



Compete Caribbean Program

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Private Sector Development, Lead Specialist
Executive Director of the Compete Caribbean Program
Inter-American Development Bank

May 10th, 2012



Canada



FACTS AND FIGURES:

THE STATE OF THE PRIVATE SECTOR IN THE CARIBBEAN



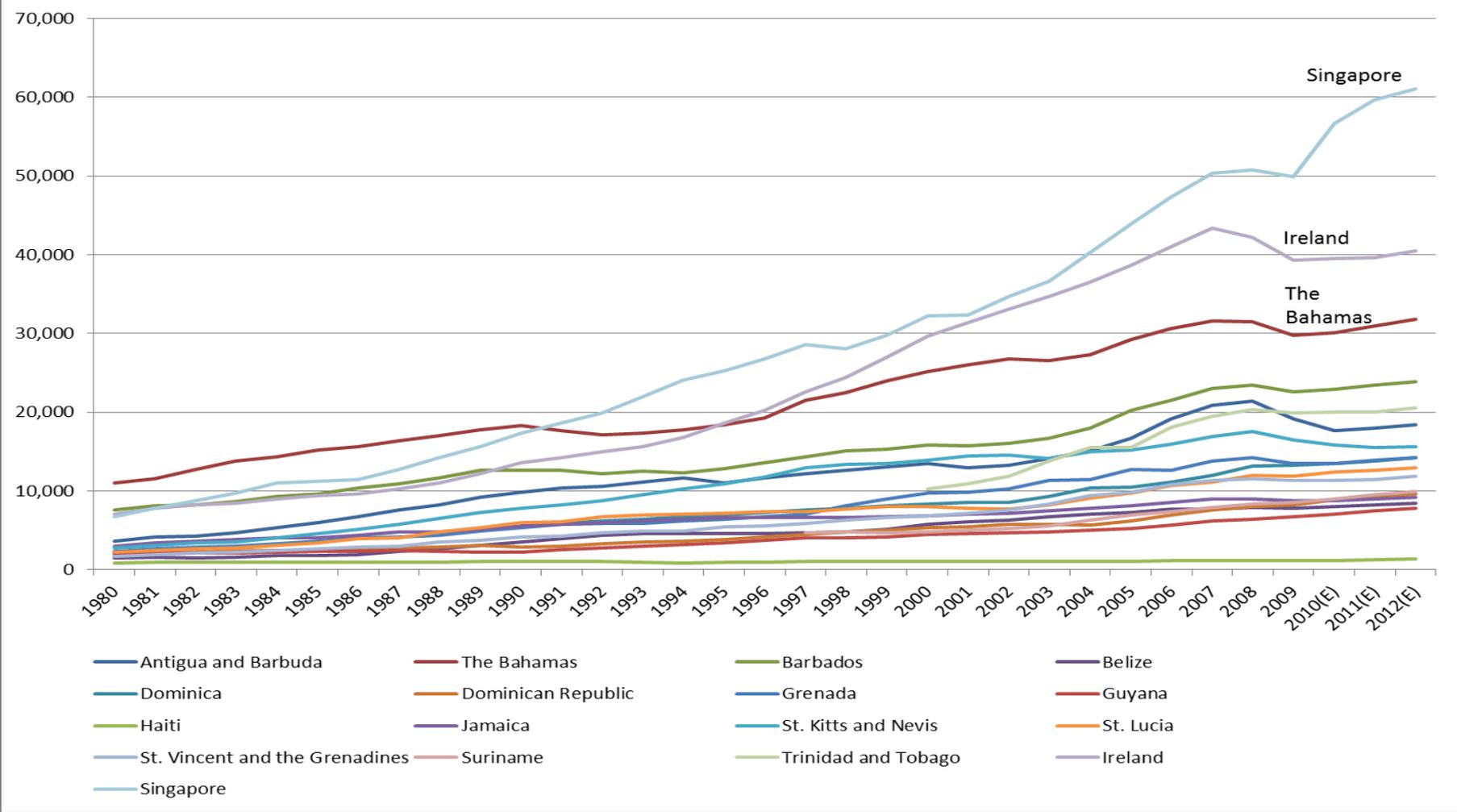
Low economic growth and debt overhang



The region has seen a relatively low level of economic development over the past three decades (2.0% between 1980-2011)

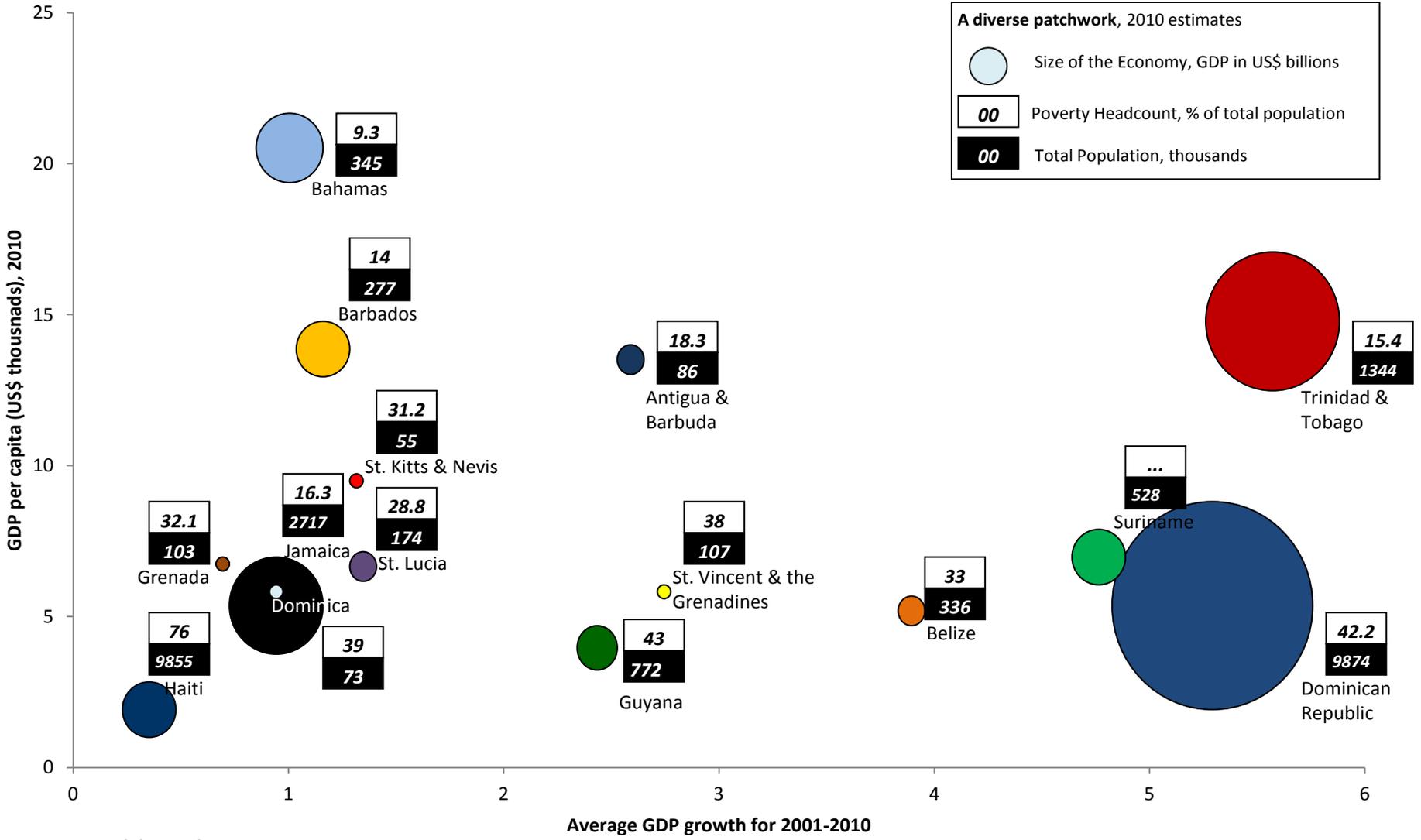


Gross Domestic Product per capita (PPP), 1980-2012



Source: International Monetary Fund, World Economic Outlook, April 2012

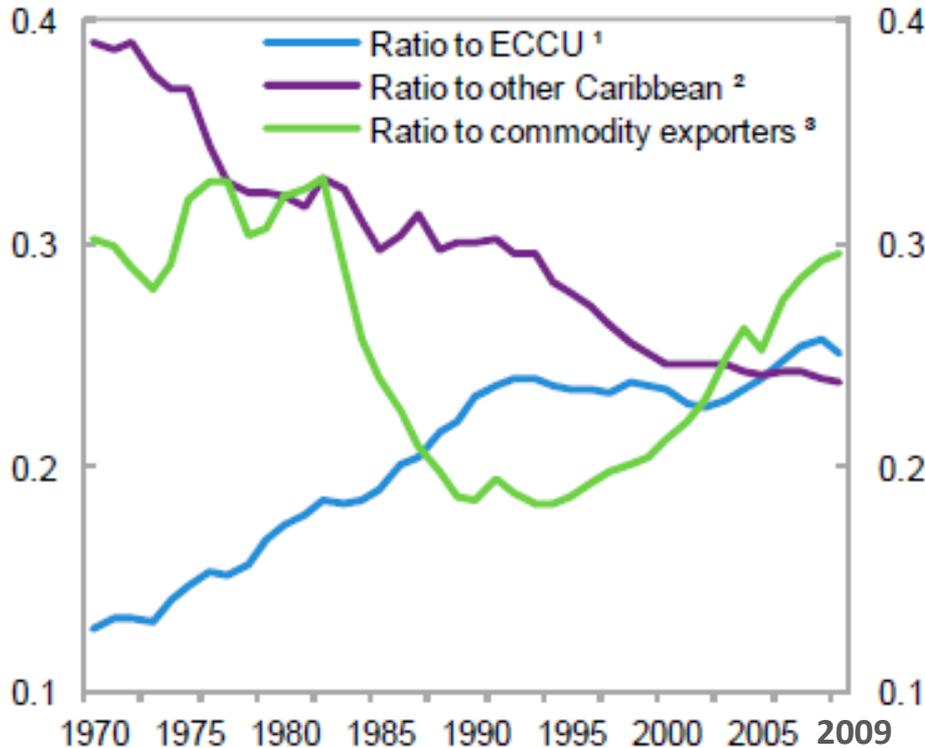
Caribbean Economic Diversity



Source: World Bank

The global downturn had a severe impact, but the slowdown is also structural in nature

Caribbean: Per capita GDP (PPP) Relative to the United States, 1970–2009



Source: IMF staff calculations.

¹ Includes Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & the Grenadines.

² Includes The Bahamas, Barbados, Belize, and Jamaica.

³ Includes Guyana, Suriname, and Trinidad & Tobago.

Commodity exporters (Trinidad, Suriname, Guyana) doing better in recent years, but GDP is extremely volatile.

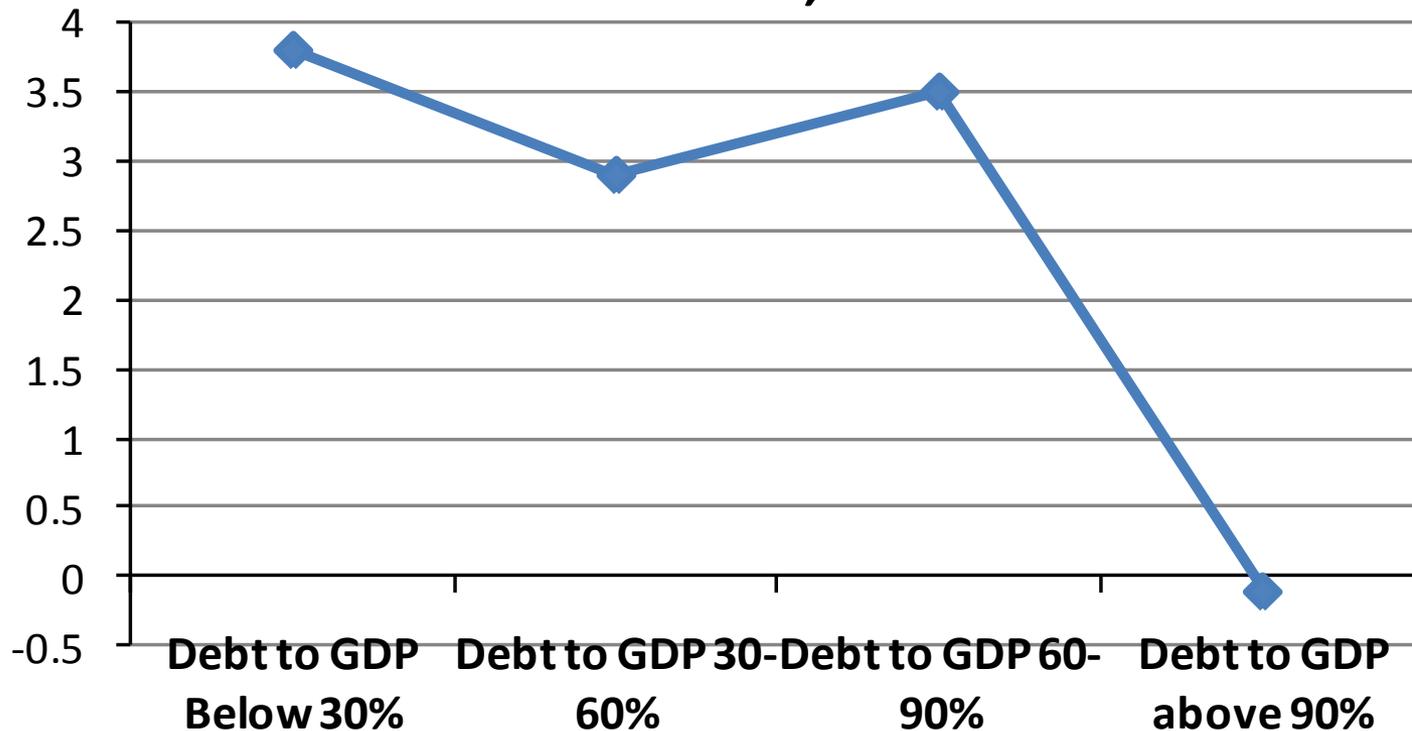
'Other Caribbean' (The Bahamas, Barbados and Jamaica) have a structural growth problem, losing ground for 30 years even against the U.S.

OECS countries' growth has slowed down in the past 20 years

Many Caribbean countries have a 'debt overhang' problem

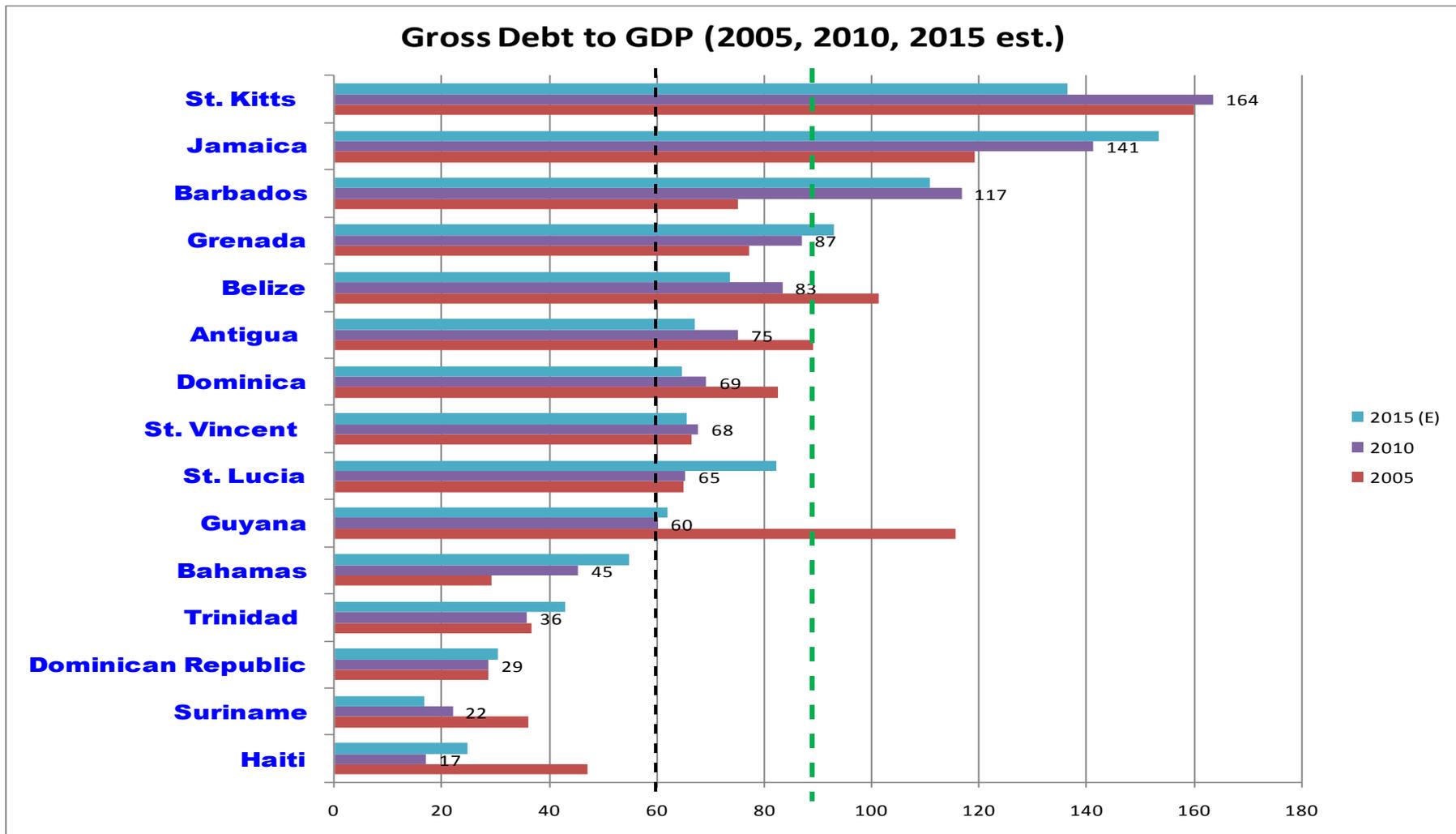
Beyond a certain level, it becomes difficult for countries to 'grow their way' out of indebtedness.

Public Debt/GDP and Growth, Selected Advanced Economies, 1946-2009



Reinhart and Rogoff (2010) find ample historical evidence that debt to GDP over 90% is associated with lower growth.

Debt levels are above internationally recommended levels for sustainability (60% of GDP) and are trending upwards.



