



The Drivers for Economic Development are Innovation and Technology: The CDB's Role in Financing these Sectors

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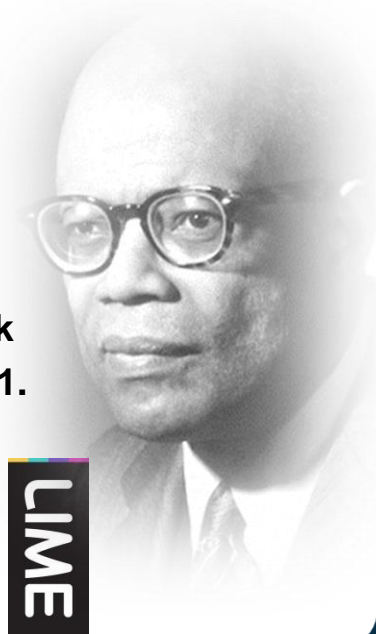
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“Our agriculture cannot survive at these costs levels unless it revolutionises its structure so as to permit the highest inputs of science, as well as high inputs of capital. This applies to everything we produce...”

Statement by Sir Arthur Lewis, President of the Caribbean Development Bank to the Board Of Governors at the First Annual Meeting, Antigua, April 23, 1971.



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Messages

1. An appropriately educated work-force facilitates the introduction of innovation and technology, which drive economic growth.
2. Development institutions must, sometimes, lend their support to “out-of-the-box”- type initiatives, which can result in profound transformational outcomes.
3. Innovative financing and broad-based collaboration are often the key to realising growth-inducing technological developments.





Presentation Plan

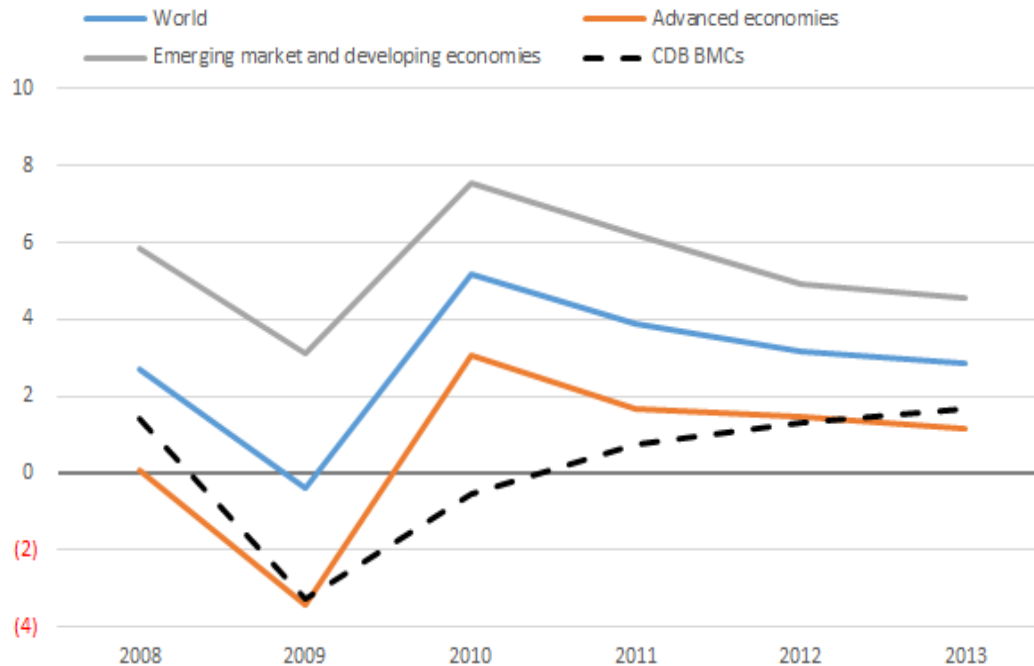
- Caribbean growth performance and Challenges
- Theoretical Underpinning - A Growth Model
- Structural Changes for Growth
- CDB's Financing Role





