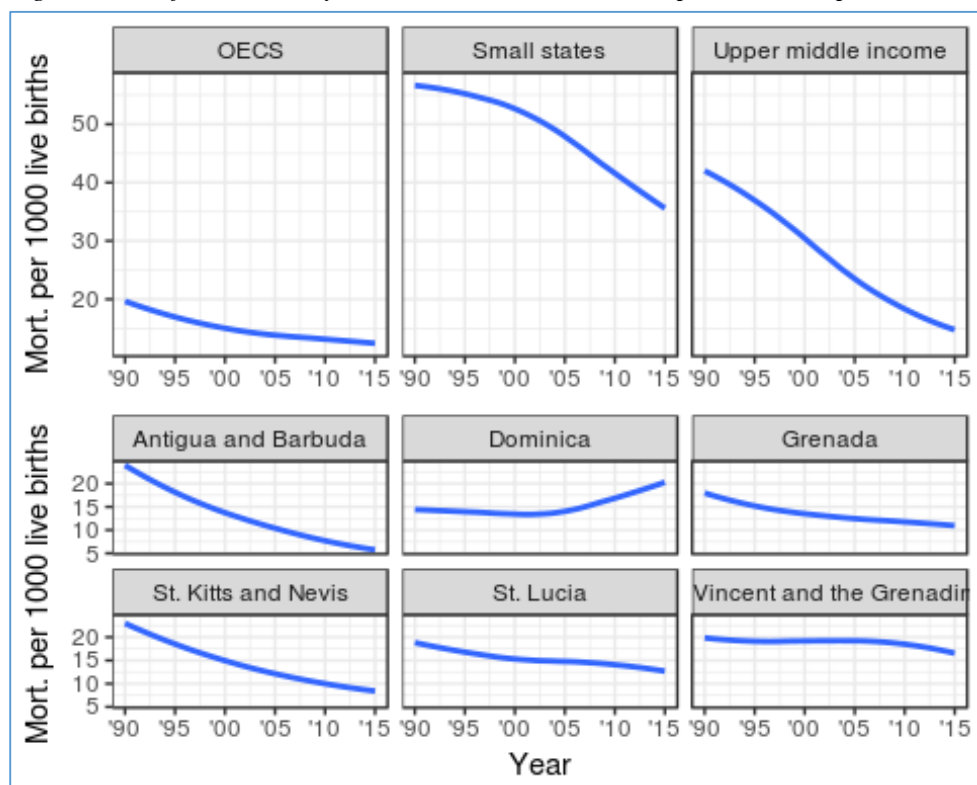
PISA (2016) Report

## 8. Health Chapter

### Background

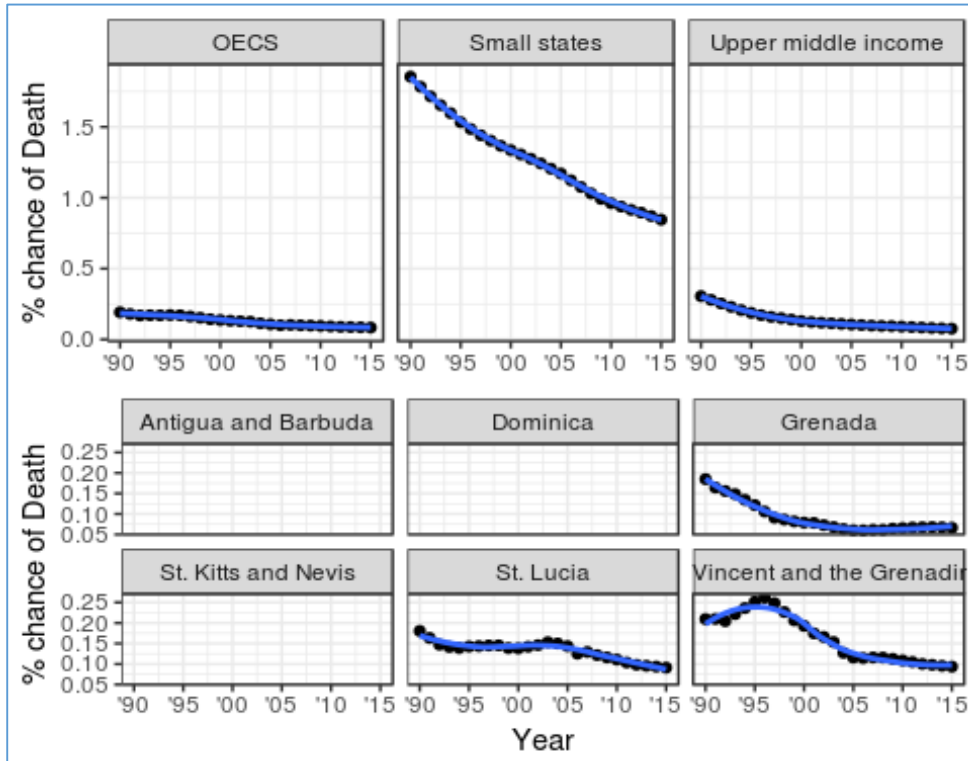
The OECS has made significant strides in key health outcomes over the last several decades. Figures 1 to 3 shows developments in key health aggregates over the period 1990 to 2015. Both infant mortality rates and the risk of maternal death are and have been substantially lower in the OECS than the comparator groups of Small States and Upper Middle Income countries. Life expectancy at birth has traditionally been higher in the OECS than in its comparators however in recent times life expectancy in the OECS has fallen somewhat behind the average for the Upper Middle Income comparator group.

Figure 8-1: Infant Mortality Rates in the OECS and Comparator Groups



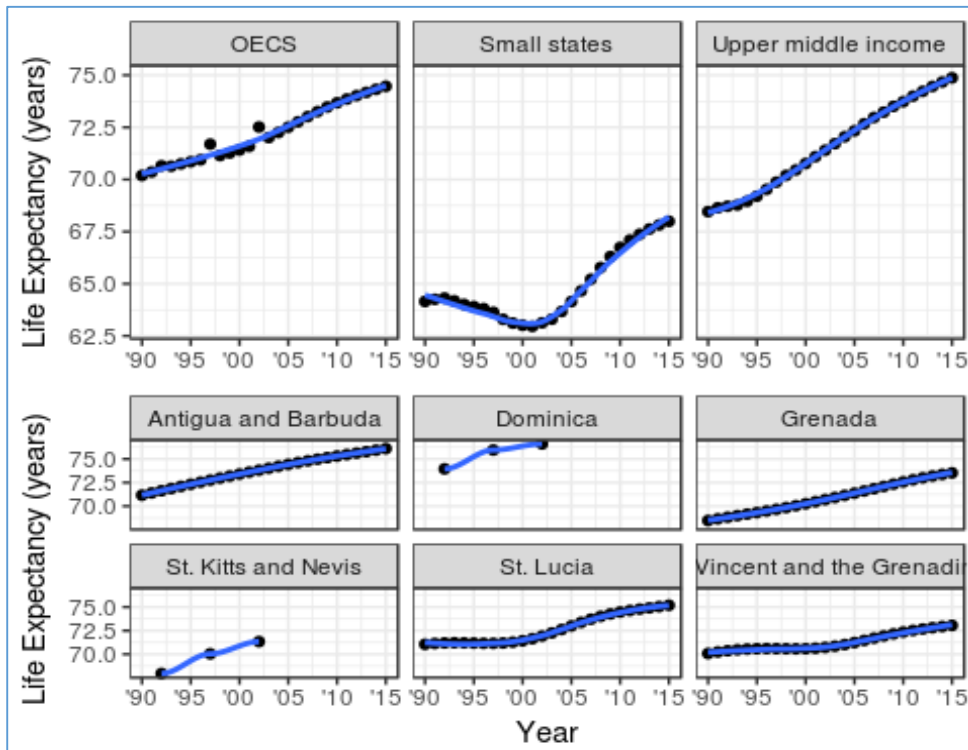
Source: World Development Indicators

Figure 8-2: Lifetime Risk of Maternal Death in the OECS and Comparator Groups



Source: World Development Indicators

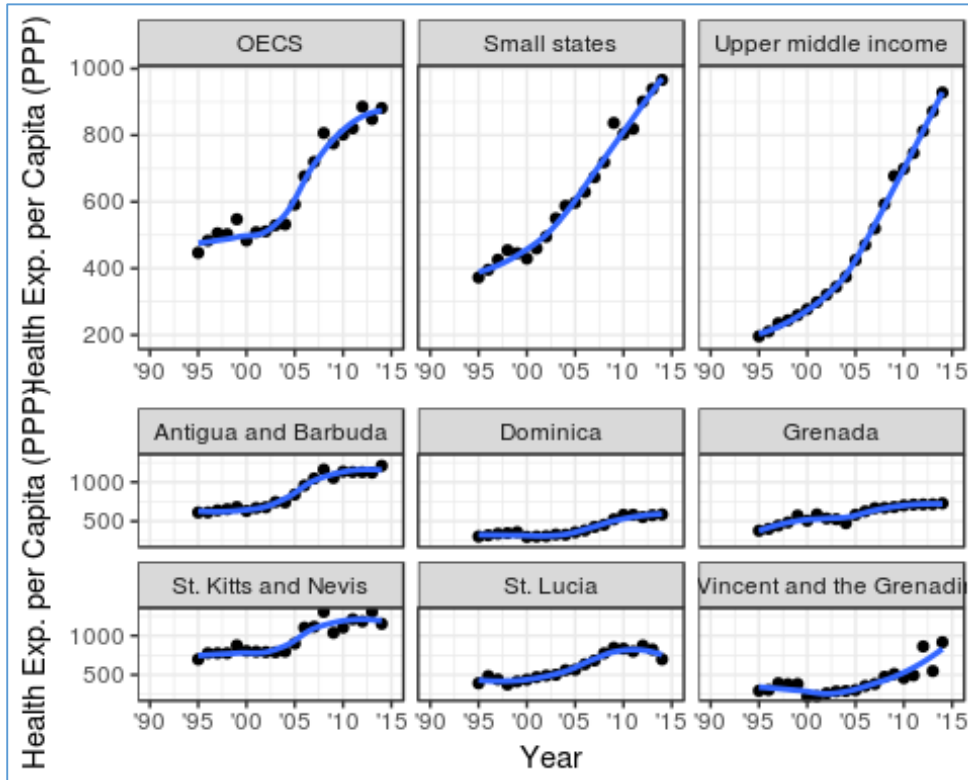
Figure 8-3: Life Expectancy at Birth in the OECS and Comparator Groups



