

2021 REVIEW

2021 has been an exceptional year.
Here is a look at Compete Caribbean's
work this year.

Happy Holidays! Happy Reading!



BLOCK
CHAIN



Achieving Gender Equality in the Caribbean Region Through Gender Sensitive Projects at the Compete Caribbean Partnership Facility



Ramona Sinanan
Project Development Officer
Compete Caribbean Partnership Facility

There is no denying that women-owned firms (WOFs) face distinct challenges in doing business in the Caribbean region. Chief among these is limited access to finance, inadequate networking and limited training opportunities.

Funding is crucial to operating a business and access to funds remains a major barrier for WOFs globally. According to Forbes Magazine¹ one of the reasons attributed to this include stringent collateral requirements by financial institutions. Many WOFs are unable to meet this requirement as women don't have property or assets of their own. Often times WOFs opt to finance their businesses through their own personal savings, credit cards or investments from family and friends.

It is important to have a strong support network to excel in business and building a supportive network of highly experienced business persons can be vital to aid professional and developmental growth. Finding the right persons to connect with in the industry can be both beneficial and impactful to WOFs. It is difficult for WOFs to find the right support networks and advisors to align themselves with in their industry.

There are also limited opportunities for access to support programs that directly target WOFs. According to Pounder (2016), women entrepreneurs have a lack of knowledge of the institutional and entrepreneurial





framework, lack of awareness of the existing public or agencies' support, difficulties in raising finance to start a business, and issues with joining and setting up networks. While there are a number of associations that execute programs to bridge these gaps there is still much more work to be done to assist WOFs.

The Compete Caribbean Partnership Facility (CCPF) places gender at the forefront of its projects to ensure inclusivity and achievement of gender equality. The inclusion of women-owned firms along with youth and other vulnerable groups are viewed as paramount to the development of the region. CCPF's projects strive to be gender mainstreamed in two ways: 1) impact on women and vulnerable

groups is one of the criteria utilized to select all private sector projects; 2) gender sensitive indicators are added to projects during design and implementation to make them more gender considerate and achieve a higher gender marker² rating. As a result of these strategies, by the end of September 2021 Compete Caribbean was directly impacting 962 firms, of which 43% were women owned firms – a much higher percentage than the number of women owned firms in the business population in the region (18% of businesses in the region are women-owned according to the latest Innovation, Firm Performance and Gender dataset just completed by Compete Caribbean).

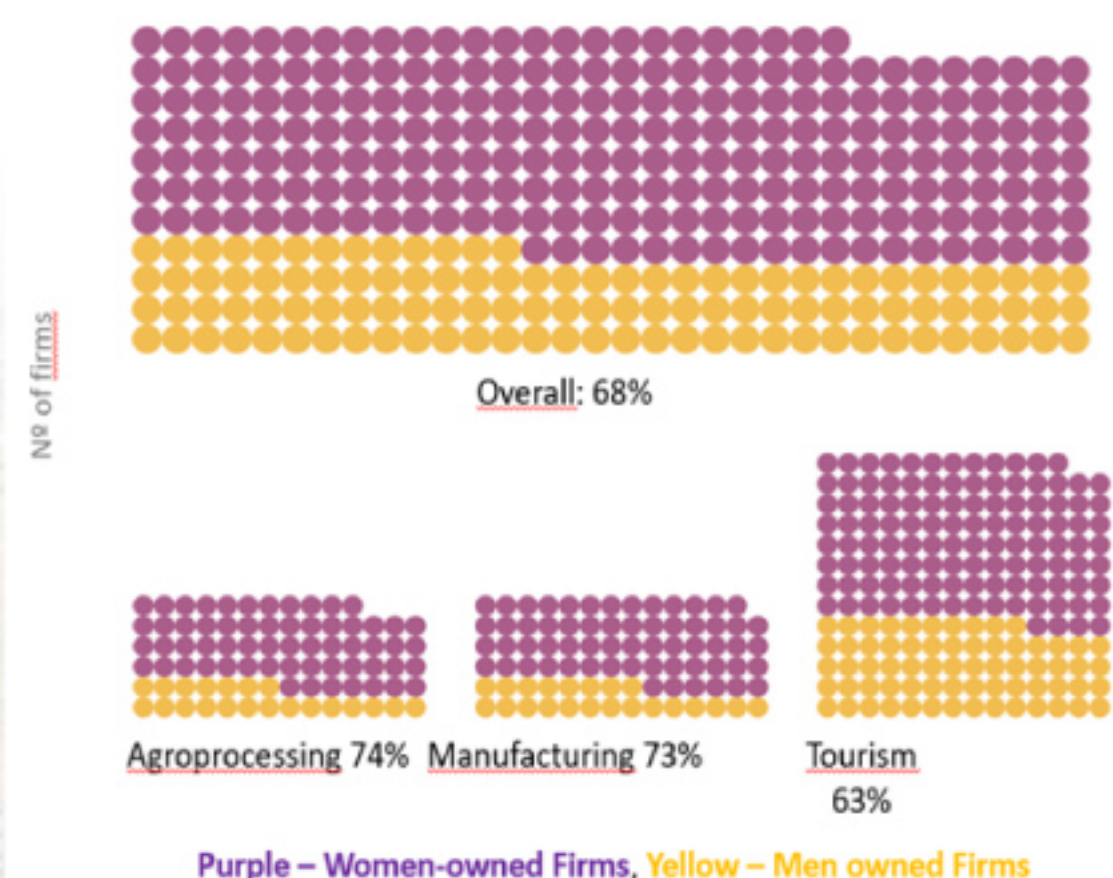
In 2021, the CCPF conducted a gender analysis on all projects to determine the sensitivity of project indicators to gender considerations based on a collective review of indicators (outcomes and outputs). The projects were also assigned a gender marker following the guidance of UNDP's gender marker framework. Overall, 39 projects were reviewed, and it was concluded that 28% of the funds were invested in projects with a gender marker of at least 1, and 42% of the funds were invested in projects assigned a gender marker of 3 which signifies that project activities produce gendered outcomes that advance gender equality. It was observed that projects directly working with private sector beneficiaries were more gender sensitive and explicit in inclusivity towards women and youth than the legal/policy framework ones which were more transversal and gender neutral.

The projects below are highlighted to demonstrate CCPFs commitment to the attainment of gender equality through their impact on women and women-owned firms in the region.

Technology Extension Services in the Caribbean

Launched in 2020, this pilot project is primarily focused on providing highly specialized and customized technological extension services to Caribbean firms in the manufacturing, agro-processing and tourism sectors. The objectives of TES

TES Pilot Project – Participation of Women-Owned-Firms



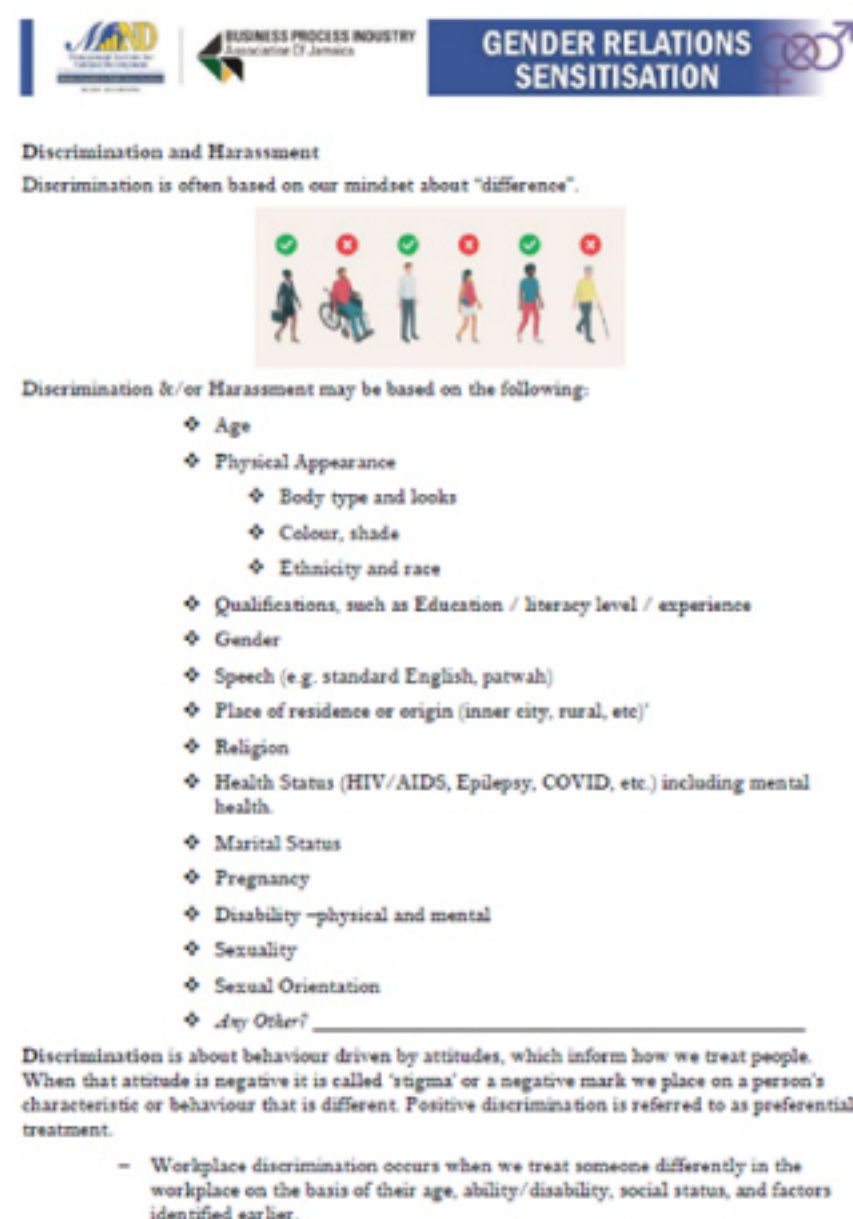
Source – CCPF, TES Project Summary Report 2021

¹ <https://www.forbes.com/sites/margueritacheng/2018/10/31/8-major-challenges-women-face-in-business/?sh=597d00fe6461>

² The UNDP Gender Marker is a tool that rates gender mainstreaming and equality at the activity level on a scale from zero to three. Activities that have gender equality as a principal objective should be rated 3; Activities that have gender equality as a significant objective should be rated 2; Activities that will contribute in some way to gender equality, but not significantly, should be rated 1; and Activities that are not expected to contribute noticeably to gender equality should be rated 0.

are to (i) encourage the demand for specialized technology assistance services from agro-processing and tourism SMEs; (ii) stimulate the acquisition and use of productive application knowledge and technologies, particularly of digital systems and devices to improve the efficiency of management and the firms' productive processes; (iii) promote the adoption of knowledge and technologies to improve environmental management and energy practices in firms; (iv) support women led firms in pursuing productive business modernization; (v) facilitate access to financing for technology adoption; and (vi) organize specialized technical skills in the region that can provide firms with permanent support on a sustainable basis.

During the planning stage of the project, special efforts were made by CCPF, Small Business Development Centers (SBDCs) and Business Support Organizations (BSOs) in member countries to attract WOFs within the sectors in the Caribbean. These efforts were rewarded with a strong participation by WOFs across sectors, representing 68% of valid applications. Figure 1 below is a graphical illustration of the representation of WOFs in agroprocessing, manufacturing and tourism sectors in the TES Caribbean project. Many of these WOFs are the recipients of Technology Audit Plans (TAPs) and are currently receiving technological advice and the technical assistance needed to support and grow their businesses. It was also found that 57% of firms lack funding for working capital and/or investment. Interestingly, women-owned firms highlighted this barrier two times more frequently than men. Also 27% of participating firms lacked trained staff in International Trade or similar qualifications with WOFs highlighted this barrier almost three times more frequently than men. Finally, 8% of participating firms cited lack of financing for marketing and promotion with women highlighting this barrier three times more frequently than men. The results illustrate that there are specific areas that WOFs need extra support in by business support organizations. The fact that WOFs participated in this project so highly indicates their willingness and eagerness for support in technology absorption.



Source: Management Institute for National Development (MIND), Gender Relations Sensitization Workshop, 2021

Jamaica's Global Services Sector

This project commenced in 2019, with the goal of supporting the growth of Jamaica's Global Services Sector (GSS) by facilitating the upgrading of the firms within the GSS cluster and in particular SMEs into higher segments of the global value chain. Specific objectives of the project include: (i) to implement "Scale Up!", an SME assistance programme designed to support participation of SMEs in the digital GSS sector (including Information Technology Outsourcing and Knowledge Process Outsourcing); (ii) to optimize processes within the Business Process Industry Association of Jamaica (BPIAJ) to support growth within the cluster and to meet its members' needs for scaling up; and (iii) to engage in knowledge and outreach activities for its cluster members and other stakeholders.

In a recent gender study of the Jamaica GSS, conducted by Jamaica's Trade and Investment Promotion Agency (JAMPRO), 81.8% of females reported they had experienced sexual harassment and 15.5% of employees indicated they encountered some type of discrimination and stigma in the workplace. To address the issue and create a harmonious, conducive, positive workplace, the Jamaica GSS project adopted a delivery mechanism in the form of a gender relations sensitization workshop for Management and staff. In an interactive session, the topics covered were: How discrimination and harassment looks in the workplace, Implications of discrimination and harassment in the workplace, Overview of legislation and National policies and mechanisms to prevent and

handle discrimination and harassment in the workplace. Figure 2 highlights elements of Module 1 delivered to the Management and staff of the Jamaica GSS on Gender Relations Sensitization executed by Management Institute for National Development (MIND). Evaluation of the training session showed that forty-nine (49) senior managers from thirty (30) organizations attended the workshop and participants found the session engaging and informative. Participants also found the use of real examples by the facilitators as particularly effective in getting pertinent points carried across in context.

Establishment of the Trinidad and Tobago Accreditation Services for Conformity Assessment

Implemented in 2019, this project aims to strengthen the institutional capacity of the Trinidad and Tobago Accreditation Service for Conformity Assessment (TTASCA) by the development of the legal and regulatory framework for its establishment. This project will support the establishment of TTASCA as an independent national accreditation body, the development of legislation associated with that establishment, and the deployment of a capacity building program for the staff of TTASCA.

In July 2021, training sessions on ISO/IEC 17011 and ISO/IEC 17025 were facilitated for TTASCA, with women staff members representing 65% of graduands from the first course and 60% for the second course, respectively. These women are now positioned to perform conformity assessments for ISO standards. December 14th – 16th 2021 another workshop on ISO/IEC 17020 took place with 65% of women staff members in attendance as a part of their train the trainer program where knowledge and skills gained on ISO can be transferred to other members of staff.