Source: IMF World Economic Outlook, April 2012

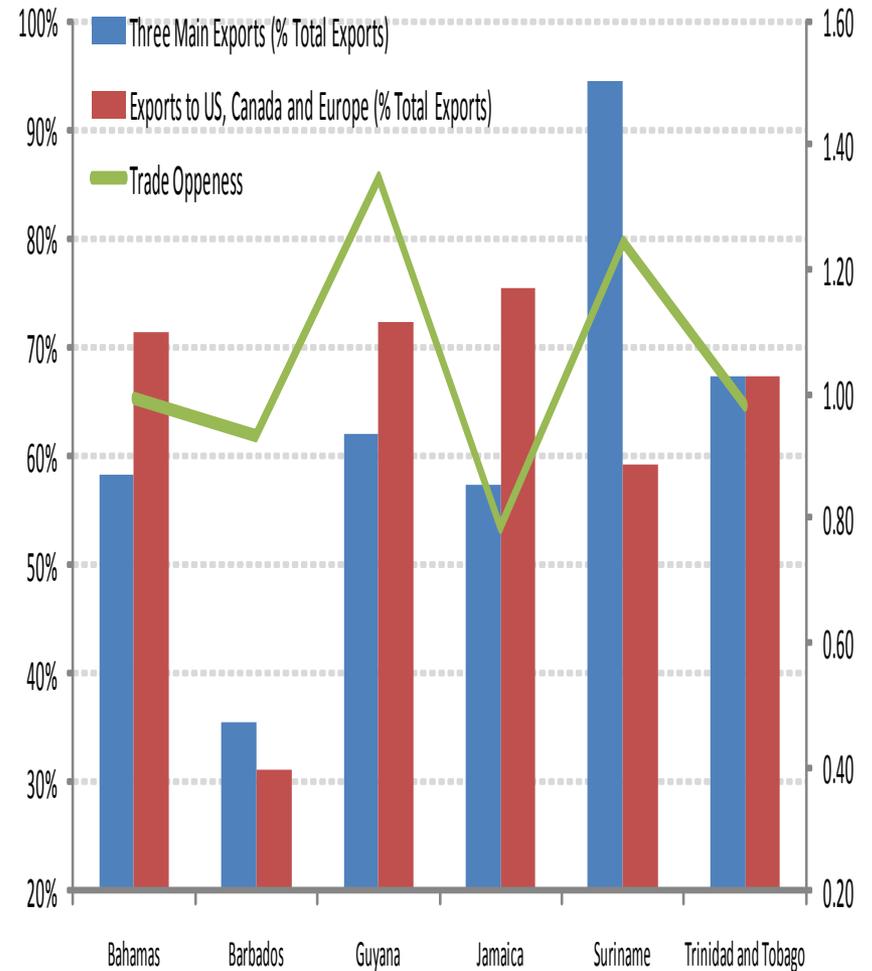
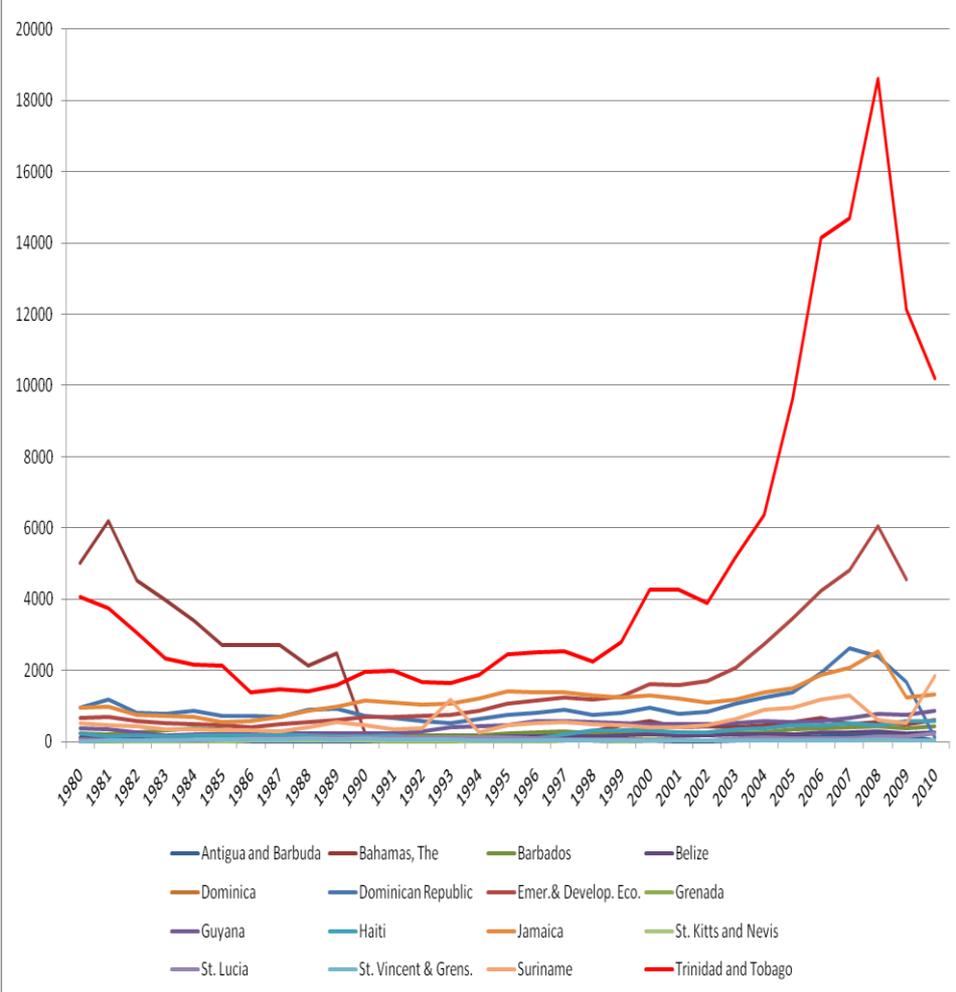


Low exports, high concentration and the production of unsophisticated goods



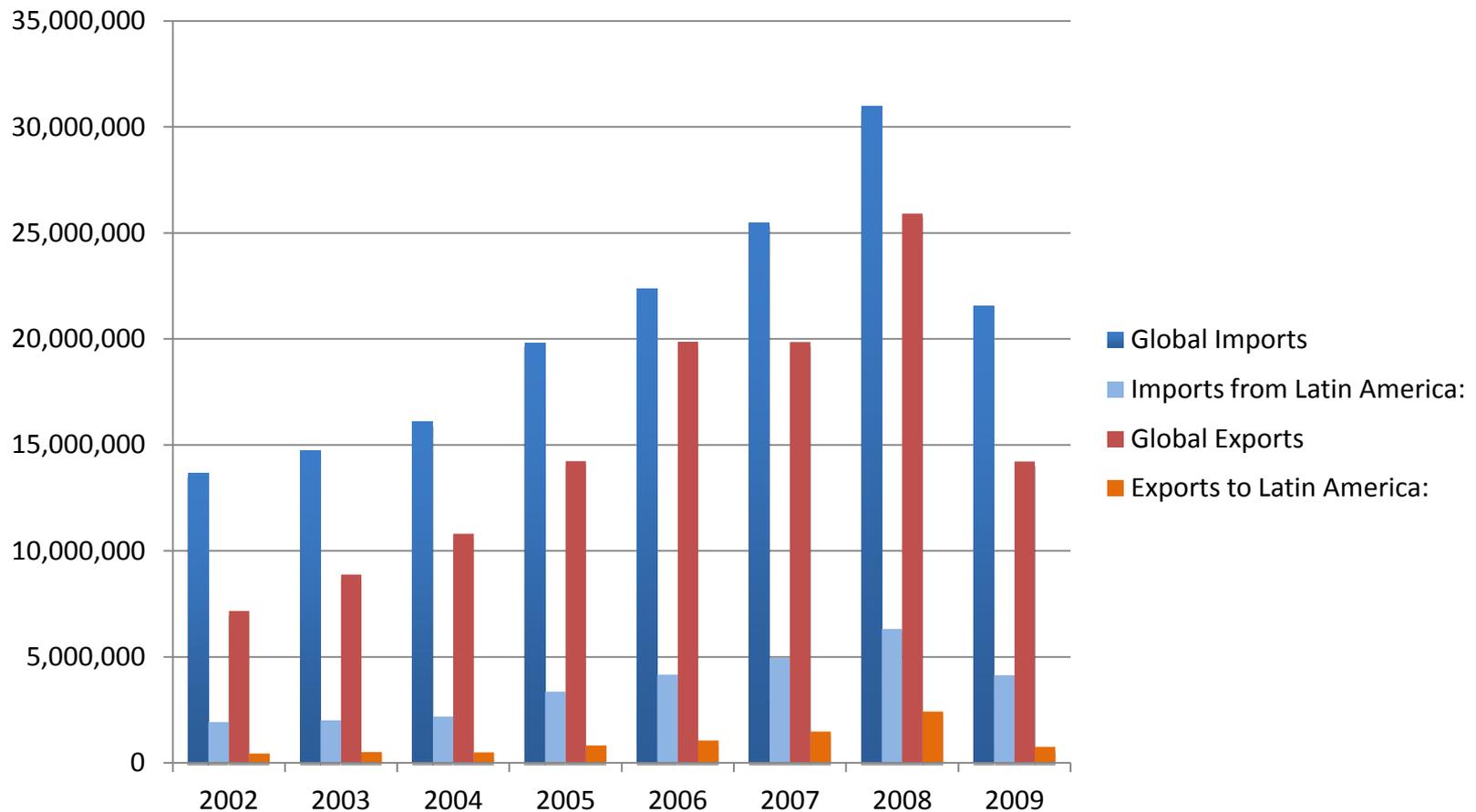
Low levels and high concentration of exports

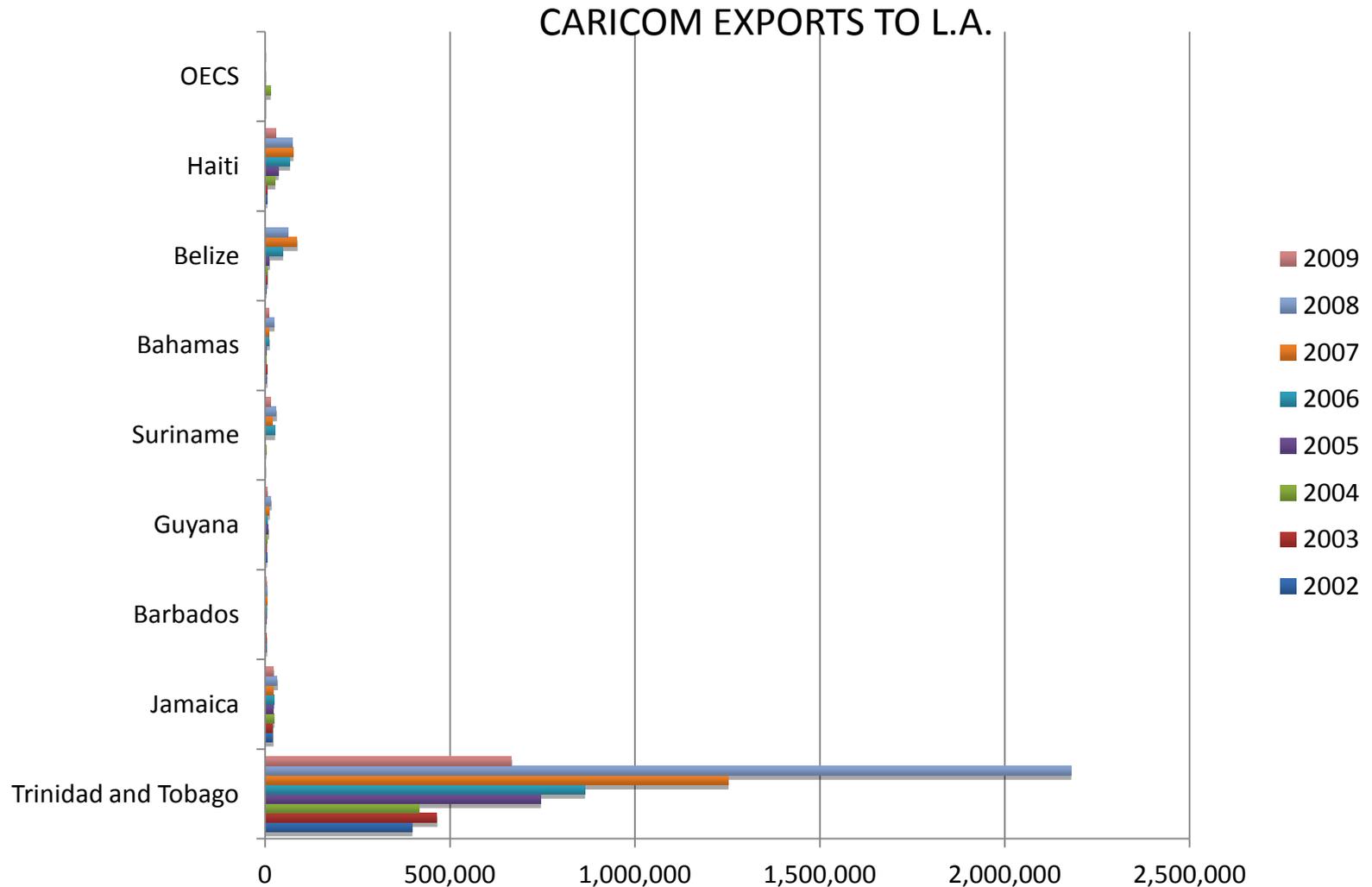
Exports of Goods in Millions of US \$, 1980-2010



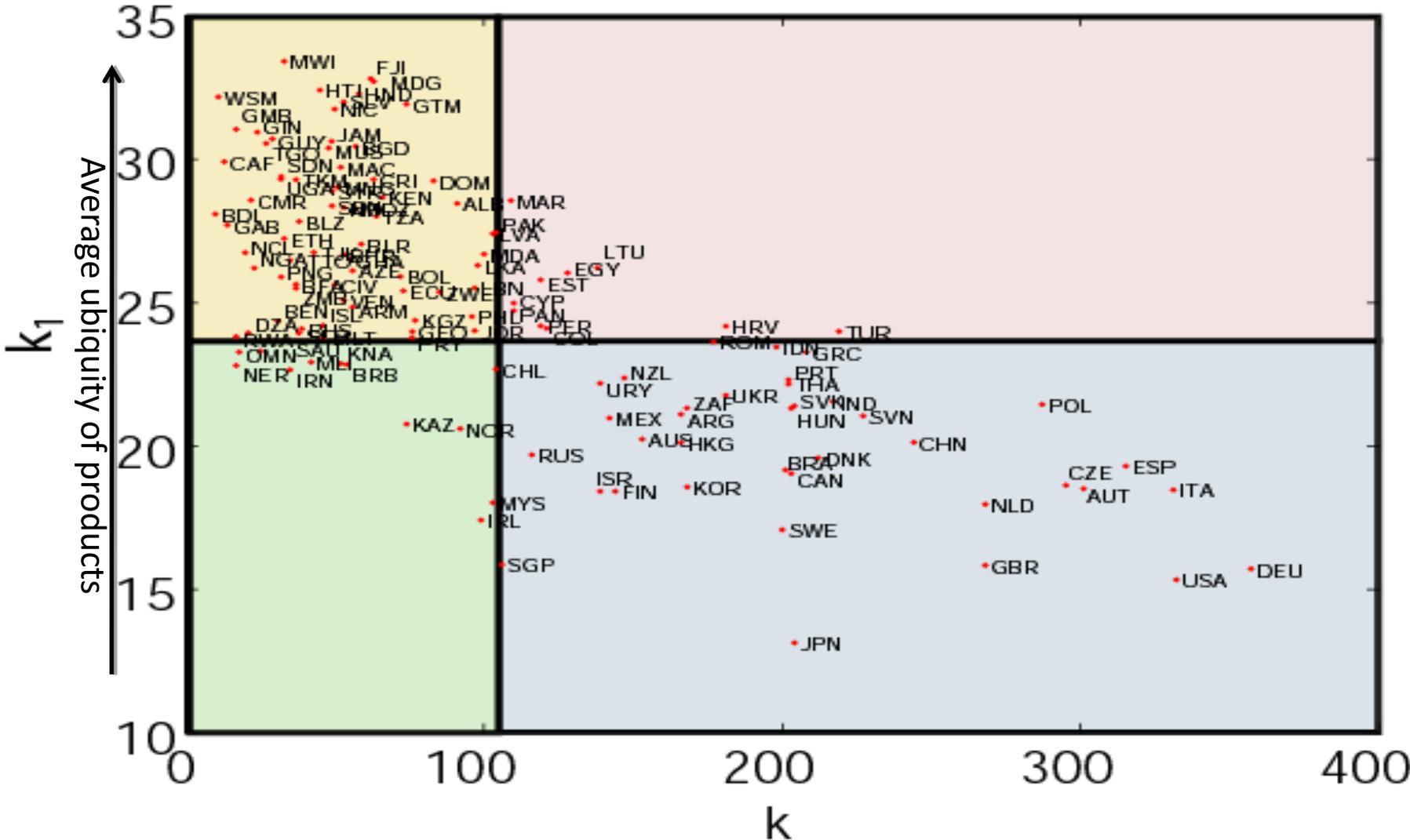
Source: International Monetary Fund, International Financial Statistics, April 2012

CARICOM GLOBAL AND LATIN AMERICAN TRADE COMPARED



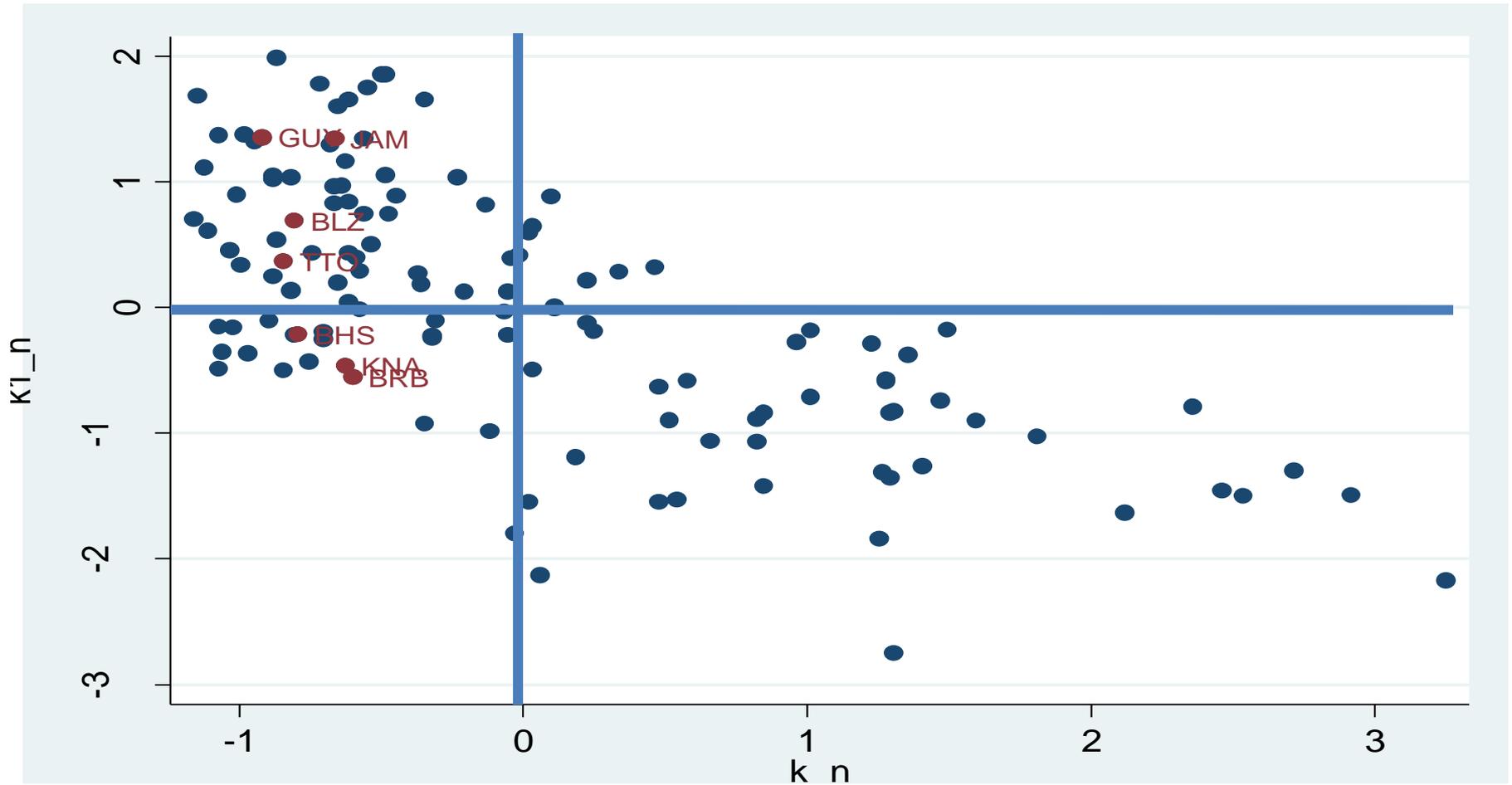


Diversification and average ubiquity



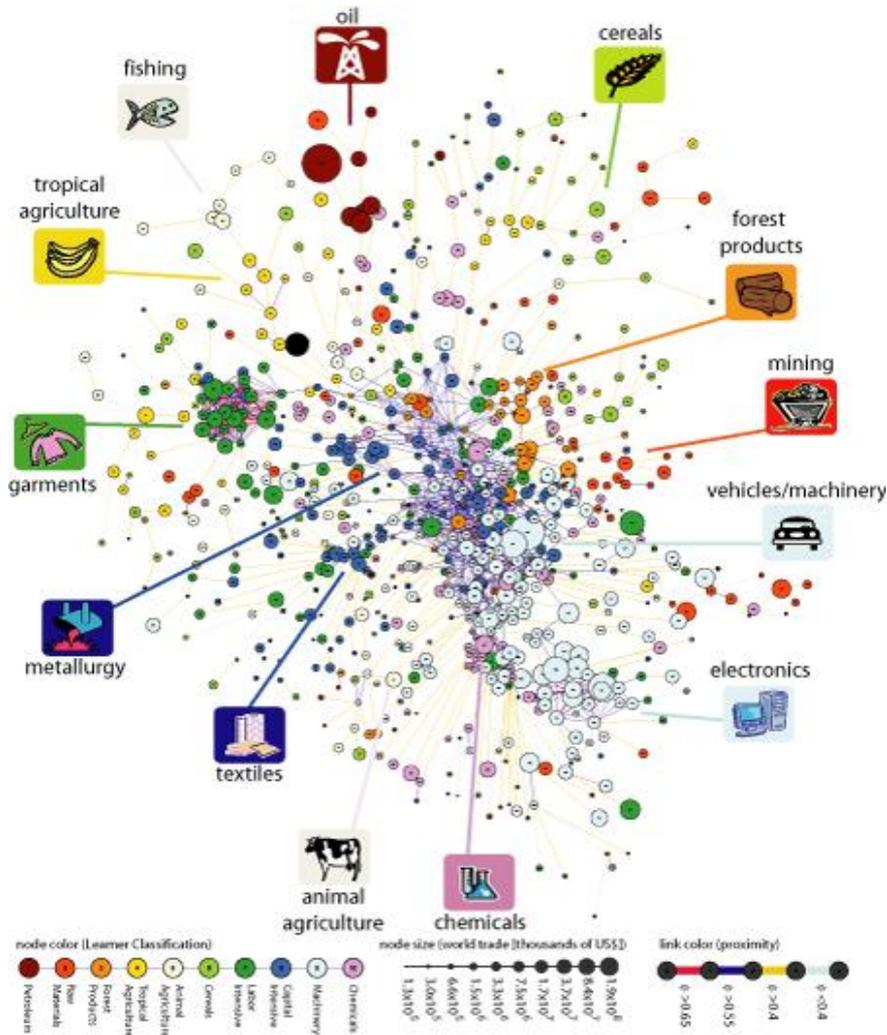
Source: Hidalgo CA, Hausmann R *Proc. Natl. Acad. Sci.* (2009) 106(26):10570-10575