Caribbean Growth Performance and Challenges

- ...the Caribbean's economic recovery is lagging



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Caribbean Growth Performance and Challenges

- ...but our investment is lower and ICORs are higher than some regional averages



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Hausmann-type Framework

$$Q = f(k, l, \text{Exp/Im}, \text{fb}, i, \text{Insti}, \text{CoDB})$$

Q = output

K = capital

L = labour

Exp/Im = an openness variable

Fb = fiscal balance

I = interest rate

Insti = institutional quality

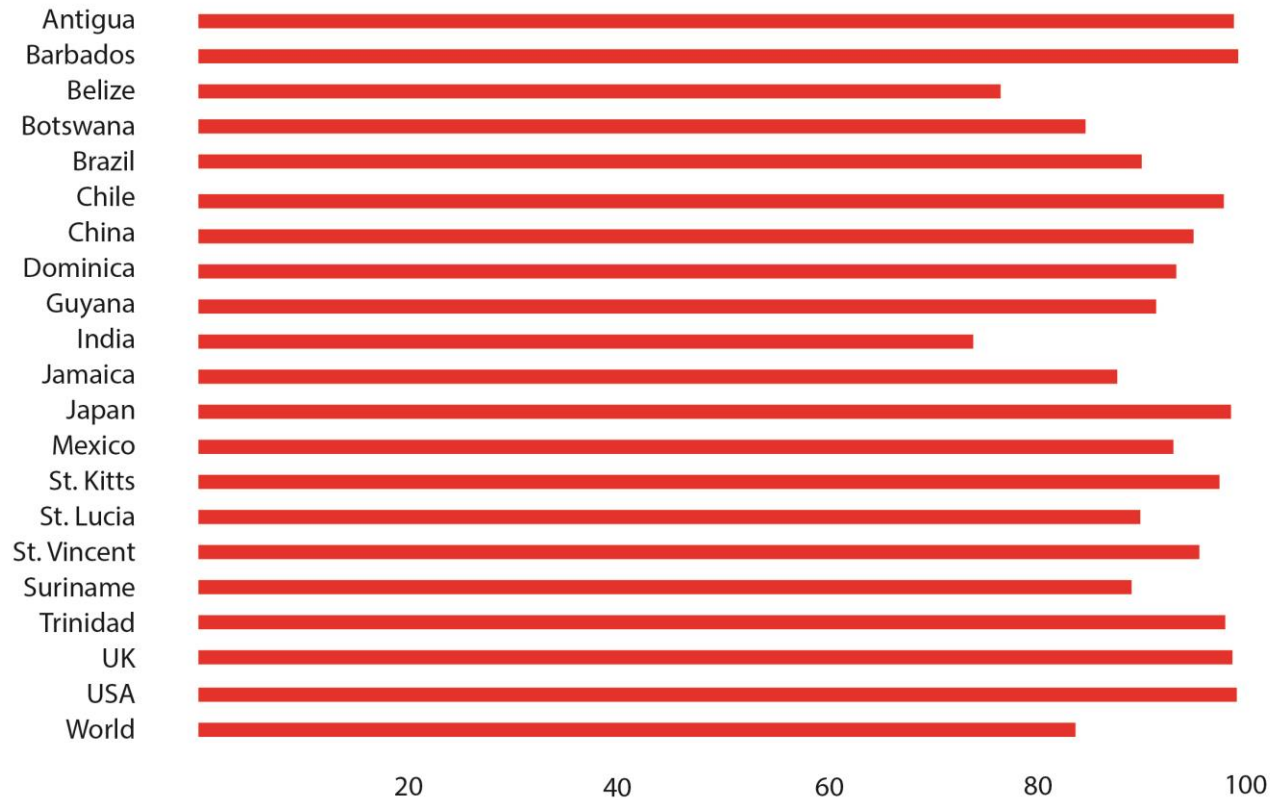
CoDB = Cost of Doing Business





Structural Changes for Growth

- ...literacy rates are strong.