Source: World Development Indicators

Notwithstanding these gains, recent performance points to current and future challenges. Figure 4 shows that while health expenditure in the OECS has historically been relatively high, since circa 2010 there has been a slowdown in the rate of expansion in these expenditures. In recent times the OECS has been overtaken by both comparator groups in this regard.

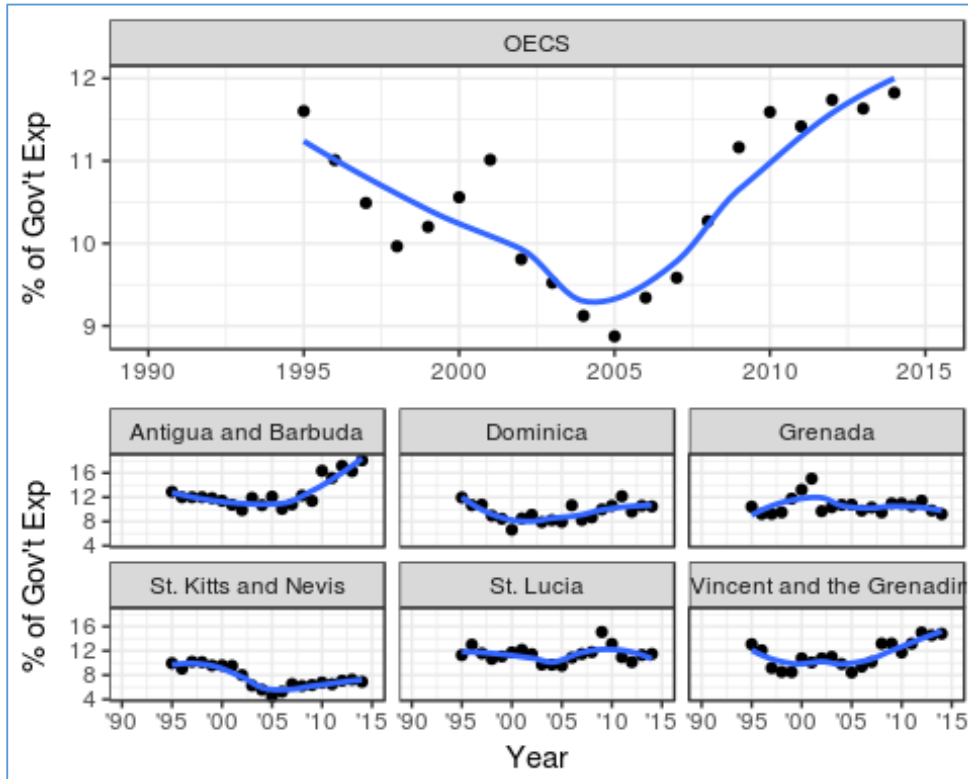
Figure 8-4: Health Expenditure (Public & Private) per Capita in the OECS and Comparator Groups



Source: World Development Indicators

Despite this relative performance in per capita health expenditures, public sector health expenditure as percentage of total government expenditure has been increasing since about 2005. Figure 5 shows, that public sector health expenditure (in relative sense) for the OECS group as well as some Member States has never been higher. This suggests that OECS Member States are challenged in financing the health expenditure shortfall that figure 4 is possibly alluding to.

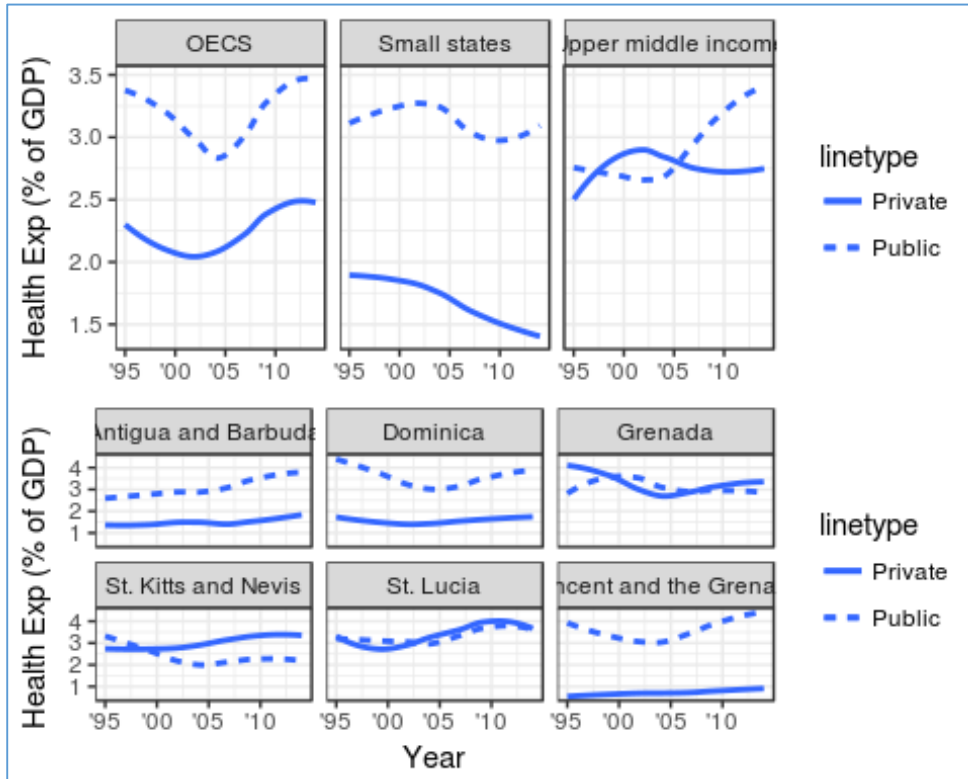
Figure 8-5: Public Sector Health Expenditure as a percent of Total Government Expenditure



Source: World Development Indicators

Figure 6 shows how health care expenditures (as a percent of GDP) are distributed over time between private and public sources of financing. The tendency amongst Small States as well as Upper Middle Income Countries seems to be that of *socialization* of health care- that is- a tendency for public expenditure to grow at a faster rate than private expenditure. In the OECS (as a whole) no clear trend towards *socialization* seems to exist, though such a trend seems apparent in Antigua and Barbuda, and since *circa* 2002 in Dominica as well as St. Vincent and the Grenadines.

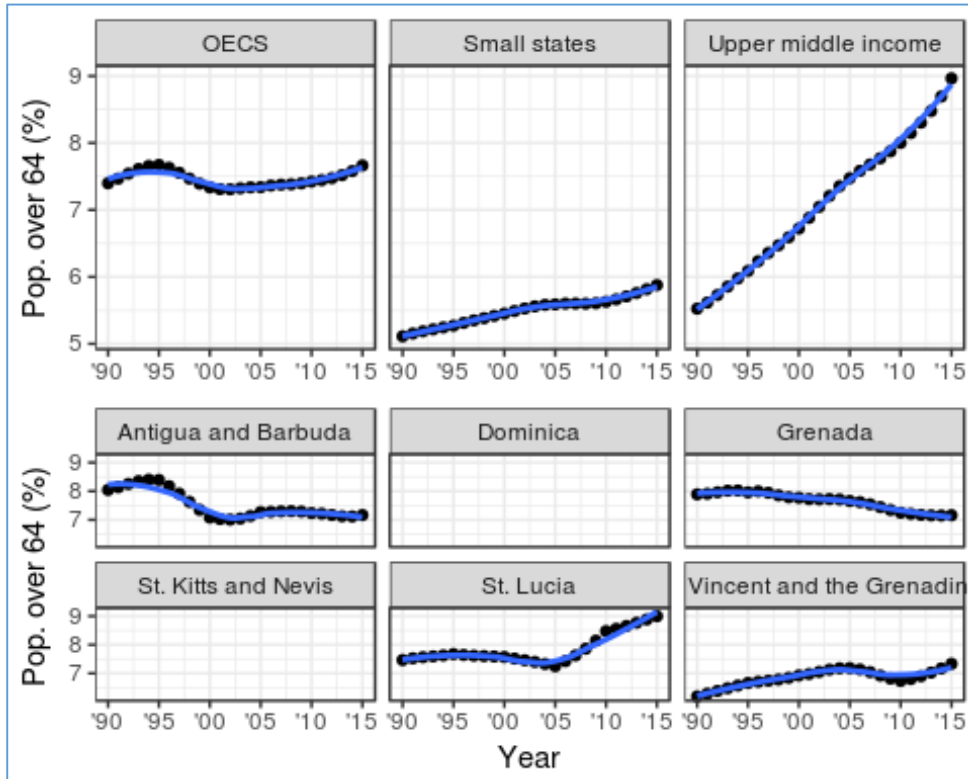
Figure 8-6: Private vs. Public Health Expenditure in the OECS and Comparator groups



Source: World Development Indicators

Persons 65 and older currently represents in excess of 7.5% of the total population in the typical OECS State. While, as shown in figure 7, this is below the average for Upper Middle Income Countries, it is high relative to other small states. Furthermore this demographic group has been representing an increasing share of the population in half of the OECS countries for which data is available. As a greater percentage of the population enters this demographic group, certain issues (such as: sustainability of social security and national health insurance schemes, as well as, age related diseases and disorders) acquire greater prominence. The OECS may therefore have to be mindful of these going forward.

