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Caribbean Development Dynamics 2026

Investing in Sustainable and Resilient Development

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INVESTING IN SUSTAINABLE AND RESILIENT DEVELOPMENT

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Foreword

Caribbean Development Dynamics 2026 is the second edition of the flagship report by the OECD Development Centre and the Inter-American Development Bank (IDB), analysing key development trends in the Caribbean through a comparative and multi-dimensional approach. This publication is the result of the fruitful dialogue between the two institutions and reflects their shared conviction of the need for a dedicated report to inform policy dialogue on the development of the Caribbean region.

The report seeks to shape the debate on development opportunities in the Caribbean by providing comparable data, policy recommendations, and a regional perspective on shared policy priorities, while recognising diversity as a unique asset. It also underscores the specific challenges facing the region and brings into the discussion relevant policy experiences – from within and outside the region – that can unlock development.

This edition reflects the strong engagement of the OECD Development Centre and the IDB with the Caribbean. The OECD Development Centre is expanding its work and membership with the region, while the IDB is carrying out this work under the framework of its flagship regional programme, ONE Caribbean, which provides an operational platform to translate shared regional priorities into implementable investment pipelines, strengthened institutions, and scalable partnerships. This institutional collaboration reflects a shared commitment to advance the region's development agenda by leveraging resources, strengthening co-operation and harnessing economies of scale to tackle critical shared challenges across the Caribbean.

The report focuses its analysis – with different levels of data availability – on 16 Caribbean countries: Antigua and Barbuda, Barbados, The Bahamas, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. These 16 countries are part of the 39 SIDS. The report analyses them alongside the Latin America and OECD averages. When relevant, the analysis also incorporates the perspective of the "Greater Caribbean", including other countries and territories in the Caribbean basin.

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IDB's contribution was managed by Ian Mills, Unit Chief of the ONE Caribbean Coordination Unit, alongside Valerie Mercer-Blackman, Regional Economic Advisor, under the guidance of Anton Edmunds, General Manager for the Caribbean Country Department. The core team included Daniel Hernaiz Diez de Medina, Economic Lead Specialist and Alejandra Quinonez Sanchez, Operations Associate; supported by Carolyn Robert, Strategic Advisor for the Vice President for Countries and Regional Integration; and Carla Fernández-Durán, Strategic Partnerships and Resource Mobilisation Senior Specialist; under the guidance of Anabel González, Vice President for Countries and Regional Integration and Matias Bendersky, General Manager of the Global Partnerships Office.

The report benefited from research, drafting and close collaboration and discussion among various colleagues across these organisations, including Pablo Antolin, Jose Antonio Ardavin, Federico Bonaglia, Bert Brys, Karina Cázarez, Luis Cecchi, Ben Dickinson, Luisa Dressler, Gabriel Di Paolantonio, Abdoulaye Fabregas, Diego Gonzalez-Bendiksen de Zaldivar, Laura Gutiérrez Cadena, Hamadi Hakim, Paul Hondius, Diana Hourani, Johannes Jütting, Paul Lanusse, Zayda Manatta, Thomas Manfredi, Marcela Miranda, Letizia Montinari, Mariana Navarro, Sebastián Nieto Parra, Pierce O'Reilly, René Orozco, Paz Patiño, Cecilia Piemonte, Harry Tonino, Piera Tortora, Juan Vázquez Zamora and Martin Wermelinger (OECD), Diether Beuermann, Liliana Castilleja Vargas, Bernardo Deregibus, Victor Gauto, Monique Graham, Daniel Hernaiz Diez de Medina, Valerie Anne Mercer-Blackman, Travis Klaus Mitchell, Henry Mooney, Onoh-Obasi Okey, Cloe Ortiz de Mendivil, Jose Luis Saboin (IDB). The report was reviewed by various IDB specialists including Lenin Humberto Balza Angulo, Francisco Castro y Ortiz, Carla Fernández-Durán, Jeremy Harris, Phillip Edward Kiefer, Ian Mills, Camilo Jose Pecha Garzón, Pau Puig Gabarro, Gerardo Reyes-Tagle, Enrique Iglesias Rodriguez Ancor Suarez Aleman, Gines Suarez Vazquez, and Hongrui Zhang. Julia Peppino, Anne-Marie Trang and Blanca Ramirez (OECD) provided invaluable administrative support.

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Editorial

The Caribbean has significant development potential that requires scaling up investment – at greater speed and at greater scale. This second edition of the OECD-IDB *Caribbean Development Dynamics* report sets out how that can be done.

The region brings strong assets but also faces persistent constraints. Small market size, modest productivity, limited disaster resilience, and repeated external shocks – compounded by constrained fiscal space, high financing costs, and infrastructure and connectivity gaps – continue to hinder development. This challenge is well known, but it can be addressed.

The Caribbean is among the regions most exposed to climate and disaster risks, despite contributing little to global greenhouse gas emissions. This reality strengthens the case for an investment agenda centered on resilience and sustainability. The experiences of small, open economies in managing risk, financing resilience, and mobilising investment also provide valuable lessons for global development and financial systems.

The report presents three priority areas for policy action. First, regional integration and international partnerships are essential. Caribbean countries share vulnerabilities, but they also share opportunities to develop solutions. Deeper regional co-operation can amplify investment, reduce costs, strengthen institutions, and bring scale to projects that would be difficult to deliver individually. Platforms such as the IDB Group's ONE Caribbean programme provide a practical framework for this co-operation – aligning priorities, strengthening pipelines, and mobilising public and private investment across countries.

Second, resilience must be embedded at the core of investment planning and decision-making. Resilient infrastructure, early warning systems, and well-designed public-private partnerships are essential to protect livelihoods, safeguard natural assets, and reduce long-term fiscal risks. Investments aligned with the Caribbean's strengths – such as the blue economy, renewable energy, sustainable transport, and tourism – can support growth and long-term development.

Third, the scale of investment requires diversified financing sources. Domestic resource mobilisation, private-sector participation, and international capital flows all play key roles. Innovative instruments, including green, social, sustainability, sustainability-linked and blue bonds, debt-for-nature swaps, and climate-resilient debt clauses, are also reshaping how Caribbean countries finance development and manage risk. The IDB Group has participated in five of the ten most recent market-based debt swap operations, working with other multilateral development banks, private investors, and guarantors.

Building on that experience, the Caribbean multi-guarantor debt-for-resilience initiative aims to move from ad hoc transactions to a more structured approach. For its part, the OECD Development Centre, as it expands its engagement with the Caribbean region, can bring its broad expertise on development and provide a unique platform for policy dialogue, where Caribbean issues are discussed across members of its Governing Board. The OECD's Strategic Framework for Latin America and the Caribbean provides a structured basis for advancing these efforts and deepening engagement across the full range of shared policy priorities.

Together with regional stakeholders and international partners, the OECD and the IDB Group remain firmly committed to supporting Caribbean countries as they advance their development agendas.

Mathias Cormann
Secretary-General
Organisation for Economic
Co-operation and Development

Ilan Goldfajn
President
Inter-American Development Bank

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Abbreviations and acronyms

ACS	Association of Caribbean States
AECID	Spanish Agency for International Co-operation for Development
AFD	Agence française de développement
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America and the Caribbean
CANARI	Caribbean Natural Resources Institute
CARDTP	Caribbean Digital Transformation Project
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CAT bonds	Catastrophe bonds
CBF	Caribbean Biodiversity Fund
CBI	Citizenship-by-Investment
CBB	Central Bank of Barbados
CCCCC	Caribbean Community Climate Change Centre
CCCE	Caribbean Chamber of Commerce in Europe
CCF	Contingent Credit Facility
CCREEE	Caribbean Centre for Renewable Energy and Energy Efficiency
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDB	Caribbean Development Bank
CDD	Caribbean Development Dynamics
CDEMA	Caribbean Disaster Emergency Management Agency
CELAC	Community of Latin American and Caribbean States
CIAT	Inter-American Centre of Tax Administrations
CIT	Corporate Income Tax
CRDC	Climate Resilient Debt Clauses
CREWS	Climate Risk Early Warning Systems
CRFM	Caribbean Regional Fisheries Mechanism
CSME	CARICOM Single Market and Economy
CSO	Central Statistics Office
CTO	Caribbean Tourism Organisation
DBJ	Development Bank of Jamaica
DFIs	Development Finance Institutions
ECCB	Eastern Caribbean Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
EIB	European Investment Bank
EM-DAT	International Disaster Database

EMDEs	Emerging Markets and Developing Economies
ERTR	Environmental Related Tax Revenues
EU	European Union
EUROSTAT	Statistical Office of the European Union
EWS	Early Warning Systems
EXIMBANK	National Export Import Bank of Trinidad and Tobago
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial ActionTask Force
FDI	Foreign Direct Investment
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFCF	Gross Fixed Capital Formation
GGIA	EU-LAC Global Gateway Investment Agenda
GHG	Greenhouse Gas
GMT	Global Minimum Tax
GSSSB	Green, social, sustainability, sustainability-linked and blue bonds
IBP	International Budget Partnership
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IEA	International Energy Agency
IILA	International Italo-Latin American Organization
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IPCC	Intergovernmental Panel on Climate Change
ISA	International Seabed Authority
LAC	Latin America and the Caribbean
LACIF	Latin America and Caribbean Investment Facility
LDCs	Least Developed Countries
MDBs	Multilateral Development Banks
MEDEF	Mouvement des entreprises de France
MNEs	Multinational enterprises
MPAs	Marine Protected Areas
MPI	Multi-dimensional Poverty Index
MSMEs	Micro, Small and Medium-sized Enterprises
NAP	National Adaptation Plan
NbS	Nature-based solutions
NDCs	National Determined Contribution
NDPs	National Development Plans
NEET	Not engaged in education, employment or training
NPLs	Non-performing loans
NSDS	National Strategies for the Development of Statistics
NSOs	National Statistical Offices

NSSs	National Statistical Systems
NTBs	Non-tariff barriers
OACPS	Organization of African, Caribbean and Pacific States
OAS	Organisation of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
OGP	Open Government Partnership
OLADE	Latin American Energy Organization
PARIS21	OECD Partnership in Statistics for Development in the 21st Century
PFP	Project Finance for Permanence
PIT	Personal income tax
PPI	Private Participation in Infrastructure
PPO	Principal Payment Options
PPP	Purchasing Power Parity
PPPs	Public-Private Partnerships
R&D	Research and development
REDD+	Reducing Emissions from Deforestation and Forest Degradation Plus
ROA	Return on Assets
RSF	Resilience and Sustainability Facility
SDGs	Sustainable Development Goals
SIB	Statistical Institute of Belize
SICA	Central American Integration System
SIDS	Small Island Developing States
SLBs	Sustainability-linked Bonds
SLDB	Saint Lucia Development Bank
SPI	Statistical Performance Indicators
SPVs	Special Purpose Vehicles
SWFs	Sovereign Wealth Funds
TREES	REDD+ Environmental Excellence Standard
TNC	The Nature Conservancy
TOSSD	Total Official Support for Sustainable Development
UNCC	United Nations Climate Change
UNCTAD	United Nations Trade and Development
UNDP	United Nations Development Programme
UNDRR	United Nations Office for Disaster Risk Reduction
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
WEF	World Economic Forum
WFP	United Nations World Food Programme
WITS	World Integrated Trade Solution
WMO	World Meteorological Organisation
WTO	World Trade Organization

Executive summary

Boosting investment is central to advancing resilient and sustainable development in Caribbean countries. While the region is well positioned to leverage its comparative advantages, realising this potential requires addressing persistent structural constraints and actively seeking innovative financing opportunities. The Caribbean combines valuable natural and human capital with a strong integration into global markets, alongside small-scale market size, rising exposure to climate and external shocks, limited fiscal space, high financing costs and enduring infrastructure deficits. Responding to this complex set of opportunities and challenges calls for a renewed investment agenda centred on resilience and sustainability. The OECD Development Centre and the Inter-American Development Bank (IDB) continue to strengthen their engagement with the region, including through the IDB ONE Caribbean programme, a dedicated regional initiative to foster cooperation, leverage resources and deliver impact at scale.

Addressing environmental and socio-economic challenges

The Caribbean faces complex environmental and socio-economic challenges. The region is increasingly exposed to climate hazards despite contributing minimally to global greenhouse gas emissions. Climate-related extreme weather events increased by 84% in 2004-2024 compared to the previous two decades, generating average annual damages equivalent to 2.13% of GDP in the last four decades. Macroeconomic conditions further weigh on resilience. Potential GDP per capita growth is modest, estimated at 1.4% in 2025, below advanced economies (1.8%), reflecting persistently low productivity, at around 40% of OECD levels. High public debt is another constraint, averaging 68.6% of GDP in 2024, 14.5 percentage points above the Latin American average and almost four percentage points higher than in 2014. Economic structures remain largely service-oriented and insufficiently diversified at the sector level, which compounds their vulnerability. Services account for 63% of total exports, mainly tourism, which is on average 71% of total services exports. The few commodity exporters in the region rely mostly on oil-driven merchandise exports (over 80% of exports). Social challenges remain important: on average one-quarter of the population lives below the poverty line, and more than six out of ten people live in households depending solely or partially on informal work.

Strengthening the quantity and quality of investments to unlock development

Total investment has risen over the past decade, yet its level, composition and sustainability remain insufficient to meet the region's development needs. In 2023, investment averaged 28% of GDP, above the OECD (23%) and Latin American (20.7%) averages, but driven largely by short-term or externally financed projects, including post-disaster reconstruction. Mobilising long-term finance remains challenging, as the local private debt and equity markets are small and unable to support long-term infrastructure projects, and international investors perceive elevated risks linked to economic volatility, high indebtedness and small market size. On average, the private sector finances nearly 80% of total investment, above the Latin American average (75.7%) but below the OECD's (84.2%). Low levels of public infrastructure

investment reinforce existing gaps. Foreign direct investment (FDI) plays a critical role, with net inflows reaching 6.3% of GDP in 2024 (4.2% excluding Guyana), above the 2.5% in Latin American countries. When excluding Guyana, the European Union is the largest investor, with 36% of total FDI, followed by the US (18%) and LAC (12%). FDI is concentrated in services, including accommodation and food, information and communication technology and financial services, which attracted more than half of investment. In the last decade, greenfield FDI announced projects generated 196 021 jobs, 65% in services, followed by manufacturing (22%) and mining (6%). Foreign firms tend to offer higher-quality jobs and wages, with a positive impact on digital transformation and renewable energies.

Investing in resilient and sustainable development

Building resilient and sustainable development is a strategic imperative for the Caribbean, where large infrastructure gaps and high exposure to climate hazards persist. Investments can contribute to these efforts by focusing on climate-resilient infrastructure and on early warning systems. This is both cost-effective and essential to safeguard development gains. Public-private partnerships (PPPs) can help mobilise private expertise and finance for infrastructure, yet PPP investment remained below 1% of GDP between 2010 and 2023, reaching 1.3% only in 2024.Translating investment into tangible development outcomes requires stronger institutional capacity, more robust data and statistical systems, and improved project preparation. The IDB's ONE Caribbean Project Preparation Coordination Mechanism (PPCM) addresses a binding regional constraint by helping turn good concepts into bankable, investment-ready projects. Robust data and statistical systems are also needed but remain underdeveloped, despite a 29% increase in the Statistical Performance Indicator (SPI) score between 2016 and 2022. Strengthening regional integration and international co-operation can help mobilise investments through innovative financing instruments and improved access to global climate funds. Targeted investments in sectors where the region presents opportunities can unlock development, for example, in sustainable tourism and creative industries, activities to bolster the energy transition, sustainable transport, the blue and circular economy, sustainable agriculture and food systems, and digital transformation and artificial intelligence.

Promoting better financing to close development gaps

Advancing an ambitious investment agenda requires mobilising multiple sources of finance. Domestic resource mobilisation is key for fiscal sustainability and resilience. In 2023, tax revenues averaged 20.7% of GDP, slightly below Latin America (21.6%) and other small island developing states (SIDS) (21.4%) and significantly below the OECD average (34%). Indirect taxes accounted for 51% of total revenues, compared to 44% in Latin America and 32% in the OECD. Tax incentives are widely implemented in the region, eroding tax revenues. Rationalising these incentives requires identifying potential overlaps, prioritising expenditure-based over income-based incentives, and setting ex-ante and ex-post assessments of expected benefits, costs and unintended consequences. Non-tax revenues are also important, at 3.6% of GDP on average. International financial flows are a fundamental source of finance, including official development assistance and remittances, the latter representing 5.4% of GDP in 2024. Multilateral, regional and national development banks can help Caribbean countries access low -cost financing and technical assistance for complex projects. Innovative debt financing mechanisms are transforming the Caribbean's ability to mobilise resources for environmental, social, and climate resilience objectives. Countries such as Barbados, Belize, the Dominican Republic and Jamaica have pioneered green, social, sustainability, sustainability-linked and blue bonds (GSSSB), debt-for-nature swaps and climate-resilient debt clauses. Between 2019 and 2024, the Caribbean's international GSSSB bond market reached USD 2 billion, highlighting the importance of strong institutional frameworks. Regional co-operation – including through the IDB's ONE Caribbean programme – can help to unlock long-term financing in the Caribbean, including through risk pooling and risk mitigation from climate-induced natural disasters.

Overview

The Caribbean stands at a pivotal moment. Realising the region's substantial development potential will require mobilising investment at far greater speed and scale. *Caribbean Development Dynamics 2026: Investing in Sustainable and Resilient Development* examines how Caribbean countries can strengthen sustainable and resilient growth by increasing both the quantity and the quality of investment amid heightened climate risks, fiscal constraints and enduring structural vulnerabilities. The report focuses its analysis – with different levels of data availability – on 16 Caribbean countries: Antigua and Barbuda, Barbados, The Bahamas, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. These 16 countries are part of the 39 SIDS. The report analyses them alongside the Latin America and OECD averages. When relevant, the analysis also incorporates the perspective of the "Greater Caribbean", including other countries and territories in the Caribbean basin.

The Caribbean faces a complex set of environmental and socio-economic challenges

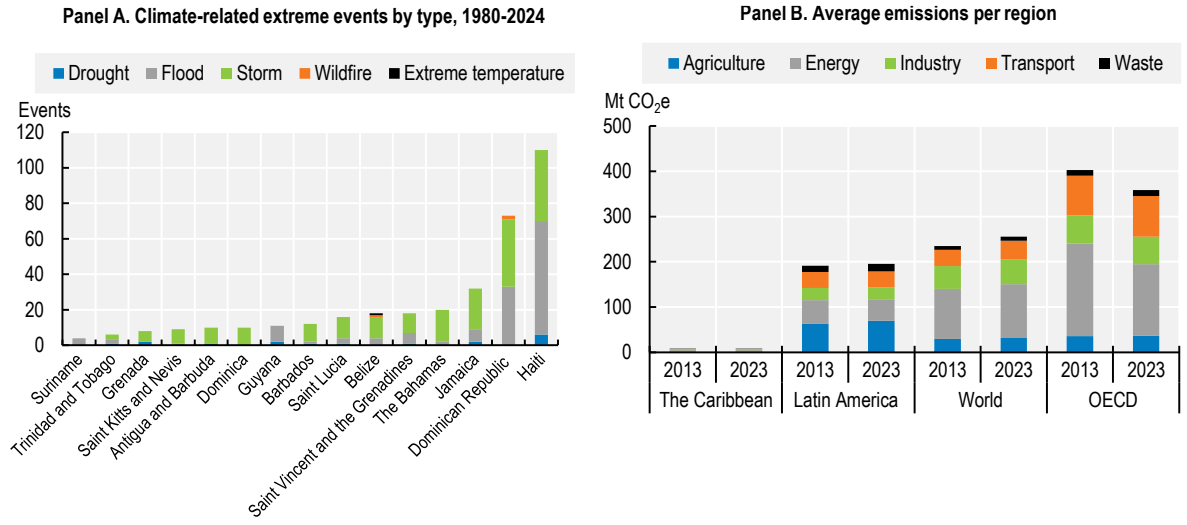
The region is increasingly exposed to climate hazards, although its contribution to global greenhouse gas (GHG) emissions is among the lowest worldwide

Climate vulnerability in the Caribbean remains high. All Caribbean countries[1] on average, are more exposed to climate-related risks than OECD Member countries, and a majority also display higher vulnerability than Latin American peers, according to standard vulnerability indicators. Caribbean countries experienced 357 climate-related extreme weather events between 1980 and 2024, an 84% increase between 2004 and 2024, relative to the previous 20 years (Figure 1, Panel A). Over 24 million people were affected in the last four decades. Moreover, annual climate-related damages have accounted for an average of 2.13% of gross domestic product (GDP) across Caribbean countries during that period. Climate disasters in Dominica (2015) and Grenada (2004) resulted in losses equivalent to 225% and 200% of their respective GDPs (Ötker and Srinivasan, 2018[1]). The impact of Hurricane Melissa (October 2025) was estimated at USD 12.2 billion in Jamaica, representing 56.7% of the country's GDP (Jamaica Information System, 2026[2]). It also caused severe damage in The Bahamas, Cuba, the Dominican Republic and Haiti (IBRD/World Bank, 2025[3]). Meanwhile, regional GHG emissions were 8.1 Mt CO_2e in 2023, 45 times lower than the OECD average and 24 times lower than Latin America, even when accounting for differences in population, land area and GDP (Figure 1, Panel B). This disparity underscores the continued relevance of the principle of common but differentiated responsibilities in global climate action.

The share of renewables in the Caribbean's electricity matrix remains low, and there is potential to develop these sources of energy. The low share of renewables is associated with structural economic vulnerabilities (including small and fragmented energy grids or a lack of economies of scale), and the low capacity of many governments to implement and scale up projects quickly. Moreover, high water stress and inefficient water use remain key environmental challenges, although some countries are making notable progress

towards more effective water management. In 2022, the average water-stress level for the Caribbean stood at 20%, similar to the OECD average and 12 percentage points higher than in Latin America. Nonetheless, most water-stressed Caribbean nations, such as Barbados and Trinidad and Tobago, are also among the most efficient users. This highlights the importance of combining strong national policy with targeted international investments to address water security and management.

Figure 1. Climate-related extreme weather events and GHG emissions in the Caribbean



Note: Panel A: Disasters are considered as events that overwhelm local capacity, necessitating a request to the national or international level for external assistance; an unforeseen and often sudden event that causes great damage, destruction and human suffering. The graph considers only climate-related events such as droughts, floods, storms, extreme temperatures and wildfires. Geophysical events (earthquakes and volcanoes), technological events (industrial accidents), and biological events (including epidemics, insects, or animals) are recorded in EM-DAT but are excluded from the scores because they are not directly associated with climate change. Panel B: Greenhouse gas (GHG) emissions are measured in million tonnes of CO_2 equivalent (Mt CO_2e). It includes emissions from fossil CO_2, methane (CH_4), nitrous oxide (N_2O) and fluorinated gases (F-gases). Sectors shown are agriculture, energy (includes buildings, fuel exploitation and power industry), industry (including industrial combustion and processes), transport and waste. Indirect emissions are not shown due to their minimal contribution at the aggregate level.

Source: Authors' elaboration based on data from EM-DAT (2025[4]), *EM-DAT Database*, https://doc.emdat.be/ (Panel A); and EDGAR (2025[5]), *Emissions Database for Global Atmospheric Research*, https://edgar.jrc.ec.europa.eu/ (Panel B).

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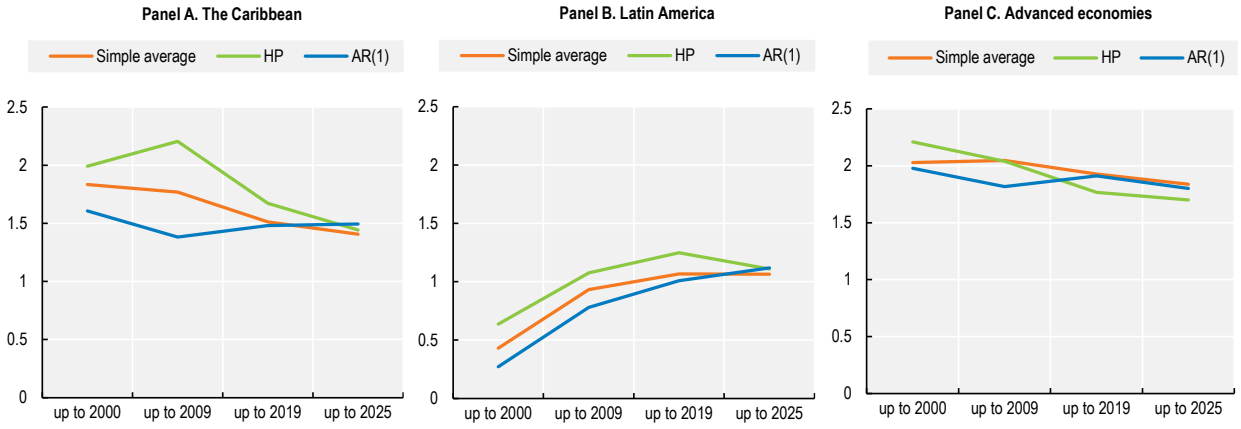
Macroeconomic conditions are characterised by modest potential growth and low productivity

Over the past decades, Caribbean countries have struggled to sustain high growth rates in potential GDP per capita, averaging an estimated 1.4% in 2025 (Figure 2). This is below the level observed in advanced economies (which, on average, recorded a potential GDP per capita growth of 1.8%) but above the Latin American average of 1.1%. However, while potential growth has shown modest, gradual improvement in Latin America in recent years, it has shown a decreasing trend in the Caribbean. Structural weaknesses such as low productivity gains, elevated public debt levels, high rates of labour informality, and limited investment in innovation and infrastructure explain this pattern.

The Caribbean's average labour productivity during the last three decades stagnated at less than half of OECD levels (42.5%) but above the Latin American average (36.4% of OECD levels). The region's performance varied widely across countries compared to the OECD level. While Haiti was the least productive economy throughout the period, the most productive economies alternated between The

Bahamas (1991-2007 and 2009), Trinidad and Tobago (2008 and 2010-2020), and Guyana (since 2021). Moreover, accurately measuring productivity in the Caribbean is complex, as aggregate figures can be disproportionately skewed by volatile sectors, such as commodities (OECD/IDB, 2024[6]).

Figure 2. Potential GDP per capita growth in the Caribbean, Latin America and advanced economies



Note: Potential GDP per capita growth is the growth rate the economy can sustain over the long run after controlling for population growth, excluding short-term effects linked to a difference between demand and the potential supply level. The variable denotes the growth in potential output per capita, defined as the maximum per-capita output an economy can attain without putting strain on production factors that translate into inflationary pressures. Average growth is a simple average of growth in all countries for each region, over the period analysed. Caribbean countries considered are Antigua and Barbuda, The Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. HP=the Hodrick-Prescott filter, which was used as an alternative model due to its resilience to short-term shocks to create a smoothed curve (lambda 100); AR = autoregressive model, which uses GDP per capita growth data. The number of lags (one) was determined by analysing the autocorrelation function and choosing the model that maximised the log-likelihood.
Source: Authors' calculations based on IMF (2025[7]), *World* Economic *Outlook*, https://www.imf.org/en/publications/weo/weo-database/2025/april.

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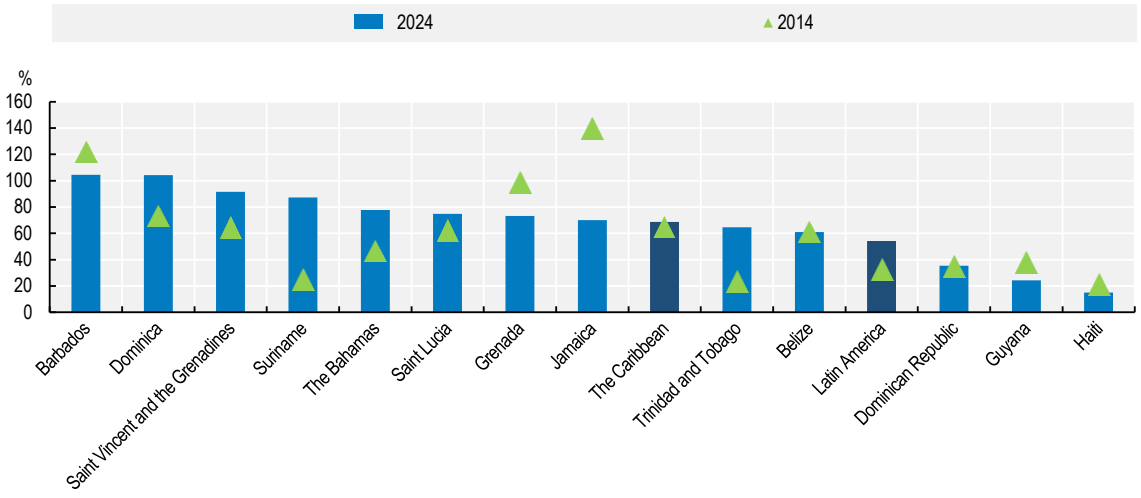
High public debt levels remain a challenge in many Caribbean economies, constraining fiscal space

In 2024, the region's average central government debt reached 68.6% of GDP, which represents an increase of almost four percentage points compared to 2014. Public debt stood 14.5 percentage points above the average of Latin America in 2023, at 54.1% (Figure 3). Public debt has been above 60% of GDP for a prolonged time in the Caribbean, representing serious fiscal constraints for public expenditure. The debt landscape across the region is marked by significant heterogeneity (Figure 3), with some countries having recently undergone significant fiscal consolidation.

Figure 3. Central government total public debt as a percentage of GDP, selected Caribbean countries and regional averages, 2014 and 2024



Note: The average for Latin America excludes Venezuela and Ecuador due to data availability constraints and considers the latest available data: 2023 for Colombia and 2022 for Peru.
Source: Authors' elaboration based on IMF-WEO (2025[8]) *World Economic Outlook Database*, International Monetary Fund, https://www.imf.org/en/publications/weo/weo-database/2025/april.

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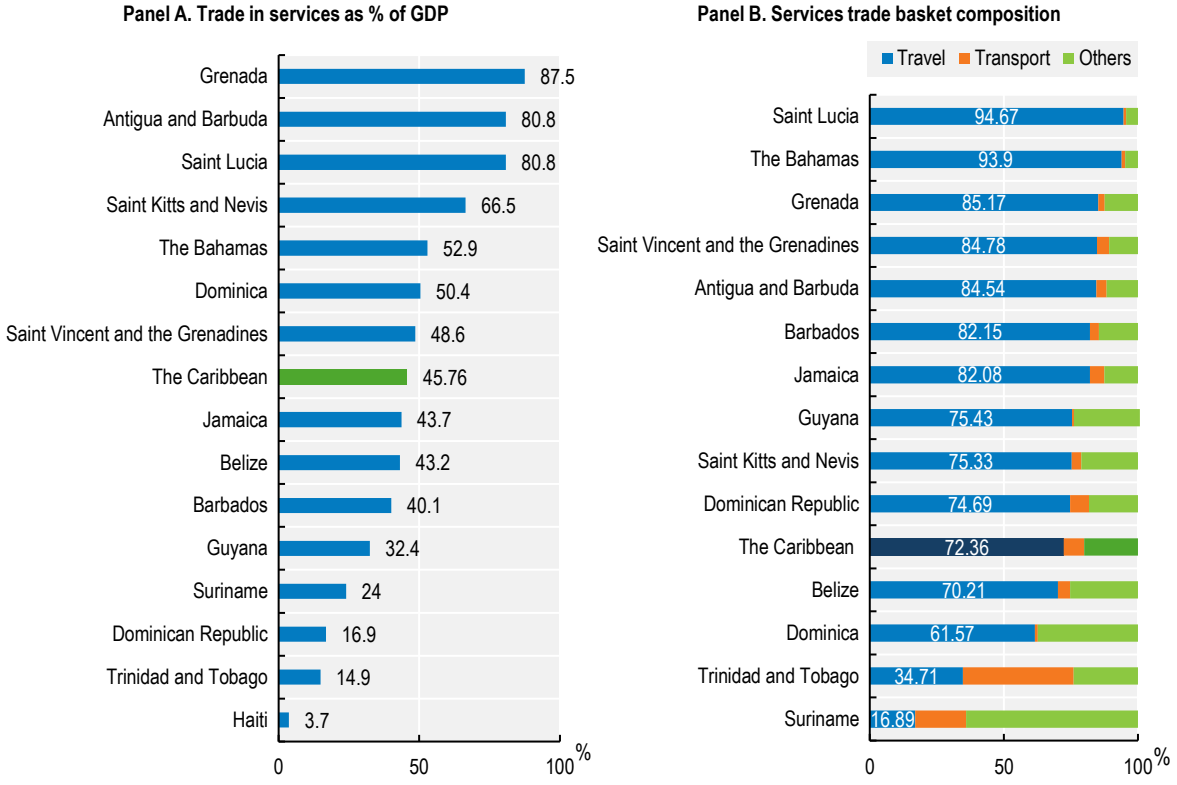
Trade patterns show limited diversification, with most countries relying on services and a few on commodity exports

Services trade in Caribbean countries averaged 45.7% of GDP in 2024 (Figure 4, Panel A). Eleven Caribbean countries are predominantly service exporters. In 2023, services exports surpassed 50% of GDP in Antigua and Barbuda, Grenada, Saint Lucia, and Saint Kitts and Nevis, largely due to tourism and financial services. Travel is by far the largest services trade sector in the Caribbean, making up 72% of the region's total services trade in 2023 (Figure 4, Panel B). In contrast, merchandise corresponded to the largest share of exports relative to GDP in Trinidad and Tobago (30% of GDP), Suriname (66.8%), and Guyana (78.1%) in 2023, representing over 80% of their total exports.

Exports of goods in the Caribbean remain concentrated in primary products (38.7%) and resource-based manufactures (20.6%), which collectively accounted for nearly 60% of the region's total goods exports in 2023. The dominant export categories are energy products, notably crude and refined petroleum. Agricultural goods, such as cereals, tobacco products, fish and processed foods (OECD/IDB, 2024[6]), tend to be exported towards other Caribbean countries.

Figure 4. Trade basket composition in the Caribbean, 2024 and 2023



Note: Trade refers to the sum of exports and imports of services. Panel A shows trade in services of Caribbean countries for 2024 as a percentage of GDP (World Bank, 2025). Panel B shows the services trade basket composition of Caribbean countries for 2023, with colours indicating Travel (blue), Transport (orange), and Other services (green). Other services include Construction, Insurance, Financial Services, Intellectual Property, Telecommunication, Other Businesses, Cultural Services and Government Goods and Services.
Source: Authors' elaboration based on World Bank (2025[9]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators; UNCTAD (2025[10]), *International Trade*, https://unctadstat.unctad.org/datacentre/.

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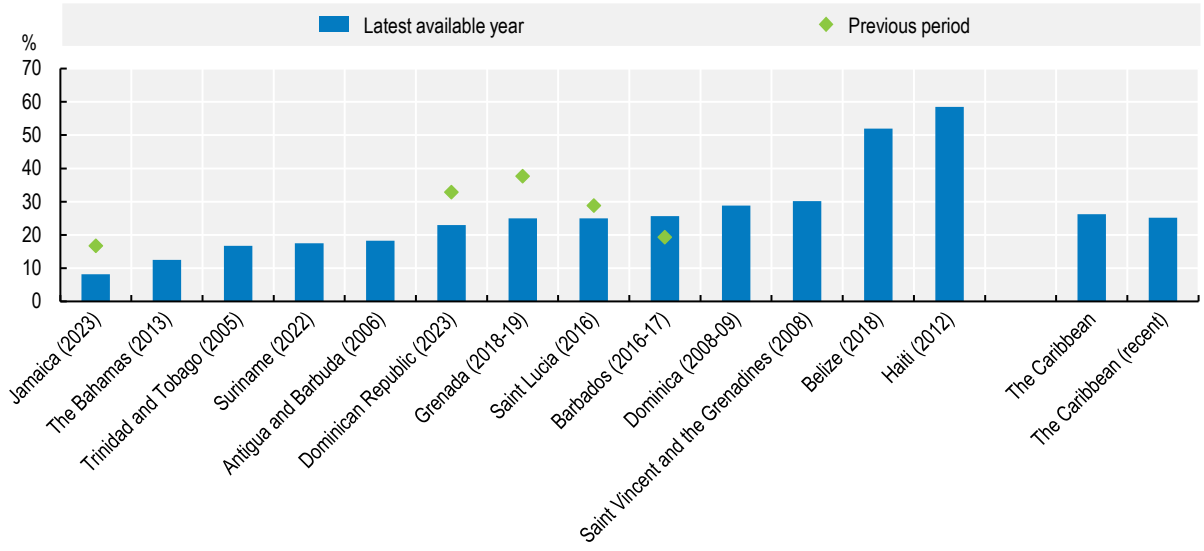
Despite advancements, poverty, inequality and informality remain important challenges to social inclusion

Social challenges remain pronounced. On average, approximately one-quarter of the population in the region lives below the poverty line (Figure 5). Poverty levels vary widely across countries. In Haiti and Belize, more than half of the population lives in monetary poverty, according to the latest available poverty surveys. Conversely, in Jamaica and The Bahamas, the poverty rate reached 8.2% and 12.5%, respectively. Due to data limitations, it is difficult to identify clear trends in the evolution of poverty over time, except for a few countries (World Bank, 2025[11]).

Figure 5. Monetary poverty in Caribbean countries, latest year available

Headcounts poverty, percentages of total population



Note: The average for the Caribbean refers to the simple mean of the latest available years of reference for the whole sample of countries. The recent average for the region refers to the simple mean of the sub-sample of countries with reference years no earlier than 2016. The previous period is 2010 for Barbados, 2014 for the Dominican Republic, 2008 for Grenada, 2010 for Jamaica and 2006 for Saint Lucia. People living in poverty are defined as those living in households with income (or consumption) levels below the national poverty lines. National poverty lines are defined using country-specific methodologies. They represent the minimum amount of income or, more commonly, consumption expenditure an individual or household requires to satisfy their basic needs for a given period (usually a month) within a specific country. It is calculated using the Cost of Basic Needs approach, which explicitly incorporates both food and non-food expenditures. National poverty lines are generally positively correlated with the level of development, as basic needs shift with countries' average incomes, largely due to higher non-food expenditures. Comparing national rates in the context of highly heterogeneous stages of development, as in the Caribbean, has the advantage of showing country-specific monetary vulnerabilities of households.

Source: Authors' elaboration based on Statistical Institute of Belize (SIB) (2018[12]), *Poverty Analysis Main Findings*, https://sib.org.bz/wp-content/uploads/PovertyInfographic.pdf; ECLAC (2023[13]), *Social Panorama of Latin America 2023*, https://repositorio.cepal.org/server/api/core/bitstreams/7ddf434a-6073-4f1e-8b71-a6639e4586d5/content; World Bank (2025[9]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators; World Bank (2025[14]), *Macro Poverty Outlook: Latin America and the Caribbean*, https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo_lac.

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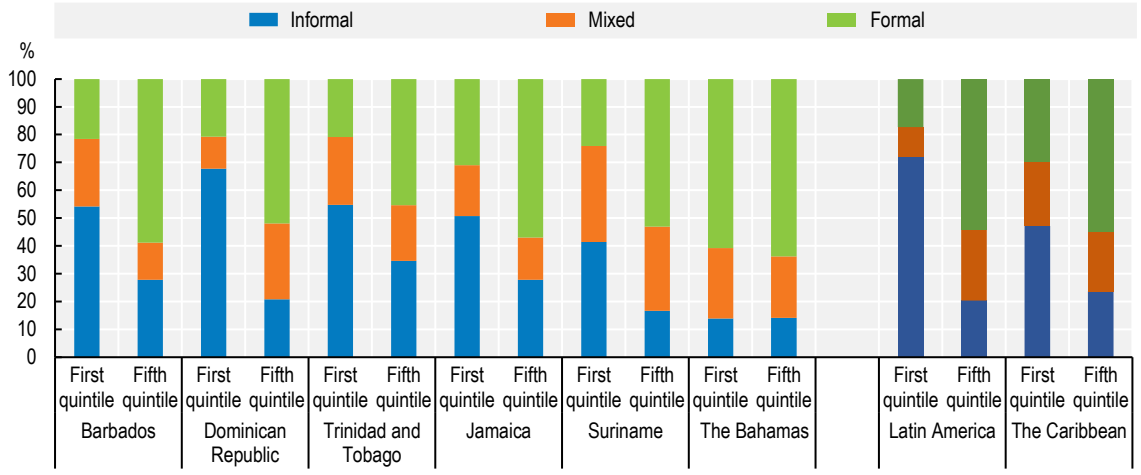
Inequality is high across the Caribbean, mirroring trends in Latin America (OECD et al., 2025[15]; World Bank, 2025[11]), and exceeding levels observed in OECD Member countries. The average Gini coefficient for the Caribbean is 0.4, based on the latest available data since 2015 from seven countries (Belize, Barbados, the Dominican Republic, Grenada, Jamaica, Saint Lucia and Suriname). This is higher than the OECD (0.32) and slightly lower than the Latin American average (0.45) (ECLAC, 2023[13]).

More than six out of ten people live in households that depend solely or partially on informal work, on average. High levels of labour informality are intrinsically linked to poverty and inequality across the Caribbean. Informal employment is more than twice as prevalent among the poorest households compared to the wealthiest households in the region (Figure 6). On average, nearly half of individuals in the lowest income quintile in the Caribbean (47.1%) lived in households where all members worked informally (compared to 72.3% in Latin America). For the highest quintile, 23.6% lived in such households (20.3% in Latin America). The remainder lived in mixed households (23%), where at least one member works formally, and in completely formal households (29.8%), where all members work formally.

Figure 6. Distribution of the population by household informality and welfare quintile, latest available year



Note: Household types are defined according to the formality status of a household's principal earners. If all earners are either formal or informal, the household is classified as completely formal or completely informal. If at least one earner is informal while the other is formal, the household is defined as mixed. The welfare distribution refers to the distribution of either household per capita income or consumption. The first quintile refers to the lowest income in the income distribution, while the fifth quintile refers to the highest income quintile in the income distribution.
Source: Authors' calculations based on *The Household Expenditure Survey (HES) 2013* for The Bahamas*; The Trinidad and Tobago Survey of Living Conditions (TT-SLC) 2014*; *The Barbados Survey of Living Conditions (BSLC) 2016; The Jamaica Survey of Living Conditions (JSLC) 2019; The Suriname Survey of Living Conditions (SSLC) 2022;* OECD (2024[16]), *Key Indicators of Informality based on Individuals and their Households* for the Dominican Republic, https://shorturl.at/IZXl5.

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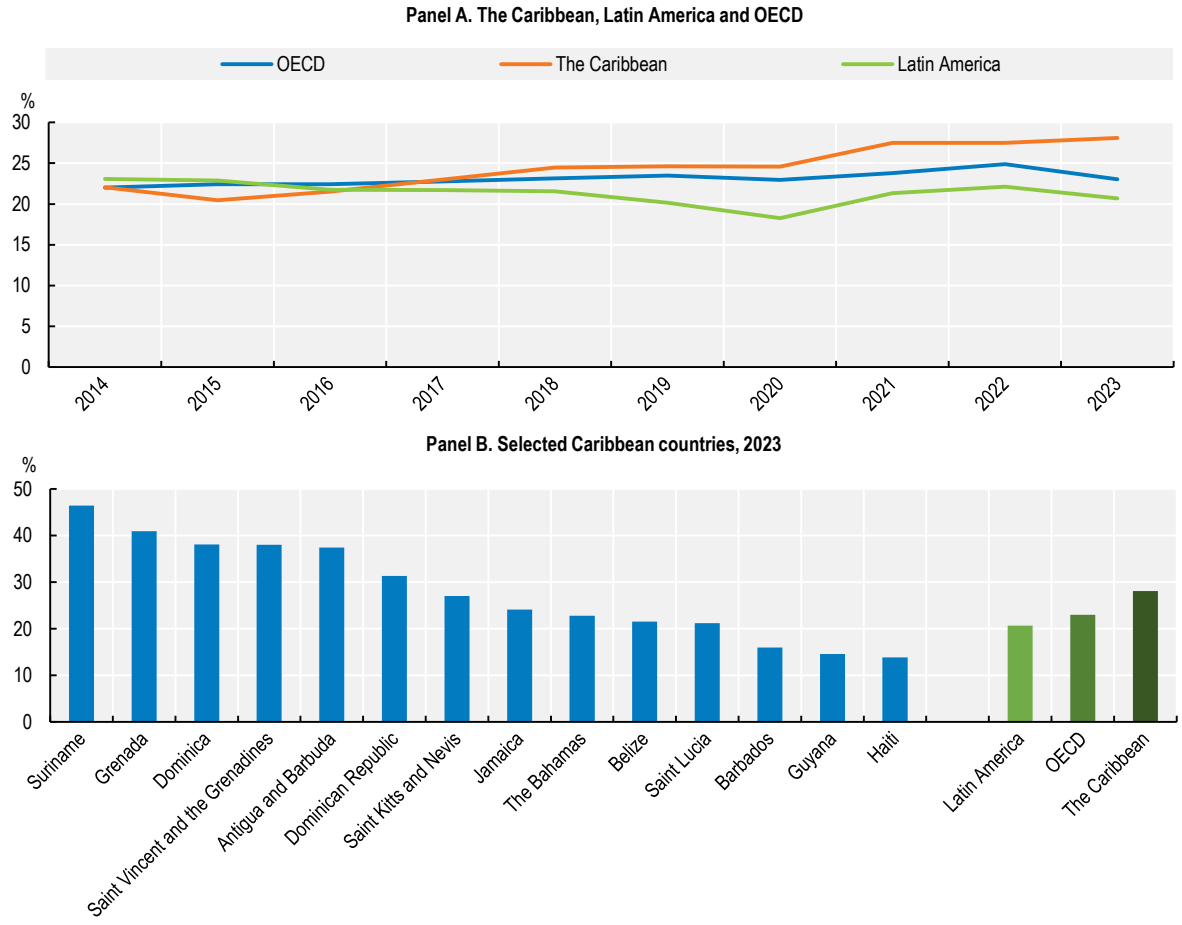
Mobilising more and better investments can unlock the development potential of the Caribbean

Total investment has grown in the last decade, but still fails to meet the required levels for development

Total investment in the Caribbean has increased over the past decade, growing from 20.5% of GDP in 2014 to 28% in 2023, above the OECD (23%) and Latin American (20.7%) averages (Figure 7). Still, investment levels, composition and sustainability remain insufficient to meet the region's large development needs. Investment growth was largely driven by short-term or externally financed projects, including post-disaster reconstruction.[2] The private sector is the main driver of investment in the Caribbean, accounting for nearly 80% of total investment, on average. This was above the Latin America average (75.7%) but below the OECD (84.2%).

Public investment is fundamental for providing the foundational infrastructure that private actors often undersupply due to limited profitability. This is particularly true in technology-intensive sectors. Public investment accounts for around 20% of total investment, on average, with Guyana reaching 54%, mainly driven by investments in the oil sector (IMF, 2025[7]). Moreover, government spending on infrastructure is low, reinforcing infrastructure gaps across the region, although limited data availability constrains a comprehensive regional assessment. During 2015-2021, average public infrastructure investment was just above 1% of GDP, except for Belize, which invested nearly 5% of GDP (the only Caribbean country with available data exceeding the Latin American average of 2%) (Infralatam, 2021[17]).

Figure 7. Total investment in the Caribbean as a percentage of GDP, 2023



Note: Data for each region correspond to simple averages. Investment, defined as gross capital formation, is measured by the total value of gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector [SNA 1993]. Investment is expressed as a ratio of total investment in the current local currency and GDP in the local currency. The Caribbean includes 14 Caribbean countries, except for Trinidad and Tobago. Latin America includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
Source: Authors' elaboration based on IMF (2025[7]), *World Economic Outlook*, https://www.imf.org/en/Publications/WEO/weo-database/2024/April.

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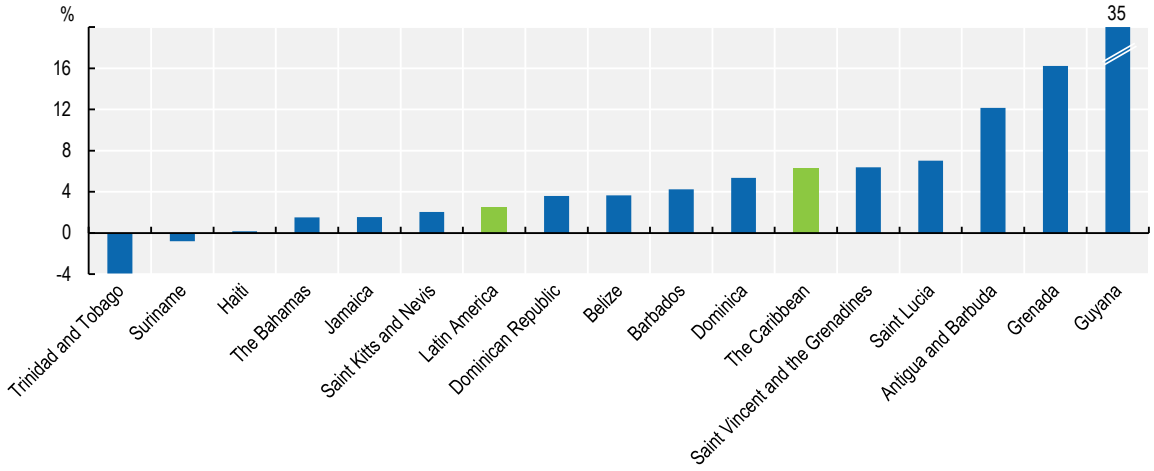
Foreign direct investment is a key source of finance for sustainable development in the Caribbean

Net inflows of foreign direct investment (FDI) in the Caribbean represented 6.3% of GDP (4.2%, excluding Guyana) in 2024, well above the Latin American average (2.5%) (Figure 8). The regional average of FDI inflows remains aligned with historical levels: 6.8% in 2023, 6.13% for 2018-2022 and 6.15% between 2013 and 2017 (OECD/IDB, 2024[6]). FDI flows vary across countries, ranging from 1.5% of GDP in Jamaica and 3.6% in the Dominican Republic to up to 35% of GDP in Guyana, which has attracted large FDI inflows since 2017 following major oil discoveries. Preliminary figures for 2025 show similar FDI inflows of around 30% of GDP for Suriname as it follows Guyana's footsteps, following the development of the GranMorgu offshore oil project.

FDI can help bridge investment gaps in the context of low fiscal space and constrained domestic investment in the region, thereby supporting the development of key sectors (Chapter 2). It can support digital transformation, the expansion of renewable energy, and export sophistication and diversification (OECD, 2025[18]). Moreover, FDI can generate positive spillovers in recipient economies: foreign firms often outperform domestic firms due to their access to advanced technologies, managerial expertise and greater capital intensity.