Structural Changes for Growth

(Repairing weak public sector balance sheets)

Country	Overall Balance (% of GDP)					Primary Balance (% of GDP)					Gross Debt (% of GDP)
	'08	'09	'10	'11	'12 '13	'08	'09	'10	'11	'12 '13	2013
Jamaica											143
Grenada											116
Antigua and Barbuda											95
Barbados											92
St. Kitts and Nevis											83
St. Lucia											77
Dominica											77
Belize											75
St. Vincent and the Grenadines											73



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Structural Changes for Growth

(Ease of doing business)

	Item	Regional Average	Singapore
Ease of Doing Business Rank			1
Starting a Business	Procedures (number)	8	3
	Time (days)	39	3
	Cost (% of income per capita)	39	1
	Paid-in Min. Capital (% of income per capita)	1	0
Dealing with Construction Permits	Procedures (number)	10	11
	Time (days)	247	26
Getting Electricity	Time (days)	59	36
Registering Property	Time (days)	85	6
Paying Taxes	Time (hours per year)	181	82
	Profit tax (%)	24	5
	Labor tax and contributions (%)	8	18
	Other taxes (%)	7	5
	Total tax rate (% profit)	39	27
Trading Across Borders	Documents to export (number)	6	3
	Time to export (days)	16	6
	Cost to export (US\$ per container)	1013	460
	Documents to import (number)	7	3
	Time to import (days)	16	4
	Cost to import (US\$ per container)	1675	440
Enforcing Contracts	Time (days)	772	150
	Cost (% of claim)	31	26
	Procedures (number)	43	21



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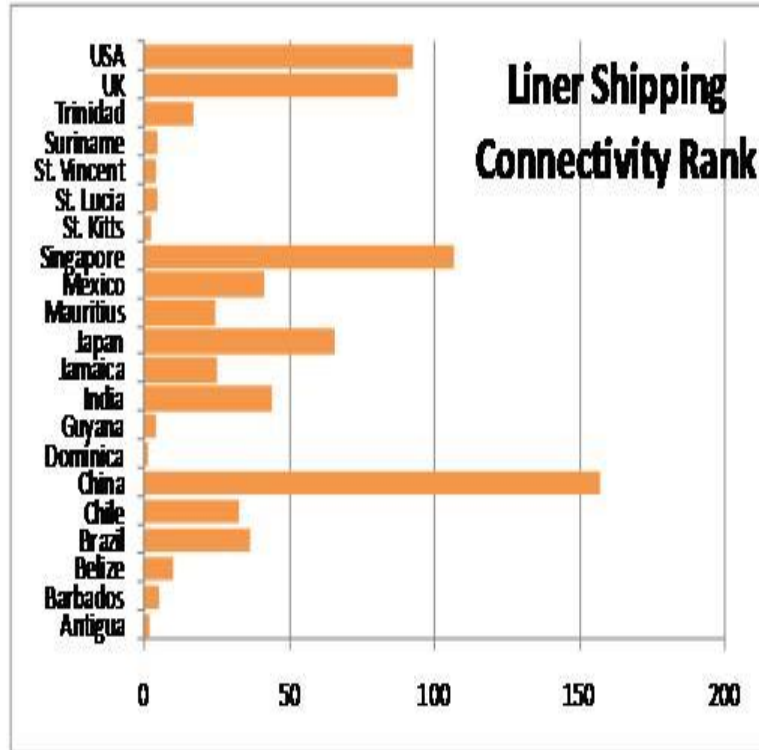