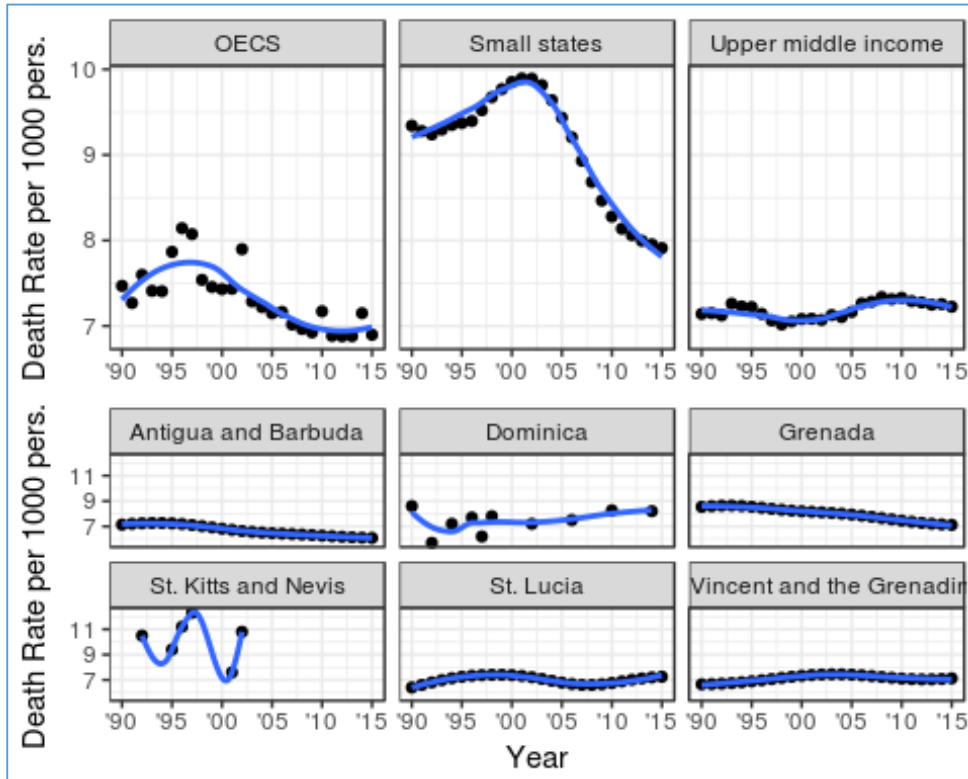
Figure 8-7: Population 65 and Older as Percent of Total Population



Source: World Development Indicators

The death rate in the OECS has been falling since the late 1990s and is now about 7 deaths per 1000 persons. As can be seen from figure 8 the OECS rate has since *circa* 2005 fallen below the average for Upper Middle Income Countries and has been consistently lower than that of the Small States group.

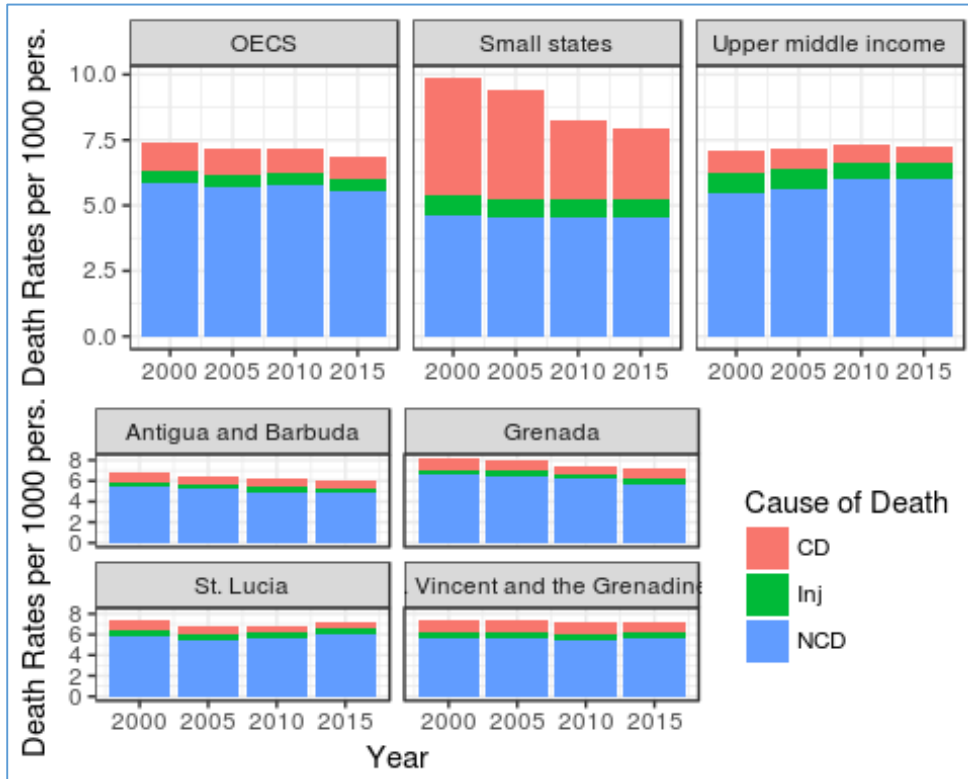
Figure 8-8: Death Rate in the OECS and Comparator groups



Source: World Development Indicators

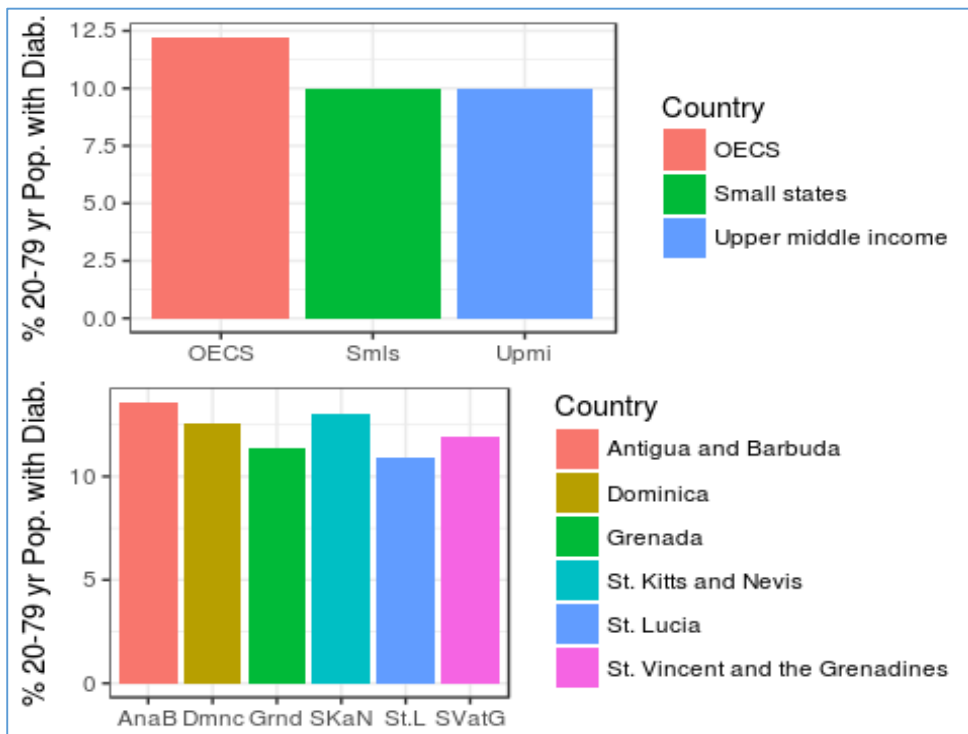
Figure 9 decomposes the death rate by cause of death. While the death rate in respect of Injuries (Inj) has been low relative to both comparator groups, the death in the OECS in respect of Communicable Diseases (CD) has been high relative to other Upper Middle Income countries. Simultaneously deaths from Non-Communicable Diseases (NCD) are high in OECS relative to the Small States grouping and are roughly comparable to Upper Middle Income Countries. For some NCD- example Diabetes- the OECS is the absolute leader (among the three comparator groups) in terms of its incidence in the population (see figure 10).

