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The Caribbean: Recovery and Repositioning in the context of COVID-19 and  
beyond

**DRAFT CONCEPT NOTE<sup>1</sup>**

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<sup>1</sup> This note has been issued without formal editing.

## **Introduction**

The effort of the Caribbean to pursue sustainable development continues to meet formidable challenge in the spectre of multidimensional exogenous shocks. These threaten to undermine the gains made as the subregion pursues the ambitious and transformative 2030 Agenda.

In the wake of the onslaught of COVID-19 which served to exacerbate the debt and vulnerability challenges facing the subregion, the Caribbean Development Roundtable this year turns the spotlight on recovery and repositioning, with a view to finding practical and workable solutions to invest in resilience, economic recovery and sustained growth. The Roundtable, through panel discussions and dialogue among policy makers and key stakeholders, will be updated on the progress being made towards the establishment of the Caribbean Resilience Fund. The Roundtable will also explore other opportunities for the mobilization of innovative and concessional financing for investment in resilience building and adaptation. This is to promote economic recovery through diversification and a deepening of integration within the regional economy, and through global repositioning with the support of the international community.

## **Context**

The Caribbean is still adjusting to its new reality post COVID-19. The subregion's experience is particularly stark as many of the economies, still recovering from the combined effects of the pandemic and a range of climatic and other environment related shocks over the past year, must now face the global impact of the conflict in the Ukraine, which has brought hyperinflation and increasing food insecurity.

## **Background**

Declining economic growth and competitiveness, the impact of the 2007-2009 global financial crisis, and the challenge of climate change and extreme weather events have hindered the sustainable development of Caribbean economies, making sustained welfare gains and achievement of key SDGs difficult. The COVID-19 pandemic further exacerbated the subregion's vulnerability to the vagaries of global demand and commodity prices, which have largely driven the subregion's debt upwards and dampened economic growth. The pandemic brutally exposed the Caribbean's endemic structural challenges and rigidities which predated its onset. These included fiscal imbalances, low and declining productivity and competitiveness, and environmental vulnerability.

Climate change-exacerbated extreme weather events and other natural disasters have fueled increased public debt in many Caribbean economies. During 2021 the subregion suffered the onslaught of hurricanes, floods, volcanic eruption and earthquake, all while grappling with COVID-19. The average annual damage and loss attributed to hurricanes alone in the Caribbean has been estimated to be upward of US\$800 million and it is projected that this could rise to US\$22 billion by 2050<sup>2</sup>. Furthermore, the impact of the pandemic on the largely tourism-dependent economies of the subregion brought many countries to the brink of insolvency. The average debt to GDP ratio of the Caribbean reached an unsustainable 88 per cent by the end of 2020; some countries carrying debt burdens in excess of 100 per cent of GDP. At least twelve have debt to GDP ratios above the debt distress threshold of 60 per cent. High debt-servicing costs and limited fiscal space have created acute liquidity challenges, diminishing the scope for the financing of resilience-building.

Importantly, too, the subregion bears high sovereign default risks because of these high debt and debt service costs. Moreover, it must also cope with domestic financial markets that are very risk averse, despite the fact that there is considerable liquidity in the system globally.<sup>3</sup> The subregion has also been impacted by the global decline in FDI flows and increased borrowing costs. Domestically, Caribbean countries are also constrained in their ability to mobilize new domestic resources at scale because of their

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<sup>2</sup> CCCCC (2012) Delivering Transformational Change 2011-21. Implementing the CARICOM Regional Framework for Achieving Development Resilient to Climate Change.

<sup>3</sup> Economic Survey of the Caribbean, ECLAC. Various years.

limited and non-mature financial markets. These challenges are compounded by the subregion's middle-income status, which has rendered many ineligible for concessional financing for investment in robust recovery and resilience building. The Caribbean therefore must find alternate, innovative sources of financing that are both affordable and accessible.

### **Scope of Meeting**

The premise on which the dialogue of the Roundtable is grounded is that while the prospects for the Caribbean to adequately meet its development needs have been seriously constrained, new opportunities have arisen, both international and regional, that may support the subregion's efforts to find a robust recovery, and to become more resilient. In this regard, global partnership is vital. The Roundtable will explore how best to advance a more effective advocacy, harnessing enablers such as a multi-dimensional vulnerability index to leverage global concessional and domestic sources of finance, considering how such programs might be scaled up to be effective. The Roundtable will also receive a comprehensive update on the progress made towards the establishment of a Caribbean Resilience Fund, that will be designed to respond to the unique needs of Caribbean countries seeking to address their debt, vulnerability and liquidity challenges in the precarious post-pandemic environment.

The meeting will focus on five interrelated topics as follows:

- Addressing Vulnerability, Debt and Liquidity in the Caribbean
- The MVI as an Effective Measure of Vulnerability in Small Middle-Income Caribbean Countries
- Responding to the data and statistical capacity needs of the Caribbean
- Global Partnership for Repositioning, Recovery and Resilience in the Caribbean
- Economic restructuring and diversification towards deepening the integration of the Caribbean into Latin America and the Global Economy

### ***Addressing Vulnerability, Debt and Liquidity in the Caribbean***

The issues of vulnerability, debt and liquidity lie at the heart of the Caribbean challenge to address sustainable development. Urgently needed is long-term, readily accessible and affordable financing for investment in recovery, resilience, economic transformation and growth. ECLAC's proposed response to this need is the creation of a Caribbean Resilience Fund. The CRF will ensure the availability of resources to the Caribbean for investment in adaptation and mitigation initiatives, in the development of green industries, thereby promoting both resilience building and the structural transformation of Caribbean economies. Concurrently, ECLAC has also initiated a series of Liquidity Management Operations to address the rising debt and liquidity challenges in select pilot countries. The Roundtable will therefore provide an update on these initiatives and their role in addressing critical resource gaps in the subregion, in the context of a broader discussion on optimal strategies to manage vulnerability, debt and liquidity in the subregion.