Figure 8. Foreign direct investment net inflows as a percentage of GDP, 2024



Source: Authors' elaboration based on World Bank (2025[9]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators.

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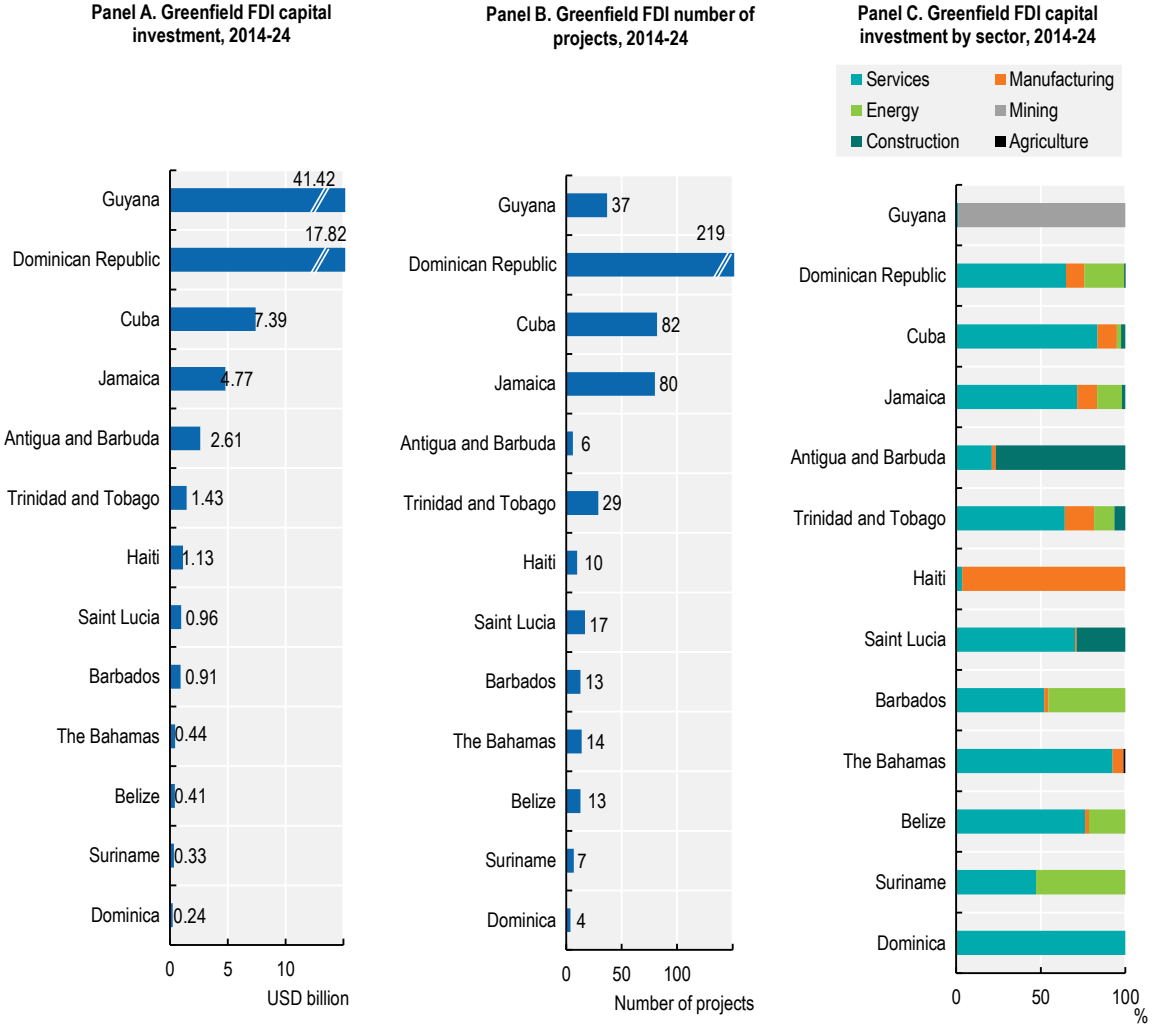
Greenfield FDI flows are concentrated in the services sector in most countries, and have contributed to employment creation in the region

Greenfield FDI[3] is concentrated in the largest Caribbean economies. Between 2014 and 2024, total greenfield investment in the Caribbean reached USD 80 billion; 52% of this capital (USD 41.4 billion in 2024) was directed to Guyana alone, driven by investments in the oil sector. In that period, Caribbean countries, excluding Guyana, attracted USD 38.4 billion in greenfield investment. The distribution roughly mirrors the size of national economies, with the Dominican Republic accounting for USD 18 billion (46% of the total), followed by Cuba with USD 7 billion (19%) and Jamaica with USD 5 billion (12%). These three countries receive 77% of all greenfield investment entering the region (excluding investment into Guyana) (Figure 9, Panel A). This shows important contrasts across Caribbean countries – an important aspect to consider when interpreting investment data. The number of projects also varies significantly across countries, ranging from 219 in the Dominican Republic, 82 in Cuba, 80 in Jamaica and 37 in Guyana, to 6 in Antigua and Barbuda, and 4 in Dominica (Figure 9, Panel B). Greenfield FDI targeted predominantly the services sector, including accommodation and food, information and communication technology, and financial services, which attracted more than half of the investment in most countries (Figure 9, Panel C).

Companies from the European Union (EU) and the United States are the leading greenfield investors in the Caribbean. Between 2014 and 2024, the United States invested USD 48 billion, accounting for 60% of total greenfield investment in the region, driven by US companies' interest in Guyana since 2019, following Guyana's oil boom. However, when excluding Guyana, investors from the EU have led greenfield investment in the Caribbean, investing USD 14 billion and accounting for 36% of total greenfield

investment in the region. They are followed by the United States (18%), Latin America and the Caribbean (LAC) countries (12%), the People's Republic of China (8%) and the United Kingdom (6%).

Figure 9. Greenfield FDI capital investment, number of projects and share by sector, 2014-2024



Note: Greenfield FDI refers to announced greenfield FDI projects.
Source: Authors' elaboration based on Financial Times (2024[19]), *fDi Markets*, https://www.fdimarkets.com/.

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FDI has contributed to employment creation in the Caribbean. Announced greenfield FDI projects generated 196 021 jobs in the Caribbean in the last decade, 65% in the services sector (126 776 jobs). This was followed by manufacturing (22%, 43 284 jobs), mining (6%), construction (5%) and energy (2%) (Financial Times, 2024[19]). Within the services sector, the largest share of jobs has been generated in accommodation and food, as well as in administrative and support activities. Beyond job creation, the quality of employment is crucial for ensuring the sustainable development impact of investment. Foreign firms report paying higher average wages than domestic firms in most Caribbean economies for which data are available. In Barbados and the Dominican Republic, for example, they also offer more permanent full-time jobs, possibly reflecting their greater presence in large formal export industries such as tourism and adherence to global labour standards.

Moreover, greenfield FDI can play a particularly relevant role in advancing digital transformation, supporting manufacturing activities and promoting renewable energy in the Caribbean. Between 2014 and 2024, greenfield FDI in digital services in the region reached USD 3 billion. This accounted for a significant share of total greenfield FDI in several Caribbean countries, notably Dominica (61%), Trinidad and Tobago (53%) and Suriname (44%). Over the same period, the region attracted USD 5 billion in renewable energy projects, accounting for a significant share of FDI in Suriname (50%), Barbados (45%) and the Dominican Republic (24%). Greenfield FDI in renewable energy in LAC is positively associated with both the expansion of clean energy supply and the transformation of energy matrices in recipient countries. While services are central to most Caribbean economies, niche manufacturing has emerged in some countries to drive diversification and attract foreign investment. This includes pharmaceuticals, chemicals, and light manufacturing such as food products and textiles.

Investment should be a driver of greater resilience and sustainability

Building resilient and sustainable development is a strategic imperative for the Caribbean, a region where infrastructure gaps remain large, and vulnerability to climate hazards is high. Advancing in this direction will require large investments, not only as a defensive measure, but also for protecting livelihoods, preserving natural assets and sustaining long-term development. Aligning investments with the Caribbean's comparative advantages and its natural capital, embedding sustainability at the core of economic transformation, is equally important.

Investing in resilient infrastructure and early warning systems will help anticipate and cushion the impacts of climate events

The region's infrastructure is more vulnerable than in most Latin American economies, with Antigua and Barbuda, Jamaica, and Saint Vincent and the Grenadines showing the highest levels of risk, according to infrastructure vulnerability indicators. Investing in resilient infrastructure[4] is a cost-effective approach to narrow infrastructure gaps, while safeguarding development gains. Delaying investment in resilience substantially increases economic and fiscal risks. Underinvestment in climate-resilient infrastructure can reduce GDP growth by nearly 1 percentage point in the first year, with cumulative losses reaching up to 15 percentage points over a decade (Mooney et al., 2025[20]).

Caribbean countries are advancing climate-resilient infrastructure across key sectors. Economies in the region are increasingly adopting a mix of engineered nature-based and integrated solutions in sectors such as coastal protection, energy and transport. As regional governments implement these targeted projects, they enhance both the long-term physical and economic resilience of their economies against intensifying climate hazards. National adaptation plans (NAPs) can play a central role in prioritising and guiding investments in resilient infrastructure across the Caribbean. Several Caribbean countries have submitted NAPs under the United Nations Framework Convention on Climate Change, including Antigua and Barbuda (2024 and 2025), Grenada (2019 and 2025), Haiti (2023), Saint Lucia (2018), Saint Vincent and the Grenadines (2019), Suriname (2020), and Trinidad and Tobago (2023 and 2024). Saint Lucia and Grenada have developed sectoral adaptation plans. Only 15 sectoral plans had been submitted globally by December 2025. For example, Saint Lucia's Sectoral Adaptation Strategy and Action Plan identifies infrastructure as a priority and includes upgrades to roads, drainage systems, coastal defences and public buildings, guiding major investments such as the Disaster Vulnerability Reduction Project. A strong institutional environment is essential to ensure coherent, long-term and locally adapted resilience efforts.

Well-designed early warning systems (EWS) are among the most cost-effective climate adaptation measures because they reduce avoidable losses and shorten recovery times. Several Caribbean countries have been frontrunners in the development of EWS. Antigua and Barbuda, Dominica, the

Dominican Republic, Saint Lucia, and Saint Vincent and the Grenadines have implemented initiatives to develop national EWS assessments and roadmaps, with support from regional and international partners.

Nonetheless, EWS progress has been uneven due to a range of factors, including high staff turnover, institutional fragmentation, and gaps in reliable communication and community preparedness programmes. To translate EWS into durable institutional strength, governments can embed them into statutory mandates that clarify roles across meteorological, water, disaster, health, transport and security agencies; and embrace integrated data governance (asset registries, hazard-exposure databases and open standards) to enable real-time analytics.

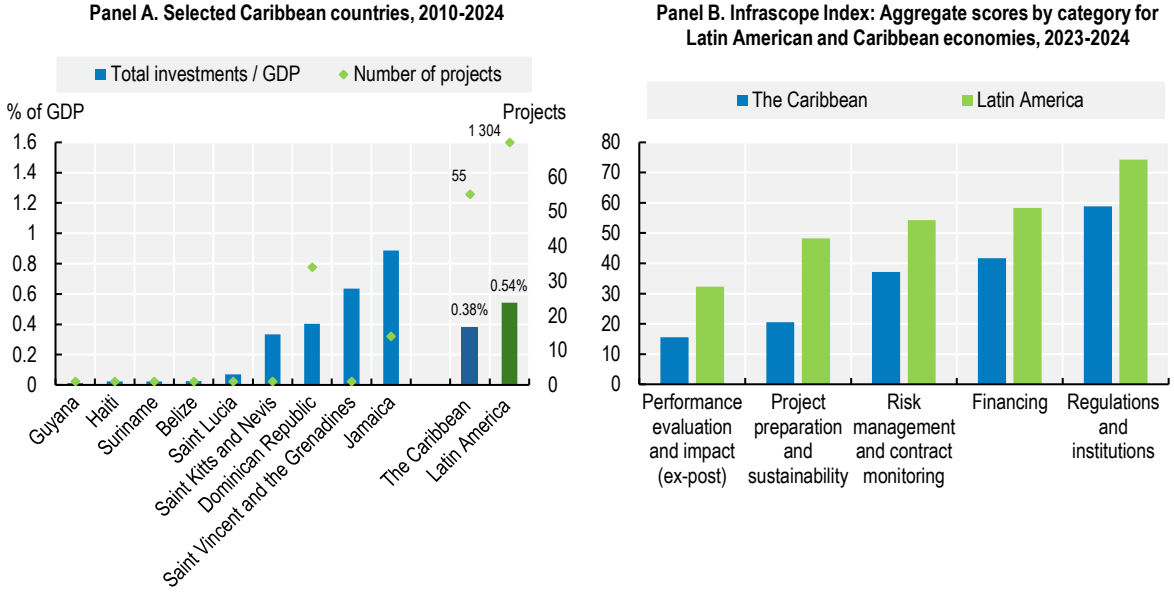
Public-private partnerships can help catalyse new sources of private expertise and finance for critical public infrastructure

Public-private partnerships (PPPs)[5] can help mobilise private expertise and finance for infrastructure; however, PPP investment in the Caribbean remains low, averaging 0.38% of GDP between 2010 and 2023, below the Latin American average of 0.54%. In 2024, PPP investment reached its highest level (1.3% of GDP), partly driven by Guyana's PPP for the modernisation and expansion of the Port of Georgetown (Figure 10, Panel A). At the national level, from 2010 to 2024, PPP investment relative to GDP was highest in Jamaica (0.88%), followed by Saint Vincent and the Grenadines (0.63%), the Dominican Republic (0.40%), and Saint Kitts and Nevis (0.33%). Prior to 2020, the Caribbean averaged three projects per year; activity slowed during the pandemic and subsequently rebounded, with 2023 marking the highest number of projects in a single year (11 projects). Most projects were concentrated in the region's larger economies, notably the Dominican Republic (34) and Jamaica (14) (Figure 10, Panel A). Over the same period, Latin America recorded 1 304 projects.

PPPs should adapt to the context in which they operate. Despite the many potential benefits of PPPs, there are specific conditions when costs and residual risks to governments may not be justified. For example, transferring risks to the private sector can result in higher capital costs. Key elements that create an enabling environment for PPPs in a country include well-defined regulations, sufficient institutional capacity, support for project preparation and sustainability, available financing, robust risk management and contract monitoring capacities, and performance evaluation and impact. Based on the Infrascope Index,[6] the Caribbean average is below the Latin American one in all five categories of the Index, with ex-post performance evaluation and impact, and project preparation and sustainability, as the two main challenges identified in the Caribbean region (Figure 10, Panel B).

Limited project preparation capacities are a key constraint to scaling up PPPs across the region. This includes the technical, institutional, and co-ordination capabilities required to move from concept to implementation-ready projects and to mobilise financing at scale. The Project Preparation Coordination Mechanism (PPCM) established by the IDB ONE Caribbean regional programme helps address this gap by providing technical and financial support for project development, building long-term partnerships with investment and export promotion agencies at both national and regional levels, and adopting a flexible cross-sectoral approach to identify and develop a robust pipeline of high-potential projects.

Figure 10. PPPs for infrastructure projects in the Caribbean and Latin America, 2010-2024 and Infrascope Index scores, 2023-2024



Note: The World Bank's Private Participation in Infrastructure (PPI) database records contractual arrangements for public infrastructure projects that have reached financial closure in which private parties assume operating risks by covering projects with at least a 20% private ownership stake (except for divestitures, which are included with at least a 5% stake) and may include public participation. The World Bank's estimation of the percentage of GDP considers all kinds of projects, including those interrupted and cancelled. "Total Investment" is the sum of investment in physical assets and payments to the government; it is recorded in millions of USD. The World Bank Indicator "GDP at current USD" was used to build the ratio with the total investment's variable. In Panel B: Score 0-100, where 100=best. For each of the five Infrascope Index categories presented, four dimensions of advancement are defined: nascent (0 to <30); emerging (30 to <60); developed 60 to <80); and mature 80 to 100. The Index covers 26 LAC countries: Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

Source: Authors' elaboration based on World Bank (2025[9]), *World Development Indicators*, https://datatopics.worldbank.org/world-development-indicators/; World Bank (2025[21]), *Private Participation in Infrastructure (PPI): 2024 Annual Report*, https://ppi.worldbank.org/en/snapshots/region/latin-america-and-the-caribbean; IDB/Economist (2025[22]), *Infrascope 2023/24*, https://impact.economist.com/new-globalisation/infrascope-2024/en/.

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Institutional and statistical capacities are key enabling factors to attract investments and increase resilience

The capacity of Caribbean countries to attract investments and build resilience depends strongly on the effectiveness of their public institutions, with data and statistical systems playing a central and enabling role. Perceived levels of government effectiveness vary widely across Caribbean countries. Most countries perform above the LAC average, although they continue to lag behind OECD Member countries.

Well-developed national statistical systems (NSS), better data systems and real-time analytics are essential. Caribbean countries have made progress in enhancing their statistical capacities in recent years: the region's overall Statistical Performance Indicator score increased by 29%, from 43.1 in 2016 to 55.6 in 2022. However, this remains below the global average (68.8) and significantly below Latin America (74.4) and the OECD (89.7). Progress is also uneven across the region, with only half of Caribbean countries with available data implementing a national statistical plan in 2025 (Belize, the Dominican Republic, Grenada, Guyana, Jamaica, Saint Lucia, and Saint Vincent and the Grenadines), below the shares in Latin America (60%), the world (82%) and the OECD (97%).

A strong statistical system depends critically on human capital, as well as institutional and organisational support. Specific challenges facing NSS in the Caribbean warrant consideration. Given the small size of statistical offices and the need for staff to cover multiple functions, Caribbean NSS must prioritise key areas to maximise limited capacity. They also need to leverage regional and international collaboration to share methodologies, as well as benefit from economies of scale in data production and innovation, while mobilising sustainable investment in data and statistics. Within the National Strategy for the Development of Statistics in the Caribbean, the main priority sectors for data production and use are education, health, agriculture, economic and social development, and environment/climate change. This underscores a strong focus on human development and climate resilience.

Regional integration and international partnerships

Building an enabling environment for investment in resilience is not just a country-specific challenge, but a regional one. Regional and international co-operation plays a key role in promoting resilient infrastructure and disaster risk management (e.g. through the Caribbean Regional Resilience Building Facility or the Caribbean Disaster Emergency Management Agency (CDEMA)).

Partnerships can also play a catalytic role in attracting quality investment and expanding the use of PPPs in the Caribbean. The financing and mobilisation efforts of development finance institutions (DFIs) can improve project financing by extending tenors, mitigating risk and increasing lender participation. They can also provide technical assistance, facilitate knowledge exchange and support multi-country project development. This can reduce transaction costs, as well as improve the quality and credibility of PPP pipelines. Examples include the Resilience and Sustainability Facility in Barbados (2022-2025) and Jamaica (2023-2025), under which the International Monetary Fund provides long-term financing. These initiatives support PPPs by improving fiscal credibility, strengthening institutions, and reducing climate and disaster risks. Multilateral development banks (MDBs) such as the IDB and the World Bank act as implementation partners, offering financial and technical support in areas requiring high levels of sectoral expertise. Cross-border co-operation also helps attract a broader set of investors by offering more predictable rules, larger project opportunities and strengthened risk mitigation mechanisms.

Moreover, partnerships can help strengthen institutions, particularly in building statistical capacity, which is essential in all stages of the investment cycle. Collaboration across borders enables countries to pool expertise, share methodologies, and benefit from economies of scale in data production and innovation. This is critical given the region's small size, resource constraints and growing demand for high-quality, timely, and comparable data. Regional bodies, such as Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS), along with the United Nations Conference on Trade and Development (UNCTAD) and the Partnership in Statistics for Development in the 21st Century (PARIS21), and international organisations provide important platforms for harmonising standards and capacity building. In 2026, the IDB Compete Caribbean programme will complete a second set of enterprise surveys in the region using the World Bank Enterprise Survey methodology, while carrying out poverty assessments based on household surveys. In the past three years, PARIS21 has worked with countries such as Belize, the Dominican Republic, Grenada, Saint Lucia, and Saint Vincent and the Grenadines in strengthening statistical systems, while also providing support at the regional level. Moreover, the establishment of an inter-regional platform, the SIDS Global Data Hub, is also under discussion.

Renewed international partnerships can help Caribbean countries attract investments and harness opportunities to access vast financial resources to foster resilience. Three key strategies to do this are: continue developing innovative finance instruments, such as those pioneered through the IDB ONE Caribbean regional programme (e.g. green, social, sustainability, sustainability-linked and blue (GSSSB) bonds, thematic debt swaps, carbon-pricing tools, and pre-arranged financing mechanisms); provide greater access to global climate-related funds (e.g. the Green Climate Fund, the Adaptation Fund, the Climate Investment Fund or the Global Environment Facility); and mobilise the private sector (e.g. through

the EU-LAC Global Gateway Investment Agenda (GGIA) and ONE Caribbean Project Preparation Coordination Mechanism (PPCM)). For example, several Caribbean countries have pioneered innovative financing tools, often leading in both scale and frequency compared to other SIDS in Africa, the Indian Ocean, and the Pacific. For example, in the Dominican Republic, a USD 750 million green bond marked a milestone in the region's participation in sovereign GSSSB markets. Bilateral and multilateral partners provide technical assistance alongside financial support to scale up innovative financing mechanisms and strengthen institutional frameworks, promoting cross-country co-ordination and regional solutions. Moreover, the GGIA has allocated EUR 45 billion to finance 51 projects in LAC (39 in the Caribbean) in 5 areas: digital; climate and energy; transport; health; and education and research. The ONE Caribbean PPCM is an offer of project-structuring support for public, private and PPP projects across sectors, having assessed 30 projects and committed funding to 2 projects in its first year (2025) alone.

Sustainability is essential for the Caribbean's development prospects

Caribbean countries face structural constraints to advancing production transformation and economic diversification, notably small markets and limited economies of scale, coupled with reduced fiscal space. In this context, investment strategies should prioritise areas of opportunity, particularly those aligned with sustainable sectors in which the region has comparative advantages. These sectors include the blue and circular economy, sustainable transport, sustainable tourism and creative industries, sustainable agriculture and food systems, energy transition, and digital transformation and artificial intelligence.

Targeted investments in these sectors could unlock their development potential while advancing sustainability, although most are at a nascent stage and current investments remain modest. Key opportunities include strengthening linkages between tourism and local economies (e.g. by supplying agricultural and fishery products, local crafts and services to cruise ships and the hospitality sector) and diversifying tourism toward new segments, including eco-tourism and attracting digital nomads. Accelerating renewable energy deployment can reduce costly external dependence and consumer energy bills by leveraging the region's strong solar, wind and geothermal potential. Scaling up blue economy prospects could transform the management and valorisation of sargassum into an asset, expand sustainable fisheries infrastructure, or foster high-value related segments such as marine biotechnology and modernised aquaculture. Additional prospects arise from creative industries, which can generate opportunities for youth by building on the region's vibrant cultural legacy. Sustainable transport could improve regional connectivity while reducing high transportation costs and GHG emissions, particularly from congestion in crowded urban centres. Finally, cross-cutting enablers, such as digital transformation and the circular economy, can enhance sectoral efficiency, promote sustainable business models, and reduce waste.

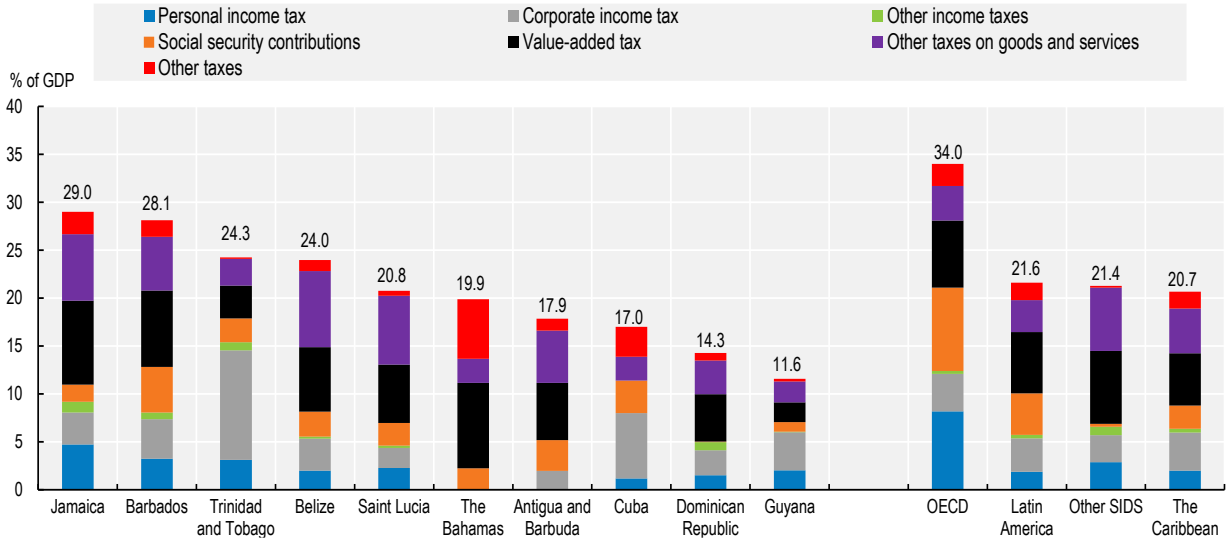
Advancing an ambitious investment agenda in the region will require mobilising multiple sources of financing

Domestic resource mobilisation is key to building fiscal sustainability and resilience

Tax revenues are a crucial source of development finance in the Caribbean, yet collection levels remain comparatively low, with strong cross-country heterogeneity and a persistent reliance on indirect taxes. In 2023, Caribbean countries collected an average of 20.7% of GDP in tax revenues – slightly below Latin America (21.6%) and other SIDS (21.4%), and far below the OECD average (34%) (Figure 11). The region continues to depend on indirect taxes, which account for 51% of total tax revenues – a higher share than in Latin America (44%) and the OECD (32%), although lower than in other SIDS (65%). By contrast, direct taxes – including personal income tax (PIT) and social security contributions (SSCs) – remain comparatively low. Only corporate income tax (CIT) averages slightly higher in the Caribbean (4% of GDP and 20.1% of total tax revenues) than in the OECD (3.3% of GDP and 10.2% of total tax revenues) and in

other SIDS (2.8% of GDP and 14.6% of total tax revenues). However, heterogeneity across the region is substantial: CIT revenues range from 11.4% of GDP in Trinidad and Tobago to 2.0% of GDP in Antigua and Barbuda, and in some countries, they stand at 0%.

Figure 11. Tax structure in the Caribbean, OECD, Latin America and other SIDS, 2023



Note: The Latin America average excludes Venezuela due to data issues. Due to data quality issues, Ecuador is excluded from the Latin America average for PIT and CIT revenues. The OECD average is for 2022 and represents the unweighted average of the 38 OECD Member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38). Other Small Island Developing States (SIDS) represents the simple average of Cabo Verde, Cook Islands, Fiji, Kiribati, Maldives, Mauritius, Nauru, Niue, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Timor-Leste and Vanuatu.
Source: OECD et al. (2025[23]), *Revenue Statistics in Latin America and the Caribbean*, https://doi.org/10.1787/7594fbdd-en.

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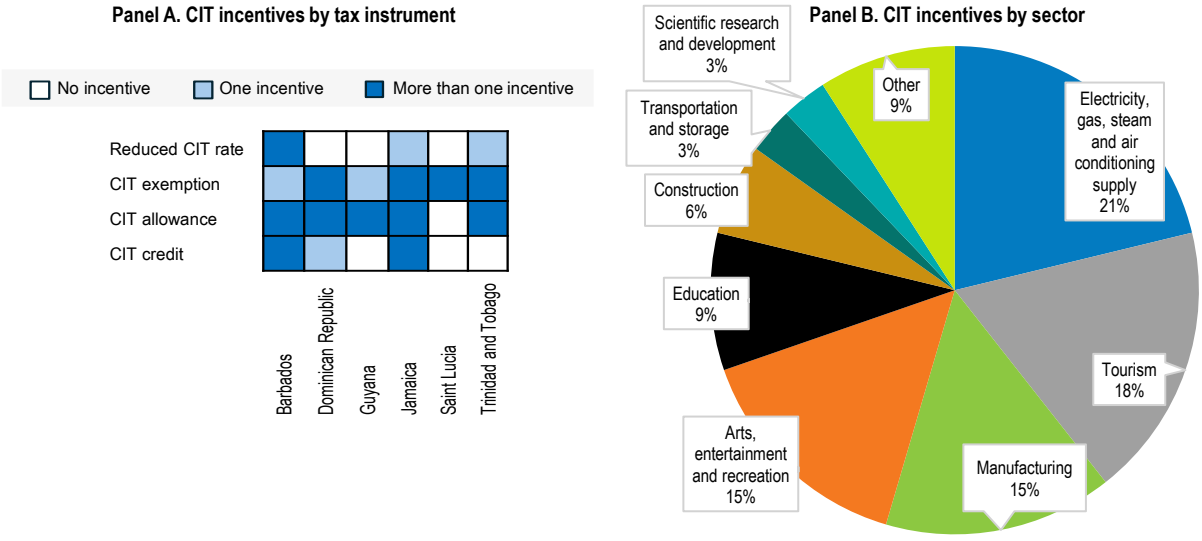
Reassessing PIT and tax expenditures, such as CIT incentives and VAT exemptions, is important to improve revenue collection in the Caribbean. Strengthening PIT performance offers scope to raise revenue and enhance progressivity, yet outcomes vary widely across countries: Jamaica, Barbados, and Trinidad and Tobago collect over 3% of GDP in PIT, while the Dominican Republic collects just 1.5%, and Antigua and Barbuda levy no PIT at all. Low PIT revenues often reflect generous tax relief, narrow bases limited to formal wage earners and high evasion. However, in many tourism-based economies, a large share of tax revenue comes from indirect taxes paid by visitors rather than residents. This means that raising PIT – which applies only to resident workers – would likely generate limited additional revenue, particularly given the prevalence of informal and low-wage employment in the sector and the very open economies.

At the same time, extensive tax expenditures significantly erode revenue bases across the region: in 2023 they represented 4.6% of GDP in the Dominican Republic and 2.9% in Jamaica in 2022; exceeded 6.5% in Suriname in 2019 and 2021; and averaged 5.8% of GDP (21% of total tax revenue) in Eastern Caribbean Currency Union countries between 2010 and 2018. CIT incentives across Caribbean countries consist mainly of long-term, generous exemptions, typically lasting 5-15 years, with some programmes extending up to 20 years (Figure 12, Panel A). These incentives are concentrated in specific sectors, including renewable electricity (22%), tourism (15%) and manufacturing (15%) (Figure 12, Panel B). Tax expenditures – especially CIT incentives and VAT exemptions – are intended to attract investment but often deliver modest returns at high fiscal cost. Reforms that broaden the PIT base, streamline indirect tax design, and rationalise tax expenditures, combined with clear policy objectives, transparency and

systematic evaluation, can strengthen revenue, efficiency, and equity in Caribbean tax systems. In addition, strengthening tax morale is equally essential. Surveys of Caribbean tax administrations indicate perceived informality, distrust, fiscal illiteracy and a lack of commitment to equity. Narrowing the trust gap between taxpayers and institutions is critical for improving voluntary compliance.

Figure 12. CIT incentives in selected Caribbean countries, 2025



Note: The list of corporate tax incentives by country is non-exhaustive. CIT=corporate income tax. Panel B: The International Standard Industrial Classification (ISIC) of All Economic Activities, Rev. 4, was used to classify CIT incentives. Only CIT incentives with a sectoral condition are included. Within the "Other" category, Trinidad and Tobago has one incentive for activities of households as employers and undifferentiated goods- and services-producing activities of households for own use, and one for financial and insurance activities; the Dominican Republic has one incentive for waste management. The "Scientific research and development" category includes a single sector-specific incentive from Barbados, which applies only to R&D expenditures in specific industries, such as medical sciences, engineering and technology, natural sciences and financial technology. R&D incentives are granted by other countries but are economy-wide and therefore not included in this sector-specific grouping.
Source: Authors' elaboration based on (PwC, 2025[24]; Gascon et al., forthcoming[25]).

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International tax co-operation is becoming a key pillar of domestic resource mobilisation in the Caribbean. Countries are advancing in the adoption of international tax transparency standards and expanding participation in the OECD/G20 Inclusive Framework. The global minimum tax (GMT) creates opportunities to curb harmful tax competition; The Bahamas, Barbados and Curaçao have already adopted GMT rules. Progress is also visible in transfer pricing, with six jurisdictions introducing regulations focused on priority sectors such as agriculture, tourism, finance and extractives. Despite these advances, enforcement capacity remains a central challenge.

Non-tax revenues play an important but uneven role across the Caribbean, reflecting diverse economic structures. In 2023, they averaged 3.6% of GDP, ranging from less than 1% in Barbados and Belize to over 6.5% in Trinidad and Tobago, and 11.6% in Cuba. Some service-based economies rely heavily on the sale of public services and citizenship-by-investment (CBI) programmes, which in Dominica and Saint Kitts and Nevis generated up to 33% and 53% of GDP before and during the pandemic, respectively. CBI arrangements have financed climate-resilient infrastructure and strengthened fiscal positions in several countries. However, they also expose governments to abrupt revenue declines when applications fall, as well as heightened risks related to money laundering, due diligence and transparency. In contrast, resource-rich economies such as Guyana and Trinidad and Tobago depend primarily on rents and royalties, which accounted for 96% and 76% of non-tax revenues in 2023, respectively.

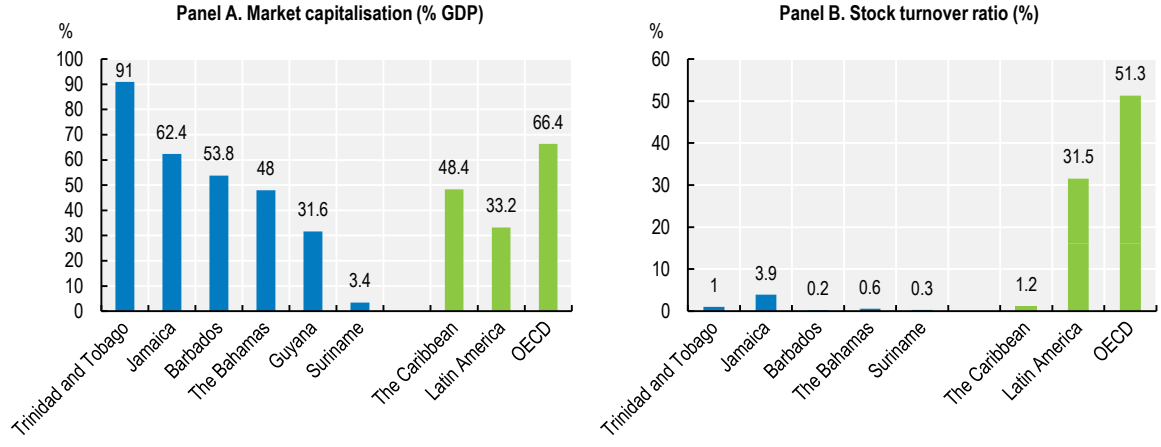
Robust fiscal frameworks are crucial for managing high-debt levels and protecting fiscal space in the region. Public debt averaged 68.6% of GDP in 2024, following a sharp rise during the pandemic, with debt service absorbing 15.8% of tax revenues in 2023. Many countries remain highly vulnerable: external debt represents about half of total debt, more than 60% in some cases, and foreign-currency exposure amplifies risks in the face of exchange-rate shocks. External debt service pressures have been severe, reaching 19% of government revenues in 2021 and peaking at 33% of exports in Jamaica and 25% in Dominica when tourism collapsed. While fiscal rules and reforms have helped countries like Jamaica, Grenada and Barbados reduce debt, other countries continue to face refinancing risks and rising costs. Credible fiscal rules, medium-term expenditure and debt strategies, independent fiscal councils and sovereign wealth funds can support sustainability. However, high exposure to natural disasters in the Caribbean makes shock-responsive frameworks indispensable.

Private capital can be a fundamental source of development financing

Deepening capital markets through regional integration is crucial for unlocking long-term financing in the Caribbean. Capital markets, encompassing equity and debt markets, provide governments and firms with access to long-term funds that support investment, innovation and economic growth. Despite an average market capitalisation of 48.4% of GDP, higher than Latin America's 33.2% but below the OECD's 66.4%, Caribbean capital markets remain shallow, illiquid and concentrated (Figure 13, Panel A). Stock turnover remains at just 1.2% compared to 31.6% in Latin America (Figure 13, Panel B). Bond markets are similarly underdeveloped, dominated by government securities and offering limited corporate issuance.

Regional financial integration could address these limitations by broadening the investor and issuer base, lowering transaction costs, enhancing liquidity and promoting cross-country investment. Existing platforms such as the Eastern Caribbean Regional Government Securities Market and cross-listing arrangements among Barbados, the Eastern Caribbean, Jamaica, and Trinidad and Tobago demonstrate the potential of integration. However, further development is needed to create a robust, liquid and inclusive regional capital market that can support long-term development priorities.

Figure 13. Market capitalisation and stock turnover ratio in the Caribbean, 2024 or latest year available



Note: Data correspond to 2024 for Jamaica, Latin America and the OECD, and to 2020 for the remaining Caribbean countries.
Source: Authors' elaboration based on Beuermann et al. (2024[26]), *Are We There Yet? The Path Towards Sustained Economic Growth in the Caribbean*, https://doi.org/10.18235/0013218; World Bank (2024[27]), *World Development Indicators*, https://data.worldbank.org/.

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Official development assistance (ODA) and remittances remain key external financing sources for Caribbean economies, although their scale and impact vary. Between 2000 and 2023, ODA averaged 2.53% of gross national income, significantly above the Latin American average of 1.54%. Flows spiked during crises such as natural disasters and the COVID-19 pandemic. Remittances, by contrast, have grown steadily to 5.4% of GDP in 2024, exceeding ODA. They provide a countercyclical buffer that helps stabilise household consumption, strengthen external reserves and support domestic demand. In many cases remittances are equivalent to between 10-20% of GDP. Despite their scale, remittances are primarily used for consumption rather than productive investment. Although they may not directly contribute to contemporaneous capital accumulation, household spending on food, childcare, and education can significantly support human capital accumulation in the region and globally, while also contributing to poverty reduction through investments in human capital. Of greater concern for long-term growth and technological development is how to contain the “brain drain”, as most Caribbean countries continue to experience high rates of emigration among professional and skilled labour.

Co-operation across multilateral, regional and national development banks and development co-operation agencies is key to expanding access to finance

Development finance institutions (DFIs) are central to expanding access to finance in the Caribbean, particularly for small and medium-sized enterprises, infrastructure and climate-resilient projects. National DFIs in some countries, such as the Development Bank of Jamaica (DBJ), National Export Import Bank (EXIMBANK) of Trinidad and Tobago, and the Saint Lucia Development Bank (SLDB), help address financing gaps through concessional loans, credit guarantees, and technical assistance. To that end, they target underfunded sectors, including agriculture, renewable energy and tourism.

While these institutions play a vital role in supporting private-sector growth and enabling long-term development, many face constraints related to capitalisation, risk appetite and technical capacity. These restraints limit their ability to scale investments or respond effectively to climate-related shocks. Some Caribbean countries lack national DFIs altogether; in both cases, regional development banks (RDBs), multilateral development banks (MDBs), and development co-operation agencies are essential for complementing domestic institutions, sharing knowledge, building sector-specific project pipelines, and helping mobilise finance to strengthen sustainable development outcomes.

RDBs and MDBs such as the Caribbean Development Bank (CDB), the IDB Group, the Development Bank of Latin America and the Caribbean (CAF), the World Bank Group, and the European Investment Bank (EIB) combine financing with technical expertise to support complex sustainable development and climate projects. Initiatives include the joint MDB Caribbean Multi-Guarantor Debt for Resilience Initiative and the Sustainable Energy Facility for the Eastern Caribbean financed by the IDB through the CDB. These illustrate how blended finance, guarantees, and risk-sharing mechanisms can expand lending capacity, attract private capital and create fiscal space for resilient infrastructure and regional public goods. Similarly, partnerships with development co-operation agencies like the French Development Agency (AFD) can help enhance operational efficiency, integrate environment, social and governance (ESG) safeguards, and strengthen national DFIs. This ensures that Caribbean countries can access long-term financing, while advancing inclusive and climate-resilient development.

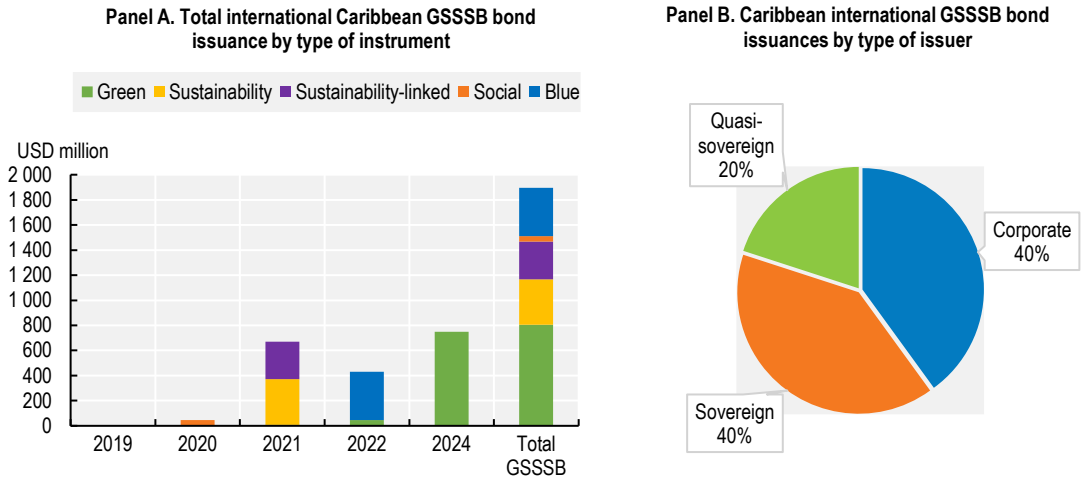
Innovative debt financing mechanisms can mobilise resources to support environmental, social and climate resilience objectives

Innovative debt financing mechanisms are transforming the Caribbean’s ability to mobilise resources for environmental, social and climate resilience objectives. Some instruments raise funds through debt markets and channel capital towards specific goals, such as GSSSB bonds, as well as thematic debt swaps and carbon-pricing tools. An increasing set of instruments focus on boosting resilience to natural disasters, a priority for the Caribbean. They do this through pre-arranged financing mechanisms such as

regional risk pools, catastrophe (CAT) bonds, contingent disaster loans and grants, and climate resilient debt clauses (CRDCs). Countries like the Dominican Republic, Belize, Barbados, and Jamaica have pioneered these mechanisms, demonstrating leadership in sovereign and corporate GSSSB bond issuance, debt-for-nature swaps and CRDCs.

Thematic bonds offer significant potential in the Caribbean, but their expansion is constrained by limited institutional capacity, small issuance sizes and low market liquidity. Between 2019 and 2024, the international GSSSB bond market in the Caribbean reached a cumulative value of USD 2 billion (Figure 14, Panel A). Green bonds lead the way with US 804 million, followed by blue bonds at USD 385 million, sustainability bonds at USD 364 million and sustainability-linked bonds at USD 300 million. Corporate and sovereign issuers account for 40% of total issuances, and quasi-sovereigns for 20% (Figure 14, Panel B). Enhancing flexibility, strengthening regulatory and institutional frameworks, and improving project preparation are essential to attract investors and scale up thematic bond issuance. MDBs and development partners play a critical role by supporting project pipelines, providing technical assistance and promoting regional co-ordination to overcome these barriers.

Figure 14. GSSSB bond issuance in international markets in the Caribbean, 2019-2024



Note: Sustainability label bonds include a USD 364 million debt-for-nature conversion by Belize. SLBs include a USD 73 million sustainability-linked bond issued by BB Blue DAC to advance a loan to the Barbados government as part of a debt-for-nature swap.
Source: Authors' elaboration based on OECD/IDB (2024[6]) , *Caribbean Development Dynamics 2025*, https://doi.org/10.1787/a8e79405-en.

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Thematic debt conversions are becoming an important tool for Caribbean countries to reduce debt and finance climate and environmental goals, although institutional and co-ordination challenges persist. These mechanisms allow governments to repurchase external debt at a discount and redirect the savings towards conservation or climate-related investments. Over USD 450 million has been unlocked for nature and marine conservation through debt conversions in Belize, Barbados, and The Bahamas, illustrating the growing prominence and innovative structuring. Thematic debt conversions may affect sovereign credit ratings, as rating agencies differ in whether they classify such operations as distressed exchanges. Scaling up these operations depends on institutional capacity, regulatory quality, transaction size and interest-rate differentials between old and new debt, and the ability of governments, creditors, and conservation actors to co-ordinate effectively. This is an area where development co-operation agencies and MDBs play a pivotal role by providing guarantees, reducing issuance costs and supporting regional platforms.

Carbon credit markets are emerging as an important source of climate finance and foreign investment for Caribbean countries, but growth depends on overcoming regulatory, technical, and institutional challenges. Global carbon markets mobilised over USD 100 billion in 2024, covering 28% of global emissions, with countries such as Brazil, Colombia, Guyana and Peru already active in both voluntary and compliance markets. Several Caribbean states are following suit: Jamaica is developing a domestic market, Guyana leads in Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+) credits, and Grenada and Saint Lucia are building readiness with external support. The Bahamas launched the world's first blue-carbon sovereign transaction, with the objective of measuring carbon absorbed by seagrasses and converting verified removals into tradable carbon securities for global markets (Laconic Global, 2025[28]). Scaling these opportunities requires strong regulatory and verification systems to ensure environmental integrity, prevent double counting, and clarify ownership – areas where capacity remains limited. Regional initiatives, such as the OECS-GIZ Global Carbon Market project, aim to strengthen institutions, build robust frameworks and foster a Caribbean Alliance on Carbon Markets and Climate Finance.

Enhanced regulation and oversight are important for the credibility of sustainable finance instruments in the Caribbean. Robust frameworks – including taxonomies, standards, guidelines, and policies – integrate ESG principles into financial operations while boosting transparency and investor confidence. While the Dominican Republic has launched the region's first green taxonomy, other countries are advancing initiatives such as the Green Bond Plus platform in Jamaica and the Eastern Caribbean Currency Union's pilot programme. Regional collaboration, technical assistance and a common green finance taxonomy are essential to strengthen co-ordination, mitigate risks and foster innovation across Caribbean markets.

Caribbean countries are also shifting from reactive post-disaster responses to pre-arranged financing mechanisms. This transition has driven the increased use of instruments such as regional risk pools, CAT bonds, contingent loans and grants, and CRDCs to strengthen disaster resilience. Similar advances in other regions, including in Emerging Asian countries, indicate the benefits of multi-layered disaster risk financing frameworks that combine pre-arranged financing instruments and traditional budgetary tools (OECD, 2025[29]).

Regional risk pools are a cornerstone of Caribbean resilience. The Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) is a non-profit insurance entity that pools the risks of participating countries into a single, better-diversified mechanism. Since its inception in 2007, CCRIF SPC has made 81 payouts totalling USD 462 million to member governments across 19 Caribbean countries and four Central American countries[7] (CCRIF SPC, 2026[30]). International experience, including that of the Association of Southeast Asian Nations (ASEAN), shows that regional disaster risk-sharing arrangements can deliver significant diversification and resilience benefits, as carefully selected country groupings with weakly correlated loss profiles can form effective multi-country catastrophe risk-sharing pools (OECD, 2025[29]). However, challenges remain: coverage limits can leave countries partially exposed during large disasters; payouts do not always match actual losses; and premiums are rising. Strengthening risk modelling and expanding product offerings are essential to maintain its effectiveness.

CAT bonds are another important but underused instrument, providing fast, rules-based payouts when disaster parameters are triggered. An example of this is the World Bank CAT bond payout of USD 150 million to Jamaica after Hurricane Melissa in 2025. High structuring costs, technical demands and small scale, however, limit wider adoption of CAT bonds. This highlights the need for stronger technical support and regional approaches to reduce basis risk.

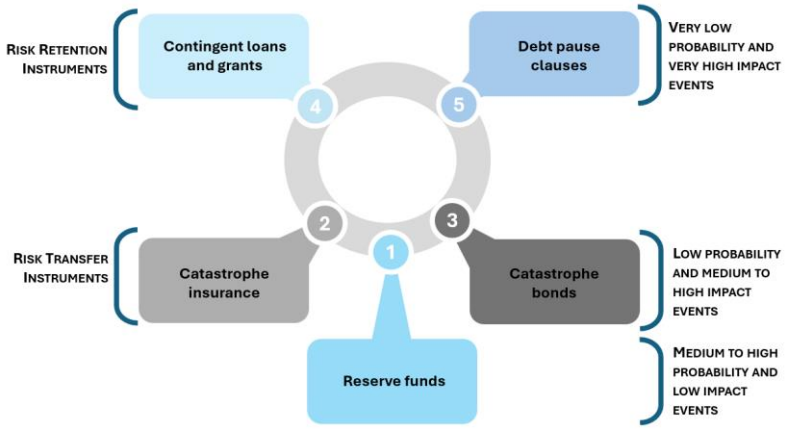
Contingent disaster-response loans are another pre-arranged financing mechanism in the Caribbean, offering quick post-shock funding. These instruments, such as the IDB's Contingent Credit Facility (CCF), provide immediate liquidity following natural disasters or public health emergencies, with parametric coverage up to USD 300 million (2% of GDP) and non-parametric coverage up to USD 100 million (1% of GDP). In 2025, the IDB's CCF made available USD 300 million to Jamaica following Hurricane Melissa (IDB, 2025[31]). The current CCF portfolio in the Caribbean also includes coverage for The Bahamas, Barbados, Belize, the Dominican Republic, and Suriname, delivering predictable funding without adding debt unless triggered.

CRDCs can help smooth liquidity after disasters, but adoption in the Caribbean remains modest due to limited creditor participation and technical complexity. In 2024, in a world first, Grenada was able to pause debt repayment due to a hurricane debt suspension clause after Hurricane Beryl, saving the country USD 28 million. Barbados pioneered CRDCs in its USD 700 million debt restructuring and later embedded them in its blue bond, allowing payment pauses of up to two years after a major event. Still, uneven uptake by private creditors and uncertainty about rating implications hinder broader use. Greater co-ordination among official and commercial creditors is needed to scale CRDCs across the region.