Figure 8-9: Death rate by Cause of Death in the OECS and Comparator groups



Source: World Development Indicators

Figure 8-10: Prevalence of Diabetes among 20 to 79 years of age in the OECS and Comparator groups



Source: World Development Indicators

## Policy Context and Constraints

The OECS as part of CARICOM recognised the critical role of health to economic development in the 2001 Nassau Declaration: *The Health of the Region is the Wealth of the Region*. This declaration further recognised the limitations of single institutions, countries or nations and the power of collective response. This collective response was further emphasized in the 2007 Port of Spain Declaration: *Uniting to stop the epidemic of Chronic Non-Communicable Diseases* in which the Heads of Government of CARICOM reaffirmed their full conviction “that the burdens of NCDs can be reduced by comprehensive and integrated preventive and control strategies at the individual, family, community, national and regional levels and through collaborative programmes, partnerships and policies supported by governments, private sectors, NGOs and our other social, regional and international partners.”

### Box 8-1: Key Partners

In the OECS much of the work in health is executed in partnership with a number of global and regional organisations. Amongst the partners are:

- Pan American Health Organisation (PAHO)
- Caribbean Public Health Agency (CARPHA)
- Global Fund (for HIV Tuberculosis and AIDS)

This strategy envisages the continued support of these and other partners.

Both declarations speak to the need to strengthen health systems and recognise the Caribbean Cooperation in Health (CCH). The CCH is a mechanism through which Member States of CARICOM collectively focus action and resources over a given period towards the achievement of agreed objectives in common priority health areas. CCH identifies the approaches and activities for joint action and/or Technical Cooperation among Countries (TCC) in support of capacity-building for the achievement of the objectives. CCH is currently in its fourth iteration CCH IV. The previous three having each been for a period of five years, CCH IV is for a period of ten years from 2016-2025. Consensus was reached on the following priority areas to be addressed in CCH IV:

1. Health Systems for Universal Health Coverage
2. Safe, resilient, healthy environments to mitigate climate change
3. Health and well-being of Caribbean people throughout the life course
4. Data and evidence for decision-making and accountability
5. Partnership and resource mobilization for health

The OECS has recognised CCH IV priorities in formulating its health strategy.

The OECS further recognises the PAHO/WHO Multi-Country Coordinating Strategy for Barbados and the Eastern Caribbean 2018- 2024 and the PAHO/WHO Strategy for Technical Cooperation with the United Kingdom Overseas Territories (UKOTs) in the Caribbean 2016-2022. These PAHO/WHO documents were developed through a methodology of wide in country consultation with Health Stakeholders in the Member States of the OECS and Barbados to determine the ongoing health priorities of the OECS Region in keeping with WHO Priorities, the PAHO Strategic Plan and National Health Plans.

The health sector in the OECS faces several constraints as it seeks to deliver the best possible health care to citizens. Amongst these challenges are:

1. Limited fiscal space and consequently increased difficulty in securing desired resource levels
2. High turnover of health personnel leading shortages in key areas

## Strategy

### Strategic Objective and Approach

The objective of the strategic framework presented below is to **enhance the chances of citizens from OECS Member States having longer, healthier and more productive lives**. As a means of working towards this goal, a strategy has been constructed on four strategic clusters namely:

- a. Encouraging **Healthy Environments** and Health Empowerment
- b. Improving **Equity in Access**
- c. Ensuring **Accessible Information** for the Strategic Governance of Health Systems
- d. Promoting **Long-term Investment**

An outline of strategies by clusters follows.

### Elements of the Strategic Framework

#### *Strategy Component 8-A: Encouraging Healthy Environments and Health Empowerment*

Health is closely related to behaviours and can be greatly influenced by the environment. Food availability and affordability is a large contributing factor to dietary habits. Schools and workplaces should encourage good nutrition and physical activity while enabling the management of chronic diseases such as asthma in children, and diabetes and hypertension in adults. Individuals should be educated, encouraged and enabled at all spaces to have healthy habits and appropriately manage disease. Lifestyle diseases account for the biggest burden of mortality and morbidity in the OECS. Commitments of the Port of Spain declaration and the “Best Buys” of the NCD Global Action plan can serve as a menu of actions for the related strategic objectives.

Healthy Environments include environmental issues such as water and sanitation as well as safe environments free from accidents and violence. Climate change and poor environmental conditions have contributed to the re-emergence of communicable disease outbreaks due to the Aedes mosquitoes such as Dengue, Zika, Chikungunya and Yellow Fever (WHO, 2017).

An important aspect of this strategic goal is the response to natural, manmade and health specific emergencies and disasters. The Caribbean Region is known to especially vulnerable to natural disasters such as earthquakes and hurricanes, and the health sector has an immediate response following these disasters. In addition the recent outbreak of Ebola and previous global outbreaks of SARS and Avian Flu underscore the need for robust health emergency response systems and fulfillment of requirements of the International Health Regulations (IHR).

The strategic actions in so far as encouraging Healthy Environments and Health Empowerment is concerned are:

#### 8-A.1 Improve Health Emergency Response

*8-A.1(i)- Develop a comprehensive and integrated Health Emergency Response plans (where none exist) for manmade and natural emergencies/ disasters Outbreak/ Epidemic/ pathogenic Exposure.*

*8-A.1(ii)- Review and strengthen (if appropriate) these plans where they currently exist.*

## 8-A.2 Develop an action plan to promote healthy behaviours and choices.

8-A.2(i)- *A multi-prong approach will be adopted in this regard. One component will be targeted at schools and workplaces where persons are more likely to make food choice lapses and/or sit for prolonged periods of time. The continued efforts of some Member States to improve the nutritional content in school feeding programmes is recognised and efforts will be made to expand these. Another component will be empowering individuals and communities to engage in healthy behaviours (diet, exercise, reduction in the consumption of alcohol and tobacco) and self-management of chronic disease through interventions such as mass media and community campaigns.*

## 8-A.3 Promote Healthier and Safer Physical Environments

8-A.3(i)- *Empowering communities to take great control of aspects of environmental health management such as solid waste reduction strategies, vector (especially the Aedes mosquitoes) reduction strategies.*

8-A.3(ii)- *Renewing efforts to create smoke-free environments (Tobacco, Marijuana, Air Pollution) Promote Safety (Occupational Safety, School Safety)*

## 8-A.4 Ensure that Health in All Policies is promoted.

In particular that the health implications of social and economic policies are appropriately understood and managed.

## Strategy Component 8-B: Improving Equity in Access

The World Health Organisation defines Universal Health Coverage (UHC) as “ensuring that all people have access to needed promotive, preventive, curative and rehabilitative health services, of sufficient quality to be effective, while also ensuring that people do not suffer financial hardship when paying for these services”. While the countries of the OECS region have made and maintained great strides in access to primary care services, access to secondary services sometimes mean out-of-pocket expenses that can lead to financial hardship, and some services necessitate travel to other countries- an enterprise that is financially challenging for many. The populations of most OECS countries are financially unable to support the tertiary care services needed to address certain specialised health conditions. The OECS can support opportunities that take advantage of the regional context to improve access by:

### 8-B.1 Maintaining the gains from and continue to develop primary care access

8-B.1(i)- *Continued emphasis on immunization, maternal and child health as well as free basic health check-up at health centers.*

### 8-B.2 Improving affordable access to secondary and tertiary diagnostic, therapeutic and curative services while maintaining access to primary care.

8-B.2(i)- *Explore health financing to facilitate regional access*

8-B.2(ii)- *Facilitate efficiency improvements and widening of the range of services offered through functional cooperation among national health systems. The following will be considered as part of this initiative:*

- a. *Develop the appropriate institutional framework for the Sharing of Specialist Services across Member States, including*
- b. *Develop partnerships with larger medical institutions to facilitate the rotation of specialist medical practitioners as a means of maintenance of skills through case load volume.*

8-B.2(iii)- *Access to affordable medications, medical products and technologies through pooled mechanisms. The success of the OECS PPS is instructive in this regard.*

8-B.2(iv)- *Employing greater use of technology to improve access.*

8-B.3 Promote preventative and early intervention methods to reduce death and disability from non-communicable diseases.

In this regard efforts will be made to:

8-B.3(i)- *Promote increased cancer Screening - cervical cancer, breast cancer, prostate cancer*

8-B.3(ii)- *Reduce chronic disease complication such as amputation, blindness prevention, through promotion of holistic management of diabetes and hypertension.*

8-B.4 Comprehensively review of rehabilitative and palliative care services with view to improving access.

### **Strategy Component 8-C: Ensuring Accessible Information for the Strategic Governance of Health Systems**

The WHO describes the following six building blocks of Health Systems: (i) service delivery, (ii) health workforce, (iii) health information systems, (iv) access to essential medicines, (v) financing, and (vi) leadership/governance. Leadership and Governance speaks to vision, management and accountability. Recent research done on Health Leadership in the Caribbean suggests that decisions are made intuitively and without use of evidence (Greaves D.E., 2017). Crucial to the success of accountability is the foundation of underlying information. Information is essential to all six building blocks of the Health Systems.

Within the Caribbean we have been able to collect good information on longstanding health issues related to vaccines, maternal and child health and basic health statistics. However, with the epidemiological transition of the OECS Member States, and rise in burden of chronic disease the emphasis must shift to collect the relevant information for NCDs.

