A successful partnership

Inside the Caribbean
As the World Bank Group, we are providing a wide range of financing, knowledge and convening services. Together with our Caribbean partners, we are working on strengthening macroeconomic management, supporting growth-enhancing reforms, promoting opportunities for all, and building resilience to climate change and natural disasters, unleashing the greatest potential and growth opportunities for Caribbean countries. Ongoing support reached more than $2 billion in the region by September 2017—of which almost $1 billion is in concessional financing from the World Bank’s International Development Association (IDA). Under the three-year IDA18 cycle, US$630 million will be available to six eligible CARICOM countries: Dominica, Grenada, Guyana, Haiti, Saint Lucia, and Saint Vincent and the Grenadines. This is complemented by substantive analytic and advisory support.

**PILOTING PV SOLAR IN THE EASTERN CARIBBEAN**

To reduce the high cost of energy and ease Caribbean countries’ dependence on oil and fossil fuels, the World Bank is supporting diversification of the region’s power sector by increasing production of renewables and other clean energy sources. In the Eastern Caribbean, this involves working with Saint Lucia, Grenada, and Saint Vincent and the Grenadines to demonstrate the use of commercial-scale solar photovoltaics (PV) on rooftops.

**IMPROVING INVESTMENT CLIMATE IN JAMAICA**

To strengthen competitiveness and facilitate growth of new and existing businesses, the World Bank launched the Foundations for Competitiveness and Growth Project. The project is providing technical assistance to undertake due diligence for public private partnerships, ranging from port, pets, economic zones, water generation, waste water and sewage, schools and renewable energy. It is mobilizing private capital for strategic investments such as the Logistics Hub Initiative, while aiming to more fully integrate Jamaica’s SMEs into global value chains. It is also supporting the design of an urban plan to redevelop Downtown Kingston.

**BRIDGING THE INFRASTRUCTURE GAP THROUGH PUBLIC-PRIVATE PARTNERSHIPS**

In May 2015, the World Bank Group, in collaboration with the Caribbean Development Bank and Inter-American Development Bank, launched the Public Private Partnership Support Facility to increase the technical capacity of Caribbean governments in infrastructure development. Last September, the initiative sponsored a series of infrastructure “boot camps” that trained private sector, government staff and practitioners from 20 Caribbean governments, finance or “Cascade approach.” In the Caribbean, this involves allocating resources to the largest global development institution focused on the private sector in key aspects of PPP development and implementation. A project screening facility has been launched, helping countries to screen their pipeline and providing advice on PPP projects. The Facility will also manage a web-based PPP Toolkit to assist governments on project-level challenges, and a “Regional PPP Unit” to provide them with ongoing advice on PPP policies and projects.

**LEVERAGING PRIVATE SECTOR FINANCING**

The World Bank Group is working on a new approach to development financing or “Cascade approach.” In the Caribbean, this involves allocating more resources to help governments to meet the conditions for boosting private investments in transport, connectivity, technology, as well as climate resilience. In addition, the International Finance Corporation (IFC), the largest global development institution focused on the private sector in emerging markets and member countries of the World Bank Group, has a portfolio of $530 million (as of July 2017) across a broad range of sectors in the Caribbean, including financial markets, infrastructure, information and communication technologies, and manufacturing and services. This includes about $135 million mobilized from partnering institutions.

**IMPROVING ACCESS TO CREDIT FOR ENTREPRENEURS IN THE EASTERN CARIBBEAN**

Limited access to finance for micro, small and medium sized enterprises in the Eastern Caribbean is a key obstacle to growth in these countries. With no credit bureau, lending is over-collateralized, while the cyclical effects of high non-performing loans from the 2008 financial crisis have raised credit risk for SMEs. In response, the World Bank is helping establish an SME credit guarantee scheme to facilitate access to credit. The scheme will be co-funded with support to SMEs to better prepare loan applications as well as support to lenders to better appraise SME loans.

**FOSTERING GREATER FOCUS ON RESULTS, TRANSPARENCY AND ACCOUNTABILITY**

Launching in 2012 in partnership with the Caribbean Development Bank, the Inter-American Development Bank, and other partners, the Caribbean Growth Forum has evolved into a region-wide social compact that engages governments, businesses, and civil society to craft and deliver pro-growth reforms. To date, some 2,500 people have contributed to Forum discussions, and 12 participating countries have passed over 100 reforms to boost skills and productivity, strengthen logistics and connectivity, and improve the business climate.

