



Canadian International
Development Agency

Agence canadienne de
développement international

CARIBBEAN STRATEGY

(Effective as of 2009)

CIDA reviews all strategies periodically and may revise them to reflect changing priorities or circumstances.

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Canada 

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1. Development Context

Current context:

- The economies of the 14 countries (population 6.7 million), of which eleven are small islands, are undiversified, lack scale and compete with each other for tourism, which accounts for 20 percent of gross domestic product (GDP) and 34 percent of employment in the region.
- They remain highly indebted; public debt averaged 85 percent of GDP (International Monetary Fund 2008), raising risks of macro-economic instability. High debt service is already an obstacle to economic growth.
- Regional integration remains vital for sustainable development of the small Caribbean countries. However, integration is not progressing quickly during the current economic crisis.
- Crime, which is transnational and largely linked to drug trafficking, remains a major security concern throughout the region. It attracts the disaffected and unemployed youth (47 percent of the population is under age 24), creating a disincentive for investment and business growth.
- Overall, governments are politically stable, with a long tradition of democratic elections. Corruption ranges from a Transparency International Corruption Perceptions Index score of 7.1 for Saint Lucia to 2.6 for Guyana. Capacity of regional institutions and national governments remains weak.
- The region is situated in a hurricane belt. This presents a significant draw on the public finances and undermines private sector capacity to sustain investment and growth. The region is 12 times as exposed to natural disasters as the world average.
- At national levels, Millennium Development Goal (MDG) performance is mixed, though overall, the region has made important strides. Generally it lags in maternal mortality and remains challenged in terms of environmental sustainability. In terms of human development, the region's performance is satisfactory; the Human Development Index varies from 0.736 in Jamaica to 0.892 in Barbados.
- Canada and CARICOM are negotiating a free trade agreement for which the region will seek technical assistance. Canada-CARICOM trade has more than doubled over the past decade, from \$1.0 billion to \$2.5 billion. An agreement would expand access to Canadian markets for CARICOM and attract Canadian investment in the region. Canadian banks play a leading role in the region.
- The global economic crisis has hit key sectors of the Caribbean economy (tourism and commodity exports). Worker remittances, which account for 8 percent to more than 20 percent of GDP of countries in the region, are in decline. Governments face serious fiscal difficulties, and public spending is being cut. Private sector investments and external capital flows are also falling. Economic growth will be zero or negative for almost all countries. Expected consequences are a rise in unemployment, worsening inequality and an increase in criminality. Job losses could lead to an expanding and insecure informal sector.
- The countries have yet to chart out a regional response/strategy to the global crisis.

Aid-effectiveness context:

- Local ownership and alignment:
 - Country development strategies are generally not comprehensive, and implementation is constrained by lack of capacity.
 - Donor harmonization is advancing, with model initiatives in disaster management, trade and competitiveness and public financial management, in all of which CIDA plays a leading role.
 - Donor coordination remains strong, with active sectoral working groups. CIDA launched and chairs the public financial management (PFM) donor group. CIDA's funding for PFM capacity building complements the efforts of the European Community and International Financial Institutions. Canada also leads the comprehensive disaster management donor group.

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2. Priority Needs and Canada's Value Added

- CARICOM promotes greater regional cooperation and harmonization. However, there is no comprehensive regional development plan for the 14 countries.
- CIDA works in a consultative manner with government, local and Canadian partners to respond to the following development objectives:
 - **Human development**—Lack of economic opportunities has led to a net out migration of educated and skilled labour. CIDA plans include skills for employment, tertiary education through distance learning, as well as specialized business and management training to boost productivity and competitiveness.
 - **Economic growth and sustainability**—CIDA programs aim to address economic vulnerability and high debt by supporting effective management of public resources (debt, public finance) to create a stable fiscal situation and promoting entrepreneurship and market expansion to generate employment.
 - **Stability and security**—CIDA programming aims to advance the rule of law and strengthen legal institutions to counter the threat of rising crime and parallel illegitimate economic activities that diminish economic growth and social stability. Secondly, CIDA initiatives build regional efforts for management and response to the impact of natural disasters that undermine prospects for growth.
 - **Governance**—CIDA will address the challenge of governance at the regional level and strengthen governance in all program interventions.
- **Canadian foreign policy:** The program is fully aligned with the Americas Strategy and is delivering on Canada's \$600 million commitment to the Caribbean.
- **Whole-of-government approach:** The CIDA program complements Department of Foreign Affairs and International Development (DFAIT) efforts to negotiate a free trade agreement. CIDA holds regular consultations with DFAIT, and the current and planned programming involves several other government departments.
- **Gender equality:** Women continue to have less access to productive resources and employment. CIDA aims to strengthen their role as economic actors, contributing to and benefiting from economic growth. There is a significant level of spousal and gender-based violence. The program is developing a strategy to identify programming approaches to integrate gender equality.
- **Environment:** The region is highly vulnerable to the effects of climate change and natural disasters, and CIDA programming strengthens capacity to better mitigate against such events.