The priority action areas in terms of accessible information for strategic governance of health systems are:

8-C.1 Promote better utilization of performance indicators for quality assurance

8-C.1(i)- *Explore the establishment of a regional benchmarking/comparison tool for health service and hospital performance outcomes and statistics.*

8-C.2 Promote better utilization health statistics for strategic planning and policy

8-C.2(i)- *Develop a regional health information strategy supported by a database of hospital infrastructure, services, human resources and specialists.*

8-C.3 Improve inventory and asset management within health system to ensure reduced wastage of Medicines, Medical Products and Medical Technologies

8-C.3(i)- *Training in inventory and asset management as well as the development of an information technology platform are critical action items.*

8-C.4 Further support the efforts Caribbean Health Public Agency (CARPHA) to ensure the use of health surveillance for appropriate and timely response

8-C.5 Augment capacity at the OECS level for relevant health systems research

### **Strategy Component 8-D: Promoting Long-term Investment**

Too often within the health sector in the OECS short term fixes cost more in the long term. Commitment to long-term investment in health will not only provide returns within the sector but also to the wider economy as the

availability high quality health systems are known to improve long term investor and visitor perception of a destination.

Health is seen as a human right. However, in Small Island Developing States, it is also important to identify and maximise the economic opportunities in health, that can work synergistically with the region's need to improve access to and sustainability of health services. The 2016 High level Commission on Health Employment and Economic Growth Report notes that "The health sector is a key economic sector, a job generator and a driver of inclusive economic growth. Growing evidence suggests that adequate investment in the health system and its workforce can offer high economic returns." It is therefore necessary to:

8-D.1 Develop and Maintain Safe Sustainable Health Infrastructure

8-D.2 Encourage investment in the OECS Pooled Procurement System

8-D.3 Encourage Investment in Technology to improve efficiency, effectiveness and accessibility

8-D.4 Explore Economic Opportunities in Health including Public Private Partnerships in Health Care services and Health Professional Education.

## Assumptions and Risk

Several assumptions undergird this strategy, including inter alia:

- a. The population will adopt healthier behaviours as a result of enabling environments and appropriate health promotion
- b. Appropriate funds will be made available by Member States for investment in health
- c. Investing in development and maintenance of the Health Sector will improve the sustainability of the sector and improve health outcomes

There are obvious risks implicit in these assumptions.

## Monitoring and Evaluation

The monitoring and evaluation of this health agenda will incorporate the regional and global existing frameworks targets and indicators so as to minimise the burden on the OECS Member States and encourage the monitoring of the relevant indicators in these frameworks.

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## Part C: The Natural Environment



## 9. Environment

### BACKGROUND

#### Environmental Vulnerabilities

Key longstanding phenomena affecting the environment in the OECS are: poor land use and land management practices; deforestation and changes in forest cover; increases in extreme events that significantly affect or alter the natural environment. Additionally, other vulnerabilities<sup>8</sup> in region's natural environment include, *inter alia*:

- poor waste management practices and high levels of pollution on land, in waterways and coastal areas,
- reductions in levels and quality of freshwater,
- biodiversity losses due to unsustainable natural resource exploitation, including habitat destruction and alteration,
- natural hazards and climate change,
- the introduction of invasive alien species,
- decline in the health of critical coastal and marine ecosystems such as coral reefs, mangroves, seagrass beds and fisheries.

#### Box 9-1 Intrinsic vulnerabilities of OECS Member States

##### **Small size**

Limited natural resource base, high competition between land use, intensity of land-use, immediacy of interdependence in human environment systems, spatial concentration of productive assets

##### **Insularity and remoteness**

High external transport costs, time delays and high costs in accessing external goods, delays and reduced quality in information flows

##### **Environmental factors**

Small exposed interiors narrow coastal zones

##### **Disaster mitigation capability**

Limited hazard forecasting ability, complacency, little insurance cover

##### **Demographic factors**

Small population resulting in limited human resource base, youthful population, rapid population changes, population concentrated on narrow coastal zone, diseconomies of scale leading to high per capita costs for infrastructure and services

##### **Economic factors**

Small economies, dependence on external finance, small internal market, dependence on natural resources, highly specialised production

*Adapted from Lockhart et al. (1993), Conway (1998), Slade (1999).*

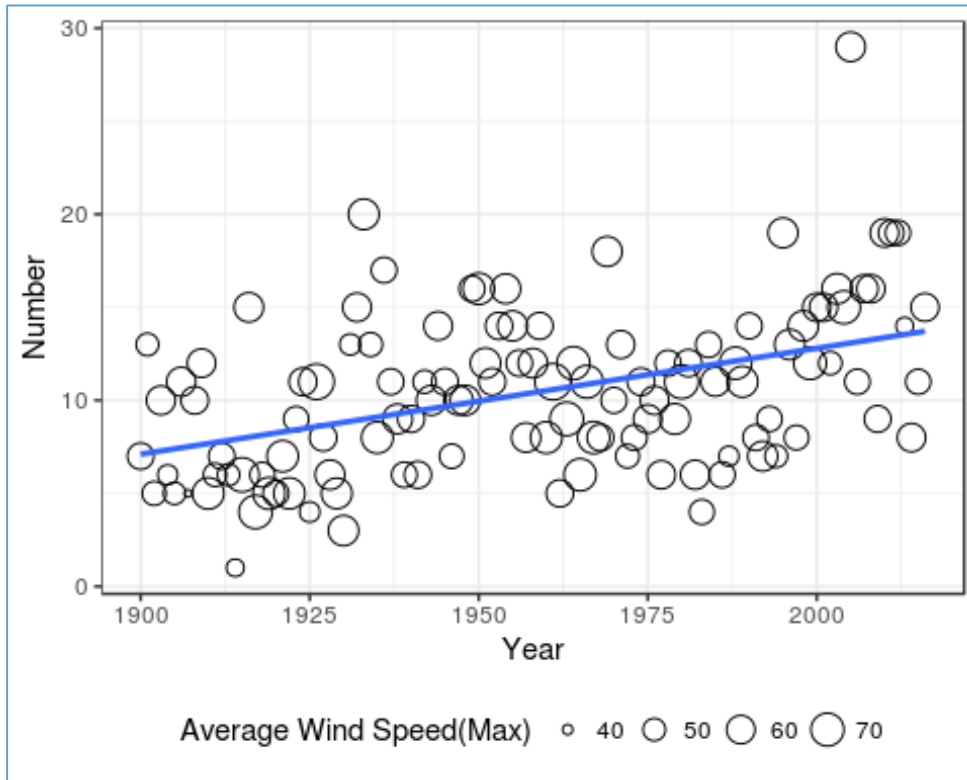
These vulnerabilities are further compounded by both rapid-onset and temporary events, such as storms and flooding, and slow-onset processes including land erosion and changes in the global water cycle; most of these being further exacerbated global climate change. Further threats includes: marine inundation of low-lying areas, coral bleaching, saline intrusion into terrestrial systems degrading ecosystems, species shifts in terrestrial systems, habitat loss, and the introduction of alien invasive species.

The Eastern Caribbean islands have been identified as being among the most vulnerable in the world, and they are considered disaster hotspots due to geographic location, natural features, topography, size and capacity. The key

<sup>8</sup> These vulnerabilities were identified by the United Nations Environmental Programme in 2005; 12 years later in 2017 these vulnerabilities still remain the same.

natural hazards include hurricanes, floods, landslides, earthquakes, volcanoes and tsunamis, which have historically had a negative impact on the sub-regions social and economic development.

Figure 9-1: Tropical Storms and Hurricanes affecting the Caribbean Area Since 1900

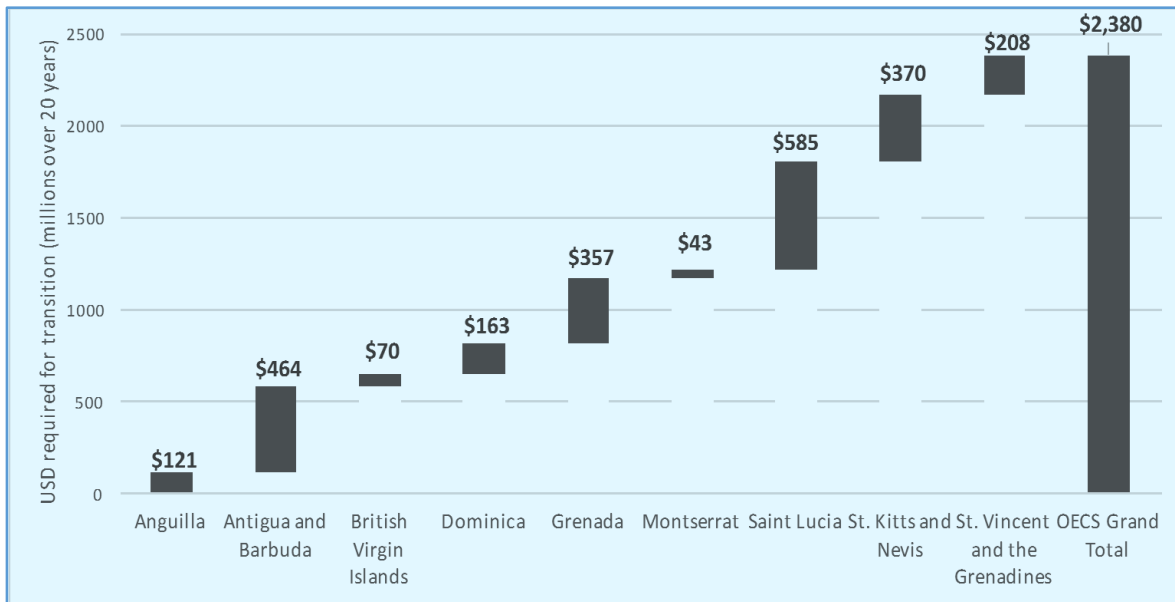


Source: Based on data from National Hurricane Center- HURDAT2

OECS economies are highly reliant on tourism and agriculture – sectors that are based upon, and can put substantial pressure on, natural resources and ecological systems. Despite concerted at the national and regional levels at improving natural resource management, there is growing evidence of degradation of critical and vulnerable ecosystems.