Coherent frameworks are essential for maximising the effectiveness of pre-arranged disaster finance instruments in the Caribbean. By integrating disaster risk financing into broader fiscal policy and public investment systems, countries can ensure that instruments complement each other, align with debt management strategies and support efficient resource allocation. The OECD's framework for strengthening financial management of climate-related risks emphasises the importance of reporting climate-related risks and their fiscal implications, mitigating financial losses through risk reduction, adaptation, insurance, and clear compensation arrangements, and preparing integrated financial strategies that combine budgetary tools, debt financing, and risk transfer instruments (OECD, 2022[32]).

Risk-layering approaches – combining reserve funds, risk retention instruments, and risk transfer tools such as CAT bonds and insurance – match financing strategies to the probability and severity of potential disasters. Since each financing mechanism has distinct advantages and limitations, a national disaster risk financing strategy should combine different instruments in a co-ordinated way. Governments can do this by matching instruments to the type of risk they face: reserve funds for more frequent but lower-impact events; risk-retention instruments for events that occur regularly and have moderate impacts; and risk-transfer instruments for rare but severe disasters (Figure 15). Such frameworks should also consider country-specific needs, fiscal and market contexts, and interactions with social protection and thematic investment instruments. Innovation in early-action financing, which quickly deploys resources when an event becomes imminent, highlights the need for operational readiness and collaboration with international partners to enhance resilience and cost effectiveness. Jamaica has developed such a framework, which allowed it to mobilise funds for reconstruction very quickly – within two to three months of the onset of Hurricane Melissa, a Category 5 storm. It also strengthened resilience in the aftermath of the human tragedy.

Figure 15. A generic multi-layered risk management strategy for natural disasters using pre-arranged financing instruments



Source: Based on IDB disaster risk finance team and Mustapha and Benson (2024[33]), *Demystifying Pre-arranged Financing for Governments: A Stocktake of Financial Instruments from International Financial Institutions*, https://www.disasterprotection.org/publications-centre/demystifying-pre-arranged-financing-for-governments.

Notes

[1] Depending on data availability, the report focuses its analysis on 16 Caribbean countries: Antigua and Barbuda, Barbados, The Bahamas, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. These 16 countries are part of the 39 SIDS. The report analyses them alongside the Latin America and OECD averages. When relevant, the analysis also incorporates the perspective of the "Greater Caribbean", including other countries and territories in the Caribbean basin.

[2] These cross-regional comparisons must be interpreted with caution. Given the Caribbean's relatively small economies, headline investment-to-GDP ratios may overstate the region's actual investment capacity and obscure the significant gaps that remain in meeting infrastructure and development needs.

[3] Among the different forms of FDI, greenfield investment refers to the establishment of new facilities or the expansion of existing operations by foreign investors and is typically associated with capital formation and job creation.

[4] Resilient infrastructure refers to new or existing assets that are planned, designed, constructed, operated or retrofitted to anticipate, withstand, and adapt to the impacts of a changing climate.

[5] PPPs are generally understood as long-term contractual arrangements between a government entity and a private partner for the provision of a public asset or service. In the Caribbean, PPPs can support more efficient infrastructure delivery, diversify funding sources, including through user-pay mechanisms, and broaden access to global debt and equity markets.

[6] The Infrascope Index (https://infrascope.eiu.com/about) is a benchmarking tool that evaluates the capacity of countries to identify, select, prepare, structure and execute PPP projects. This helps determine a country's capacity to implement sustainable and efficient PPPs in key sectors, including transport, energy, water and sanitation, solid waste management, and social infrastructure. The Index aims to help policymakers identify the challenges to private sector participation in infrastructure that, if overcome, could encourage greater use and availability of PPPs and support the broader development agenda.

[7] The Facility includes 19 Caribbean members – Anguilla, Antigua and Barbuda, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, Sint Maarten, St. Vincent and the Grenadines, The Bahamas, Trinidad and Tobago, and the Turks and Caicos Islands – as well as four Central American countries: Guatemala, Honduras, Nicaragua, and Panama.

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World Bank (2025), *World Development Indicators*, (dataset), https://databank.worldbank.org/source/world-development-indicators (accessed on 6 August 2025). [9]

World Bank (2024), *World Development Indicators*, (dataset), https://data.worldbank.org/ (accessed on 31 July 2025). [27]

1 Main development dynamics and the role of investment

Strengthening both the quantity and quality of investment is essential to unlocking the Caribbean's full development potential. The region continues to face modest potential growth, low productivity and high public debt alongside economic structures that remain heavily service-oriented and narrowly diversified. Combined with persistent social and environmental challenges, these factors underscore the need to mobilise greater – and better-targeted – resources to support more robust, inclusive and resilient development across the region. This chapter provides an overview of key development trends in the Caribbean, including macroeconomic conditions and social inclusion, as well as economic and environmental risks and opportunities. In addition, it examines the current state of investment in the region, identifying critical gaps and providing key policy messages.

Infographic 1.1. The Caribbean faces a complex set of environmental and socio-economic challenges

Increased exposure to climate hazards

Extreme climate-related weather events increased

+84%

1983–2003 2004–2024

They costed on average **2.13%** of GDP annually across Caribbean countries (1980-2024)

+ 24 million people were affected in the last four decades

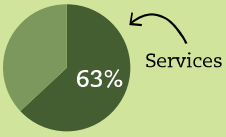
Low productivity and limited trade diversification

Average labour productivity as a % of the OECD average

42.5% Caribbean

36.6% Latin America

Total exports, on average, 2023



Travel represented 71% of services exports in 2023

Poverty and informality remain important challenges

People living in poverty

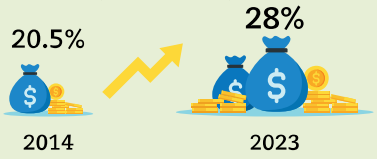
Households dependent on informal work

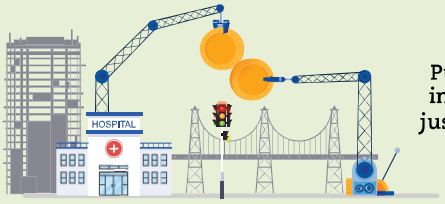
The poorest households are **x2** more likely to work informally

More and better investments are needed to unlock the development potential of the Caribbean

Total investment in the Caribbean has increased, but remains insufficient

Average total investment (as % of GDP)





Public infrastructure investment averaged just above 1% of GDP (2015-2021)

Foreign direct investment is a key source of finance for sustainable development

Unpacking macroeconomic dynamics and structural features in the Caribbean

Macroeconomic conditions are characterised by modest potential growth, low productivity and high debt levels

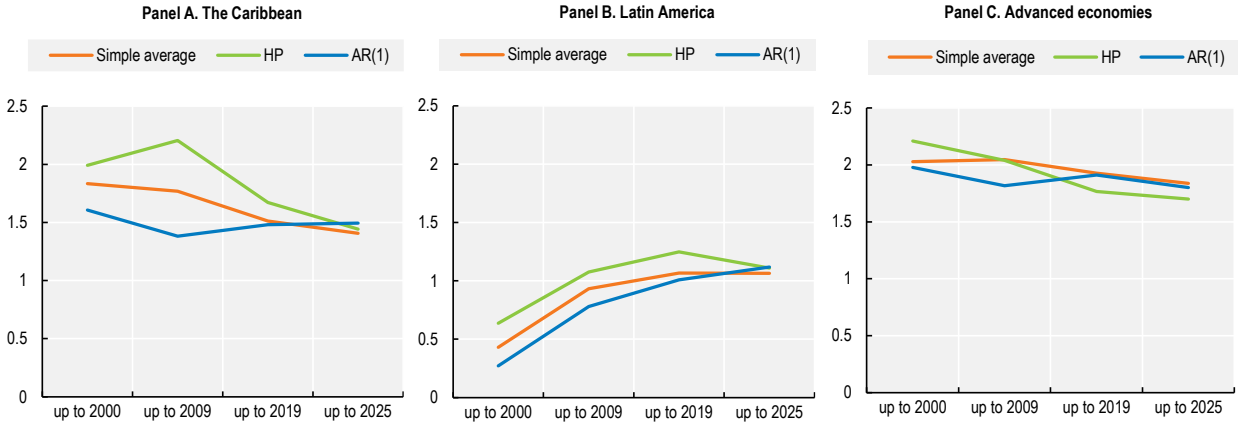
Over the past decades, Caribbean countries have struggled to sustain high levels of potential gross domestic product (GDP) per capita growth, reaching an estimated 1.4% in 2025, on average (Figure 1.1). This is below the level observed in advanced economies, which on average recorded a potential GDP per capita growth of 1.8%. Meanwhile, Latin America registered an average of 1.1%, below the Caribbean average. Nonetheless, potential growth in Latin America has shown modest gradual improvement in recent years, while potential growth in the Caribbean has shown a decreasing trend.

The region experienced a strong economic recovery in 2021-2023, returning to pre-pandemic GDP levels within three years and entering 2024 with continued growth (IDB, 2024[1]). However, the slowdown in potential growth in the Caribbean in the last decades reveals longstanding structural weaknesses. These include low productivity gains, elevated public debt levels, high rates of labour informality and limited investment in innovation and infrastructure (Rosenblatt, 2023[2]; Ianchovichina, 2024[3]; Mooney et al., 2025[4]).

The region's strong reliance on tourism and services presents an additional structural constraint. The tourism and services sectors are more susceptible to external shocks and typically generate lower productivity gains. This limits the potential for higher, long-term growth trajectories (OECD, 2025[5]).

Figure 1.1. Potential GDP per capita growth in the Caribbean, Latin America and advanced economies

As estimated by different methods since 1980



Note: Potential GDP per capita growth is the growth rate the economy can sustain over the long run, excluding short-term effects linked to a difference between demand and the potential supply level. The variable refers to the growth in potential output, which is the maximum output level an economy can reach without putting strain on production factors that translate into inflationary pressures. Average growth is a simple average of growth in all countries for each region, over the period analysed. Caribbean countries considered are: Antigua and Barbuda, The Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. HP=the Hodrick-Prescott filter, which was used as an alternative model due to its resilience to short-term shocks to create a smoothed curve (lambda 100); AR=autoregressive model, which uses GDP per capita growth data. The number of lags (1) was determined by analysing the autocorrelation function and choosing the model that maximised the log-likelihood.
Source: Authors' calculations based on IMF (2025[6]), *World Economic Outlook*, https://www.imf.org/en/publications/weo/weo-database/2025/april.

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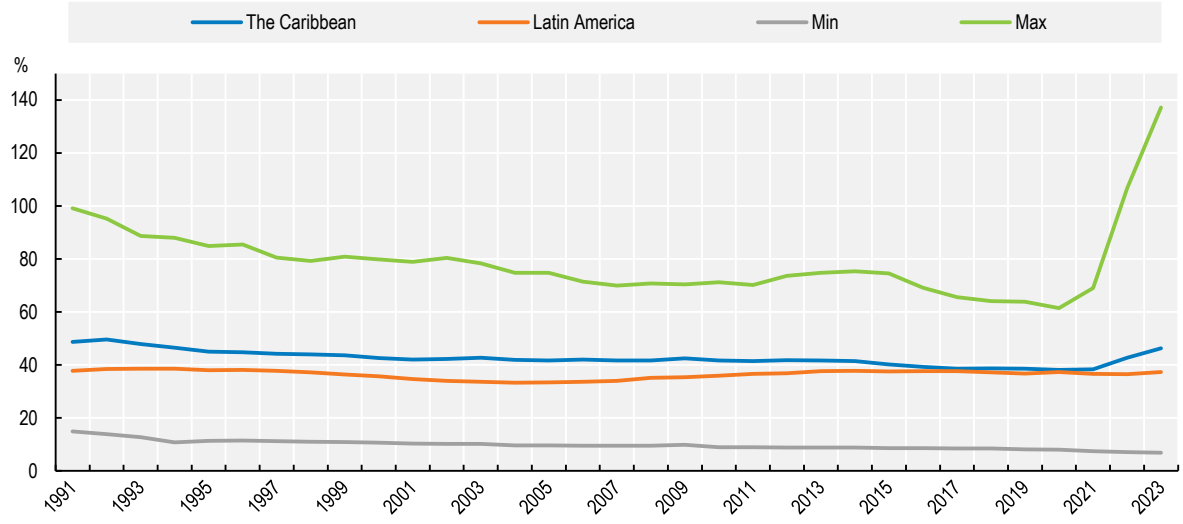
Other factors have contributed to lower competitiveness and lower potential growth in Caribbean economies (Cont et al., 2025[7]). The loss of preferential access to European markets and the deterioration of terms of trade in the 1990s, for example, posed major disadvantages for agricultural exports (Acevedo, Cebotari and Turner-Jones, 2013[8]). The region also faces both an ageing population and fewer youth entering the labour market. A global economy constrained by the post-2008 financial crisis also contributed to lowering growth in the 2010s (Cont et al., 2025[7]); the COVID-19 pandemic further limited regional growth, triggering a significant increase in public debt levels. In addition, extreme weather events averaged 2.13% of GDP annually between 1980 and 2020, further constraining the region's potential for growth (OECD/IDB, 2024[9]).

Low productivity is a persistent constraint on the Caribbean's growth potential

Average labour productivity in the region during the last three decades remained at less than half of OECD levels (42.5%), above the Latin American average (36.4%) (Figure 1.2). The region's performance varied widely compared to the OECD level. Productivity in Haiti – the least productive country ("min" in Figure 1.2) throughout the analysed period – fell from 14% of OECD levels in the 1990s to around 7% in 2023. The most productive country performance ("max" in Figure 1.2) has alternated among three countries. The Bahamas recorded the highest values from 1991 to 2007 and in 2009, representing from 99% to around 70% of OECD productivity in that period, mainly due to financial services and tourism. Trinidad and Tobago followed, leading in 2008 and from 2010 to 2020 with 62-75%, a performance driven by both energy and non-energy activities, such as food processing (Central Bank of Trinidad and Tobago, 2020[10]). Since 2021, driven by a boom in the oil sector, Guyana has led productivity in the Caribbean, doubling the maximum level from 69% to 137% in a region still showing relatively low productivity levels (World Bank, 2023[11]). Accurately measuring productivity in the Caribbean is complex as aggregate figures can be disproportionately skewed by volatile sectors, such as commodities (OECD/IDB, 2024[9]). In addition, standard metrics often fail to account for external shocks like natural disasters or fluctuating global prices (Rosenblatt, 2023[2]).

Stagnant productivity in the Caribbean is driven by a combination of key structural factors, with size and inadequate infrastructure at the heart of the challenge. The small size of these nations hinders economies of scale, which limits the diversification of markets and constrains local production (OECD/IDB, 2024[9]). Effective infrastructure in transport, energy and digital connectivity is fundamental to economic efficiency. It reduces operational costs for businesses, optimises production processes and fosters knowledge spillovers that drive innovation and market access (Clarke, 2025[12]). However, a history of persistent low investment in regional infrastructure has resulted in infrastructure systems that are often inefficient, hindering gains in productivity (Mooney et al., 2025[4]). As in other developing countries, this situation is reinforced by limited access to finance for productive activities and a high level of labour market informality, both of which discourage investment in skills and technology (ECLAC, 2024[13]; OECD/IDB, 2024[9]). This undermines the foundational drivers of economic growth, such as human capital development, technology adoption and efficient capital allocation, leading to a long-term decline in productive capacity.

Figure 1.2. Labour productivity in the Caribbean and Latin America as share of the OECD, 1991-2023



Note: Productivity is measured by GDP per person employed (constant 2021 PPP USD). Max=maximum value among Caribbean countries per year. Min=minimum value among Caribbean countries per year.
Source: Authors' elaboration based on World Bank (2023[11]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators.

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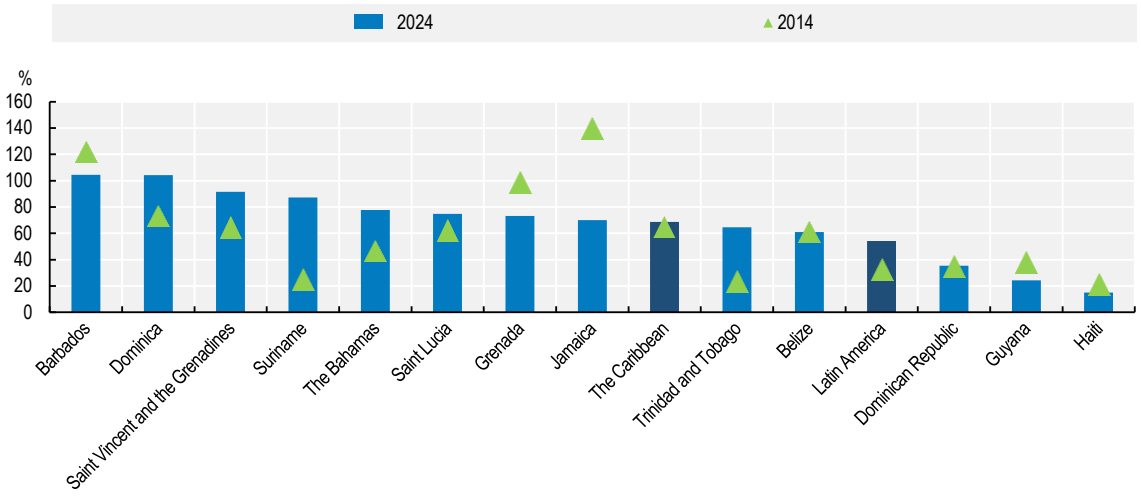
High public debt levels remain a challenge in many Caribbean economies, constraining fiscal space

The limited fiscal space in the Caribbean is directly related to elevated public debt levels. In 2024, central government debt averaged 68.6% of GDP – up from 64.7% in 2014 (Figure 1.3). Public debt stood at 14.5 percentage points above the average in Latin America in 2024, at 54.1%. The lowest debt-to-GDP ratios were observed in the Dominican Republic (35.3%), Guyana (24.3%) and Haiti (14.9%).

The debt landscape across the Caribbean is marked by significant heterogeneity. The COVID-19 pandemic sharply increased debt ratios across most Caribbean economies. Between 2012 and 2019, the region's average debt-to-GDP ratio stood at around 68%. Before the pandemic, The Bahamas, Guyana and Saint Lucia maintained ratios below 70%, while Jamaica, Barbados and Grenada exceeded 100%. The regional average surged from 69% in 2019 to 96% in 2020, reflecting the severe fiscal impact of the crisis. Suriname and Trinidad and Tobago, for example, saw their public debt increase importantly between 2014 and 2024, Jamaica, Grenada, Barbados and Guyana achieved notable fiscal consolidation. The case of Jamaica is particularly instructive. Through persistent primary budget surpluses and co-ordinated burden-sharing agreements with creditors, the country reduced its debt-to-GDP ratio from 140.3% to 69.9% in a single decade (Figure 1.3). In Grenada, debt reduction was supported by a combination of strong economic growth and robust primary surpluses (IMF, 2025[14]).

Figure 1.3. Central government total public debt as a percentage of GDP, selected Caribbean countries and regional averages, 2014 and 2024



Note: The average for Latin America excludes Venezuela and Ecuador due to data availability constraints and considers the latest available data: 2023 for Colombia and 2022 for Peru.
Source: Authors' elaboration based on IMF-WEO (2025[15]) *World Economic Outlook Database*, International Monetary Fund, https://www.imf.org/en/publications/weo/weo-database/2025/april.

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Over the last decades, the accumulation of debt has created a high debt-low growth trap in the Caribbean. Public debt has been above 60% of GDP for a prolonged time in the Caribbean, representing serious fiscal constraints for public expenditure (Greenidge, 2012[16]). These high debt levels have increased debt service costs in the region, constraining the fiscal space for advancing essential public investments in development projects (Chapter 3) (ECLAC, 2024[13]). Furthermore, high debt has constrained growth by crowding out private investment, keeping borrowing costs elevated and reducing fiscal flexibility (Mooney, 2021[17]). Most Caribbean economies, due to their middle-income status, have not benefited from international debt relief and face higher borrowing costs in international financial markets (OECD, 2023[18]).

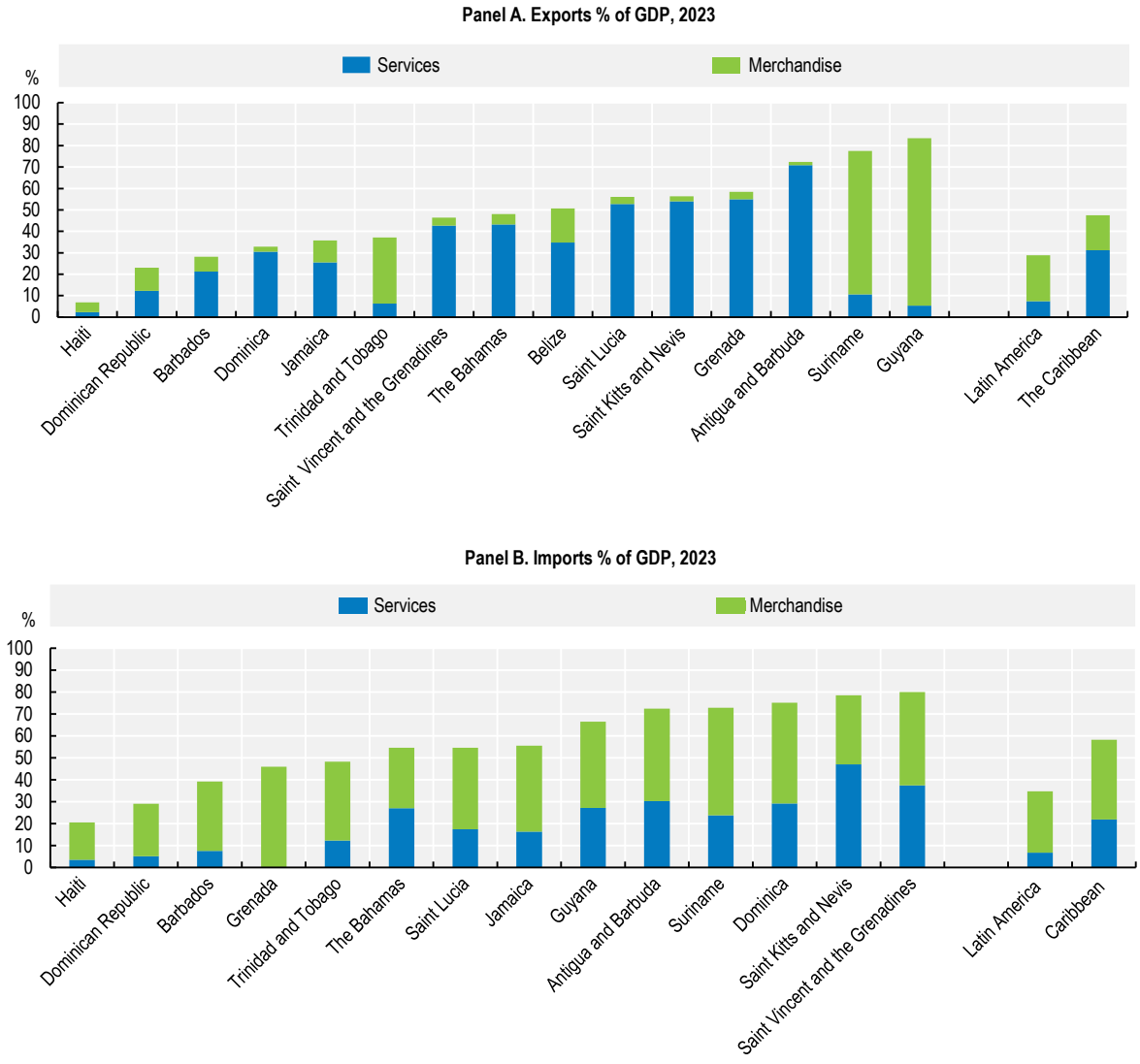
These combined pressures have hindered economic growth. In the Caribbean context, evidence shows that once debt exceeds 30% of GDP, the positive effects on growth tend to diminish rapidly. Beyond the 55% threshold, debt acts as a drag on economic activity (Greenidge, 2012[16]). These dynamics contribute to a prolonged stagnation in economic output, making the path to sustainable development more challenging. Escaping this high-debt trap requires a comprehensive strategy that prioritises growth-enhancing reforms and fiscal consolidation, as well as insuring against natural disasters (Chapter 3).

Trade patterns reveal a divide between service-oriented and merchandise-exporting economies, and an overall reliance on merchandise imports

Trade composition in the Caribbean is primarily characterised by services exports and merchandise imports, with significant heterogeneity across countries. Most Caribbean countries are predominantly service exporters. In 2023 services exports accounted for 63% of total exports, on average (UNCTAD, 2025[19]). In the same year, services exports surpassed 50% of GDP in Antigua and Barbuda, Grenada, Saint Lucia, and Saint Kitts and Nevis, largely due to tourism and financial services (Figure 1.4, Panel A). In contrast, Trinidad and Tobago, Guyana and Suriname are typically merchandise exporters. In 2023, such goods represented over 80% of their total exports, while services accounted for only 5-15%. For Guyana and Suriname, merchandise exports, substantially driven by oil and gold, respectively, reached

over 65% of their GDP that year. Haiti also exports mostly merchandise (about 65%, against 35% of services), although its total exports represent less than 10% of its GDP.

Figure 1.4. Trade composition in the Caribbean as a percentage of GDP, 2023



Note: The figures show services and merchandise exports (Panel A) and imports (Panel B), expressed as a percentage of GDP for Caribbean countries. In Panel B, the Caribbean average does not include Belize due to data unavailability.
Source: Authors' calculation based on WTO (2025[20]), *WTO Stats*, https://stats.wto.org/.

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On the import side, the Caribbean reflects a strong reliance on foreign merchandise. Merchandise imports account for 36.6% of GDP, compared to 23% of GDP for services, a pattern relatively consistent across economies (Figure 1.4, Panel B). Except for Saint Kitts and Nevis, where service imports constituted 47% of GDP compared to 31.5% for merchandise, all other economies imported more goods than services. This substantial share of merchandise imports is partly structural, arising from the small size of these countries. These factors limit economies of scale and the development of diversified domestic markets, thereby constraining local production capacity. Furthermore, the focus on service-oriented economies often limits

development of other sectors, such as manufacturing. Limited natural resources and geographic constraints further inhibit establishment of large-scale industrial production to meet local demand (OECD/IDB, 2024[9]).

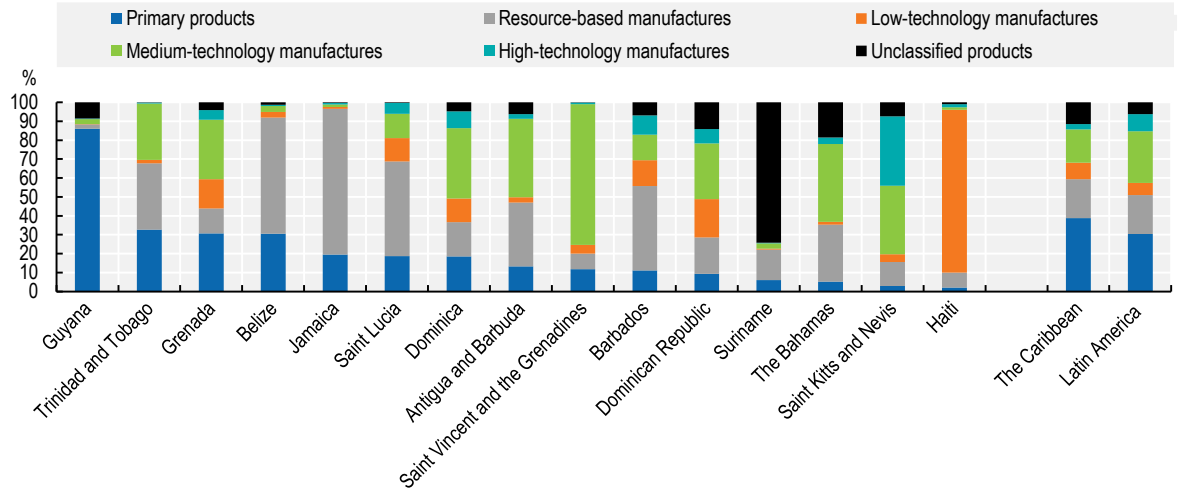
The limited diversification of export baskets reflects the region's production structure and highlights several underlying constraints that hinder its potential growth

Exports of goods in the Caribbean remain concentrated in primary products (38.7%) and resource-based manufactures (20.6%) which collectively accounted for nearly 60% of the region's total goods exports in 2023 (Figure 1.5). The dominant export categories are energy products, notably crude and refined petroleum. Agricultural goods, such as cereals, tobacco products, fish and processed foods (OECD/IDB, 2024[9]), tend to be directed towards other Caribbean countries. This aggregate figure, however, masks significant heterogeneity across the region. Most of the region's merchandise exporters are commodity exporters. Guyana, for example, has become predominantly an oil exporter (accounting for 84.5% of its exports in 2023 (IMF, 2025[21]). For its part, Suriname also exports petroleum, while Trinidad and Tobago export primarily oil and natural gas products and Jamaica exports bauxite. Haiti remains an outlier with its high concentration in low-technology manufactures, particularly textiles (over 85% of exports).

Resource-based manufactures, such as processed foods, chemicals and basic metal products, represent an important share of goods exports in Barbados (44%), Saint Lucia (50%), Belize (61%) and Jamaica (77%) (Figure 1.5). However, a significant portion of resource-based manufactures are re-exports (goods of foreign origin that undergo no substantial transformation), including refined petroleum products from Jamaica and The Bahamas (Statistical Institute of Jamaica, 2025[22]).

Similarly, medium-technology manufactures often include goods that are imported and then re-exported rather than being produced domestically. Re-exports constitute 17% of goods exports in the Caribbean, on average, and over 40% in countries like Saint Vincent and the Grenadines, and Antigua and Barbuda (WITS, 2025[23]). They also account for 84% of total exports in Antigua and Barbuda, 77% in The Bahamas, and 49% in Barbados (UN Comtrade, 2025[24]). Therefore, the high share of manufactured exports in certain economies often reflects regional shipping and refining services rather than large-scale domestic industrial activity.

Figure 1.5. Merchandise export composition of the Caribbean by economic profile and tech intensity, 2023



Source: Authors' elaboration based on UNCTAD (2025[19]), *International Trade*, https://unctadstat.unctad.org/datacentre/.

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Caribbean services trade are largely focused on tourism in most countries

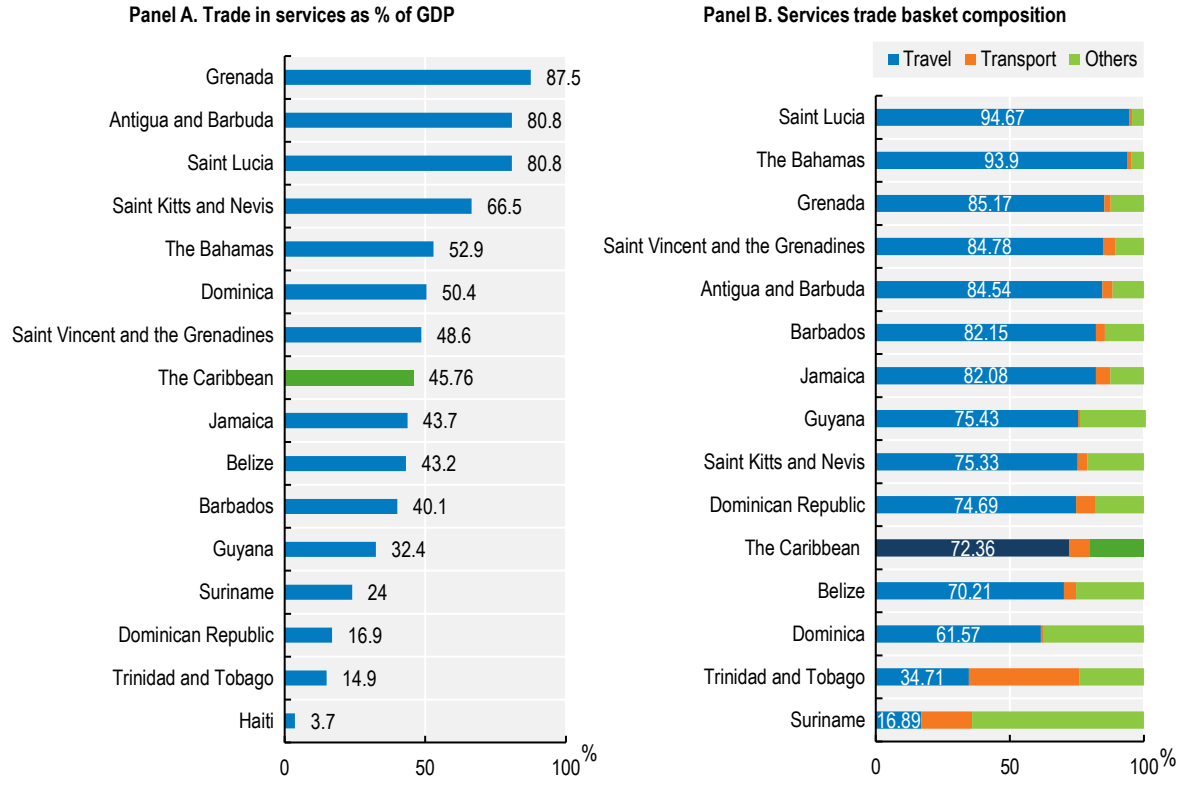
Services trade in Caribbean countries averaged 45.7% of GDP in 2024 (Figure 1.6, Panel A). Travel is by far the largest services trade sector in the Caribbean, making up 72% of the region's total services trade in 2023 (Figure 1.6, Panel B). In the same year, travel services exports represented 71% of total services exports in the Caribbean, underscoring the sector's central role in the region (UNCTAD, 2025[19]). The industry has grown substantially over the past three decades, with annual tourist arrivals rising from 10 million in 1995 to 34.2 million in 2024 (CTO, 2025[25]). In 2022 alone, tourism spending accounted for nearly one-third (32%) of the region's total economic output (OECD/IDB, 2024[9]). Some countries have developed other services exports, like transport in Trinidad and Tobago, financial services in The Bahamas and Barbados, and government services in Saint Kitts and Nevis. However, these services typically represent just 10-30% of their total services exports, leaving tourism as the dominant export sector across most Caribbean economies.

The dependence of the Caribbean on tourism highlights its limited economic diversification (Figure 1.6, Panel B) and vulnerability. In 2018, the tourism sector alone contributed nearly USD 60 billion to the region, contributing 8% directly and 25% indirectly to the Caribbean GDP (FAO, 2019[26]). However, the sector is vulnerable to various shocks, such as the impact of the COVID-19 pandemic. More frequent climate-related weather events also disrupt tourism (Mooney and Rosenblatt, 2021[27]; CBB, 2024[28]).

As discussed in Chapter 2, strategic investments in resilient infrastructure, such as hurricane-resistant buildings and improved flood protection, could mitigate vulnerabilities. These measures would help stabilise the tourism sector during disruptions and enhance its long-term attractiveness through reliable services and sustainability commitments. Such measures will help complement, not replace, parallel investments in other activities, which are essential for economic diversification and capital attraction.

Like other developing regions, the Caribbean region could both add value to traditional sectors with remaining potential and strategically diversify into new, sophisticated sectors aligned with global demand (CBB, 2024[28]) (Chapter 2). The success of this transformation depends on fundamentally upgrading the technological and knowledge intensity of production with human capital and innovation (Cammeraat, Samek and Squicciarini, 2021[29]). Developing more sophisticated services sectors could help in this regard. These could include business process outsourcing, tourism and financial services, areas where Caribbean non-commodity exporters may have a comparative advantage. Foreign direct investment (FDI) can promote technology transfer and know-how by bringing in foreign expertise to facilitate "learning by doing" and improve technical and managerial skills within the local workforce (Sabha, 2020[30]; OECD, 2022[31]). In the Caribbean, many firms in the services sector, particularly in tourism and hospitality, which are already foreign-owned, provide in-work training, although technology transfer is limited. There is also the problem of skilled workers leaving the country once they have been trained and staying abroad. Country efforts to incentivise skilled workers to stay and attract skilled emigrants back to their countries of origin are important in fostering a more skilled local workforce.

Figure 1.6. Services trade basket composition in the Caribbean, 2023 and 2024



Note: Trade is the sum of exports and imports of services. Panel A shows the trade in services of Caribbean countries for 2024 as a percentage of GDP (World Bank, 2025). Panel B shows the services trade basket composition of Caribbean countries for 2023, with the colours respectively indicating: Tourism (blue), Transport (orange) and Other services (green). Other services include Construction, Insurance, Financial Services, Intellectual Property, Telecommunications, Other Businesses, Cultural Services and Government Goods and Services.
Source: Authors' elaboration based on World Bank (2025[32]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators; UNCTAD (2025[19]), *International Trade*, https://unctadstat.unctad.org/datacentre/.

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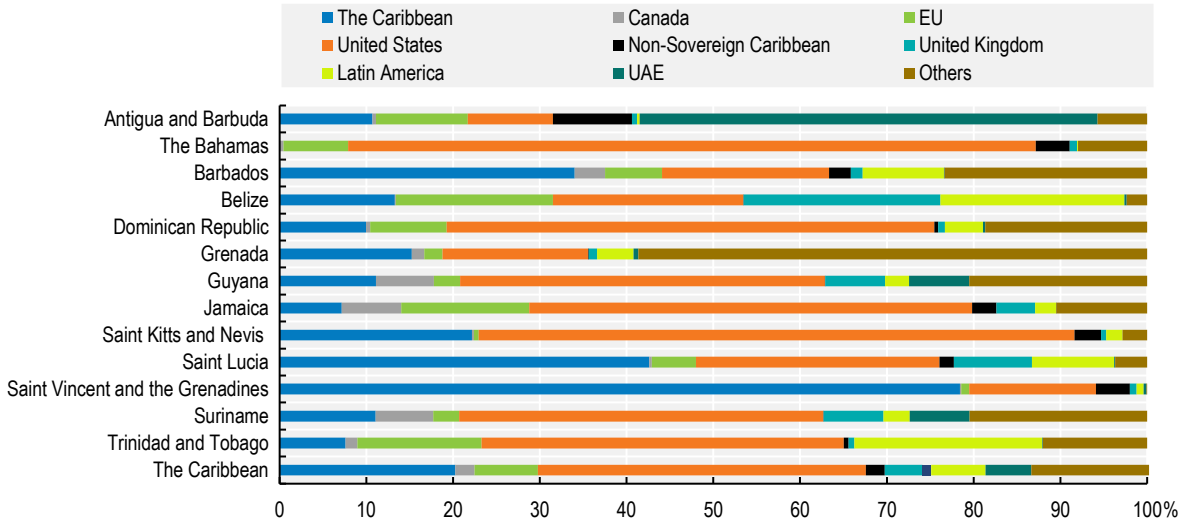
Caribbean exports are concentrated in a few major partners, although destination patterns vary significantly across countries

Caribbean exports remain highly concentrated among a limited number of trading partners, albeit with notable cross-country heterogeneity in export destinations and trade patterns. Due to its size and proximity, the United States serves as the region's primary market, absorbing 62% of exports from Jamaica, 58% from the Dominican Republic and 55% from Saint Kitts and Nevis in 2022 (Figure 1.7). Intra-Caribbean trade plays an equally significant role for smaller states, accounting for 40-45% of exports in Saint Lucia, and Saint Vincent and the Grenadines. Meanwhile, European markets represent major export destinations for some countries, such as Belize (40%) and Jamaica (18%). Latin America serves as a secondary but strategically important market. It accounts for 7% of regional exports on average and provides valuable diversification opportunities, particularly for Belize (21%), Trinidad and Tobago (14%), Saint Lucia (9%) and Barbados (9%). Finally, the United Arab Emirates is a key partner for Antigua and Barbuda (52%), Suriname (7%) and Guyana (7%), accounting for approximately 5% of regional exports on average. Overall, these patterns reveal how Caribbean nations maintain concentrated trade relationships with one or two dominant partners, but simultaneously develop unique trade connections shaped by history, locality and export profiles. Nonetheless, there have been initiatives to diversify export partners, particularly with Latin America.

Figure 1.7. Main destinations of Caribbean exports, 2022 or most recent year available



Note: Overseas territories not included in EU total. Most recent year available for the following countries: Saint Lucia (2020) and Saint Kitts and Nevis (2017).
Source: Authors' elaboration based on WITS (2024[33]), *World Export Partner Share*, https://wits.worldbank.org/CountryProfile/en/Country/WLD/Year/2021/TradeFlow/Export.

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Caribbean economies are embedded in a network of trade agreements, designed to secure foreign market access, attract investment and foster economic diversification. This framework is anchored by regional integration arrangements, notably the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS), which aim to deepen economic ties and create a more unified internal market (OECD/IDB, 2024[9]). Furthermore, to leverage external opportunities, the region has secured preferential access to major global markets through the CARIFORUM Economic Partnership Agreements with the European Union (EU) and the United Kingdom. These agreements aim to foster sustainable development and cover not only goods but also services, investment and intellectual property (European Commission, 2025[34]). However, intra-regional trade growth is also limited by the low scale of demand and high unit cost of shipping, given that many of these countries have populations in the few thousands. This contrasts with its main trading partner, the United States, where the main Caribbean hub (Miami-Fort Lauderdale-West Palm Beach Metropolitan Area, population 6.5 million) has more residents than the English-speaking Caribbean.

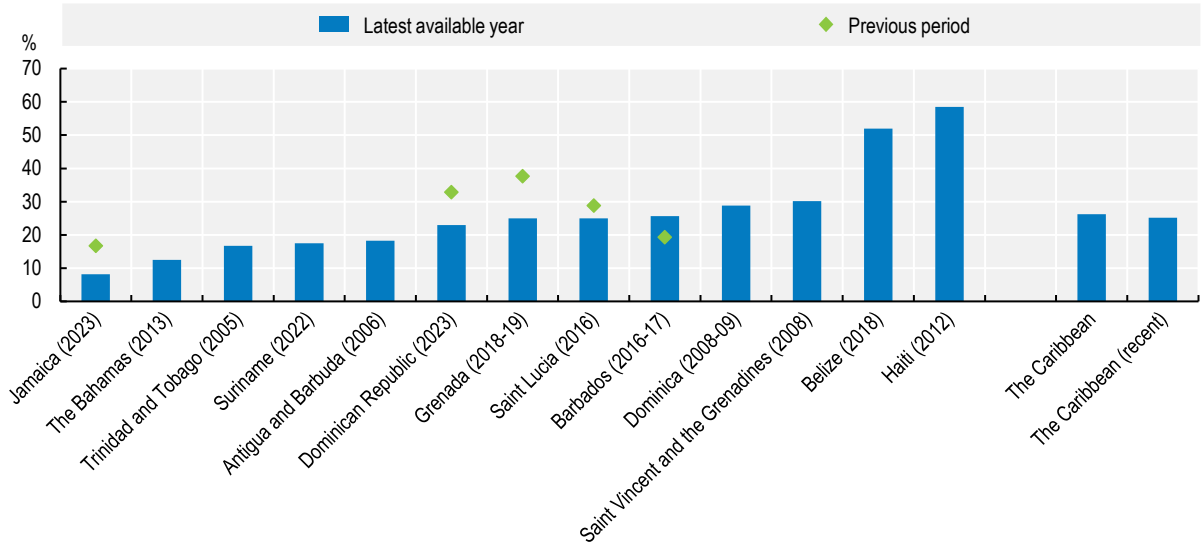
Advancing social inclusion in the Caribbean: Tackling poverty, inequality and informality

Poverty and inequality remain high, although significant heterogeneity persists across Caribbean countries

Poverty remains a persistent challenge in the Caribbean. One-quarter of the Caribbean population lives in households below the poverty line, on average, according to the latest data available (Figure 1.8). Poverty levels across Caribbean countries vary widely. In countries such as Haiti and Belize, over half the population live in monetary poverty. Conversely, in Jamaica and The Bahamas, the poverty rate reached 8.2% and 12.5%, respectively.

Figure 1.8. Monetary poverty in Caribbean countries, latest year available

Poverty headcounts, percentages of total population



Note: The average for the Caribbean refers to the simple mean of the latest available years of reference for the whole sample of countries. The recent average for the region refers to simple mean for the sub-sample of countries with years of reference dating not earlier than 2016. The previous period is 2010 for Barbados, 2014 for the Dominican Republic, 2008 for Grenada, 2010 for Jamaica and 2006 for Saint Lucia. People living in poverty are defined as those living in households with income (or consumption) levels below the national poverty lines. National poverty lines are defined using country-specific methodologies. They represent the minimum amount of income or, more commonly, consumption expenditure an individual or household requires to satisfy their basic needs for a given period (usually a month) within a specific country. It is calculated using the Cost of Basic Needs approach, which explicitly incorporates both food and non-food expenditures. The national poverty lines are generally positively correlated with the level of development, as the basic needs change with the average income of countries, mostly due to larger non-food expenditures. Comparing national rates in the context of highly heterogeneous stages of development, as in the Caribbean, has the advantage of showing country-specific monetary vulnerabilities of households.

Source: Authors' elaboration based on Statistical Institute of Belize (SIB) (2018[35]), *Poverty Analysis Main Findings*, https://sib.org.bz/wp-content/uploads/PovertyInfographic.pdf; ECLAC (2023[36]), *Social Panorama of Latin America 2023*, https://repositorio.cepal.org/server/api/core/bitstreams/7ddf434a-6073-4f1e-8b71-a6639e4586d5/content; World Bank (2025[32]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators; World Bank (2025[37]), *Macro Poverty Outlook: Latin America and the Caribbean*, https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo_lac.

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Due to data limitations, it is difficult to identify clear trends in the evolution of poverty over time, except for a few countries (World Bank, 2025[38]). In 2023, Jamaica achieved the lowest poverty rate in its history, driven by long-term macroeconomic stability, a robust social protection framework and targeted support during economic downturns (Clarke, 2025[12]). Other countries like the Dominican Republic also managed to reduce poverty rates by 2023. Belize started publishing a multi-dimensional poverty index (MPI) in 2021, capturing deprivations across various dimensions of well-being, such as health, education, employment, and living standards. The MPI shows advancements in different domains in recent years (World Bank, 2025[38]). Extreme poverty levels have generally increased in the Caribbean since 2015, particularly affecting female-headed households (ECLAC, 2023[39]).

The Republic of Haiti, the only lower middle-income economy in the Caribbean in 2023 (with all others classified as upper middle-income or high-income), stands out in terms of poverty levels (Metreau, Young and Eapen, 2024[40]). In 2025, an estimated 48.7% of Haitians lived on less than USD 3 per day (World Bank, 2025[37]). Haiti has faced a complex interplay of recurrent shocks over the past decade, including natural disasters and socio-political disruptions. These challenges have been compounded by persistent political instability, rising insecurity and a sharp escalation in humanitarian needs (ACAPS, 2025[41]). This

situation is reflected in economic performance: in 2024, GDP contracted by 4.2% (World Bank, 2025[37]). Meanwhile, more than 1.3 million people have been displaced, with over 200 000 living in displacement camps across the country. The country continues to face deep structural challenges, including an underdeveloped financial market and a weak, uncompetitive labour market characterised by high informality and low quality, poorly remunerated jobs (World Bank, 2025[37]).

Across the Caribbean, the challenges of poverty and economic bottlenecks often interact with other major structural issues, such as food insecurity. On average, 33.9% of the region's population live in moderate or severe food insecurity, a rate that surpasses the Latin American average of 29.3% (World Bank, 2025[32]). Within the region, however, there is significant heterogeneity. In 2024, while countries like Antigua and Barbuda (13.5%), The Bahamas (17.2%) and Grenada (17.3%) recorded lower rates, Belize (45.5%), Jamaica (56.4%) and Haiti (83.2%) exhibited higher values. A key driver of this insecurity is the high cost of food, which is about 42% higher than the OECD average (OECD/IDB, 2024[9]). This is largely due to a heavy dependency on food imports, which account for 80-90% of the regional food supply. Consequently, nearly 57% of the Caribbean population cannot afford a healthy diet.

Another interrelated concern is underdeveloped human capital, as illustrated by the case of Suriname, discussed below (Box 1.1).

Box 1.1. Suriname: Poverty, human capital and skills for a sustained recovery

In 2022, nearly one in five Surinamese lived in poverty, according to the World Bank's upper middle-income threshold (USD 6.85 at 2017 purchasing power parity). This challenge is deeply linked to human capital deficiencies, where low educational attainment acts as both a cause and a consequence of economic hardship. National education expenditure is akin to that of other upper middle-income countries. However, key outcomes like the lower secondary completion rate lag behind and are comparable to those of significantly poorer nations.

These gaps in human capital create a critical skills shortage, consistently cited by enterprises as a major constraint on operations. This results in a pronounced labour market mismatch: an oversupply of workers with foundational skill deficits alongside an undersupply of those with technical and specialised competencies. This imbalance constrains business growth and hinders broader productivity gains in the economy.

The economic impact translates directly into stark disparities at the household level. Poverty rates exhibit a strong correlation with family size, rising precipitously from 5% for single-person households to 47.3% for those with 10 members. The most dramatic increase occurs between five- and six-person households, where the poverty rate more than doubles, jumping from approximately 13% to 28%. This pattern highlights the severe pressure on larger families and underscores the intergenerational nature of poverty as households with children are disproportionately affected.

Addressing these human capital gaps is therefore essential not only for raising living standards, but breaking this cycle of poverty and fostering inclusive long-term growth.

Source: Beuermann (2024[42]), *The Suriname Poverty and Equity Assessment*, https://publications.iadb.org/en/publications/english/viewer/Suriname-Poverty-and-Equity-Assessment.pdf.

Inequality is high across the Caribbean, mirroring trends in Latin America (OECD et al., 2025[43]; World Bank, 2025[38]), and exceeding levels observed in OECD Member countries. The average Gini coefficient for the Caribbean is 0.4, based on the latest available data since 2015 from seven countries (Belize, Barbados, the Dominican Republic, Grenada, Jamaica, Saint Lucia and Suriname). This indicates an inequality level higher than the OECD (0.32). However, it is slightly lower than the Latin American average

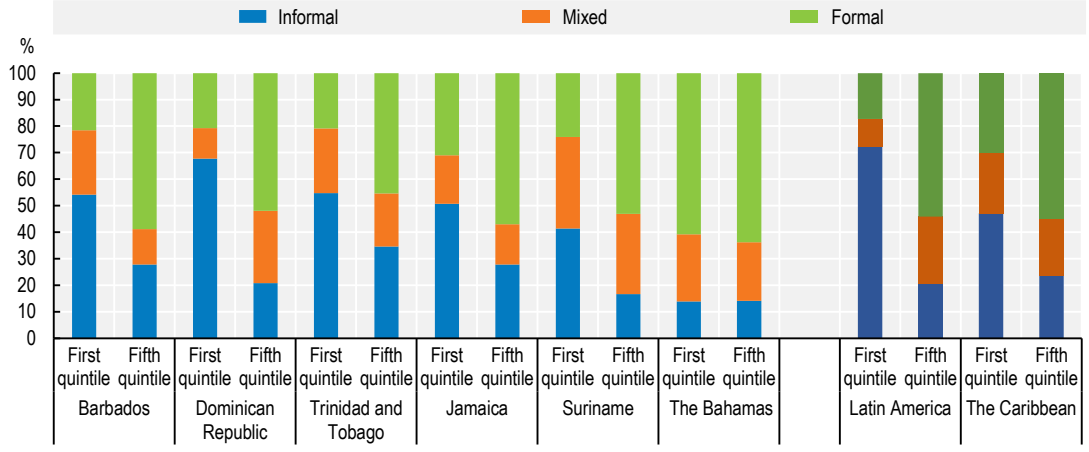
(0.45), considering that a higher score denotes greater inequality (World Bank, 2025[44]). National estimates range from 0.48 in Antigua and Barbuda to 0.32 in Barbados (ECLAC, 2023[36]). However, limited country coverage in the Caribbean reveals a critical data gap stemming from the lack of household income or living conditions surveys. This impedes a full regional assessment and underscores the need for more robust social statistics (ECLAC, 2023[36]).