Examples of successful reforms include: a one-stop shop for entrepreneurs in the Dominican Republic that cut the time to register a business from 45 to seven days, and a new commercial court in St Lucia which helps expedite and resolve commercial disputes.

**PROMOTING ENTREPRENEURSHIP AND INNOVATION**

Cultivating an ecosystem of entrepreneurship and innovation is key to boosting growth and job-creation in the region. To this end, with support from the government of Canada, the Entrepreneurship Program for Innovation in the Caribbean has provided tailored training and finance to 260 entrepreneurs in the high-growth sectors of agrifood, marine and maritime, technology, while the Women Innovators Network in the Caribbean has connected and offered capacity-building services to more than 300 women entrepreneurs. In Jamaica, the Youth Employment in Digital & Animation Industries Project will benefit youth with training, digital work opportunities, and seed investments in the digital and animation industries.

**Foreword**

The Caribbean has significant economic potential and growth opportunities. It also faces serious challenges on account of its high volatility, exposure to external economic shocks and high public debt levels. One of the greatest challenges is its vulnerability to climate change and natural disasters, unleashing damages that in the case of some small nations can be even larger than annual GDP. Recognizing these challenges, building resilience is a key priority for the countries. Their natural beauty and reputation as tourist destinations is a major draw for key North American and European markets. Their rich ocean resources drive the “Blue Economy” in these small economies. Their small size also makes them nimble and agile as they respond to opportunities for innovation and competitiveness.

To take advantage of the region’s advantages and address these challenges, innovative approaches are required both at national and regional levels. Together with our partners, the World Bank Group is committed to leveraging public and private resources to promote inclusive growth, eradicate extreme poverty and boost prosperity.

Our engagement builds on a long-standing partnership with the Caribbean countries, bringing together a rich combination of financing and knowledge support. We hope you will learn more about our work in the region.

Tahseen Sayed
Country Director for the Caribbean
Inclusion and opportunities for all

Macroeconomic and Fiscal Sustainability

Fiscal gaps and elevated public debt pose key threats to macroeconomic stability, growth, and social protection across the Caribbean. The World Bank has worked with regional partners to help Caribbean countries better manage public spending and reduce debt to sustainable levels while also protecting poor and vulnerable populations. In the context of global economic downturn, the Bank provided Development Policy Financing to Jamaica, Grenada, and the Dominican Republic to support pro-growth reforms and help create fiscal space.

SUPPORTING JAMAICA’S PRO-GROWTH REFORMS

Jamaica has embarked on a set of ambitious reforms to fill the large infrastructure gap and reduce the high cost of electricity and dependence on oil, while putting its fiscal house in order. These efforts have started restoring confidence in the Jamaican economy. To strengthen support for reforms, the World Bank has approved a series of Development Policy Loans aimed at improving the investment climate and competitiveness, and public financial management.

STRENGTHENING PUBLIC FINANCIAL MANAGEMENT IN THE DOMINICAN REPUBLIC

The World Bank provided budget support to the Dominican Republic to help the government strengthen its management of public expenditures, and enhance the transparency and monitoring of government operations.

MORE SUPPORT FOR INCLUSIVE GROWTH AND CLIMATE RESILIENCE IN GRENADA

As a small and middle income island economy, Grenada was hit hard by the 2008 global financial crisis. Grenada’s economic recovery accelerated in 2014 driven by a strong performance of tourism and agriculture. To support the government’s reforms, the World Bank provided a series of budget support operations to help create sustainable conditions for private investment, improve public resource management, strengthen the banking sector, and boost resilience against natural disasters.

STRENGTHENING SOCIAL SAFETY NETS IN JAMAICA

The World Bank is supporting the government of Jamaica’s conditional cash transfer initiative, the Program of Advancement through Health and Education (PATH), in its goal to reach nearly 1 in 5 Jamaicans living in poverty. By offering regular payments to project participants, PATH has helped increase school attendance and vaccination rates among vulnerable Jamaicans. Through this support, the Ministry of Labour and Social Security is reaching the country’s poorest children and has launched a complementary scheme – Steps to Work – to help PATH beneficiaries find quality employment through job readiness, skills, and entrepreneurial trainings.

RESPONDING TO ZIKA

In response to the international public health emergency of Zika, the World Bank developed a Rapid Needs Assessment tool to evaluate a country’s level of readiness to fill health emergency, identify key gaps, and develop cost estimates of the resources needed for a scaled-up response. Guyana was one of the first countries in the region to complete the Rapid Needs Assessment and is receiving assistance to address the gaps identified in equipment and procedures.