The Caribbean is poorly diversified and specializes in ubiquitous products



Source: Hausmann

The Product Space

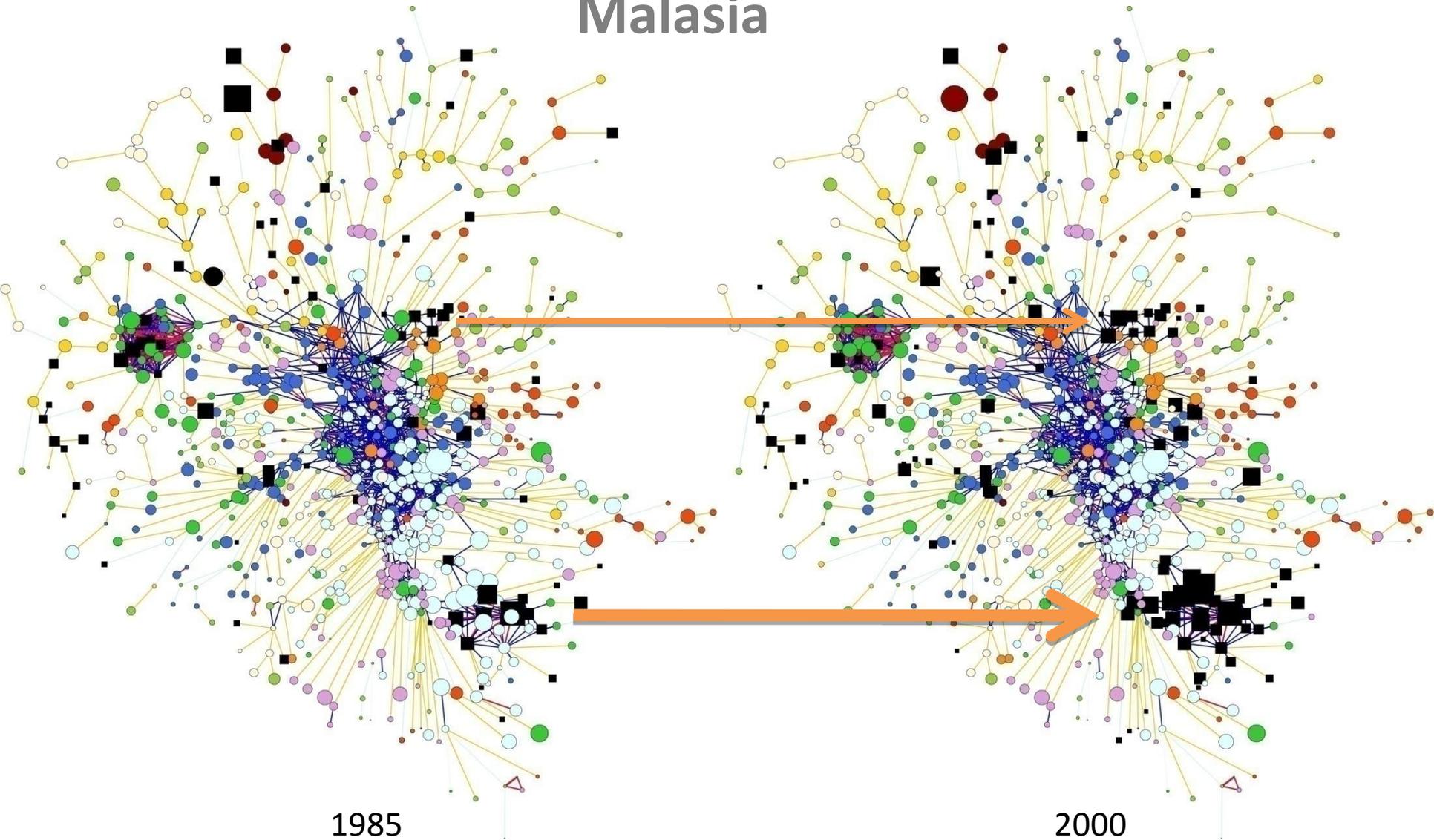


The product space argues that nations develop by moving from production of low-value goods to high-value goods.

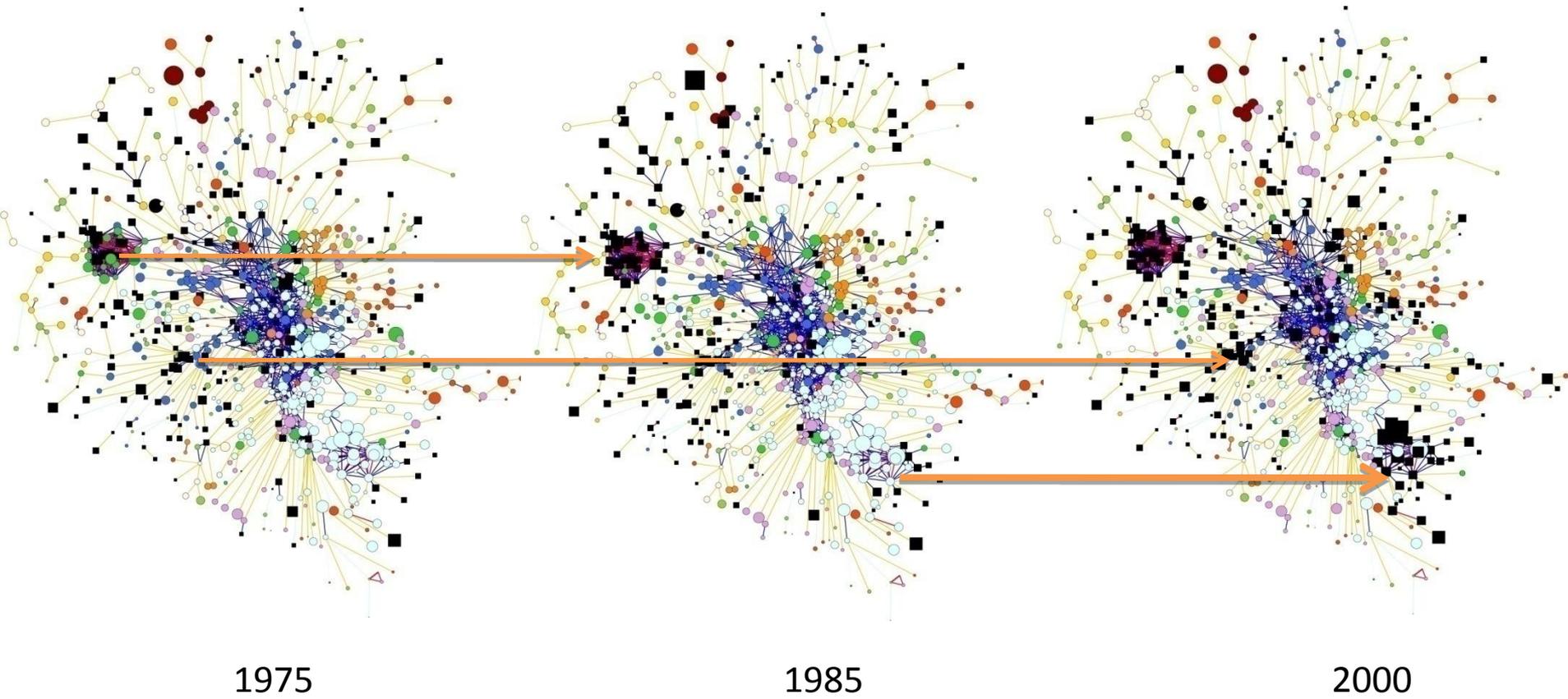
The product space is highly heterogeneous, there are peripheral products that are only weakly connected to other products, located on the outer edges of the space, and there is a core of closely connected products in the center of the network, mainly of machinery and other capital intensive goods.

This heterogeneous structure of the product space has important implications for structural transformation. If a country is producing goods in a dense part of the product space, then the process of structural transformation is much easier because the set of acquired capabilities can be easily re-deployed to other nearby products.

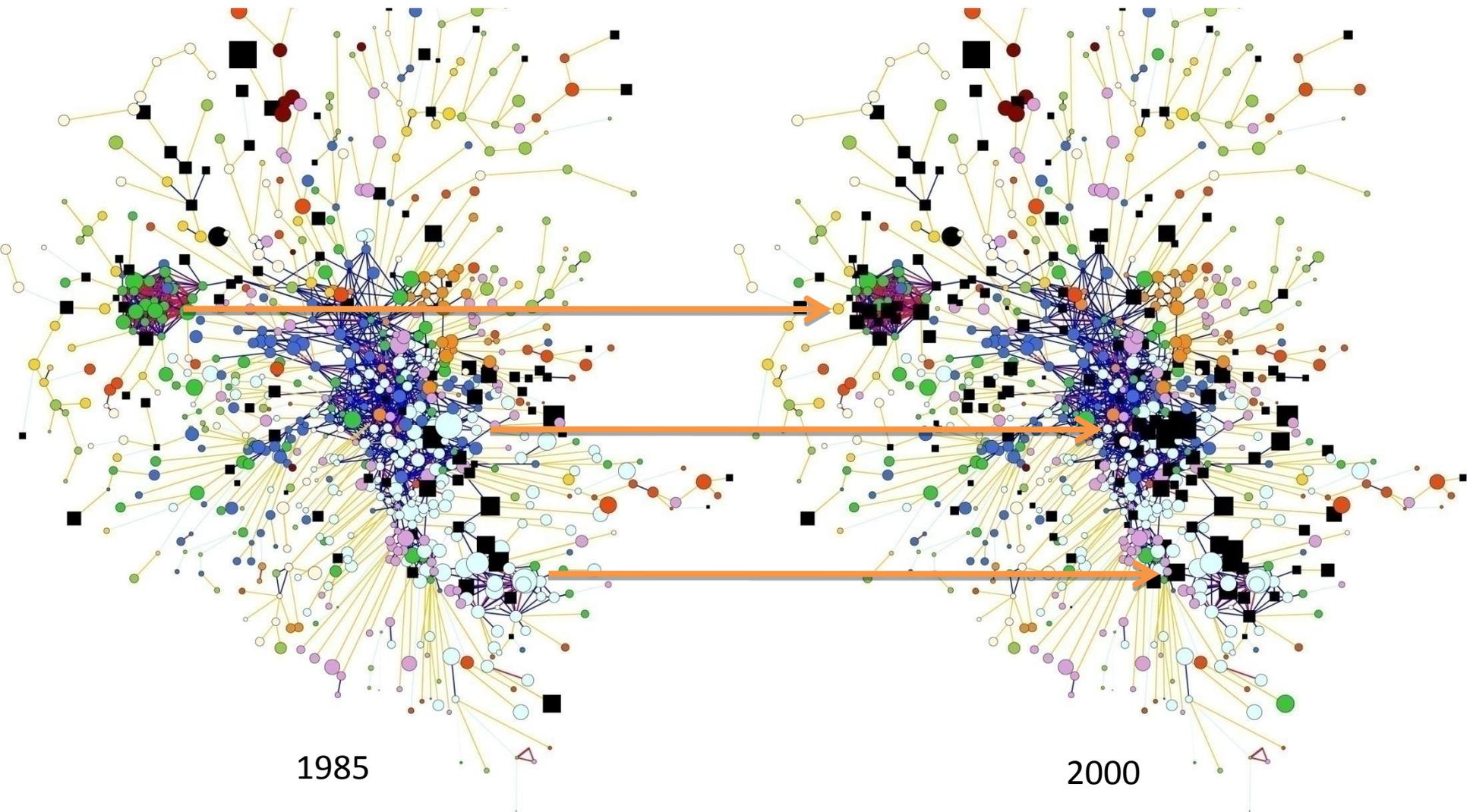
Malasia



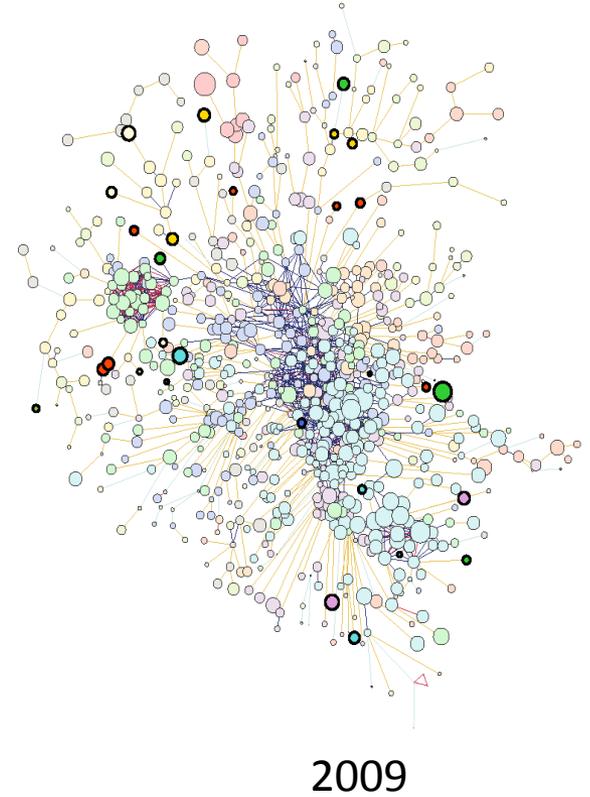
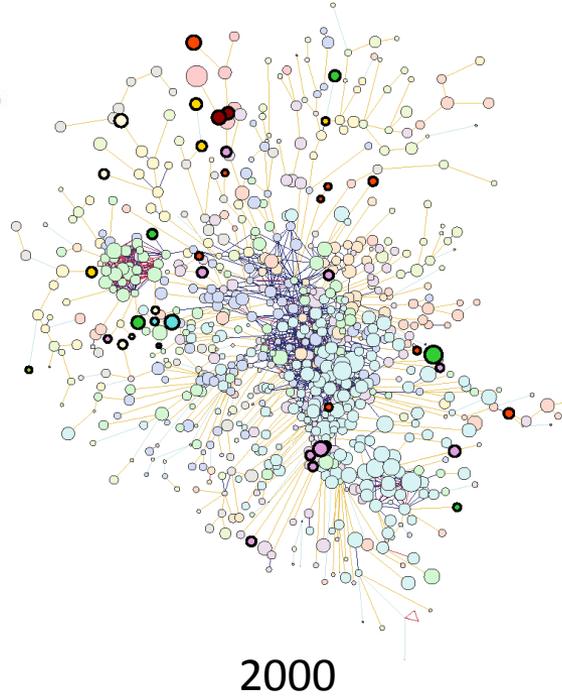
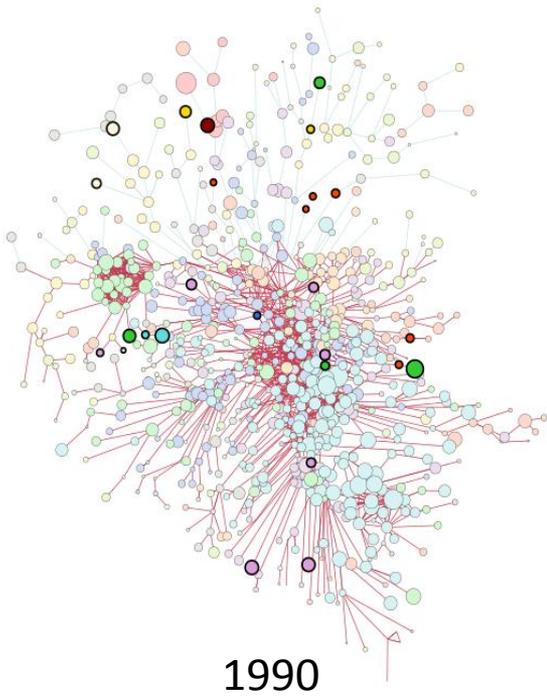
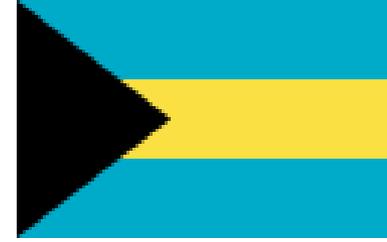
China