Apart from ongoing challenges, multi-dimensional socio-economic variables have improved. The Caribbean region exhibits a positive long-term trajectory in the Human Development Index. Between 1990 and 2023, the region moved from an average of 0.64 to 0.76 (with 1 representing the highest level of development), a similar trend to advances observed in Latin America. Despite this progress, important gaps remain if compared to the level of human development of, for example, OECD Member countries (0.9, on average, in 2022) (OECD/IDB, 2024[9]).

High levels of labour informality are intrinsically linked to poverty across the Caribbean

The high levels of inequality in the Caribbean can also be expressed in the significant disparity in informality rates between the poorest 20% and the wealthiest 20% of households, except for The Bahamas, according to the latest data available for six Caribbean countries (Figure 1.9). Informal employment is more than twice as prevalent among the poorest households compared to the wealthiest households in the region. This suggests that the presence of at least one formal worker in a household consistently contributes to improved living conditions for all members (OECD/IDB, 2024[9]). On average, nearly half of individuals in the lowest income quintile in the Caribbean (47.1%) live in households where all members work informally (72.3% in Latin America) compared to 23.6% in the highest quintile, according to latest data available. The remainder live in mixed households (23%), where at least one member works formally, and completely formal households (29.8%), where all members work formally (Figure 1.9).

Figure 1.9. Distribution of the population by household informality and welfare quintile, latest available year



Note: Household types are defined according to the formality status of a household's principal earners. If all the earners are respectively formal or informal, the household is defined as completely formal or informal. If at least one earner is informal while the others are formal, the household is defined as mixed. The welfare distribution refers to the distribution of either household per capita income or consumption. The first quintile refers to the lowest income in the income distribution, while the fifth quintile refers to the highest income quintile in the income distribution.
Source: Authors' calculations based on *The Household Expenditure Survey (HES) 2013* for The Bahamas; the *Trinidad and Tobago Survey of Living Conditions (TT-SLC) 2014*; *the Barbados Survey of Living Conditions (BSLC) 2016;* the *Jamaica Survey of Living Conditions (JSLC) 2019;* the *Suriname Survey of Living Conditions (SSLC) 2022;* OECD (2024[45]), *Key Indicators of Informality based on Individuals and their Households (KIIbIH)* for the Dominican Republic.

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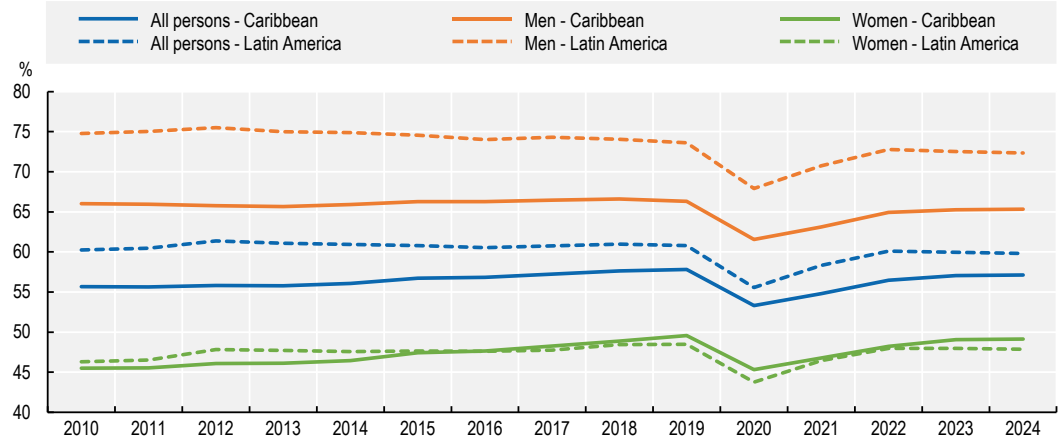
Informality is a structural challenge in the Caribbean, intrinsically linked to poverty, inequality, weak labour market conditions and low GDP per capita potential growth (ECLAC, 2024[13]). The prevalence of informality is partially driven by a misalignment between labour costs and productivity observed in the Caribbean and in Latin America. For many firms, particularly small and medium-sized enterprises, the perceived costs of formal hiring are prohibitively high relative to the productivity of the available workforce (IDB, 2015[46]). This misalignment creates a strong incentive to remain informal. The situation is further exacerbated by high worker turnover and skills gaps linked to low-quality education, which discourages on-the-job training. The result is a self-reinforcing cycle, where low-productivity firms fuel rising informality, which reinforces the region's overall stagnant labour productivity (Figure 1.2). This ultimately hinders innovation and long-term economic development (ECLAC, 2024[13]).

Unemployment rates have declined over the past decade, although employment levels remain low, with women, youth and older persons particularly affected

Employment in the Caribbean is lower than in Latin America, with persistent gender gaps. In 2024, 57% of the total population in the region was employed, below the Latin American average of 60% (Figure 1.10). Notably, female employment levels in the Caribbean (49%) are low compared to 65.3% of men employed. The low employability of women remains a persistent challenge in the region. Employment levels for men in the Caribbean, while significantly higher than for women, remain well below the average levels observed in Latin America.

Figure 1.10. Employment to population rate, by gender, Caribbean countries



Note: Percentage of the population aged 15 years and more in each group.
Source: Authors' estimates based on data from World Bank (2025[32]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators.

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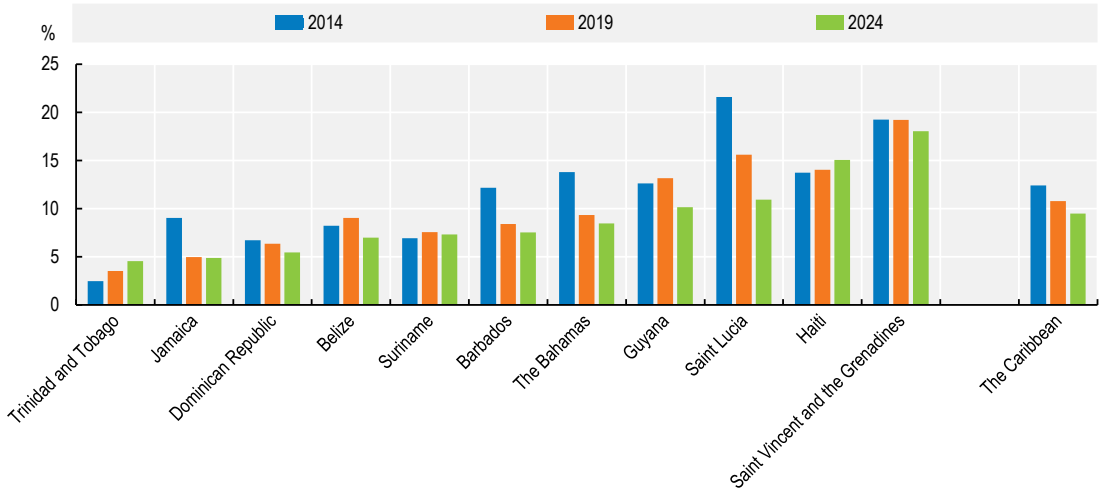
Despite these structural challenges, the Caribbean region has made progress in reducing unemployment. The average unemployment rate in the Caribbean declined by 3 percentage points over the last decade, from 12.5% in 2014 to 9.5% in 2024 (Figure 1.11). Except for Haiti, and Trinidad and Tobago, all countries with available data registered a reduction in unemployment. In Jamaica, for instance, unemployment fell from historic highs averaging 15-20% in the late 20th century to a record low of 4.2% in 2023, a transformation driven by entrenched macroeconomic stability (Clarke, 2025[12]). Similarly, Saint Lucia achieved a substantial reduction of 10 percentage points between 2014 and 2024. This can be attributed to public initiatives supporting local entrepreneurs, particularly youth and micro, small and medium-sized enterprises (MSMEs)

in the tourism sector. These initiatives complement targeted government policies, such as amnesties for value-added tax and other business incentives (Central Statistical Office of Saint Lucia, 2024[47]).

Figure 1.11. Unemployment rate as a share of labour force, 2014, 2019 and 2024



Source: Authors' elaboration based on ILO (2025[48]), *ILO Modelled Estimates Database*, http://www.ilostat.ilo.org/data/bulk.

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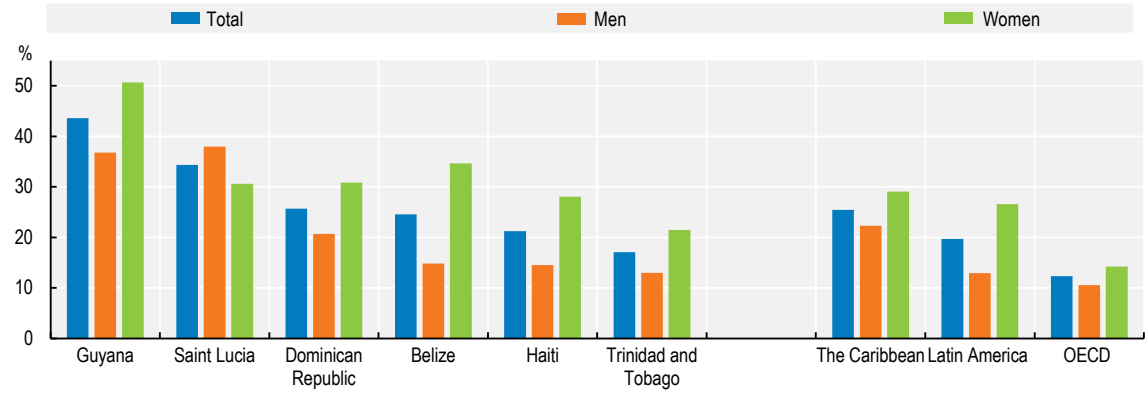
In addition to women, youth and older individuals face specific forms of vulnerability in the Caribbean labour market. Young people encounter severe barriers to entering the market, reflected in one of the world's highest rates of youth not in education, employment or training (NEET). This rate reached 31% in 2020 in the Caribbean – above the 20% average in Latin America (Figure 1.12). This challenge is particularly acute for young women, with 29.1% NEET compared to 22.3% for young men. This gender gap of 7 percentage points underscores the importance of youth employment policies that integrate gender-specific measures. In addition to increasing socio-economic vulnerability, high NEET rates potentially create opportunities for illegal activities that can be associated with higher crime rates. Citizen security is a major concern in a region with one of the highest murder rates in the world (23.7 per 100 000 people) and where youth, particularly men aged 15-29, are disproportionately involved in violent crime, both as victims and perpetrators (UNODC, 2025[49]).

In parallel to this challenge, older individuals face difficulties in exiting the labour market. Those aged 65 and over often remain active in the labour market beyond the typical retirement age. They are likely engaged in informal activities or self-employment due to pension income that is either inadequate or lacking altogether (ECLAC, 2023[50]). In 2018, for instance, 40% of men in this age group were still active in Jamaica and Belize, as were approximately 25% in The Bahamas, Saint Lucia, and Saint Vincent and the Grenadines (ECLAC, 2023[50]). In this context, developing stronger labour protections, continuous learning programmes and inclusive workplaces could enable the Caribbean to cultivate a silver economy, turning the challenge of an ageing population into an opportunity for sustainable development.

Figure 1.12. Young people not in education, employment or training by gender, in selected Caribbean countries, 2024



Note: As a percentage of the population aged 15-24, in each group.
Source: Authors' elaboration based on ILO (2025[48]), *ILO Modelled Estimates Database*, http://www.ilostat.ilo.org/data/bulk.

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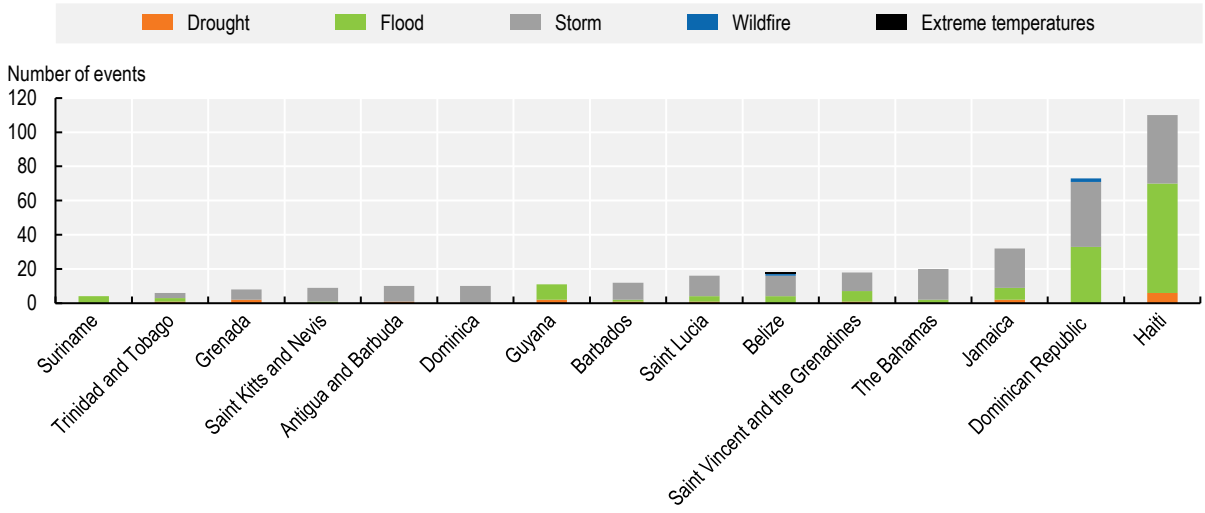
Building resilience: Confronting environmental risks and climate vulnerabilities

Climate-related extreme weather events are increasingly frequent in the Caribbean, posing severe risks for its inhabitants and tourists

The Caribbean is increasingly exposed to climate hazards. Its geographical characteristics, extensive coastlines and proximity to the equator, heighten its vulnerability to sea-level rise, extreme flooding, tropical cyclones and intensified rainfall (Robinson and Wren, 2020[51]; OECD/IDB, 2024[9]). The region experienced 357 climate-related extreme weather events between 1980 and 2024, with the frequency of such events increasing by 84% in 2004-2024, relative to the previous 20 years. In absolute terms, Haiti, the Dominican Republic and Jamaica were the most affected (Figure 1.13).

These events have had profound consequences in the region, affecting over 24 million people in the last four decades (OECD/IDB, 2024[9]). This reflects the Caribbean's much higher vulnerability to climate change compared to most other regions. Such vulnerability forces fiscally constrained governments to divert scarce public resources from essential social and developmental projects to fund rebuilding. For example, the economic cost of Hurricane Ivan in 2004 in Grenada represented 148% of the country's GDP (EM-DAT, 2025[52]) and damaged 90% of its physical infrastructure and housing stock, respectively (IMF, 2005[53]). Hurricane Melissa, which affected Haiti, Jamaica and Cuba in October 2025, had particularly devastating economic and social consequences in Jamaica (Box 1.2).

Figure 1.13. Climate-related extreme weather events by type, selected Caribbean countries (1980-2024)



Note: Disasters are considered here as situations or events that overwhelm local capacity, necessitating a request for external assistance at the national or international level; an unforeseen and often sudden event that causes great damage, destruction and human suffering. The graph considers only climate-related events like droughts, floods, storms, extreme temperatures and wildfires. Geophysical events (earthquakes and volcanoes), technological events (industrial accidents) and biological events (from epidemics, insects or animals) are recorded in EM-DAT but excluded from the scores as they are not directly associated with climate change.
Source: Authors' elaboration based on data from EM-DAT (2025[52]), *EM-DAT Database*, https://doc.emdat.be/.

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Box 1.2. Hurricane Melissa: Devastating impact in Jamaica (October 2025)

Hurricane Melissa emerged as one of the most powerful storms ever recorded in the Atlantic. Classified as a high-end Category 5 hurricane with winds of 185 mph, it ranked as the second strongest storm by wind speed since records began in 1851, alongside four other hurricanes (Erdman, 2025[54]). The storm struck Jamaica with the greatest force in October 2025, but also inflicted severe damage in The Bahamas, Cuba, Haiti and the Dominican Republic.

The human cost of the hurricane was profound. Within two weeks, Jamaica reported 45 fatalities, while Haiti confirmed 43 casualties (as of 11 November 2025). The storm displaced hundreds of thousands of residents and tourists across the region. In Jamaica, over 30 000 households were damaged, forcing over 1 100 people into 88 emergency shelters. The scale of destruction was similar in Cuba, where more than 54 000 people were displaced, including 7 500 who found a bed in shelters, with 90 000 homes and over 600 health facilities damaged (IBRD/World Bank, 2025[55]).

The hurricane also inflicted an economic burden, damaging key infrastructure and affecting tourism activities, the region's primary economic sector. It left more than 75% of Jamaica without electricity, paralysing daily life, businesses and public administration. This was compounded by the pre-emptive closure of airports, hotels and businesses, which directly halted tourism. As a result, total economic damage was preliminarily estimated at USD 12.2 billion (56.7% of Jamaica's GDP in 2024) (IBRD/World Bank, 2025[55]), surpassing that from Hurricane Gilbert in 1988. Gilbert, one of the strongest hurricanes recorded in Jamaica's history, was a Category 4 storm that caused an estimated

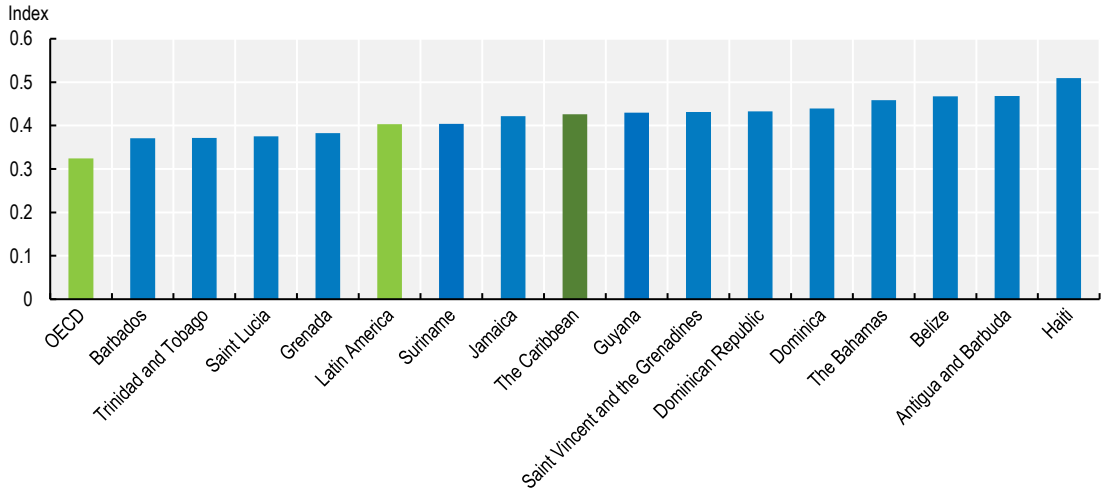
USD 4 billion in losses, affected 40% of agricultural fields and damaged over 100 000 homes (Jacobo, 2025[56]; IBRD/World Bank, 2025[55]; Jamaica Information System, 2026[57]).

Climate change effects can explain, in part, the storm's unprecedented intensity and the magnitude of damages (Grantham Institute, 2025[58]) Estimates indicate that a warmer climate increased the hurricane's maximum wind speed by 7% and its rainfall by 16%, making an event of this severity about four times more likely today than in pre-industrial times. This amplified physical force translated directly into greater loss, with models suggesting that climate change increased the economic damage by 34% (Grantham Institute, 2025[58]). This link underscores how a warming planet is exacerbating the economic vulnerability of the Caribbean (Grantham Institute, 2025[58]).

Climate vulnerability in the Caribbean remains high. The region's average vulnerability level in 2023 was 0.426, nearly reaching the threshold for high vulnerability (0.45) (Figure 1.14). Furthermore, all Caribbean countries recorded levels above the OECD average (0.325), with a majority also exceeding the Latin American average (0.4).

High climate vulnerability exacerbates economic and social challenges in the Caribbean. The damages caused by extreme weather events impose severe economic burdens. For example, climate disasters in Dominica (2015) and Grenada (2004) resulted in losses equivalent to 225% and 200% of their respective GDPs (Ötker and Srinivasan, 2018[59]). Climate shocks also disproportionately affect key economic sectors, triggering job losses and deepening poverty and inequality. Tourism, the main service export for Caribbean nations, is particularly vulnerable to climate change effects. Disruptions to this sector have cascading effects across the Caribbean economy and society, given its central role in employment, income generation and foreign exchange (Fuller, 2020[60]).

Figure 1.14. Vulnerability index: Caribbean, Latin America and OECD selected countries, 2023



Note: Vulnerability measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. ND-GAIN measures overall vulnerability by considering vulnerability in six life-supporting sectors – food, water, health, ecosystem service, human habitat and infrastructure. Scores above 0.45 are considered "highly vulnerable" by the UN CDP.
Source: Authors' elaboration based on data from Notre Dame Adaptation Initiative (2025[61]), *ND-Gain Country Index Data*, https://gain.nd.edu/our-work/country-index/.

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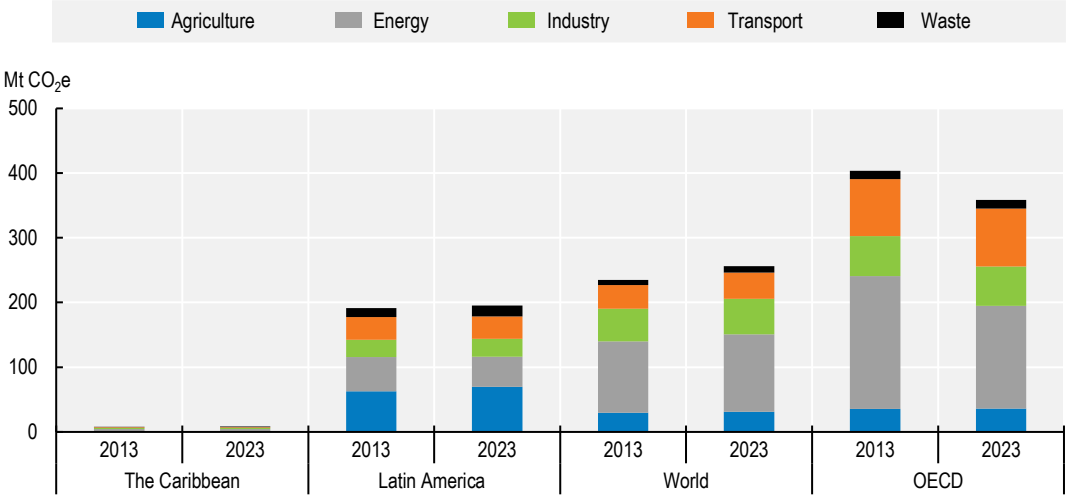
These vulnerabilities, combined with broader economic and social pressures, underscore the urgent need for investment in climate resilience and adaptation. According to the International Monetary Fund (IMF),

the scale of such investment could exceed USD 100 billion, equivalent to roughly one-third of the Caribbean's annual economic output (Guerson, Morsink and Muñoz, 2023[62]). The extraordinary scale of resources needed to build climate resilience in the region reinforces the urgency to attract both public and private investment to support this effort (Mooney et al., 2025[4]) (Chapter 3).

Caribbean contribution to global greenhouse gas emissions is among the lowest worldwide, with energy and industry remaining the dominant emitting sectors

Greenhouse gas (GHG) emissions in the Caribbean have increased slightly since 2013, but the region's contribution to the global total remains marginal. In 2023, the average emissions level in the Caribbean (8.1 million tonnes of CO_2 equivalent (Mt CO_2e)) was 24 times lower than Latin America (195 Mt CO_2e), 31 times lower than the world (234 Mt CO_2e) and 45 times lower than the OECD (368 Mt CO_2e) (Figure 1.15, Panel A). As in other regions, the energy sector is the primary source of emissions in the Caribbean (representing 37% of total GHGs). However, unlike other regional averages, the second largest emitting sector is industry (25%) instead of agriculture (15%).

Figure 1.15. GHG average emissions by region and sector, 2013 and 2023



Note: Regional averages are calculated as simple (unweighted) averages. Greenhouse gas (GHG) emissions are measured in million tonnes of CO_2 equivalent (Mt CO_2e). It includes emissions from fossil CO_2, methane (CH_4), nitrous oxide (N_2O) and fluorinated gases (F-gases). The sectors shown are agriculture, energy (which includes buildings, fuel exploitation and power industry), industry (including industrial combustion and processes), transport and waste. Indirect emissions are not shown due to their minimal contribution at the aggregate level.
Source: Authors' elaboration based on EDGAR (2025[63]), *Emissions Database for Global Atmospheric Research*, https://edgar.jrc.ec.europa.eu/.

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Caribbean emissions remain minimal globally, even when accounting for differences in population, land area and GDP. This is notable given the region's disproportionately high exposure and vulnerability to climate hazards, which exceed both Latin American and OECD averages (Figure 1.15). This disparity underscores the continued relevance of the principle of common but differentiated responsibilities in global climate action.

The energy transition, in this context, is a strategic priority for the Caribbean, in part for building systemic resilience. As one key reason, the region's high climate exposure poses a constant threat to its power infrastructure; post-disaster blackouts often paralyse populations, businesses and public institutions for extended periods (Goldwyn, Tiah and Mowla, 2023[64]). This is related to the need for adaptation rather

than mitigation. While the latter is still an honourable objective, creating resilient infrastructure is an existential mandate for the region, particularly islands and energy-importing economies. Consequently, investing in reliable, resilient and renewable energy systems will directly safeguard the region's economic security and social well-being (OECD, 2024[65]) (Chapter 2).

The share of renewables in the Caribbean's electricity generation remains low and has been increasing at a modest pace

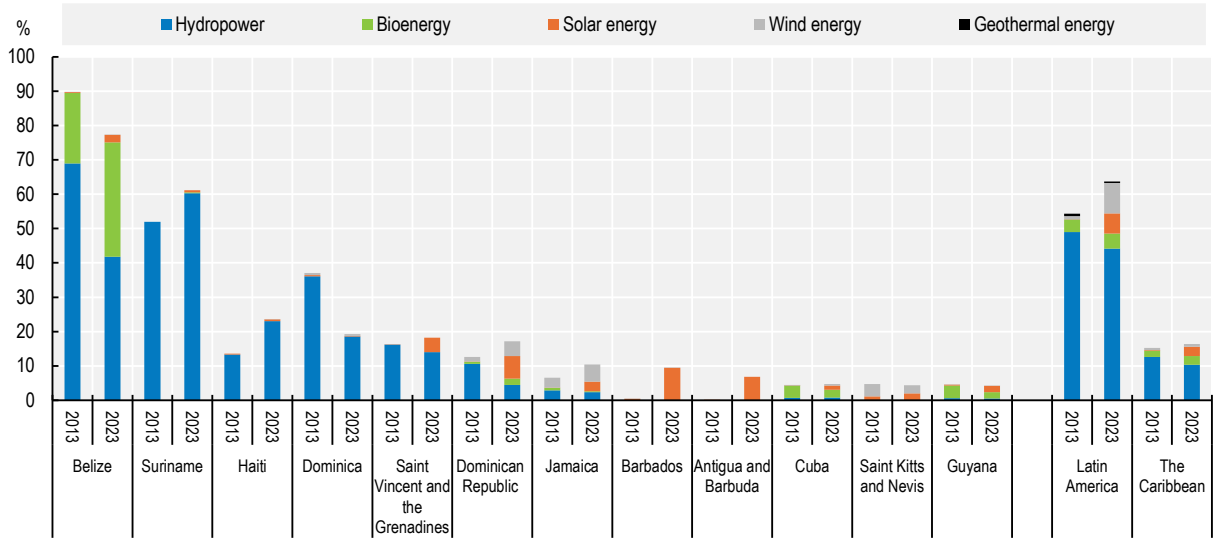
The transition to renewables in the Caribbean is advancing slowly, leaving the share of clean energy in electricity generation persistently low. In 2023, renewables accounted for an average of 16.3% of the region's electricity generation, which represents an increase of 1.16 percentage point from 2013 levels (15.2%). The regional average would be 19.9% when excluding countries where renewables account for less than 2% of electricity generation (The Bahamas, Grenada, and Trinidad and Tobago). In comparison, Latin America not only recorded a much higher share of renewables in 2023 (63.7%), but also an 9.4 percentage-point increase since 2013 (from 54.3%) (Figure 1.16). Belize has taken the lead, producing 77% of electricity from renewables in 2023, although one decade before this figure was above 90%. Suriname has increased the percentage of renewables by 9.2 percentage points in that period, reaching 61.1% in 2023 (Figure 1.16).

The low share of renewables is associated with structural economic vulnerabilities and the low capacity of many governments to implement and scale up projects quickly. In 2021, country members of the Caribbean Community (CARICOM) imported 87% of their oil, compared to a global average of 21% (Goldwyn, Tiah and Mowla, 2023[64]). The high import dependency and high costs of importing leave the region vulnerable to international price volatility, leading to elevated electricity costs. In 2019, the average electricity price in the Caribbean was USD 0.26 per kWh, exceeding rates in both the European Union (USD 0.21) and the United States (USD 0.18) (OECD/IDB, 2024[9]). These high costs have a cascading effect in the region: they diminish the competitiveness of key economic sectors like tourism, strain public budgets and divert scarce resources from critical development projects, including those essential for the energy transition and building resilient infrastructure (Mooney and Rosenblatt, 2021[27]).

Despite these challenges, the transition presents a major strategic opportunity to increase productivity, foster sustainable growth and reduce fiscal and climate vulnerabilities in the long term (Hallegatte, Rentschler and Rozenberg, 2019[66]; Mooney et al., 2025[4]). Estimates indicate that a USD 11 billion investment in the sector could generate up to USD 6.1 billion in economic benefits, reduce oil imports by 260 million barrels and save up to 41 million tonnes of CO_2 emissions by 2040 (OECD/IDB, 2024[9]).

However, the energy transition also brings risks that must be managed to ensure a just process. These include addressing the threat of stranded assets in oil-producing countries and protecting workers in brown industries through retraining and compensation (EIB, 2021[67]; OECD, 2022[68]). A new utility business model is also essential to ensure electricity remains affordable for consumers, while being financially viable. For the transition to succeed, international partners have a key role in supporting energy security and citizen well-being, with strategies that consider the unique context of each Caribbean nation (OECD/IDB, 2024[9]).

Figure 1.16. Share of renewables in electricity generation, 2013 and 2023



Note: Proportion of renewable sources in the electricity generation matrix. The Bahamas, Grenada, Saint Lucia, and Trinidad and Tobago are not shown in the figure as their renewable electricity share remains equal or below 2%. Nonetheless, they are included in the Caribbean average. The Latin America average includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.
Source: Authors' calculations based on IRENASTAT (2026[69]) International Renewable Energy Agency, database, https://www.irena.org/Data

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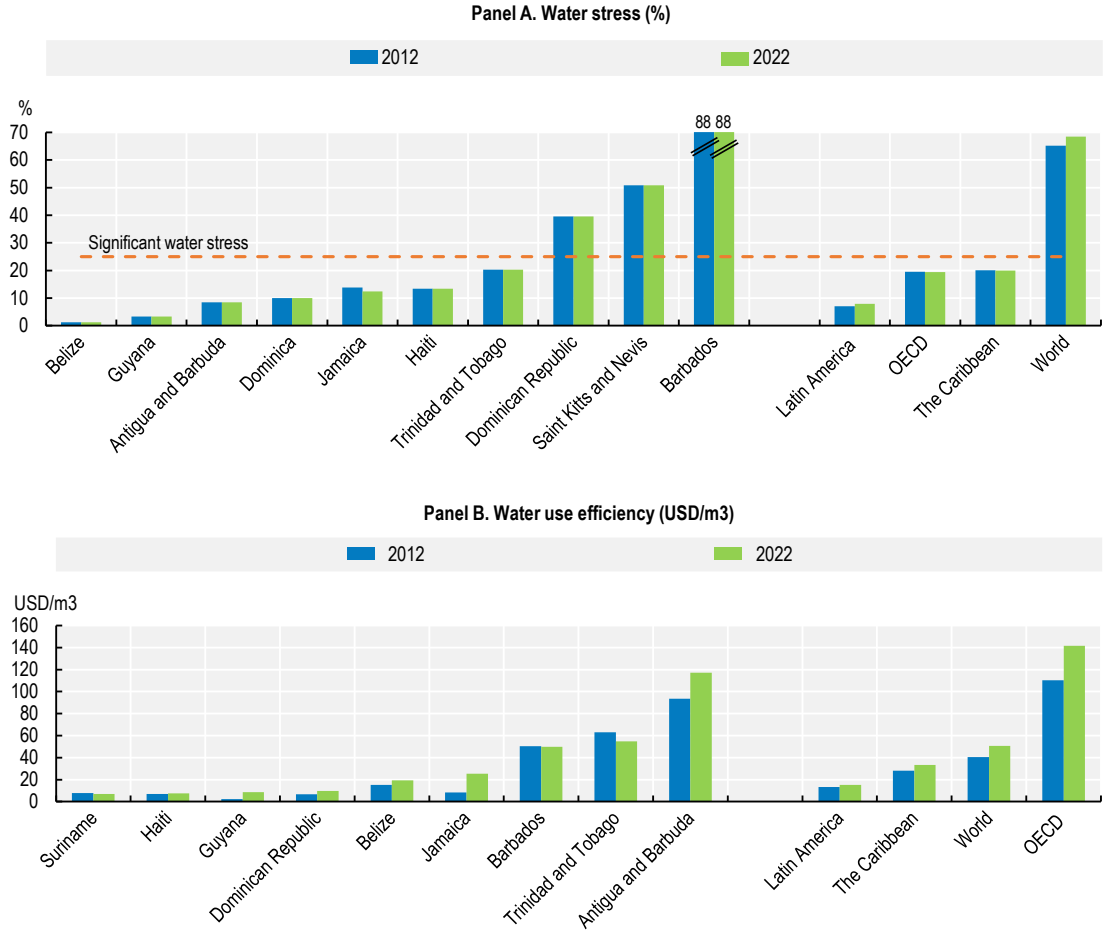
High water stress and inefficient water use remain challenges in the Caribbean, although some countries are making notable progress towards more effective water management

The Caribbean faces significant challenges regarding water security, which are only partially mitigated by the region's water use efficiency. In 2022, the average water stress level for the Caribbean stood at 20%, similar to the OECD average (Figure 1.17, Panel A). This remains below the benchmark of the Food and Agriculture Organization of the United Nations (FAO), indicating significant pressure (25%). However, it is 12 percentage points higher than the Latin American average (8%). Still, this disparity is proportionally offset by higher water use efficiency. At 33.25 USD/m³, efficiency in the Caribbean significantly exceeded that of Latin America (15.08 USD/m³) in 2022, helping to balance the regional disparity in water stress. However, it remained behind OECD Member economies (141 USD/m³) in that year (Figure 1.17, Panel B).

Figure 1.17. Water stress and water use efficiency, 2012 and 2022



Note: Panel A shows the level of water stress, calculated as the proportion of total freshwater withdrawn to available renewable freshwater resources (%). Values above 25% indicate significant pressure on water resources. Panel B displays water use efficiency, expressed as the economic value added (in constant USD) generated per cubic meter of freshwater withdrawn. Higher values reflect more efficient use of water resource.

Source: Authors' elaboration based on FAO (2025[70]), *AQUASTAT – FAO's Global Information System on Water and Agriculture*, https://www.fao.org/aquastat/en/.

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This regional picture, however, masks the fact that some of the most water-stressed Caribbean nations, such as Barbados, and Trinidad and Tobago, are also among the most efficient users. For instance, in 2024, Barbados has conducted a debt-for-climate swap to upgrade the South Coast water and sewage treatment plant, enhance water quality and reduce marine pollution. The operation was supported by the IDB and the European Investment Bank (EIB) in partnership with the CIBC (Canadian Imperial Bank of Commerce) and the Green Climate Fund and will generate USD 125 million in fiscal savings (Chapter 3) (IDB, 2024[71]). Similarly, Trinidad and Tobago has bolstered its water resilience by adopting a unified national water policy and securing a USD 80 million IDB loan to upgrade its supply systems (IDB, 2022[72]). These cases highlight the importance of combining strong national policy with targeted international investments to address water security and management in the Caribbean.

Investment as a driver to unlock development potential in the Caribbean: Main trends and features

Total investment in the Caribbean has grown in the last decade, but still fails to meet the required levels for development

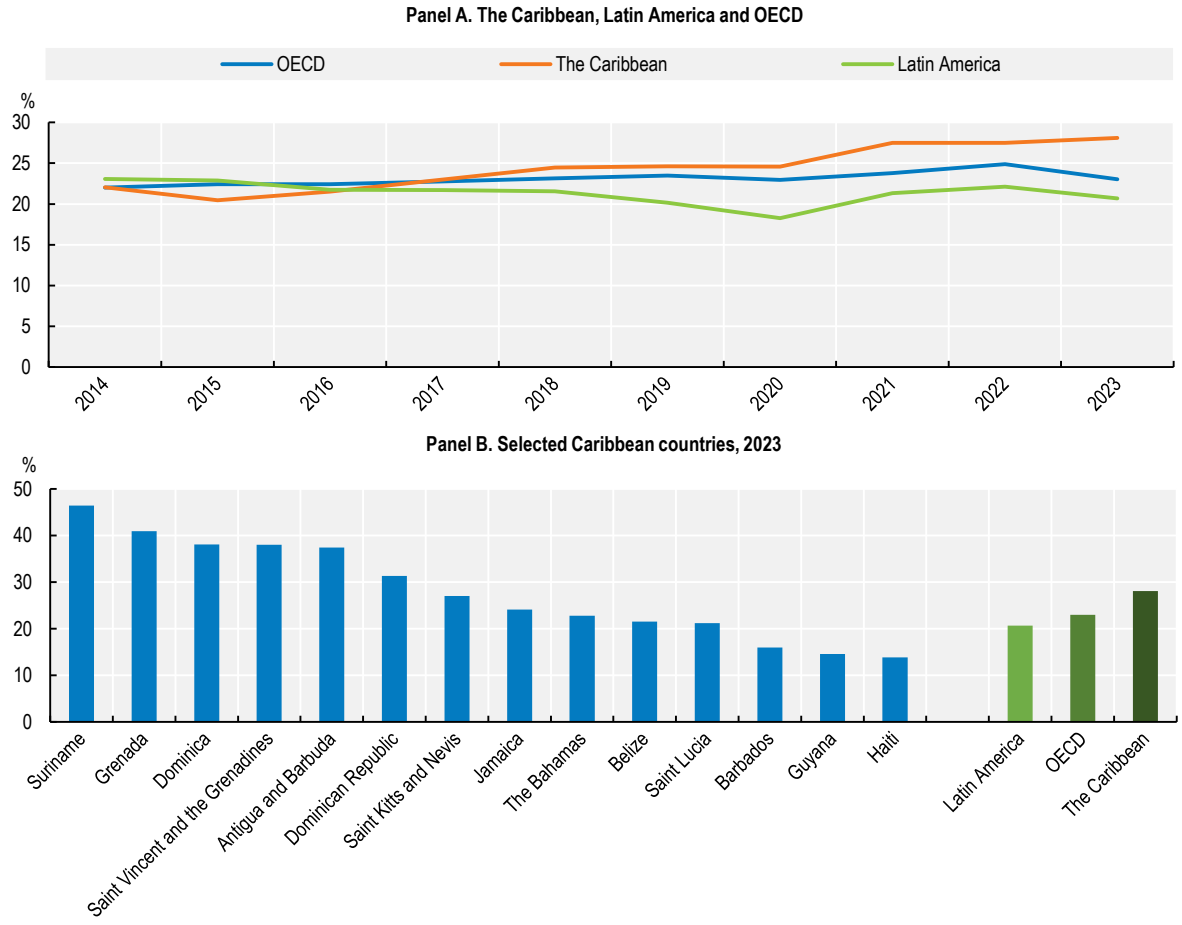
Total investment levels in the Caribbean have experienced an upward trend over the past decade, yet they are insufficient to address the region's development priorities. In 2023, total investment in the Caribbean averaged 28% of GDP (Figure 1.18, Panel A), exceeding the OECD average of 23% and 20.7% in Latin America. However, these cross-regional comparisons must be interpreted with caution. The Caribbean's relatively small economies means that a few large-scale investment projects can represent a disproportionately high share of GDP. In practical terms, a single infrastructure project may account for several percentage points of GDP in a Caribbean country, something that would be negligible in larger economies. As such, headline investment-to-GDP ratios may overstate the region's actual investment capacity and obscure the significant gaps that remain in meeting infrastructure and development needs.

The upward trajectory in investment, rising from 20.5% of GDP in 2014 to 28% in 2023, is a positive development, reflecting greater mobilisation of resources in several countries (Figure 1.18, Panel B). In contrast, the OECD saw only a modest increase over the same period (from 20% to 23%), while Latin America experienced a decline (from 23% to 20.7%). This divergence suggests that Caribbean countries have made efforts to prioritise capital formation. However, the scale and sustainability of this trend remain uncertain, given that investments have been largely driven by short-term or externally financed projects, sometimes linked to recovery efforts following natural disasters.

The Caribbean struggles to attract necessary long-term financing. Although the financial sector in the region is relatively large considering the size of its economy, local banks are often reluctant to lend money for long-term infrastructure projects, preferring shorter-term loans (EIB, 2024[73]). As well, international investors rate several countries in the region as high risk due to their economic volatility, high level of indebtedness and the small size of their economies, making them hesitant to invest (CBB, 2024[28]). Consequently, access to global capital markets in the Caribbean is limited.

Additionally, high levels of public debt in the region, above 68% in 2024 (Figure 1.3), constrain public budgets and leave little room for large-scale infrastructure projects (Queyranne, Daal and Funke, 2019[74]; ECLAC, 2024[13]). This situation has been exacerbated by a decline in access to concessional loans and grants. Many Caribbean nations are upper middle- or high-income countries, making them ineligible for international development aid or concessional debt relief (Mohan, 2022[75]). However, there is a recognition that small states are more vulnerable. Sometimes, they have been able to access some programmes: many bilateral development agencies work with Small Island Developing States (SIDS).

Figure 1.18. Total investment in the Caribbean as a percentage of GDP, 2023



Note: Data for each region correspond to simple averages. Investment, defined as gross capital formation, is measured by the total value of gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector [SNA 1993]. Investment is expressed as a ratio of total investment in current local currency and GDP in local currency. The Caribbean includes 14 Caribbean countries, except for Trinidad and Tobago, and Latin America includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
Source: Authors' elaboration based on IMF (2025[6]), *World Economic Outlook*, https://www.imf.org/en/Publications/WEO/weo-database/2024/April.

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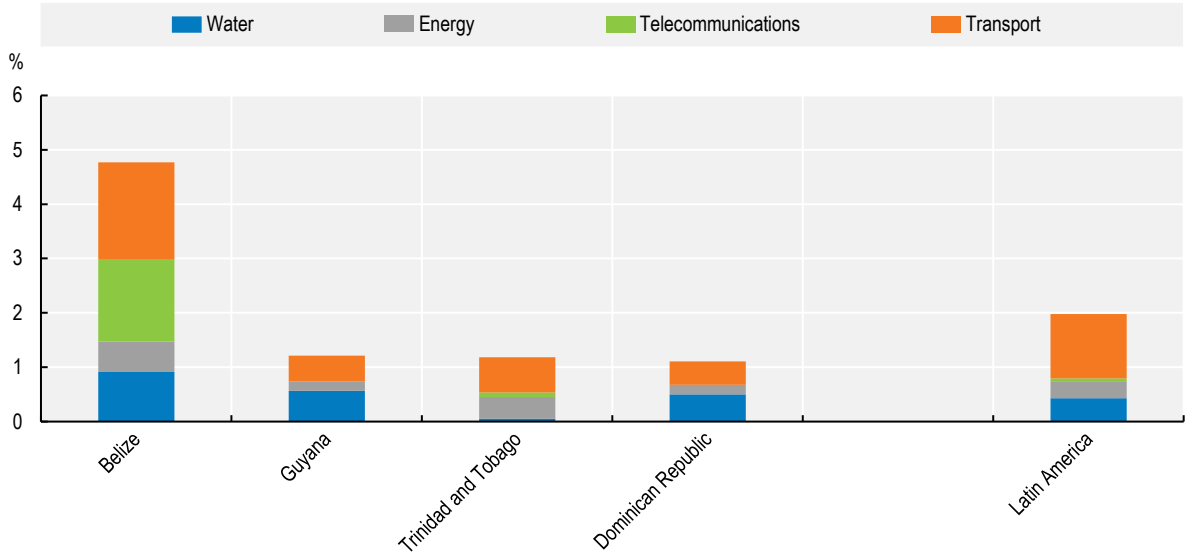
Beyond these financial hurdles, two structural challenges further discourage investment: small market size and high climate vulnerability. The small population of Caribbean countries means that infrastructure projects, which have high fixed costs, often cannot generate enough users or revenue to become financially viable (Queyranne, Daal and Funke, 2019[74]). Like other SIDS, Caribbean countries lack economies of scale. This makes many potential projects unattractive to public and private investors, and reinforces the volatility of Caribbean financial systems. This, in turn, makes the region vulnerable to global crises, such as the pandemic (Schmid et al., 2019[76]; CBB, 2024[28]). In addition, the Caribbean's extreme exposure to natural disasters is often a significant deterrent for some private investment. The high frequency of climate hazards (Figure 1.13) often leads to substantial economic and infrastructure damage. This makes projects much riskier, raising insurance costs and creating uncertainty about long-term operations (CBB, 2024[28]). Consequently, private returns are not high and means that private investors are often unwilling to engage. Fiscally constrained governments are often the last resort in bearing the costs of building resilient infrastructure (Queyranne, Daal and Funke, 2019[74]).

Furthermore, significant gaps in technical capacity and data hinder investment. The limited availability of robust statistical systems and timely, comprehensive data constrain accurate assessment of financial risks. These data challenges are accompanied by a need to strengthen technical expertise, particularly in developing standardised metrics for measuring climate risks and improving awareness of green investment tools and opportunities. Such capacity gaps often hinder project development. Ultimately, these deficits in data and project preparation skills constrain private investments, reinforcing the region's low growth and underscoring the need for substantial investments in innovation and appropriate technology (IFC, 2023[77]).

Government spending on infrastructure is low, reinforcing infrastructure gaps across the region

Public investment in infrastructure remains low across the Caribbean and limited data availability constrains a comprehensive regional assessment. Among the four countries with comparable data, heterogeneity exists in both investment levels and sectoral allocation. During 2015-2021, Guyana, Trinidad and Tobago, and the Dominican Republic recorded average public infrastructure investment just above 1% of GDP. In Guyana, however, the situation has changed significantly since 2023 due to the recent oil boom and government focus on infrastructure investment. In contrast, Belize invested nearly 5% of GDP, the only country exceeding the Latin American average of 2% (Figure 1.19). Part of this reflects the use of special purpose vehicles of public enterprises – investments not typically recorded in the accounts of the general government. Sectoral priorities also varied considerably. Transport and water received significant allocations in most countries. However, apart from Trinidad and Tobago, Belize was the only country to direct substantial investment towards telecommunications, an area where it lagged other Caribbean countries.

Figure 1.19. Public investment in infrastructure in selected Caribbean countries as a percentage of GDP, 2015-2021



Source: Authors' elaboration based on Infralatam (2021[78]), *Data on Public Investment in Economic Infrastructure in Latin America and the Caribbean*, https://www.infralatam.info/home/.

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The failure to maintain and expand capital stock is estimated to cost the region nearly 1% of forgone GDP growth annually, with cumulative losses potentially reaching 15% over a decade (Mooney et al., 2025[4]). Sustained underinvestment in the Caribbean has resulted in infrastructure deficits that hinder productivity

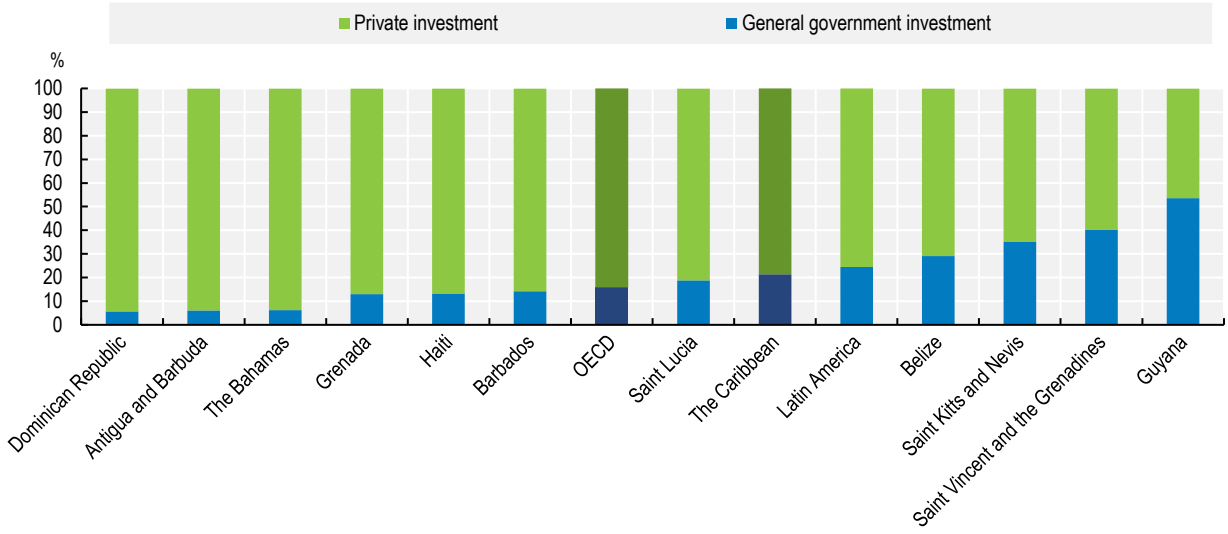
and amplify climate vulnerability. Infrastructure gaps across the region, exacerbated by extensive damage to infrastructure from climate disasters, are often characterised by outdated energy systems, weak transport connectivity and uneven digital access. Reversing this trend is strategic as efficient transportation networks in the Caribbean can improve market access, while reliable energy systems can promote economic diversification and digital connectivity foster innovation and technology adoption (Mooney et al., 2025[4]). Digital infrastructure will be particularly important to raise the productive capacity of Caribbean economies (Chapter 2)

Breaking this cycle requires a strategic shift towards climate-resilient infrastructure. Evidence indicates that every dollar spent on resilient infrastructure can yield up to USD 4 in economic benefits by mitigating future losses and ensuring continuous service delivery (Hallegatte, Rentschler and Rozenberg, 2019[66]). Consequently, closing the estimated USD 21 billion investment gap to attain the Sustainable Development Goals (SDGs) by 2030 could generate over USD 84 billion in economic growth (Brichetti et al., 2021[79]). Such investments would catalyse a virtuous circle: enhanced resilience attracts more stable investment; improved infrastructure boosts productivity and stronger public finances create the capacity for further developmental expenditure. Ultimately, this provides a sustainable pathway to escape the region's low-productivity trap.