A significant activity undertaken by TTASCA was to enlist the assistance of a gender equity specialist and Central Statistical Office to gather information on gender issues and disadvantaged groups to gain a deeper understanding of how they impact and are impacted by the introduction of a national accreditation body.

Strengthening the Entrepreneurship and Innovation Ecosystems in the OECS

Started in 2020, this project aims to strengthen the entrepreneurship and innovation ecosystems of six member states of the Organization of Eastern Caribbean States (OECS), namely Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines through the provision of technical support for incubation of highly-potential startups, acceleration of high-growth and high-potential small and medium enterprises (SMEs), and promoting the adoption of digital financial technology solutions by forms of all sizes. Projects objectives include: (i) increase the availability of relevant support services to growth-oriented and potentially innovative firms in the OECS and (ii) strengthen the capacity of the OECS Competitive Business Unit (CBU) as an active contributor to innovative entrepreneurship in the region. Participation in both the incubator and acceleration programs comprised 57% of WOFs across different sectors from the Caribbean region who are now receiving mentorship and coaching to support their business ventures.

These projects are just a few that tackle some of the major issues that WOFs experience in the Caribbean. CCPF will continue to face these issues head on through its programming, innovative and cutting-edge solutions to provide the relevant support to women, youth and other vulnerable and marginalized groups in the region.



Building A Resilient Innovation and Entrepreneurship Ecosystem in the OECS



Liana Welch
Project Development Officer
Compete Caribbean Partnership Facility

It is undisputedly recognized that entrepreneurship and innovation enable socio-economic development in countries. This is reinforced when we can measure the evidence of job creation, the intensification of competition amongst firms and the increase of productivity through technological change. In fact, startups have been recognized as having a stronger job multiplier, owing to their greater rate of exports and attraction of FDI (foreign direct investment) from overseas investors¹. Startups are also more "future-proof" as we move toward a digital economy globally². However, these benefits to society can only be realized in economies where entrepreneurs can operate flexibly, nourish their ideas confidently and reap their rewards unequivocally.

Compete Caribbean's mission is to support the development of the Caribbean's private sector by improving its competitiveness and productivity. In this vein, the program helps reinvigorate start-ups and innovative enterprises, as well as the ecosystems that support them to foster long-term growth and reactivation post-COVID. And so, the support of entrepreneurship ecosystems is one of the instruments used by Compete Caribbean to help diversify the region into higher growth segments.

Despite being restricted by the size of their territories, the member states of the Organisation of Eastern States (OECS) can boast of ranking as some of the Caribbean region's top performers in per capita income, poverty reduction, access to services and gender inclusion³. Nevertheless, these countries struggle with low to slow economic growth, high levels of public debt, high unemployment rates and a disproportionate reliance on tourism for foreign exchange earnings. In fact, in the post global financial crisis era, during the more recent period of 2015 to 2019, OECS economies have maintained an average GDP growth of 2.6%, therefore, the economic impact of COVID-19 is likely to be more severe than the 2008 Global Financial Crisis⁴.

Moreover, there are some serious impediments encountered with private sector activities in the OECS including high infrastructure costs, access to finance and the high costs of doing business. The bottom line shows that there have been moderately declining rates of entrepreneurship in the OECS countries⁵.

One of the most crucial challenges for the region is to foster and stimulate innovation and research and development to accelerate productivity. In the pursuit of robust innovation and entrepreneurship economies, it is vital to have a supportive environment - an environment where entrepreneurs can be easily upskilled, new market opportunities are developed, and innovation is nurtured and encouraged. Compete Caribbean is supporting the OECS Secretariat to design and implement a hybrid business incubation and acceleration program to help address these deficits.

Overview of the Eastern Caribbean Entrepreneurship and Innovation Ecosystem: A Compete Caribbean Partnership Facility (CCPF)'s 2019 Scoping Study

One may ask, “What exactly constitutes an innovation and entrepreneurship ecosystem?”. The widely recognized framework used by the Babson Entrepreneurship Ecosystem Project led by Professor Daniel Isenberg recognizes government policy, finance, culture, supports, human capital and markets as the main elements of the entrepreneurship ecosystem⁶. Correspondingly, a scoping study commissioned by the CCPF in 2019⁷ delved into the crux of the entrepreneurship and innovation ecosystem in the OECS. As taken from the study, an innovation and entrepreneurship ecosystem can be described as the interdependent set of firms, institutions, laws, norms and practices that create the conditions for productive entrepreneurship and innovation in a territory⁸. This gives us a holistic and practical understanding of the term.

An analysis of the six member states of the OECS revealed some commonalities across the national ecosystems. Encouragingly, there are numerous institutions within the public and private sectors that actively support entrepreneurship. These supporting institutions include small business associations, sectoral networks, dedicated small enterprise units and development financing institutions. The study also reported an increasing level of cultural awareness of entrepreneurship and innovation within these jurisdictions.

On the other hand, most entrepreneurship support programs in the Eastern Caribbean are focused on those beneficiaries who start businesses out of necessity or due to a lack of alternative options. The support for opportunity-driven entrepreneurs with scalable and investible ventures has been lacking. Although this dynamic may be warranted by the high unemployment rates, of the Eastern Caribbean countries, with estimates as high as 20% between 2014 and 2016⁹, there is a huge opportunity cost to be paid. The resources used to support necessity entrepreneurs whose enterprises typically do not grow are not being used to support opportunity-based entrepreneurs - the ones that have a high potential to dramatically scale-up their enterprises and generate substantial employment. **Hence, there needs to be a concerted effort in supporting entrepreneurs with high-growth potential.**



¹ Governments, Don't Let your Startups and Scaleups Die: The Importance of Well-Designed Funding Policy in Times of Crisis, Startup Genome, 2020.

² Governments, Don't Let your Startups and Scaleups Die: The Importance of Well-Designed Funding Policy in Times of Crisis, Startup Genome, 2020.

³ Organisation of Eastern Caribbean States Systematic Regional Diagnostic, World Bank Group, 2018.

⁴ COVID 19 and Beyond: Impact Assessment and Responses. Organisation of Eastern Caribbean States. 2020

⁵ World Bank, World Development Indicators.

⁶ Isenberg, D. I. (2011). Introducing the Entrepreneurship Ecosystem Four Defining Characteristics.

⁷ OECS Innovation and Entrepreneurship Ecosystem Diagnostic Scoping Report. Prepared for Compete Caribbean by Robert Martinez, 2019.

⁸ OECS Innovation and Entrepreneurship Ecosystem Diagnostic Scoping Report. Prepared for Compete Caribbean by Robert Martinez, 2019

⁹ <https://www.oecs.org/en/component/sppagebuilder/?view=page&id=39>

The study also revealed that there are deficiencies in the support mechanisms to stimulate innovation: for example there are no business accelerators or testing and prototyping services for the manufacturing sector.

Other areas cited as in need for further development across the OECS ecosystems were:

- Strengthening, Monitoring and Evaluation in Business Support Organisations (BSOs)
- Making it easier to Access Business Support Services
- More certainty in Policy
- Access to Finance

The Way Forward: A Recipe for Success

So, how do we press forward? How do we start to develop strong institutions, norms and policies to support and promote the development of high-growth innovative enterprises within the OECS?



One strategy identified in the study was a short to long term intervention - the execution of a series of virtual incubation programs to explicitly target high-potential entrepreneurs and mid-career professionals with entrepreneurial goals. The dearth of support for opportunity entrepreneurs coupled with the paucity of information about the high-growth segment of the OECS' entrepreneurial population opens the door for this type of intervention.

Further, the scoping study highlighted the OECS Competitive Business Unit (CBU) as a suitable implementation partner for a region-wide initiative, owing to its capacity to support export development for the Agriculture, Creative, ICT, and Tourism sectors while increasing its capacity to identify and accelerate entrepreneurial talent.

More specifically, the project will:

- **Increase the availability of relevant support services to growth-oriented and potentially innovative firms in the OECS;**
- **Strengthen the capacity of the OECS CBU as an active contributor to innovative entrepreneurship in the region.**

These objectives will be realized by creating a hybrid network of business incubators that will service existing innovative startup firms, including women-owned firms and mid-career professionals with management experience and entrepreneurial goals. The aims of the activities of the business incubators, are to improve the ability of OECS entrepreneurs to generate new growth-oriented business ideas, validate those ideas in a lean manner in the marketplace, and then scale those nascent businesses with seed funding and technical expertise provided by the community of BSOs after incubation.

Next, the project will seek to accelerate a community of high-potential firms, including women-owned firms through an acceleration program with the aim of increasing their sales, creating more jobs and increasing their market share by creating regional and international market linkages. Lastly, the project will seek to increase the access to digital financial services in the OECS by supporting technical assistance to bank and non-bank financial institutions to:

- Improve the financial literacy of the entrepreneurs
- Improve the on-boarding process of MSMEs to new digital financial services offered by financing institutions
- Devise suitable operating frameworks that can improve the ease of introducing digital financial services providers into new markets within the OECS.

In March 2021, the CCPF hosted a Digital Payment Expo to increase the awareness of OECS entrepreneurs and BSOs of the availability and cost of suitable digital payment solutions in the OECS.

In summation, this project intends to boost the entrepreneurial ecosystem by leveraging the contributions of businesses and institutions in the six Eastern Caribbean sovereign nations, such as BSOs, industry organisations and networks, and professional associations. The project ensures that these BSOs and other entities are an integral component in the implementation of the Incubator and Accelerator programs. The defining goal is to strengthen the CBU's and other countries' BSOs' capacity to provide accessible business support services after the project is over, and to be essential partners in charting the way for sustained enterprise development in their respective countries.

There is much work to be done, but this project advances in addressing the most pressing constraints discovered through the scoping study by laying the groundwork for establishing robust innovation and entrepreneurship ecosystems, with the expectation that innovation will flourish and produce high-quality businesses which can attract investors and help boost growth of these economies. This project ***“Strengthening the Entrepreneurship and Innovation Ecosystems in the OECS”*** augurs well for the future and growth of the innovation and entrepreneurship ecosystems of the OECS.

For more information on Compete Caribbean, visit <https://www.competecaribbean.org/>



HACKING THE CARIBBEAN:

Belize blockchain-based Sugar Cane Revolution



Samir Marinez
Project Development Consultant
Compete Caribbean Partnership Facility (IFD/CTI)



Antonio Leal Batista
Head of Project Pipeline
LACChain- IDB Lab (ITE/IPS)



Paula Pelóez Zambrano
Head of Sustainable Business and MSME
Advisory Services - IDB Invest (DSP/ADV)

A Paradigm Shift of the Sugar Cane Industry

Disrupting Private Sector Development

When reading the words “hacking”, “hacks” or “hackers” many may think of cyberattacks and individuals or organizations somewhere in the world trying to exploit a computer system or a private network illegally. In computer science, to “hack” also means programming to solve a problem, decoding and rebuilding a current failing or outdated system, and thinking out of the box to innovate and change what doesn't work anymore. At MIT, for example, this word is regarded as an honor. Many students strive to make it into the “hackable museum”. Within this context, in this article, we seek to share one innovative way to disrupt the Caribbean's economy and help countries to leapfrog. We aim to write about a series of use cases in the region where science, cutting-edge technologies, and innovation transform organizations, industries and even reshape a country's economy while mitigating social, economic, and environmental challenges, including climate change. We want to showcase innovative approaches to private sector development that impact the lives of thousands of individuals, including women and vulnerable groups. In this article, we want to specifically explore how blockchain is disrupting the digital transformation of Belize's sugar cane industry.

Sugar Cane Global Market

Sugar is an important energy source and a natural ingredient that has been part of our daily lives. It helps many foods be more enjoyable by enhancing their flavor and lasts longer as a food preservative and bulking agent. It helps feed all classes of livestock when forage is scarce. Given its high efficiency of biomass for biofuel production, it also serves as a sugar-based ethanol biofuel and co-generation of electricity through cane bagasse. Sugar cane-based biofuel production accounts for about 25% of the world's biofuel and may contribute to the reduction of greenhouse gas emissions compared to fossil fuels. The global industrial sugar market size was valued at USD 43.77 Billion in 2020 and is projected to reach USD 74.64 Billion by 2028, growing at a CAGR of 6.15% from 2021 to 2028. Approximately 80% of the world's sugar comes from sugar cane in tropical and subtropical climates. The food manufacturing sector consumes most. Brazil is the world's top sugar cane producer with 23% of global production and 49% of world exports, followed by India, Thailand, China and Pakistan. The cultivation and processing of sugar cane currently provide livelihoods for 100 million people across the globe.

Belize Sugarcane

Looking at the country level in Belize, there is evident vulnerability for farm ownership (Including leaseholds) and agricultural employment that arises from the relatively low incomes – and high incidence of poverty – among sugar - dependent households, which are also heavily indebted. Sugar cane in Belize accounts for 4-5% of its GDP and 8-9% of total exports. The Northern Belize Sugar Industry directly supports the livelihoods of 5,200 private sugar cane farmers, including over 1,900 women and their families, representing around 15% of the country's population and over 35,000 overall workers in the region. However, before COVID 19, the sector was already facing many challenges that are affecting its long-term sustainability, including:

- (1) Export reduction forced by the dismantling of quotas for domestic sugar beet production;
- (2) Low productivity yields;
- (3) The absence of service provision to improve them;
- (4) Low cane prices and the lack of structured agro-credit to invest in their fields to improve their cane quality and productivity and reduce the cost of cane production, thus increasing revenue. Additionally, the global sugar industry is under tremendous pressure with;
 - (1) International competition, requiring constant effort to adjust costs and increase production capacity;
 - (2) Public attention on the direct impact of sugar on consumers' health requiring more transparency in the entire production chain;
 - (3) And the practical negatives of climate change in sugar cane production require joint efforts of all actors in the value chain to mitigate them.





Impact of COVID 19 on the Sugarcane Industry

Furthermore, the current COVID pandemic threatens sugar cane producers with extended quarantines or reintroduced when the harvest begins. The cost of production has increased due to the need to create hand sanitizing stations and new working protocols. In addition, border closures and market disruptions have created logistical problems and a shortage of inputs, affecting the efficiency of the global food supply chains. The imposition of lockdowns has made it difficult to track many food products' origins, resulting in more hazardous food. Food retailers worldwide are also demanding suppliers' certifications to ensure food safety for every stakeholder in the value chain. Sugar cane production in Belize is not exempt from these challenges and is under even more pressure, given its tremendous economic significance to the nation and its people. The sugar industry in Belize requires a paradigm shift to be sustainable and profitable in the long run through the appropriate adoption of cutting-edge technologies and its digital transformation that enables innovation, productivity, and competitiveness.