Although the region has the potential to develop its own renewable energy sources such as solar, wind, geothermal and hydropower, there continues to be a reliance on imported fossil fuels, resulting in significant leakage of financial resources and energy insecurity. A major challenge for greater adoption of renewable energy sources is the associated initial financial outlay. Figure 2 show the estimated cost to transition to 70 percent renewable energy across OECS Member States

Figure 9-2: Cost of transitioning to 70% Renewable Energy



Source: Rocky Mountain Institute-Carbon War Room Project Data<sup>9</sup>

A central challenge for environmental management in the OECS States is to ensure levels of environmental quality that maximise opportunities for economic development without compromising the integrity of the environment and its resources for current and future generations. Accordingly, a number of key themes relating to gaps, in Member States, for environmental management, have emerged:

- i. Inadequate knowledge and modalities for building resilience of natural systems;
- ii. Instituting integrated and participatory approaches to reducing environmental vulnerability at the regional, national and community level;
- iii. Raising awareness among and enhancing capacity of stakeholders to implement sustainable environmental practices;
- iv. Effectively mainstreaming new and emerging climate and relevant disaster related science to better reflect and predict climate change and its variability and disaster planning within the region;
- v. Adopting community based risk reduction strategies to systematically reduce vulnerability to hazard impacts and damage to infrastructure and loss of lives;
- vi. Establishing/strengthening comprehensive policies and institutional reforms for sustainable environmental and natural resources management;
- vii. Reforming and strengthening existing planning and regulatory frameworks;
- viii. Creating positive economic incentives and investment opportunities;
- ix. Improving compliance and monitoring arrangements; and
- x. Understanding the value and importance, and regularly collecting environmental data for decision making
- xi. Identifying and promoting new economic activities especially projecting greater emphasis on the blue economy of the OECS within the context of sustainable ocean governance.

<sup>9</sup> Torbert, Roy and Ridel, Rob, 2017. Issue Brief: The Steps To Mobilize Financing For An Energy Transition In The Eastern Caribbean. Rocky Mountain Institute – Carbon War Room

## The Policy Context

The OECS has sought to promote greater emphasis on sustainable development and sound environmental stewardship through the flagship policy instrument, the St. George's Declaration of Principles for Environmental Sustainability in the OECS, and its implementation instruments, the OECS Regional Environmental Management Strategy (OECS REMS) and the National Environmental Management Strategies (NEMS)

### Box 9-2: The SGD Principles (2001)

St. George's Declaration of Principles for Environmental Sustainability in the OECS (SGD), which was signed by the OECS Ministers of the Environment in April 2001. These were later revised in 2005.

The SGD is structured around 21 principles that set out the broad framework to be pursued for environmental management in the OECS region.

**Principle 1:** Foster Improvement in the Quality of Life

**Principle 2:** Integrate Social, Economic and Environmental Considerations into National Development Policies, Plans and Programmes

**Principle 3:** Improve on Legal and Institutional Frameworks

**Principle 4:** Ensure Meaningful Participation by Civil Society in Decision Making

**Principle 5:** Ensure Meaningful Participation by the Private Sector

**Principle 6:** Use Economic Instruments for Sustainable Environmental Management

**Principle 7:** Foster Broad-based Environmental Education, Training and Awareness

**Principle 8:** Address the Causes and Impacts of Climate Change

**Principle 9:** Prevent and Manage the Causes and Impact of Disasters

**Principle 10:** Prevent and Control Pollution and Manage Waste

**Principle 11:** Ensure the Sustainable Use of Natural Resources

**Principle 12:** Protect Cultural and Natural Heritage

**Principle 13:** Protect and Conserve Biological Diversity

**Principle 14:** Recognise Relationships between Trade and Environment

**Principle 15:** Promote Co-operation in Science and Technology

**Principle 16:** Manage and Conserve Energy

**Principle 17:** Negotiate and Implement Multilateral Environmental Agreements

**Principle 18:** Co-ordinate Assistance from the International Donor Community towards the Organisation of Eastern Caribbean States Region

**Principle 19:** Implementation and Monitoring

**Principle 20:** Obligations of Member States

**Principle 21:** Review

Additionally, over the years a number of policy and programme interventions directed at responding to the issues affecting the environment have been initiated by the OECS Commission and by Member States. These include:

- i. the establishment of enabling policies to strengthen governance structures for environmental management,
- ii. promoting new governance regimes and reinforcing institutional arrangements especially in oceans,;
- iii. developing and implementing education and awareness programmes;
- iv. facilitating sustainable and alternative livelihoods option;
- v. promoting the conservation of biodiversity through the establishment of protected area systems and marine managed areas; and
- vi. facilitating community based adaptation measures.

OECS Member States, as parties to the UNFCCC, are subject to a number of commitments, which place obligations on them to respond to climate change. At a strategic level part of this response has been the development of an OECS Policy on Climate Change Mitigation and Adaptation in 2012 with support from the USAID funded Reduce Risk to Human & Natural Assets Resulting from Climate Change (RRACC) project. The establishment of the Caribbean Community Climate Change Centre (CCCCC) to develop adaptation and

mitigation policies and strategies is another part of this response. Bold statements such the 1.5 to Stay Alive Campaign at COP21 further support these and other strategic initiatives.

#### Box 9-3: The PARIS ACCORD

Under the Paris Agreement, all nations have agreed to combat climate change and to unleash actions and investment towards a low carbon, resilient and sustainable future that will keep a global average temperature rise well below 2 degrees Celsius with the accepted international aim of working to limit it to 1.5 degrees Celsius.

The above notwithstanding, there is need for greater coordination of climate change adaptation efforts and strategies in the region. The need for technology transfer and environmentally sound technologies has been recognized as critical in averting the threat of climate change throughout the UNFCCC process.

OECS Member States are also parties to the Convention on Biological Diversity. In accordance with Article 6, measures to be addressed, in light of specific national circumstances, are reflected in the national biodiversity strategy and action plan. To this end, OECS Member States are in various stages of presenting their National Biodiversity Reports and National Biodiversity Strategies and Action Plans.

#### Box 9-4: National Climate Change Policy for Montserrat

Montserrat's *National Climate Change Policy* lays out a framework for an integrated and coordinated response that engages all stakeholders in collaborative actions for adaptation (via building resilience to negative impacts) and mitigation (via low carbon development). It recognises the capacity constraints facing the people of Montserrat and therefore lays out a framework of a goal, principles, objectives and clear and realistic priorities for action in the short, medium and long term.

The *Policy* is intended to facilitate implementation of Montserrat's *Sustainable Development Plan (2008-2020)* and to guide climate change responses across all sectors. Implementation of the *Policy* is guided by an *Action Plan* which outlines specific actions required across priority areas in the short, medium and long-term. The *Policy* builds on existing policies, institutional structures and initiatives across sectors and its implementation will require development and revision of these to ensure a rigorous and integrated approach to climate change resilience building in Montserrat.

#### Box 9-5: OECS Climate Change Adaptation (CCA) Policy

The Objectives of the policy are:

- i. Provide technical guidance and advice on the preparation and implementation of NAPs, NAPAs, and other relevant programmes and activities, including the identification of possible sources of data and its subsequent application and interpretation;
- ii. facilitate the exchange of information and promote regional synergies, and linkages with other multilateral environment conventions;
- iii. advise on the mainstreaming of climate change adaptation into development planning in the context of national strategies for sustainable development;
- iv. promote action to reduce the risks and vulnerability of human and natural assets resulting from climate change;
- v. provide guidance for strengthening gender-related considerations and community resilience within Member States.

In 2006 UNEP and the OECS formulated a Harmonised Model Biodiversity Legislation for the sub-region. The overall objective of this Model Legislation is a holistic and integrated model law that implements five global and one regional Multilateral Environmental Agreements related to the management and protection of biological diversity.

In 2007 the then OECS Environment and Sustainable Development Unit (ESDU) had undertaken a Review of the Policy, Legal, and Institutional Frameworks for Protected Areas Management. This Review led to the formulation of framework/harmonized policy document or legislative instrument for an appropriate institutional arrangement for protected areas management in the sub-region.

All countries are cognisant of the degradation of their coastal and marine resources and are keenly aware of the impact of climate change and sea level rise on these resources. To this end, each country is undertaking a number of activities to mitigate further degradation of the coastal and marine resources. The OECS Sustainable Oceans Governance Programme, for instance, has been designed to promote OECS maritime cooperation arrangements as a framework for the sustainable management of ocean resources, and for the protection of the marine environment.

At its 54th Session, the OECS Authority agreed *inter alia* on the establishment of an OECS-wide approach to commence work on the development of a regional integrated ocean governance framework, inclusive of the development of a draft ocean policy framework and action. The Eastern Caribbean Regional Ocean Policy (ECROP), developed with assistance from the Commonwealth Secretariat, promotes and guides the future sustainable use and development of the region's marine waters and resources. Notable work has been undertaken in maritime boundaries delimitation through this programme.

