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Fourth meeting of the Caribbean Development Roundtable

The debt burden: balancing adjustment
with sustainable development in the Caribbean

Basseterre, 21 April 2016

DRAFT CONCEPT NOTE¹

¹ This note has been issued without formal editing.

Introduction/background

The year 2015 witnessed the culmination of three major United Nations processes that attempted to redefine the paradigm of development and the nature of partnerships between developed and developing states. These included the agreement on the sustainable development goals (SDGs) which build on the Millennium Development Goals (MDGs) as a global development framework for development; the Third International Conference on Financing for Development (FFD) which took place in July 2015 in Addis Ababa to address financing the SDGs and lastly, the 2015 Paris Climate Conference (COP21) in December 2015.

The SDGs outline a new approach to development in which economic, social and environmental challenges are viewed through the same lens and are to be addressed in a multidisciplinary fashion. This perspective is of immense importance to Caribbean small island developing states (SIDS), categorized as middle-income countries based solely on a GDP per capita criterion. In addition, the growing threat of their increased vulnerability to climate change and a variety of social challenges, inclusive of population ageing, the rise in the incidence of non-communicable diseases (NCDs) and the persistence of poverty and inequality, high youth unemployment, the loss of skills through emigration, low technological capacity, increasing challenges to regional integration, limited resources for social protection and social exclusion especially of persons living with disabilities, continue to be concerns of Caribbean SIDS.

In attempting to navigate these challenges, the subregion finds itself at a crossroads. Since the global financial crisis, the region has experienced low growth, high unemployment and a mounting public debt which has reduced the fiscal space necessary to vigorously pursue the goals of sustainable development. In particular, the Caribbean's debt situation threatens to derail hard won economic gains as Governments seek to address liquidity and in some cases, solvency problems.

An ECLAC assessment of the debt profile of the Caribbean subregion determined that countries in this hemisphere can be placed into three categories, based on their debt structure. The first group represents the highly indebted countries whose debt to GDP ratios range between 99 per cent and 135 per cent of GDP, and whose debt servicing absorbs a huge proportion of public expenditure. In the second group are the moderately indebted whose debt ranges between 41 per cent and 77 per cent of GDP, and in the third are a few countries whose debt averages around 31 per cent of GDP. Some eleven countries are in the first two groups and eight of these hold debt to GDP ratios in excess of 60 per cent, which according to the IMF is the threshold for a sustainable level of debt.

Consequently, the fiscal adjustment requirements have been intense, with noticeable spillovers across the region, for example, in the area of trade. Additionally, for the high and moderately indebted, the debt challenge has reduced access to international finance in an environment of stagnant growth. In response, ECLAC has offered a proposal for debt relief, which can help to free-up fiscal space and create the environment for advancing sustainable development.

Rationale

This year the Caribbean Development Roundtable (CDR) is expected to address the Caribbean's debt problem by providing a forum for examining opportunities that exist to promote sustainable

development despite the debt burden. The emphasis will be on new thinking and an assessment of the opportunities for debt relief post –COP21. The theme is “*The Debt burden: Balancing adjustment with sustainable development in the Caribbean*”.

The CDR will focus on five interrelated areas as follows:

- Proposals for debt relief: what are the options for the Caribbean?
- Caribbean response to the ECLAC debt relief proposal given national policy objectives
- Making a debt relief strategy work for the Caribbean
- Achieving the SDGs within existing debt constraints.
- Harnessing green funds for debt reduction to address growth and economic transformation

Objective of the Roundtable

The main objective of the Roundtable is to develop a strategy for addressing the vulnerabilities of Caribbean SIDS, through identification of integrated policies for building resilience. More specifically, it is intended to create a forum whereby participants could present, share and debate innovative ideas on the economic, social and environmental vulnerabilities and propose new solutions for addressing these vulnerabilities through identification of appropriate cross-sectoral strategies. It is anticipated that these strategies could be mainstreamed into national development planning processes, through policy formulation.

Expectations of the Roundtable

The Roundtable will facilitate a cross-fertilization of ideas that will support the development of a strategic vision designed to build the resilience of Caribbean SIDS. The presentations and discussions should stimulate rethinking that will result in actions that inform policy at the national and regional levels. It is also expected that the Roundtable will result in a regional approach to addressing the debt and adjustment issue based on concrete proposals and recommendations.

Target audience

The Roundtable will bring together regional and internationally renowned experts in Caribbean and Latin American development, high level policy makers representing ECLAC Member States, international financial institutions, academics, and members of the private sector as well as civil society and development partners, including the IFIs that are active in the Region. It is anticipated that the CDR will present new insights and proposals for addressing development challenges and capturing opportunities in Caribbean SIDS.

Format and duration of the meeting

The meeting is expected to be conducted over one day. It will begin with a formal opening ceremony that will include addresses by high-level officials from the Governments of Jamaica and Saint Kitts and Nevis, and ECLAC.

The plenary sessions that follow will take the form of presentations by relevant experts, followed by comments and questions on the presentations by discussants. Each discussion segment would result in recommendations that could inform future planning.

Participation

The CDR will bring together senior level policymakers from governments of the Caribbean. Officials of the United Nations system, representatives of regional civil society organizations, academia, regional development institutions and international development partners will also be invited to participate and to contribute to the discussions.

Venue and date

The CDR will be held in Basseterre on 21 April 2016.

Geographic coverage: Countries of the wider Caribbean, including all CARICOM and associate members of ECLAC.

Language: The working language of the meeting will be English.