Building Resilience in Belize Sugarcane Farmers through Blockchain

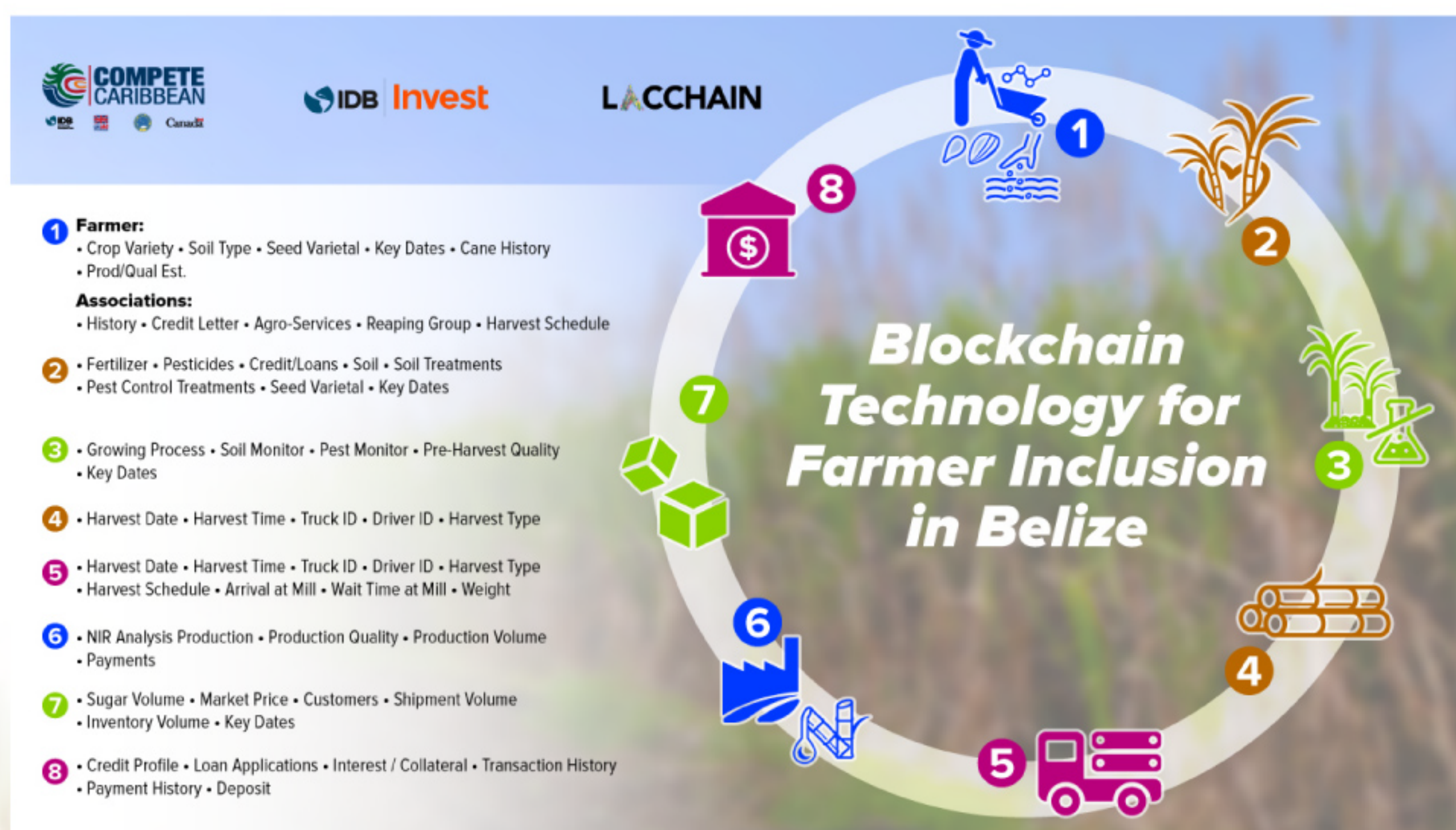
Blockchain in Agriculture and Food Supply Chain

Blockchain holds the potential to protect sensitive data and enhance accountability and trust among parties. It can support private sector firms facilitating trade and finance access while overcoming long-standing scaling challenges, lack of transparency, and business history. It offers the opportunity to businesses to benefit from greater efficiency and quality of products and services and enhanced supply chain management. But it also presents many challenges, such as the low level of interoperability across different systems, and limited access to a fixed and mobile broadband connection, which is a prerequisite to using DLT-based solutions. Adopting complementary technologies such as supply chain management software and the Internet of Things (IoT) might also be necessary. Blockchain and DLT (Distributed Ledger Technology) refers to the technological infrastructure and protocols that allow simultaneous access, validation, and record updating of a decentralized ledger in an immutable manner across a network that is spread across multiple entities or locations and governed by the network rules. The distributed network eliminates the need for a central authority to keep checking against manipulation, and updating the ledger is cost-effective compared to centralized systems. The primary benefits of Blockchain are but are not limited to:

- (1)** Increasing trust; **(2)** Enhancing security; **(3)** Providing transparency; **(4)** Enabling the traceability of data; and **(5)** Delivering cost savings with new efficiencies.

Blockchain Technology for Farmer Inclusion in Belize

Blockchain is a highly effective solution to cope with the inefficiencies in supply chains surfaced by the pandemic that promises a reliable source indicating the state of farms, inventories, and contracts in agriculture. Collecting such data may be costly, however, a blockchain-based solution may substantially increase the effectiveness and efficiency of collecting, storing, analyzing, and using data. It can track the provenance of food, and thus helps create trustworthy food supply chains and build trust among producers, the value chain members, consumers, governments, and financial institutions as a response to the rising concerns for food safety among consumers and regulatory agencies demanding transparency in the supply chain and financial institutions looking for better and cost-effective ways for credit-risks assessments to enable access to finance. For the Belize Sugar Cane Industry, blockchain technology is helping create a direct interaction using smart contracts between the farmers and their associations, the sugar cane miller, and service providers to link agro-credit through service provision to increase competitiveness. Furthermore, it can build trust among and between the members of the business cluster group by establishing verifiable, traceable, and transparent information for the financing sector. Blockchain technology could help make the farmer's farm (e.g., the projected value of cane harvest) and financial information more readily available to financial institutions, who in turn, can provide timelier and more structured agro-credit with better terms. It would ensure that at the right time over the crop cycle, farmers can purchase agro-inputs/services through the platform, which will be a more efficient way for farmers to connect with suppliers. With the inputs and benefits obtained promptly, farmers would improve their agricultural management practices for planting, maintaining, and harvesting sugar cane, therefore, enhancing the sugar supply chain.





Impact for Financial Inclusion for MSMEs including Women and Vulnerable Groups

Micro, small, and medium-sized enterprises (MSMEs) comprise the most significant component of the productive apparatus in Latin America and the Caribbean (LAC). 99.5% of all businesses in the region are MSMEs which represents 60% of the employed population and 25% of regional GDP (OECD/CAF, 2019). According to the MSME Finance Gap survey (IFC, 2019), over 45% of small enterprises have access to credit from formal financial institutions in Latin America and the Caribbean. Half of the adult population in Latin America and the Caribbean has no access to finance, and women are the most

affected. Including women and vulnerable groups in the financial system increases the value of their assets and improves productivity and competitiveness — helping those who may live in poverty. The most significant reasons for financial services not being provided to everyone are the interrelated problems of information asymmetries and high transaction costs. The beauty of using blockchain-based solutions in countries like Belize and the 5,200 farmers from the Northern Belize Sugar Cane Industry is that it can supply a financial infrastructure for the unbanked as it can minimize risk for many financial institutions. Blockchain technology represents an attractive opportunity to accelerate financial inclusion in Belize, particularly as it relates to the needs of farmers or MSMEs embedded in supply chains. It can drop down transaction costs by providing real-time and reliable data and connecting financial institutions with farmers.

From Disrupting a Specific Industry to Fostering Economic Structural Changes

Within this context, data becomes increasingly crucial for the sugar cane industry to improve productivity and sustainability. Here is where blockchain technology does its magic and builds the path for the sugarcane industry's revolution in Belize by allowing its stakeholders, including farmers, mills, landowners, trucks, and financial institutions, to obtain up-to-date information and thus make better decisions easily. Blockchain-based solutions hold the potential to transform sugarcane cultivation in Belize and lead to the disruption of traditional industries through an integrated digital transformation that increases productivity and competitiveness, which may impact the structural change of the entire economy. Although it can revolutionize the sugar cane processing value chain into a modern, more efficient, competitive, and certifiable product for international markets, it can also help other key priority sectors for the economy of Belize, including the financial markets, agriculture, and manufacturing. While many governments may focus blockchain on digital assets only, others are increasingly looking for ways to promote industrial applications of DLTs in their digital agendas to address regulatory uncertainties and deploy digital infrastructure to support private sector innovation. With the recent approval of the Electronic Transaction Act, the Belize Sugar Cane Industry will be able to exchange Electronic Transferable Records, which is widely acknowledged as an enabler of electronic documents in trade financing and logistics, and it will have a tremendous impact on the access to credit by sugar cane farmers in Belize via the blockchain platform, in particular women and vulnerable groups.

LACCHAIN: Giving access to a world-class Blockchain Network

About LACChain and its Regional Outreach

LACChain is the Global Alliance for the Development of the Blockchain Ecosystem in Latin America and the Caribbean, founded in 2019 by the Innovation Lab of the Inter-American Development Bank (IDB Lab) with more than 70 entities working with blockchain technology. It is a “public-permissioned” network with partnerships in 9 countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Mexico, Perú, and Uruguay) with blockchain-based solutions deployed in 15 countries in the region. LACChain includes organizations from both public-private and multinational consortiums of different natures, which collaboratively promote the development and adoption of blockchain technology through use cases of social impact. It empowers governments and the private sector, universities, multilaterals, and entrepreneurs by reducing silos in the ecosystem, information asymmetries, scarcity of information, regulatory uncertainty, a costly technology, carbon footprint, and thousands of blockchain networks that are not suitable for scalability. Today, the LACChain blockchain network has 130 nodes deployed by 70 entities and more than 31 million blocks, with an average of 10,000 daily transactions and more than 58,000 daily active contract transaction senders. It hosts more than 34 projects in digital identity, health care, smallholder agriculture, supply chain and traceability, integration and value chain, public procurement, education, land registry, financial and economic inclusion, domestic violence, and social impact.



LACChain and the Internet of Value for the Sugar Cane Industry

There are enough Blockchain/DLT technologies with promising roadmaps and great development teams, including Ethereum (and Ethereum clients such as Hyperledger Besu or Consensus Quorum), EOS, Hyperledger Fabric, Hyperledger Indy, Avalanche, Symbol, and Corda. However, there is a big difference between blockchain technologies and protocols and blockchain networks. A blockchain network must develop many aspects around any blockchain protocol suitable for blockchain-based projects in LaCChain. These networks must present robustness, reliability, accountability, sustainability, scalability, affordable costs, and regulatory compliance. Additionally, the Internet in its current form does not allow for a secure transfer of both digital (e.g., a digital certificate or a digital currency) and physical (e.g., a painting, a car, or a house) assets electronically unless there is a trusted third-party involved. LACChain aims to enable the Internet of Value. It can achieve full trust between remote and unknown parties without intermediaries by combining the current Internet with a new robust and reliable blockchain layer properly provided with digital identity and digital money platforms leading to a new digital era of digital services and transactions. LACChain represents a cost-effective network solution for the Sugar Cane Industry in Belize in terms of pricing, robustness, reliability, scalability, and sustainability. Many blockchain projects failed to scale due to the high costs of blockchain solutions and networks. LACChain has the goal of providing regional and affordable infrastructure and technical tools by developing the following frameworks: 1) a framework for Permissioned Public Blockchain Networks as a set of recommendations to build neutral, secure, multipurpose, multiprotocol, regulatory compliant, and quantum-resistant blockchain networks; and 2) a second framework for blockchain-based Self-Sovereign Identity (SSI) as a set of recommendations to build multipurpose, scalable, interoperable, secure, and privacy-preserving digital credentials and wallets. A third framework for leveraging tokenized money for Retail Transactions, Cross-Border Payments, and Settlement and Clearing processes is being developed.



What should we hope for?

Blockchain offers an untapped world of opportunities for the Caribbean to enhance trust, efficiency, and speed. It contributes to the private sector's modernization, productivity, and competitiveness across the region while impacting people's lives through social inclusion. We are now seeing other blockchain applications in the region, including fish traceability, parametric insurance for small farmers and coral reef restoration, and verifiable credentials for education, and the creation of digital currencies to enable financial access. However, the adoption of cutting-edge technologies like blockchain requires public funding for R&D, digital infrastructure and skills, an articulated ecosystem that spurs innovation, and an enabling environment that allows private sectors to pilot the technology and help it scale and democratize its benefits.



To enable the adoption of blockchain in the Northern Belize Sugar Cane industry cluster, Compete Caribbean helped the cluster through a call for proposals and is currently providing technical assistance to support the project preparation, coordination, monitoring, evaluation, and grant financing the pilot's implementation. IDB Invest Advisory Services endorses the oversight of the technical cooperation, ensuring to achieve the loan's objectives, including increased production. LACCHAIN oversees the blockchain-based solution design, prototype, and integration to the LACCHAIN Network and capacity building to stakeholders. The project should increase productivity and growth of the Belize Sugar Cane Industry, increase access to credit by sugar cane farmers, and improve management practices and climate resiliency of sugar cane farmers in Belize.

More efforts are needed to deploy blockchain in the region, including a regional working group that includes members from public and private sectors and academia to define a regional agenda for blockchain adoption. The region needs to work on a regulatory framework that enables pilot implementation across industries and sectors. It should define financing mechanisms to fund R&D linked to the private sector, talent development, innovation in MSMEs and startups, and attract foreign direct investment that can generate jobs and build economic resilience.



If not tourism, then what?



Courtney Lindsay
Project Development Officer
Compete Caribbean Partnership Facility

A case for Tourism Specialization through internal diversification

Given their small size, lack of adequate exploitable resources, and distance from major export markets, small island developing state (SIDS) do not have many development options. Thus, their post-independence history demonstrate a linear process whereby most begun independence with small scale tourism and large scale commodities export, then shifting predominantly into tourism, with some combining this with off-shore financing. Commodities exports largely failed due to a lack of competitiveness against larger producers, and those with a manufacturing sector struggle to become price competitive in both the local and international markets. Additionally, off-shore financial services in SIDS- save for a few such as the Cayman Islands - have not fully developed to rival tourism as a major income earner. With bilateral assistance in the form of grants and technical assistance from international donors, productivity growth and export competitiveness in SIDS continue to be a work in progress. In the meantime, they have been, and continue to rely on tourism as their main economic activity.