3. Strategic Direction

- The objective of the Caribbean Program is to promote an enabling and predictable environment for economic growth through increased public and private sector efficiency, enhanced security through the primacy of the rule of law, and better management of natural disasters.
- The Caribbean strategy has been tightened to focus on two interlinked thematic approaches: economic growth and security, including natural disasters.
- In the coming year, CIDA will respond as follows to the Government of Canada priority themes:
 - **Economic growth**—The majority of CIDA's planned initiatives are to strengthen economic growth and private sector development, including macroeconomic and fiscal management.
 - **Food security**—Other donors and institutions play a leading role in providing an array of support in agriculture to the region.
 - **Children and youth**—CIDA will launch a skills-for-employment project to support economic growth and to train youth for employment in the regional economy.
- Programming in the region will be done in ways that strengthens Caribbean integration as the indispensable foundation for advancing national and regional development.
- Repositioning the Caribbean region to be able to generate sustainable economic growth is the key to long-term prosperity, security and social stability in the region.
- To promote economic growth, CIDA will focus on establishing a stable fiscal environment by strengthening the management of public financial resources by training 350 officials and staff in the ministries of Finance and central banks and by strengthening the management of debt through the establishment of policies and procedures in 14 countries; enhancing access to skills for employment for youth and preparing citizens for a competitive global economy through regional technical and vocational

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education and training institutes; strengthening productivity of up to 300 small- and medium-sized firms for regional and global markets; promoting public-private partnerships that generate employment and attract investment for growth.

- To enhance security, CIDA will seek to advance the rule of law and strengthen legal institutions to counter the rising crime that threatens the states' ability to maintain law, order and personal security; and to create an enabling environment for commerce, trade and investment. Efforts will also be directed to build up the management and response capacity to natural disasters of 56 communities, as well as to strengthen the regional disaster coordination mechanisms, thereby reducing vulnerability and insecurity.

4. CIDA's Programming Plan

- **Policy dialogue:** As a major bilateral donor to the region, CIDA promotes cooperation and harmonization in all its activities. Along with the United Kingdom, Canada is the largest shareholder in the Caribbean Development Bank (CDB). Canada's strategic influence encourages the CDB to strengthen its leadership role in regional integration, donor coordination, results-based management and gender equality mainstreaming. CIDA will be involved in the cooperation chapter of the upcoming free trade agreement. CIDA is a leading donor to CARTAC, the International Monetary Fund led program to strengthen public financial management (PMF), a key priority for governments in the region. CIDA launched and chairs the PMF donor group.
- **Poverty reduction:** Income inequality is highly skewed throughout the region, ranging from a Gini coefficient of 0.35 in Dominica to 0.56 in Saint Vincent and the Grenadines. Poverty, as reported by the countries themselves, varies widely, from a low of 13.9 percent of total population in Barbados to a high of 69 percent in Suriname. A competitive private sector that generates employment backed by stronger public and regional institutions that effectively manage public finance and debt, strengthen human resources and advance the rule of law are key to reducing poverty and inequality through sustainable economic growth.
- **Canadian Partnership Branch:** In 2008–2009, the Canadian Partnership Branch (CPB) delivered approximately \$4 million (preliminary estimates) in programming to the Caribbean region through 36 Canadian partners. Over the period of 2004 to 2009, CPB partners worked mainly to strengthen the capacity of civil society organizations, local citizen groups and marginalized communities. Key partners in the voluntary sector include the Association of Universities and Colleges of Canada, CUSO, the Canadian Teacher's Federation, and the Canadian Co-operative Association, with the majority of programming in Jamaica and Guyana.
- **Multilateral and Global Programs Branch:** Through institution core funding, Canada contributes to development results in the Caribbean. In 2007–2008, this imputed funding totalled \$14 million. Key institutions include the Caribbean Development Bank (CDB), the World Bank Group, the Inter-American Development Bank (IDB), UNDP, and the International Monetary Fund (IMF). The Multilateral and Global Programs Branch is also active in providing humanitarian and disaster relief. The CDB is a key development institution for the region, including Haiti, and plays an active role in sectors of interest to Canada, including economic management, private sector development, education and training, and disaster management. Canada is providing \$70.34 million over four years to the CDB's Special Development Fund. The World Bank focuses on programming in transportation, public administration, including public financial management, and education. The IDB plays a leadership role in coordinating private sector donor activities in the region. It supports public administration, public infrastructure, and private sector competitiveness. UNDP plays an active role by leading donor coordination in the Caribbean. It also carries out programs in public sector reform, crime, elections, disaster risk management and HIV/AIDS. The IMF plays a leading role in supporting highly indebted governments with debt and financial management.
- **Aid effectiveness:** CIDA programming through regional institutions will help support alignment, build capacity, foster regional integration and achieve economies of scale, which are not possible at the national level. The European Union (multiple sectors), the United Kingdom Department for International Development (security and trade) and the United States Agency for International Development (HIV/AIDS and private sector) are the other major donors in the region. CIDA will continue to seek local consultants and organizations as implementation partners. CIDA will promote harmonization, for example, by contributing with several other donors to the Caribbean Catastrophe Risk Insurance Facility, a pooled funding mechanism led by the World Bank and the world's first and only multination catastrophe risk fund.