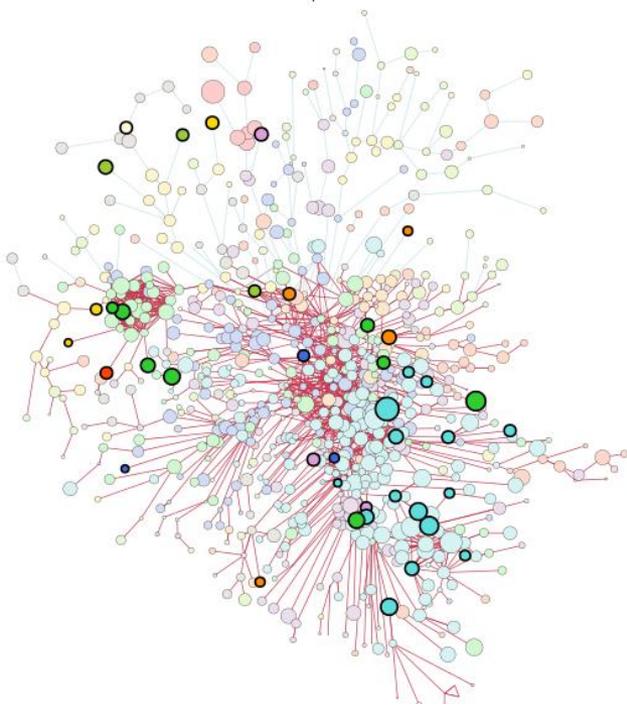
Mexico



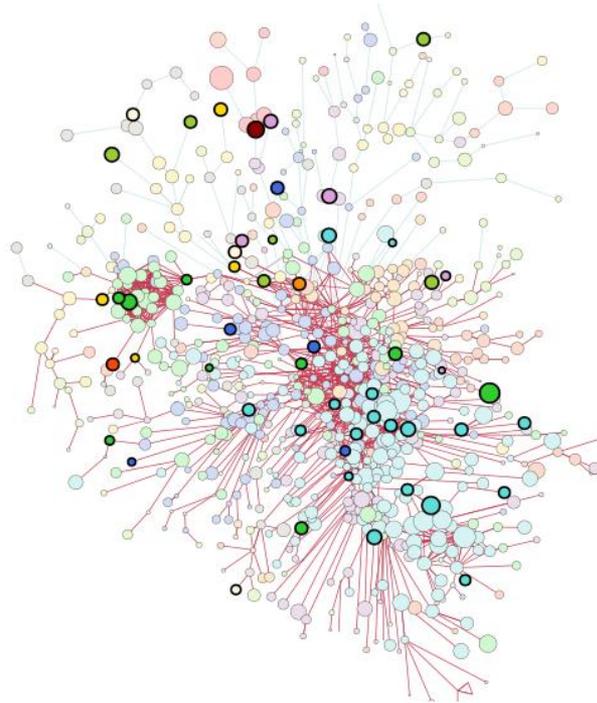
Bahamas



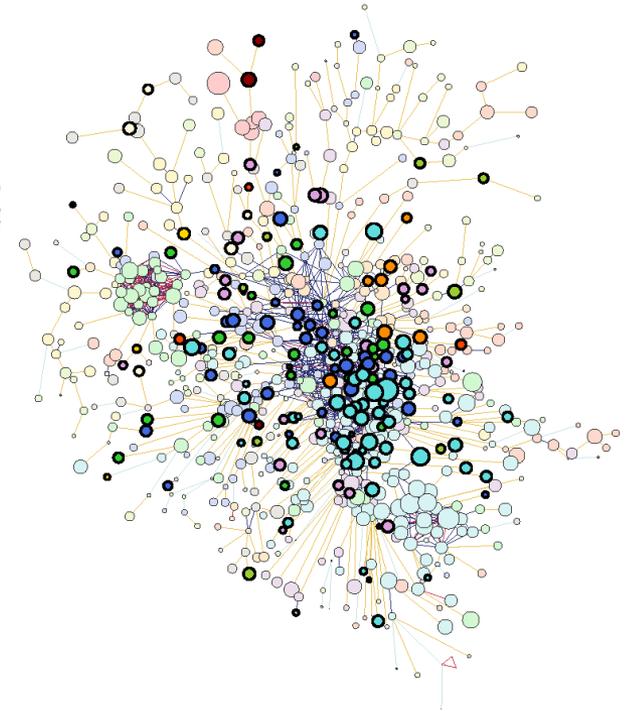
Barbados



1990



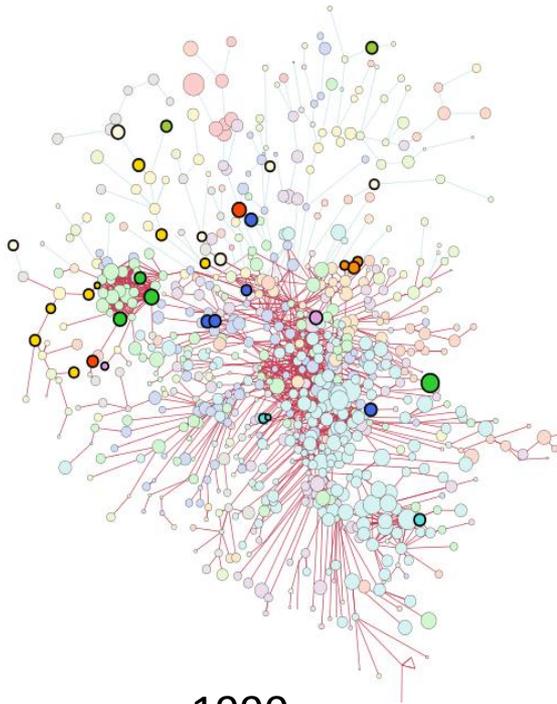
2000



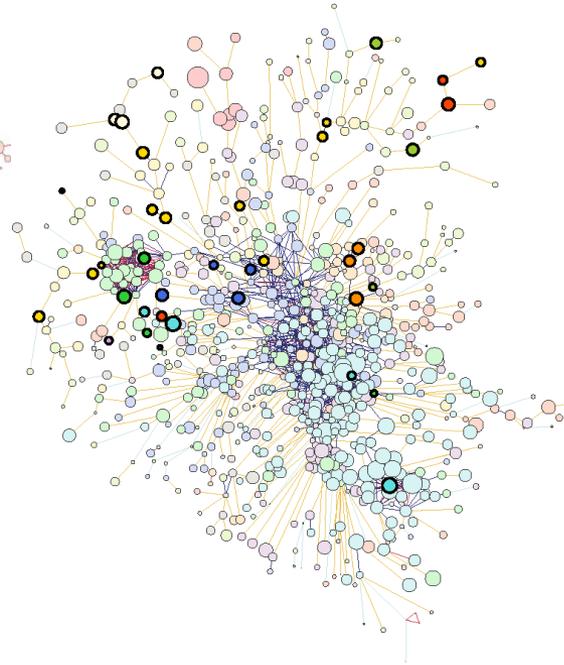
2009



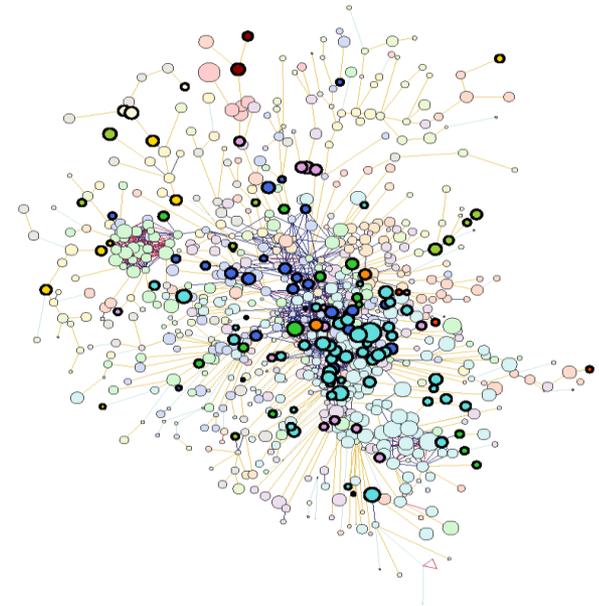
Belize



1990



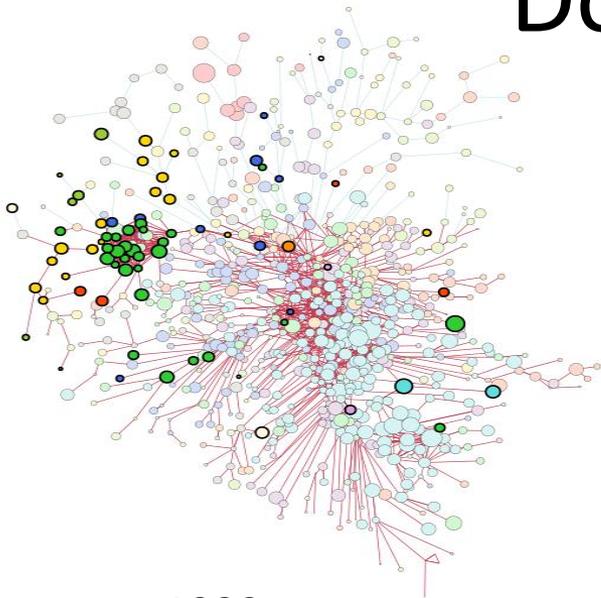
2000



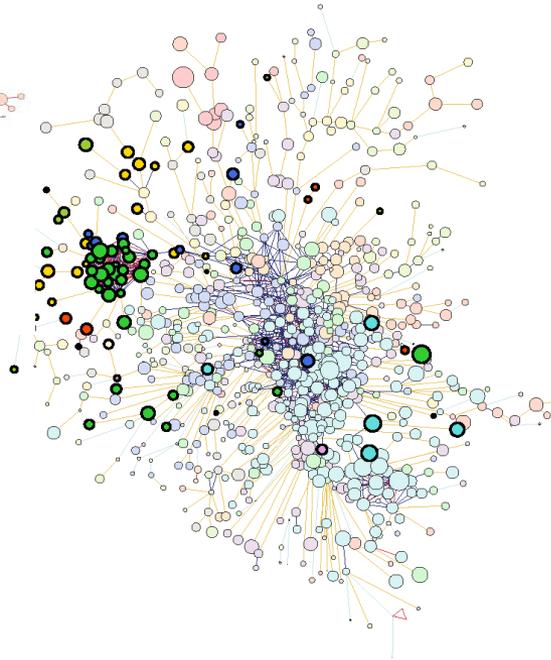
2009



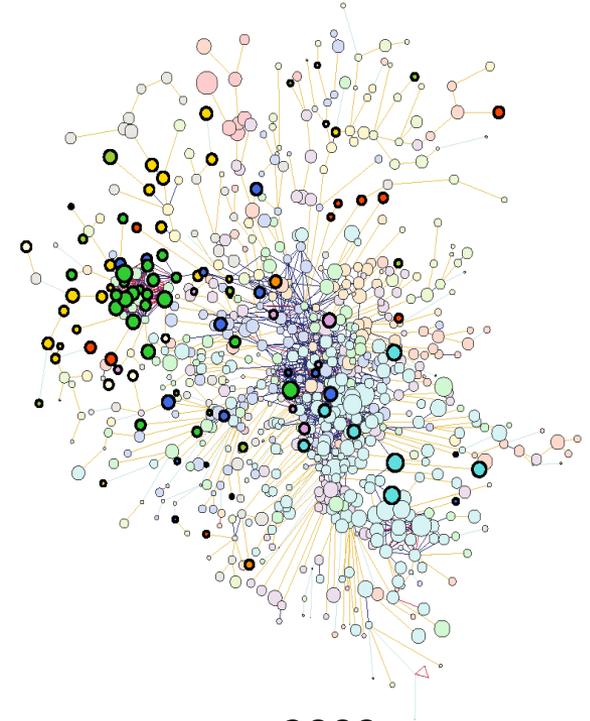
Dominican Republic



1990



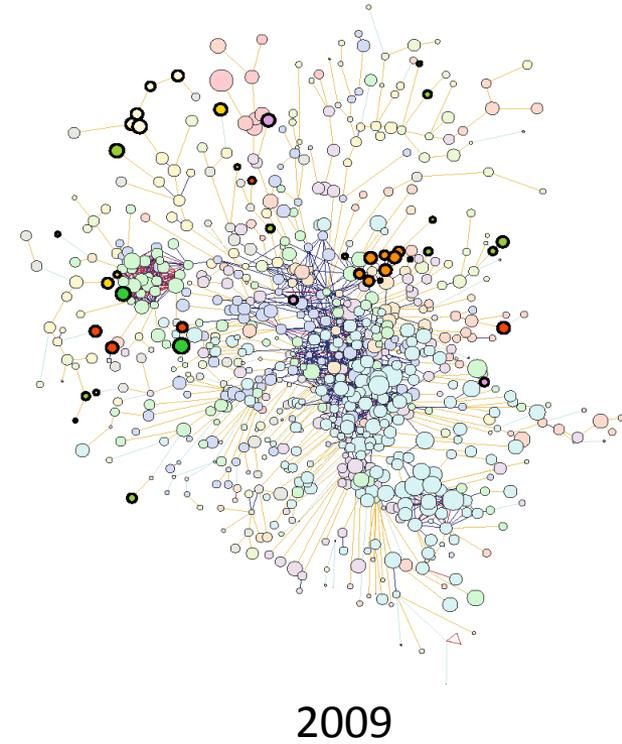
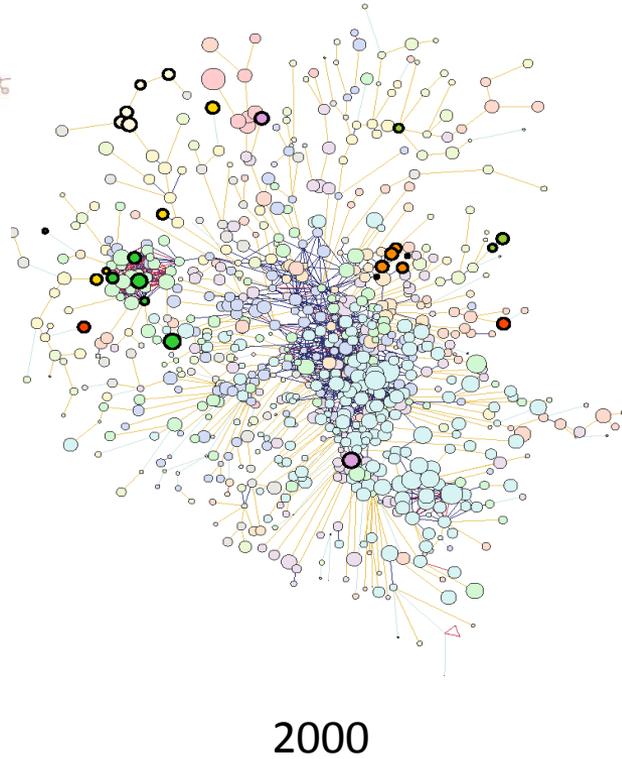
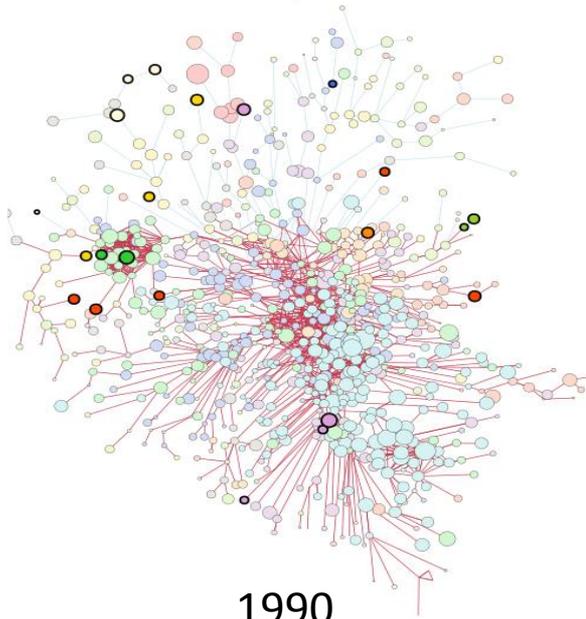
2000