As in other market-based economies, the private and public sectors drive investments in most Caribbean countries, although with considerable variation between economies. In the latest year with available data, private sources financed nearly 80% of total investment, on average, in the region, slightly above the Latin American average (75.7%) and below the OECD average (84.2%). Public investment represented 20%, on average, in the Caribbean (Figure 1.20). Guyana represents a notable exception, where public investment accounted for 54% of total investment, mainly concentrated in the oil sector. In all other Caribbean nations, however, public investment represented less than half of total investment. This ranged from 40.3% in Saint Vincent and the Grenadines (the second highest share after Guyana) to 5.6% in the Dominican Republic.

Public investment is fundamental in providing the foundational infrastructure that private actors often undersupply due to limited profitability. This is particularly true in technology-intensive sectors. In renewable energy and digital systems, for example, private investment not only brings essential capital but technological innovation, managerial expertise and integration into global value chains (Mooney et al., 2025[4]). The transformative impact of such technology transfer is clear: empirical evidence shows that a 10% increase in broadband penetration can raise GDP per capita by 1.4% in developing countries. This suggests that closing the digital infrastructure gap with OECD nations could substantially raise productivity levels across the Caribbean (Minges, 2015[80]; Rosenblatt et al., 2022[81]). Therefore, attracting private investment is crucial to close infrastructure deficits, enhance labour market efficiency and foster local innovation.

Figure 1.20. Private vs. public investment as a share of total investment in the Caribbean, Latin America and OECD, latest year available



Note: The OECD average is a simple average of all Member countries in 2019. The LAC average is a simple average of the countries for which data were available in the dataset: Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, São Tomé and Príncipe, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Uruguay and Venezuela. See the Methodological Annex 1.A at the end of the chapter for general government and private investment calculations. The shares of total investment corresponding to private and general government investment were calculated taking into consideration the respective percentages of GDP represented by each category.

Source: Authors' elaboration based on IMF (2025[6]), *World Economic Outlook*, https://www.imf.org/en/Publications/WEO/weo-database/2024/April.

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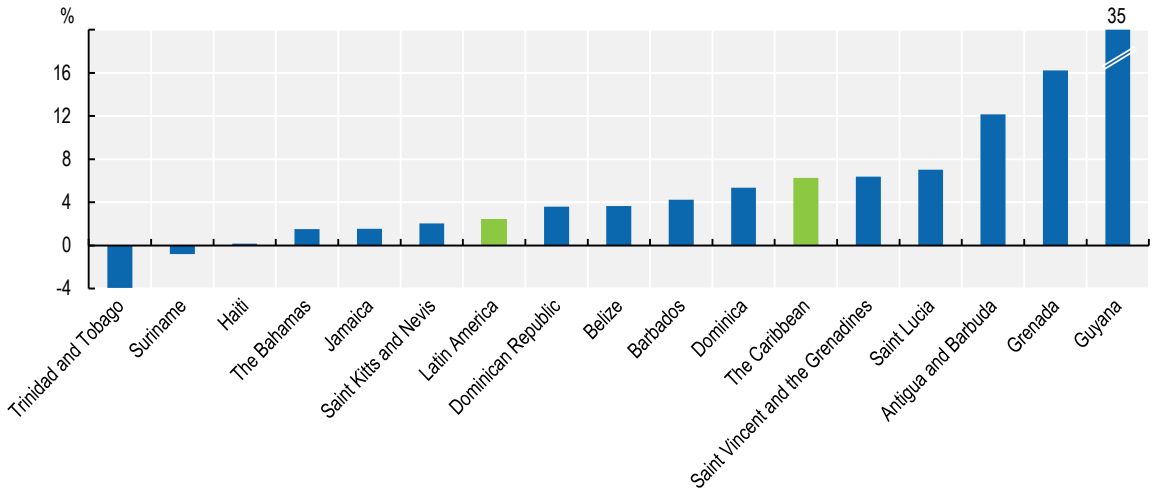
Foreign direct investment: A key source of finance for sustainable development in the Caribbean

In 2024, foreign direct investment (FDI) net inflows in the Caribbean represented 6.3% of GDP (4.2%, excluding Guyana), above 2.5% in Latin American countries (Figure 1.21). The regional average of FDI inflows remains aligned with historical levels: 6.8% in 2023, 6.13% for 2018-2022 and 6.15% between 2013-2017 (OECD/IDB, 2024[9]). FDI flows vary across countries, ranging from 1.5% of GDP in Jamaica and 3.6% in the Dominican Republic to up to 35% of GDP in Guyana, which has attracted large FDI inflows since 2017 following major oil discoveries. Figures for 2025 show similar FDI inflows of around 30% of GDP for Suriname as it follows Guyana's footsteps, following the development of the GranMorgu offshore oil project (IMF, 2026[82]).

FDI can help bridge investment gaps in the context of limited fiscal space and constrained domestic investment in the region, supporting the development of key sectors (Chapter 2). It can support digital transformation, expansion of renewable energy, and export sophistication and diversification (OECD, 2025[83]). Moreover, FDI can generate positive spillovers in recipient economies: foreign firms often outperform domestic ones thanks to their access to advanced technologies, managerial expertise and greater capital intensity. These advantages can spread to local firms through supply-chain linkages, competitive pressure, demonstration effects and knowledge transfers. In this way, they narrow productivity and innovation gaps, while supporting structural transformation (OECD, 2019[84]; OECD et al., 2023[85]). However, the impact of FDI is not automatic; it depends on enabling conditions and policies of host countries (OECD, 2022[31]).

Figure 1.21. Foreign direct investment net inflows as percentage of GDP, 2024



Source: Authors' elaboration based on World Bank (2025[32]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators.

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Greenfield FDI main flows are concentrated in the largest Caribbean economies

Greenfield FDI trends vary considerably across Caribbean economies. Among the different forms of FDI, greenfield investment refers to the establishment of new facilities or the expansion of existing operations by foreign investors and is typically associated with capital formation and job creation.

Since 2019, Guyana has become the leading recipient of greenfield investment in the region. This position has been driven by strong investor interest in its oil sector and exceptionally large project values compared to its Caribbean peers. Between 2014 and 2024, total greenfield investment in the Caribbean reached USD 80 billion, which means that 52% of this capital was directed to Guyana alone (USD 41.4 billion in 2024).

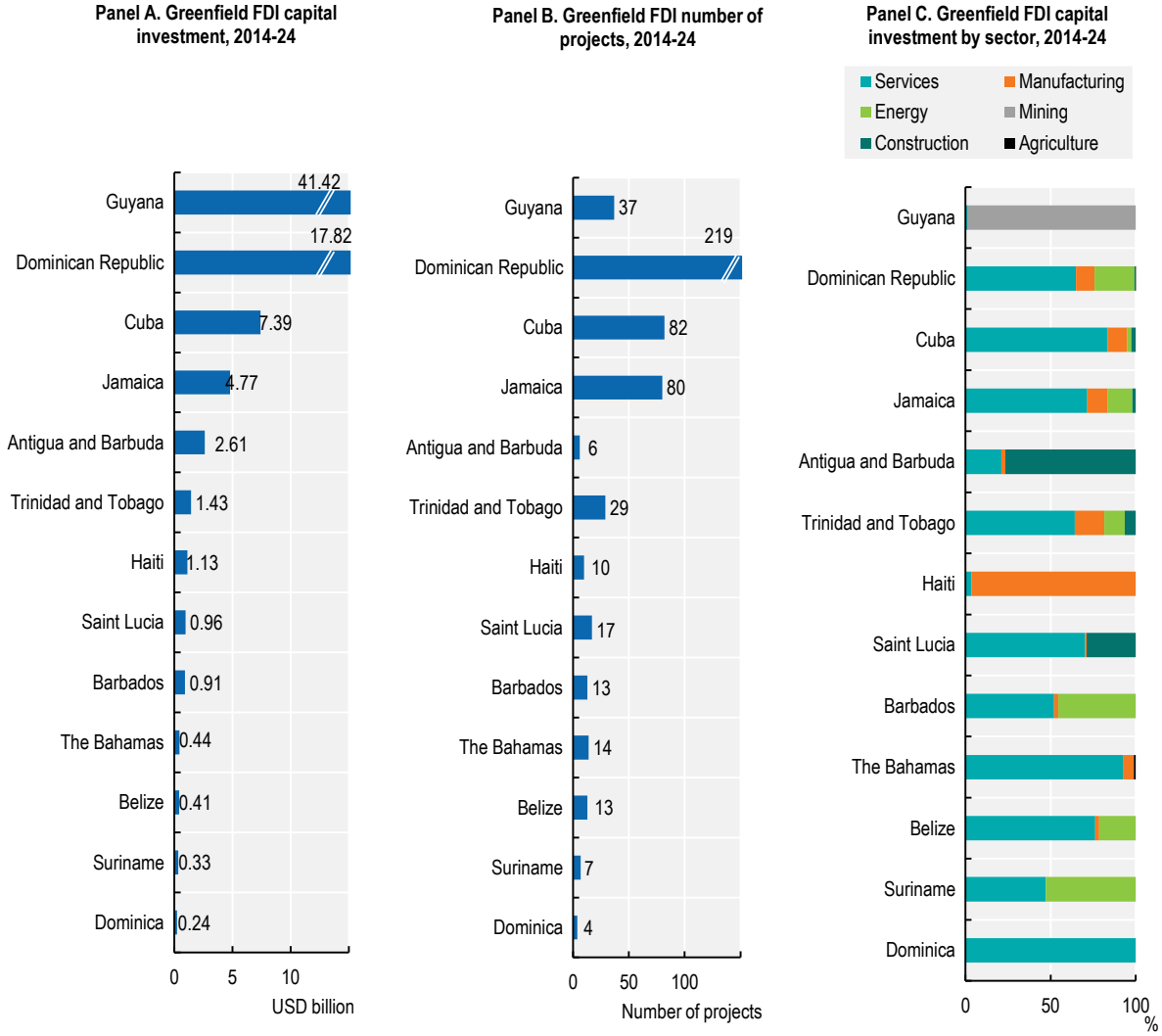
Between 2014 and 2024, Caribbean countries, excluding Guyana, attracted USD 38.4 billion in greenfield investment (Financial Times, 2024[86]). The distribution roughly mirrors the size of national economies, with the Dominican Republic accounting for USD 18 billion (46% of the total), followed by Cuba with USD 7 billion (19%) and Jamaica with USD 5 billion (12%) (Figure 1.22, Panel A). These three countries receive 77% of all greenfield investment entering the region (excluding investment into Guyana). This shows important contrasts across Caribbean countries – an important aspect to consider when interpreting investment data. The number of projects also varies significantly across countries, ranging from 219 in the Dominican Republic, 82 in Cuba, 80 in Jamaica and 37 in Guyana to 6 in Antigua and Barbuda, and 4 in Dominica (Figure 1.22, Panel B).

Greenfield FDI in the Caribbean has been mostly directed to the services sector

Greenfield FDI in the Caribbean has predominantly targeted the services sector, although patterns vary across the region. In several countries, services account for more than half of total investment, reflecting the services-oriented nature of many Caribbean economies (Figure 1.22, Panel C). Key sectors attracting investment include accommodation and food, information communication and technology (ICT), and financial services. Even in countries with more diversified economic structures, such as the Dominican Republic, and Trinidad and Tobago, services continue to play a central role, with manufacturing and energy attracting comparatively smaller shares. In contrast, Guyana, a commodity exporter economy, has received the bulk of its FDI in hydrocarbon extraction and mining. In some cases, this heterogeneity

mirrors underlying production structures, while in others it is driven by the concentration of inflows in a small number of large projects.

Figure 1.22. Greenfield FDI capital investment, number of projects and share by sector, 2014-2024



Note: Greenfield FDI refers to announced greenfield FDI projects.
Source: Authors' elaboration based on Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/.

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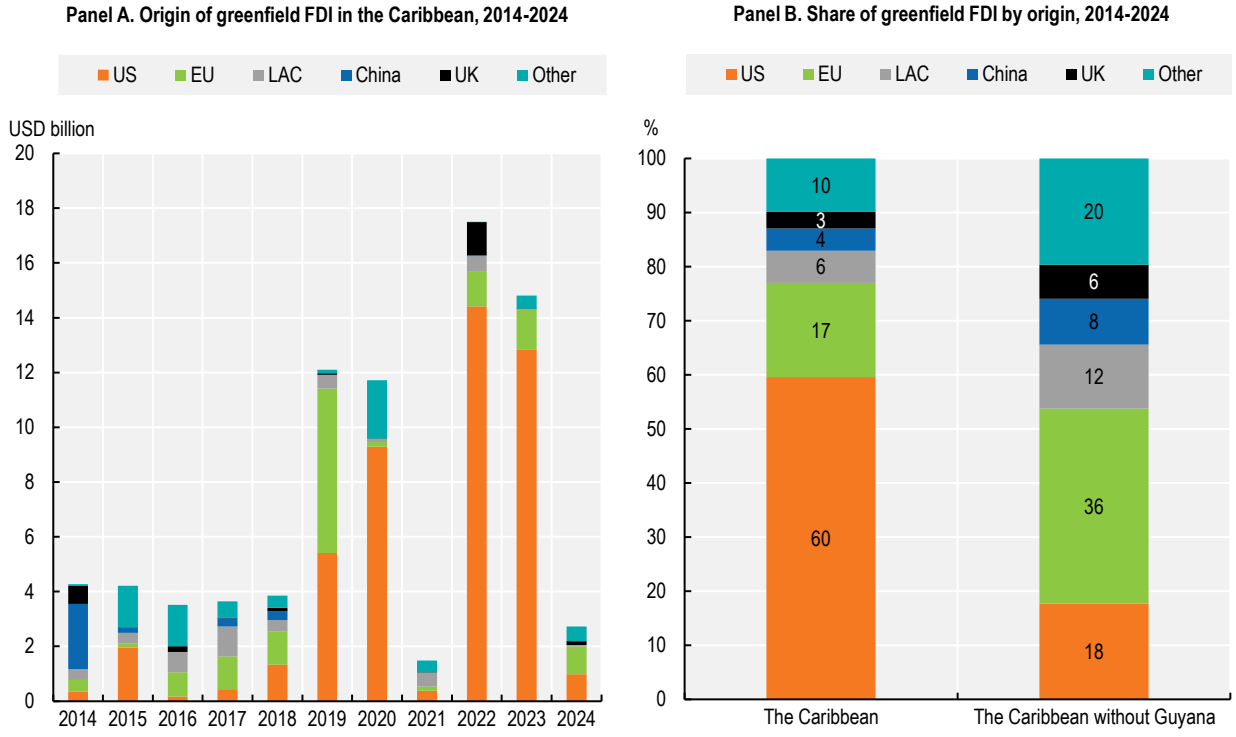
Companies from the European Union and the United States are the leading greenfield investors in the Caribbean

Between 2014 and 2024, the United States invested USD 48 billion, accounting for 60% of total greenfield investment in the region (Figure 1.23, Panels A and B). This trend has been driven by the interest of U.S. companies in Guyana since 2019, following its oil boom. However, when excluding Guyana, the investment landscape reveals a more diversified profile. In the same period, investors from the EU have led greenfield investment in the Caribbean, investing USD 14 billion and accounting for 36% of total greenfield investment in the region, followed by the United States (18%), Latin American and Caribbean

(LAC) countries (12%), the People's Republic of China (8%), the United Kingdom (6%) and other countries (20%) (Figure 1.23, Panel B).

Figure 1.23. Origin of announced greenfield FDI projects in the Caribbean, 2014-2024



Note: Other refers to the rest of the world. Greenfield FDI refers to the capital investment of announced greenfield FDI projects.
Source: Authors' calculations based on Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/.

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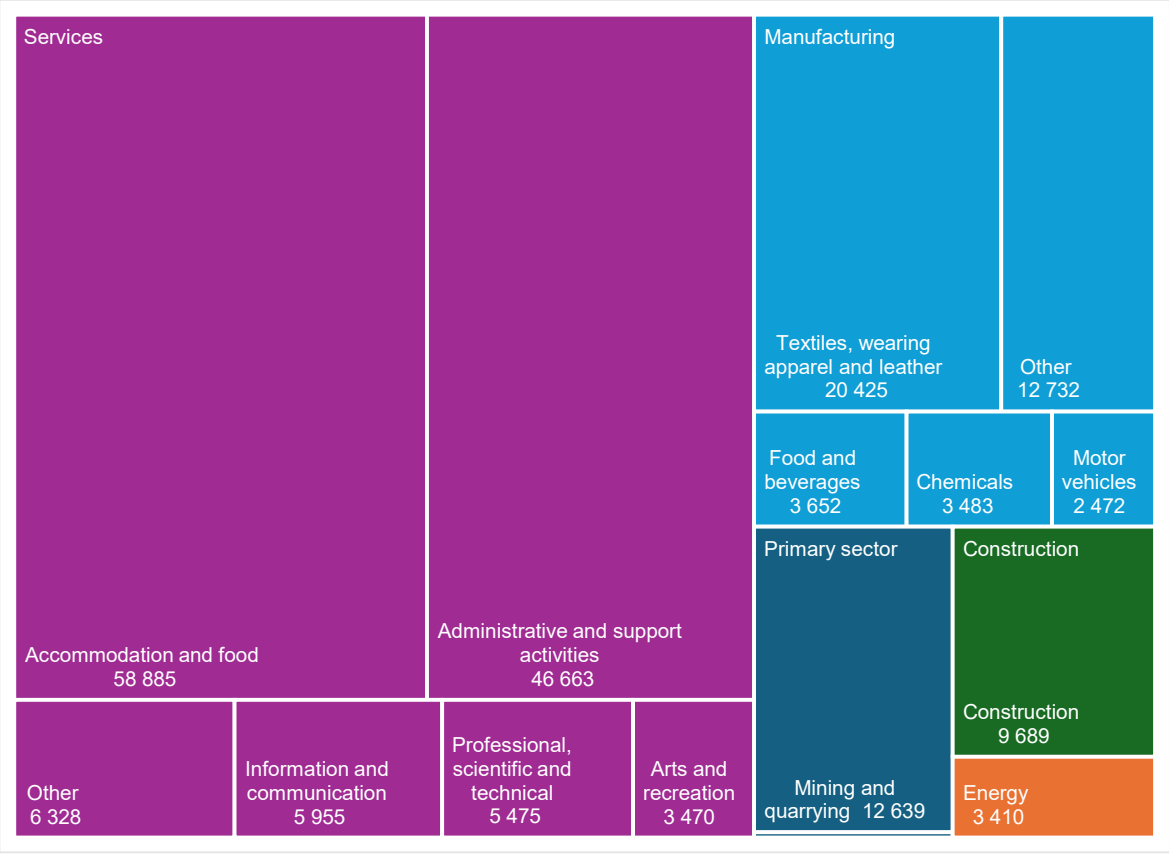
FDI has contributed to employment creation in the Caribbean

Over the past decade, greenfield FDI announced projects have generated 196 021 jobs in the Caribbean. Services sectors account for 65% of total FDI-related employment (126 776 jobs), followed by manufacturing with 22% (43 284 jobs), mining (6%), construction (5%) and energy (2%) (Figure 1.24). Within services, the largest share of jobs has been generated in accommodation and food, as well as in administrative and support activities. Evidence for the LAC region shows a positive association between FDI inflows and employment growth (Craigwell, 2006[87]; Modrego et al., 2022[88]). However, the impact is not automatic. To maximise job creation, policy efforts must focus on strengthening workforce skills, developing domestic supplier networks and aligning investment attraction with inclusive employment objectives (OECD, 2025[83]).

Figure 1.24. Number of jobs created by greenfield FDI in the Caribbean, 2014-2024



Source: Authors' calculations based on Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/.

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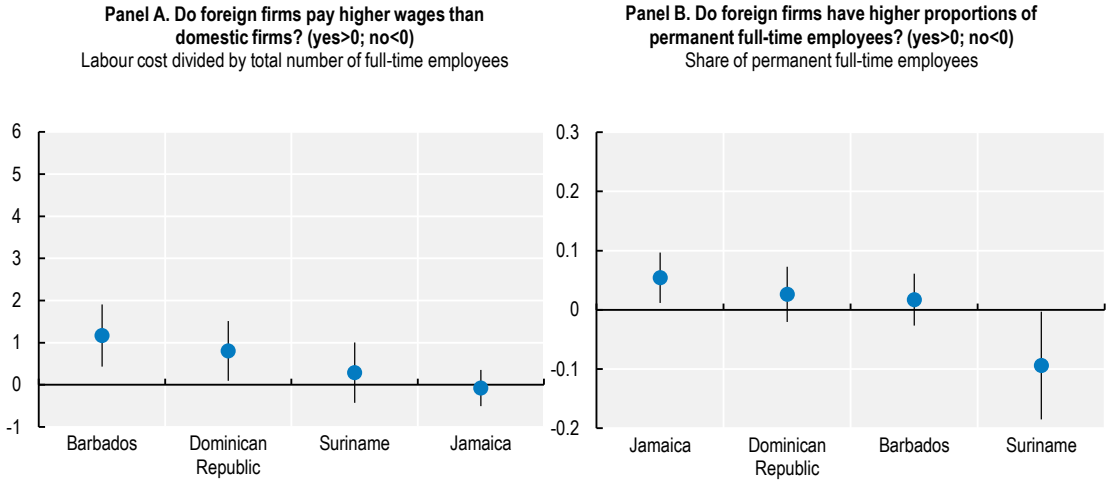
Job quality in foreign firms varies across Caribbean countries

Beyond job creation, the quality of employment is crucial for ensuring the sustainable development impact of investment. Job quality encompasses wages, working conditions, opportunities for skills development and inclusion of vulnerable groups. Foreign investors often provide higher wages, better working conditions and greater access to training than domestic firms, particularly in developing countries and emerging economies. However, the extent to which FDI enhances job quality depends on the sector, type of investment and the host country's labour market characteristics, including its legal and policy frameworks (OECD, 2019[89]; OECD, 2022[31]).

Foreign firms tend to pay higher salaries in the Caribbean. In Barbados, Dominican Republic and Suriname, foreign firms reported paying higher average wages than domestic firms, possibly reflecting their greater presence in large formal export industries and adherence to global labour standards (Figure 1.25**,** Panel A). In countries like Jamaica, the Dominican Republic and Barbados, foreign firms also employ a higher share of permanent full-time employees, offering more stable jobs with formal labour conditions and stronger job security. However, in other economies, the share of full-time employees in foreign firms is lower (Figure 1.25**,** Panel B). This may be influenced by sectoral characteristics, such as tourism or seasonal industries, local labour regulations or cost constraints that favour temporary or flexible employment arrangements.

Figure 1.25. Relative difference between foreign and domestic firms' wages and shares of permanent employment, latest year available



Note: The indicators show the relative gap between the average outcomes of foreign and domestic firms, such as the difference between the average wage in foreign and domestic firms, divided by the average wage in domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. offer higher average wages), while negative values suggest the opposite. Indicators are based on the World Bank Enterprise Surveys (World Bank, 2024[90]). Reference years vary across countries: Barbados (2023), Dominican Republic (2016), Jamaica (2024) and Suriname (2018).
Source: OECD FDI Qualities Indicators and FDI Qualities Indicators Visualisation Platform, https://www.oecd.org/en/data/dashboards/fdi-qualities-indicators-visualisation-platform.html.

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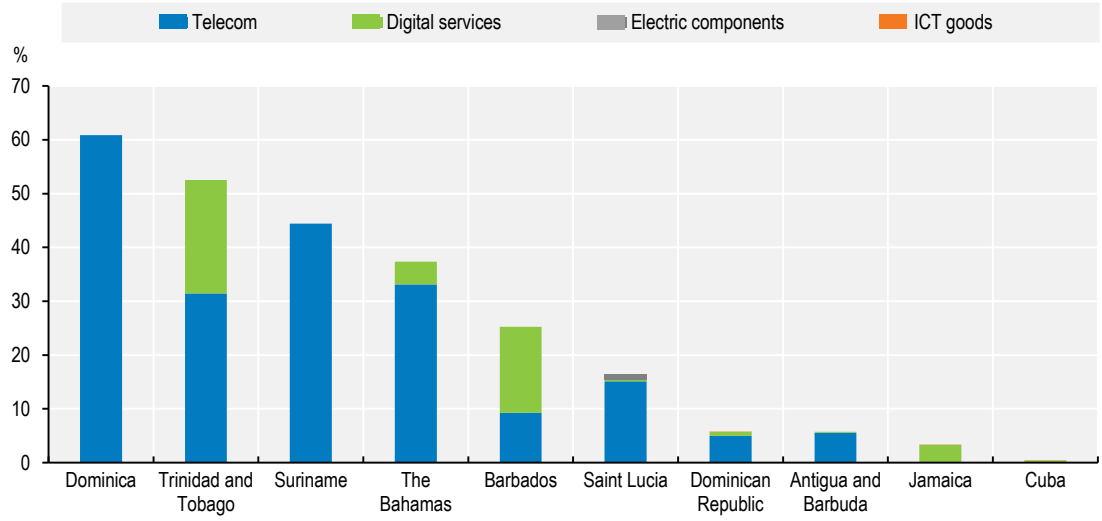
FDI can play a key role in advancing the digital transformation of Caribbean economies

FDI in information and communication technology (ICT) sectors can accelerate digital transformation by financing digital infrastructure and facilitating the transfer of technology and skills. Between 2014 and 2024, greenfield FDI in digital services amounted to USD 3 billion in the region. These investments account for a significant share of total greenfield FDI in several Caribbean countries, notably Dominica (61%), Trinidad and Tobago (53%), and Suriname (44%). They have focused on activities such as computer programming, information services and telecommunications (Figure 1.26). Evidence indicates that investment in digital infrastructure is associated with higher GDP and productivity in the Caribbean. Thus, prioritising such investment could be pivotal for accelerating development, especially in lower-income economies (Rosenblatt et al., 2022[81]) (Chapter 2).

Figure 1.26. Greenfield FDI in digital sectors in the Caribbean as share of total FDI, 2014-2024



Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electric components (batteries, electrical equipment, wiring devices, etc.) and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Authors' calculations based on Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/ and FDI Qualities Indicators Visualisation Platform, https://www.oecd.org/en/data/dashboards/fdi-qualities-indicators-visualisation-platform.html.

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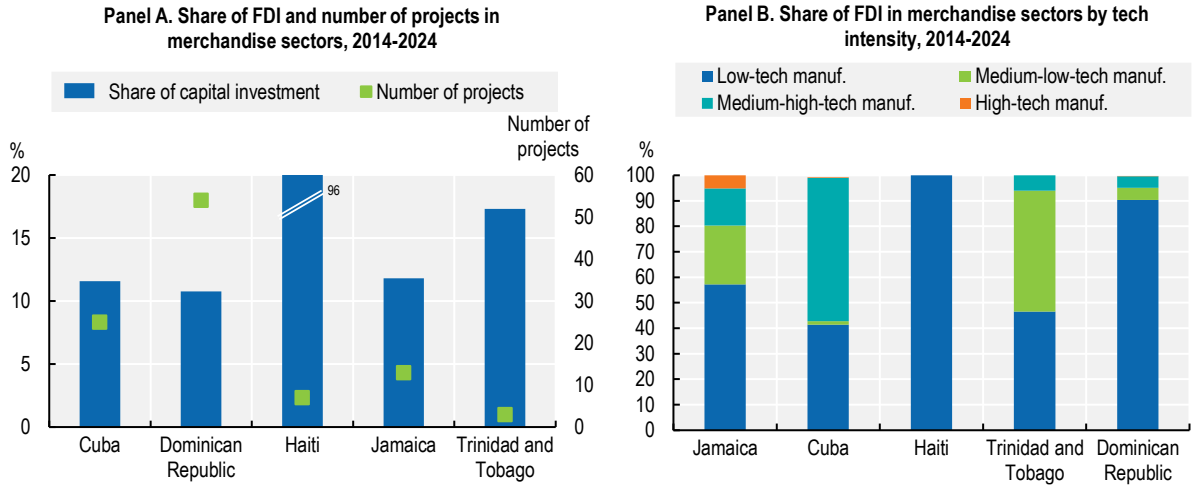
FDI in the industrial sector is important for some countries in the region

Greenfield FDI trends in the industrial sector vary significantly across countries. Between 2014 and 2024, greenfield FDI in industry represented 11-17% of total inflows in countries such as Cuba, the Dominican Republic, Jamaica, and Trinidad and Tobago, and up to 96% in Haiti, spread across multiple projects (Figure 1.27, Panel A). In many cases, investment is concentrated in light manufacturing, such as food products and textiles. In others, it targets more technology-intensive industries, including pharmaceuticals, chemicals, ICT goods and electronic components (Figure 1.27, Panel B).

While services are central to many Caribbean economies, niche manufacturing has emerged as a priority in some countries to drive diversification and attract foreign investment. Several countries – including the Dominican Republic, Trinidad and Tobago, Jamaica, Belize, Barbados, Grenada and Guyana – are promoting sectors such as pharmaceuticals, chemicals and light manufacturing like food products and textiles. These industries can help reduce dependence on tourism and commodities. Empirical evidence shows that FDI can support production transformation by enhancing export sophistication, export diversification and industrial capacity (OECD et al., 2025[43]). Also, high-tech manufacturing around the world depends on sophisticated services as inputs (Miroudot and Cadestin, 2017[91]). Investment in high-tech services can support access to international markets and mobilise resources to diversify economic activity and expand productive bases.

Figure 1.27. Greenfield FDI in merchandise producing sectors, 2014-2024



Note: Tech-intensity groups are based on the OECD Technology Classification. Capital investment corresponds to ISIC Rev.4 Divisions A–C, covering the primary sector and manufacturing industries
Source: Authors' calculations based on Financial Times (2024[86]), *fDI Markets*, https://www.fdimarkets.com/.

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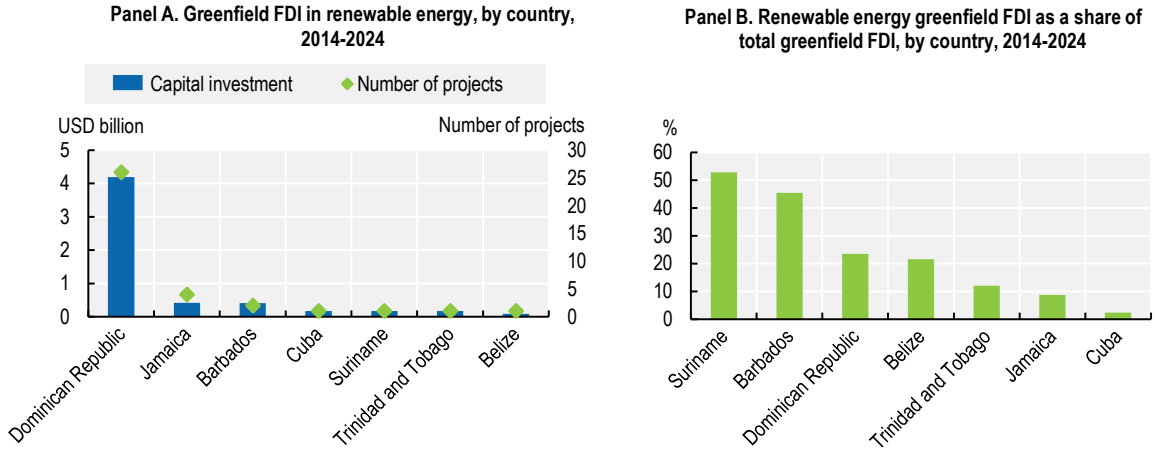
Increasing FDI in renewable energy can support the green transition in the Caribbean

FDI can play a key role in advancing the region's energy transition. Such investments can help modernise energy systems, improve efficiency and reduce dependence on imported fossil fuels. By bringing cutting-edge technologies and best practices, FDI can foster local capacity building and support greener and climate-resilient infrastructure. This is particularly important in a region where imported fossil fuels supply around 80% of electricity generation, contributing to high energy costs, and where ageing diesel-fired plants remain vulnerable to hurricanes, floods and droughts (World Bank, 2025[37]). Expanding renewable energy would not only lower generation costs and improve efficiency, but also shield economies from volatile global fuel prices and promote a more diversified energy mix.

Renewable energy greenfield FDI varies across Caribbean economies. Between 2014 and 2024, the region attracted USD 5 billion across 36 projects. The Dominican Republic, by far the largest economy, accounted for USD 4.2 million (74% of total investment) across 26 projects, supported by macroeconomic stability, renewable energy targets and incentives such as tax exemptions, feed-in tariffs and streamlined regulatory processes (ECLAC, 2023[92]; Pichardo, 2025[93]). Jamaica followed with USD 0.4 billion across four projects, while Barbados attracted USD 0.4 billion through two projects (Figure 1.28, Panel A). Other small economies secured single projects during this period. Although absolute investment amounts in smaller economies may seem modest, they represent a significant share of total greenfield FDI. In Suriname and Barbados, for example, renewable energy investment accounted for 53% and 45% of total greenfield FDI over the period, respectively, highlighting the relative scale and importance of these investments (Figure 1.28, Panel B).

Figure 1.28. Greenfield FDI in renewable energy: Capital investment, number of projects and share of total FDI by country, 2014-2024



Note: Greenfield FDI refers to announced greenfield FDI projects.
Source: Authors' calculations based on Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/.

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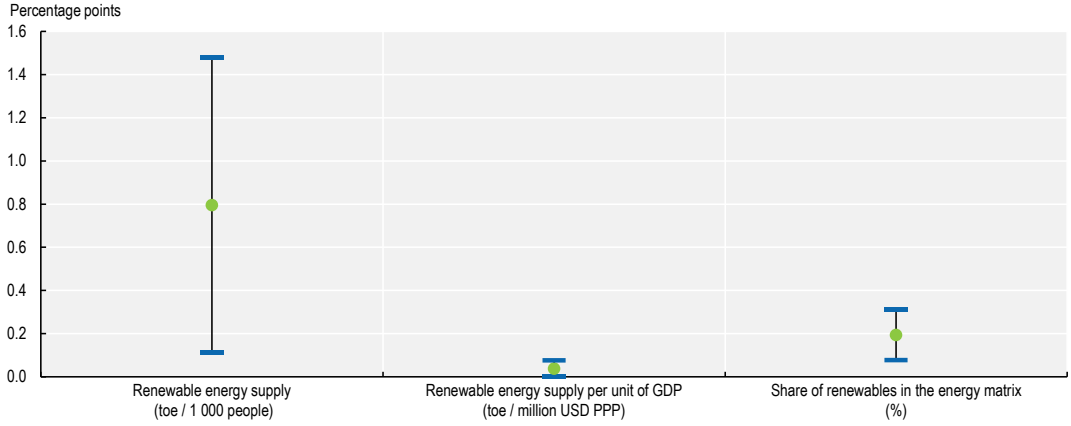
FDI can support the transition to a cleaner and more sustainable energy mix. Empirical evidence shows that greenfield FDI in renewable energy is positively associated to both the expansion of clean energy supply and the transformation of energy matrices in recipient countries. In LAC, a 10% increase in capital investment in the renewable energy sector is associated with an increase of 0.79 tonnes of oil equivalent (toe) per 1 000 people in renewable energy supply. It also corresponds to an increase of 0.03 toe per million USD of GDP (purchasing power parities) and a 0.19 percentage point rise in the share of renewables in the energy matrix, all else being equal (Figure 1.29) (Annex 1.B). These results suggest that greenfield FDI may be particularly effective in supporting the region's energy transition, potentially reflecting higher technological spillovers, stronger environmental safeguards or greater alignment with long-term sustainability goals.

Figure 1.29. FDI impact on renewable energy supply and the energy matrix in LAC



Note: The figure displays the estimated percentage point impact of a 10% increase in capital investment from announced renewable energy FDI projects on three variables along with their 95% confidence intervals. Caribbean countries included in the analysis are the Dominican Republic and Jamaica. Other countries were not covered due to limited data or variables' lack of variation over time.
Source: Authors' calculations based on IRENA (2023[94]), Renewable Energy Statistics; OLADE (2023[95]), *sieLAC: Energy information system of Latin America and the Caribbean,* https://sielac.olade.org/; Financial Times (2024[86]), *fDi Markets*, https://www.fdimarkets.com/.

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Key policy messages

This chapter has underscored the importance of strengthening macro-structural conditions in Caribbean countries, while advancing social inclusion by addressing poverty, inequality and informality, and enhancing resilience to the region's climate-related vulnerabilities. It also argues that reinforcing investment levels will be essential to overcome longstanding development challenges in the region and harness the potential of new opportunities. Box 1.3 highlights key messages presented in the chapter that can inform national, regional and international policy action in the medium term.

Box 1.3. Key policy messages

Unpacking macroeconomic dynamics and structural features in the Caribbean

- Macroeconomic conditions are characterised by modest potential growth, low productivity and high debt levels, partly explained by persistent low productivity.
- High public debt levels remain a challenge in many Caribbean economies, constraining fiscal space.
- Trade patterns reveal a divide between service-oriented and merchandise-exporting economies, and an overall reliance on merchandise imports.
- The limited diversification of export baskets reflects the region's production structure and highlights several underlying constraints that hinder its potential growth.
    - Caribbean exports are concentrated in a few major partners, although destination patterns vary significantly across countries, while Caribbean services exports are largely focused on tourism in most countries.

Advancing social inclusion in the Caribbean: Tackling poverty, inequality and informality

- Poverty, informality and inequality remain high, although significant heterogeneity persists across Caribbean countries.
- Unemployment rates have declined over the past decade, although employment levels remain low, with women, youth and older persons particularly affected.

Building resilience to confront environmental risks and climate vulnerabilities

- Climate-related extreme weather events are increasingly frequent in the Caribbean, posing severe risks for its inhabitants and tourists, although Caribbean contribution to global greenhouse gas emissions is among the lowest worldwide.
- The share of renewables in the Caribbean's electricity matrix remains low and has been increasing at a modest pace.
- High water stress and inefficient water use remain challenges in the Caribbean, although some countries are making notable progress towards more effective water management.

Investment as a driver to unlock development potential in the Caribbean: Main trends and features

- Total investment in the Caribbean has grown in the last decade, but still fails to meet the required levels for development.
- Government spending on infrastructure is low, reinforcing infrastructure gaps across the region.
- Foreign direct investment is a key source of finance for sustainable development in the Caribbean.

- FDI has contributed to employment creation in the region and can play a key role in advancing the digital transformation, promoting manufacturing activities and supporting the green transition in Caribbean economies.
- Greenfield FDI main flows are concentrated in the largest Caribbean economies, mostly directed to the services sector and led by companies from the European Union and the United States.

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Annex 1.A. Methodological annex

Private vs. public investment as a share of total investment in the Caribbean, LA and OECD, 2019 (Figure 1.20)

Regarding the investment and capital stock dataset (IMF, 2025[6]): Public investment is measured using gross fixed capital formation of the general government (i.e. central plus subnational governments). This approach does not include: i) investment grants, which are transfers from central and/or subnational governments to public and private entities outside the general government to support investment in fixed assets; ii) loan guarantees; iii) tax concessions, such as those for mortgage interest, R&D, and municipal bonds; iv) the operations of public financial institutions, such as development banks, that provide long-term funding at subsidised rates; and v) government-backed saving schemes.

Statistics for the OECD countries are taken from the OECD Economic Outlook. Specifically, the series retrieved (in national currency and constant prices) is comprised of general government GFCF and total GFCF.

Annex 1.B. Empirical model to estimate the effect of FDI on the energy mix

This analysis draws on fixed-effects (FE) panel regressions to assess the impact of greenfield FDI on three renewable energy outcomes. The model covers 16 LAC countries over the period 2003-2023 and is specified as follows:

$$y_{it} = \beta_0 + \beta_1 \cdot \ln(\text{capital investment}_{it-2}) + \gamma \cdot \text{controls}_{it} + \delta \cdot \text{FE}_{it} + \epsilon_{it}$$

Where y_{it} is one of the following the dependent variables for country i in year t:

1. **Renewable energy supply per capita**

Measures the amount of renewable energy available per person, expressed in tons of oil equivalent (toe) per 1 000 inhabitants. It reflects the intensity of renewable energy supply relative to population size, offering insights into access and distribution of clean energy.

2. **Renewable energy supply per unit of output**

Captures the volume of renewable energy supplied per unit of economic output, measured in toe per million USD of GDP (PPP). It serves as a proxy for the energy intensity of the economy, indicating how efficiently renewable energy is integrated into production.

3. **Share of renewables in the primary energy matrix**

Represents the proportion of a country's primary energy derived from renewable sources. It reflects the level of renewable energy integration in the national energy matrix and the shift away from fossil fuel dependence.

All dependent variables are sourced from OLADE-sieLAC, a comprehensive regional database that compiles and harmonizes energy statistics for Latin America and the Caribbean.

The main explanatory variable is the 2-year lagged capital investment from renewable energy announced projects, capturing delays between project announcements and operational impact. It is sourced from the fDi Markets database, which tracks cross-border greenfield investment.

Control variables include electricity consumption (MWh per 1 000 people) and 2-year lagged public investment in renewable energy (as a percentage of GDP). Regressions include country and year fixed effects, and standard errors are clustered at the country level.

Caribbean economies included are the Dominican Republic and Jamaica. Other countries were not covered due to limited data or variables' lack of variation over time.

The results reflect robust empirical associations but do not establish causal relationships.

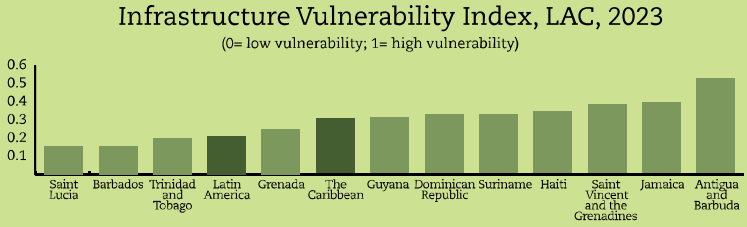
2 Investment as a driver of sustainable and resilient development

Investment is a critical lever for addressing the Caribbean's structural challenges and advancing resilient and sustainable development. Its impact depends not only on the volume of resources mobilised, but also on how investments are planned, implemented and financed. This chapter examines the role of investment in building resilience, which is essential to better face climate change effects, protect livelihoods and harness the natural assets of the region. The analysis focuses on the importance of resilient infrastructure and early warning systems, and underscores the potential of public-private partnerships, stronger institutional and statistical capacities, and deeper regional integration and international co-operation. It then identifies strategic sectors with potential that are directly linked with sustainability and in which investments can play a catalytic role. These include the blue economy, renewable energy, sustainable agriculture and tourism.

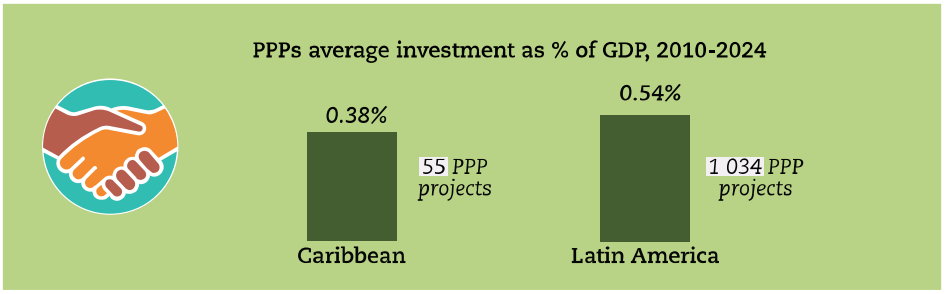
Infographic 2.1. Investment should drive greater resilience and sustainability

Key policy areas

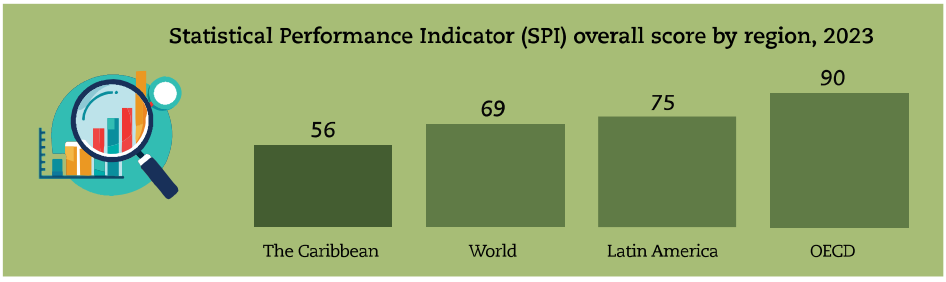
Investing in resilient infrastructure and early warning systems helps anticipate and mitigate climate impacts



Public-private partnerships can mobilise private expertise and financing for critical infrastructure



Statistical capacity in the Caribbean has improved but remains below international standards



Regional integration and international partnerships are essential for:


Resilient infrastructure


Disaster risk management


Attracting investments

Investment strategies should prioritise high-potential development sectors where the region has comparative advantages


Blue economy


Sustainable tourism and creative industries


Energy transition


Sustainable transport


Sustainable agriculture and food systems


Circular economy

Digital transformation and artificial intelligence

Introduction

Investment is central to unlocking the Caribbean's development potential and addressing its specific challenges. The region's context implies three critical dimensions to investment: what is invested (Chapter 1), how it is invested (Chapter 2) and how these investments are financed (Chapter 3). Caribbean economies face important financing gaps alongside structural economic, social and environmental constraints. In this setting, investment must do more than expand capacity and boost growth: it must also be a tool to reduce vulnerability and build resilience. Resilience is fundamental for the region's development, as well as an instrument to harness the unique assets of Caribbean countries. These assets, in turn, are directly linked to – and can be a driver of – sustainability.

Against this background, this chapter argues that resilience and sustainability are two fundamental policy dimensions and objectives that should guide investment efforts in the Caribbean.

With respect to resilience, the region's small size, geographic dispersion and extreme exposure to climate shocks means it cannot afford investments that simply fill infrastructure gaps. Investments must also simultaneously reduce vulnerability, enhance preparedness and generate long-term value. Resilience, then, is not an additional feature of investment: it is an essential requirement to protect lives, safeguard economic activity and preserve fiscal sustainability in a context where disasters repeatedly erode development gains and the financial position of countries.

Regarding sustainability, aligning investments with the Caribbean's comparative advantages and natural capital is as important as building resilience. This approach embeds sustainability at the core of economic transformation. In this respect, the blue economy, renewable energies, sustainable agriculture, transport and tourism, Nature-based Solutions (NbS), the circular economy, creative industries and digital transformation are sectors where Caribbean countries have important assets and where investments could unlock the potential of the region for sustainable development.

Investing in resilient development

Building resilient development is a strategic imperative for the Caribbean. Countries across the region confront recurrent climate shocks, high exposure to hurricanes and flooding, and escalating costs of reconstruction that repeatedly divert scarce fiscal resources. For small, open economies with limited redundancy in productive systems, every disruption has outsized economic, social and environmental consequences. Investing in resilience is, therefore, not only a defensive measure – it is essential for protecting livelihoods, preserving natural assets and sustaining long-term development. Achieving resilient development requires planning and delivering new investments that are climate-resilient and enhance continuity of essential services. This should go hand in hand with initiatives to strengthen countries' capacity to anticipate, absorb and recover from shocks.

This section examines the key building blocks needed to scale up resilient investment in the Caribbean. It begins by analysing two foundational components – resilient infrastructure and early warning systems (EWS) – that directly reduce exposure and improve preparedness. It then discusses the institutional and financial conditions that enable resilient projects to materialise. Such conditions include the use of public-private partnerships (PPPs) to mobilise expertise and investment, and strengthening project preparation capacities so that investments take place and have a positive impact. The section concludes with cross-cutting dimensions needed for investments to be drivers of resilience. First, robust data and statistical systems are a vital enabling factor to strengthening the institutional framework required to attract effective and efficient investment, while underpinning evidence-based planning, risk assessment and fostering resilience. Second, regional integration and partnerships are fundamental to build synergies and aligning national, regional and international investment agendas.

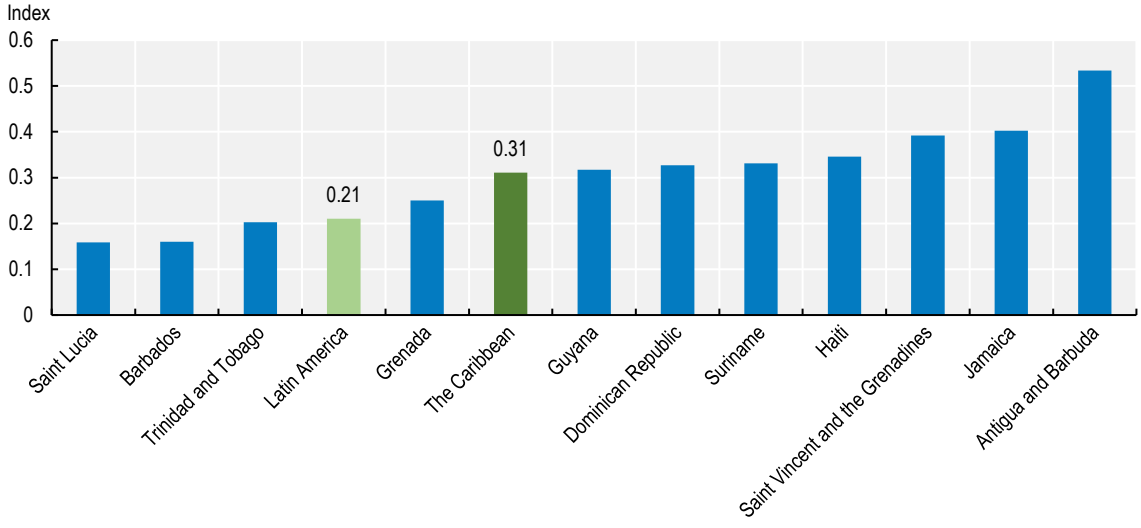
Resilient infrastructure

Resilient infrastructure is essential for the Caribbean given its high exposure to extreme weather events that generate major social and economic impacts. The region experiences frequent hurricanes, flooding and droughts that damage infrastructure, reduce export capacity, including tourism, and interrupt health and education with long-term consequences (Chapter 1). Natural disasters slow productivity, widen fiscal pressures and undermine long-term development prospects.

