

Opening Statement by Ms. Alicia Bárcena
Executive Secretary of ECLAC
at the Fourth Caribbean Development Roundtable
Basseterre, 21st April 2016.

Dr. the Honourable Timothy Harris, Prime Minister of St Kitts and Nevis,
The Honourable Mark Brantley, Minister of Foreign Affairs and Aviation,
Honourable Ministers of the Cabinet of St Kitts and Nevis
Distinguished Ministers and Heads of Delegation of the Caribbean
Colleagues of the United Nations system,
Representatives of regional and international organizations,
Members of the Media,
Ladies and gentlemen,

It is wonderful to be in the Caribbean again, this time in beautiful St Kitts and Nevis. I want to thank Prime Minister Harris, Minister Brantley and their entire team for the warm welcome and support that we have received in preparing for these important meetings. I am truly sorry that I will not be here long enough to visit the places with charming names like Cockleshell Bay or to see the UNESCO World Heritage Site at Brimstone Hill.

I am sure you will agree with me that St Kitts and Nevis presents a perfect example of both the possibilities and the challenges that the small island developing states of the Caribbean face today. Your twin islands are a tropical paradise; I understand, Minister Brantley, that your native Nevis boasts some of the finest hotel resorts in the Caribbean, making the island a mecca of sorts for tourists! This service industry has replaced your historical dependence on sugar production, which left your economy with an undiversified productive base. Since you ceased the production of sugar some ten years ago, given the loss in competitiveness of the industry in the wake of declining commodity prices and the dismantling of preferential trading arrangements, you have sought to develop a more export oriented manufacturing sector, and introduced off-shore banking.

However, tourism remains the mainstay of your economy, contributing some 75% of GDP in 2013. This industry is highly vulnerable to the impacts of climate change, natural disasters and

shifts in tourism demand influenced by the state of the international economy. Indeed, St Kitts and Nevis is still working to recover from the double blow you received from hurricanes Georges and Lenny that hit your islands in two consecutive years nearly two decades ago. The international financial crisis of 2008 dealt a further crippling setback to tourism arrivals. By 2011 the combined impact of these shocks had sent your debt to GDP ratio to an alarming high of 154%. Dedicated effort has brought it down to its current 83%, but not without major sacrifice and social costs. And this debt burden continues to compromise growth and employment opportunity, stifling investment and undermining the path to sustainable development you seek to pursue. Youth unemployment, at 44%, one of the highest in the subregion, speaks to a future at risk in this beautiful country.

Distinguished representatives, colleagues,

The story of St Kitts and Nevis as I have just recounted it, with only a little tweaking for individual circumstances – and with the significant exception of the goods producing nations of Belize, Guyana, Suriname and Trinidad and Tobago – describes the experience of the majority of Caribbean states. It is this reality, and the impact that it has had on the promise of prosperity in this subregion, that has brought us here today. We have dedicated this fourth Caribbean Development Roundtable to giving greater clarity to the structural weaknesses and intrinsic vulnerabilities of Caribbean Small Island Developing States, which we argue are central to the underlying causes of the unsustainably high levels of debt being carried by too many countries in this subregion.

So I am pleased that you are able to be here with us this week. And I am also happy to see so many of the Associate Members of CDCC present at this meeting; I extend a special welcome to you all. I know that tomorrow we will formally welcome Sint Maarten to the CDCC for the first time. We want you to feel very much a part of what we are doing in the Caribbean, because the challenges you face are no different from those of the Member States. I see the representative of Puerto Rico here; I hope that you will feel free to participate in the town hall discussion on debt that we will have later this morning. We want to give representatives an

opportunity to share,so that we can better understand each country's unique experiences, as we work to shape a subregional response that meets the needs of all, as far as is possible.

Let us begin this dialogue by recalling that the Caribbean joined the rest of the international community in making solid commitments to improve the welfare of your citizens within the framework of the four important agreements that were brokered last year. First was the adoption of the Sendai Framework in March, which comprehensively addressed disaster risk management. Then the Addis Ababa Action Agenda adopted in July focused on financing for development. The transformative 2030 Agenda for Sustainable Development embraced by heads at the UN Summit in September promised to leave no citizen behind, and finally, the Paris Agreement reached in December, which will be signed by Heads of state in New York tomorrow, has given renewed impetus to global strategy to deal with the very real threat of climate change.

Taken together, these four offer unprecedented opportunity to transform the development paradigm and to increase global levels of resource flows to address the challenges that are all so relevant to the Caribbean. The question that we must ask is: can the Caribbean make the best of the opportunity presented by these landmark agreements? To answer this we need to take a closer look at the situation in which the Caribbean finds itself today.

Two important lessons emerged from the global crisis of 2008-2009 that should be considered carefully. The first is the lack of fiscal buffers in the region, and the attendant inadequacy of countercyclical policies which caused the region to recover much more slowly. Secondly, the heavy reliance on a few markets and commodities has increased the vulnerability of the region to negative external shocks. This increases income volatility, dampens investment and spurs emigration among the most highly qualified and innovative. The subregion therefore continues to experience low average growthwith slow investment recovery.

