Organization of Eastern Caribbean States
Towards a New Agenda for Growth

April 7, 2005

Caribbean Country Management Unit
Poverty Reduction and Economic Management Unit
Latin America and the Caribbean Region
**CURRENCY AND EXCHANGE RATES**  
Exchange Rate Effective: March 20, 2005  
Currency Unit: Eastern Caribbean Dollar (EC$)  
US$1.00: EC$2.67

**FISCAL YEAR**  
St. Kitts and Nevis, St. Vincent and the Grenadines: January 1 - December 31  
Antigua and Barbuda, Grenada, St. Lucia: April 1 – March 31  
Dominica: July 1 – June 30

**ABBREVIATIONS AND ACRONYMS**

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific</td>
</tr>
<tr>
<td>AHLA</td>
<td>American Hotel and Lodging Association</td>
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<tr>
<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
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<tr>
<td>BOP</td>
<td>Balance of Payments</td>
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<tr>
<td>BPO</td>
<td>Business Process Outsourcing</td>
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<tr>
<td>CARIBCAN</td>
<td>Caribbean Canada Trade Act</td>
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<td>CARICOM</td>
<td>Caribbean Community</td>
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<td>CARTAC</td>
<td>Caribbean Regional Technical Assistance Center</td>
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<tr>
<td>CBERA</td>
<td>Caribbean Basin Economic Recovery Act</td>
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<tr>
<td>CBI</td>
<td>Caribbean Basin Initiative</td>
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<tr>
<td>CDB</td>
<td>Caribbean Development Bank</td>
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<tr>
<td>CET</td>
<td>Common External Tariff</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CPEC</td>
<td>Caribbean Regional HRD Program for Economic Competitiveness</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<tr>
<td>CRNM</td>
<td>Caribbean Regional Negotiating Machinery</td>
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<td>CSME</td>
<td>Caribbean Single Market Economy</td>
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<td>CTO</td>
<td>Caribbean Tourism Organization</td>
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<td>CXC</td>
<td>Caribbean Examination Council</td>
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<td>DFID</td>
<td>UK Department for International Development</td>
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<td>DPA</td>
<td>Dominica Port Authority</td>
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<tr>
<td>DSL</td>
<td>Digital Subscriber Lines</td>
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<tr>
<td>EBAS</td>
<td>EU/ACP Business Assistance Scheme</td>
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<tr>
<td>EC</td>
<td>Eastern Caribbean</td>
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<td>ECCB</td>
<td>Eastern Caribbean Central Bank</td>
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<td>ECCU</td>
<td>Eastern Caribbean Currency Union</td>
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<td>ECEF</td>
<td>Eastern Caribbean Enterprise Fund</td>
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<td>ECEMP</td>
<td>Eastern Caribbean Economic Management Project (CIDA)</td>
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<td>ECEP</td>
<td>Export Capability Enhancement Programme</td>
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<td>ECIPS</td>
<td>Eastern Caribbean Investment Promotion Service</td>
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<td>ECSE</td>
<td>Eastern Caribbean Stock Exchange</td>
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<td>ECTEL</td>
<td>Eastern Caribbean Telecommunications Authority</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force (OECD)</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIAS</td>
<td>Foreign Investment Advisory Services</td>
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<td>FTAA</td>
<td>Free Trade Area of the Americas</td>
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<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<td>GCT</td>
<td>General Consumption Tax</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GEP</td>
<td>Global Economic Prospects</td>
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<td>GIDC</td>
<td>Grenada Industrial Development Council</td>
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<tr>
<td>GNFS</td>
<td>Goods and Non-Factor Services</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<td>GSP</td>
<td>Generalized System of Preference</td>
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<td>HHI</td>
<td>Herfindhal-Hirschmann Index</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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IDA  Industrial Development Authority
IFS  International Financial Statistics
IMF  International Monetary Fund
INFOTEP  *Instituto Nacional de Formación Técnico Profesional*
IPA  Investment Promotion Agency
JAMPRO  Jamaica’s Investment Promotion Agency
JCCP  Jamaica Cluster Competitiveness Programme
JSA  Jamaica Signature Beats
LDC  Less-Developed Countries
LIAT  Leeward Island Air Transport
MDGs  Millennium Development Goals
MFN  Most Favored Nation
MIGA  Multilateral Investment Guarantee Agency
MOU  Memorandum of Understanding
NBIA  US National Business Incubator Association
NCFMEA  National Committee of Foreign Medical Education and Accreditation
NI  National Insurance Scheme
NORAD  Norwegian Agency for Development
NPL  Non Performing Loan
OAS  Organization of American States
ODA  Official Development Assistance
OECD  Organization for Economic Cooperation and Development
OEC  Organization of Eastern Caribbean States
OECS EDU  OECS Export Development Unit
OERU  OECS Education Reform Unit
OSPR  Office of Private Sector Relations
OSS  Open Source Software
PAHO  Pan American Health Organization
PISA  Program for International Student Assessment
PSIP  Public Sector Investment Program
REER  Real Effective Exchange Rate
SARS  Severe Acute Respiratory Syndrome
SDT  Special and Differential Treatment
SEDU  Small Enterprise Development Unit
SFA  Special Framework of Assistance
SIGTAS  Standard Integrated Government Tax Administration System
STEP  Small Tourism Enterprise Program
TFP  Total Factor Productivity
TIC  Technology Innovation Center
TIMSS  Trends in International Mathematics and Science Studies
UN ECLAC  United Nations Economic Commission for Latin America and the Caribbean
UNCTAD  United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
USMLE  US Medical Licensing Exam
UTECH  University of Technology Jamaica
VAT  Value Added Tax
WDR  World Development Report
WIBDECO  Windward Islands Banana Development and Exporting Company Limited
WITS  World Integrated Trade Solutions
WTO  World Trade Organization