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CIDA is exploring ways to engage the Caribbean diaspora in Canada, for example, to discuss programming, challenges of remittances and opportunities for public-private partnerships.

- **Programming modalities:** Most of the programming is through the responsive bilateral mechanism in order to address needs identified by partners in Canada and within the region.

Recommended bilateral aid budget:

- **2009–2010:** \$45 million
- **2010–2011:** \$55 million
- **2011–2012:** \$55 million

5. Results and Risks Identification

The expected final outcome is a more integrated and a prosperous Caribbean community, able to generate and sustain economic growth and provide prosperity and security to its citizens. This will be achieved by making public institutions accountable and effective, strengthening entrepreneurship and access to markets, advancing the rule of law, and providing support to better manage and strengthen the resilience to natural disasters.

Results:

Economic Growth: Accountable public institutions; Entrepreneurship and connecting to markets

EXPECTED Intermediate Outcomes:

- Strengthened public institutions for better management of public finance, audit and debt
- Enhanced regional capacity to equip youth with skills for employment and citizens for competitive global economy
- Strengthened productivity of small- and medium-sized firms for regional and global markets
- Productive public-private partnerships to generate employment and growth

EXPECTED Immediate Outcomes and Outputs:

- 350 trained officials and staff in ministries of Finance and central banks in public finance management
- National debt management policies and procedures established in 14 countries
- Regional technical and vocational education and training institutes strengthened and delivering marketable skills programs to youth across the region
- Strengthened regional institutions to deliver tertiary, business and management education
- Strengthened technical, planning, financial and managerial capacities of up to 300 small- and medium sized firms
- Public-private joint investments initiated in four physical infrastructure projects and extension of loans to micro, small- and medium-sized enterprises for jobs and growth

Security: Rule of law and Disaster preparedness

EXPECTED Intermediate Outcomes:

- Rule of law and legal institutions strengthened to counter crime and parallel illegitimate economies, fostering an enabling environment for growth, investment and social stability
- Strengthened regional capacity for efficient response to natural disasters to reduce vulnerability

EXPECTED Immediate Outcomes and Outputs:

- Reform of legal and judicial institutes and processes to address organized crime and youth at risk
- Strengthened ability to legislate law to foster predictable environment for commerce, trade and investment
- Renovation and building of 20 judicial facilities in six countries
- Regional disaster coordination mechanisms strengthened

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- 56 communities trained in disaster preparedness and management

Risks

Among key risks:

Socio-political, stability/security, economic, conflict and governance

- **Security**—There is a risk that organized crime and violence (drug trafficking and small arms) will not diminish and may deteriorate further. **Mitigation**—CIDA will propose programs in justice/legal reform, police training and employment skills for youth.
- **Debt situation**—The risk is that the economic crisis will make debt management more difficult as revenues and capital flows decline. **Mitigation**—The International Monetary Fund (to which Canada recently contributed \$10 billion) will work with the region to respond to this challenge. CIDA also helps to manage this debt.

Natural disasters

- **High vulnerability to natural disasters**—There is a risk that a marked increase in the frequency and impact of natural disasters over the past two decades undermines development efforts and investment. **Mitigation**—CIDA programming seeks to increase the capacity of regional organizations, national governments and local communities to predict, respond to and manage natural disasters.