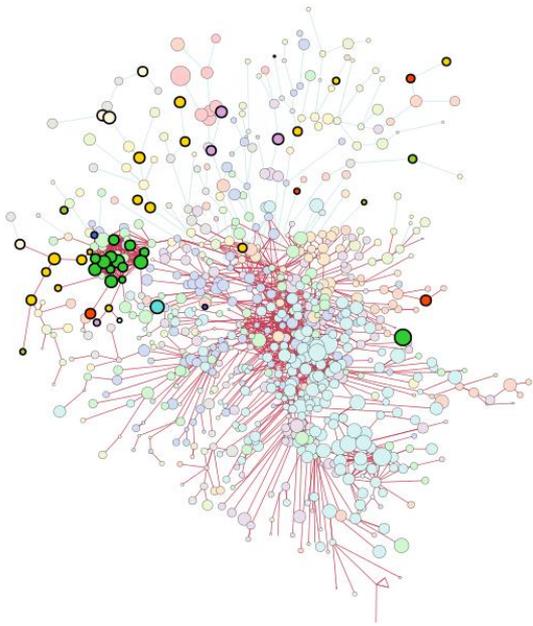
2009



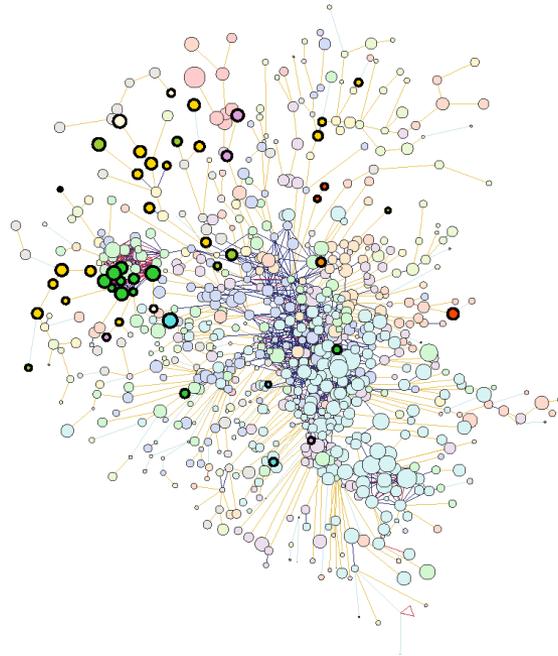
Guyana



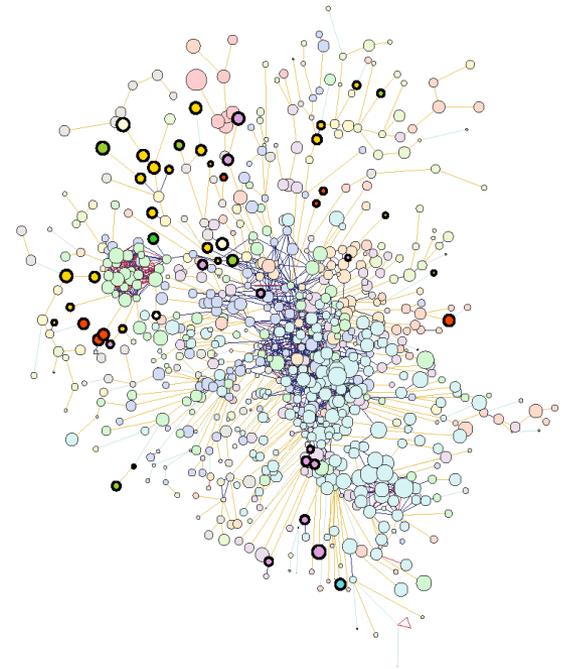
Jamaica



1990



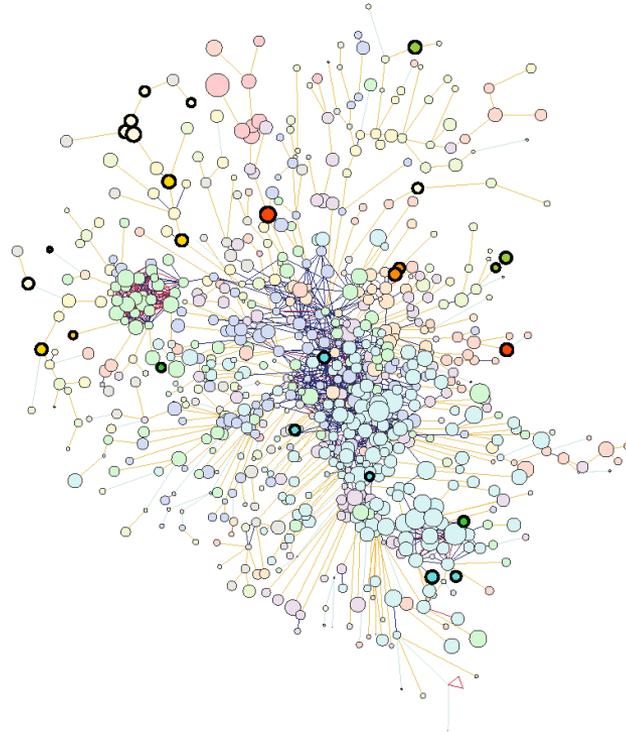
2000



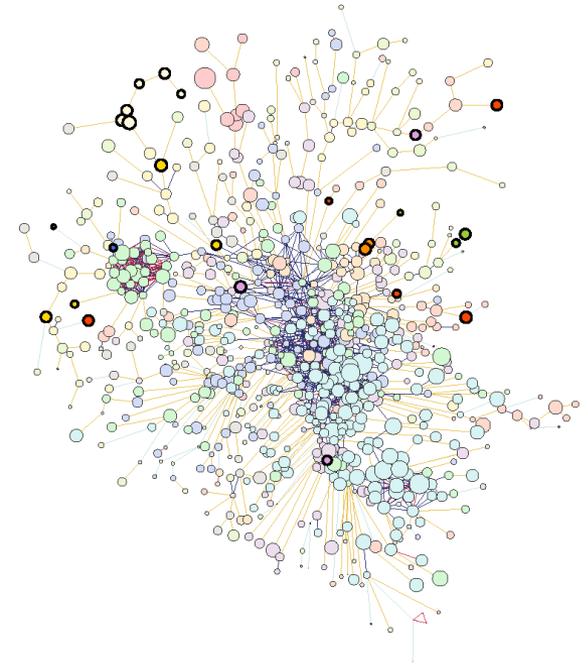
2009



Suriname



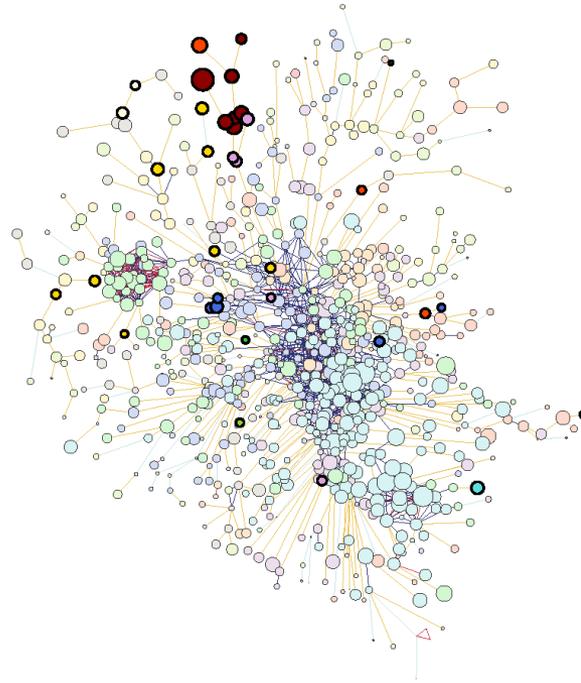
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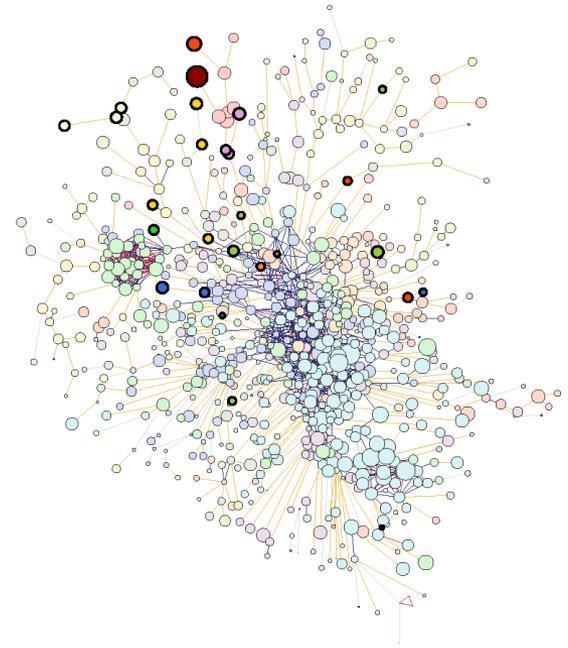
2009



Trinidad & Tobago



2000



2009

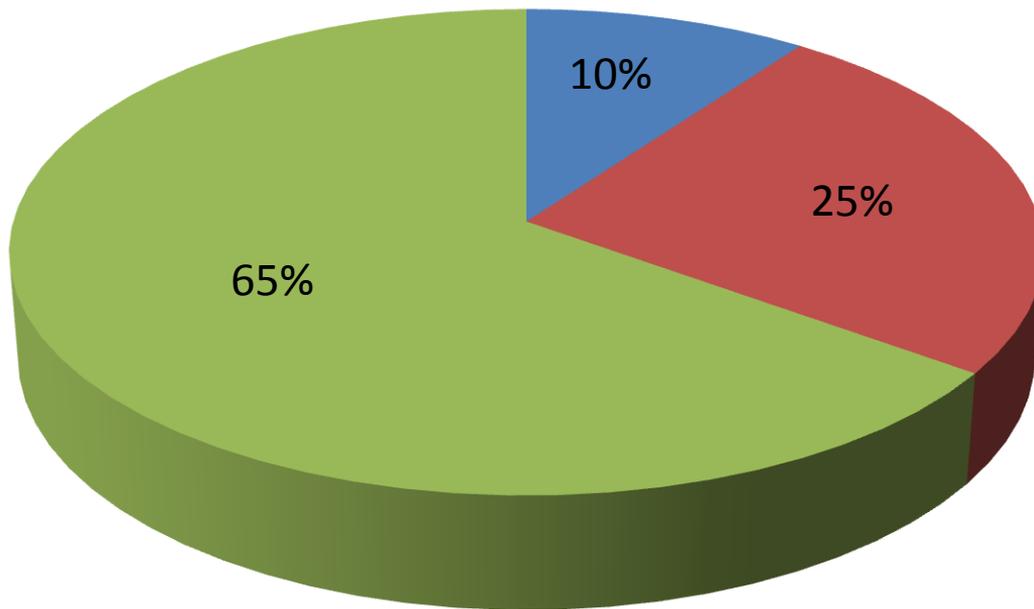


Low productivity of the services sector



Contribution to GDP by sector

Caribbean Average



- Agriculture
- Industry
- Services

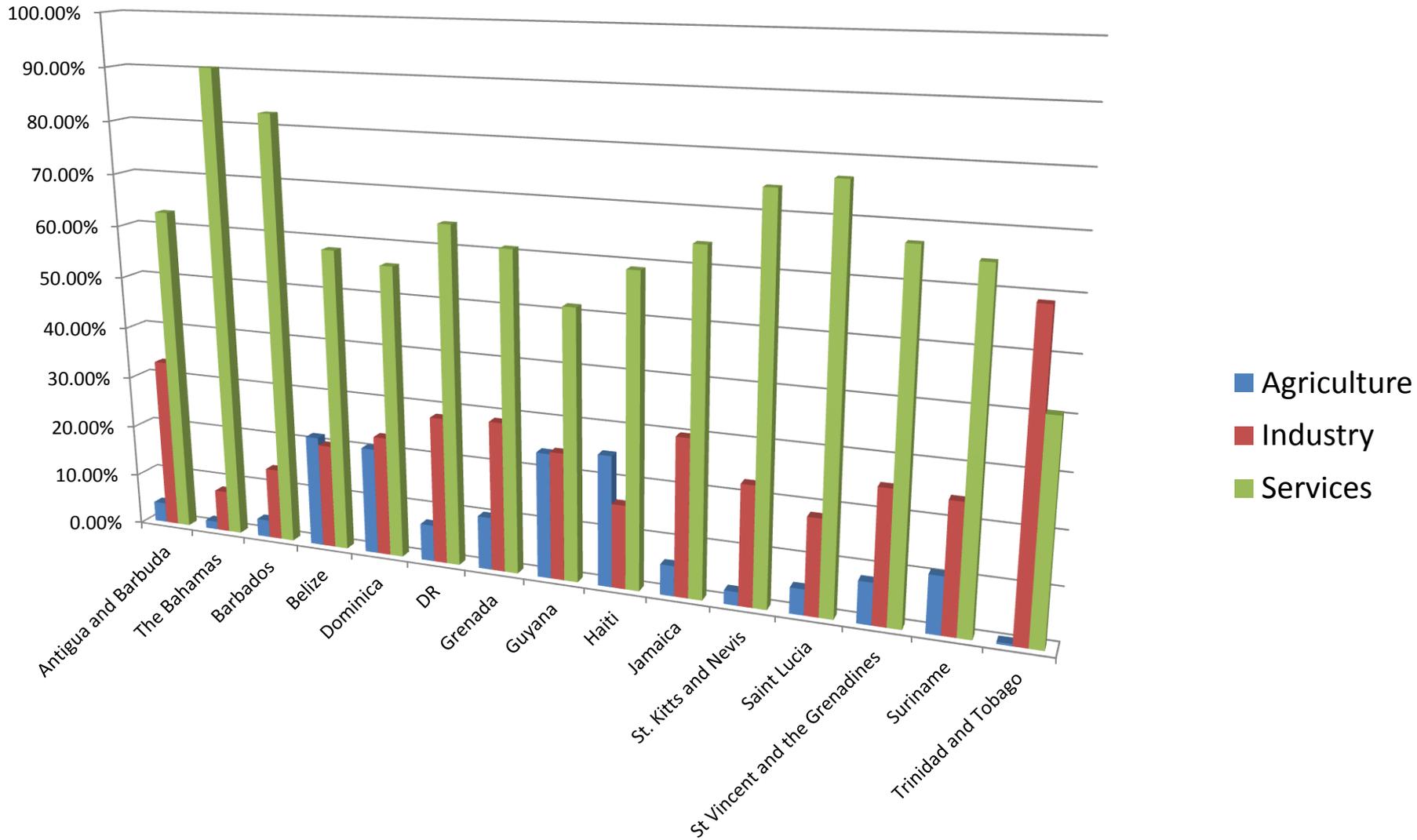
This entry gives the percentage contribution of *agriculture*, *industry*, and *services* to total GDP.

Agriculture includes farming, fishing, and forestry.

Industry includes mining, manufacturing, energy production, and construction.

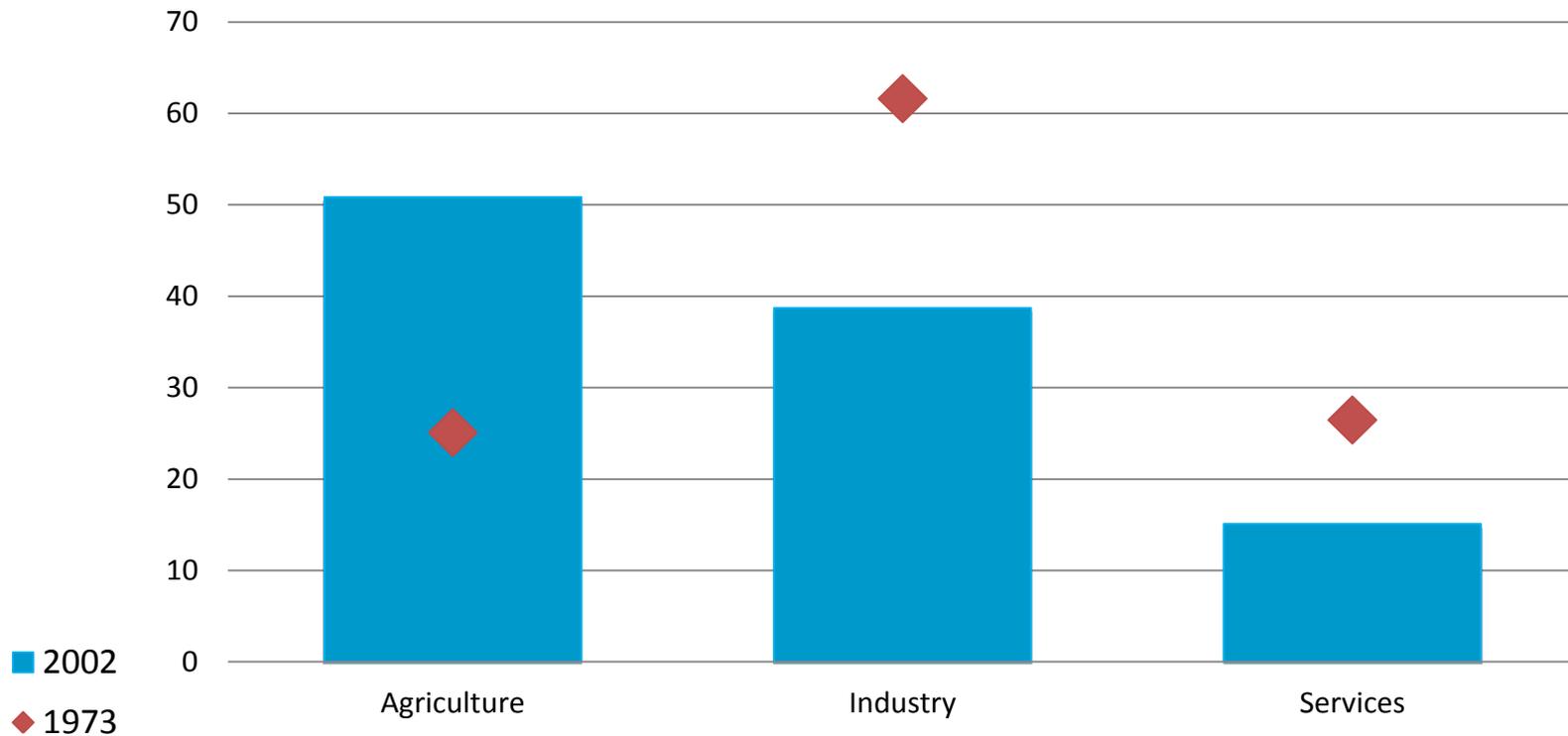
Services cover government activities, communications, transportation, finance, and all other private economic activities that do not produce material goods.

Contribution to GDP by sector



Source: CIA Fact book 2011

Labor Productivity by Sector typical LAC country relative to US=100

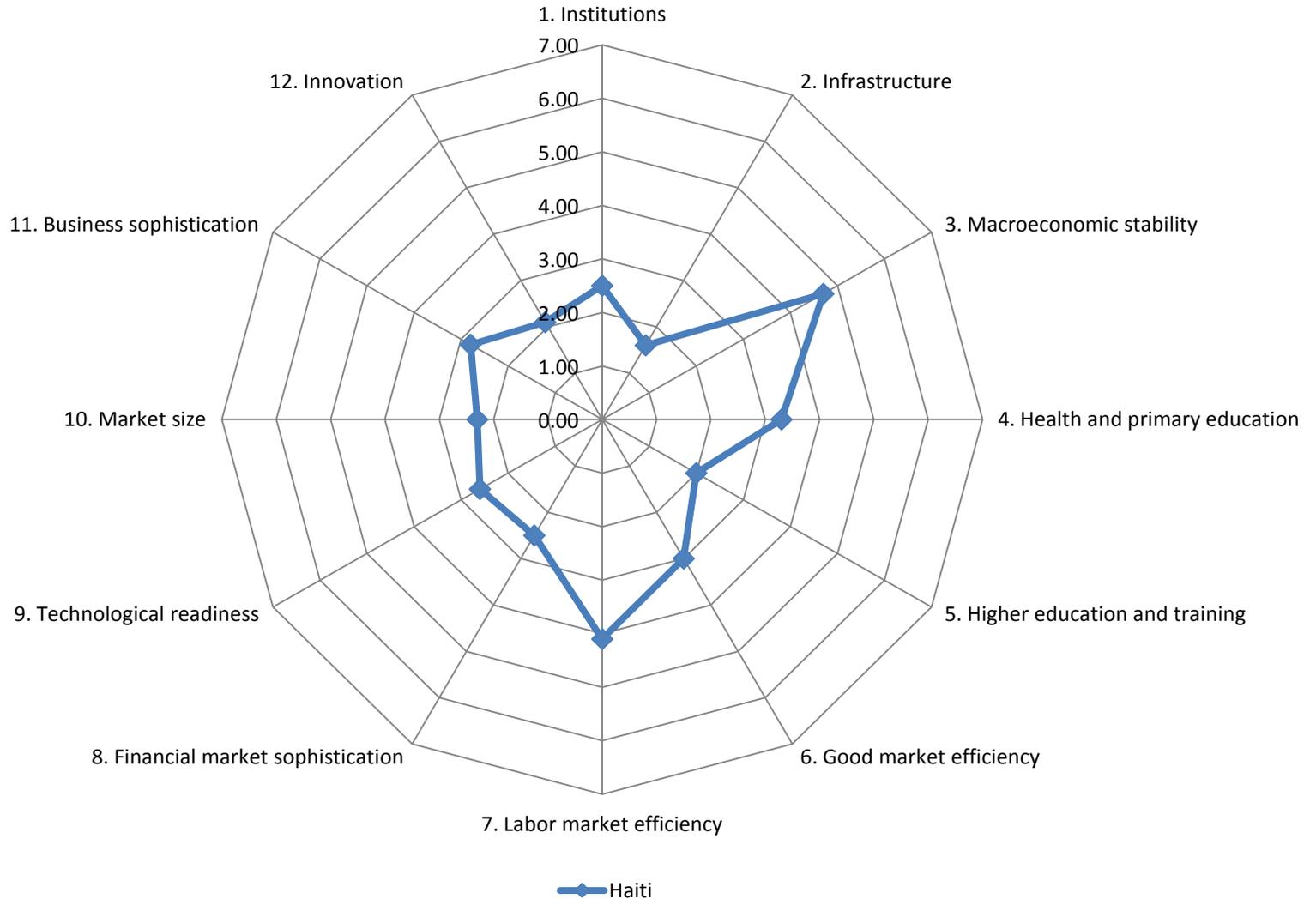


Source: IDB based on Duarte and Restuccia (2009)

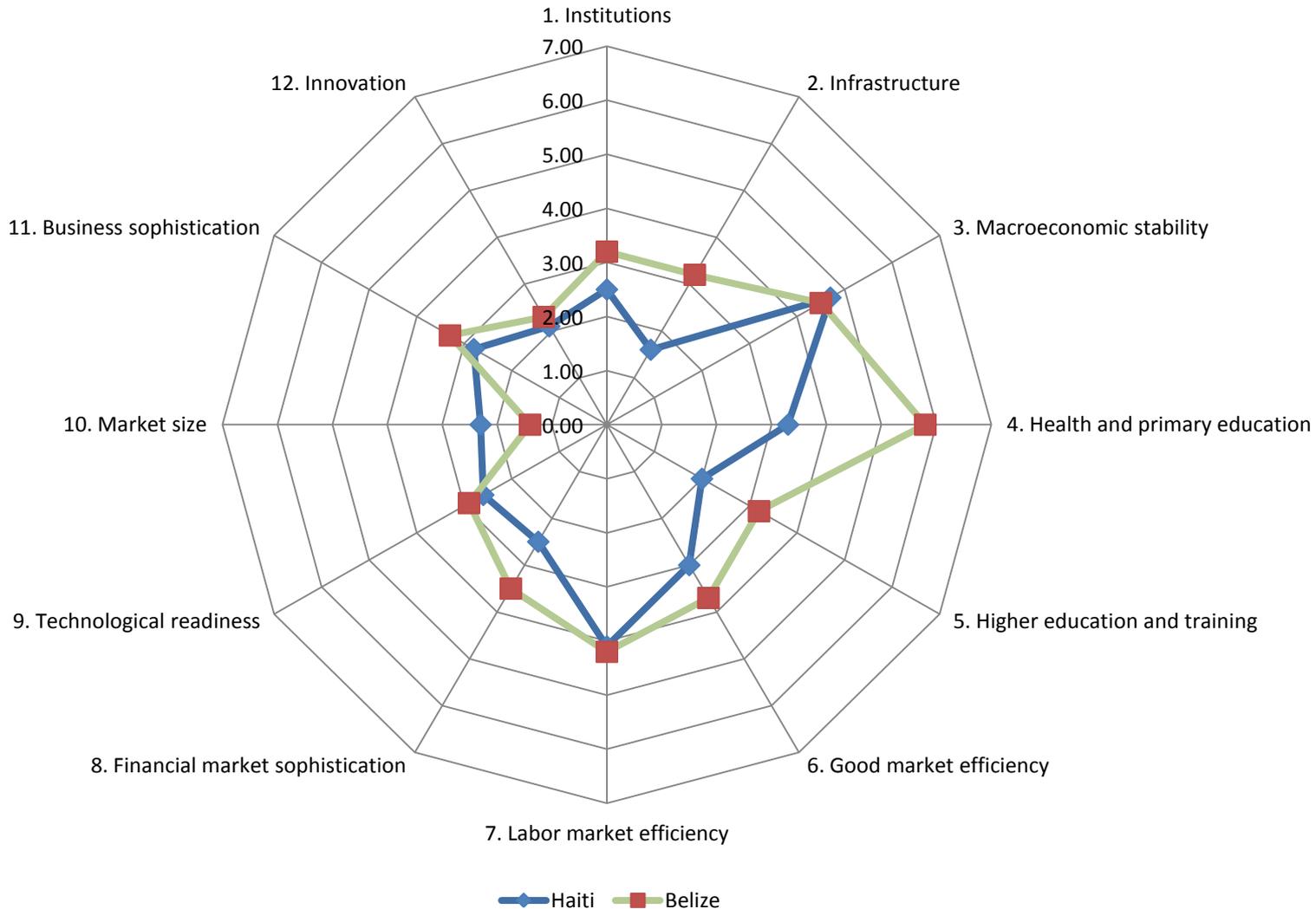
Constraints that limit firm level productivity