Between 1980 and 2020, extreme weather events imposed average annual losses of 2.13% of gross domestic product (GDP) across the Caribbean (OECD/IDB, 2024[1]). The scale of these impacts has been evident in several countries. In 2019, for example, Hurricane Dorian caused economic losses of USD 3.4 billion in The Bahamas (around one-quarter of national GDP at the time). The 67 confirmed deaths, more than 282 missing persons and nearly 30 000 affected people made it the costliest disaster in the country's recent history (IDB, 2019[2]). In 2025, Hurricane Melissa caused widespread damage in Jamaica even before there was time to recover from Hurricane Beryl, which struck in mid-2024 (Mercer-Blackmann, et al., 2025[3]). The Bahamas, Cuba, Haiti and the Dominican Republic were also affected, demonstrating the continued human and economic toll of such events (Chapter 1).

Infrastructure vulnerability indicators highlight the magnitude of resilience challenges across the Caribbean. The region's infrastructure is more vulnerable than most Latin American economies, with Antigua and Barbuda, Jamaica, and Saint Vincent and the Grenadines showing the highest levels of risk (Figure 2.1). Closing infrastructure gaps with climate-resilient investments is both cost-effective and critical to safeguarding development gains (Chapter 1).

Figure 2.1. Infrastructure Vulnerability Index in the Caribbean and Latin America, 2023



Note: The ND-Gain Infrastructure Vulnerability Country Index captures the exposure and sensitivity of coastal and energy infrastructure to climate change, including preparedness for climate-related disasters, coastal hazards and energy supply disruptions.
Source: Authors' elaboration based on ND-GAIN (2025[4]), *Country Rankings*, https://gain.nd.edu/our-work/country-index/rankings/.

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Delaying investment in resilience substantially increases economic and fiscal risks for Caribbean economies. Underinvestment in climate-resilient infrastructure can reduce GDP growth by nearly one percentage point in the first year. Cumulative losses reach up to 15 percentage points over a decade (Mooney et al., 2025[5]).

Postponing action locks in vulnerabilities, raises future repair and retrofitting costs, and heightens the fiscal burden of post-disaster recovery. A ten-year delay in resilience investments could add up to USD 1 trillion in costs for low- and middle-income countries (Hallegatte, Rentschler and Rozenberg, 2019[6]). Caribbean small island economies have limited fiscal space and constrained access to financial markets. Timely investment is, therefore, essential to safeguard development gains and strengthen debt sustainability. Greater frequency and severity of climate-related natural disasters in countries along the hurricane belt (The Bahamas, Cuba, Jamaica and Grenada, in particular) calls for special attention to resilient infrastructure while posing an additional constraint: even if resources and capacity were available to add proper resilient infrastructure, there may not be enough time to avoid some damage in the interim.

Investing in resilient infrastructure generates substantial economic benefits and supports long-term development. Every dollar spent on resilient infrastructure can yield up to USD 4 in economic benefits in developing countries by mitigating future losses and ensuring continuous service delivery (Hallegatte, Rentschler and Rozenberg, 2019[6]). In the Caribbean, closing the infrastructure investment gap to attain the Sustainable Development Goals by 2030 is estimated at around USD 250 per capita annually[1] (Brichetti et al., 2021[7]) (Chapter 1). About half of that would need to be invested in maintenance.

Such investments would catalyse a virtuous circle: enhanced resilience attracts more stable investment, improved infrastructure boosts productivity and stronger public finances enable greater developmental expenditure. This provides a sustainable pathway to help close the region's low-productivity trap.

Resilient infrastructure refers to assets that are planned, designed, constructed and operated to anticipate, withstand and adapt to the impacts of a changing climate. This applies to both new and existing infrastructure, which may require retrofitting or operational adjustments as climate risks intensify. Because infrastructure is capital-intensive and long-lived, decisions today about its location, design and management will shape vulnerability for decades. This makes it essential to integrate resilience rather than lock in future risks (OECD, 2024[8]). Physical climate-resilient measures in infrastructure include engineered (grey) and NbS, which can be used individually or in combination (integrated solutions), depending on the sector and climate risks (Box 2.1).

Box 2.1. Examples, of grey, nature-based and hybrid infrastructure solutions

Countries can deploy a portfolio of physical measures to strengthen infrastructure resilience to climate and disaster risks. These measures fall into three broad categories:

- **Grey (engineered) solutions** consist of fully engineered, built structures designed to provide protection, storage and drainage. They include dams and reservoirs, stormwater drainage networks, seawalls, dikes and breakwaters, elevated roads and reinforced bridges. When sustainably designed and managed, these assets can play an important role in both climate mitigation and adaptation (IDB, 2024[9]).
- **Nature-based Solutions (NbS)** are measures that protect, sustainably manage or restore nature (OECD, 2024[8]). They include mangroves, coral and oyster reefs, dunes and wetlands, and reforested watersheds. They dissipate wave energy, reduce erosion, regulate water flows and improve water security while supporting biodiversity and local livelihoods. Regional initiatives such as the Caribbean Environmental Programme are helping standardise NbS for coastal management, biodiversity conservation and sustainable water security.
- **Integrated grey solutions and NbS** are hybrid approaches that combine engineered structures with conserved or restored ecosystems to deliver more resilient and cost-effective protection. Examples include seawalls paired with mangrove belts, levees integrated with reconnected floodplains, wetland restoration incorporated into flood-control systems, and permeable pavement or green roofs complementing drainage infrastructure (IDB, 2024[9]).

Caribbean countries are advancing climate-resilient infrastructure across key sectors. Economies in the region are increasingly adopting a mix of engineered nature-based and integrated solutions in areas such as coastal protection, energy and transport. As regional governments implement these targeted projects, they enhance both the long-term physical and economic resilience of their economies against intensifying climate hazards. Table 2.1 presents selected recent initiatives that illustrate how these approaches are being translated into concrete projects across the region.

Table 2.1. Climate-resilient infrastructure projects in the Caribbean

Country	Project	Description
Barbados	Barbados Beryl Emergency Response and Recovery Project (2024) Grey solution	Finances reconstruction of infrastructure damaged by Hurricane Beryl, focusing on rebuilding with climate-resilient standards. Key elements include coastal protection works, such as breakwaters and rehabilitation of fishers' landing facilities and key beach areas. Also includes technical studies for port and fisheries infrastructure resilience.
Dominica	Geothermal Risk Mitigation Project II (2025) Grey solution	Focuses on expanding and hardening the national electricity transmission network. The project constructs new, resilient infrastructure, including underground 33 kV transmission lines parallel to overhead lines, to increase redundancy and rapid restoration capabilities against Category 5 hurricane damage. The shift to geothermal power also provides reliable, baseload renewable energy, reducing vulnerability to imported fossil fuel supply disruptions.
Jamaica	Blue Carbon Mangrove Restoration in South Clarendon (2020) Nature-based Solution	Restores over 1 600 hectares of degraded mangrove along the southern coastline. Restoration activities include re-opening blocked channels and installing culverts to restore critical hydrological connectivity and encourage natural mangrove regeneration. Mangroves in the country provide over USD 32 million in annual flood reduction benefits to the built environment, showcasing the economic value of Nature-based Solutions.
Grenada	WINDREF Innovative Grey-Green Infrastructure (ING) Project (2024) Integrated Grey-NbS solution	Combines engineered elements (gabion baskets and boulders) with mangroves, sea grapes and coral reef rehabilitation. This multi-layered shoreline dissipates wave energy and reduces erosion, protecting nearby roads and homes. Its effectiveness was demonstrated by its stability during Hurricane Beryl in July 2024.
The Bahamas	Climate-Resilient Coastal Management Infrastructure Program (2017) Integrated Grey-NbS solution	Upgrades critical road infrastructure alongside mangrove and tidal creek restoration (e.g. restoring 15 km of mangroves). This dual approach restores hydrological flows, enhances ecosystem-based coastal protection and improves road access for vulnerable communities.

Source: Authors' elaboration based on UWI Sodeco (2020[10]), *Blue Carbon Mangrove Restoration in South Clarendon*, https://www.uwisodeco.com/projects/db-defra-blue-carbon-mangrove-restoration-in-south-clarendon-; Oliver et al. (2021[11]), *Nature-based Solutions in Latin America and the Caribbean: Support from the Inter-American Development Bank*, http://dx.doi.org/10.18235/0003689; World Bank (2024[12]) *Dominica Geothermal Risk Mitigation II Project*, https://projects.worldbank.org/en/projects-operations/project-detail/P179845; World Bank (2024[13]), *Beryl Emergency Response and Recovery Project*, https://projects.worldbank.org/en/projects-operations/project-detail/P507190; James et al. (2025[14]), *Building Resilience with Nature: Lessons from WINDREF's Innovative Grey-Green Infrastructure Project in Grenada*, https://caribbeanbiodiversityfund.org/coral-health-articles/building-resilience-with-nature-lessons-from-windrefs-innovative-grey-green-infrastructure-project-in-grenada/.

National adaptation plans (NAPs) can play a central role in prioritising and guiding investments in resilient infrastructure across the Caribbean. Such plans provide a comprehensive framework to reduce climate vulnerability, strengthen resilience and build adaptive capacity. In so doing, they help governments align planning, standards and budgeting with long-term climate risks.

Integrating infrastructure as a priority sector within NAPs is particularly valuable as it enables countries to map vulnerabilities, define investment needs and co-ordinate actions. Several Caribbean countries have submitted NAPs under the United Nations Framework Convention on Climate Change, including Antigua and Barbuda (2024 and 2025), Grenada (2019 and 2025), Haiti (2023), Saint Lucia (2018), Saint Vincent and the Grenadines (2019), Suriname (2020), and Trinidad and Tobago (2023 and 2024).

Saint Lucia and Grenada have developed sectoral adaptation plans. Only 15 sectoral plans had been submitted globally by December 2025. In Saint Lucia, the Sectoral Adaptation Strategy and Action Plan identifies infrastructure as a priority. It includes upgrades to roads, drainage systems, coastal defences

and public buildings, guiding major investments such as the Disaster Vulnerability Reduction Project (OECD/IDB, 2024[1]).

A strong institutional environment is essential to ensure coherent, long-term and locally adapted resilience efforts. National and local policies need to integrate climate risks within planning frameworks, standards and budgeting processes. Meanwhile, modern building codes aligned with regional hazards guide investment decisions. Co-ordination and communication across government agencies, infrastructure operators, communities and development partners helps identify shared vulnerabilities, manage interdependencies and ensure that resilience measures are consistent across sectors (OECD, 2024[8]; Cont et al., 2025[15]).

Early warning systems

Limited access to timely, accurate climate information and early warning systems (EWS) can constrain disaster preparedness across many developing countries, including the Caribbean. Where exposure is concentrated, often in densely populated coastal and urban corridors, these gaps translate into slower, less effective responses and higher human and economic losses, undermining broader climate-resilience efforts (OECD, 2023[16]). Strengthening EWS is, therefore, not only a technical upgrade, it is a core institution-building strategy that improves how the state anticipates risk, co-ordinates actors and protects critical infrastructure and livelihoods. This is in addition to insuring for post-disaster recovery, as discussed in Chapter 3.

An effective EWS is an integrated socio-technical process that converts data into actionable intelligence and triggers timely, appropriate responses. Its essential functions include i) multi-hazard risk knowledge; ii) hazard monitoring and forecasting; iii) dissemination of clear, understandable warnings; and iv) preparedness and response capacity among authorities and communities.

Delivering these functions requires a comprehensive approach spanning: i) access to technology (robust observing networks, forecasting models and reliable alert channels); ii) governance (clear mandates, decision rights and rehearsed standard operating procedures for evacuation and response; and iii) the social dimension (risk literacy, community drills and last mile communication so people understand and act on warnings) (EW4All, 2025[17]). Well-designed EWS are among the most cost-effective climate adaptation measures because they reduce avoidable losses and shorten recovery times (OECD/IDB, 2024[1]).

Several Caribbean countries have been frontrunners in the development of EWS. Antigua and Barbuda, Dominica, the Dominican Republic, Saint Lucia, and Saint Vincent and the Grenadines have developed national EWS assessments and roadmaps. They were supported by the United Nations Development Programme (UNDP), the International Federation of Red Cross and Red Crescent Societies (IFRC) and the Caribbean Disaster Emergency Management Agency (CDEMA). Their initiatives promote the exchange of good practices and tools that strengthen risk knowledge, monitoring systems and national response capacities (CDEMA, 2024[18]; OECD/IDB, 2024[1]). A recent illustration of effective EWS is Hurricane Melissa in Jamaica. Despite being a Category 5 storm, the associated death toll (45 as of November 2025) was comparable to that of Hurricane Gilbert in 1988, a less severe Category 3 event (Chapter 1). Estimated physical damage amounted to around 56.7% of GDP, lower than the 65% recorded for Hurricane Gilbert (Jamaica Information System, 2026[19]). This figure suggests that disaster preparedness and response capacity have improved over time, including through more effective EWS (IBRD/World Bank, 2025[20])

Nonetheless, progress on EWS has been uneven, reflecting constraints such as high staff turnover, institutional fragmentation, weak communications infrastructure and limited community preparedness. For example, several countries continue to lag in institutionalising EWS, including Guyana, where around 90% of the population lives in low-lying coastal areas that are particularly exposed to hazards, with much of the territory located approximately six feet below sea level. Other relevant specific gaps include: insufficient forecasting for secondary hazards (e.g. coastal inundation, riverine and flash floods); weak co-operation

between National Meteorological and Hydrological Services and disaster risk management agencies; and low public awareness that blunts the impact of warnings (WMO, 2018[21]). Addressing these deficits calls for institutional solutions – inter-agency agreements, interoperable data standards, joint exercises and continuous public outreach – alongside equipment upgrades.

Building modern EWS is a strategic pathway to stronger institutions. It sharpens public decision making in uncertainty, enhances co-ordination and makes resilience a routine, accountable function of government. Some examples of how EWS can be embedded in the core machinery of the state include statutory mandates that clarify roles across meteorological, water, disaster, health, transport and security agencies; multi-year budgets that cover operations and maintenance, not just capital purchases; workforce development and retention to mitigate turnover; integrated data governance (asset registries, hazard-exposure databases and open standards) to enable real-time analytics and performance management with clear metrics (lead time, forecast skill, alert delivery rates, response coverage).

Linking warnings to pre-agreed standard operating procedures helps close the “last mile” between forecasts and action. Where feasible, triggers for anticipatory or forecast-based financing to enable rapid response should be defined in advance (Chapter 3). Aligning warnings to infrastructure planning (EWS-informed siting, design standards and contingency operations for energy, transport, water and communications systems) reduces downtime and protects investments (OECD, 2024[8]).

The role of public-private partnerships

When properly designed, contracted and executed, public-private partnerships (PPPs) can be a critical means of catalysing new sources of private expertise and finance for critical public infrastructure. PPPs are generally understood as long-term contractual arrangements between a government entity and a private partner to provide a public asset or service. In the Caribbean, PPPs can support more efficient infrastructure delivery; diversify funding sources, including through user-pay mechanisms, and broaden access to global debt and equity markets. Embedding climate resilience and environmental sustainability into PPP design and implementation is critical to maximising the durability and value of PPP-financed infrastructure. This is especially true given the region’s high exposure to natural hazards and climate change.

PPPs have been used in the Caribbean to deliver or upgrade roads, ports, airports, electricity generation plants, bulk water treatment facilities and educative infrastructure, among others. Some recent examples include airport development (Trinidad and Tobago in 2021, the Bahamas in 2020 and Belize between 2016-2020), education infrastructure (Grenada from 2014-2019), a power plant project (the Dominican Republic in the mid-2010s) and a desalinisation plant (Trinidad and Tobago in the mid-2000s). Many of these projects have operated successfully over long periods, providing high-quality infrastructure services. Others have faced challenges, resulting in significant delays or, in some cases, generating limited value for money or unforeseen fiscal or consumer costs.

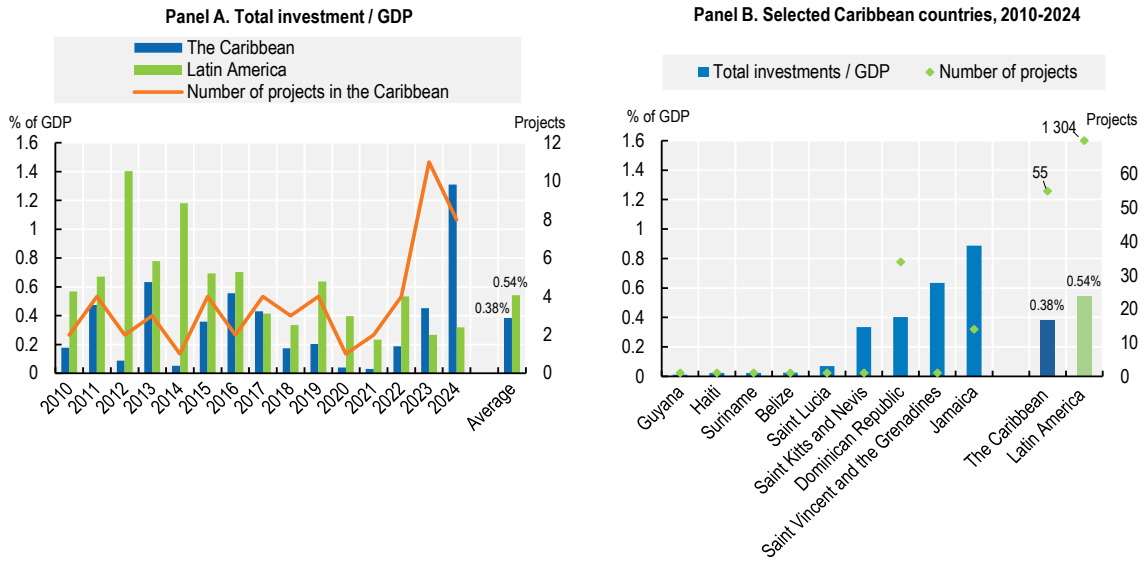
PPPs are a growing priority in national agendas. Trinidad and Tobago was among the three countries in Latin America and the Caribbean (LAC) that implemented key PPP regulatory updates in 2024 alongside Ecuador and Paraguay (IDB/Economist, 2025[22]). Moreover, the Dominican Republic, Jamaica and Guyana were the Caribbean countries that carried out Private Participation in Infrastructure (PPI) transactions in 2024. Guyana recorded in 2024 its first such project since 2002 at a cost of USD 14 million: modernisation and expansion of the Port of Georgetown (World Bank, 2024[23]).

The volume of PPP investment in the Caribbean as a share of GDP averaged 0.38%, compared with 0.54% in Latin America from 2010 until 2024 (Figure 2.2). In that period, PPP investment remained below 1%, until reaching 1.3% in 2024. Between 2010 and 2019, PPP investment averaged 0.31% of regional GDP, fell to a historic low during the pandemic (0.03% in 2021) and gradually recovered to 0.46% in 2023 before reaching its historic peak in 2024 (Figure 2.2, Panel A). At the national level, from 2010 to 2024, PPP investment relative to GDP was highest in Jamaica (0.88%), followed by Saint Vincent and the

Grenadines (0.63%), the Dominican Republic (0.40%), and Saint Kitts and Nevis (0.33%) (Figure 2.2, Panel B).

All 55 PPP projects in the Caribbean show a similar trend. Prior to 2020, the region averaged three projects per year, activity slowed during the pandemic and subsequently rebounded. In 2023, there were 11 projects, the highest number in a single year (Figure 2.2, Panel A). Most projects were concentrated in larger economies, like the Dominican Republic (34) and Jamaica (14) (Figure 2.2, Panel B). Over the same period, Latin America recorded 1 304 projects.

Figure 2.2. PPPs for infrastructure projects in the Caribbean as a percentage of GDP, 2010-2024



Note: The World Bank's Private Participation in Infrastructure (PPI) database records contractual arrangements for public infrastructure projects that have reached financial closure in which private parties assume operating risks by covering projects with at least a 20% private ownership stake (except for divestitures, which are included with at least a 5% stake) and may include public participation. The World Bank's estimation of the percentage of GDP considers all kinds of projects, including those interrupted and cancelled. "Total investment" is the sum of investment in physical assets and payments to the government; it is recorded in millions of USD. The World Bank Indicator "GDP at current USD" was used to build the ratio with the total investment's variable. In Panel A, the values for the Caribbean for total GDP and total investment of PPPs include nine countries: Belize, the Dominican Republic, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Suriname. In Panel B, the GDP for each country was calculated as the sum of annual GDP values for the years 2010-2024.
Source: Authors' elaboration based on World Bank (2025[24]), *World Development Indicators*, https://datatopics.worldbank.org/world-development-indicators/; World Bank (2025[25]), *Private Participation in Infrastructure (PPI): 2024 Annual Report*, https://ppi.worldbank.org/en/snapshots/region/latin-america-and-the-caribbean.

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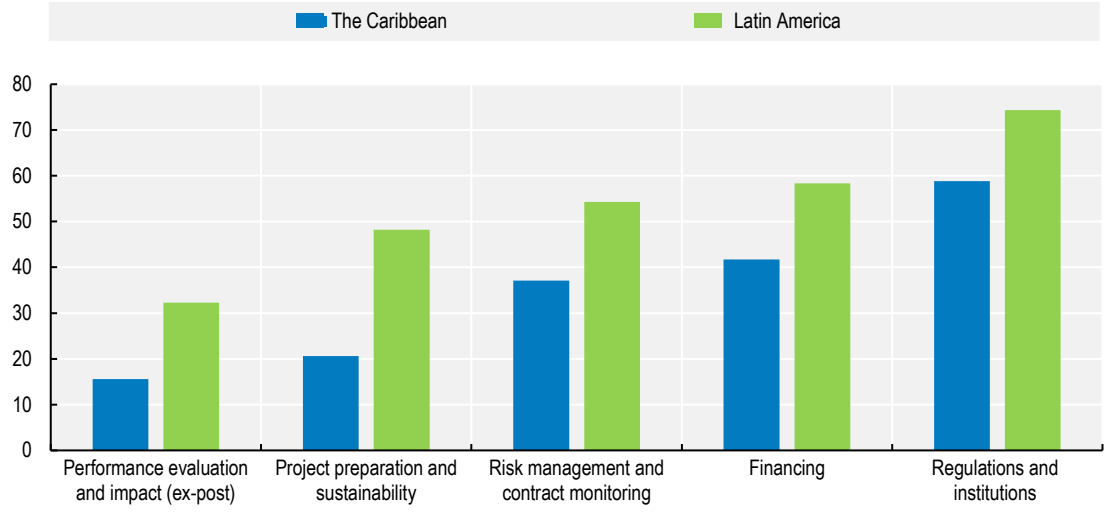
PPPs should adapt to the specific context where they act. Despite the many potential benefits of PPPs, some costs and residual risks to governments may not be justified. Governments implementing PPPs should develop technical expertise and institutional capacities to identify the best investment tool according to the type of project. These include a wide range of activities along the project cycle – from strategic planning and risk assessment to cost-benefit and value-for-money analyses. PPPs are not justified for governments, for example, when transferring risks to the private sector can result in higher capital costs. Such high costs mainly come from higher debt yields faced by the private partner and from the project sponsors' required return on equity, which is not relevant for purely public infrastructure projects. PPPs can have important fiscal consequences that should be closely evaluated. These range from inter-temporal changes in government revenues (as when revenue-generating public infrastructure is sold to private parties) to potentially large increases in contingent liabilities (as when PPP contracts require governments to make up for shortfalls in revenues).

The Infrascope Index[2] identifies five key categories that create an enabling environment for PPPs in a country: regulations and institutions; project preparation and sustainability; financing; risk management and contract monitoring; and performance evaluation and impact. The Index evaluates, scores and ranks countries on over 100 indicators across the five categories, as well as in four dimensions for each category: nascent (0 to <30); emerging (30 to <60); developed (60 to <80) and mature (80 to 100) (IDB/Economist, 2025[22]). The Index is developed by the Inter-American Development Bank (IDB) and the Economist Impact.

Caribbean countries for which data are available show considerable scope for strengthening their ecosystems for PPPs. Across the five categories of the Infrascope Index, the Latin American average outperforms the Caribbean. The best relative performance of Caribbean countries is in the regulations and institutions category. Almost all countries in the region have adopted policies or regulations that enable implementation of PPPs (categorised as "emerging" whereas in Latin America they are considered "developed").

However, even when within the regulations and institutions category, institutions involved in Caribbean countries reveal a widespread lack of capacity and co-ordination. In the second and the third categories with best relative average performance for the Caribbean (financing, and risk management and contract monitoring) the region averaged 41.7, compared to 58.3 for Latin America for financing and 37.1, compared to 54.3 in Latin America for risk management and contract monitoring. Nonetheless, in both categories, the Caribbean region is characterised as "emerging" (Figure 2.3).

Figure 2.3. Infrascope Index: Aggregate scores by category for Latin American and Caribbean economies, 2023-2024



Note: Score 0-100 where 100=best. For each of the five Infrascope Index categories presented, four dimensions of advancement are defined: nascent (0 to <30); emerging (30 to <60); developed (60 to <80) and mature (80 to 100). The Index covers 26 LAC countries: Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.
Source: Authors' calculation based on IDB/Economist (2025[22]), *Infrascope 2023/24*, https://impact.economist.com/new-globalisation/infrascope-2024/en/.

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Performance *ex-post* evaluation and impact, and project preparation and sustainability are two main challenges identified in the Index. In these areas, Caribbean countries perform, on average, in a "nascent" phase (15.6 and 20.6, respectively), while Latin America is categorised as "emerging" (32.3 and 48.2, respectively) (Figure 2.3). Over 60% of projects in the Caribbean PPP pipeline remain at the concept stage and fewer than 20% advance to implementation. This limited progress largely reflects capacity constraints

within governments, particularly for taking projects through the rigours of the business case and implementation stages (WB/CDB/IDB, 2017[26]). The ONE Caribbean Project Preparation Coordination Mechanism (PPCM) could provide an impulse to the needed first steps (Box 2.2).

Box 2.2. The IDB ONE Caribbean Project Preparation Coordination Mechanism (PPCM): Strengthening the pipeline of investment-ready projects

A persistent constraint across the Caribbean is the limited capacity to translate development priorities into well-prepared, bankable projects that can secure financing and move to implementation at scale. This "project preparation gap" is especially binding for complex infrastructure and PPP transactions, where weak upstream preparation, fragmented coordination and insufficient feasibility work increase transaction costs and deter investor participation.

To close this gap, and learning from experiences from more than 19 project preparation facilities, the IDB Group's flagship regional programme, ONE Caribbean, established a Project Preparation Coordination Mechanism (PPCM) which brings together expertise from IDB, IDB Invest and IDB Lab, and builds long term partnerships with key regional partners, including CaribExport and investment promotion agencies, to provide a well-co-ordinated and enhanced project preparation offer to catalyse investment into the region. Eligible projects can be public, private or PPP, but must respond to country priorities and demonstrate the potential for regional impact or replicability. Flexible support is provided for both upstream activities – creating an enabling environment for project implementation, including strengthening regulatory, institutional and infrastructure planning frameworks to support efficient and sustainable public and private investment; and downstream project feasibility and structuring – supporting technical, commercial, environmental, fiscal and social assessments, including developing financial models, technical designs and legal documentation for procurement. A streamlined application process has enabled more than 30 projects to be assessed for support in its first 9 months of operation (IDB, 2025[27]).

Major related challenges are the integration of PPPs into public investment planning processes, how PPPs are considered as a contracting modality and how projects are selected, prepared and structured to ensure operational and financial viability. These challenges affect the chances of success of PPP projects. Collecting information on the performance of the contract during its lifecycle – and after the agreement and partnership have concluded – provides valuable lessons that can improve how future projects are prepared and avoid repeating past mistakes. Experiences working in the promotion of PPPs in the Caribbean highlight several lessons for governments and private sector participants wishing to set the stage for future partnerships and transactions:

- Strong regulatory and institutional foundations are a core enabler for investment. Clear legal frameworks and capable institutions foster investor confidence, mitigate risk and ensure effective fiscal oversight. Government teams with legal, financial and engineering expertise are vital to adequately structure, tender and execute projects. These capabilities help reduce transaction risks and support long-term project viability. When internal capacity is limited, early involvement of experienced advisers can bridge gaps and align project design with market expectations and international best practices. Sustained political commitment is also critical to project success.
- Project design shapes market interest. Embedding fair and balanced risk allocation in projects, particularly for events that qualify as *force majeure*, financial equilibrium and termination procedures helps attract investors and ensure project stability. Phasing infrastructure investments to match demand can limit financial exposure and increase adaptability. In the Caribbean, where several countries may pursue similar infrastructure projects, aligning investments with regional demand helps avoid overcapacity and improves project sustainability. Moreover, allocating project

risks *ex ante* is often challenging even under favourable conditions and becomes particularly difficult in small markets.

- Private partner capabilities drive performance. The success of PPPs depends heavily on the technical skills, operational track record and financial strength of the private sponsor. Competent sponsors can design and deliver projects effectively, meet service standards and apply proven practices from other contexts. Financially resilient partners are better equipped to manage risks and maintain consistent service over time. In some Caribbean countries, the size of the market limits the number of investors that can compete for the project and know-how from the private sector is sometimes lacking.
- Development finance institutions (DFIs) can play a catalytic role. Multilateral involvement – such as the financing and mobilisation efforts of IDB Invest – can play a significant role in project financing by extending loan tenors, mitigating risk and increasing lender participation. For instance, through its financing of the Rio Cobre Water Plant PPP in Jamaica in 2024, IDB Invest mobilised financing from Proparco, Sagicor Bank Jamaica Limited and the Development Bank of Jamaica. The financing has a repayment period of up to 20 years, terms previously unavailable in the local market.
- Disaster-related risks and requirements must be fully accounted for and considered. As noted above, the Caribbean faces outsized risks with respect to the implications of disasters for infrastructure. In this context, the IDB developed a toolkit to guide countries in structuring climate-resilient PPPs (see Box 2.3. IDB's resilient public-private partnership toolkit). The toolkit provides a comprehensive approach to environmental sustainability and climate resilience for infrastructure in the context of PPPs. Experience to date suggests that following such an approach can improve the prospects for private participation, as well as the quality, efficiency and resilience of resulting physical capital.
- Citizen participation in PPPs can help strengthen transparency, accountability and social inclusion, thereby enhancing the credibility of projects. By integrating diverse perspectives, participatory processes support more informed and inclusive decision making, increase social acceptance and reduce the risk of public opposition. Effective engagement also helps identify local needs, enabling better targeted and more sustainable outcomes (OECD et al., 2023[28]). To ensure participation produces a tangible impact rather than remaining a procedural formality, it is crucial to build citizens' capacity for meaningful involvement (ECLAC, 2020[29]). Given the long-term nature of infrastructure projects, regular consultations with private sector stakeholders throughout the investment cycle can prevent disruptions and mitigate conflict. Additionally, incorporating comprehensive environmental impact assessments in the planning stages of PPPs is essential to address potential tensions between infrastructure development and long-term sustainability objectives (OECD, 2008[30]).
- Performance evaluation and *ex-post* impact assessment are critical. Systematic monitoring and evaluation after project completion are essential to assess whether PPPs deliver the expected economic, social and environmental outcomes. Robust *ex-post* assessments help strengthen accountability, inform improvements in future PPP design and policy frameworks, promote greater transparency and allow governments to adjust contracts or operational arrangements where necessary.

Box 2.3. IDB's resilient public-private partnership toolkit

In the face of challenges posed by disasters and climate change, as well as by growing interest in an expanded role for the private sector in delivering infrastructure, the Inter-American Development Bank (IDB) developed a practical toolkit to guide countries in structuring climate-resilient public-private partnerships (PPPs). The toolkit provides a comprehensive approach to environmental sustainability and climate resilience for infrastructure developed under PPP arrangements. The first version, initially developed in partnership with the Development Bank of Jamaica, considers the Caribbean context and related needs. It was later expanded to incorporate a broader geographic and multi-sectoral perspective.

The toolkit structures the integration of climate resilience into PPP projects in four phases: i) preparation, when projects undergo an initial climate and natural disaster risk screening, including climate and resilience targets and indicators; ii) structuring, which involves deeper vulnerability assessments and the incorporation of resilience into the business case, as well as the integration of resilience into cost estimates and the development of a financial and economic feasibility analysis (including a fiscal and environmental impact assessment); iii) transaction, when resilience requirements are incorporated into tender documents and contracts, and climate financing options are explored; and iv) contract management, which ensures ongoing monitoring, adaptation and enforcement of resilience measures throughout the project lifecycle.

Beyond project-level practical steps, the toolkit calls for integrating climate criteria into PPP policies, updating project evaluation frameworks and developing climate-risk screening tools and data platforms. This broader policy approach to climate resilience was instrumental in enabling Jamaica – supported by the IDB – to incorporate climate change requirements into its PPP legal framework. This reform is part of the country's broader strategy to address climate risks to physical infrastructure, the financial system, and fiscal and external positions. The strategy has been reinforced by collaborative efforts between the IDB and the International Monetary Fund (IMF) under the Resilience and Sustainability Facility (RSF). The RSF provided USD 764 million to Jamaica to strengthen physical and fiscal resilience to climate change, advance decarbonisation of the economy and manage transition risks.

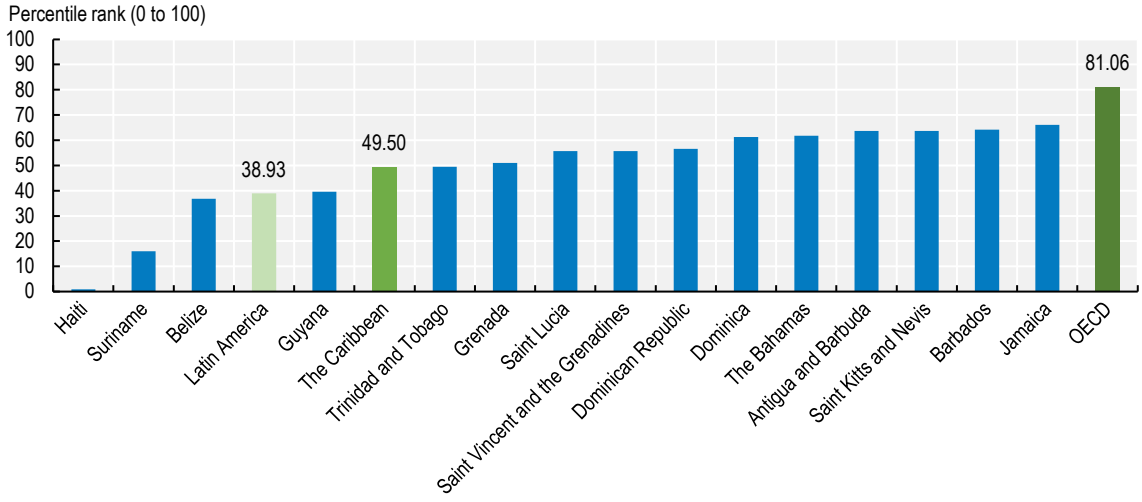
The toolkit is being applied to the first pilot project, a PPP wastewater treatment plant expansion in Jamaica. The approach is fully consistent with the IMF's RSF-supported programme, which aims to catalyse climate finance by introducing systematic, coherent and scalable approaches for adaptation and mitigation needs (Donadi et al., 2024[31]).

Institutional and statistical capacities

The capacity of Caribbean countries to build resilience depends strongly on the effectiveness of their public institutions, with data and statistical systems playing a central and enabling role. Robust data and statistical systems are a critical enabler of effective institutional frameworks, supporting the attraction of quality investment while promoting resilience, including through the development of effective early warning systems. This is particularly important in the Caribbean region where statistical capacity remains limited.

Perceived levels of government effectiveness vary widely across Caribbean countries. Most perform above the LAC average, although they continue to lag behind OECD Member countries (Figure 2.4). The effectiveness of public institutions reflects a range of interconnected factors. This section focuses on an area where Caribbean countries exhibit notable challenges and opportunities: strengthening data quality and comparability for evidence-based policymaking.

Figure 2.4. Perception of government effectiveness in the Caribbean, 2023



Note: The government effectiveness indicator relies exclusively on perception data from surveys of firms and households, and experts' assessments. It reflects the quality of public services, quality of the civil service and degree of its independence from political pressures, quality of policy formulation and implementation, and credibility of the government's commitment to such policies. The y-axis shows the country's ranking among all countries with available data for the indicator, with 0 corresponding to lowest ranking and 100 to highest. The ranking of countries should be interpreted cautiously as the 90% confidence intervals are broad.
Source: Authors' elaboration based on World Bank (2023[32]), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators.

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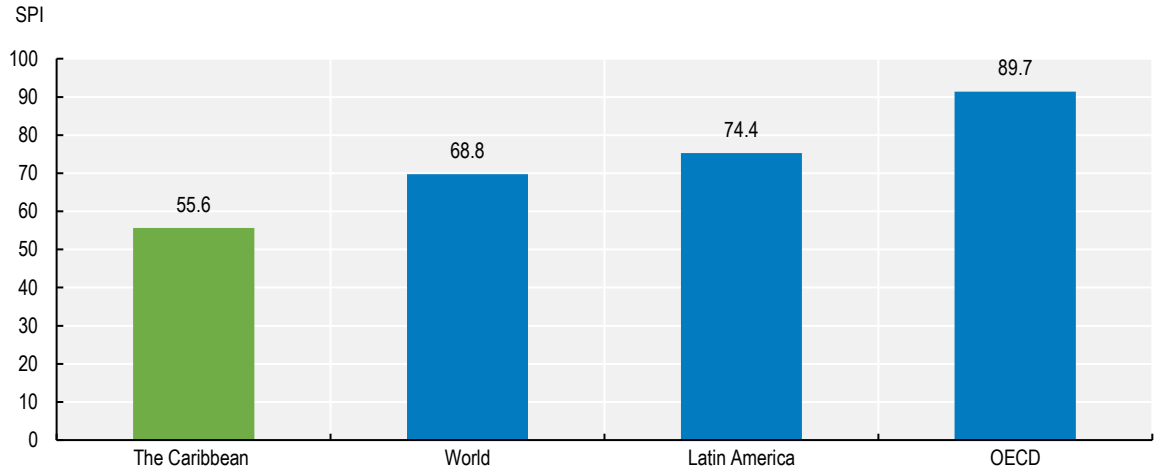
Well-developed national statistical systems (NSS) are essential for strengthening public institutions and supporting evidence-based policymaking, as well as to support a more resilient development model. Caribbean countries have made progress in enhancing their statistical capacities in recent years: the region's overall Statistical Performance Indicator (SPI) score increased by 29% – from 43.1 in 2016 to 55.6 in 2022. However, this remains below the global average (68.8) and significantly below Latin America (74.4) and the OECD (89.7) (Figure 2.5). Progress is also uneven across the region, with only half of Caribbean countries with available data implementing a national statistical plan in 2025 (Belize, the Dominican Republic, Grenada, Guyana, Jamaica, Saint Lucia, and Saint Vincent and the Grenadines).

Better data systems and real-time analytics are foundational. Governments can develop integrated hazard and exposure databases, infrastructure asset registries and performance dashboards to improve sighting of hazards, design standards and maintenance. Real-time monitoring and early-warning capabilities strengthen emergency response, shorten downtime and support evidence-based decisions about when to keep, retrofit or relocate critical assets.

Further improvements in data quality can be achieved through the production of more comprehensive and accurate survey, census, administrative and geospatial data, as well as by promoting data contributions from the private sector and citizens (World Bank, 2021[33]). International organisations have supported important partnerships to improve data quality in the region. For example, IDB Compete Caribbean programme is completing the second set of enterprise surveys using World Bank Enterprise Survey methodologies in early 2026, while performing poverty assessments based on household surveys in Suriname. Trinidad and Tobago's and Barbados' statistics agencies are being developed and used for policymaking with assistance from the IDB. The IDB is working with various Caribbean countries, starting with The Bahamas National Statistics Institute, to develop a Nowcasting Framework for data producers and spearheading various initiatives to use administrative and unstructured data to measure economic activity in the region.

Figure 2.5. Statistical Performance Indicator (SPI) overall score by region, 2023



Note: The Latin American average considers 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. The Caribbean average considers 15 countries: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. The OECD average includes all OECD Member countries. The SPI monitors progress of NSS and identifies areas for further improvement among five different components: i) data use; ii) data services; iii) data products; iv) data sources and v) data infrastructure.
Source: Authors' elaboration based on World Bank (2025[34]), *Statistical Performance Indicators*, https://datanalytics.worldbank.org/SPI/.

StatLink https://stat.link/vanyik

In addition, stronger legal frameworks, more robust institutional arrangements, harmonised statistical standards and enhanced statistical literacy among data producers and users can help build more resilient and effective data ecosystems (World Bank, 2021[33]). The Partnership in Statistics for Development in the 21st Century (PARIS21) strengthens statistical systems by putting data at the centre of decision making for inclusive and sustainable development (Box 2.4).

Box 2.4. Strengthening Caribbean statistical systems: A tailored, sustainable approach

The **Partnership in Statistics for Development in the 21st Century** (**PARIS21**) strengthens statistical systems by putting data at the centre of decision making for inclusive and sustainable development. It supports national statistical systems (NSS) in innovation, capacity development, financing and data use, positioning them as key actors in evidence-based policy. PARIS21 prioritises countries in fragile contexts; low- and middle-income settings; least developed countries; and Small Island Developing States (SIDS), including the Caribbean. In the past three years, PARIS21 has worked with countries such as Belize, the Dominican Republic, Grenada, Saint Lucia, and Saint Vincent and the Grenadines, while also providing support at the regional level.

Data strategic planning adapted to the Caribbean context

PARIS21 has supported countries in developing National Strategies for the Development of Statistics (NSDS). These national plans co-ordinate statistical activities to respond to policymaking and global reporting needs and help mobilise financing for statistics.

PARIS21 recognises the unique challenges of Caribbean NSS – where systems are small and staff often cover multiple roles. Consequently, it tailors its support to make strategies realistic and achievable.

While NSDS in larger countries may cover 15-20 sectors, in the Caribbean they prioritise key areas to maximise limited capacity (Table 2.2).

Mobilising sustainable investment for data and statistics

PARIS21 promotes the inclusion of costed action plans and endorsement of the NSDS at the highest political level to ensure sustainable domestic and external resource mobilisation. A well-costed and officially endorsed NSDS becomes a powerful tool for national statistical offices (NSOs) to secure funding and co-ordinate national efforts in data and statistics. In Belize, for example, the Cabinet endorsed the NSDS, raising the visibility of statistics at the highest level. This recognition has helped mobilise both internal resources and support from development partners for its implementation.

Mainstreaming climate change data into policy and action

Climate change is one of the greatest challenges facing Caribbean countries. NSOs are increasingly called upon to provide the data needed for effective action. Yet, having data is not enough – their impact depends on the ability to use them. To address this, PARIS21 delivers training programmes that build the skills of policymakers, civil society and other data users to communicate climate statistics through storytelling and visualisation, turning information into actionable insights at national and subnational levels. In Jamaica, the training programme resulted in using data to promote waste management, mangroves protection and Nature-based Solutions.

Knowledge sharing and partnerships

PARIS21 works closely with regional and international partners, including the Caribbean Development Bank, the Caribbean Community (CARICOM) and the Economic Commission for Latin America and the Caribbean (UN-ECLAC) to align support, reduce duplication and mobilise funding to strengthen NSS across the Caribbean. Recognising that stakeholders from the region cannot always attend regional and global events, PARIS21 creates opportunities to ensure their voices are heard. For example, at the annual UN Statistical Commission, PARIS21 chairs a SIDS roundtable, providing a dedicated space for Caribbean representatives to exchange experiences and explore solutions to shared challenges (PARIS21, 2025[35]).

A strong statistical system depends on human capital, and institutional and organisational support. Skilled statisticians, data managers and analysts are essential to produce timely, reliable and policy-relevant data that support evidence-based decision making. Strengthening capacity within national statistical offices and across NSS – from leadership and strategic planning to technical competencies and data governance – enables countries to meet growing data demands, monitor progress towards development goals and design effective policies. Enhancing the skills of individuals working in statistical systems is a core pillar of statistical capacity development. High turnover and insufficient pay relative to other options means that it is difficult to maintain core technical teams in the various departments. Robust capacity building also requires legal, institutional and organisational support, sometimes external. This enables qualified professionals to apply international standards and best practices in data production and dissemination (Patiño, Cázarez and Kang, 2025[36]).

The specific challenges facing Caribbean NSS should be considered to enhance the effective use of data for policymaking. National Strategies for the Development of Statistics (NSDS) provides a co-ordinated national framework for statistical production, aligned with policy priorities and global reporting requirements, and supports efforts to mobilise financing for statistics. Given the small size of statistical offices and the need for staff to cover multiple functions, Caribbean NSS must prioritise key areas to maximise limited capacity. The main priorities for data production and use in current NSDS in the Caribbean are education, health, agriculture, economic and social development, and environment/climate change, underscoring a strong focus on human development and climate resilience (Table 2.2). For example, Grenada's NSDS focuses on nine

sectors, including agriculture, health, education, tourism and – for the first time – climate change, reflecting the growing demand for such data in highly vulnerable countries.

Table 2.2. National Strategies for the Development of Statistics (NSDS) status: Selected Caribbean countries, 2025

Country	Status	Name of the plan	Range	Main sectors covered
Antigua and Barbuda	No strategy			
The Bahamas	No strategy			
Barbados	No strategy			
Belize	Implementation	Belize's Second National Strategy for the Development of Statistics	2025-2029	Human development, economic and blue economy, climate change and environment, sustainable development, petroleum and mining, education, agriculture
Cuba	No strategy			
Dominica	No strategy			
The Dominican Republic	Implementation	Plan Estratégico Institucional	2025-2028	Social protection, health, domestic security, drugs, environment/climate change
Grenada	To be adopted	National Strategy for the Development of Statistics	2025-2029	Economic and social development, agriculture, national security, climate resilience, tourism, education, health, energy
Guyana	Implementation	National Strategy for the Development of Statistics	2018-present	Economic, human and social development, environment
Haiti	Expired	National Strategy for the Development of Statistics	2016-2021	
Jamaica	Being designed	National Strategy for Development of Statistics		
Saint Kitts and Nevis	No strategy			
Saint Lucia	Implementation	National Strategy for the Development of Statistics	2025-2030	Agriculture and fisheries, gender, education, sustainable development, health, tourism
Saint Vincent and the Grenadines	Implementation	National Strategy for the Development of Statistics	2023-2027	Agriculture and fisheries, water, economic, telecommunications, tourism, governance (electoral and police), social development, education, health
Trinidad and Tobago	No strategy			

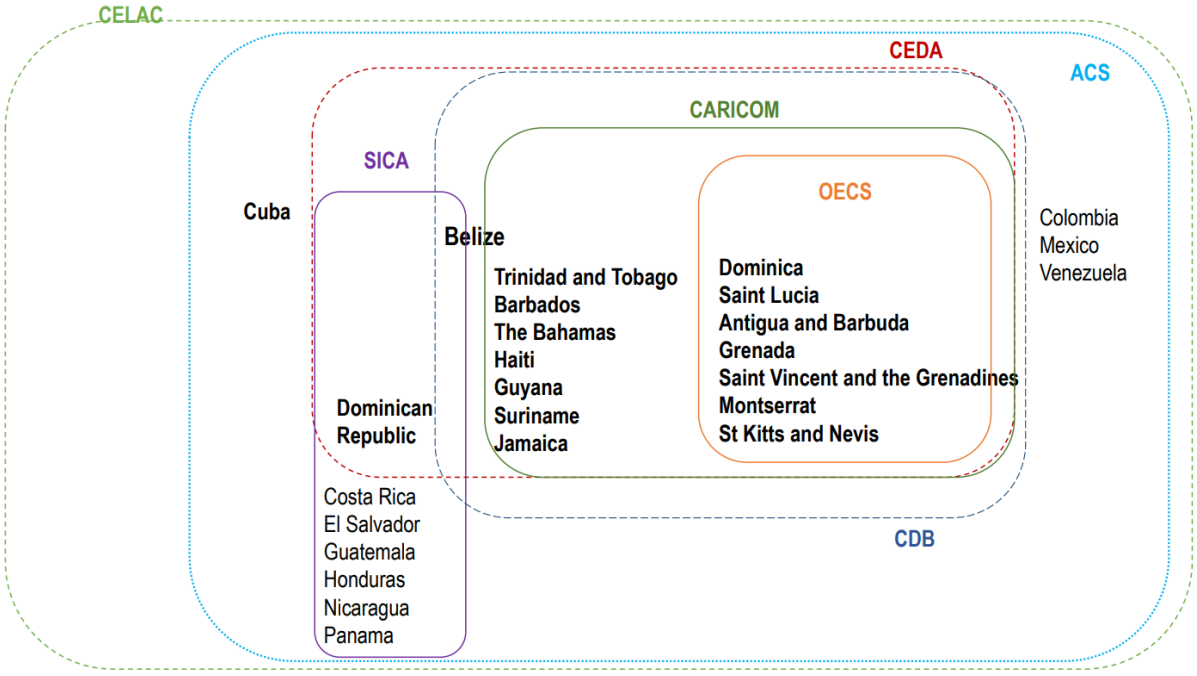
Source: Authors' elaboration based on PARIS21 (2025[35]), *Partnership in Statistics for Development in the 21st Century*, https://www.paris21.org/.

Caribbean countries have been applying new data technologies to increase resilience. Belize, and Saint Kitts and Nevis, have piloted the Emergency Resources Mapping Project to strengthen disaster resilience through open data and participatory mapping in 2024 and 2025, respectively. In Belize, for example, the project developed an open, geo-referenced database of key emergency resources in five cities, including the capital. It also trained 30 volunteers that could support future emergency mapping. Finally, it helped enhance Belize's National Emergency Management Organization (NEMO) capacity to integrate OpenStreetMap (OSM) data into planning, mitigation and EWS (HOTOSM, 2025[37]). The Pegasus Caribbean Project equips communities in Jamaica and Saint Lucia with geospatial tools and training to enhance disaster preparedness, strengthen resilience and support evidence-based risk management across the Caribbean (HOTOSM, 2025[37]). Moreover, the Open Data for Resilience and Risk Management Initiative in the Caribbean has helped Saint Lucia's NEMO and its national Central Statistics Office to capture strategic data. This helps better protect the needs of populations clustered in low-lying coastal areas and aims to create an OSM community. Similarly, it is helping local communities in Dominica to use mapping tools to address local challenges. For its part, Jamaica is using open mapping tools to analyse solid waste accumulation and its effect on urban flooding and harbour pollution (HOTOSM, 2025[37]).