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<td>Vice President</td>
<td>Pamela Cox</td>
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<tr>
<td>Country Director</td>
<td>Caroline Anstey</td>
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<td>Sector Director</td>
<td>Ernesto May</td>
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<td>Sector Leader</td>
<td>Antonella Bassani</td>
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<td>Task Team Leader</td>
<td>Camille Nuamah</td>
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FOREWORD

This report on Growth and Competitiveness in the Organization of Eastern Caribbean States is a companion piece to the pan-regional report, “A Time to Choose: Caribbean Development in the 21st Century”. Both volumes are intended to serve as a launching pad for debate among political parties, civil society, the private sector, the media and academic groups, on the future directions of development strategy at the national, sub-regional and regional levels.

The time for such a debate could not be more opportune. While poverty has declined, many of the sub-region’s impressive social gains risk being eroded. Unemployment, particularly of youth, is a major issue and there is growing concern about recent increases in crime and violence. Tourism, too, is under increasing pressure from new markets in Cuba and Central America, and the sub-region now has the dubious distinction of hosting six of the world’s most highly indebted emerging economies. While none of these challenges is insurmountable, all will require political leadership and strong national support. Deepening the bonds of regionalism will also require considerable political will, but the pay-offs, we believe, in terms of economies of scale and long term improvements in growth and competitiveness, will be considerable.

As this volume shows, there are also important new opportunities to be seized: in services such as education and health, in technology, and in tourism. A number of these opportunities are already being explored in parts of the OECS and we have tried to bring together examples from across the region and beyond which can serve to illustrate a range of possibilities and approaches.

While focusing primarily on decision makers and publics in the Caribbean, there is a set of players who are largely absent from this report’s pages, but whose role is none the less crucial. For more than three decades, the international donor community has supported Caribbean development. If wrong choices have been made, they have been made by donors together with Governments. This report is not intended to ascribe blame, but to point to the fundamental need to choose a better path for the future. That choice must also include greater country ownership of development programs, better harmonized and coordinated donor support, and a reduction in the burden donors too often impose on recipient countries, particularly small states such as those of the OECS. We hope that this volume will provide an opportunity for the international donor community to debate and finally resolve many of these longstanding issues.

Finally, both of these reports have been informed by extensive consultations across the Caribbean. We would like to thank all those who took the time to share their expertise, their insights and their unique brand of Caribbean hospitality. We have endeavored to capture the richness of the input we received, although ultimately the responsibility for the reports’ conclusions remains ours alone.

Caroline Anstey
Director
Caribbean Country Management Unit
The World Bank
ACKNOWLEDGEMENTS

This report was prepared by Camille Nuamah (Team Leader and Sr. Economist). The preparation was undertaken jointly with the team preparing the companion report on Growth and Competitiveness in the wider Caribbean: Sanjay Kathuria; Mustapha Rouis; Elizabeth Ruppert Bulmer; Harpinder Oberai and Michael Corlett; and has benefited from their excellent collaboration and exchange of ideas. Technical assistance was provided by Phaedra Chrousos, Anna Musakova and Margarita Chavez de Silva. Special thanks is reserved for Theresa Beltramo who provided outstanding support as a research analyst and for Antonella Bassani, Lead Economist for the Caribbean, who provided great coaching and technical advice.

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Background papers were prepared by Mizuho Kida (growth accounting), Caroline Freund, Adiitya Matoo, Mohammed Amin (impact of trade liberalization), Elizabeth Ruppert-Bulmer (labor markets), Abhas Jha and Castalia, Inc. (infrastructure), Andreas Blom (skills and training), On the Frontier Group, Inc for infoDev (technology, Internet Communication Technology (ICT)-based services and telecom), Gunnar Eskeland, CICERO and James Hanson (role of the state), Donald Mitchell (sugar), Steve Jaffee (phytosanitary regulations), the Foreign Investment Advisory Service (investment climate in Grenada, and foreign investor survey), Swedish Development Advisers (offshore education), David Russell Consulting and Michael Corlett (tourism) and Logan Brenzel (health services).

The World Bank peer reviewers were William Maloney (Lead Economist, Office of the Chief Economist, Latin America and the Caribbean Region) and David Rosenblatt (Lead Economist, Development Economics, Vice President’s Office). External peer reviewers were Garth Nicholls (Director of Research, Eastern Caribbean Central Bank), Paul Mullard (Lead Economist for the Caribbean, UK Department For International Development Caribbean (DFID – Caribbean)) and Sarah Dunn (Private Sector Development Adviser, DFID – Caribbean).

The World Bank wishes to extend its gratitude to the many officials from each of the governments of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and to the staff of the Eastern Caribbean Central Bank and the OECS Secretariat and all its units, as well as to the numerous firms, development partners and their project teams, who graciously shared their perspectives, insights, reports, data and other information with the Bank in the preparation of this report.