The COVID-19 global pandemic which brought the industry to a halt has however reignited calls for SIDS to immediately diversify away from tourism. Experts reiterate its failure to generate broad-based socio-economic development, outlined the

capricious nature of the sector in the face of external and internal shocks, and spoke to the greater urgency of diversification due to a changing climate. While these concerns are valid, this article takes a more nuanced view. It argues that while diversification is indeed necessary, for the immediate to medium term SIDS countries should instead diversify within, rather than away from the sector. This should be done specifically at the product, demand, and skills levels. We further argue that adequate attention needs to be paid to fostering greater tourism-agriculture linkages, closer sectoral integration, and the application of research and development in the sector.

Scepticism and the call for diversification – are they valid?

There has been growing scepticism regarding tourism as a viable development strategy for SIDS that depend on the sector. In some academic and policy quarters it is viewed as the province of mainly externally-owned (and in some contexts) all-inclusive resorts. It is seen as lacking the basic elements necessary for inclusive national development (Bishop 2012, Cheers 2015). Indeed, tourism dependent SIDS rely on increasingly volatile external markets, are exposed to external economic shocks (2008 financial crisis), political shocks (9/11 terrorist attack on the US), and global health shocks (SARS in 2003, MERS in 2012, and the 2020 COVID-19 global pandemic). There have thus been consistent, and recently, more urgent calls for diversification of SIDS away from the sector.



Proponents for immediate diversification bemoan the relentless drive by SIDS to capture ever more visitors. They lament the perpetual lip service paid by governments toward diversification efforts (Brathwaite et al, 2020). They also criticize the United Nations World Tourism Organization (UNWTO) and World Travel and Tourism Council (WTTC) for its continued advocacy of a volume-based tourism growth model (Ibid). This they believe deepens SIDS' dependence on the sector, and more so, at the expense of the natural environment (Gössling et al, 2020).

These concerns are valid. Besides being a volatile sector upon which to underpin development, the economic benefits of tourism have not been entirely forthcoming. Creating backward and forward, horizontal linkages within the sector is a perennial problem for CARICOM countries and other SIDS. A large percentage of resorts are indeed foreign owned, expatriating much of the earnings from the sector. Jules (2005:2) outlined that 60% of rooms in St. Lucia were foreign-owned, concluding that “the propensity for leakage of foreign exchange is very high”. Speaking to Edmund Bartlett, Minister of Tourism, Jamaica, in 2017, Fox (2017) reported that of the 2 billion earned annually from tourism, Jamaica retained only 30% (600 million). Furthermore, resorts tend to engage in the importation of materials and goods, having built a vertical structure which essentially cuts out much of local entities, particularly micro, small and medium enterprises (MSME), from the economic benefits of the industry. For example, in 2015 importation of food products by hotels in St. Lucia was double the amount produced locally (see Michelle, 2015).



Is tourism the wrong sector for economic development in SIDS today?

While the concerns surrounding calls for diversification are correct, the assessments justifying this move are only half correct. It is not the case that CARICOM countries have settled too heavily on the wrong sector as a growth strategy, it is rather that tourism continued to evolve since the 1970s - picking up in the 1990s onward - in a way that has not brought about maximum, widescale, inclusive economic benefits. In 1972, then Prime Minister of St. Vincent and the Grenadines recognized that the kind of tourism that will truly benefit small tourism dependent economies would be away from large hotels on the coastlines and into communities. However, community tourism, while advocated, never truly took off. Tourism's ambiguity as a developmental strategy (Bishop, 2012), and its failure to support broad-based, inclusive, socio-economic prosperity due to massive leakages (USA Today, 2019), is therefore a result of lack of targeted tourism policy and industrial strategy. It is thus premature to say that the sector has been largely a failure, and calls for immediate diversification are not only unrealistic, but counterintuitive.

Tourism is the most resilient sector in SIDS that are dependent on the industry (Weidenfeld, 2018). For these countries it has been a consistent means of foreign exchange earnings since their independence, as other industrial strategies (commodity and manufacturing exports, and financial services) have largely failed due to a lack of competitiveness. For financial services, international tax and banking regulations, and generally greater surveillance of offshore finance will further weaken SIDS' ability to exploit the sector for economic growth in the short term. As mentioned, tourism has suffered major set-backs such as 9/11, the 2008 financial crisis, and the SARS pandemic, but quickly bounced back each time. For example, after the 2008 financial crisis there was, as expected, a tourism downturn in 2009. However, the number of international visitors surpassed the milestone of 1 billion tourists globally for the first time in history in 2012, a mere four years later (UNWTO, 2013). The prediction therefore that the sector will bounce back to pre-COVID levels by 2024 is not unfounded.

It's not just SIDS, some large and resource-endowed countries have maintained their focus on tourism as well.

Relative to population size, larger economies such as some EU countries also depend on tourism to large extents. The contribution of the sector to Spain's GDP ending in 2019 was 14.6 percent, and for Jamaica, 34.7 percent. Spain's population is 17 times that of Jamaica, and 256 times that of St Lucia, for whom tourism contributes 42 percent of GDP in 2019. The size of many of these larger economies means they have larger scope to diversify than do SIDS that have much smaller land mass and thus less resources to develop for the export market. Indeed, Spain was in a position to use tourism to pay for capital goods to diversify the economy (see McKinnon 1964). However, due to the significant impact of the industry on the Spanish economy, calls were made in 2002 to further deepen the sector (see Balaguer and Cantavella, 2002). The suggestion by the country's tourism minister in early 2021 to use an erupting volcano as a tourism product/attraction demonstrates that the sector continues to be a main policy focus for the country. This is the case despite the fact that earnings from tourism can allow Spain to diversify. In comparison to SIDS, earnings from tourism have historically had limited avenues for broad economic expansion due mainly to their size. The argument here is that, even though a higher proportion of SIDS depend on tourism in comparison to larger countries, some within the larger category have come to take the sector as one of their main income earners.

A similar argument can be made with another continental European nation: Iceland. The country recently moved toward tourism, despite being resource endowed and thus having other viable economic industries. With a population of nearly 357,000, Iceland's main export sectors were aluminium and fishing until they were overtaken by tourism in 2010. The country explores diversification into manufacturing (software production and biotechnology), and has the resources to do so. Furthermore, with a landmass of 103,000 km²¹ (in comparison, the landmass of Antigua and Barbuda is 440 Km²), Iceland is taking advantage of its geothermal and hydroelectric sources to allow for cheaper manufacturing costs. SIDS countries that wish to move into manufacturing must

¹ In comparison, the landmass of Antigua and Barbuda is 440 KM², a fraction of that of Iceland.

contend with high energy costs which reduces their competitiveness due to the need to import fossil fuels. For example, Iceland's electricity cost is on par with Trinidad and Tobago (a country with natural gas supplies) at USD 0.052 per Kilowatt-hour (kWh). In comparison, businesses must pay USD 0.287 per kWh in Jamaica, increasing the cost of any products they produce for export, thus decreasing their export competitiveness. The argument here is that while Iceland has the ability to move into manufacturing, it has instead increased its dependence on tourism. Indeed, praised for its diversification success in the early 2000s into financial services, Iceland was disproportionately affected by the 2008 financial crisis which collapsed its banking sector. It then turned to tourism as a major sector and is also now affected by the 2020 COVID-19 pandemic. Despite its large landmass, with a population similar to that of many SIDS, Iceland illustrates that countries having certain small state characteristics will almost always be vulnerable despite diversification efforts.

Diversification within the tourism sector – not business as usual.

SIDS have little choice but to continue to rely on tourism in the short to medium term. The argument is not that tourism should, or even will, remain the dominant sector in their economies. Developing other sectors are possible in a changing world facilitated by greater levels of technology, innovation, ICT, and automation. Sectors such as global services and niche manufacturing for export are areas in which Compete Caribbean is providing technical assistance to business clusters in the region. These, including the blue economy, remain viable options for SIDS. They will also continue to rely on avenues such as migration and remittance services, sovereignty sales² for much smaller SIDS, Citizenship by Investment³ among other short-term, innovative means of capital inflows meant to augment their tourism earnings. The post-pandemic era may also yet bring forth innovative ideas and opportunity structures for development.

There are reasons to be optimistic given the history of innovation and resilience demonstrated by SIDS. Indeed, in the past, as they transitioned from agriculture to tourism and financial services, and to such aforementioned structures as sovereignty and domain sales⁴, history shows that with each declining industry they have managed to find innovative development solutions to complement tourism. However, tourism will remain a dominant feature of island state development for the short to medium term. SIDS should therefore seek to diversify within the sector and make it more resilient and reliable. To achieve this, there must be three main forms of diversification that must be aided through state industrial policy. These are: Demand Diversification, Product Diversification, and Skills Diversification. Note that by diversification within tourism we are not making reference to different niche categories of tourism, though these are critical to tourism development. Rather, we look at different broad categories of diversification that needs to take place within the sector. Different forms of tourism diversification will be touched on under each, for example, market diversification.



² (For illustrations of Sovereignty Sale, see <https://foreignpolicy.com/2009/11/18/sovereignty-for-sale/>)

³ An area also coming under increased scrutiny and also risk further blacklisting of SIDS.

⁴ A country code domain that is generates income through a licensing fee.

For an illustration, see: <https://www.washingtonpost.com/video-games/2019/12/23/tuvalu-is-tiny-island-nation-people-its-cashing-thanks-twitch/>

I. Demand Diversification

By demand diversification we mean that tourism dependent SIDS must target and market to potential visitors outside of the standard tourist wishing to enjoy sand, sun, and sea. A myriad of surveys - some mentioned below - have emerged since the advent of the COVID-19 pandemic which contain useful analysis that tourism dependent SIDS can use. They all indicate that community tourism is the tourism of the future. It is therefore time for CARICOM countries particularly to move away from seeing the sub-sector as a niche area and move it into the mainstream through direct government policy and support. Indeed, there is a growing market for community tourism that has been accelerated as a result of the COVID-19 pandemic. WTTC and Wyman (2020) points out that 40 percent of travels now demand experiences in small towns and rural areas. This, coupled with the fact that 83 percent of global travellers were ready to travel in 2020 even before a vaccine was available (Magna Global, 2020) shows the sector is rebounding toward community tourism. Indeed, the study indicated that this sub-sector will grow by 10 percent in 2023 (ibid, 2020, 22). Community tourism has all the makings of tourism recovery. Outdoor activities such as hiking and nature will reign over tourism focused on mainly crowded destinations, and large crowded resorts and beaches (WTTC & Wyman, 2020).

The Magna Global survey (2020) was conducted with 1,950 respondents between 20-50 year old; it demonstrated that visitors were more willing to travel to the Caribbean than to Asia. When asked when they would take a trip to the Caribbean, 28.7 percent wanted to wait for a vaccine, 16.8 would travel in Christmas of 2020, while 14.4 percent would have travelled right away if borders were opened. Contrasted with Asia, the numbers were 42.2 percent, 15.1 percent and less than 10 percent, respectively. Travellers also said they would stay longer in destinations, up from 5 days to 9 days. They are also less drawn to luxury 5 star hotels, and toward off-the-beaten-path, authentic, and safe, yet comfortable experiences away from the masses. It is thus time for SIDS to begin developing and marketing new off-the-beaten path attractions and destinations within their territories. *There is a need for governments to move community tourism from being a niche, to becoming mainstream.* This will involve a delicate balance between allowing enough visitor traffic to provide rural employment, but limiting numbers to protect communities' social structures and ensure environmental sustainability, particularly locations with flora and fauna that are vulnerable to excess traffic and overcrowding.

Demand diversification requires communication. Tourism enterprises must be prepared to communicate the steps and measures they are taking for the health and safety of visitors. "In today's hyperconnected world, the ability to communicate quickly and effectively will significantly impact the rate at which business are able to regain customer trust and confidence" (WTTC and Wyman, 2020: 12). Social media is one of the cheapest and easiest means of doing this using audio-visual means. Up to 49.9 percent of 25-44 year olds, and up to 37.3 percent of 45-64 year olds research brands on social media networks for information (Hootsuite, 2021). Because word of mouth will be more important to potential travellers than standard advertising (WTTC and Wyman 2020: 18), platforms with the capacity for review and testimonials are critical. Guests leaving reviews regarding health and safety measures and protocols by destinations will be vital information that will drive others to book. Tourism enterprises that fail to take advantage of as these platforms will be left behind. Taking advantage of the downtime presented by the current pandemic (with people working from home and some having more free time) is also critical. With 500 million new social media users online, an increase that took place between 2020-2021, more people are logging on and checking social media, creating an opportunity for destinations to capture their attention. A lot of the work needed for demand diversification is already being done by programs such as Compete Caribbean⁵ in its member countries. For marketing, Compete is providing technical assistance to several countries to develop marketing and branding strategies, including social media marketing. For demand diversification, Compete Caribbean is conducting several community based tourism (CBT) cluster development projects across five countries, with strong social media and online marketing components, as well as through traditional means such as signages, print media and trade shows.

⁵ Compete Caribbean Partnership Facility (CCPF) is a Private Sector Development Program that delivers Innovative and practical solutions that stimulate Economic Growth, increase Productivity and foster Innovation and Competitiveness. We work in 13 countries across the Caribbean region.

II. Product Development and Diversification

Community tourism signifies product diversification within the broader tourism sector, as the all-inclusive sun, sand, and sea tourism has mainly exhausted itself in terms of product offerings. Indeed, it offers a plethora of activities. In a consumer research commissioned by Compete Caribbean in 2019, Euromonitor International worked with the Caribbean Tourism Organisation (CTO) to identify 14 tourism niche areas (see Table 1 below). These were further broken down into sub-activities that can be developed and even further diversified. SIDS Governments' industrial policies should include support for the development of these. Another table developed in the research further shows areas that need to be prioritized, developed, redefined, and promoted in the Caribbean, and may be applicable to other SIDS (See Table II below).

Unlike enclaved coastal tourism chains offering beach tourism and owned mainly by overseas investors, community-based tourism is a collaborative approach to tourism where community members exercise control through active participation in appraisal, development, management and ownership (whole or in part) of enterprises that deliver socio-economic benefits to the community. Farm-to-table, health and wellness, farm tours, heritage sites, ecolodges, food and beverage tours, etc. are all forms of tourism that are not only becoming more popular, but are separate from beach tourism and are intrinsically better suited to be provided within Community tourism contexts. Indeed, community tourism may be the most viable avenue for tourism diversification currently in CARICOM and other SIDS countries.