Regional integration and international partnerships

Regional integration has long been a cornerstone of the Caribbean's development strategy, generating a dense institutional ecosystem that supports collective action. The region benefits from well-established mechanisms, such as the Caribbean Community (CARICOM), the Organisation of Eastern Caribbean States (OECS) and the Association of Caribbean States. These complement organisations like the Caribbean Development Bank (CDB) and the Caribbean Export Development Agency that provide development co-operation and financing (Figure 2.6). All Caribbean states also participate in the Community of Latin American and Caribbean States (CELAC), the region's principal platform for political dialogue. Some countries engage in additional arrangements, such as the Central American Integration System (SICA). Despite this extensive architecture, considerable potential remains to deepen co-operation, strengthen institutional coherence and better leverage regional mechanisms to mobilise resources and attract quality investment aligned with the Caribbean's development priorities.

Figure 2.6. Main regional and sub-regional organisations with Caribbean membership



Note: Dashed borders indicate co-operation and/or financing organisations, while continued borders indicate integration blocs. ACS=Association of Caribbean States; CARICOM=Caribbean Community; CDB=Caribbean Development Bank; CEDA=Caribbean Export Development Agency; CELAC=Community of Latin American and Caribbean States; SICA=Central American Integration System.
Source: Authors' elaboration based on OECD/IDB (2024[1]), *Caribbean Development Dynamics 2025*, https://doi.org/10.1787/a8e79405-en.

Building an enabling environment for investment in resilience is both a country-specific and a regional challenge. Climate adaptation in the Caribbean relates to conservation efforts and preservation of shared natural capital, as well as commonalities in the risk map. As such, it calls for greater co-ordination, including with international organisations. This is especially true when it comes to vulnerabilities to natural disasters. For these reasons, regional integration and international partnerships can help build climate-resilient societies in the Caribbean, for example, by supporting resilient infrastructure, EWS, PPPs, and institutional and statistical capabilities.

Regional and international co-operation can also play a key role to promote resilient infrastructure. The Caribbean Regional Resilience Building Facility, for example, supports countries through evidence-based

analysis, capacity building and co-financing for resilient investments. Strengthening institutional awareness and technical capacity across planners, designers and operators ensures that resilience commitments translate into long-term implementation (OECD, 2024[8]; Cont et al., 2025[15]).

Regional co-operation on disaster risk management in the Caribbean is essential, particularly in early warning, preparedness and post-disaster recovery. The Caribbean Disaster Emergency Management Agency (CDEMA) co-ordinates emergency response across CARICOM, generating economies of scale and providing more efficient logistics and operational support than individual countries could achieve alone. Its comprehensive approach covers all phases of the disaster management cycle. This includes development of a regional information system to strengthen risk awareness, preparedness and evidence-based decision making (Al-Hassan et al., 2020[38]). Complementing this, the Caribbean Tourism Organization, with IDB support, has introduced a regional monitoring and evaluation system for disaster risk management and climate adaptation in the tourism sector. The Caribbean Catastrophe Risk Insurance Facility provides an additional regional public good by offering innovative parametric insurance to help countries manage the fiscal impacts of disasters (Chapter 3).

International partnerships can accelerate capability building on EWS. The Climate Risk and Early Warning Systems (CREWS) Caribbean Project is strengthening regional and national hydrometeorological services, multi-hazard impact-based warning capacity and service delivery for decision making. The CREWS has strategic partnerships with the CDB, the Caribbean Meteorological Organization, the World Meteorological Organization (WMO) and the Green Climate Fund (GCF). In this way, it is strengthening resilience in the region through the fully grant-financed Climate Information and Early Warning System project in Belize, and Trinidad and Tobago for USD 27 million (CDB, 2025[39]).

More broadly, the CREWS Global Initiative provides a multilateral funding platform for technology transfer, specialised training and operational financing. This enables countries to generate and communicate impact-based, multi-hazard, gender-informed warnings that protect lives, livelihoods and assets. It takes a people-centred approach, prioritising vulnerable groups, such as women, children and older persons. To that end, it ensures alerts reach vulnerable groups early, safely and in formats they can act upon. Such an inclusive approach improves both equity and effectiveness.

International co-operation and deeper regional integration can also play a catalytic role in expanding the use of PPPs to attract quality investment in the Caribbean. Development finance institutions (DFIs) can provide technical assistance, facilitate knowledge exchange and support multi-country project development, reducing transaction costs and improving the quality and credibility of PPP pipelines. Cross-border co-operation also helps attract a broader set of investors by offering more predictable rules, larger project opportunities and strengthened risk mitigation mechanisms (Mooney et al., 2025[5]).

International partnerships can help strengthen institutions in the Caribbean, particularly in statistical capacity. Collaboration across borders allows countries to pool expertise, share methodologies and benefit from economies of scale in data production and innovation, given the region's small size. Regional bodies, such as CARICOM or OECS, as well as international organisations, such as the IMF's Caribbean Regional Technical Assistance Centre (CARTAC), ECLAC, and PARIS21, provide important platforms for harmonising standards, supporting peer learning and co-ordinating technical assistance to reinforce NSS. Development partners could strengthen the capacities of the Caribbean Community Climate Change Centre, OECS and other bodies on these issues.

Regional and inter-regional data hubs could enhance a range of areas that can enhance decision making in Small Island Developing States (SIDS). Regional data hubs could also act as a filter between development partners, requiring data directly from SIDS, and reduce duplication of data infrastructure (Gasparini, Masters and Carswell, 2021[40]). Data hubs need to consider issues of what data will be used, how they will be collected and their quality, ownership and governance across the region. The establishment of the inter-regional platform, the SIDS Global Data Hub, is already being discussed (Kaur and Tennant, 2024[41]).

Renewed international partnerships can help Caribbean countries attract investments and harness opportunities to access vast financial resources to foster resilience in three strategic ways. First, they can develop new finance instruments, such as Global Sustainability Standards Board bonds, blended financing or debt swaps – see Chapter 3. Two, they can provide greater access to global climate-related funds, such as the Green Climate Fund (GCF), the Adaptation Fund, the Climate Investment Fund and the Global Environment Facility. Third, it can mobilise the private sector through, for example, the renewed EU-LAC partnership.

As an illustrative, recent example, the EU-LAC Global Gateway Investment Agenda (GGIA) can have important impacts in mobilising resources and increasing resilience in the Caribbean. The GGIA allocated EUR 45 billion to finance 51 projects in LAC (39 in the Caribbean) in five areas: digital, climate and energy, transport, health, and education and research.

Different Caribbean-specific initiatives were launched in the 4th CELAC-EU Summit in Santa Marta, Colombia in November 2025. The EU and Caribbean countries, for example, launched “Stormwatch”, an advanced partnership aimed at strengthening resilience to extreme weather events. This initiative focuses on enhancing weather forecasting and climate services for disaster risk management. Through Copernicus, the EU’s Earth observation programme, Caribbean countries gain access to satellite data, meteorological infrastructure – including the Destination Earth platform – and EU supercomputing capacity. This support improves tropical cyclone modelling, EWS and long-term climate planning. Moreover, a new Copernicus Competence Centre at the Caribbean Institute for Meteorology and Hydrology will be created through a planned investment of EUR 1.5 million (European Commission, 2025[42]).

A second example relates to sargassum management. Following the EU–Caribbean Global Gateway Sargassum Conference in October 2025, the EU will continue to support Grenada, the Dominican Republic and Mexico in transforming 660 000 metric tonnes of sargassum into innovative solutions and green jobs. Team Europe has identified over EUR 300 million in potential loans and EUR 60 million in potential grants to support sargassum-related investments across the region. Open and innovative expressions of interest are being used to mobilise private companies and investors, and to promote concrete, scalable solutions (European Commission, 2025[42]).

Investing in sustainable development: Unlocking the potential of key sectors of opportunity

Caribbean countries need to prioritise both resilience and sustainability. Resilience is crucial due to the high exposure of Caribbean countries to extreme weather events and the sensitivity of their economies to them. For its part, sustainability harnesses the region’s unique natural assets and development opportunities, while ensuring the development model remains viable. Sustainability is essential not only because several of the region’s most promising sectors depend directly on well-managed natural resources. Long-term prosperity also requires economic models that preserve rather than deplete the environmental assets on which the region’s competitiveness ultimately rests.

This section highlights key sectors where targeted investments can unlock the development potential of the region, fostering sustainability. Targeted investments in these sectors could unlock their development potential while advancing sustainability, noting that most are at a nascent stage and current investment level remains modest. These sectors include the blue and circular economies, sustainable transport, sustainable tourism and creative industries, sustainable agriculture and food systems, energy transition, and digital transformation and artificial intelligence (AI).

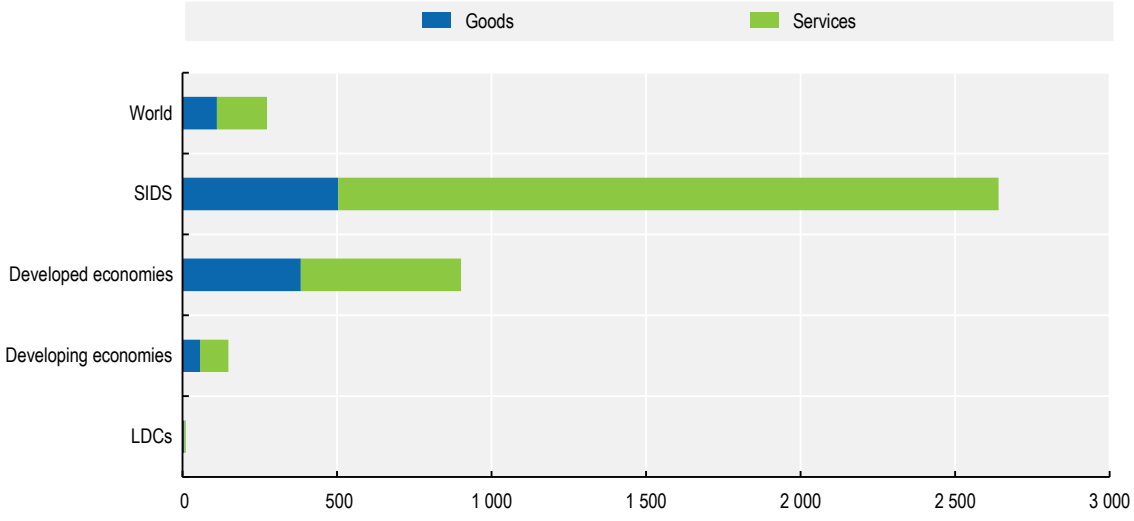
The blue economy

The blue economy is expanding rapidly, with Caribbean and other SIDS among the most reliant on marine resources worldwide. On average, per capita ocean-related exports from SIDS are ten times higher than the global average. They are service-related, mainly linked to tourism (Figure 2.7). Since 1995, driven largely by developing countries, the ocean economy has grown 2.5 times, outpacing the nearly twofold expansion of the world economy (UNCTAD, 2025[43]). Global trade in ocean-based goods and services reached a record USD 2.2 trillion in 2023. While tourism (33%) and shipping (22%) remain the largest ocean sectors, high-tech and manufacturing industries are gaining prominence (16%). These emerging segments include pharmaceuticals, marine sports, clean energy technologies and electrical equipment (UNCTAD, 2025[43]). For instance, the Bahamas has developed a cosmetic industry that uses anti-inflammatory elements from a local soft coral, creating products now worth USD 3-4 million annually (Failler and Phan, 2020[44]).

The Caribbean is well-positioned to harness the potential of the blue economy, owing to its exceptional marine biodiversity and the central role of ocean-based industries, such as tourism and fisheries. The region contains nearly 10% of the world's coral reefs and is home to about 45% of global fish species and 25% of coral species (OECD/IDB, 2024[1]). The Caribbean Sea, while covering less than 1% of the world's ocean area, generates 14-27% of the global ocean economy and contributes 18% of Caribbean GDP (IDB, 2025[45]).

Figure 2.7. Value of ocean goods and services exports per capita by development status groups, 2023

USD per capita



Note: The indicator calculates the value of ocean economy exports per person in a given year for a given country/region/economic group. For instance, if a country's ocean economy exports are USD 660 million in 2020 and its population is 66 million, its ocean economy exports per capita are USD 10.
Source: Authors' elaboration based on UNCTAD (2024[46]), *Environment and Related Trade, Trade in Ocean Goods and Services*, https://unctadstat.unctad.org/datacentre/.

StatLink https://stat.link/v354bu

The economic significance of the blue economy is evident at the national level, where data are available. For example, marine ecosystems contribute USD 25 billion annually in The Bahamas and USD 11 billion

in Belize (Failler and Phan, 2020[44]). The region's exclusive economic zone is nearly 4.5 times larger than its land mass, with over 70% of the population living along the coast and depending on the sea as their main source of income (CDB, 2019[47]). By transitioning to a blue economy, countries can harness coastal and marine resources sustainably to support food security, reduce poverty and respond to climate change impacts (OECD/IDB, 2024[1]). The blue economy offers significant potential for sustainable fisheries, marine transport, coastal tourism, offshore renewable energy and biotechnology. Notably, high-value segments, such as marine biotechnology and modernised aquaculture, represent a largely untapped opportunity for the region, building on its rich biodiversity to develop new products and supply local markets like tourism (OECD, 2022[48]).

Despite its importance, the sector remains underfinanced and fragmented. Increased investment is needed in sustainable fisheries management, marine spatial planning, port infrastructure and blue finance instruments (such as blue bonds and debt-for-nature swaps). Strengthening regional co-operation frameworks and regulatory coherence is also essential to scale the blue economy while safeguarding marine ecosystems (OECD/IDB, 2024[1]).

Better data are key to harnessing the blue economy's potential, especially those that go beyond environmental aspects to include social indicators (IDB, 2025[45]). A range of indicators, principles and guidance has emerged over the last few years to support the blue economy, prioritising environmental impact. However, less attention has been paid to what should be measured to ensure positive outcomes from the blue economy for all members of society. For example, better policies for the blue economy can be informed by indicators on employment and working conditions in a blue economy, community benefit and cultural preservation, diversity and inclusion, and governance (IDB, 2025[45]).

Financing and conservation tools can enhance the blue economy's infrastructure and capabilities. Grants, loans and investments can all support development and conservation of marine and coastal resources. The Caribbean Biodiversity Fund and the Caribbean Blue Economy Financing (BLUEfin), for example, finance conservation efforts and sustainable development (CBF, 2023[49]; CBD, 2024[50]). Table 2.3 presents key blue economy experiences in the region.

Strengthening regional co-operation frameworks and regulatory coherence is also essential to scale the blue economy while safeguarding marine ecosystems. The ocean economy is expanding rapidly, with SIDS among the most reliant on marine resources worldwide.

Table 2.3. Experiences of the blue economy

Country	Initiative	Main considerations
Barbados	Ocean Innovation Challenge	The national government, through Export Barbados and the IDB's Compete Caribbean Facility, launched this initiative, offering technical assistance grants of up to USD 100 000 to support Barbadian companies in the blue economy (Export Barbados, 2022[51]). The initiative funded projects focused on R&D and technical interventions for sustainable ocean solutions, covering up to 75% of project budgets. The DigiFish project equipped 38 fishing vessels with tracking for data-driven resource management. Meanwhile, the BlueBOT project developed underwater robotics and artificial intelligence for marine biodiversity monitoring and survey services, and produced ten public marine biodiversity datasets.
Grenada	Blue Growth Masterplan and National Ocean Policy 2020-2035	The Government of Grenada launched the Blue Growth Masterplan in 2016 to guide the sustainable development of its blue economy (World Bank, 2016[52]). The plan identified more than USD 1 billion in investment opportunities to optimise benefits from coastal, marine and ocean resources. This vision is now implemented through the National Ocean Policy 2020-2035, a framework for maximising economic potential and ensuring climate resilience. The policy is founded on three core approaches: island systems management, ecosystem-based management and environmental stewardship.
Antigua and Barbuda	Centre for Excellence for Oceanography and the Blue Economy	Established in 2021 through a partnership between the government, the University of the West Indies and the Commonwealth Secretariat, the Centre aims to become a regional hub for marine science and blue economy research (CARICOM, 2021[53]). To advance this mission, it secured the support of the International Seabed Authority (ISA) to develop capacity in three areas: deep-

		sea research, technological innovation and empowering Caribbean women in deep-sea science. This collaboration was formalised in 2024 when the Centre received a grant from the International Seabed Authority Partnership Fund for a project dedicated to advancing the blue economy across the Caribbean.
Dominica	Ministry of Agriculture, Fisheries, and the Blue and Green Economy	The ministry's mission is to leverage Dominica's marine and terrestrial resources sustainably to enhance food security, drive economic growth and improve livelihoods (Government of Dominica, 2023[54]). Among its key initiatives, it implements sustainable fisheries management and promotes green and blue economic activities that conserve biodiversity and build climate resilience. The ministry has established key partnerships with international bodies like the Food and Agriculture Organization of the United Nations and the World Bank to achieve its goals, focusing on projects that empower rural communities, improve food security and reduce import dependency.
Belize	Belize Blue Cities and Beyond Project	In 2025, the World Bank approved a USD 32.2 million project to advance Belize's blue economy by improving coastal resource management, ensuring a safe water supply and reducing land-based pollution in key urban areas (World Bank, 2025[55]). The initiative will create strategic national policies for spatial planning that integrate Nature-based Solutions to support coastal communities and protect the barrier reef, an asset contributing over USD 1 billion annually through tourism, fisheries and shoreline protection. Key interventions include upgrading Belize City's wastewater treatment plant, building local capacity in climate-resilient planning and launching an innovative carbon market initiative to generate high-quality credits for international sale, thereby unlocking sustainable financing for marine conservation.
	Containerized Autonomous Marine Environmental Laboratory (CAMEL)	Belize has collaborated with the National Oceanography Centre in the United Kingdom since 2018 to deploy CAMEL to conduct advanced marine surveys in key coastal areas, including the Turneffe Atoll. CAMEL is a portable system equipped with an autonomous surface vehicle, a remotely operated underwater vehicle and a mobile laboratory. The initiative enables high-resolution mapping of seagrass meadows and collects data on bathymetry and water quality. These data have been instrumental in assessing ecosystem vulnerability to sea-level rise and human activity, informing policy strategies for Belize's Marine Protected Areas (Commonwealth Marine Economies Programme, 2025[56]).

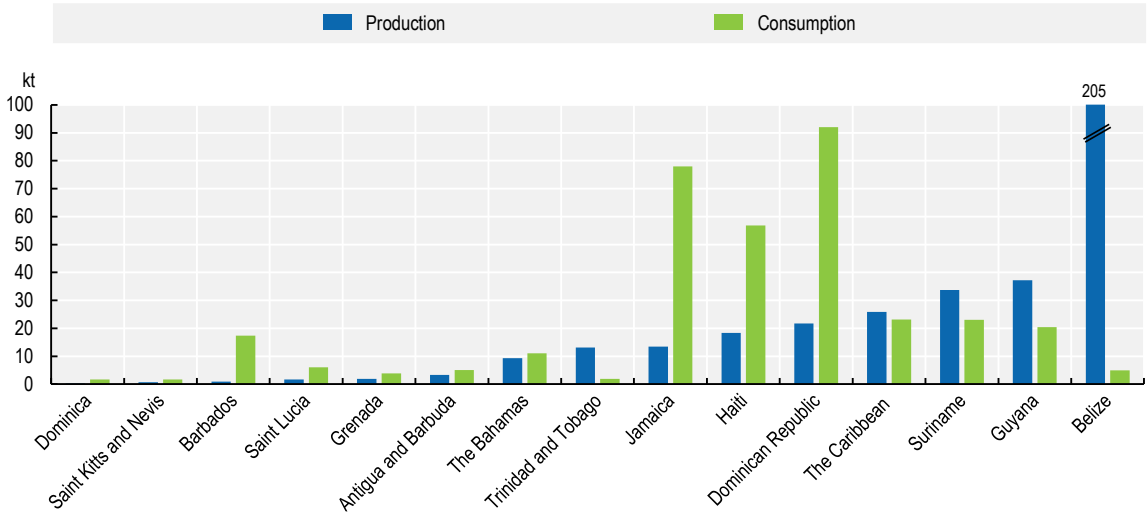
Sustainable fisheries

Although the region is a net importer of fish and seafood, fisheries remain an important blue economy activity in the Caribbean. The fisheries sector employed over 350 000 people in 2019 and generated more than USD 500 million in revenue in the region (Vignati, 2021[57]). In 2022, fisheries in Belize, Guyana, Suriname, and Trinidad and Tobago produced enough to meet domestic consumption, which includes demand from the tourism sector (Figure 2.8). Belize is a notable outlier, surpassing the combined production of the entire Caribbean region by 32% (FAO, 2025[58]). In contrast, countries such as Jamaica and the Dominican Republic consume over four times more than their local production.

A primary barrier to developing the sector is the depletion of marine resources in the Caribbean, driven by overfishing, pollution and climate change (Patil et al., 2016[59]). Approximately 55% of commercially exploited fish stocks in the Caribbean Sea are overexploited or collapsed. This is due mainly to illegal, unregulated and unreported fishing by foreign vessels, which undermines local efforts to manage and protect fisheries. The Food and Agriculture Organization of the United Nations (FAO) classified the region as the most overexploited in the world (Vignati, 2021[57]). Addressing these challenges requires robust maritime surveillance and enforcement. These would be significantly bolstered by expanding marine protected areas (MPAs), which cover only about 5% of Caribbean territorial waters (World Bank, 2025[24]) (Figure 2.10, Panel B).

Promoting sustainable fisheries is crucial to restoring ocean productivity, preventing further degradation and creating a foundation for long-term economic growth and community development. Iceland's Ocean Cluster 100% Fish Programme, detailed in Box 2.5, could inspire Caribbean countries to transform their seafood industry by maximising the value of each catch and moving towards a zero-waste approach, making the sector more sustainable.

Figure 2.8. Total production and consumption of fish and seafood in the Caribbean, 2022



Note: Total production is the total amount of fish and seafood produced annually in capture fisheries and aquaculture. Consumption is calculated as per capita fish and seafood consumption multiplied by population.
Source: Authors' calculation based on FAO (2025[58]), *Fisheries and Aquaculture*, https://www.fao.org/fishery/statistics-query/en/home.

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Box 2.5. Iceland Ocean Cluster

The 100% Fish Programme has pioneered a transformative approach to the seafood industry in Iceland by maximising the value of each catch and striving for zero waste. The initiative, driven by the Iceland Ocean Cluster (IOC) founded in 2011, fosters cross-sectoral collaboration to commercialise the parts of a fish that were often discarded, such as heads, skins and scales. By 2023, the programme achieved a utilisation rate of approximately 90% for each fish processed. This addresses a significant global issue, where approximately 10 million metric tonnes of commercially caught fish are wasted annually. When fish waste is dumped at sea, it disrupts marine food systems; when dumped in landfills, decomposition releases toxic emissions.

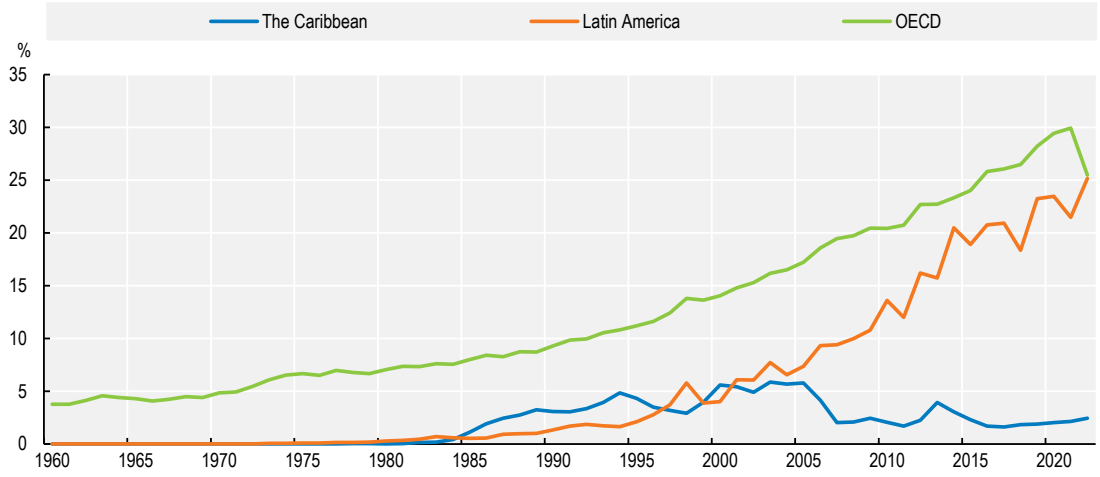
The programme has positive economic and environmental outcomes. It has created new value chains for by-products, ranging from pet treats and fish leather to omega-3 oils and medical products. The programme has dramatically increased the revenue from a single Atlantic cod from approximately USD 12 to USD 5 000.

This scalable model has gained international traction. Following the IOC's implementation in Iceland, other countries – including the United States, Portugal, Namibia and South Korea – have catalysed similar initiatives. The case illustrates how systemic innovation can simultaneously generate economic value, benefit multiple stakeholders and advance circular economy principles within the blue economy (IOC, 2025[60]).

Aquaculture could present an opportunity for the region, so long as it is developed in a sustainable, resilient and well-regulated manner. To meet growing seafood demand, estimates indicate that global aquaculture production will need to double by 2050 if capture fisheries do not improve (Patil et al., 2016[59]). Aquaculture can be a source of food security, export diversification and rural livelihoods. However, without strong governance, environmental safeguards and adequate technical capacity, aquaculture could generate risks, such as habitat degradation. Despite its potential, aquaculture in the Caribbean represented less than 3%

of the region's fish production in 2022, compared to around 25% in Latin America (and the OECD) (Figure 2.9). While LAC began developing the sector around 1985, production in the Caribbean stagnated and then declined after 2005 in contrast to continual growth in Latin America. This divergence highlights a significant untapped potential for aquaculture to drive economic growth, create jobs and contribute to the preservation of wild marine ecosystems in the Caribbean.

Figure 2.9. Share of aquaculture in total fish production, 1960-2022



Note: Total fish production is the total amount of fish and seafood produced annually in capture fisheries and aquaculture.
Source: Authors' calculations based on FAO (2025[58]), *Fisheries and Aquaculture*, https://www.fao.org/fishery/statistics-query/en/home.

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Nature-based Solutions

NbS involve protecting, sustainably managing and restoring natural or modified ecosystems to address societal challenges effectively and adaptively. These measures, which are inspired and supported by natural processes, aim to simultaneously deliver human well-being and biodiversity benefits. The core principle of NbS is the strategic use of ecosystem services, such as flood mitigation by wetlands or water filtration by forests, to solve problems like climate change adaptation, disaster risk reduction and resource scarcity. Unlike single-purpose grey infrastructure, NbS are multifunctional. This represents a fundamental shift that positions healthy ecosystems as both a conservation priority and a form of critical resilient infrastructure (OECD, 2024[8]).

The global potential of this approach is significant. NbS could generate USD 10 trillion in business opportunities and create 395 million jobs globally by 2030 (Kemper and Pathak, 2021[61]). Their effectiveness is also demonstrated in specific contexts; for instance, coastal ecosystems like mangroves and coral reefs can reduce wave energy by 97%, protecting coastal communities from storm surges (Storlazzi et al., 2025[62]).

The case of sargassum illustrates how NbS could help transform a challenge into development opportunities in the Caribbean. Sargassum, a brown macroalgae that has proliferated in the Caribbean since the first major influx in 2011, has become a significant environmental and economic challenge for coastal communities (Debue et al., 2025[63]). Recurrent strandings disrupt tourism through restricted beach access, elevated clean-up requirements and temporary business closures. Estimated reductions in tourist arrival growth range from 1.1 to 9.0 percentage points for up to eight months following major events (Louime et al., 2024[64]). The financial burden is considerable, with removal costs during the 2018 regional influx estimated at USD 120 million (FAO, 2025[65]). Decomposition exacerbates ecological and infrastructural damage: oxygen

depletion creates hypoxic conditions detrimental to marine life, while hydrogen sulfide emissions pose health risks and corrode critical coastal infrastructure, such as desalination plants and power facilities (Sargassum Information Hub, 2025[66]). Box 2.6 presents initiatives that aim to transform sargassum, while supporting ecosystem regeneration and creating new economic opportunities.

Box 2.6. Transforming sargassum into a development asset in the Caribbean

Transforming sargassum from waste into valuable resources presents significant opportunities for the Caribbean. Rich in nutrients, sargassum can be processed into biofertilisers for agriculture, reducing reliance on synthetic fertilisers. It can also be used to produce bioplastics and serve as a source of bioenergy, such as biogas or bioethanol, and other by-products, such as cosmetics, electricity and biomass (Freites, 2025[67]). Supportive policies are key to unlock the potential of sargassum. These include incentives for research and innovation, co-ordinated shoreline management using early warning systems (EWS) and the promotion of public-private partnerships or regional investment funds. Several Caribbean initiatives are already advancing to achieve this goal in different aspects: developing integrated management projects (the Dominican Republic), multi-stakeholder strategies (Grenada), technical innovations like deriving bio-compressed natural gas (bio-CNG) from sargassum (Barbados) and using technology to map marine ecosystems to inform decision making.

Integrated sargassum management project (the Dominican Republic)

Launched in 2023 by the Ministry of Environment and Natural Resources and funded with USD 10 million, this four-year initiative strengthens local capacity for sustainable sargassum management with modified processing machinery, research and EWS. The project benefits an estimated 10 000 residents of local communities depending on tourism and fishing, 20 municipal authorities and 10 non-governmental organisations. At the same, it supports 50 small and medium-sized enterprises in adopting circular economy models. Indirect benefits extend to nearly 1 million annual tourists visiting less-affected areas and 5 000 fishers through healthier marine ecosystems and cleaner coastal areas (Dominican Republic, 2023[68]).

Bio-compressed natural gas (bio-CNG) derived from sargassum (Barbados)

Researchers at the University of the West Indies have developed the world's first vehicle powered by an innovative bio-CNG fuel derived from sargassum, rum distillery wastewater and sheep excrement. This sustainable fuel can power vehicles with only a simple conversion, thereby addressing national environmental challenges and creating new energy solutions. By 2024, the project advanced from lab-scale testing to successful vehicle trials and patent filings, establishing a path for commercial expansion (UWI, 2024[69]).

Multi-stakeholder strategy to develop sargassum value chain (Grenada)

In December 2024, Grenada launched a call to process 10 000 metric tonnes of sargassum by 2026. It received over 30 proposals, shortlisting 13 of them by April 2025 through a joint government-EU panel (Global Gateway Forum, 2025[70]). To institutionalise this effort, the government created a dedicated Ministry of the Blue Economy and Marine Affairs in March 2025, which will co-lead the initiative. A subsequent Task Force is now engaging investment partners to secure the necessary financing for the project (Now Grenada, 2025[71]).

In the Caribbean, the value of NbS is already evident. Coral reefs alone contribute an estimated USD 7.9 billion annually to the regional economy from over 11 million visitors (UNESCO, 2021[72]; World Bank, 2025[73]). This reef-associated tourism accounts for 23% of all tourism spending and is equivalent to

more than 10% of the region's GDP (UNESCO, 2021[72]). By enhancing biodiversity, NbS contribute to the health of these vital ecosystems, which underpins long-term resilience to climate shocks. They also support climate adaptation by reducing flood risks, stabilising shorelines and maintaining water quality. Furthermore, NbS generate important economic co-benefits through tourism and fisheries, while also lowering disaster recovery costs. Mainstreaming NbS into national adaptation strategies, therefore, offers a cost-effective, inclusive and sustainable pathway to strengthen resilience across sectors (Babpna, 2021[74]).

Table 2.4 presents the application of a project finance for permanence[3] model to finance conservation in Belize; ecosystem restoration actions focused on micro, small and medium-sized enterprises (MSMEs) in Saint Vincent and the Grenadines; and support for nature-based enterprises in the Dominican Republic (watershed, land and biodiversity management) and biodiversity conservation in Jamaica. Box 2.7 shows mangrove plantation experiences in Viet Nam.

Table 2.4. Experiences with Nature-based Solutions

Country	Initiative	Main considerations
Belize	Resilient Bold Belize	Implemented by the Government of Belize and World Wildlife Fund, this project uses a project finance for permanence model to enhance management of 13 coastal and 21 marine protected areas, thereby integrating nature's value into the tourism and fisheries sectors (WWF, 2025[75]). Its core activities focus on restoring degraded habitats like mangroves and coral reefs, strengthening the climate resilience of local communities and building institutional capacity for resource mobilisation. It was supported by a USD 4.7 million grant from the Global Environment Facility (GEF) and USD 40 million in co-financing. The initiative forms a key part of the broader Blue and Green Islands Integrated Programme of the United Nations Development Programme. This broader programme also supports projects in 15 Small Island Developing States (SIDS), including Saint Lucia, and Trinidad and Tobago (UNDP, 2025[76]).
Saint Vincent and the Grenadines	Pioneering a Blue-Green Economic Development Model for Coastal Adaptation, Livelihoods and Sustainability	This project (2021-2024) aimed to build resilient coastal communities by restoring ecosystems through coral planting and watershed rehabilitation, while offering mentoring and micro-financing to nine local micro, small and medium-sized enterprises (CANARI, 2025[77]). Furthermore, it conducted extensive training for citizens and government bodies, and developed three stewardship action plans for the tourism and fisheries sectors. Implemented by the Caribbean Natural Resources Institute (CANARI), the initiative received more than USD 600 000 from the Caribbean Biodiversity Fund and the International Climate Initiative.
Dominican Republic and Jamaica	Integrating Water, Land and Ecosystems Management in Caribbean Small Island Developing States (IWEco)	The IWEco project, funded by the GEF and the United Nations Environment Programme, strengthened nature-based enterprises and environmental stewardship across the region through national sub-projects from 2016 to 2024. Its initial phase (2016-2021) enhanced ecosystem preservation in eight projects, including for biodiversity conservation in Jamaica and for watershed, land and biodiversity management in the Dominican Republic. From 2021-2024, CANARI led its implementation, building the capacity of six small and medium-sized enterprises, from a beekeeping co-operative to a turtle conservation group. In this way, it delivered climate-resilient, socio-economic and environmental benefits to participating communities (CANARI, 2025[78]; IWEco, 2025[79]).

Box 2.7. Mangrove plantation in Viet Nam

In 1994, faced with severe coastal erosion and disaster risks, northern Viet Nam implemented a Nature-based Solution approach for the large-scale restoration of mangrove forests. Supported by a long-term investment of USD 9 million over 17 years, the project successfully revived 9 000 hectares of mangrove ecosystems. This natural infrastructure served as a first line of defence, significantly reducing damage to engineered dikes during typhoons and saving an estimated of USD 15 million in disaster losses for surrounding communities. Beyond protection, the restored ecosystems delivered significant economic benefits, increasing local aquaculture revenues by over 200%. The initiative also produced considerable environmental value, with the mangroves sequestering carbon valued at nearly USD 218 million. The project benefitted 350 000 residents and indirectly protected millions, showing that investment in ecosystem restoration can help build climate resilience and stimulate local economies (IFRC, 2018[80]).

Sustainable tourism and creative industries

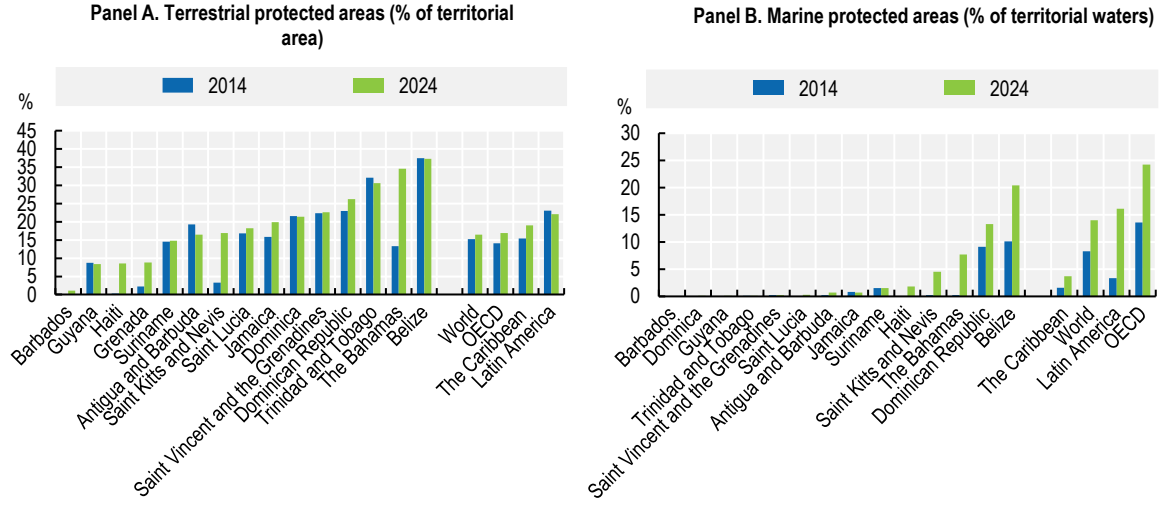
Sustainable tourism

The tourism sector is a cornerstone of the Caribbean economy, accounting for 25.4% of regional GDP between 2015-2019 and representing 71% of the region's total services exports in 2023 (OECD/IDB, 2024[1]). Furthermore, for every USD 100 increase in tourism spending, GDP is estimated to rise by USD 35-54 in the short term and by USD 155-160 in the long term (Ram, Ramrattan and Frederick, 2019[81]).

Sustainable tourism is relevant both for its economic benefits and as a climate-resilience and environmental-protection priority. Over the next decade, tourism is projected to expand at an average annual rate of 5.8%, more than twice the expected growth of the wider economy at 2.74% (WTTC, 2022[82]). In this context, Caribbean countries could strengthen their development model by promoting sustainable tourism. A sustainable approach to the sector aims to minimise environmental impacts, while preserving natural and cultural resources. It also maximises socio-economic benefits as sustainable tourism tends to attract higher-spending visitors and generate greater value added for local economies (OECD, 2022[48]). The region's distinctive natural assets, combined with growing efforts towards environmental stewardship, position the Caribbean to emerge as a destination for sustainable tourism. This, in turn, will enhance the sector's long-term resilience and competitiveness. Regardless of whether the tourism is advertised as eco-tourism, some Caribbean countries have a long way to go in setting up the necessary infrastructure for the treatment of waste and recycling. Nonetheless, they can promote reuse and reduce of waste by tourists and residents, for example, through a hotel-based recycling programme.

Safeguarding the natural assets that tourism depends on is critical. Environmental conservation and the sustainable management of natural assets are key to the long-term sustainability of the tourism sector. Actions to pursue these goals include designating new terrestrial protected areas, extending marine protected areas (MPAs) and investing in building resilience. This could target habitat restoration, for example, to rebuild mangroves and coral reefs (OECD, 2025[83]).

Figure 2.10. Marine and terrestrial protected areas, 2014 and 2024



Note: Protected areas are defined as geographically defined spaces managed for the long-term conservation of nature (IUCN). Panel A shows the share of a country's total land area designated as a protected area, such as national parks and nature reserves. Panel B shows the share of a country's territorial waters designated as a marine protected area to conserve the underwater environment.
Source: Authors' elaboration based on World Bank (2025[24]), *World Development Indicators*, https://datatopics.worldbank.org/world-development-indicators/.

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Caribbean countries have made significant progress in protecting terrestrial areas, reaching 19% of total land in 2024, surpassing both global (16.4%) and OECD (16.9%) averages (Figure 2.10, Panel A). Nonetheless, only 3.7% of territorial waters were considered MPAs in 2024 in the Caribbean, below global (14%), Latin American (16%) and OECD (24%) averages (Figure 2.10, Panel B). Although MPAs have doubled since 2014, only four countries have made significant advancements (Belize, the Dominican Republic, the Bahamas, and Saint Kitts and Nevis).

For MPAs to have an effective impact, investment is needed in monitoring, enforcement and institutional capacity. This requires a proactive strategy for financial resilience. Belize, for example, developed the Corozal Bay Wildlife Sanctuary, one of the region's largest MPAs. The community-based Sarteneja Alliance for Conservation and Development achieved financial sustainability for the sanctuary by combining donor partnerships with internal revenue streams, including equipment leasing, a tourism development centre and technical services. These streams cover 10-20% of its annual budget.

Table 2.5 presents initiatives in Caribbean countries that aim to foster sustainable practices in the tourism sector: Eco-Tourism Development Programmes in Dominica; Integrated Collaborative Approaches for Sustainable Tourism (ICOAST) in Trinidad and Tobago; NbS for sustainable tourism in Saint Lucia; and the Caribbean Blue Tourism Initiative in Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. Moreover, Box 2.8 presents examples of the positive impacts of nature-based tourism initiatives in Fiji, Madagascar and Lao PDR.

Table 2.5. Experiences of sustainable tourism

Country	Initiative	Main considerations
Dominica	Eco-Tourism Development Programme (ETDP)	The ETDP is a government tourism strategy focused on enhancing sustainable infrastructure, including eco-lodges, trail systems and visitors' facilities, within natural sites (e.g. the Botanical Garden and the Morne Trois Pitons National Park) to balance economic growth with environmental conservation (Government of Dominica, 2025[84]). The programme involves local communities in guiding eco-tours and managing eco-lodges, building local capacity through training to meet international sustainability standards. A tool used to finance this development is the Dominica's Citizenship by Investment programme, which promotes sustainable investments through foreign nationals.
Trinidad and Tobago	Integrated Collaborative Approaches for Sustainable Tourism (ICOAST)	Launched in 2025, ICOAST is a six-year project to transform the nation's tourism sector, with USD 5 million financed by the Global Environment Facility (GEF) and implemented by the United Nations Industrial Development Organization (UNIDO, 2025[85]). It provides technical support to hotels on environmental issues like waste management by harmonising legislation, proposing innovative finance and promoting alternative business models. The project's core objective is to guide a sector-wide transition towards nature-based, net-zero, resilient and zero-waste practices.
Saint Lucia	Valuing Nature and Nature-based Solutions for Sustainable Blue and Green Pathways for the Tourism, Food and Urban Sectors	This initiative (2025-2030), led by the Caribbean Natural Resources Institute (CANARI) and United Nations Environment Programme, aims to remove technical, financial and policy obstacles to support sustainable development in the tourism, agri-food and urban sectors in Saint Lucia (CANARI, 2025[86]). The project implements Nature-based Solutions through landscape and seascape interventions in the local communities of Laborie and Choiseul, Saint Lucia. The project is backed by a GEF USD 3 million grant and over USD 5.6 million in co-financing. It is designed to create green jobs, enhance livelihoods and protect biodiversity.
Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago	Caribbean Blue Tourism Initiative	The four-year regional initiative (2022-2026) has a EUR 4.3 million budget co-funded by the French Facility for Global Environment. It is designed to enhance the sustainability of the region's coastal and maritime tourism to align regional tourism with the 2030 Agenda (CANARI, 2025[87]). It supported four pilots: two focused on engaging civil society in the design and implementation of sustainable blue tourism solutions (in Trinidad and Tobago islands, respectively); one that promoted the blue economy in Saint Lucia; and one that developed a sustainable tourism strategy with local communities in Saint Vincent and the Grenadines.

Box 2.8. Impacts of nature-based tourism in Fiji, Madagascar and Lao PDR

Nature-based tourism, centred on natural attractions, such as protected areas, national parks and marine reserves, offers significant development opportunities for Caribbean economies with rich natural assets and limited diversification. Investments in the protection and sustainable management of natural areas can stimulate tourism and have multiplier effects in local economies. In protected areas, such as the Mamanuca Islands (Fiji), each dollar spent by tourists increased local income by USD 1.83, while in the Nosy Tanikely National Park (Madagascar), it generated an additional USD 2.48. In Fiji, this shift was driven by the expansion of protected areas, strengthened management capacity and the introduction of concession policies to promote tourism within these areas. Multiplier effects also rely on strong linkages between tourism and domestic supply chains, including agriculture, manufacturing and services. Together, these supported broader economic activity.

Nature-based tourism can also foster inclusive growth. In Fiji, tourism has created over 8 000 jobs, employing around 13% of the local population. Meanwhile, in Lao PDR, integrated trekking initiatives have benefitted more than 20 ethnic groups. In Madagascar, 56% of tourism revenue reached poor households, illustrating the sector's capacity to improve living standards and promote rural development. These examples highlight how well-managed, nature-based tourism can contribute to poverty reduction, strengthen community resilience and support sustainable economic transformation (World Bank, 2024[88]).

Promoting investments in tourism that foster sustainable business models like eco-tourism and cultural tourism can help create jobs, increase value retention within local communities and diversify tourism offer (Ram, Ramrattan and Frederick, 2019[81]). To institutionalise these practices, a range of instruments can be deployed, including eco-certification programmes, comprehensive destination management plans, supportive zoning policies, sustainable tourism training for small and medium-sized enterprises (SMEs) and targeted infrastructure support for community-based initiatives. Eco-tourism holds long-term potential in Suriname and Guyana, where approximately 75% of the territory lies within the Amazon and rich biodiversity offers strong prospects for nature-based tourism. However, limited infrastructure outside urban centres constrains the sector's development. The island of Tobago provides a different situation. Although it is an established destination for visitors from Trinidad and benefits from well-designed programmes, strong competition from other Caribbean islands has prevented a critical mass of tourists and slowed its sectoral development.

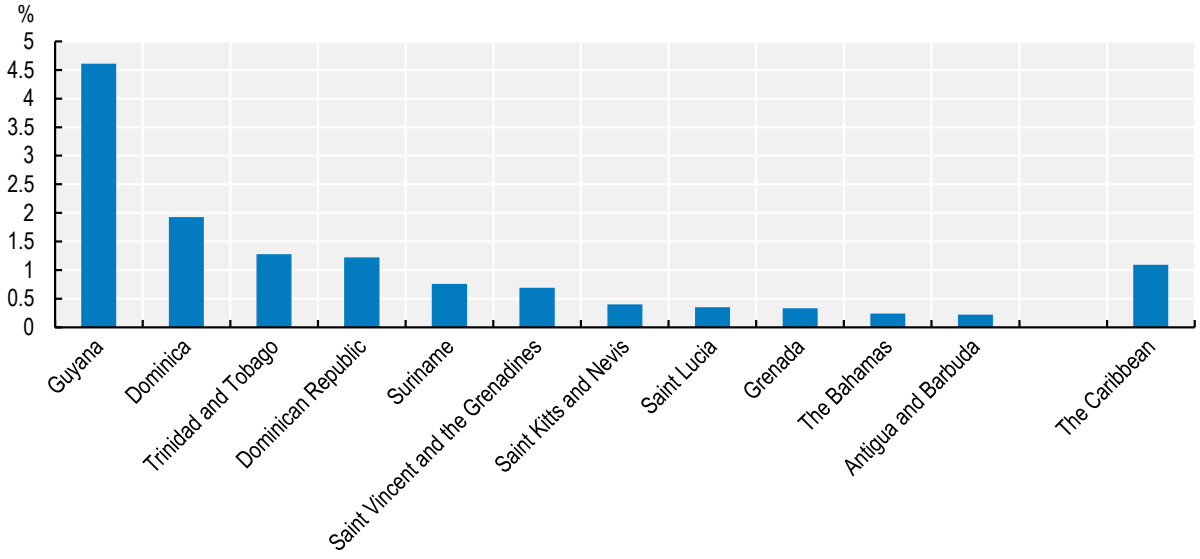
Creative industries

The creative industries[4] are estimated to contribute 5% of the Caribbean's GDP, employing 3% of the region's labour force on average (OECD/IDB, 2024[1]). However, these figures fail to capture the varied levels of development across the region's creative sectors. The Caribbean has a vibrant cultural legacy and diaspora reach. Creative industries are a key outlet for youth employment and global soft power. These sectors are low-carbon, scalable and digitally adaptable. In Jamaica, for instance, the sectors of Film, Animation and Music contributed 6.18% to GDP in 2019 (Do Business Jamaica, 2021[89]).

Guyana stands out in terms of the share of creative services in total trade in services (Figure 2.11). The Cultural and Creative Industries Grant initiative has supported local culture development and enhanced new creative industry services (GYD 80 million, approximately USD 380 000, in four years). The programme benefitted 65 projects, strengthening infrastructures, providing training and fostering community tourism development (UNESCO, 2024[90]). Regarding the share of cultural goods[5] exports in all goods, Saint Lucia is the Caribbean's best-performing country with a copyright contribution to GDP reaching 10% (UNESCO, 2024[90]). Some countries have already established niches within the creative

economy, such as pottery and ceramics in Antigua and Barbuda, crafts related to spices in Grenada and "learn a craft" tours in Saint Lucia (OECD, 2022[48]). The Carnival in Trinidad (Trinidad and Tobago), for example, has both cultural and economic relevance, generating an estimated USD 6.6 million in 2024 and enhancing socio-cultural identity (Central Statistical Office of Trinidad and Tobago, 2025[91]).

Figure 2.11. Creative services exports as percentage of total trade in services, 2024



Note: Data for The Bahamas, Dominica and the Dominican Republic correspond to 2023.
Source: Authors' elaboration based on UNCTADstat (2025[92]), *International Trade in Creative Services: Estimates for Individual Economies (Analytical)*, https://unctadstat.unctad.org/datacentre/dataviewer/US.CreativeServ_Indiv_Tot.

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Direct assistance programmes to the creative sector could have positive impacts. This type of programme has shown promising results in Saint Kitts and Nevis, which adopted a cash rebate programme that partially refunds any film-related expenses incurred in the country. Soon after this policy was announced, Saint Kitts and Nevis garnered a deal with a boutique film and television company to produce five films in the country (SKNIS, 2021[94]). A targeted approach to support local SMEs involved in creative activities could help strengthen the sector by offering loans with favourable rates or government subsidies. The creative sector can also take advantage of the EU-funded Creative Caribbean project, which offers grants and other initiatives (CARICOM, 2022[95]).

Table 2.6 presents different experiences linked to creative industries in the region. The Creative Caribbean project provided direct grants to arts practitioners in 15 Caribbean countries and individual countries are also advancing their own initiatives in the sector. The Cultural Information System (CIS) in Antigua and Barbuda aims to enable effective PPPs and support data-driven policies to benefit the sector. The Cultural Industries Development Fund in Barbados offers three distinct grants covering technical assistance (up to USD 5 000), product development (up to USD 30 000) and project execution (up to USD 30 000). In Guyana, the above-mentioned Cultural and Creative Industries Grant supports local culture and emerging creative industries. Finally, Trinidad and Tobago launched the "CreativeTT" agency, which focuses on business development and export promotion of the music, film and fashion sectors. Box 2.9 presents how Mauritius has used mobile applications in cultural sites and a virtual platform to promote creative industries.