### ***The MVI as an Effective Measure of Vulnerability in Small Middle-Income Caribbean Countries***

The ongoing challenge faced by Caribbean countries in accessing affordable financing is directly linked to the fact that the subregion has not thus far successfully contested the position of the donor community and IFIs that Caribbean SIDS need not benefit from access to concessional financing, because of their middle-income status. Insufficient consideration is given to the relentless exposure of these countries to exogenous shocks, recovery from which invariably takes several years. It is this position that the subregion hopes to challenge effectively once and for all, with the support of the Multidimensional Vulnerability Index being developed by a High-Level Panel commissioned by Secretary General Guterres. The Interim Report of the Panel has now been made available for feedback. The Roundtable offers an opportunity for development practitioners and country representatives to examine whether the

index meaningfully and accurately captures the scope of vulnerability of the Caribbean and thus can make a compelling case for SIDS support given its universality. The Roundtable also offers an opportunity for exchange on whether a robust index can motivate a more compassionate global partnership in support of recovery, resilience and sustainable development in the Caribbean.

### ***Responding to the data and statistical capacity needs of the Caribbean***

The production of quality data in a timely and consistent manner is a challenge for most Caribbean countries. This challenge covers a broad spectrum that includes limited indigenous technical capacity, scarcity of statistical expertise, high turn-over of staff, and insufficient funding of national statistical offices. This is inevitably reflected in the paucity of official statistics in the subregion, which has hindered the effectiveness of mechanisms for monitoring and measuring progress in the achievement of national development priorities; for reporting robustly on SDG implementation; and for facilitating comparative assessment of the degree of vulnerability of Caribbean states. Indeed, the lack of adequate Caribbean data of internationally comparable quality and frequency will likely put the subregion at significant disadvantage when global initiatives such as the Multidimensional Vulnerability Index (MVI) are considered. The effective application of an MVI is premised on the availability of data from every country seeking classification by this index. The Caribbean's record in reporting on the SDGs has thus far reflected a stark reality of significant data gap. If the Caribbean, therefore, is to benefit meaningfully from the construct and application of an MVI, then investing in the strengthening of statistical capacity in a sustainable manner is both imperative and urgent.

This panel will bring together practitioners of national statistics, statistical experts, and development partners to discuss effective ways of tackling the Caribbean data gap and responding to the statistical needs of the subregion. The discussion will draw on the knowledge of the panelists and their rich experience in the statistical ecosystem of the Caribbean, with a view to proposing sustainable options for strengthening the statistical capacity of the subregion.

### ***Global Partnership for Repositioning, Recovery and Resilience in the Caribbean***

The Roundtable will serve as a platform to affirm the importance of global solidarity and partnership in supporting and advancing the development aspirations of the Caribbean in an increasingly multipolar world. The need to increase competitiveness, to advance technological capacity in a more digitized world and to secure the welfare of all will require the leveraging of both internal and external development support. Strong international cooperation is needed now more than ever to ensure that countries have the means to recover from lingering pandemic and climate impacts, while shouldering heavy debt and debt servicing obligations. The Roundtable will explore fresh ideas to secure grant and concessional financing for investment in climate resilience in particular. It will also offer scope for exchange on South-South cooperation to promote longer term repositioning of the Caribbean on its sustainable development trajectory.

### ***Economic restructuring and diversification towards deepening the integration of the Caribbean into Latin America and the Global Economy***

These opportunities for global partnership will also need to be buttressed and complemented by national and intra-regional initiative if the subregion is to benefit fully from changing circumstances. In this spirit the Roundtable will examine strategies aimed at promoting economic restructuring and diversification which are critical in addressing negative external shocks. Special attention will be given to the strengthening of such sectors as tourism and agriculture, taking into account the need to factor youth and women more integrally in strategies for economic transformation. The Roundtable will also explore ways of deepening the integration of the Caribbean into Latin America and the Global Economy with a view to facilitating robust growth and sustainable development.

**Objective of the Roundtable**

The Roundtable is intended to provide a space for intellectual exchange of views and ideas, with a view to identifying workable solutions to address the development challenges facing the Caribbean. Experts will be expected to deliberate on practical solutions for economic transformation, taking fully into account the multidimensional vulnerabilities of the subregion. These discussions should include immediate and medium-term prospects and constraints facing the subregion, identifying how resource gaps might be filled from both domestic and international sources. Particular attention will be given the identification of integrated approaches for recovery and resilience.

**Participation**

The Roundtable will bring together regional and international development thinkers and practitioners, leaders and senior policy makers from ECLAC member States and associate member countries, representatives of the UN System, regional and international financial institutions, academia and civil society, including the private sector, as well as other development partners. All are invited to contribute to the discussions.

**Language**

The working language of the Roundtable will be English.