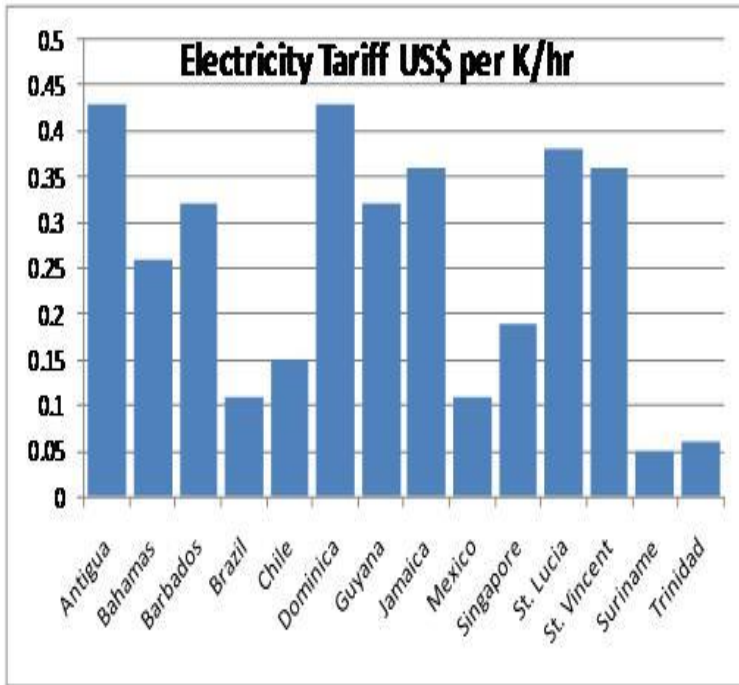
Structural Changes for Growth

(Connectivity and Electricity)

Weak connectivity...



High electricity rates..



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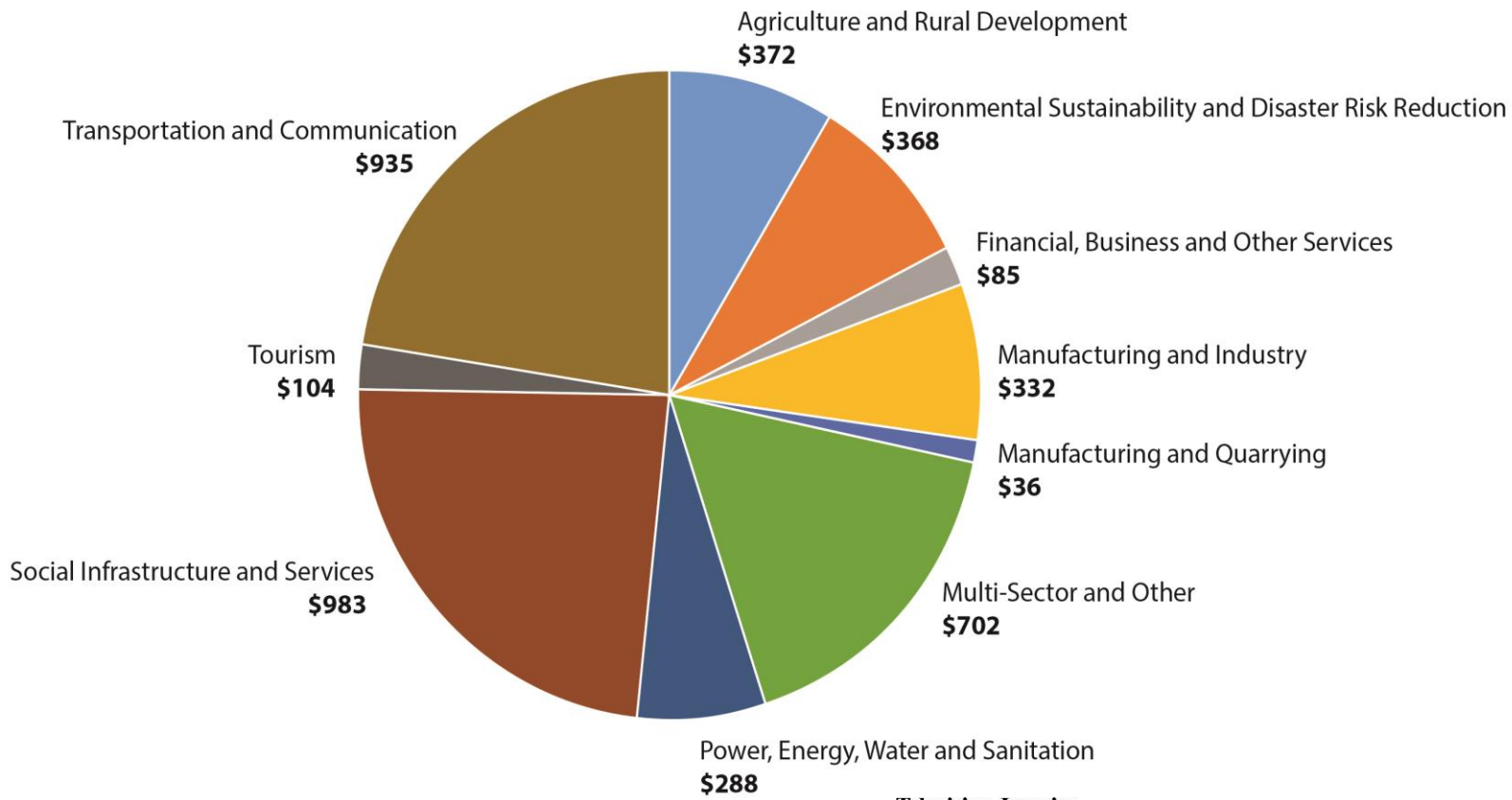