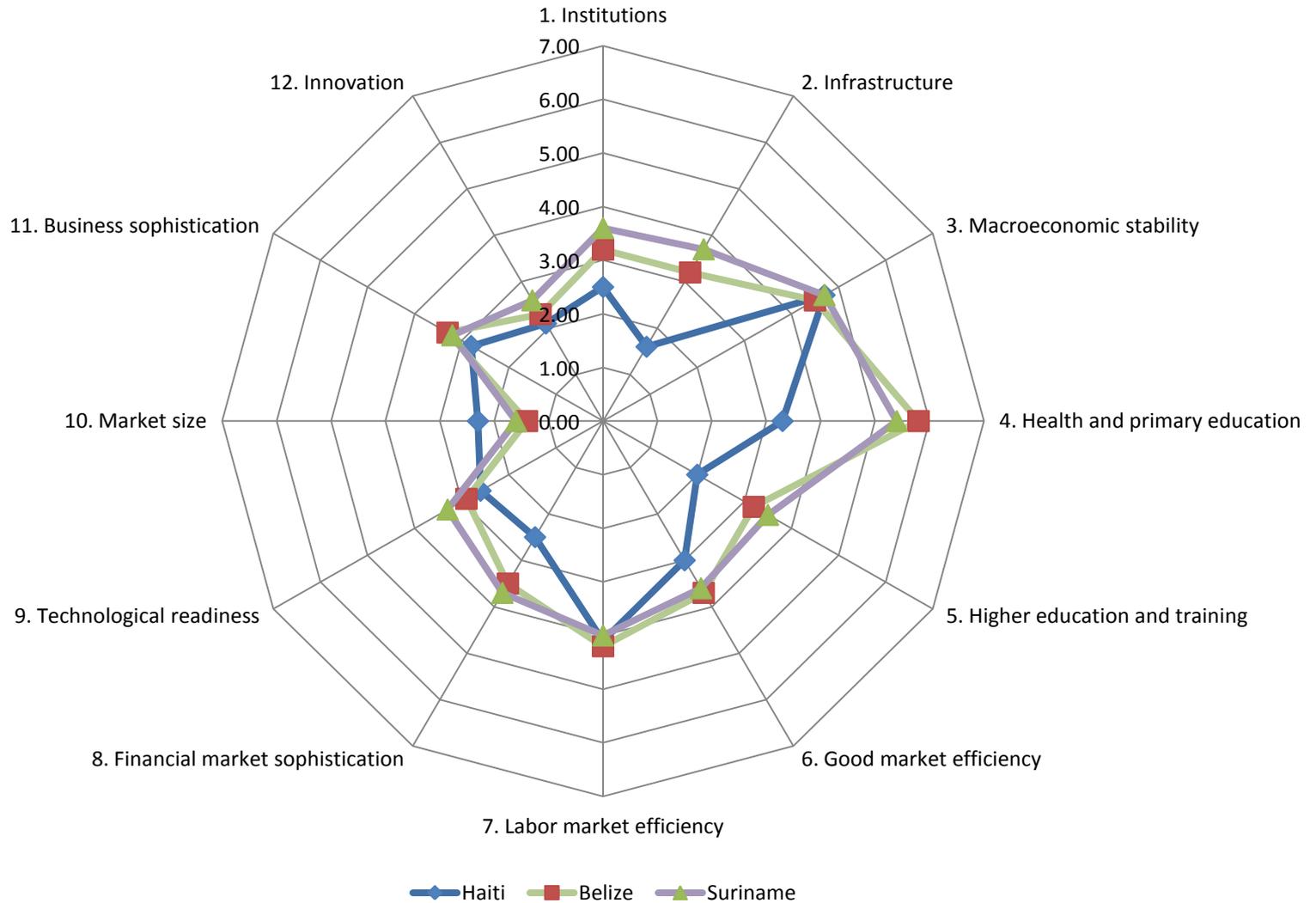
Global Competitiveness Report 2011-2012



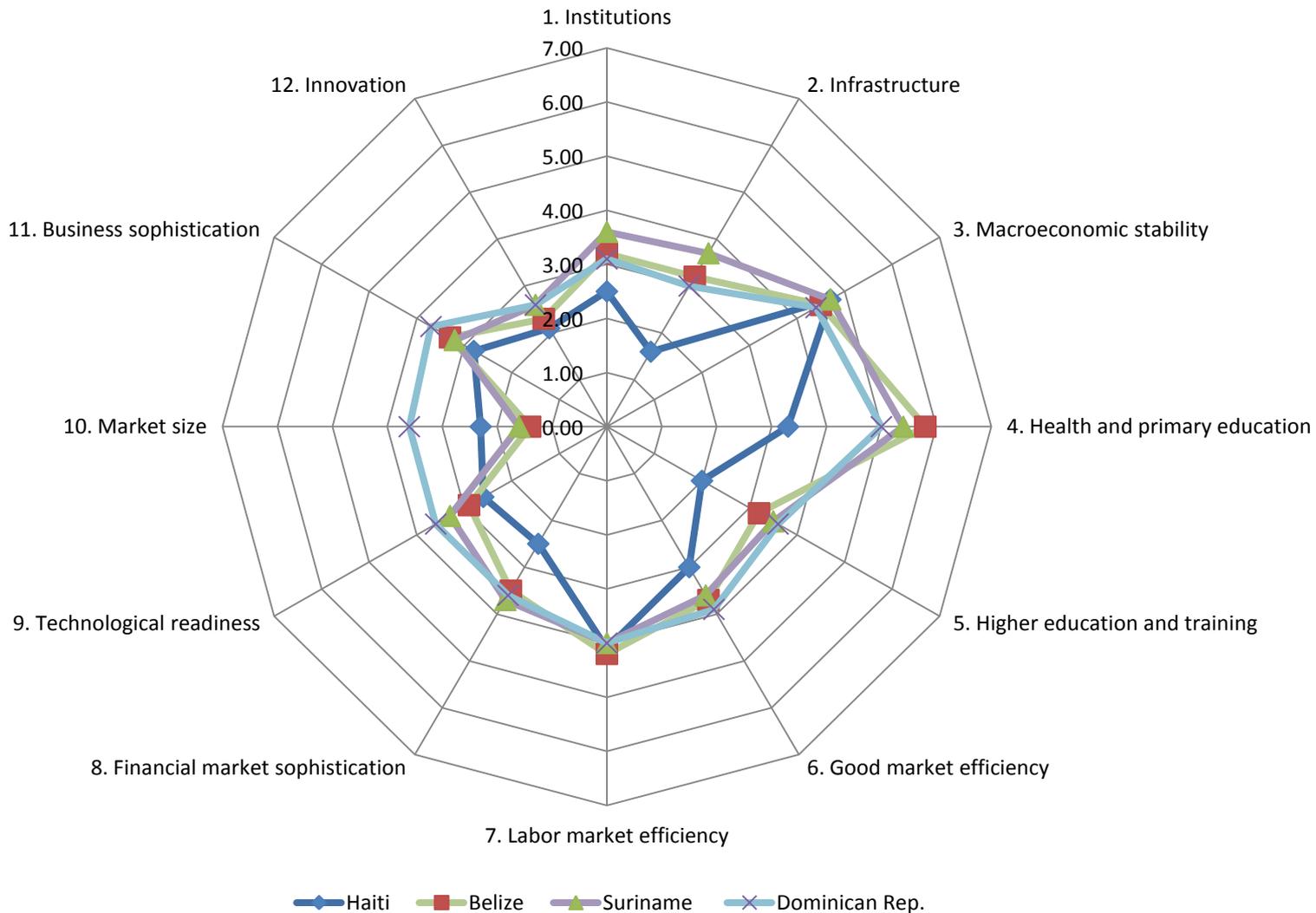
Global Competitiveness Report 2011-2012



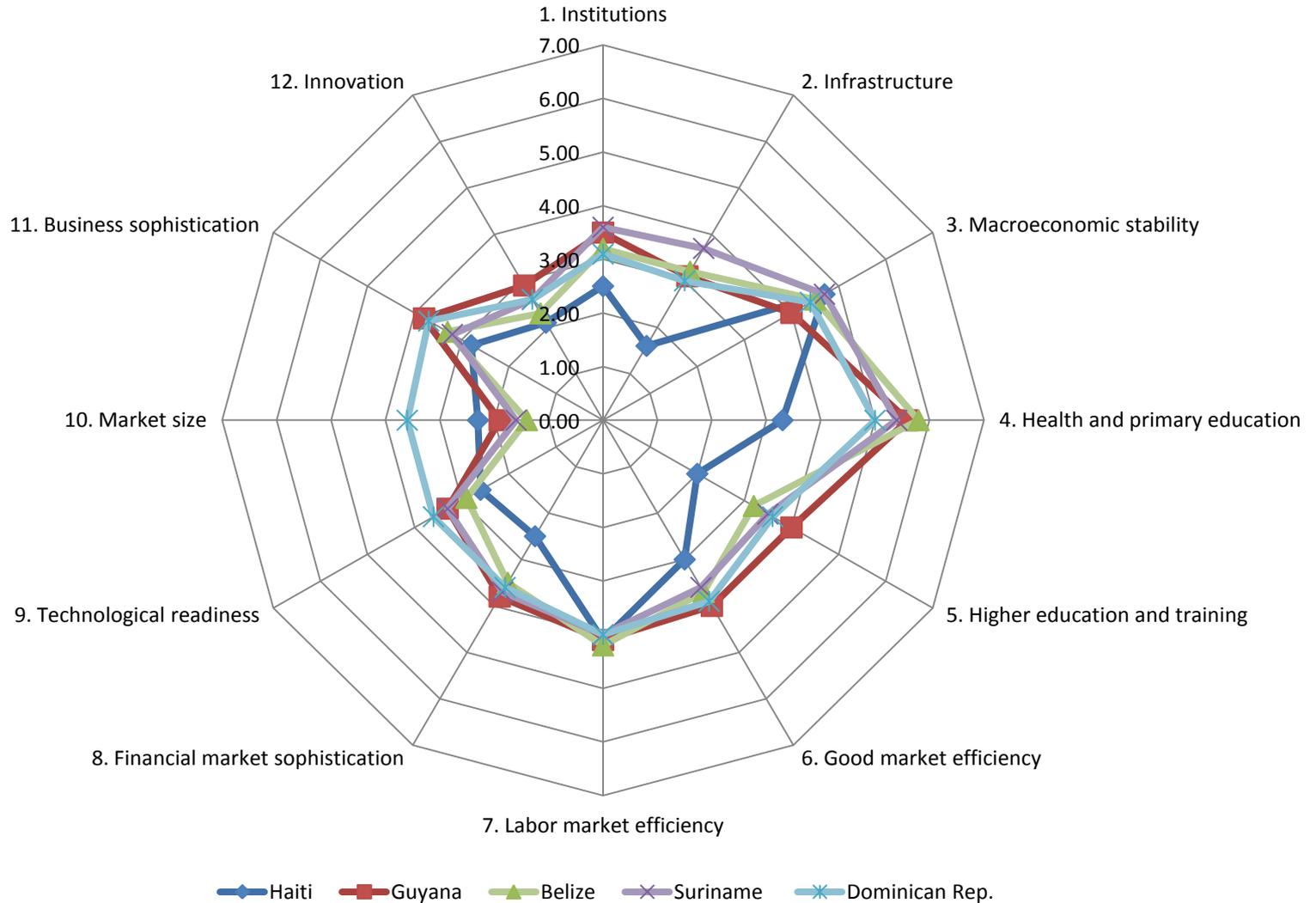
Global Competitiveness Report 2011-2012



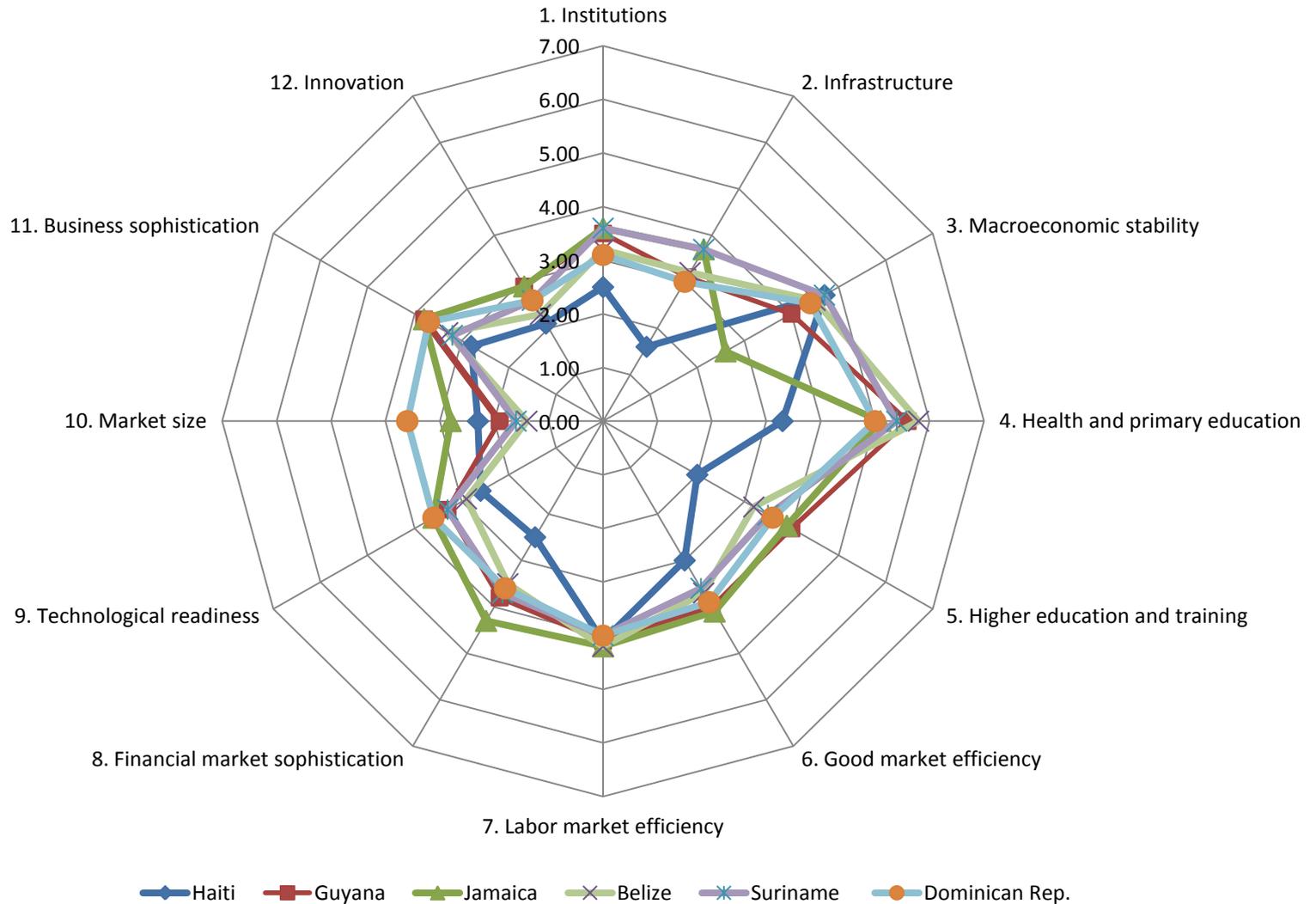
Global Competitiveness Report 2011-2012



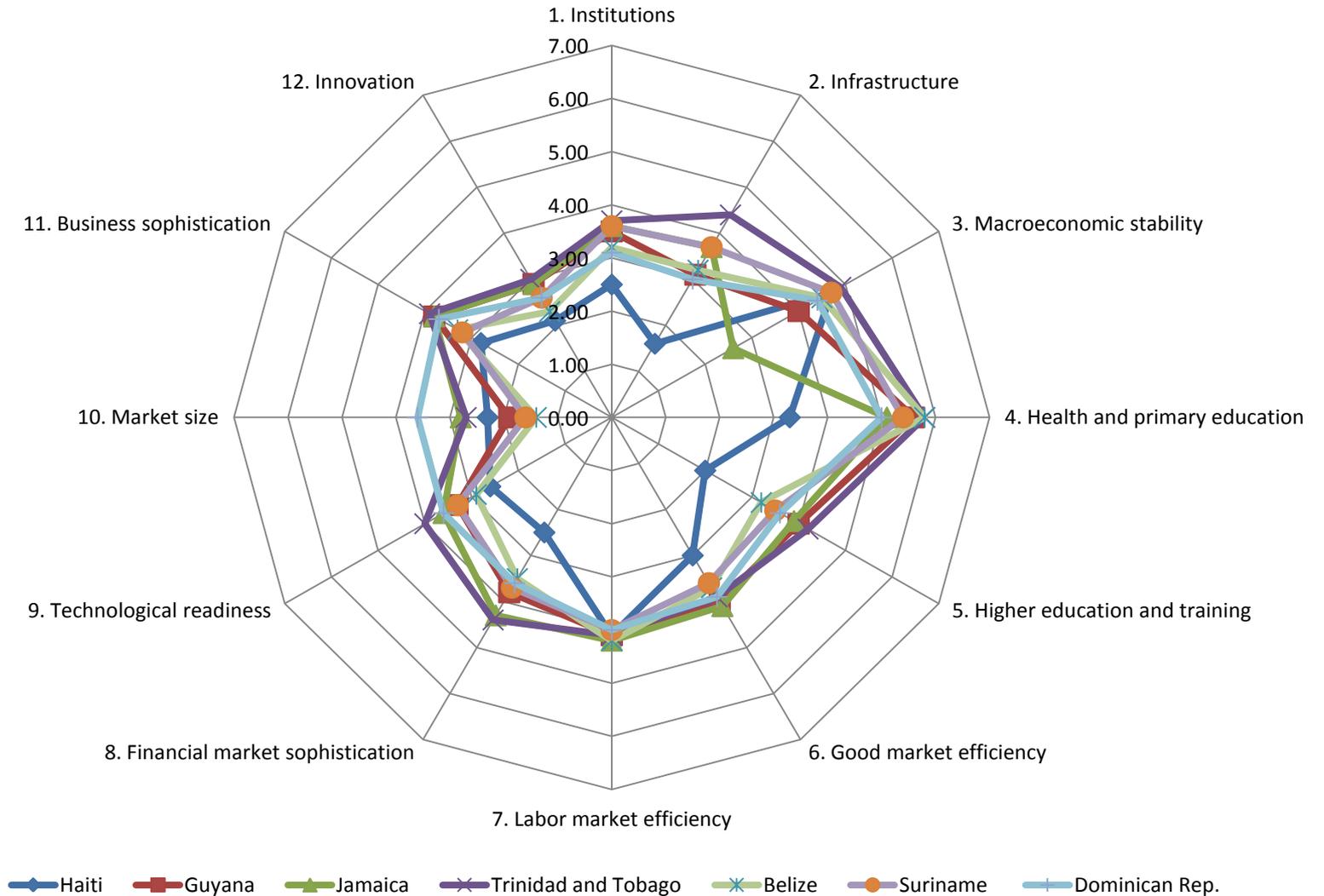
Global Competitiveness Report 2011-2012



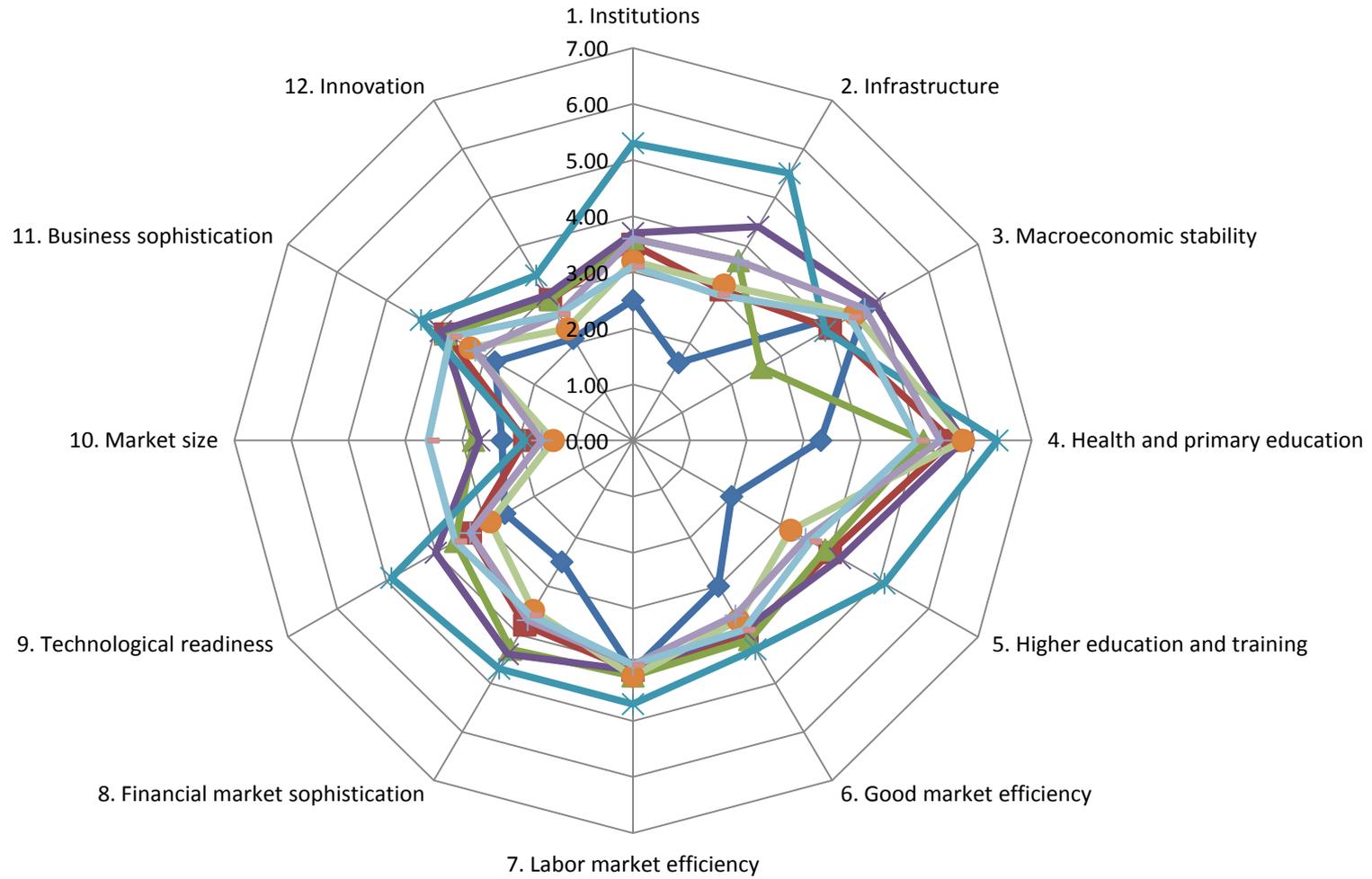
Global Competitiveness Report 2011-2012



Global Competitiveness Report 2011-2012



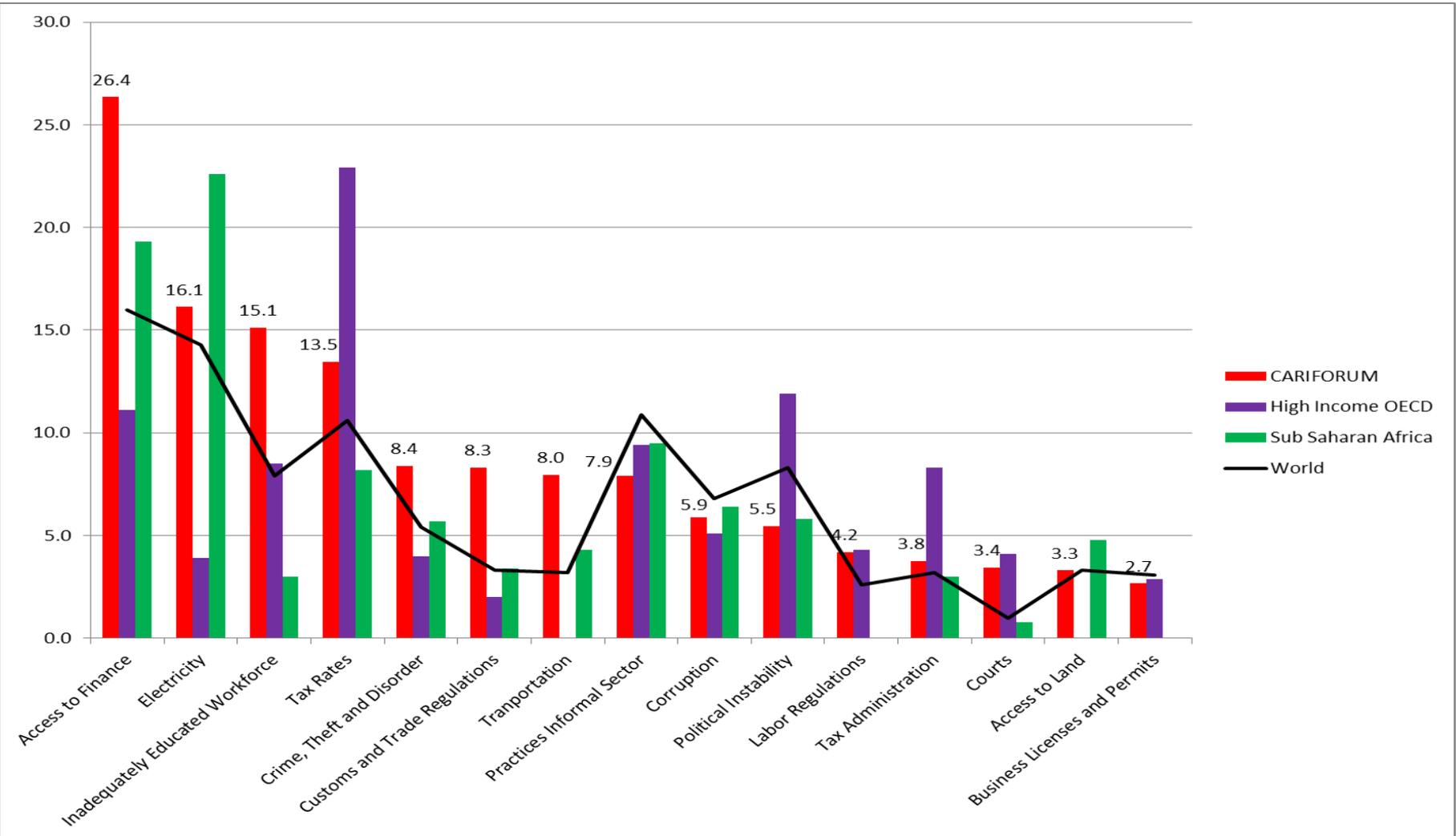
Global Competitiveness Report 2011-2012



◆ Haiti
 ■ Guyana
 ▲ Jamaica
 ✕ Trinidad and Tobago
 ✱ Barbados
 ● Belize
 + Suriname
 — Dominican Rep.



What do firms say are their top ten constraints to doing business?



Source: Enterprise Survey 2011

<http://enterprisesurveys.org/Data/ExploreEconomies/2010/>

Doing Business Rankings 2011/2012



Economy	Ease in Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering a Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
St. Lucia	52	53	13	13	115	98	29	52	110	165	58
Antigua and Barbuda	57	80	21	16	124	98	29	135	71	70	81
Dominica	65	48	18	65	116	78	29	73	88	167	98
Trinidad and Tobago	68	74	93	24	175	40	24	65	52	169	133
Grenada	73	60	11	39	154	98	29	91	40	162	119
St. Vincent and the Grenadines	75	58	6	21	141	126	29	73	38	101	183
The Bahamas	85	73	79	105	177	78	111	56	48	123	34
Jamaica	88	23	49	112	103	98	79	172	97	126	26
Belize	93	152	9	53	137	98	122	55	107	168	29
St. Kitts and Nevis	95	64	16	33	164	126	29	133	44	114	183
Dominican Republic	108	140	105	123	105	78	65	94	45	83	154