#### Box 9-6: Maritime Security – Rationale and Draft Policy

The OECS comprise States and territories with large ocean spaces. Their environmental and economic safety depend upon the security of the world's ocean and in particular the Caribbean Sea. Member States have strengthened maritime security as part of national, regional and global efforts. Maritime security is best achieved through a comprehensive, integrated effort that addresses all threats and challenges emanating from the maritime environment.

OECS Member States are developing a comprehensive and coordinated maritime security systems policy, the goals of which are 2-fold:

- i. The development and strengthening of the understanding of issues that could impact security, safety, economics, or the environment; and
- ii. The enhancement of the capability to identify threats to the maritime domain in a timely manner.

Despite activities taking place in a number of the countries there are still a number of outstanding actions, which include, among others: assessment of living and non-living seabed resources within national jurisdictions; analysis and assessment of the status of fish stocks; and establishment of effective monitoring, reporting and enforcement and control of fishing vessels especially as flag States to address unreported and unregulated fishing.

Also, monitoring of coastal waters and use of marine resources especially in support of tourism is needed. Furthermore, attention needs to be paid to the application of preventative, precautionary and anticipatory approaches to avoid degradation of the marine environment.

The land management policies in the OECS Economic Union are a common national level constraint that jeopardizes efforts towards a sustainable development resilient to the impacts of climate change. Notwithstanding previous intentions and efforts, the weak institutional capacity and resource framework has limited progress. Hence despite a willingness so to do, capacity to enforce climate change adaptation policies in relation to land management is lacking. The Commission, through the EU financed Global Climate Change Alliance (GCCA) project is undertaking policy dialogue; developing and adopting harmonized sustainable land management legislation and regulations; putting into operation the institutional mechanisms established to support national and regional land policies and strategies; and providing training on sustainable land management.

Caribbean ecosystems are characterized by high rates of species endemism which is being threatened by alien invasive species that are at times, accidentally introduced and which proliferate and in turn, compete with and threaten native species. Some Member States have developed their national invasive species strategies but do not have the funds to implement the actions contained in the strategies. The OECS Commission has formulated a

Regional Action Plan (2016 to 2025) for Invasive Alien Species. This Action Plan distinguishes strategic and programmatic actions. Strategic interventions will help to create the necessary enabling environment for the programmatic interventions to take place. Among the former, the establishment of a lead agency and securing of funding are considered essential. The programmatic interventions are assembled along a cascading management hierarchy and are supported by the enabling environment. Programmatic interventions are indicative and leave flexibility for individual states and/or ad hoc consortia to address particular priorities<sup>10</sup>.

The OECS Commission, also under the RRACC project formulated A Water Sector Model Policy and Act in 2013. The Policy is based on the need for a holistic approach and coordinated approach to water management; the adoption of the concept of Integrated Water Resources Management (IWRM), which recognises the essential, finite and vulnerable nature of water, the conservation and protection of ecosystems, participatory approaches in decision making, the role of women, and the economic value of water; the need to urgently address the adverse impacts of climate change on water resources and assuring social and economic well-being through improved water resources management<sup>11</sup>. The Model Water Resources Act incorporates new principles of water governance signaling the social and economic value of water to the development of OECS countries that will enact it<sup>12</sup>.

An Energy Policy and Sector Analysis was undertaken by the OAS for the 6 independent Member States. The Report provides a baseline of the current energy sector, energy policy development and policy implementation and highlights renewable energy and energy efficiency opportunities in the Member States. The Caribbean region has adopted the CARICOM Energy Policy and the Caribbean Sustainable Energy Road Map and Strategy. At the national level, the individual Member States have developed and are implementing their respective national energy policies. In an effort, to further strengthen support in the area of energy policy for the sub-region, the OECS Commission is working on developing a sub-regional energy framework for closer collaboration of sustainable energy policy.

## Strategy

### Strategic Objective and Approach

The objective of the strategic framework presented below is to ensure the sustainable use and management of environmental assets in a manner that promotes long-term economic prosperity, builds and maintains resilience and improves adaptive capacity to environmental vulnerabilities. In doing so it seeks to foster greater emphasis on sustainable use of natural resources and environmental services for both present and future generations, while creating new opportunities for economic activity and increasing the quality of life of the citizens of the Union.

The success of this approach depends on the active participation of all stakeholders inclusive of government, statutory agencies, the business sector, civil society bodies, regional and international organisations. This active participation should extend as appropriate to, involvement in decision-making, planning and implementation of policies and programmes.

The strategy advance here is developed around 6 clusters of strategic action, namely:

- A. Support the enabling environment and means of implementation
- B. Advance ocean governance
- C. Improve biodiversity and ecosystem management
- D. Foster increased use of sustainable energy
- E. Promote further climate change and disaster risk mitigation
- F. Support greater sustainable use of land and water resources

<sup>10</sup> OECS Commission, 2016. Formulation of a Draft Action Plan for Addressing Invasive Alien Species (IAS) in the OECS Region. Regional Action Plan (2016 – 2015)

<sup>11</sup> Environmental Health/Environmental Management Unit, Caribbean Public Health Agency, 2013. Water Sector Model Policy and Model Water Act. Prepared for Countries within the Organisation of Eastern Caribbean States. Prepared for the Social and Sustainable Development Division, OECS.

<sup>12</sup> *Ibid*

## Strategic Elements

Implementation of this strategy will require activities to deliver outcomes under each of the main goals. These will build on past activities, ensure synergies with ongoing related activities, and will provide the basis for identifying gaps in the future. Additional programme and activities will be introduced, as appropriate. All of these goals will require cooperation and support by the general public; SUSTAINED awareness-raising is therefore a crucial objective under both goals.

Importantly, a number of the actions necessary to give effect to this strategy have to be undertaken simultaneously within a regional and national frameworks primarily for purposes of cost effectiveness and to provide necessary backstopping to national activities.

Success will depend on very significant funding; resource mobilisation and the sourcing of sustainable financing options will therefore have to be an on-going activity. The OECS Environmental Sustainability Cluster should use this Strategy as a platform to invite development partners to form strategic alliances to achieve enhanced growth, productivity, social equity and ecosystem integrity while at the same time building climate and disaster resilience and adaptive capacity in the OECS Economic Union.

The Programmes and the indicative actions in this Strategy were discussed and identified during a retreat of the members of OECS Environment Sustainable Cluster. Some of the indicative actions are already under implementation; most, however are new actions that would need to be validated by Member States. As funding becomes available for each programme, a fully costed and time bound action plan with clearly identified outcomes, milestones and roles and responsibilities need to be developed. It would be wise to develop such action plans in close collaboration with the Member States and appropriate regional agencies and development partners.

The indicative actions identified in this strategy are in no way exhaustive and will be reviewed regularly in order to ensure that they reflect changing circumstances. It is anticipated that lead agencies in Member States that will collaborate in the roll out of the strategy will incorporate relevant actions of this strategy into their own annual work plans and budgets. It is also envisaged that the OECS Environment Sustainable Cluster, in collaboration with their counterparts in the Member States will prepare annual reports on the status of implementation of the Strategy.

## *Strategic Component 9-A: Support the enabling environment and means of implementation*

### 9-A.1 Capacity Building & Training

*9-A.1(i)- Develop the institutions, skills, infrastructure, technical support, information management, networks and exchanges required to restore and maintain environmental and ecosystem integrity.*

### 9-A.2 Policy, Legal and Institutional Strengthening

*9-A.2(i)- Ensure that appropriate legislation, policies, protocols and procedures are in place and operating, to underpin the effective management of the programmatic interventions;*

*9-A.2(ii)- Actively engage the private sector; and*

*9-A.2(iii)- Ensure appropriate institutional mechanisms for inter-sectoral and inter-agency coordination.*

### 9-A.3 Public Education, Awareness and Sensitisation

*9-A.3(i)- Raise awareness on citizen participation in environmental management, the maintenance of ecosystem integrity and the mainstreaming of these in sustainable development.*

### 9-A.4 Resource Mobilisation & Sustainable Financing

*9-A.4(i)- There may be some capacity for funding under national budgets and project budgets in the environment Cluster; however the OECS Commission and Member States cannot realistically fund the Environment strategy. External support and strategic partnerships will need to be sought in the form of grants, technical assistance and equipment, such as through international and regional programmes, non-government organisations, and other*

donor agencies. Specific needs will be further clarified and proposals developed as the implementation of the action plan proceeds.

#### 9-A.5 Research & Systematic Observation

9-A.5(i)-Undertake the necessary research for inter alia: ecosystem based assessments, spatial mapping and planning of terrestrial and marine resources; high quality climate data for climatic modeling, renewable energy options.

#### 9-A.6 Technology development and acquisition

9-A.6(i)- Identify and utilize appropriate technologies, technology adoption, encourage innovation

#### 9-A.7 Knowledge Management

9-A.7(i)- Ensure that a programme is in place within the Environmental Sustainability Cluster in the OECS Commission to capture, distribute, and effectively use the lessons learned and best practices resulting from the implementation of the various programme interventions.

#### 9-A.8 Strategy Coordination

9-A.8(i)- Each programme in this Strategy will develop its own action plan but to ensure that these individual action plans are not developed and operate in silos, there must be a well-developed capacity at the Environmental Sustainability Cluster to facilitate and coordinate the various components of the Strategy. This coordination should also include a monitoring and evaluation capacity in order to ensure that the Strategy systematically responds to external changes and remains relevant to the needs of both the Member States and the Commission.