Product development is synonymous with product diversification and is critical for the region. Compete Caribbean has been helping in this respect. Several of its cluster⁶ development projects involve developing tourism products at the CBT level, including sports/fly fishing and birding in countries such as The Bahamas and Guyana; food and beverage tours, farm tours, and essential oils in Dominica; development of a nature trail in Belize, among others. Compete is also working on projects aimed at providing marketing, product development, as well as capacity building for community tourism enterprises to improve service and product offerings.

To engender CBT in the region and cement it as a mechanism to drive development, Compete has been building the capacity of the Caribbean Tourism Organisation (CTO) to design, develop and implement CBT in the region. This was done by including the organisation in the research and development of a CBT toolkit. Compete is also providing the organisation with USD 1 million to execute three CBT projects across the region in a learning-by-doing approach. To further engender sustainability, Compete also included other regional entities such as the Organisation of Eastern Caribbean States (OECS) Commission in its CBT work. The organisation has recently used Compete Caribbean's model and template to launch its own CBT call for proposals in the Organisation of Eastern Caribbean States (OECS).

⁶ A cluster is a group of interconnected firms operating near each other that collaborate and compete to obtain a larger share of the global market. Compete Caribbean is developing tourism clusters given the myriad of benefits to the private sector. The combination of cooperation and competition fosters innovation overtime; firms that are part of a cluster are stronger than those that are not; they enjoy higher productivity and higher wages; clusters attract more investment. A major benefit of development agencies using the cluster approach to deliver projects is that it increases spillovers within and across communities.

Table 1



Beach Tourism

Visits to coastal towns, sunbathe, play on the beach and participate in activities related to enjoying the sun and the sea (snorkeling, paddle boarding, scuba-diving, etc.)



Ec lodge

Offer ecological accommodation; these can be built from natural materials and embrace sustainable practices.



Farm to Table

A culinary experience that includes products locally grown or sourced. Some formats may include a farm tour, harvesting ingredients and/or cooking class in addition to a meal/tasting using locally sourced ingredients.



Farm Tour

Can include organic farm tours, specialized crop farms like coffee, cacao and farm tours with livestock. Farm tours may include meals, food tastings and accommodation.



Festival

Can be tailored to focus on cultural elements like indigenous culture, country gastronomy or music.



Food and Beverage Tour

Can include rum, coffee, chocolate tours among others. Tours might highlight the process, include a tasting and/or culinary cooking activity.



Heritage Site

Offer experiences at ruins, indigenous sites and other historical sites like churches, cemeteries, etc. where political, military, cultural or social history events have been preserved.



Homestay

An alternative accommodation in a local home; often times travelers may be staying with a family and experience their cooking. Homestays can be offered by individuals and their families or by structured organizations.



Indigenous Tourism

Is an experience that directly involves indigenous people; activities can be directly offered by these communities or their culture and beliefs can be focus of activity.



Local Tourism

Offers experiences that include multiple activities, potentially part of other tourism niches and categories, with an aim to offer an authentic and local experience. Experiences may include transportation, accommodation, meals, a guide, etc.



School Exchanges and Cultural Immersion

Often have an educational focus as primary goal and travel as a complimentary criterion. Experiences can be at formal universities, high schools and middle schools or be extra-curricular for travelers ages middle school to adults.



Traditional Cuisine

Can be offered at family and local restaurants including fish fry.



Traditional Health and Wellness

Includes locally significant wellness activities like: Mineral Baths, Spa Treatments, Courses on ancient herbs and their uses, among others.



Volunteer with Local Experience

Often have a social cause as the primary motivation with travel as a complimentary criterion. Examples can include voluntourism in response to recent hurricane destruction.



Wellness

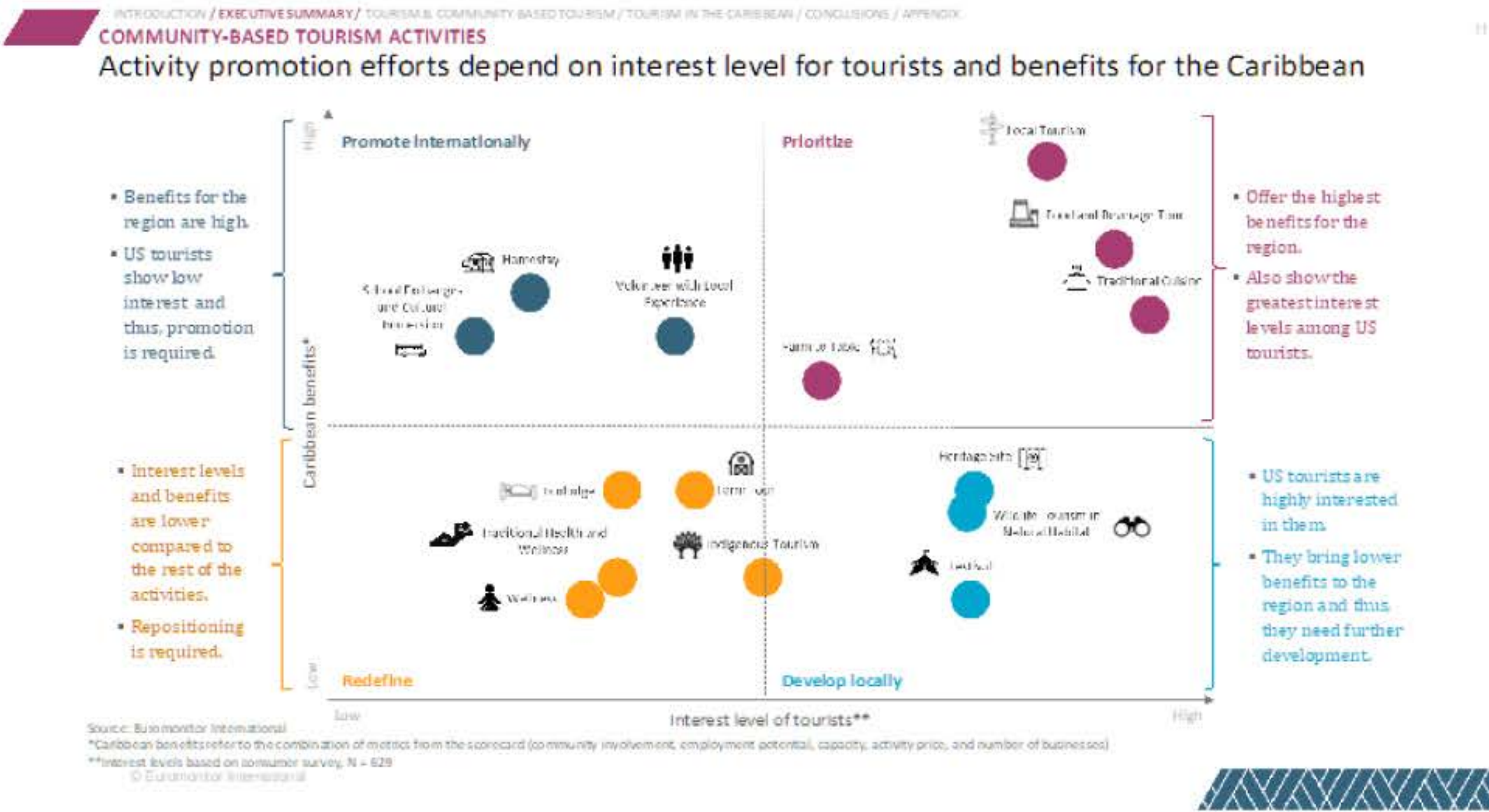
Experiences can include yoga, mindfulness and meditation retreats including detox retreats, retreats guided by expert nutritionists among other specialists.



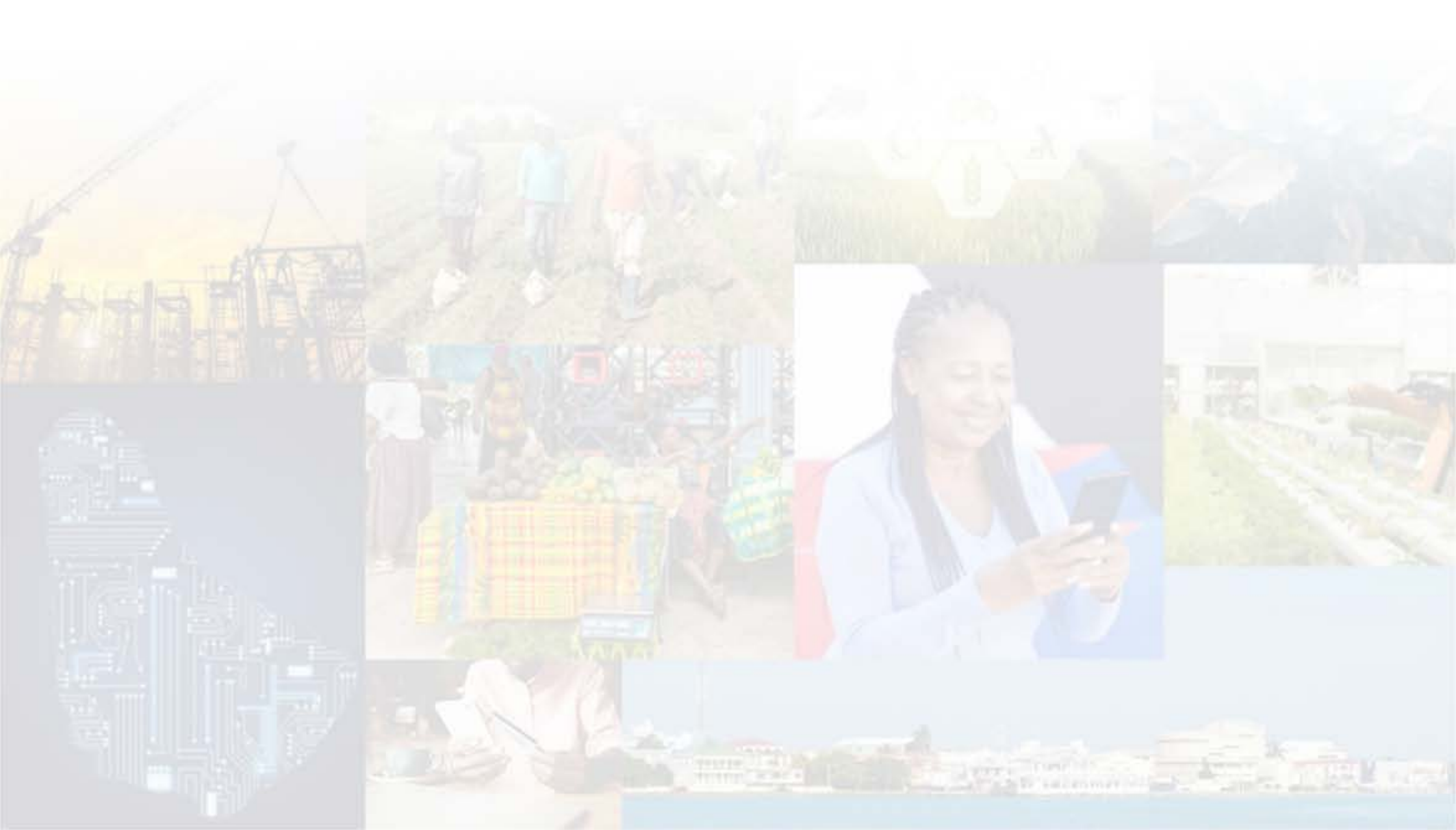
Wildlife Tourism in Natural Habitat

Includes birdwatching, turtle watching, and in general wildlife observation in their natural habitat. This does not include reserves or sanctuaries.

Table 2



Source: Consumer Survey by Compete Caribbean



III. Skills Diversification

There is a need for retraining, reskilling, and upskilling of tourism workers to prepare SIDS countries for the 'tourism of the future'. For the post COVID-19 pandemic era, governments and their development partners should train and upskill their tourism workforce - those both in the formal and informal sectors - in the use of ICT, customer-focused skills, and in health and safety guidelines and standards. Having a multi-skilled and technology adept workforce will increase the sector's competitiveness. According to a recent Innovation, Firm Performance and Gender (IFPG) survey conducted by Compete Caribbean, MSMEs in the region, including tourism entities, regarded training related to digitization and online production and operation as the most urgent area for technical assistance. There should therefore be ICT training programs for Community tourism enterprises, specifically related to upgrading and developing such skills as social media marketing, engaging with such online mediums as Google My Business, Airbnb, TripAdvisor, as well as making adequate use of Instagram, Facebook, TikTok, among other online marketing vehicles. Training in the use of online bookings will also help prepare these firms to survive and thrive in the coming tourism period. This is critical because bookings are now done mainly online, with 2 in 5 of them done via mobile phones. Governments will also need to speed up mobile/contactless payment technologies and provide training to MSMEs on their use. Travellers are increasingly digital, and tourism entities in SIDS must keep up in order to become and remain competitive.



Low-tech skills remain important: these include dynamic story-telling, tour-guiding, hospitality (goes hand-in-hand with customer-focused skills, food handling, and health and safety), and other non-ICT activities such as birding, fly-fishing, among others. Retraining in these areas will be a public-private effort, and should be part of SIDS tourism industrial strategy. The first order of business must be a hospitality workforce assessment at the community tourism level. SIDS need to identify the current level of skills, and identify critical needs to future-proof the sector and upon this, build curriculums for retraining and upskilling. This should also include business development training and training in product development and innovation. It is important that tourism entities, particularly MSMEs, are able to improve upon and create greater value to visitors through new and authentic products and services. They should also be taught to identify gaps and plan for the development of products and services they can bring to market. Yet another important area for capacity building among tourism enterprises is in environmental sustainability. Visitors increasingly wish to off-set their carbon footprints and travel more sustainably, and will be looking for destinations that protect the natural environment. Tourism enterprises that are seen to uphold environmental sustainability principles will receive and earn the loyalty of travellers, as well as benefit from positive reviews and endorsements.

It is important to note that along with the upskilling of tourism enterprises, capacity building ought to be done at the level of business support and community tourism organisations. Government agencies with a mandate for tourism development should benefit from training and train-the-trainer activities to ensure their national tourism development work is cutting edge and is aligned to the requirements of the industry. This is best executed as a public sector led initiative or executed by development partners working closely with governments. Compete Caribbean has initiated technical assistance work in over six communities across the Caribbean of both tourism support entities and community tourism enterprises. However, more work needs to be done to further prepare tourism entities and tourism workers for the post-pandemic future.