The Caribbean is also shouldering a severe debt burden arising mainly from costs accumulated in response to negative external shocks, including the impact of natural disasters. As a result, many of your economies have surpassed the debt to GDP threshold of 60%, above which debt is considered unsustainable. Furthermore, since debt service costs represent such a huge percentage of government expenditure, very little is left for growth-enhancing capital spending, which tends to suffer when expenditure is stifled. Considerable instability both through the decline in revenue and reduced access to low cost finance has resulted, given the increased risk premiums caused by the high levels of debt. Your economies have also experienced high current account and fiscal deficits which partly reflects a decline in competitiveness and productivity. As a result, too many of your governments have had to approach the IMF to address liquidity constraints arising from the balance of payments difficulties and mounting debt service costs.

The extremely limited fiscal space resulting from this high debt burden will make it very difficult for the subregion to make the most of these global platforms, particularly the sustainable development goals. Investment in social welfare inevitably suffers. Furthermore, the necessary investment in climate and disaster resilient infrastructure may be arrested as well, given the limitations to government spending. There is need for greater involvement of the private sector, which is in financial surplus but which has continued to underperform in the environment characterised by low growth and high debt. Looking ahead, commodity prices are now in decline and those Caribbean countries that relied on commodity exports will have to adjust quickly. In many instances their revenues have fallen significantly, unemployment is rising and there has been little time to address the much-needed diversification processes.

So what the path for the subregion going forward?

It is clear that the Caribbean needs a dynamic growth strategy to lift the economies out of debt while building resilience to natural disasters and the other impacts of climate change. We see green growth as an inescapable path for the future. Many sectors offer huge opportunity to pursue such a strategy. For example, energy security through renewable energy investment

and enhanced energy efficiency represents low hanging fruit for the region. Much activity has been sparked in this area through solar, geothermal, biofuels, wind and other technologies. This will require adjustments to the regulatory and incentive framework to achieve the necessary investment over the medium term.

Much more effort is also needed in making the Caribbean more business friendly especially in relation to SMEs. There is strong evidence that Caribbean firms compared to those in other small states are older and less willing to export. While much progress has been made by a few countries in improving the business climate, there is still much room for improvement. Private public partnerships, with proper safeguards for accountability and transparency are critical for raising the necessary resources for much needed infrastructure development.

An important cross cutting issue is the need for a strategy to invest in knowledge through high quality education and training to advance green growth and to strengthen the knowledge economy. Too many young people are unemployed and we must open the space to employ those that have the potential to be productive. Important areas of STEM training must be emphasised to build a regional system of innovation despite access to some technologies. In this process we must go beyond rote learning to emphasise learning by doing, learning by experimentation, and learning to learn. The role of ICT is critical in reaching a larger number of our people who very often cannot afford to be stabled in an institution of formal training. We have assembled a panel this afternoon that we hope will speak to some of these possibilities I have mentioned.

To pursue these opportunities meaningfully, financing for development is critical. However, as you very well know, bilateral and International financial Institutions have so far remained resolute that Caribbean countries are middle and high income states and therefore not entitled to concessional financing. The advocacy to alter this perspective must continue, but this continuing hurdle also means that the subregion will need to be diligent in its effort to build a macroeconomic environment that attracts investment finance especially in green sectors.

Dear Friends,

For these several reasons we are convinced that this is not a time for the Caribbean to be constrained by an excessive debt burden that limits its development options. This Roundtable therefore has before it a proposal developed by ECLAC to address the debt burden being shouldered by the countries of the Caribbean. We considered it urgent to put forward this proposal because of our continuing concern that the performance of the Caribbean economies showed very clearly that given the current debt overhang and the structural challenges and vulnerabilities, your growth trajectory will be unquestionably compromised in the medium term. It is our hope that based on our discussions over the next two days we will leave here with a decisive mandate to actively pursue the structuring of a mechanism that will go a long way towards relieving the immediate, debilitating impact of the debt burden even as we redirect resources to build resilience, re-energize growth and promote economic transformation in the Caribbean, through investment in adaptation projects and green industries.

I know that ours is not the first effort in this regard, and that the receptivity to the ideas we advance is due in part to work already done by other international institutions, particularly the Commonwealth Secretariat, which over the past few years has also been exploring, with the member states and the international community, ways to effectively address the debt problem of the subregion. Our proposal has benefitted from their thought leadership, and we firmly believe that if our two institutions join forces in advancing a common initiative, our prospects for success will be even greater. I am therefore very happy to see the representative of the Commonwealth Secretariat here, and indeed representatives of the World Bank and the Caribbean Development Bank, since these institutions would also play an important role in brokering the establishment of the mechanism we envisage. Their contributions to the Panel discussion this afternoon should not be missed!

Distinguished representatives,

We have a great opportunity today to address the debt issue while at the same time identifying a path to structural transformation that will surely advance the development of the Caribbean. I hope that you will see as I do the promise and the possibility in what we offer today. Because I have been requested by Secretary General Ban Ki Moon to join him in New York for the historic signing of the Paris Agreement on Climate Change, I will unfortunately not be able to remain with you for the two days. However I encourage you to participate actively and to offer your views on how best we go forward. We do this for you; for the future of the Caribbean. Join us in our effort to make this unprecedented opportunity for progress in your subregion a reality.