### Strategic Component 9-B: Advance ocean governance

This programme will promote and guide the future sustainable use and development of the sub-region's marine waters and resources through:

#### 9-B.1 Maritime Boundary Delimitation

9-B.1(i)- OECS Member States formalize maritime boundaries in order to secure, exercise and protect their rights and jurisdiction over marine areas and resources.

#### 9-B.2 Multiuse ocean spatial and integrated planning

9-B.2(i)- Clear coordinated institutional mechanisms for integrated regional and national coastal and ocean management are established and implemented across relevant sectors;

9-B.2(ii)- Member States establish national legal frameworks that give effect to international and regional obligations and reflect an integrated approach to planning and management of marine space;

9-B.2(iii)- Member States explore and build on multiple use marine spatial planning and zoning mechanisms.

#### 9-B.3 Maintain ecosystem integrity

9-B.3(i)- The overall quality of the marine environment is conserved and enhanced through protection, maintenance or restoration of natural and physical features, processes and biological diversity and the ecologically sustainable use of marine resources

#### 9-B.4 Sustainable use of marine resources

9-B.4(i)- Sustainable use of marine resources, taking into account social, economic and environmental needs, is promoted and incorporated in national development policies and planning; and opportunities from existing, under-utilised resources are optimized while new and emerging opportunities for marine industries and marine-related development are identified and encouraged.

### 9-B.5 Public Awareness, sensitisation and awareness

*9-B.5(i)- Public awareness, understanding and appreciation of the importance of the ocean is raised; and all citizens have access to information concerning the marine environment, as well as the opportunity to participate in the decision-making processes*

### 9-B.6 Research & capacity building

*9-B.6(i)- data collection and management;*

*9-B.6(ii)- Capacity for informed decision-making is developed and strengthened;*

*9-B.6(iii)- A clear marine research strategy is developed that identifies key data requirements for decision making (including monitoring and evaluation) and supports investment for new and emerging opportunities;*

*9-B.6(iv)- Decision makers and planners receive training in marine science, marine affairs and marine management that is relevant to coastal and ocean management.*

### 9-B.7 Building resilience and managing for uncertainties

*9-B.7(i)- The increasing risk of coastal hazards and climate change are recognised and managed through the incorporation of appropriate adaptation and resilience building strategies into sustainable development, conservation and governance actions.*

## **Strategic Component 9-C: Improve biodiversity and ecosystem management**

### 9-C.1 Formulation and Implementation of a Regional Biodiversity Strategy and Action Plan

*9-C.1(i)- the identification and development of a set of national level activities that can maximise economies of scale, mutual learning and sharing of experiences;*

*9-C.1(ii)- Shared problem solving and cooperative action among Member States through, for e.g. the development of regional agreements, policies and management frameworks.*

### 9-C.2 Protecting biodiversity through sustainable livelihoods

*9-C.2(i)- promote the development of environmentally friendly sustainable livelihood activities within local communities in Member States in order to protect biodiversity, create jobs, generate incomes, and create environmentally friendly sustainable livelihoods.*

### 9-C.3 Access & Benefit Sharing (ABS)

*9-C.3(i)- Develop a regional ABS framework to enhance the capacity of Member States, including the traditional owners of genetic resources and associated traditional knowledge to design and implement practical strategies, legislation, and guidelines on ABS; raise awareness of ABS, especially among rural communities in the OECS; conduct field assessments and document traditional knowledge.*

### 9-C.4 Sustainable production and consumption

*9-C.4(i)- formulate and implement a regional sustainable consumption and production strategy, including, support for eco-friendly technology for sustainable agriculture and manufacturing through appropriate policy measures and economic instruments and incentive;*

*9-C.4(ii)- preparation and dissemination of guidelines on tools for sustainable consumption and production, including environmental management tools such as life-cycle assessment (LCA) and environmental management accounting (EMA);*

9-C.4(iii)- *provision of appropriate training and technical assistance to civil society to enhance their capacity for promoting initiatives to change consumer behaviour patterns etc.*

#### 9-C.5 Biosafety

9-C.5(i)- *Coordinate the development and establishment of national legislative and institutional biosafety frameworks;*

9-C.5(ii)- *Development of national biosafety regulations/guidelines and the establishment of national biosafety focal points and national biosafety committees.*

#### 9-C.6 Invasive Alien Species

9-C.6(i)- *Provide a regional framework for invasive species management and develop harmonised policies and legislation for Member States; Strengthen OECS participation, including Member States, in regional and international efforts at invasive species management;*

9-C.6(ii)- *Prevent introduction of further IAS into the sub-region;*

9-C.6(iii)- *Prevent the establishment of IAS following incursion;*

9-C.6(iv)- *Reduce the impacts of invasive species already present;*

9-C.6(v)- *Effective IAS knowledge management within OECS*

### Strategic Component 9-D: Foster increased use of sustainable energy

#### 9-D.1 Geothermal Energy Strategy

9-D.1(i)- *develop, resource and implement the strategy, including a platform for sharing information between participating Member States.*

9-D.2 Develop harmonised incentive regime to stimulate investment in renewable energy sources and energy-efficient technologies and systems

9-D.2(i)- *Develop frame harmonised policy, legal and institutional reforms to overcome key institutional barriers*

9-D.2(ii)- *Develop frame model policy framework for clean energy transformation.*

9-D.3 Capacity development on the fundamentals of renewable energy and energy efficiency

9-D.3(i)- *develop guidelines no cost/low cost energy management programme.*

### Strategic Component 9-E: Promote further climate change and disaster risk mitigation

9-E.1 Climate Change and Disaster Risk Management Policy and Strategy for the OECS Commission

9-E.1(i)- *Formulate a policy and strategy that will help determine the Commission's role in Climate Change Adaptation and Mitigation and Disaster Risk Management viz. Member States and other regional agencies.*

9-E.2 Formulate regional Low Carbon Development Strategy, 2030+

9-E.2(i)- *Assist Member States in the design and implementation of effective clean energy policies through adoption of good practices based on international experience;*

9-E.2(ii)- *Build capacity and increase public awareness to support clean energy deployment; provide training and TA to Member States for the preparation of INDC, Climate Action Plans; leverage experiences around the world*

*and technology advancement to develop a modern utility business model to support clean energy deployment in the OECS*

#### 9-E.3 REDD +

*9-E.3(i)- OECS Regional Policy Framework that could support Member States to participate in international regimes on greenhouse gas emission reductions and enhanced removals in the forest sector;*

*9-E.3(ii)- Provide guidance to Member States pursuing REDD+ activities;*

*9-E.3(iii)- Provide an avenue for donor contributions to REDD+ activities in the sub-region.*

#### 9-E.4 Climate Finance

*9-E.4(i)- formulate and implement a policy, strategy and action plan for the mobilization of financial and other resources to address climate change*

#### 9-E.5 Capacity, building, education, training & awareness

*9-E.5(i)- Enhanced support for institutional capacity-building, including building up hydrometeorological network training in the development of specialized tools for planning and implementing adaptation activities;*

*9-E.5(ii)- Provide training on the various climate planning tools (B-Tool; DaLa; VRCP Climate Modeling Studies).*

#### 9-E.6 Formulate an OECS Comprehensive Disaster Management Policy

*9-E.6(i)- In collaboration with CDEMA, develop, resource and implement a policy focusing on community based community disaster risk management interventions*

### **Strategic Component 9-F: Support greater sustainable use of land and water resources**

#### 9-F.1 Develop OECS Sustainable Land Management Policy and Action Plan

*9-F.1(i)- Develop, resource and implement policy and action plan at OECS and Member States' levels*

#### 9-F.2 Legal and institutional infrastructure for sustainable land management in the OECS Economic Union

*9-F.2(i)- develop model legislation and institutional arrangements for mainstreaming sustainable land management in Member States*

#### 9-F.3 Preparation of land use plans

*9-F.3(i)- Develop guidelines and model plans and provide training and technical assistance to Member States.*

#### 9-F.4 Land Management Information Systems

*9-F.4(i)- develop a regional spatial data infrastructure*

#### 9-F.5 Water security

*9-F.5(i)- look at water policy – policies, legal regulatory framework etc. physical interventions (rain water interventions, RRACC e.g.) including Integrated & adaptive water resources management- identify different elements, governance for water resources, GIS mapping.*

### **Assumptions and Risks**

The successful implementation of this strategy is based on a suite of assumptions. In summary, the successful implementation hinges on the following:

- i. The OECS Commission is able to mobilise resources, within the first 2 years of the commencement of the Strategy to at least begin developing the detailed action plans and budgets for at least 40% of the strategic and at least 30% to 40 % of at least 1 programmatic interventions.
- ii. Development partners remain interested in engaging the OECS Commission and are keen to assist with resourcing the various components of the OGDS.
- iii. The OECS Citizenry appreciates the value of the environment and supports the Commission's and national agency efforts

The associated risks are, *inter alia*:

- i. Member States feel that most of the indicative action in the strategy are better undertaken at the national level and that financial resources should be directly channeled to them.
- ii. Insufficient absorptive capacity in national agencies to undertake the rather ambitious strategy proposed here.
- iii. Most if not all of the financing for the interventions has to come from donor financed projects. Such a dependency on external sources can impact on the rate of implementation of the Strategy. In addition, this strategy may not always be aligned with donor priorities. This could result in OECS priorities being superseded by donor priorities or there being inadequate financing to meet OECS priorities.
- iv. There are major gaps in institutional coordination between the OECS Commission and the Member States.

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