Inter-sectoral linkages and Research & Development

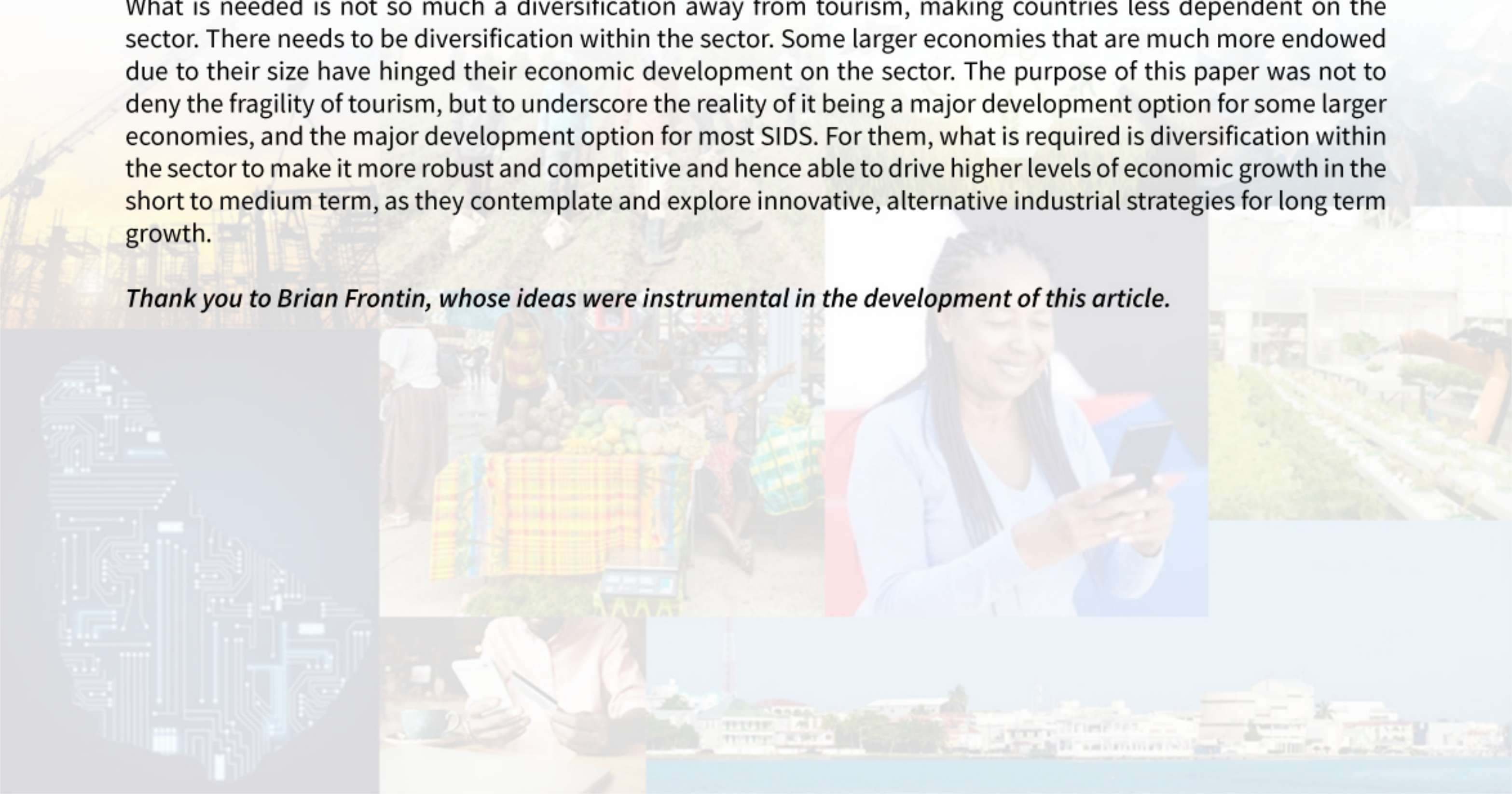
The tourism sector in SIDS needs to become more knowledge intensive. Keeping up to date with the latest studies, deriving recommendations and actioning them will help keep their destinations relevant and competitive. This is particularly important given the quality-uncertainties of consumers and their ever changing lifestyles (Weidenfeld, 2018: 1). SIDS economies should also conduct regular consumer studies to assess demands and willingness to pay. A new demographic of travellers is coming, and studies are beginning to identify what they are looking for at their destinations, and how much they are willing to spend (see Compete Caribbean consumer research). Organic and healthy eating and sampling of unique, authentic cuisine is of major interest to them (see Table II). Therefore, addressing linkages between agriculture and community tourism will benefit the region significantly. It is however not just the agriculture and tourism sectors that need greater linkages, horizontal integration of even more sectors will develop niche tourism areas, which is critical for diversifying the sector. Linkages are necessary with the medical sector, the education sector, the cultural sector, the environment, etc. This will help SIDS to more successfully develop niche areas such as medical tourism, school exchanges and cultural immersion, wildlife tourism, etc. (see Table I).

Additionally, more work needs to be done at the private sector level to reduce fragmentation and increase collaboration among businesses. In tourism dependent SIDS, there tends to be division between local firms and foreign owned ones, and between large firms and smaller ones. This hampers inter-firm specialization and knowledge spill-overs from more efficient firms to lesser efficient ones (Tilman, 2011). Furthermore, it contributes to significant leakage in tourism earnings from the economy, and reduce economic benefits for locals.

Conclusion

CARICOM countries, and SIDS generally, must come to terms with the fact that tourism will remain their route to sustained, and hopefully, improved growth for the short to medium term. However, there is need to adapt to changes within the industry in terms of visitor preferences, the realities of pandemics, the climate crisis, and the drive toward decarbonization. While it may seem counterintuitive at this time for SIDS to increase their focus on tourism, it is actually the contrary. What is counterintuitive is diversifying away from a sector that proves to be the most resilient compared to other industries and sectors in SIDS. Given constraints of small size, they are unable to develop other viable sectors and industries to a degree that can drive national development in the short term. What is needed is not so much a diversification away from tourism, making countries less dependent on the sector. There needs to be diversification within the sector. Some larger economies that are much more endowed due to their size have hinged their economic development on the sector. The purpose of this paper was not to deny the fragility of tourism, but to underscore the reality of it being a major development option for some larger economies, and the major development option for most SIDS. For them, what is required is diversification within the sector to make it more robust and competitive and hence able to drive higher levels of economic growth in the short to medium term, as they contemplate and explore innovative, alternative industrial strategies for long term growth.

Thank you to Brian Frontin, whose ideas were instrumental in the development of this article.



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Trends in the Blue Economy

What can we learn from the Caribbean?



Dr. Sylvia Dohnert
Executive Director
Compete Caribbean Partnership Facility

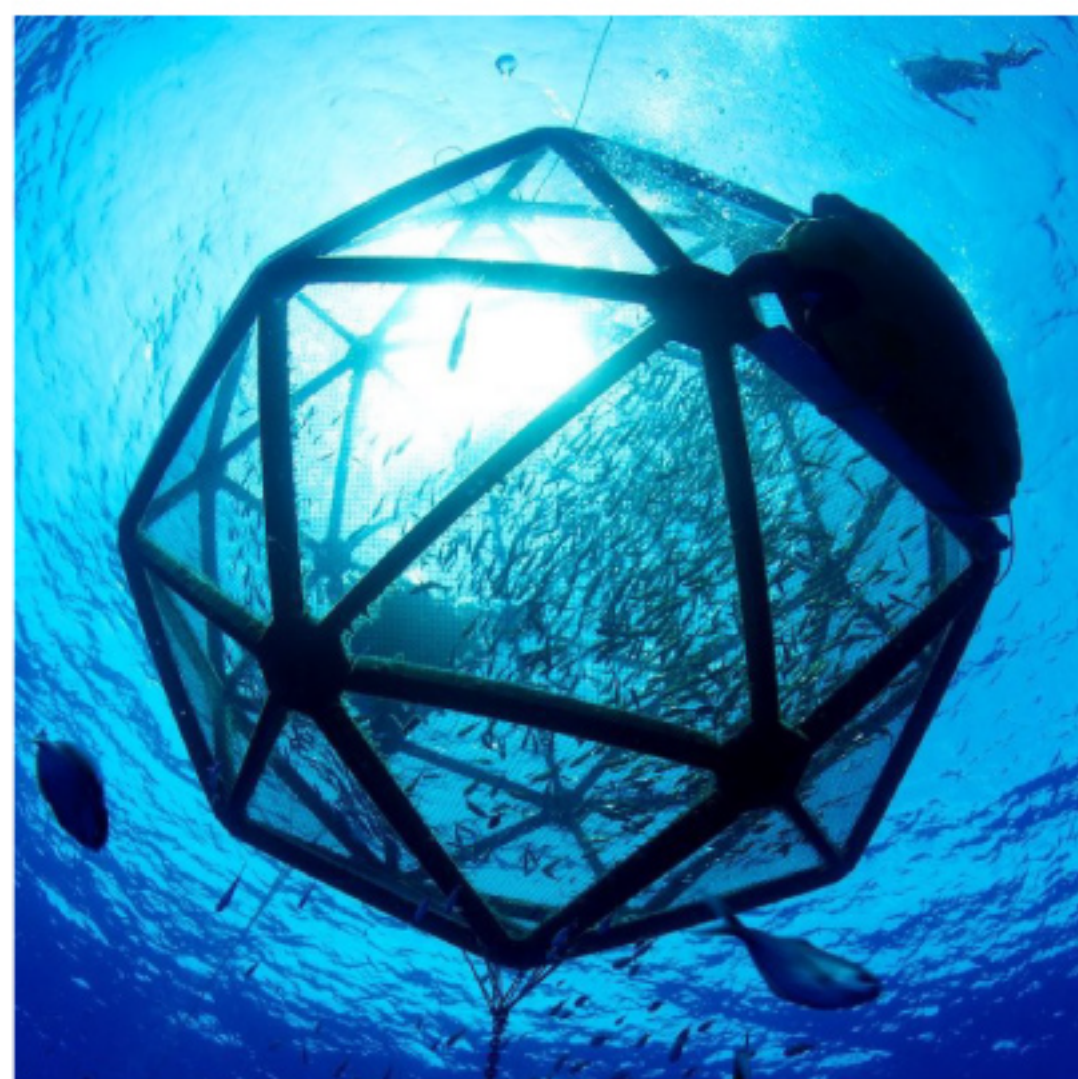
The blue economy - defined as economic activities that use marine or river resources in a sustainable way - has emerged with viable potential to expand the growth of many countries in the world. The blue economy employs a large percentage of the global population, and its contribution is conservatively estimated at US \$ 1.5 trillion annually, approximately 3% of global value added (OECD 2016). From Australia to San Diego, different national, regional and municipal governments are promoting public policies aimed at stimulating the development of this economy. From the IDB's point of view, the blue economy is important as it is aligned with four of its five priorities in the 2025 vision: small and medium-sized enterprises, integration in value chains, climate change, and gender and diversity.

This enthusiasm for the ocean as a new growth frontier is being partially fueled by the advances of Bluetech - which refers to the increasing application of new technologies to the ocean to solve problems related to the preservation of the planet and its species, such as the availability of drinking water, food security, generation of clean energy, cures for chronic diseases, new materials, and solutions against climate change (carbon sequestration, disaster prevention).

For the Caribbean countries, whose tourism-dependent economies have been impacted by the COVID crisis, there is a collective expectation that the blue economy and its associated technologies could be a new source of economic growth. This expectation stems from the confluence of several factors. On the one hand, the Caribbean countries - especially the island ones - want to be able to capitalize on the marine resources of their economically exclusive zones (EEZs), which are several times larger than their land area. For example, the EEZs of Barbados, Bahamas, Jamaica, and Trinidad and Tobago are estimated at 3.73 million square kilometers - almost 10,000 times the size of their land areas (379,000 square kilometers). On the other hand, in the current situation of high external indebtedness faced by many of these countries, concessional financing looks highly attractive, and the multilateral organizations that can offer it are very interested in meeting the Sustainable Development Goals (SDG) agreed upon in the United Nations framework for 2030. Several of the SDGs are directly related to the ocean - for example, SDG 14: "Conserve and sustainably use the oceans, seas and marine resources for sustainable development" - while others are indirectly - for example, SDG 2 on food security, SDG 7 on energy, SDG 6 on water, and SDG 13 on combating climate change. Finally, there are several private global impact funds that actively seek investment opportunities in the blue economy in the Caribbean. This is an indication that the market detects an opportunity for growth in the Caribbean blue economy and at the same time recognizes the high potential for social and environmental impact that these investments would have.

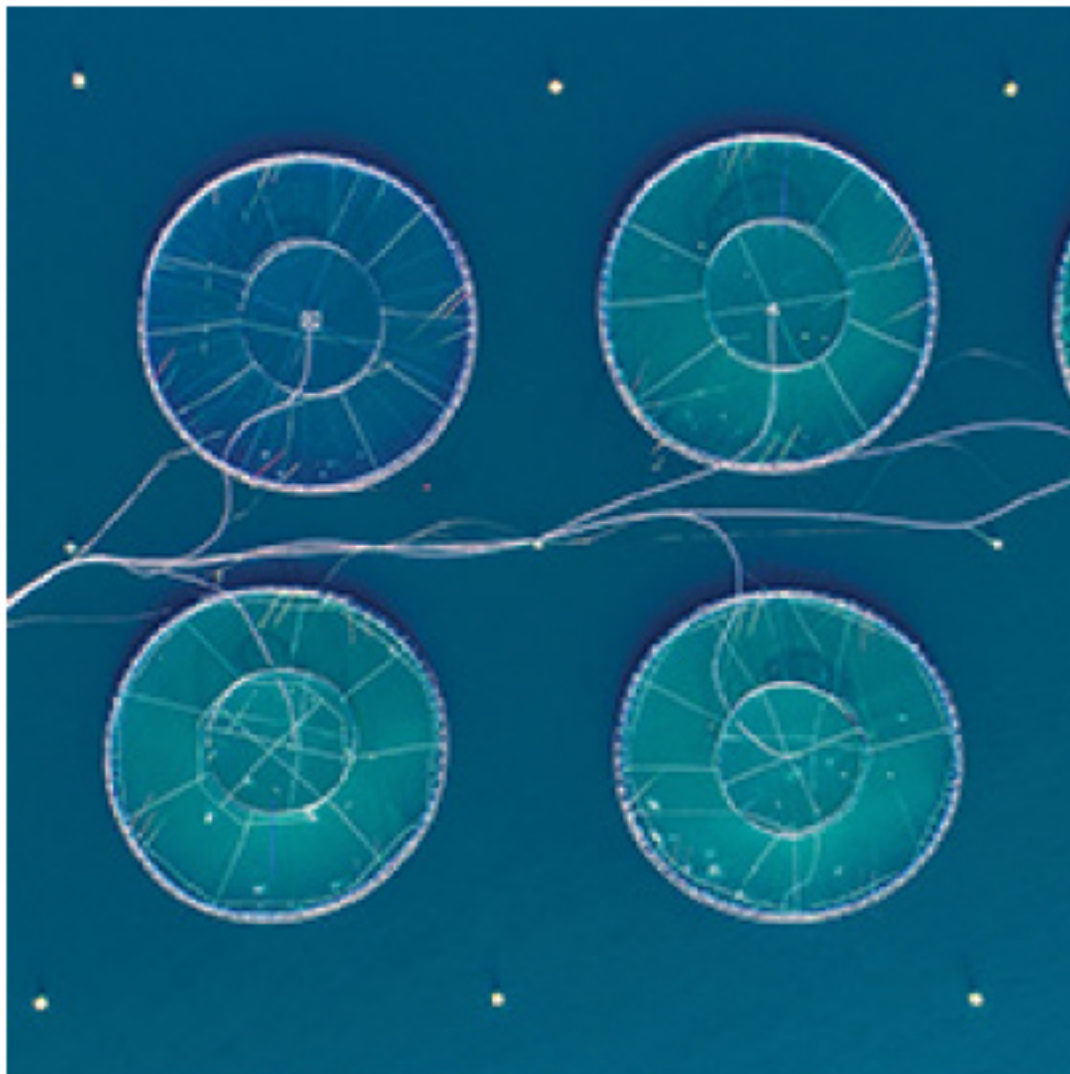
What's Happening in the Caribbean Blue Economy?

