IDB report finds Caribbean businesses need more innovation and productivity

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A new report by the Inter-American Development Bank (IDB) is urging Caribbean governments to focus on policies that facilitate businesses' efforts to innovate and improve productivity.

The IDB said the policies should focus on the constraints expressed by business owners themselves through enterprise surveys conducted in the Caribbean.

The report titled " Reflections on Innovation and Productivity as Caribbean Businesses Emerge from the Pandemic, " addressed the question of whether the Caribbean would return to the slow long-run growth of the pre-COVID-19) pandemic period.

The Compete Caribbean Partnership Facility, a multi-donor, private-sector development programme financed by the IDB, the governments of the United Kingdom and Canada, and the Barbados-based Caribbean Development Bank (CDB), collected business-level data from nearly 2,000 firms across 13 Caribbean countries.

The report includes an overview of the past performance in terms of economic growth and productivity. It describes the Compete Caribbean data and summarizes recent research papers analyzing that data and conclusions from that research.

The country sections draw on the Compete Caribbean database to describe the country level challenges facing firms in The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

According to some of the key findings of the report, pre nomic growth performance was relatively poor.

It said in the 20 years prior to the pandemic, the average growth rate was far below the average for low- and middle-income countries. The average growth gap varies from two to five percentage points. The commodity exporters grew faster than tourism-oriented economies, although that advantage faded during the second decade of the century.

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Behind this low growth was poor performance in aggre of productivity.

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The report also found that innovation plays a key role in uctivity as well as a gender-inclusive dimension.

Dr Camille U Adams

"Overall, the evidence shows that while proactive innov affects business productivity and efficiency, innovations implemented in response to pressing external shocks (like the COVID-19 pandemic) do not necessarily generate gains in terms of efficiency.

"This insight points to the relevance of policies geared to continuously promote technological adoption and business innovations across the entire business cycle. The evidence also reveals that, while the pandemic shock affected employment differentially by gender, policies aimed at limiting female unemployment are not only needed for equity but also are effective at improving productivity."

The report notes that the evidence presented shows that firms that effectively mitigated female employment losses, were also more successful in limiting productivity losses.

The report's country sections use the data set to document the specific productivity challenges of each country.

It said that while access to finance and infrastructure challenges, such as electricity and telecoms, are common across countries, the depth of those challenges varies, and other specific issues emerge for each country.

"Business owners and managers face their own unique challenges depending on the country to improve the performance of their companies, both large and small."

Overall, this report reveals the importance of data and analysis to unlock the key determinants of productivity and innovation in the region. The abundant data sets in the book are publicly available here.

"We hope that Caribbean researchers and policymakers will draw on this database, as a regional public good, that can improve economic policy design across the region." said David Rosenblatt, the Regional Economic Advisor for the IDB's Caribbean Department.

WASHINGTON, May 17, CMC

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