Guyana	114	87	28	144	104	166	79	115	82	73	138
Suriname	158	173	98	38	170	159	181	34	105	178	157
Haiti	174	180	139	75	131	159	166	118	145	96	162

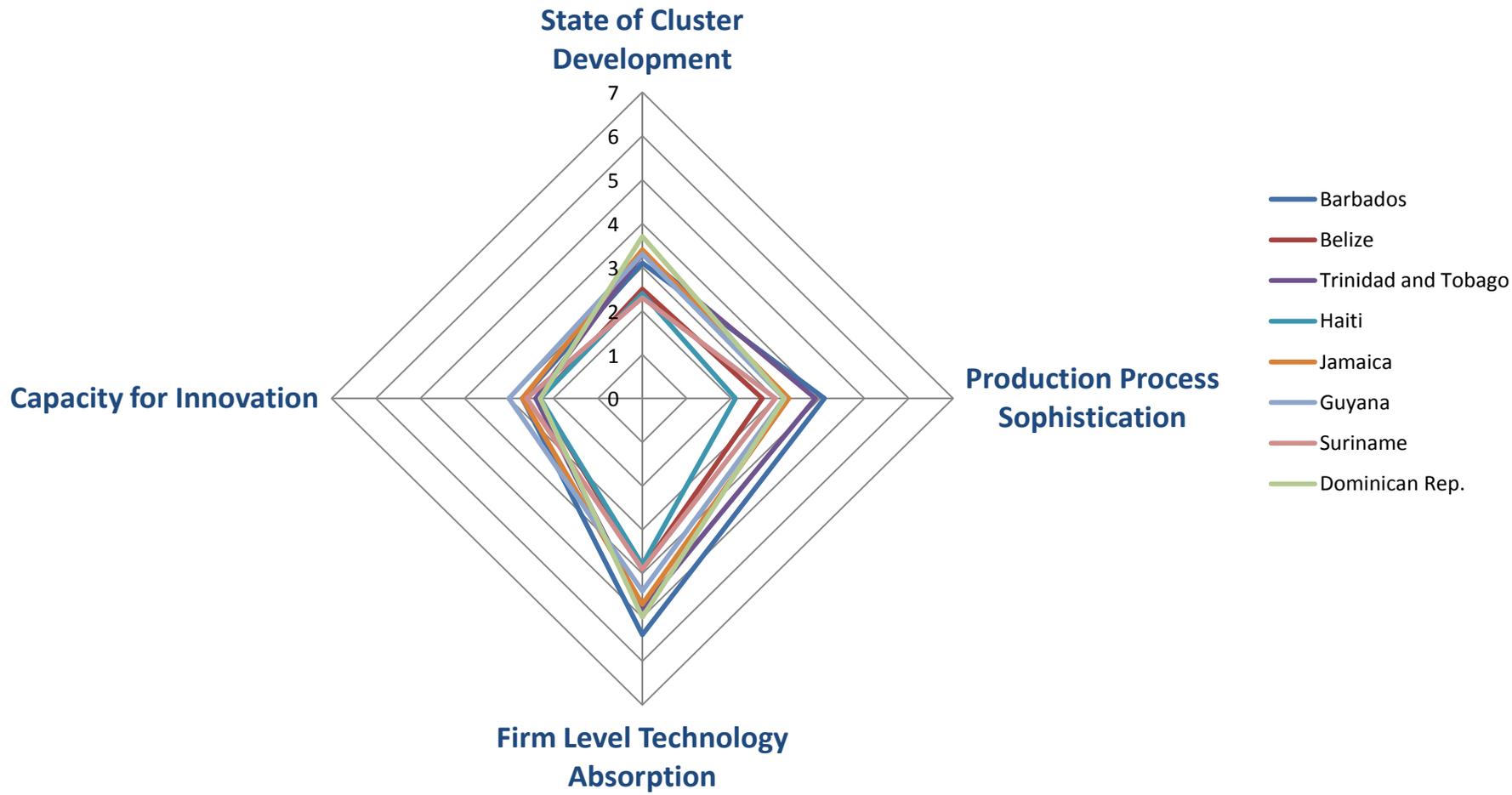
 Top 20 %

 Middle 50%

 Bottom 30%

Source: Doing Business Report, 2011/2012

(183 Countries)



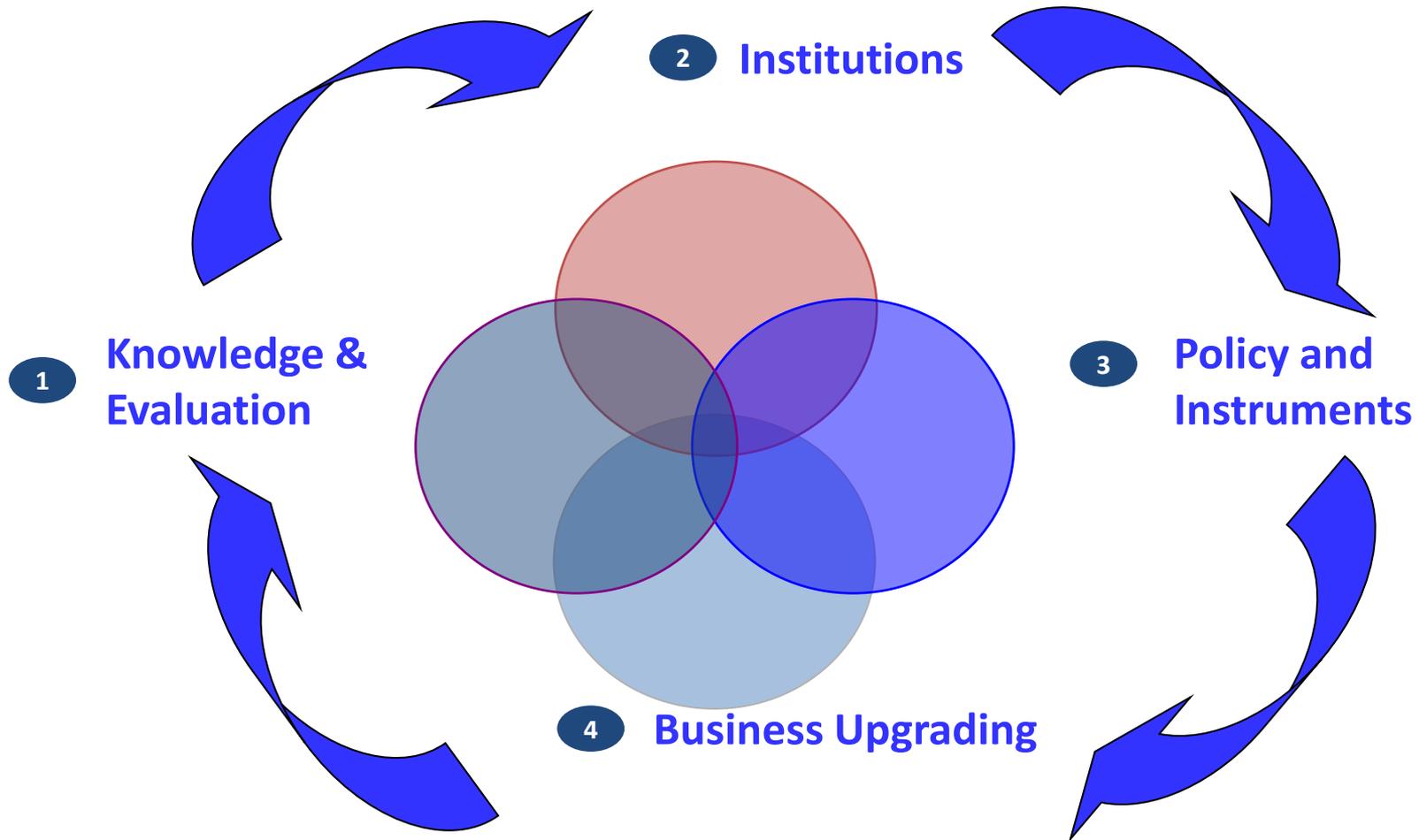
Source: GCR and DB 2011-2012



To foster structural transformation and economic growth our countries need:

1. Stronger enabling environment
2. More sophisticated businesses
3. Better work ethic of the labor force
4. Investment in R&D and better linkages between academia and firms to foster innovation.

Towards a comprehensive framework





Private Sector Development and Competitiveness in the Caribbean



Compete Caribbean is a private sector development program that provides technical assistance grants and investment funding to support productive development policies, business climate reforms, clustering initiatives and Small and Medium Size Enterprise (SME) development activities in the Caribbean region.

The program, jointly funded by the Inter-American Development Bank (IDB), the United Kingdom Department of International Development (DFID) and the Canadian International Development Agency (CIDA), supports projects in 15 Caribbean countries in partnership with the Caribbean Development Bank.

Participating Countries

- Antigua and Barbuda;
- The Bahamas;
- Barbados;
- Belize;
- Dominican Republic;
- Dominica;
- Grenada;
- Guyana;



- Haiti;
- Jamaica;
- St Lucia;
- St Kitts and Nevis;
- St Vincent and the Grenadines;
- Suriname;
- Trinidad and Tobago.