In the Americas, the Caribbean is the subregion whose future is most compromised by issues of climate vulnerability and population scale, and which at the same time could benefit the most from strong development of the blue economy. It is therefore interesting to look at trends in the blue economy in this region. The Compete Caribbean, which is a technical assistance program financed by the Inter-American Development Bank, the governments of the United Kingdom and Canada, and the Caribbean Development Bank, has been supporting the development of the private sector in the region with technical assistance. to governments and companies of 13 Caribbean countries, intensifying their support for the blue economy in the last 18 months. Through this support, it has been possible to identify the blue economy issues of greatest interest to both governments and Caribbean companies, which are summarized below.



The public sector in most Caribbean countries is interested in improvements reforms institutions to improve governance over the marine space, and to develop a set of coherent public policies (or increase coherence between existing ones) to stimulate private activity that uses marine resources, at the same time ensuring their sustainability. Barbados and Belize created new blue economy ministries that absorbed and now coordinate their former units for coastal and maritime surveillance, port logistics, fisheries and coastal tourism, and these ministries are beginning to develop comprehensive strategies to stimulate private sector development in the economy. blue. The government of the Bahamas, supported by IDB policy loans, promoted major legislative and public policy changes to ensure the sustainability of the maritime environment - it created a Ministry of the Environment, has made progress in protecting maritime areas, established legislation and procedures to protect its marine genetic resources and promoting scientific research, began to comply with agreements related to MARPOL, and is preparing for the possible issuance of a blue sovereign bond. Many of the smaller island governments of the Western Caribbean passed legislation to ban the use of plastics, completed mapping of their maritime space, and in recognition of the collective aspects of marine resources, established a marine governance body that groups 6 countries. Trinidad and Tobago completed a mapping of its marine areas and is modifying the legislation for the use of maritime space - who can use it, for what and how - which can give rise to new industries in the Caribbean such as mariculture.





What is happening at the Private Sector Level?

Compete Caribbean has launched three calls (one of them in conjunction with the IDB-Lab) to support innovative private activities in the blue economy. From the statistics collected from these calls, it appears that the areas of greatest interest to the private sector are: marine litter management and circular economy, fishing and aquaculture, coral restoration and marine energy.

In terms of waste reduction and circular economy, there is a lot of interest in the recovery and reuse of plastics and sargassum to produce useful materials. In the fishing and aquaculture industries, there is a lot of activity around improving traceability and / or sustainability in fishing areas, in order to guarantee a sustainable industry and comply with quality / green standards that ensure access to international markets. In the third most frequent area, which is the restoration of corals and reefs, the

proposals present different models for financing this activity, as well as novel technologies for the rapid multiplication of corals. Another area of significant interest is the production of data to monitor marine space, either with the use of robots, automated instruments, or interpretation of satellite data. This last area stands out because given the small population of these countries and their scarce resources compared to the extension of their marine areas, there is a big gap in the matter of marine data collection and monitoring, even in protected areas.

The blue economy projects that Compete Caribbean is supporting reveal some of the gaps that must be addressed to develop these industries. Some aspects of the regulatory frameworks regarding private activity still need to be clarified. For example, the algae cultivation industry, despite being traditional and having a very high export value, has not developed on a large scale due to the absence of a regulatory framework that clarifies who can obtain permits to cultivate algae, in what way, and in what place, which greatly slows down investment in this industry. The low investment in research and development, and the little connection between

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local R&D activities with the bio-genetic potential of marine resources limit the gains that these blue economy countries can obtain. Even those countries that have signed the Nagoya protocol have not figured out how to connect local researchers with research being done internationally from local genetic resources. Ecosystems to support entrepreneurship and innovation are weak in most of these countries, which limits the possibility of fostering local development of innovative blue products and services.



On the other hand, to take advantage of the potential of the SEZs, an investment capacity possibly greater than that which exists in the countries themselves is required. This raises questions about how to attract foreign investment to the blue economy, and how to integrate local companies and populations that have traditionally had access to the marine resource (fishermen, coastal inhabitants) in activities where foreign companies also participate. Finally, as in the rest of the world, much remains to be done in terms of data collection to establish baselines that help define public policies and private projects more precisely, as well as to monitor the impact of policies. public.



Finally, even though the blue economy encompasses certain verticals (eg, fishing, tourism and new industries), it also touches on cross-cutting issues that have implications on the environment and the quality of life of the population. Therefore, developing the blue economy requires great coordination, not only between different levels of government, but also with academia, the private sector, civil society and coastal communities.

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Corporate Venturing in the Caribbean

The collaboration between established
Corporations and Startups

Collaborators



Mario Reyes Saldías
Wayra Hispam



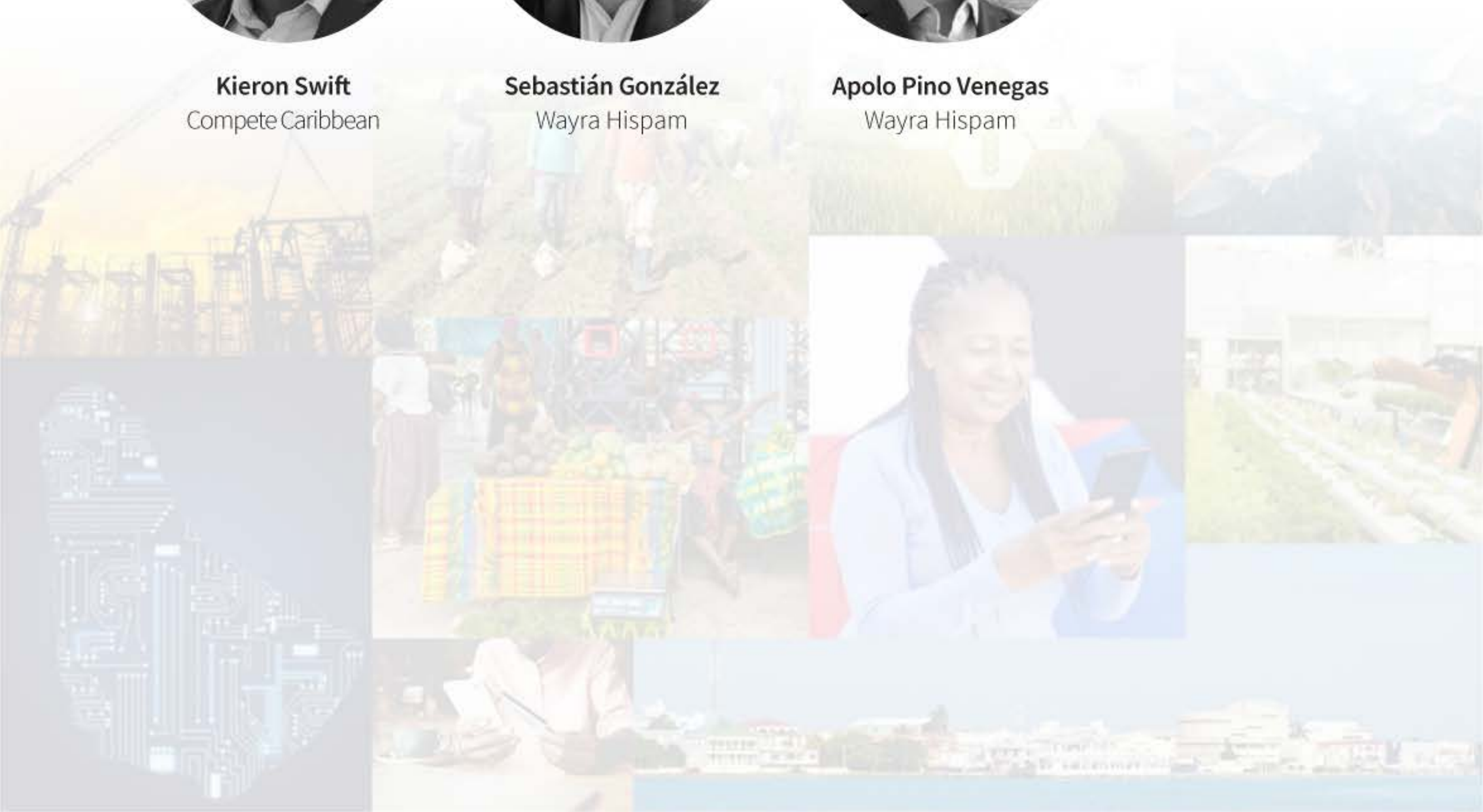
Kieron Swift
Compete Caribbean



Sebastián González
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Building Resilience in the Caribbean: Towards Green Strategies for Attracting FDI

The toll that the Coronavirus COVID-19 pandemic has taken on the countries' ability to attract and retain investments.

The COVID-19 pandemic has affected many aspects of modern life, including the countries' economies and the global investment landscape. The unprecedented disruptions to the global economy following the health crisis, coupled with the strict policy measures introduced by governments worldwide to suppress the spread of the pandemic, impacted the socio-economic pillars of very dependent societies. These factors contributed to a strong decline in global flows of foreign direct investment (FDI)¹ and led to an economic scenario of less fiscal space. A key driver of economic development, FDI shrank by 42% in 2020 compared to 2019, according to the United Nations Conference for Trade and Development (UNCTAD).

For Small Island Developing States (SIDS)², the pandemic has exacerbated their current vulnerabilities, and the Caribbean countries are no exception. Gross Domestic Product (GDP) losses in the Caribbean have surpassed the two digits in some cases, and the region suffered the sharpest decline in FDI to developing countries in 2020³. Investment in critical sectors that enable the achievement of the sustainable Development Goals (SDGs) - such as infrastructure or energy - contracted by over 75%, adding to the region's vulnerability. The damage to Micro, Small and Medium Enterprises (MSMEs) has been significant as well, contributing to the rise of poverty and unemployment, especially in the tourism sector, traditionally the largest recipient of FDI in the region.

The role of IPAs and how the Caribbean Region has been historically lagging behind on FDI attraction.

Historically, most of Caribbean countries have struggled to attract and retain a fair share of FDI compared to other regions in the world. Governments have largely suffered from budgetary issues and financial limitations, lack of technical capacity, and bureaucratic and procedural issues which have limited their competitiveness to attract investments, even before the pandemic.

Virtually all countries actively seek to promote, facilitate and retain FDI, and they usually rely on agencies specifically mandated to this end, typically referred to as investment promotion agencies (IPAs). Although their institutional and organizational structures may vary, from a general perspective these agencies focus on the creation of productive, long-lasting business relationships with foreign companies to generate a positive impact in the national economy (e.g., via job creation, wage increase, productivity, and technology transfer and innovation, among others).

¹ The IMF's Balance of Payments Manual, fifth edition (BPM5) defines FDI as a category of international investment that reflects the objective of a resident in one economy (the direct investor) obtaining a lasting interest in an enterprise resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise, and a significant degree of influence by the investor on the management of the enterprise. A direct investment relationship is established when the direct investor has acquired 10 percent or more of the ordinary shares or voting power of an enterprise abroad.

² <https://www.un.org/ohrlls/content/list-sids>

³ UNCTAD's World Investment Report 2021

A recent study by the Inter-American Development Bank (IDB) and Organization of Economic Cooperation and Development (OECD) found that on average, IPAs in Latin America and the Caribbean are smaller in size, have a lesser degree of specialization, and lack focused strategies, compared to those of OCDE⁴ countries. The same study revealed that IPAs' relative size and specific strategies matter for their effectiveness: there is a positive relationship between IPAs' budget size and targeting intensity, and the FDI that they have been able to attract, both in terms of total stock value and the total number of affiliates of multinational companies (MNCs) established in the country (per capita).