In the Dominican Republic, the government recently established a National Pact for Education to improve the quality of pre-university education. The World Bank’s Support to the National Education Pact project supports the recruitment and training of primary and secondary school to help improve student learning, better assessment of student learning at the primary and secondary level; strengthening of early childhood development services; and the decentralization of public school management.

In the Dominican Republic, the government recently established a National Pact for Education to improve the quality of pre-university education. The World Bank’s Support to the National Education Pact project supports the scaling up of early childhood development services to help improve parenting, care, and school readiness for children from zero to six; and provide diagnosis and early stimulation for children at risk. Early years support is essential to help every child be better prepared for school and better equipped to fulfill their full potential.

Quality education, affordable health care, and equitable social safety nets are key ingredients in building inclusive societies. In the Caribbean, several countries have launched innovative efforts to provide the most vulnerable, including children, with the knowledge, skills, and health they need to excel.

In Jamaica, the government’s comprehensive National Strategic Plan on early childhood development is the first of its kind in the region. Jamaica is one of the few countries in the region that guarantees free pre-primary education and has the highest proportion of children enrolled in preschool. The World Bank supports the scaling up of
Resilience to Climate Change and Natural Disasters

BUILDING RESILIENCE

Hurricanes Irma and Maria were a stark reminder that growing exposure to natural disasters represents a real threat to development prospects in the Caribbean. The World Bank initiated projects to support climate resilience and enhance disaster preparedness and emergency response in the islands of Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines. The focus is mainly on making infrastructure more adapted to extreme weather events and natural hazards and improving government capacity to monitor, prepare for, and finance climate risks.

Securing access to financial resources before a disaster strikes is also important. In response to Hurricane Irma, the World Bank Group has also expedited preparation for a contingency line of credit like the Catastrophe Deferred Drawdown Option for the Dominican Republic, and other countries are discussing the option. Following hurricane Irma, a fast track emergency recovery project is also being prepared for Antigua and Barbuda.

ADAPTING TO CLIMATE CHANGE IN BELIZE

With a low-lying coastline and more than 1,060 small islands, Belize is one of the most vulnerable countries in the world to climate change. It has the largest barrier reef in the Americas, which supports livelihoods for communities, vibrant tourism, and fishing industries, and shelters the country’s long coastline from high velocity winds that cause erosion and coastal damage. With World Bank support to protect the country’s barrier reef and marine ecosystem, Belizeans will not only be able to support their tourism industry, increase their marine resources and provide sustainable livelihood opportunities to local communities, but also mitigate the effects of climate change in the most vulnerable areas.

INSURING AGAINST NATURAL DISASTER RISK

Nine countries in Central America and the Caribbean experienced natural disasters with economic impact that exceeded 50 percent of annual GDP in the past three decades. To address the problem, the CARICOM requested assistance from the World Bank to create the world’s first pooling mechanism to help countries access affordable insurance coverage against hurricanes, earthquakes, and excessive rainfall in order to reduce their financial vulnerability. The initiative resulted in the creation of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), funded by donors including Canada and the United States. Following recent hurricanes Irma and Maria, seven Caribbean countries, Antigua & Barbuda, Anguilla, Dominica, Haiti, Saint Kitts & Nevis, The Bahamas, and Turks & Caicos Islands, will be receiving payouts amounting to US$ 48.6 million, less than 15 days after the devastating events. This regional insurance mechanism takes advantage of risk pooling to provide liquidity to respond quickly to disasters. More than 20 Caribbean countries can now access low cost, high quality sovereign catastrophe risk insurance.

THINKING BLUE GROWTH

Harnessing marine resources while preserving the Caribbean Sea’s health can help countries address key challenges such as high unemployment, low growth, food security, poverty and resilience to climate change. World Bank report “Toward a Blue Economy: A Promise for Sustainable Growth in the Caribbean” estimates that the Caribbean Sea generated $407 billion in 2012, representing almost 18 percent of Caribbean GDP, including mainland Caribbean coastal countries. The World Bank Group is accelerating progress in this area by supporting the implementation of the Eastern Caribbean Regional Oceanscape Policy (ECROP) endorsed by all 11 heads of state of the Organization of the Eastern Caribbean States (OECS), and advising governments on concrete actions to generate sustainable blue growth.

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