Program Structure

PSD Knowledge Management Program

•US\$4,416,688

**Business Climate and Competitiveness
Enhancement Facility**

•Public Sector

•US\$10,577,231

Enterprise Innovation Challenge Fund

•Private Sector

•US\$ 13,250,000

- 36 Projects in Pipeline
 - 15 Knowledge Products
 - 21 Business Climate Projects
 - 7 EICF projects
- 21 Projects Approved
 - 10 Business Climate Projects
 - 11 Knowledge Products



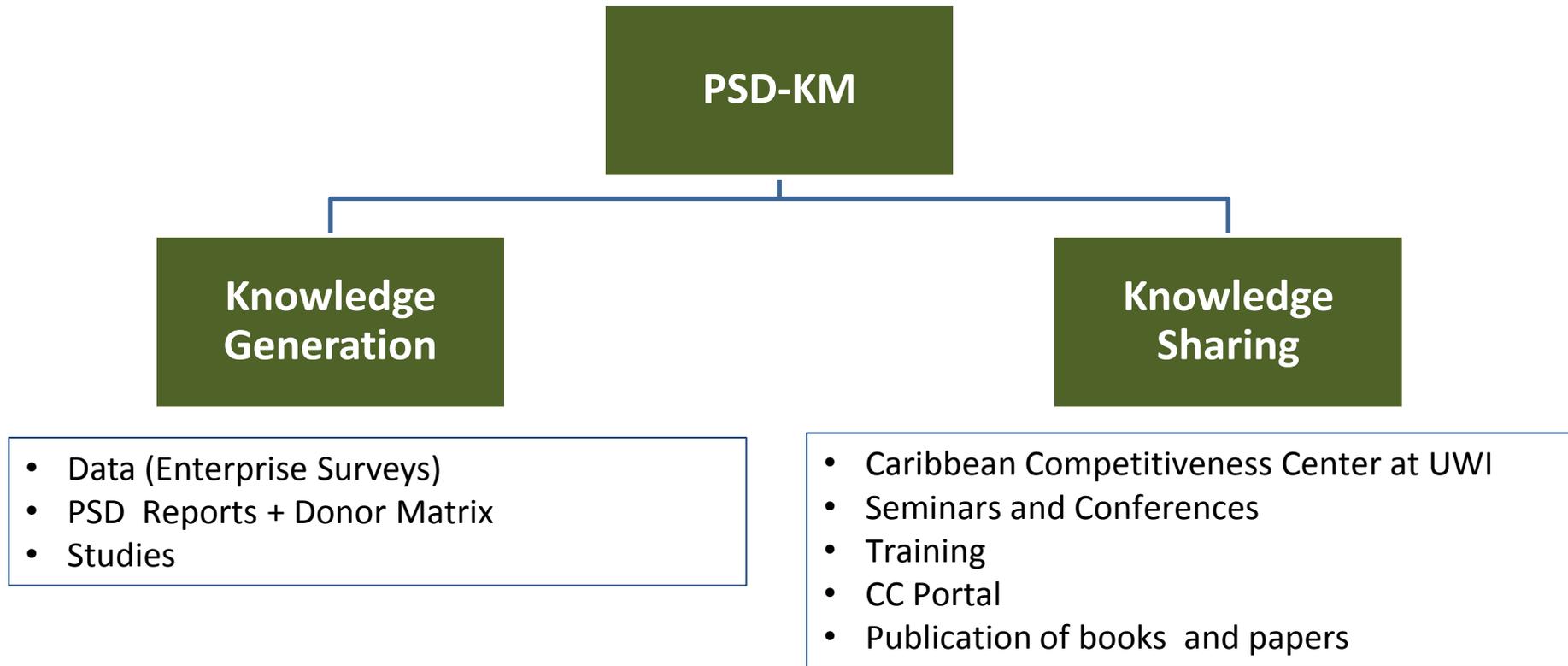
The Program Components





Knowledge Management Program





CIVIL SOCIETY:

Participates in PSARs

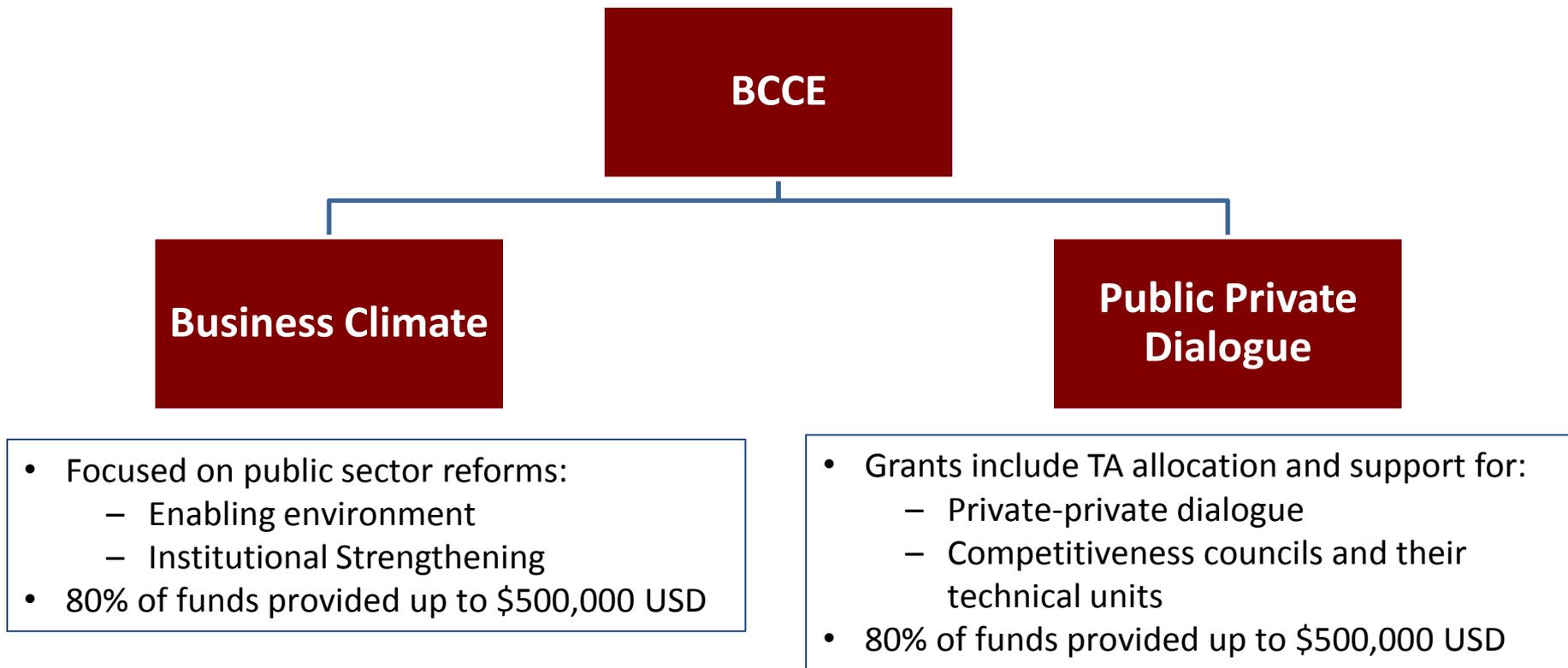
Beneficiaries of Knowledge Products

Participation in Knowledge Sharing Events



Business Climate and Competitiveness Enhancement Facility





CIVIL SOCIETY:

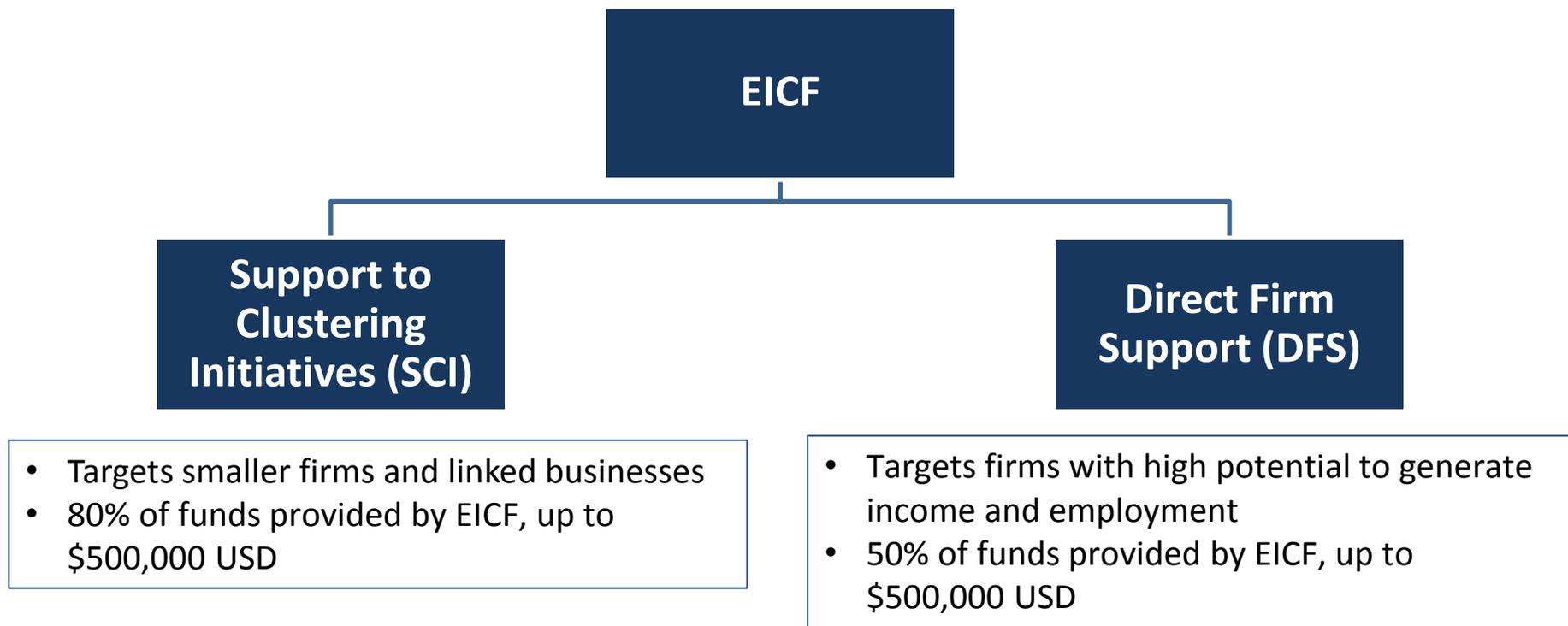
Participates in Public-Private Dialogue events
Are members of Competitiveness Councils

- 7 Business Climate Reform Projects in 6 countries
- 4 Public/Private Dialogue Projects completed
- 7 Public/Private Activities supported



The Enterprise Innovation Challenge Fund





Through the Enterprise Innovation Challenge Fund we provide technical assistance and investment funding to support firms, clusters and value chains to develop new products and services, implement new business models, and access new markets fostering innovation and competitiveness.



EICF: Support to Clusters Initiative





OECS Maritime Transport Cluster: The OECS Maritime Transport project seeks to promote economic growth in the OECS countries through the development of a more effective maritime transport sector. The creation of a Business support organization for the OECS shipping sector would aid in the development of increased shipping activity which serves to increase competitiveness and growth rates in several sectors of importance to these group of counties. The project should bolster intra-regional trade and foster regional integration.



Caribbean Cocoa Cluster: This project would seek to develop new ways of modernizing all aspects of the cocoa sector through targeted interventions along the Cocoa value chain and supply chain. The objective of the project is to develop a chocolate processing plant to increase value addition to cocoa derivatives from locally and regionally grown cocoa beans. The cluster initiative would change cocoa from being a predominantly agriculture industry to a more added value agro-processing industry in the Caribbean. The project would generate new jobs, stimulate more intra-regional trade and increase global exports of value added cocoa products.

[CC Videos\chocolate_factory.wmv](#)



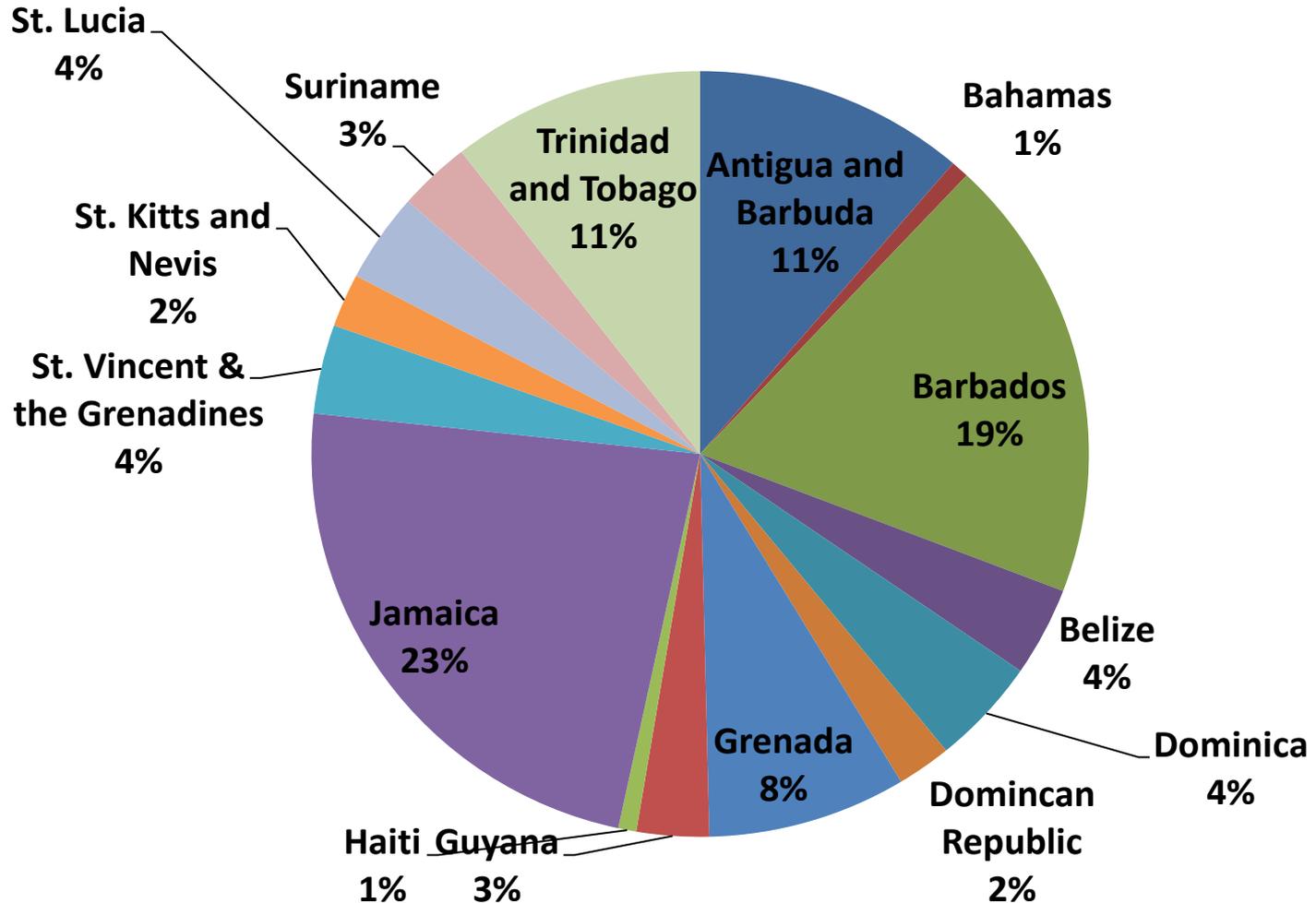
Treasure Beach Cluster Project: The Treasure Beach Cluster project would attempt to diversify the tourism product in Jamaica by forging strategic linkages between the Tourism sector and small entrepreneurs within the Treasure beach community. This conglomerate type alliance has the potential to create a solid and convincing demonstrative effect for sustainable tourism development. The project would benefit 525 MSMEs from the Treasure Beach area including 420 farmers, 55 fishers and 50 small accommodating providers.



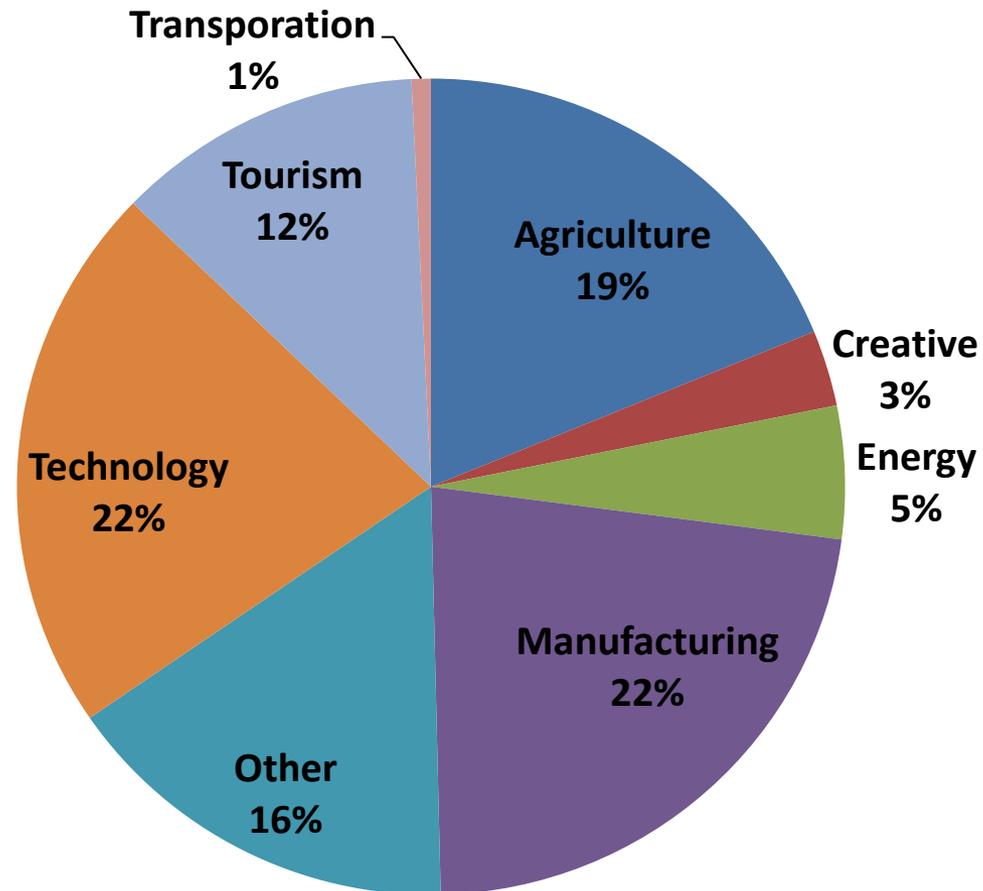
EICF: Direct Firm Support



First Call: Applications by Country (N=133)



First Call: Applications by Sector (N=133)





❖ St. Lucia Cell Phone Manufacturing Factory (Saint Lucia)

- Manufacturing of first global frequency 4-SIM/4-phone.
- Total budget estimate: US\$1,547,900



❖ Sun Palace Resorts Limited (Jamaica)

- Innovative niche market business model that will provide quality elderly health care accommodation to the Diaspora.
- Total Project cost: US\$ 1,250,000.



❖ Nature Island Paper Products Incorporated (Dominica)

- Company expanding and diversifying from toilet paper to paper towels, facial tissues and napkins and expand export market to OECS countries.
- Total project cost: US\$700,000.



❖ Tijule Company Limited (Jamaica)-

- Company wants to develop quality based products derived from the ackee tree oil without denaturing the protein, or affecting its color, taste or flavor.
- Total project cost: USD\$300,000



The Caribbean Idea Marketplace





The Caribbean Idea Marketplace



The Caribbean Idea Marketplace (CIM) is a business competition platform that encourages local and diaspora entrepreneurs to forge partnerships around innovative projects that will generate employment and economic opportunities in the region by providing up to US\$100,000 grant funding for winning projects.

- CIM was launched on March 1st and the call for proposals is expected to close on May 31st.
- A marketing campaign is being implemented
- 3,588 hits have been received on our website.
- 269 applications registered





Special Initiatives





The Caribbean Growth Forum



Objectives of the CGF:

To identify policies and initiatives aimed at inducing growth and creating jobs in the Caribbean region through analytical work, knowledge exchange and inclusive dialogue.

Create a platform for exchange of ideas around the growth challenge with a view to identifying solutions that inspire action.

Reaching beyond the traditional stakeholders such as the policy-makers, other public sector actors and academia, to other critical players in the dialogue on economic growth including the private sector, youth, civil society and the Caribbean Diaspora.



CC PORTAL AND COMMUNICATIONS



Internet penetration in the Caribbean

(<http://www.internetworldstats.com>)



CARIBBEAN	Population (2011 Est.)	Internet Usage 31-Dec-11	% Population (Penetration)	Facebook Subscribers	% Population (Penetration)
<u>Antigua & Barbuda</u>	87,884	70,968	80.80%	29,020	33.02%
<u>Bahamas</u>	313,312	158,700	50.70%	155,140	49.52%
<u>Barbados</u>	286,705	191,878	66.90%	114,240	39.85%
<u>Dominica</u>	72,969	32,151	44.10%	22,800	31.25%
<u>Dominican Republic</u>	9,956,648	4,120,801	41.40%	2,233,360	22.43%
<u>Grenada</u>	108,419	34,961	32.20%	29,640	27.34%
<u>Guyana</u>	744,768	225,593	30.30%	120,260	16.15%
<u>Haiti</u>	9,719,932	836,435	8.60%	202,820	2.09%
<u>Jamaica</u>	2,868,380	1,581,100	55.10%	629,440	21.94%
<u>St. Kitts & Nevis</u>	50,314	22,340	44.40%	22,140	44.00%
<u>Saint Lucia</u>	161,557	142,900	88.50%	48,300	29.90%
<u>St. Vincent & Grenadines</u>	103,869	76,000	73.20%	40,000	38.51%
<u>Suriname</u>	491,989	165,733	33.69%	88,760	18.04%
<u>Trinidad & Tobago</u>	1,222,505	650,611	53.20%	435,240	35.60%
TOTAL CARIBBEAN	26,189,251	8,310,171	31.73%	4,171,160	15.93%



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