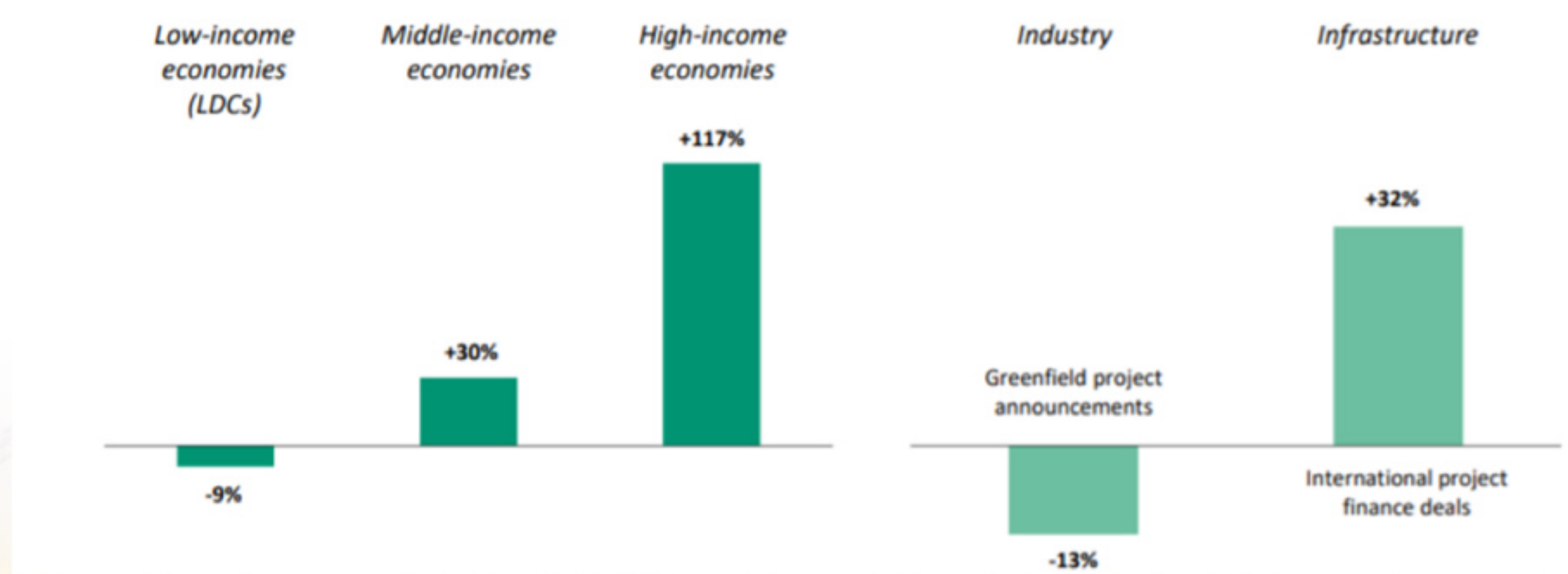
The potential rebounding effect in the Caribbean, following global trends

It is undeniable that the economic disruption brought about by COVID-19 has restricted the activities of governments and IPAs towards their goal of attracting and retaining investments. However, several trends of the past few years, such as the sector prioritization, including the shift towards sustainable projects and investments and the push towards digitalization, have been accelerated and strengthened by the pandemic.

Furthermore, the first half of 2021 witnessed that global FDI flows doubled more than \$870 billion, signaling the beginning of the recovery period, and surpassing pre-pandemic levels -43 per cent higher than in the first half of 2019- per the latest data released by the OECD. However, the rebound has proven to be uneven, with a more limited impact on middle-income and least developed countries (See Figure 1).

Figure 1. Uneven rebound/recovery FDI growth

(Quarterly growth rates 2021 H1 vs 2020 for FDI, first three quarters for projects)



Source: UNCTAD based on fDi Markets

Globally, the losses generated by the pandemic recovered by approximately 70% in the first two quarters of 2021, although uncertainties remain abundant, according to UNCTAD. This is particularly evident for greenfield investments, a type of FDI in which a parent company creates a subsidiary in a different country.

The global FDI outlook for 2022 has improved from earlier projections, including that of developing countries. For the Caribbean region, which along Central America is expected to have the global largest rebound (7.5%), many health-related factors will continue to influence such recovery, among them the new disease variants and the pace of vaccinations. On the economic side, travel bans -critical for one of the most tourism-dependent regions (See Figure 2)- as well as labor and supply chain bottlenecks will also be critical in the short-run.

How IPAs in the Caribbean need to reinvent

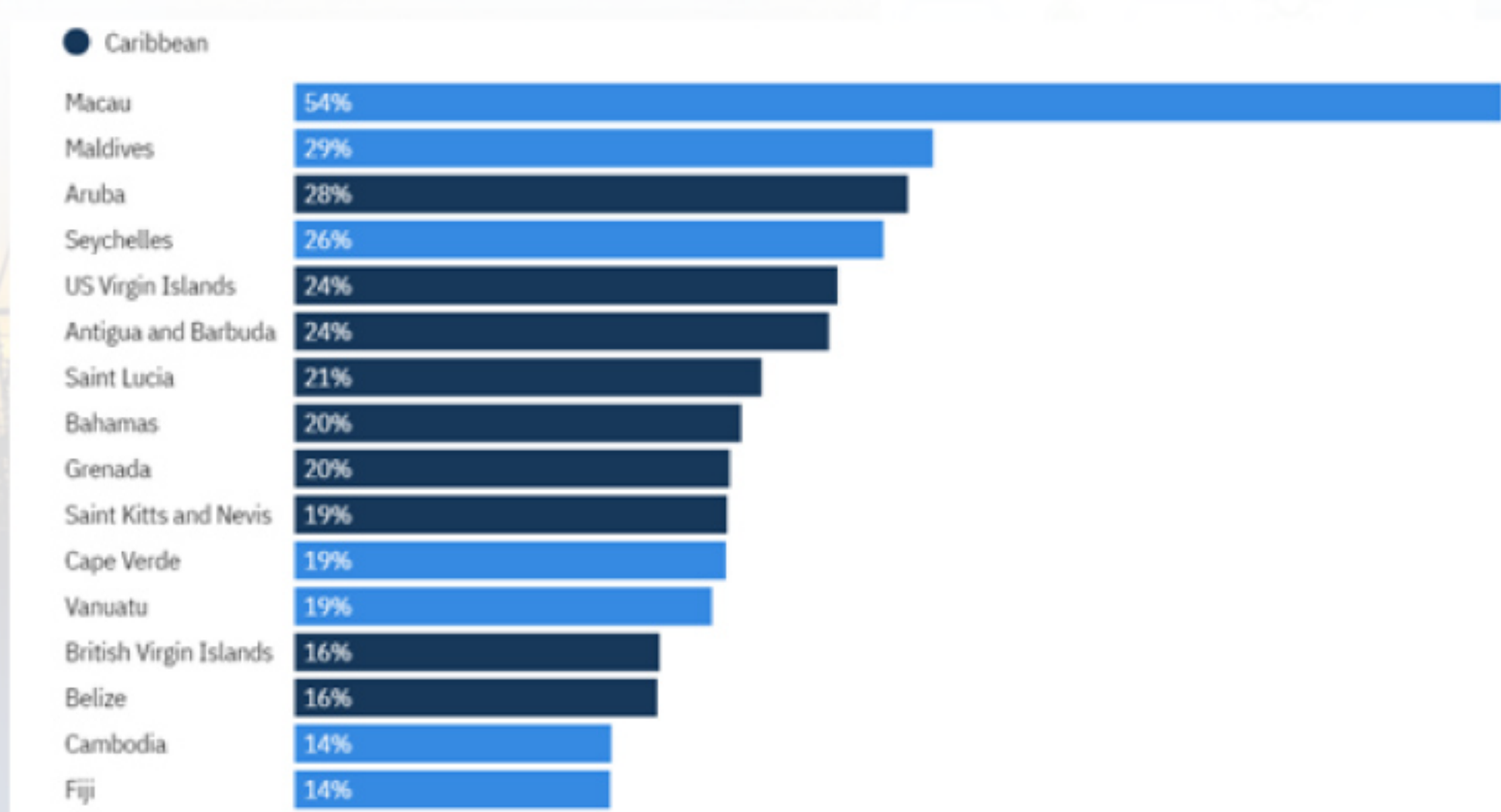
There is a significant positive correlation between quality of investment promotion activities and FDI inflows, especially when the IPAs target competitive segments, proactively provide quality services and advocate for policy reforms, generating up to USD189 in FDI attracted for every USD1 spent⁶. The post-pandemic scenario presents a great opportunity for the Caribbean to capitalize on some of the common changes anticipated by IPAs such as the impact of digitalization and technology disruptions. More importantly, the current restructuring and robustness of global value chains urges governments for a revision of the overarching goals on investment, as well as investment promotion policies in a context of increased competition.

The region can boost the recovery trends by designing targeted investment attraction strategies that focus on firms' resilience, seeking to attract and retain FDI associated with nearshoring activities to large source countries that are currently based in other areas of the globe. It is worth noting that any policy effort should be complemented by operational instruments to improve local capabilities position the agencies as active connectors and stimulators of direct linkages between MNCs and domestic enterprises.

Some nations and their IPAs, given the increased pressure for sustainable investments, have started to capitalize the shifts in global FDI flows and accelerated growth by shifting FDI attraction policies towards sustainability-enhancing firms and green sectors to tackle the challenges of global warming (See Figure 3). These include:

- Reorienting policy tools and incentives away from more polluting industries and sectors and towards sustainability-enhancing investments, including sustainability considerations, evaluations, and standards as part of sector prioritization and advocating for conducive policies.
- Reformulating the value propositions to international investors with an increased importance of the protection of the environment.
- Develop tailored marketing strategies for the facilitation of sustainable FDI.
- Develop local supplier databases and matchmaking programs for green sectors.

Figure 2. Contribution of tourism to GDP, 2019. Caribbean countries vs others



Source: Investment Monitor

⁴ Volpe and Sztajerowska, 2019. See report here.

⁵ <https://www.investmentmonitor.ai/insights/fdi-forecasts-and-trends-to-watch-in-2022>

⁶ Torfinn Harding & Beata Javorcik, 2012. "Investment Promotion and FDI Inflows: Quality Matters," Economics Series Working Papers 612, University of Oxford, Department of Economics.

In this sense, blue economy -defined as the simultaneous promotion of economic growth, environmental sustainability and strengthening of oceans ecosystems by maximizing the value of marine resources- stands out as one of the most promising sectors for the Caribbean countries. It comprises different segments, such as tourism, maritime transportation, energy, marine biotechnology or fisheries which have the potential to transform these countries to resilient nations striving to be large ocean states underwritten by a vast blue asset base. Creating investment strategies, value propositions and institutional roadmaps are amongst the most useful approaches to attract FDI and support their economic restructuring while building resiliency to exogenous shocks and preserving their natural heritage.

How CCPF supports the work of IPAs in beneficiary countries

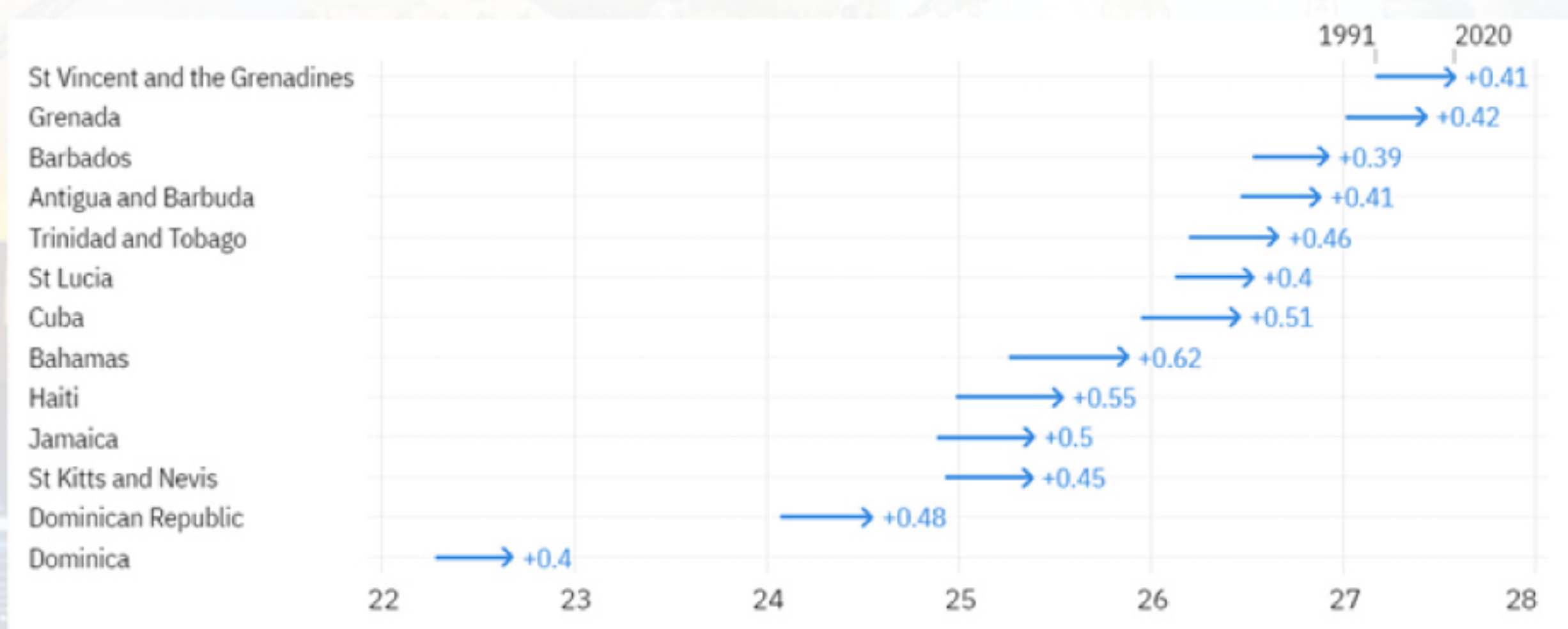
Best-practice investment promotion can make the difference for Caribbean countries. IPAs are at the first line of interaction with international investors and play the role of interlocutor between them and the government, oftentimes being the best entities positioned to advocate for policy measures to solve investor issues more systematically and enhance the investment climate.

As part of their service offering for investors, these agencies must work even more closely with other relevant public bodies and stakeholders to deliberate on feasible measures to alleviate the impact on private investment and work towards a systemic recovery across the different economic areas.

Nearshoring will play a key role in the Caribbean's economic recovery and sustainable growth in the recovery stage, hence the need for the IPAs in this region to strengthen the efforts in overcoming the institutional barriers preventing them to unleash their full potential.

Compete Caribbean (CCPF) is actively supporting the economic recovery in the region through its technical cooperation portfolio, directed towards increasing the countries' capacity to attract private sector investment in priority sectors (e.g., blue economy, energy, and technology support services). These efforts will ultimately aim at generating employment and supporting private sector resilience while contributing to the achievement of SDGs targets in the Caribbean region.

Figure 3. Change in average temperature (°C) in the Caribbean, 1991-2020



Source: Investment Monitor based on Climate Knowledge Portal

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Dr. Sylvia Dehaene - Executive Director, Compete Caribbean
- PRESENTATION | 10:05AM - 10:25AM
Alvaro Bosa - Director of Transfer and Development, Pontificia Católica University of Chile
- Q&A SESSION | 10:25AM - 11:00AM
Keesen Swift - Project Development Officer, Compete Caribbean

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▶ WEBINAR SNAPSHOT



Seasons Greetings

**and Best Wishes for 2022 from the
Compete Caribbean Team**

• Sylvia • Wayne • June • Alex • Courtney • Greg • Keisha
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