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CDB's Financing Role 1970-2013 (USD mn)





CDB's Financing Role: Strategic Underpinnings

- An appropriately educated work-force facilitates innovation and adoption of new technologies in the work-place
- CDB initially invested heavily in access to 'basic' education
- The Bank is now increasing its focus on quality, emphasising skills and competencies for sustainable employment (TVET)
- CDB is also emphasising education for critical thinkers (more creative and innovative) (Curriculum Development)





CDB's Financing Role: Strategic Underpinnings

- Technologically-enabled education:
 - Innovation to improve the efficiency of delivering education of uniformly high quality, especially to underserved communities:
 - UWI Single Virtual University Space
 - UWI Open Campus (St. Vincent/Grenadines & St. Lucia)





CDB's Financing Role: Strategic Underpinnings

Development institutions must play catalytic role in facilitating transformative investments, even if outside of comfort zone

- CDB took limited partnership interest in a Private Equity Fund to motivate other institutional investors in a region with limited track record in private equity investments
- Facilitated transformative development of state-of-the-art broad-band capacity across several Caribbean countries



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CDB's Financing Role: Strategic Underpinnings

- Small institutions, like CDB, have to be focused, creative and collaborative to achieve outstanding results.
- The Caribbean needs to address its energy challenge now. Sustainable energy and energy efficiency must form the basis of our energy future.
- Appropriate financing is necessary to make it happen.



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CDB's Financing Role: Strategic Underpinnings

- CDB is mobilising appropriately structured financing for different types of RE/EE projects by collaborating with several countries/institutions:
 - Sustainable Energy for Eastern Caribbean (SEEC) – EU, DFID
 - Geothermal development in OECS - JAICA and IDB
 - CALC Line - EIB





Concluding Remarks

1. Caribbean economic growth has not stellar, but there is a road map for improved performance.
2. Addressing structural deficiencies (including high energy cost) and efficiency enhancers (including labour) and with increasing private sector involvement can make a difference.





Concluding Remarks

3. CDB accepts the important role of technology and innovation in driving sustained economic growth and paving the way for long-term development.
4. We will continue to provide support that will enable both the public and private sectors to access technology that will enhance the efficiency and overall performance of their operations.



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Thank you for your attention



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