Table 2.6. Experiences of creative industries

Country	Initiative	Main considerations
Guyana	Cultural and Creative Industries Grant	Established in 2019, the government's Cultural and Creative Industries Grant supports productions that benefit artists, with a focus on women and youth (CDB, 2022[96]). Between 2019 and 2023, it allocated USD 80 million to 65 individuals to develop their creative enterprises. In 2024, it awarded a further USD 30 million to 30 artists to support the production of Indigenous creation. This direct funding is complemented by broader SME support and tax incentives for investors in textiles and crafts (UNESCO, 2024[90]).
Trinidad and Tobago	CreativeTT	CreativeTT, an agency of the national institution Global Trinidad and Tobago, was established in 2025 to develop and promote exports of the music, film and fashion sectors (CreativeTT, 2025[97]). These sectors form a robust economic foundation, with over 210 fashion companies generating USD 260 million in revenue and a music sector comprising 5 000 artists and 700 events, contributing USD 320 million annually. The film industry further demonstrates this impact, having produced over 80 films with location expenditures exceeding USD 120 million, a base that CreativeTT aims to leverage for international expansion and to attract investment (UNCTAD, 2025[98]).
Antigua and Barbuda	Cultural Information System (CIS)	The CIS is a centralised, government-managed online platform that enhances information sharing among creative stakeholders by aggregating data on cultural events, international funding programmes and training opportunities. The CIS provides a comprehensive repository of industry statistics, newsletters and regulatory documents, helping optimise data for strategic planning and enhanced collaboration in the creative sector. Furthermore, it aims to enable effective PPPs and support data-driven policies that directly improve the social and economic standing of artists (CIS, 2025[99]).
The Caribbean	Creative Caribbean	The Creative Caribbean project (2022-2025) aimed to strengthen research, facilitate market access and support national cultural policies, while providing direct grants to practitioners in 15 Caribbean countries. Targeting sectors like music, fashion, film and visual arts, the initiative positioned cultural and creative industries as key drivers for development and post-COVID economic recovery. It was implemented by UNESCO, CARICOM and the University of the West Indies with EUR 3 million of EU funding (UNESCO, 2023[100]).
Barbados	Cultural Industries Development Fund	The National Cultural Foundation is the national agency for cultural development, promoting training, events and research to safeguard national heritage. A key instrument is the Cultural Industries Development Fund, which provides targeted financing to cultural projects and practitioners. The Fund offers three distinct grants covering technical assistance (up to USD 5 000), product development (up to USD 30 000) and project execution (up to USD 30 000). Project selection prioritises creative potential, community impact and sustainability, ensuring strategic support for the cultural sector (NCF, 2024[101]).

Box 2.9. Creative industries in Mauritius: Dedicated incentives and programmes to support local entrepreneurship

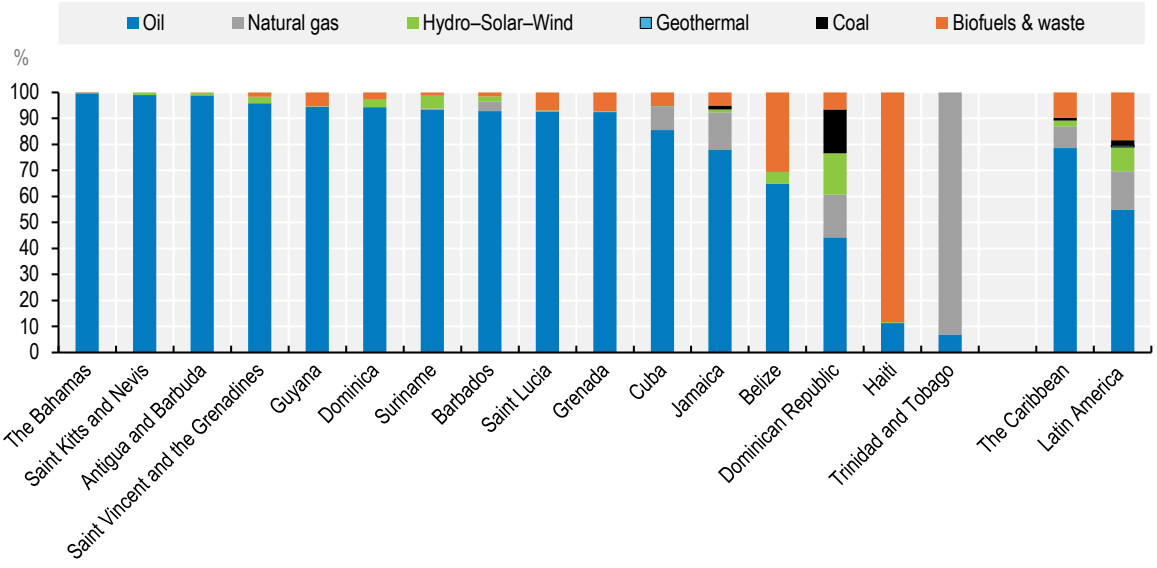
The Government of Mauritius has defined a combination of programmes and incentives to support the expansion and growth of businesses, including a focus on creative industries, which represent 3.5% of GDP (EDB Mauritius, 2025[102]). Government financial incentives support development of the local creative sector: artists and cultural producers can access grants for film production, participation in international events and other creative activities through several funding windows. Key instruments include the National Art Fund and the Film Assistance Scheme, both managed by the Ministry of Arts and Cultural Heritage; a film grant for independent filmmakers under the National Resilience Fund; the Film Rebate Scheme and the SME Refund Scheme. Together, these programmes aim to strengthen creative capacity, stimulate local content production and enhance the international visibility of Mauritian artists. Moreover, the Mauritius Expo Virtual Platform, launched in 2023, promotes locally manufactured products and services by increasing the visibility of Mauritian enterprises and connecting them to global markets; it already hosts over 205 exhibitors and has registered visitors from 59 countries. These initiatives form a cohesive strategy to integrate technology and sustainability into the promotion of the nation's cultural and economic assets (Mauritius Expo, 2022[103]).

Energy transition

The energy transition involves the shift from fossil fuels to renewable energy sources, such as solar, wind and geothermal. For the Caribbean, this shift is particularly relevant given the region's heavy dependence on imported fossil fuels. About 80% of the petroleum consumed in the region is imported, compared to a global average of 21% (World Bank, 2025[104]). Trinidad and Tobago, Suriname and Guyana, which produce their own oil, are the exception. In 2024, on average, 86.8% of energy in the Caribbean was produced from oil and natural gas and only 12% came from renewables (Figure 2.12). This reliance on fossil fuels creates a significant fiscal burden and exposes Caribbean economies to volatile energy prices. As most of the countries are energy importers, the region experiences some of the world's highest electricity costs, with average price for a kilowatt hour in the Caribbean at USD 0.26, surpassing the EU (USD 0.21 kWh) and the United States (USD 0.18 kWh) (OECD/IDB, 2024[1]). These high energy prices translate into elevated operating costs for key sectors like tourism, where electricity can account for up to 20% of operational expenses (Goldwyn, Tiah and Mowla, 2023[105]).

Figure 2.12. The energy matrix in the Caribbean, 2024

Total energy supply



Note: Energy supply is expressed as shares of total energy supply (TES), based on the energy balance methodology. Oil includes crude oil and petroleum products. Natural gas and coal refer to their respective primary energy sources. Biofuels and waste comprise biomass-based sources, including firewood, bagasse, charcoal, ethanol, biodiesel, biogas and other biomass. Hydro–solar–wind includes hydropower, solar and wind energy (geothermal where applicable). Data for Saint Lucia, Antigua and Barbuda, the Bahamas, Barbados, Dominica, Saint Kitts and Nevis, and Saint Vincent and the Grenadines correspond to 2023. The Latin America average includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.
Source: Authors' elaboration based on OLADE (2024[106]), *Energy Balance Matrix. Latin America and the Caribbean Energy Information System*, https://sielac.olade.org/WebForms/Reportes/ReporteBalanceEnergetico.aspx?or=600&ss=2&v=1; UNSD (2024[107]), *Energy Statistics Data* Portal. Energy balances, year 2021, https://unstats.un.org/unsd/energystats/dataPortal/.

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There is great untapped potential for growth in renewables in the Caribbean (OECD/IDB, 2024[1]). With over 300 days of sun each year, the Caribbean could generate a potential 1 900 kWh/m^2 annually, double the capacity of Germany (CDB, 2022[108]; Goldwyn, Tiah and Mowla, 2023[105]). The Caribbean basin is estimated to have up to 751 GW of wind power (World Bank, 2020[109]). As a volcanic region, the Eastern Caribbean could also generate up to 6.29 GW of geothermal energy (Goldwyn, Tiah and Mowla, 2023[105]).

Moreover, CARICOM countries could generate USD 16 billion in net economic benefits by 2040 through the energy transition (ECLAC, 2021[110]).

Investing in the energy transition in the Caribbean offers multiple economic, social and environmental co-benefits. Expanding renewable energy reduces dependence on imported fossil fuels; lowers costs for households and firms; helps protect economies from external price shocks and strengthens competitiveness and resilience of local industries. Growth in the renewable sector can also create green jobs in manufacturing, construction and maintenance, particularly when supported by targeted training and reskilling programmes (CAF, 2025[111]). Environmentally, renewables, especially when paired with storage or decentralised systems, such as microgrids, can enhance infrastructure resilience and help maintain power during and after climate-related disasters. In so doing, they mitigate the recurrent disruptions caused by tropical storms (CAF, 2025[111]). Off-grid renewable energy solutions may be the most viable option for small and dispersed population centres in many Caribbean countries. The declining cost of solar technologies creates new opportunities to deploy renewable energy at scale; however, realising this potential will require adjustments to electricity market regulations, as well as reforms in power generation and distribution systems. Box 2.10 shows the positive effects of using renewables, such as hybrid solar and hydropower mini-grids, to extend access to electricity in remote areas in Vanuatu.

Energy transition in the Caribbean faces different barriers. The region's small and fragmented energy grids, for example, lack economies of scale, limiting the viability of large-scale projects. Meanwhile, underdeveloped regulatory frameworks hinder project development and lead to long permitting processes. Moreover, high upfront costs for projects and a lack of local supply chains undermine bankability, often deterring investments in the sector (Cont et al., 2025[15]). Table 2.7 presents some experiences that aim to overcome these obstacles. These include solar energy and battery storage initiatives in Antigua and Barbuda; a sustainable energy investment programme in Barbados; innovative financing models to overcome high upfront costs to adopt renewable energy systems in Barbados, Belize and Jamaica; and an investment in a geothermal power plant in Dominica.

Table 2.7. Experiences of energy transition

Countries	Initiative	Main considerations
Dominica	Geothermal Power Plant	The government has committed an investment of USD 50 million to a geothermal plant, the first of its kind in the Caribbean, developed by the Dominica Geothermal Development Company and supported by the OECS Geobuild Programme (OECS, 2025[112]). Expected to be operational by the end of 2025, the plant will power approximately 23 000 homes with a 10 000 kWh capacity, covering 50-55% of national electricity demand (OECD, 2022[48]). The project is set to significantly reduce emissions and fuel imports, aligning with the regional goal of 30% renewable electricity by 2035 and building capacity for geothermal exploration in other Eastern Caribbean states (Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines).
Barbados	Sustainable Energy Investment Programme (Energy Smart Fund II)	The government has provided tailored financial and technical support since 2020, offering subsidised loans up to USD 1 million for large projects and USD 75 000 for small enterprises that adopt sustainable energy across tourism, agro-processing, manufacturing and transport (Smart Energy Barbados, 2025[113]). Beyond loans, it offers USD 25 000 grants for technical assistance and 50% rebates for replacing old air conditioners, supporting projects from energy efficiency and renewable systems to electric mobility. By reducing emissions and fossil fuel dependence, the Fund aims to enhance national energy security, lower costs for citizens and businesses, and improve the country's economic competitiveness.
Antigua and Barbuda	Green Barbuda	In 2024, a hybrid solar and battery plant was inaugurated in Barbuda under the Green Barbuda project, financed through the USD 50 million UAE-Caribbean Renewable Energy Fund (Masdar, 2024[114]). The system produces 720 kilowatts-peak (kWp) through solar panels connected to a 863 kilowatt-hour (kWh) battery, meeting the island's full daytime energy demand and reducing diesel use by over 400 000 litres annually. Designed to enhance climate resilience following Hurricane Irma in 2017, the plant supports the national target of generating 86% of electricity from renewables by 2030.
Guyana	Low Carbon Development Strategy (LCDS)	Guyana's LCDS provides the overarching framework for aligning climate action with development objectives by channelling carbon revenues and international finance into low-carbon investments. A key priority is reducing reliance on imported fossil fuels while rapidly scaling renewable energy, particularly,

		solar power. With support from the Inter-American Development Bank (IDB), Guyana's installed solar PV capacity increased by 173% between 2020 and 2023, rising from approximately 5.35 MW to 14.62 MW (LCDS, 2024[115]). Moreover, the country is using payments for forest climate services to finance LCDS priority areas, including clean energy, local community development and climate adaptation. In 2022, Guyana issued the world's first jurisdictional ART-TREES carbon credits, securing the largest forest carbon credit transaction to date (USD 750 million), of which USD 237.5 million had been received by late 2024 (LCDS, 2024[115]).
Grenada, Guyana and Saint Lucia	Efficient and Green Energy Buildings	Launched in 2025, this World Bank- and OECS-led project aims to retrofit 500 public buildings with efficiency upgrades and rooftop solar, targeting a 20% energy reduction and decreased fossil fuel imports (World Bank, 2025[104]). It supports regulatory reforms for green building codes and fosters regional co-operation on energy standards, creating a unified market for green technologies. The initiative has already mobilised over USD 130 million in concessional financing to fund these upgrades across the three countries.
Barbados, Belize and Jamaica	Integrated Utility Services to Support Energy Sector Transformation Programme	Launched in August 2025, the "Scaling up the Deployment of Integrated Utility Services to Support Energy Sector Transformation in the Caribbean (Phase 1) Programme" will invest USD 26 million from the Green Climate Fund in Barbados, Belize and Jamaica using an innovative financing model to overcome high upfront costs to adopt renewable energy systems for households and businesses. Implemented by the Caribbean Development Bank and national electric utilities, the programme provides awareness of available options, offers upfront financing for installations and enables repayment through monthly utility bills, creating a scalable model for other Small Island Developing States. The project is expected to benefit over 40 000 people and avoid an estimated 601 600 metric tonnes of GHG emissions (CARICOM, 2025[116]).
Grenada, Saint Lucia, and Saint Vincent and the Grenadines	Caribbean Resilient Renewable Energy Infrastructure Investment Facility	In 2025, the World Bank approved USD 110 million for a regional facility, developed with the Eastern Caribbean Central Bank, to modernise electricity infrastructure and attract private investment in the Caribbean (World Bank, 2025[117]). The initiative will mobilise up to USD 120 million in commercial credit via guarantees and provide a comprehensive support package, including technical assistance, disaster insurance for renewable assets and skills training. Designed to build a clean, resilient and affordable energy system, this scalable programme is expected to create jobs and can be expanded across the Caribbean.

Box 2.10. Extending electricity access in rural areas in Vanuatu using renewables

Confronting significant energy access challenges, with approximately 39% of its rural population lacking electricity, Vanuatu is advancing its 2030 goal of 100% rural electrification through renewable energy. A key initiative is the Barrier Removal for Achieving the National Energy Road Map Targets of Vanuatu (BRANTV) project, implemented by Vanuatu's Department of Energy, with support from the United Nations Development Programme and the Global Environment Facility. The project focuses on deploying distributed renewable energy systems, such as a hybrid solar and hydropower mini-grid that now provides reliable energy to 100 households, two schools, a clinic and local businesses in Pentecost Island. These efforts have extended electricity access to over 50 000 people across 37 communities and directly fostered local economic activities. At the Marae fishing community, for instance, solar energy is powering and refrigerating entire fish markets. This project shows how targeted investment in renewable energy can support Small Island Developing States and other small developing states to build a resilient national energy system. Ultimately, this will advance their energy transition, stimulate inclusive economic growth and strengthen overall resilience (UNDP, 2024[118]).

Sustainable transport

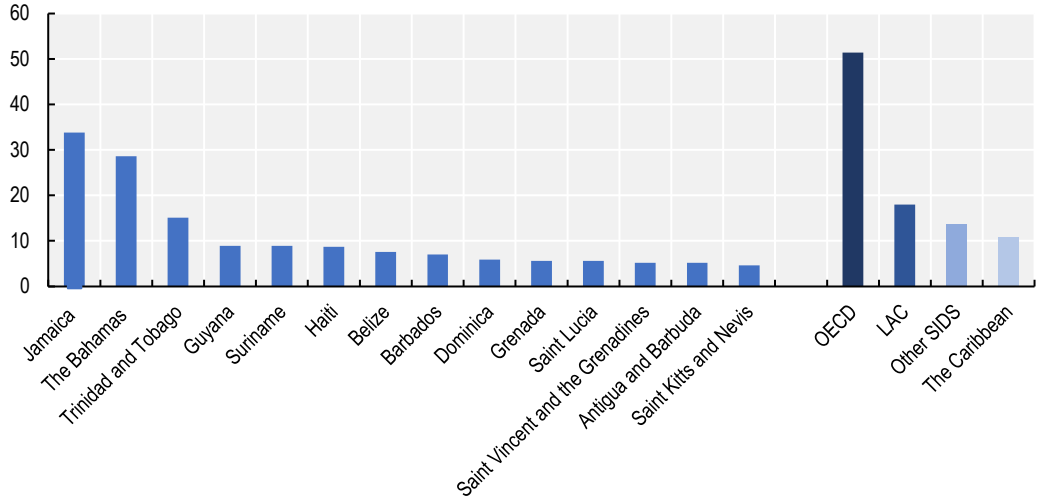
Sustainable transport can be defined as the shift towards low-carbon, efficient and accessible mobility systems and should be a key component of the Caribbean's sustainable development agenda. The region's transport sector contributes significantly to economic development but depends heavily on imported fossil fuels. Transport accounts for approximately 30% of all fuel consumed in the Caribbean, the equivalent to nearly 10% of the region's GDP (OECD/IDB, 2024[1]). Apart from a major fiscal expenditure,

this reliance on fossil fuels also renders the sector responsible for over 30% of the region's energy-related emissions (Merlo, 2023[119]).

The Caribbean also has a great need to improve connectivity. For instance, the region scored an average of just 10.8 on the Liner Shipping Connectivity Index in 2021, compared to the OECD (51.4) and other SIDS (13.6), where 100 is the maximum score (Figure 2.13). In fact, 37 of the world's 50 least connected countries are SIDS (UNCTAD, 2024[120]).

Shifting to sustainable transport offers a pathway for the Caribbean to address connectivity needs while yielding multiple benefits. Economically, like the energy transition, the shift to sustainable transport could reduce fiscal constraints through lower fuel imports, enhance energy security and improve competitiveness of local industries through more efficient logistics and better integration into global value chains. From a social perspective, transitioning to safer, cleaner modes of transportation could improve road security while improving air quality (World Bank, 2025[121]). Furthermore, by prioritising affordable and reliable public transit, walking and cycling, sustainable transport systems foster greater social inclusion and provide disadvantaged communities with better access to jobs, education and essential services (Alves, Mjahed and Moody, 2023[122]).

Figure 2.13. Liner Shipping Connectivity Index, 2021



Note: The Liner Shipping Connectivity Index, developed by UNCTAD, assesses the extent to which countries are connected to global maritime shipping networks. It is based on five indicators: the number of ships, total container-carrying capacity, size of the largest vessel, number of services and number of shipping companies calling at a country's ports. Each component is normalised using 2004 data and the composite index is scaled so that the highest-scoring country in 2004 has a value of 100.
Source: Authors' elaboration based on UNCTADstat (2025[123]), *Liner Shipping Connectivity Index*, https://unctadstat.unctad.org/datacentre/reportInfo/US.LSCI.

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Advancing sustainable transport requires significant investment in infrastructure. By 2030, sustainable transport will need more than USD 3 billion in new investments and USD 4 billion for its maintenance in the seven countries with data available (The Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago) (Mooney et al., 2025[5]). These costs encompass critical upgrades, such as modernising public bus fleets, expanding electric vehicle charging networks and constructing safe cycling pathways. Furthermore, achieving this requires efforts to overcome technical and regulatory barriers, including to build institutional capacity, adapt policy frameworks to new technologies and ensure their integration with the power grid. A comprehensive co-ordinated strategy at the national level and further

co-ordination at the regional level are essential to de-risk investments and unlock both public and private capital for sustainable transport (Mooney et al., 2025[5]).

A regional approach to transport planning and financing mechanisms could improve connectivity and reduce costs. Transport could be the backbone of the Caribbean countries' integration and economic performance, given the region's geography. However, due to the low volume of people that need transport, it is difficult to attract private sector operators. Partnerships with multilateral development banks and private investors could help bridge financing gaps and promote sustainable mobility solutions. Investment in low-carbon and resilient transport infrastructure, such as inter-island ferry networks, electric public transport fleets and climate-proofed roads, could improve resilience.

Table 2.8 presents sustainable transport policy experiences in the Caribbean, while Box 2.11 presents how Pacific SIDS are promoting sustainable marine transport.

Table 2.8. Experiences with sustainable transport

Country	Initiative	Main considerations
Antigua and Barbuda	Sustainable Low-Emission Island Mobility (SLIM)	Antigua and Barbuda's Department of Environment is overseeing establishment of a low-carbon transportation system, with nine electric buses having undergone national trials in 2025 (UNEP, 2025[124]). This initiative seeks to encourage a modal shift in public transportation by establishing an efficient electric bus system supported by solar-powered charging stations and capacity building for bus drivers and e-waste management. The project builds upon the earlier Electric School Bus Pilot Project (2017-2020), which pioneered this transition by purchasing two electric school buses and installing two charging stations in the capital of Saint John's (GEF, 2024[125]).
Barbados	Public Bus Fleet Decarbonisation	Barbados achieved a significant shift towards electric mobility, with nearly 90% of its public bus fleet (59 buses) electrified by April 2025 and 61 more fully electrified at the end of 2025 (UNEP, 2025[124]). The transition is supported by financial incentives for electric vehicles, a public charging network more extensive than its gas stations and a user-friendly digital payment application. This initiative has already reduced annual diesel costs by USD 4 million. Total savings are projected to reach USD 200-400 million upon full electrification, underscoring the success of the model for transportation decarbonisation (IFC, 2023[126]).
Belize	E-mobility Pilot Project	Launched in 2024 by the Ministries of Transport and Energy, and the Belize City Council, this project deployed the country's first two electric buses for urban routes and established a dedicated charging depot with two 220-volt chargers (UNDP, 2024[127]). The initial success led the government to purchase three additional electric buses for intercity routes in September 2025, signalling a commitment to expansion. Supported by a EUR 4.5 million EU grant and implemented by UNDP, the project establishes a foundational model for a shift to low-carbon transportation in Belize (CLGF, 2025[128]).

Box 2.11. Renewable energy for sustainable marine transport in Pacific SIDS

Pacific Small Island Developing States are pioneering innovative solutions to reduce their reliance on imported diesel for marine transport, a critical step for both energy security and climate resilience. The Republic of Marshall Islands is exploring cutting-edge technological options through a partnership with the Republic of Korea. This collaboration focuses on developing next-generation vessels, including wing ships, and harnessing ocean thermal energy to generate electricity and produce hydrogen-based electro-fuels for powering boats.

Other Pacific nations are demonstrating the immediate viability of renewable energy integration. In Samoa and Vanuatu, a pilot project launched in 2019 has equipped vessels with solar systems to power onboard needs like lighting, refrigeration and water pumps. This approach has proven highly effective, reducing vessel operating costs by up to 32% annually. The initiative, part of the EU-funded and International Maritime Organization (IMO)-implemented Maritime Technology Co-operation Centre, provides a scalable model for decarbonising essential maritime services across SIDS (IRENA, 2024[129]).

Sustainable agriculture and food systems

While most Caribbean economies are dominated by services, agriculture retains significant untapped potential. Historically a core economic activity, agriculture could be revitalised by expanding the use of renewable energy and modern production techniques. Strengthening local food production would enhance food security and improve diets and nutrition, which remain key challenges across the region. Sustainable aquaculture and fisheries management could further support this objective. High food import and transport costs continue to raise prices for households, restaurants and the tourism sector, undermining competitiveness and profitability. Expanding local production could help mitigate these pressures.

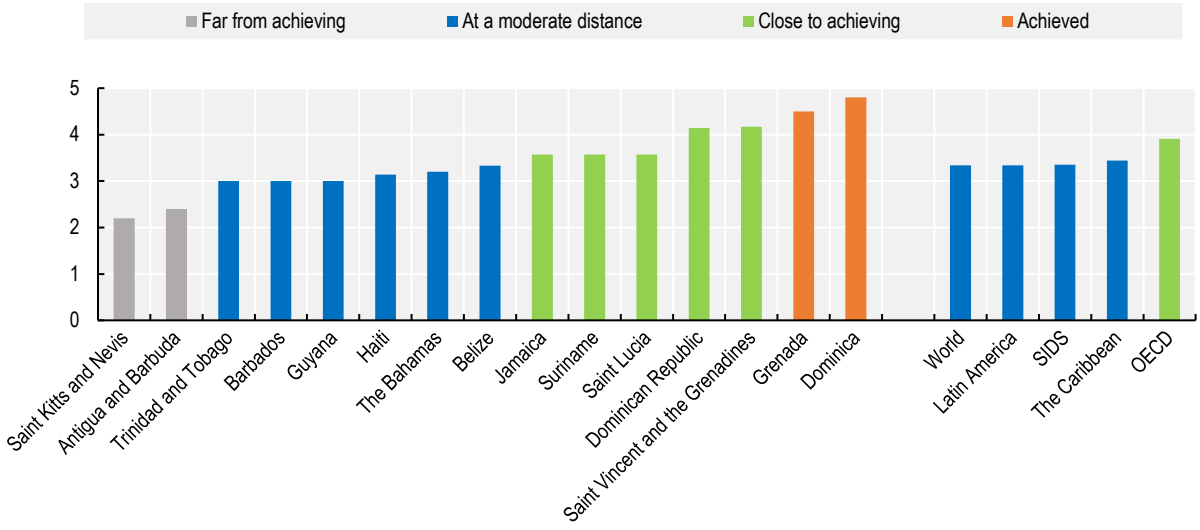
Sustainable agriculture can be defined along the three dimensions of sustainable development: environmental health, profitability, and social and economic equity (OECD/FAO, 2023[130]). Moving beyond traditional farming, it integrates environmentally friendly techniques, such as organic farming, agroforestry and the use of local crops. It also embraces broader strategies like farm diversification, natural resources conservation and farmer capacity building through training (Kamakaula, 2024[131]). Ultimately, this system relies on an integrated network where growers, distributors, consumers and waste managers play an essential role in advancing sustainability across the entire food chain.

Sustainable agriculture offers a strategic pathway to address regional challenges in the Caribbean. The region remains critically dependent on food imports: 80-90% of all food consumed is imported, mostly from outside the region (85.4% of total food imports) (OECD/IDB, 2024[1]; FAO, 2025[132]). The agricultural and fisheries sectors face increasing pressures. Climate stress and productivity challenges increasingly hinder farming. A recent example is Hurricane Melissa, which ravaged the western part of Jamaica known as the bread basket of the country. Crops were not only damaged, debris and runoff from the storm contaminated the soil, reducing its readiness for the next planting season (IBRD/World Bank, 2025[20]). Meanwhile, the annual fish catch in the region has declined by over 25% since 1990 due to degradation and overfishing. In the case of Suriname, institutional weaknesses have worsened the overfishing problem. These intersecting factors have contributed to worsening food insecurity in the region, affecting 37% of the population, on average, and increasing obesity by about 10% since 2000 (FAO, 2019[133]; OECD/IDB, 2024[1]).

Investing in sustainable agriculture in the Caribbean is essential to bolster resilience and well-being. Sustainable agriculture, according to the Food and Agriculture Organization of the United Nations (FAO), is an integrated approach that ensures food production systems are economically viable, socially inclusive and environmentally resilient. Caribbean countries have been advancing on these fronts, although with mixed results. By 2023, only Grenada and Dominica had achieved productive and sustainable agricultural systems[6] (Figure 2.14). This achievement is driven by targeted partnerships – Grenada's government has been working with the FAO on two projects since 2023 to scale up digital agriculture and innovation, and Dominica is partnering with the UNDP on a project to enhance climate-resilient agriculture and sustainable agro-processing (FAO, 2023[134]; UNDP, 2025[135]). Moreover, Jamaica, Suriname, Saint Lucia, the Dominican Republic, and Saint Vincent and the Grenadines were "close to achieving this goal", while remaining countries were "at a moderate distance" or "far from it".

Subsidies and incentives for climate-smart agriculture, investments in cold-chain and storage infrastructure, strengthened research and extension services, and support for co-operatives and local food networks are among the key initiatives that could help scale up sustainable farming across the Caribbean. Furthermore, technological upgrades in irrigation and agro-processing, coupled with efforts to organise smallholder farmers, could specifically enhance productivity and strengthen crucial linkages to the tourism sector (OECD, 2022[48]).

Figure 2.14. Progress towards productive and sustainable agriculture in the Caribbean, 2023



Note: In this index, countries are classified into five categories based on their average score for productive and sustainable agriculture: a score from 1 to less than 1.5 indicates the country is "very far from achieving" this goal (no Caribbean country ranked in this category); 1.5 to less than 2.5 is "far from achieving" it; 2.5 to less than 3.5 is "at a moderate distance"; 3.5 to less than 4.5 is "close to achieving" it and a score from 4.5 to 5 means it has already "achieved" productive and sustainable agriculture.
Source: Authors' elaboration based on FAO (2025[136]), *Proxy Progress Towards Productive and Sustainable Agriculture*, https://www.fao.org/sustainable-development-goals-data-portal/data/indicators/indicator-241-proxy-progress-towards-productive-and-sustainable-agriculture/en.

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The adoption of sustainable agriculture offers multi-faceted benefits for Caribbean farming communities. Economically, value-added activities, such as processing fruits into jams or juices, can help farmers increase income – an especially important opportunity given the region's typically small farm sizes and limited economies of scale (Muhie, 2022[137]). Such processing also helps reduce post-harvest losses, which remain high in many islands due to constraints in cold-chain infrastructure. Environmentally, practices such as organic fertilisation, crop rotation and agroforestry help conserve soil, reduce water contamination and protect biodiversity. Meanwhile, climate-smart approaches, including hurricane-resistant crops, drought-tolerant varieties and resilient farming systems, are increasingly essential in the face of climate risks (Piñero, 2020[138]; Siebrecht, 2020[139]). Reduced reliance on hazardous pesticides also supports better consumer health (HLPE, 2019[140]). These positive effects can be further magnified by building producers' skills and innovative capacity with targeted training (El Chami, Daccache and El Moujabber, 2020[141]; Akanmu, 2023[142]). Table 2.9 presents experiences in the Caribbean addressing food security (Barbados); applying sustainable harvest practices (Belize); building a regional digital platform using digital technologies for agriculture innovation (Grenada) and a regional project to provide climate-smart agricultural knowledge. Box 2.12 shows resilient agriculture initiatives in Pacific SIDS, particularly in Fiji, Samoa and the Solomon Islands, that could inform sectoral policies in Caribbean countries.

Table 2.9. Experiences of sustainable agriculture

Country	Initiative	Main considerations
Belize	Regenerative Agroforestry in Northern Belize	Implemented since 2017 by Sustainable Harvest International-Belize, this project trains 90 rural families in regenerative agroforestry, transforming sugarcane-dominated lands by growing hardwood trees alongside food crops without agrochemicals (Climate Champions, 2024[143]). Participants have already planted nearly 20 000 plants, a practice that enhances soil fertility and reduces environmental degradation caused by conventional farming. This production has generated an estimated USD 1.1 million in additional family income in its first year, with a total value of USD 2.96 million projected by 2027.
Grenada	Digital Agriculture Innovation Hub	Grenada is creating a national model for digital agriculture innovation that prioritises local solutions and empowers its small-scale producers, agri-entrepreneurs and agricultural organisations. The establishment of a drone-mapping and Geographic Information System team in the Ministry of Agriculture and Lands, Fisheries and Co-operatives aims to better use agriculture data collection and planning techniques. This spatial information will increase capacity to manage systemic post-multi-hazard risks, such as flooding. This initiative is part of FAO's Regional E-Agriculture for the Caribbean also present in The Bahamas, Belize, Dominica, Grenada, Guyana, and Saint Kitts and Nevis (FAO, 2025[144]).
Barbados	Addressing Food Security through Climate-Smart Agriculture	The Caribbean Climate-Smart Accelerator is implementing a project with the Walkers Institute for Regenerative Research (WIRRED), deploying indoor hydroponic vertical farms that produce about 11 kg of fresh lettuce every 28 days using minimal space and energy. This initiative aims to tackle the region's severe food insecurity by ensuring a reliable, hyper-local source of fresh, nutritious food (Caribbean Accelerator, 2024[145]).
Regional initiative	Climate-Smart Agriculture Knowledge and Information Platform	This regional digital platform, supported by a USD 400 000 CDB grant, provides farmers, entrepreneurs and students with accessible data, sustainable practices and climate-smart technologies to enhance agricultural resilience and productivity. Developed in collaboration with regional universities and agricultural institutions, it aims to modernise farming systems, strengthen market linkages and build human capital across the value chain. A core focus is ensuring gender-responsive approaches to prevent the disadvantage of women, who constitute a significant portion of the region's agricultural workforce. Beekeeping and recovering mined-out bauxite lands for vegetable production are other relevant areas (CDB, 2023[146]).

Box 2.12. An example of resilient agriculture in Pacific SIDS

Pacific SIDS are advancing sustainable agriculture through a comprehensive approach that includes diversifying plantations, promoting local crop varieties and training farming communities in modern techniques, such as seed technology, organic certification and agroecological pesticides.

This transition is actively supported by the Pacific Community's Land Resources Division, an institution established to help countries translate scientific research into practical solutions for land, agriculture and forestry. It pursues these goals through targeted capacity building, technical assistance and biological assets, such as the genetic resources from the Centre for Pacific Crops and Trees.

Key 2023 initiatives and training programmes included conserving genetic resources, managing forests and plantations, and fostering organic farming and certification. To promote genetic resources conservation, for example, Fiji introduced a new sweet potato variety to local markets. It also facilitated the processing of import permits to support safety duplication of their crops. For its part, Samoa continued the conservation of more than 2 400 varieties of crops and trees. With respect to management of forestry and plantations, Fiji developed 4.6 ha of plantations, totalling 799 ha since 2019. It also continued research on traditional knowledge for coconut plantations. Finally, to foster organic farming and certification, the Solomon Islands offered capacity building on complying with pesticide registration requirements and evaluating agroecology performance. Meanwhile, Fiji launched five new organic products and fertilisers approved by Pacific Organic Standards (Land Resources Division, 2025[147]).

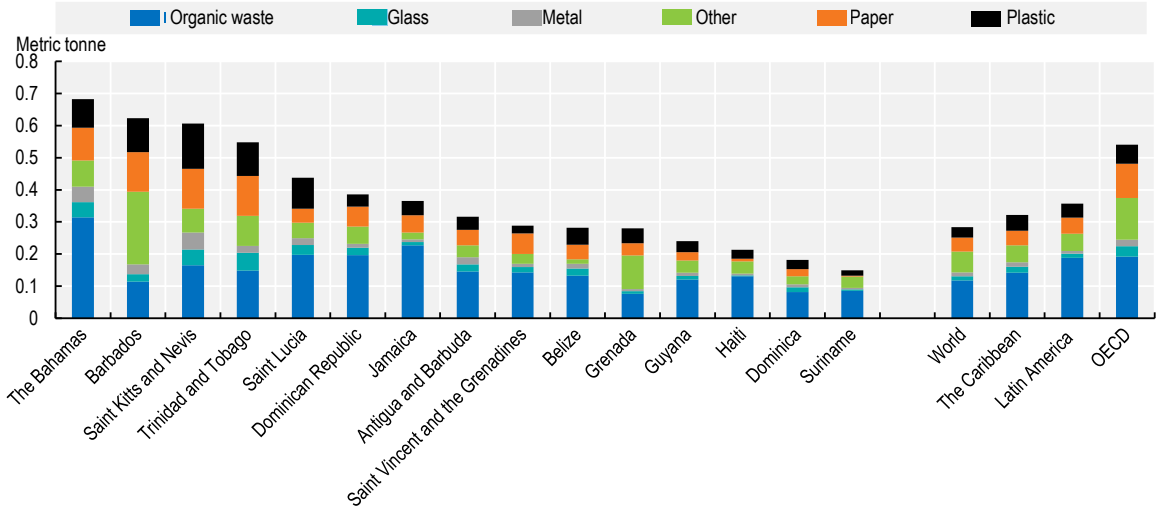
The circular economy

Advancing the circular economy is especially relevant for the Caribbean's service-based economies. By extending the lifespan of materials, reducing waste by design and improving resource efficiency, circular economy models support innovation and more sustainable business practices. This approach also helps align economic activity with environmental stewardship and social well-being (Circle Economy, 2023[148]). In the Caribbean, circular economy strategies hold significant potential to foster more sustainable tourism, generate quality formal employment, add value to local supply chains, create jobs and foster innovation if well-implemented (CEC, 2022[149]; OECD, 2023[150]).

A circular approach to waste management could be relevant for the Caribbean given its relatively high waste generation and limited territorial space. The Caribbean produces an average of 0.32 metric tonnes of municipal solid waste per capita. This exceeds the global average of 0.28 metric tonnes, although below the Latin American (0.35) and OECD (0.54) averages (Figure 2.15). Nearly half of this waste (44%) is organic, followed by plastics (15%).

Recycling infrastructure is limited in the region and waste management relies heavily on landfill despite considerable variation across countries, with some showing values above the OECD average and others below the global average. For example, The Bahamas and other small Caribbean countries face significant cost barriers to implementing mandatory recycling programmes as transporting those recyclables abroad for processing is too expensive. Moreover, approximately 320 000 metric tonnes of uncollected plastic waste litter coastlines annually, posing a direct threat to biodiversity, public health and the blue economy (UN, 2025[151]). Box 2.13 presents different ways in which Colombia, France and Ireland are reducing food waste.

Figure 2.15. Composition of waste generation per capita in the Caribbean, 2024



Note: The chart shows the breakdown of total waste generated per nationality per year, by waste type. The category "Other" aggregates materials such as rubber, leather, wood and green waste.
Source: Authors' elaboration based on World Bank (2025[152]), *What a Waste Global Database*, https://datacatalog.worldbank.org/search/dataset/0039597.

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Financial institutions and governments have a pivotal role in accelerating the circular transition by developing supportive regulations, incentives and policies. Instruments like green bonds and long-term credit can help reduce waste and pollution, while capacity-building programmes nurture new circular businesses. The development of supportive financial mechanisms is crucial. Leveraging environmental, social and governance funding can attract investments in circular economy projects. Such financial models

have proven successful in enhancing corporate profitability and reputation, as well as reducing the cost of debt and financing for circular initiatives. The public sector can also use green principles to buy goods, services and works incorporating circular economy principles into the procurement process. Tools include encouraging circular business models, promoting circular construction, incorporating secondary materials, and encouraging repair and re-use. Incorporating lifecycle thinking and resource efficiency can significantly reduce waste and environmental impact (OECD et al., 2022[153]). There are also profit opportunities from exporting recycling of some metals and cardboard if well-conceived.

Gathering quality, comparable data and developing robust metrics are essential for measuring progress in the circular transition and promoting circular models (Kirchherr, Reike and Hekkert, 2017[154]; Potting et al., 2018[155]). Key actors like multilateral development banks and private financiers are starting to support the creation of a circular ecosystem in the region (UNEP, 2023[156]). Suriname, the Dominican Republic, and Trinidad and Tobago are the Caribbean members of the Latin American and the Caribbean Circular Economy Coalition, which aims to create a shared vision of circular development among all sectors of society in LAC (UNEP, 2023[156]). To build on this, fostering partnerships across supply chains, and between public and private sectors, can spark innovation, facilitate expertise exchange and add value for circular entrepreneurs. For example, such collaboration could be a gateway for micro, small and medium-sized enterprises (MSMEs) to global markets (Supriadi et al., 2025[157]). Table 2.10 presents initiatives linked to transforming fish waste into valuable resources in Barbados, the creation of national centres to recover, recycle and reclaim harmful ozone-depleting refrigerants in Jamaica and a waste re-use project to recover coral reefs in Trinidad and Tobago.

Table 2.10. Experiences of the circular economy

Country	Initiative	Main considerations
Jamaica	Establishment of Refrigerant Recovery, Recycling, and Reclamation Centres	This project, implemented by the National Environment and Planning Agency, is establishing seven national centres to recover, recycle and reclaim harmful ozone-depleting refrigerants from the air-conditioning sector (UNDP, 2025[158]). Given that this sector accounts for 5% of global emissions and over 12% of worldwide electricity consumption, the initiative has environmental relevance (IIR, 2024[159]). The initiative includes procuring USD 70 000 in specialised equipment and developing certified training programmes for technicians to reduce GHG emissions and meet Montreal Protocol commitments. This project, implemented by the National Environment and Planning Agency, is establishing seven national centres to recover, recycle and reclaim harmful ozone-depleting refrigerants from the air-conditioning sector (UNDP, 2025[158]). Given that this sector accounts for 5% of global emissions and over 12% of worldwide electricity consumption, the initiative has environmental relevance (IIR, 2024[159]). The initiative includes procuring USD 70 000 in specialised equipment and developing certified training programmes for technicians to reduce GHG emissions and meet Montreal Protocol commitments.
Trinidad and Tobago	Habitats for Aquatic Life and Ocean Systems (HALOS)	The HALOS project, a collaboration between the UNDP Accelerator Lab and the Institute of Marine Affairs, rehabilitates marine ecosystems by fabricating cost-effective artificial reefs from waste materials like oyster shells, glass and sargassum impact (UNDP, 2024[160]). Following a successful pilot project at Nelson Island (Trinidad and Tobago), where these structures attracted marine colonisation within days, the initiative provides crucial substrate for coral and shelter for marine life, simultaneously addressing waste management. The project now focuses on long-term biological monitoring using remote sensing and is applying circular principles to create secondary products, such as activated carbon from sargassum.
Barbados	Transformation of Fish Waste into Valuable Resources	This FAO-led project (2021-2023) repurposed the 10 metric tonnes of fish waste generated daily in Barbados into valuable products like animal feed and fertiliser, establishing a national silage platform with safety standards. Key activities included training of 20 women fish processors and 14 young farmers, providing them new skills for waste monetisation and contributing to a measurable decline in waste generation. The project showed high financial viability, attracting USD 100 000 in private investment and generating a tenfold return on the initial catalytic funding, illustrating a sustainable circular economy model (FAO, 2025[161]).

Box 2.13. International circular initiatives to reduce food waste

Digital tools to avoid food loss in Colombia

Colombia's 2019 law on food loss and waste, which promotes food donation as a tool for food security, provided the policy foundation for the creation of a circular business model in Colombia that helps companies in the food sector manage surplus food through a digital platform. Firms upload lists of excess products, which are analysed by artificial intelligence and matched with people in need, automating donations and providing real-time data on environmental and social impacts. Since its creation, the initiative has rescued more than 46 000 metric tonnes of food, saving over USD 40 million in management costs. It has also delivered 104 million meals to around 900 non-profit organisations and mitigated 110 metric tonnes of carbon emissions, while saving 23 billion litres of water. Two factors were central to this success: an enabling regulatory environment and access to catalytic, patient capital (UNEP, 2023[162]; EatCloud, 2025[163]).

Preventing food waste actions in France

France has introduced a comprehensive legal framework to prevent food waste and promote circular economy practices (Ministry for the Ecological and Inclusive Transition, 2020[164]). A series of laws adopted between 2015 and 2020 prohibit supermarkets from destroying or discarding unsold food and require large food retailers (over 400 m²) to establish donation agreements with food aid organisations (ADEME, 2019[165]). The 2020 Anti-Waste Law for a Circular Economy further strengthened enforcement and extended bans to non-food products. As a result, food collected by charities and food banks rose from 36 000 metric tonnes in 2015 to 46 000 metric tonnes in 2017 (Poingt, 2018[166]).

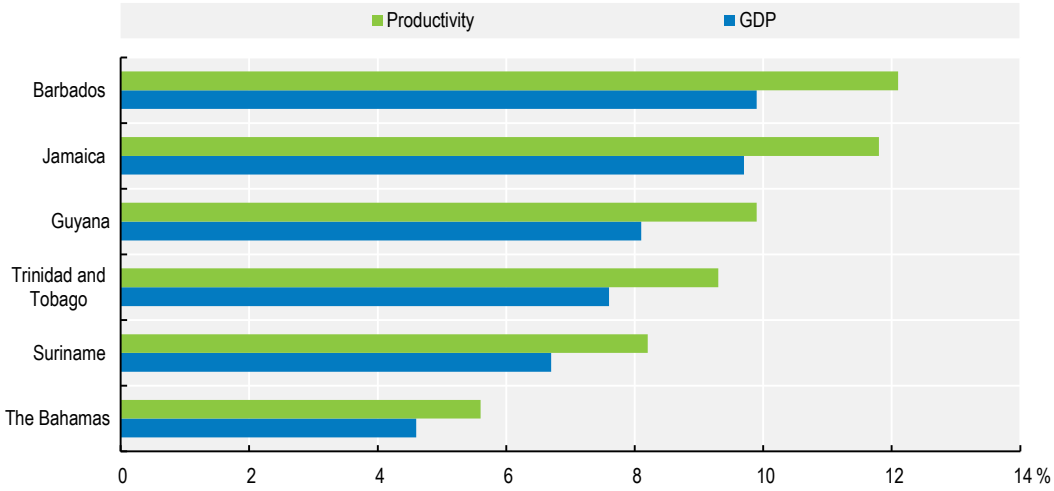
Food waste prevention in Ireland

Ireland has developed consumer-focused initiatives to reduce food waste, led by the country's Environmental Protection Agency (EPA). The national food waste prevention programme is delivered through the Circular Economy Programme (EPA, 2025[167]). The *StopFoodWaste* programme targets households and businesses through awareness-raising on food purchasing and waste habits. The *Food Waste Charter* engages major grocery retailers – covering around 70% of the market – to measure and reduce their food waste. There are plans to expand to hotels, catering services and canteens, using standardised EPA measurement methodologies (Food Waste Charter, 2023[168]). A third EPA initiative supports progress towards national and EU food waste targets for 2030. It aims to improve data collection and evidence to guide policy action, ensuring that reductions in food waste are measurable and sustained (EPA, 2025[169]).

Digital transformation and artificial intelligence

Promoting digital transformation is a powerful catalyst for inclusive economic growth in the Caribbean, with the potential to significantly close infrastructure gaps with OECD Member economies (Chapter 1). For most Caribbean economies, this could yield cumulative GDP increases alongside transformative improvements in productivity. Closing infrastructure gaps could generate, on average, a 7.7% increase in GDP and a 9.5% rise in productivity over six years for countries with available data (Figure 2.16). This transformation also opens strategic diversification pathways into digital services, an area which, by avoiding the region's high transport costs, offers a distinct competitive advantage (OECD, 2022[48]).

Figure 2.16. GDP and productivity gains in Caribbean countries from closing digital infrastructure gaps with OECD Member economies (percentage over a six-year horizon)



Source: Authors' elaboration based on García Zaballos and López-Rivas (2012[170]), *Socioeconomic Impact of Broadband in Latin American and Caribbean Countries*; García Zaballos et al. (2021[171]), *Informe anual del índice de desarrollo de la banda ancha*.

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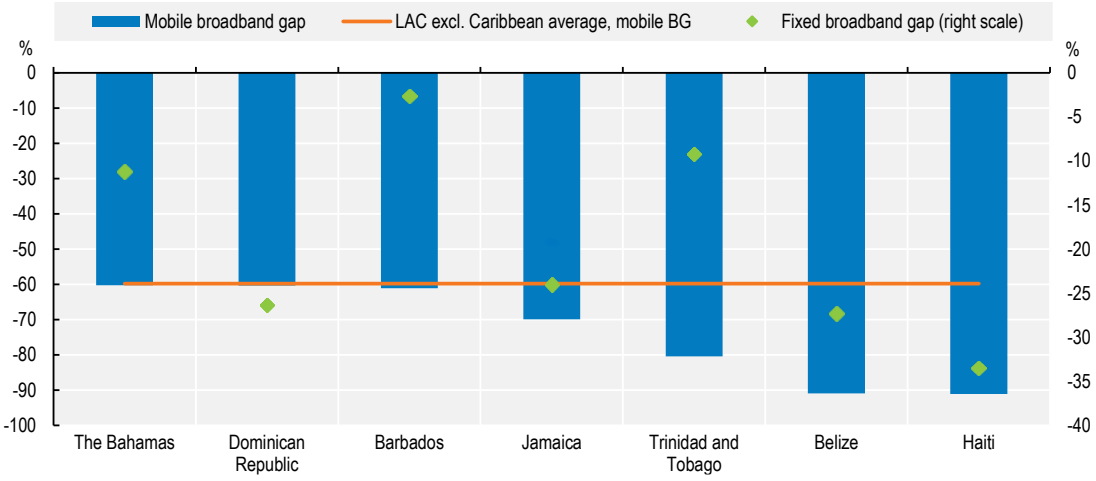
Digital infrastructure is critical for enabling productivity in the 21st century, particularly in the Caribbean where transport and logistics are a challenge. Bringing digital infrastructure up to OECD levels, as well as the possible costs and readiness for scaling up such investments, can bring important economic benefits to Caribbean countries. Figure 2.17 uses data on digital infrastructure from countries across the world, including in Latin America and the OECD, to show that all Caribbean countries present important negative gaps relative to the OECD average. In some cases, these gaps are strikingly large, reaching or nearing double digits when measured in percentage points. In terms of mobile broadband, Caribbean countries are about average, compared to Latin America (orange line), although they are around 60 percentage points below OECD levels, on average, in The Bahamas, the Dominican Republic and Barbados, and between 60 and 90 percentage points below in Trinidad and Tobago, Belize and Haiti (Figure 2.17, left axis).

Figure 2.17. Estimated broadband gaps relative to the OECD average



Source: Authors' elaboration based on (Zaballos et al., 2021[172]), *Development of National Broadband Plans in Latin America and the Caribbean*.

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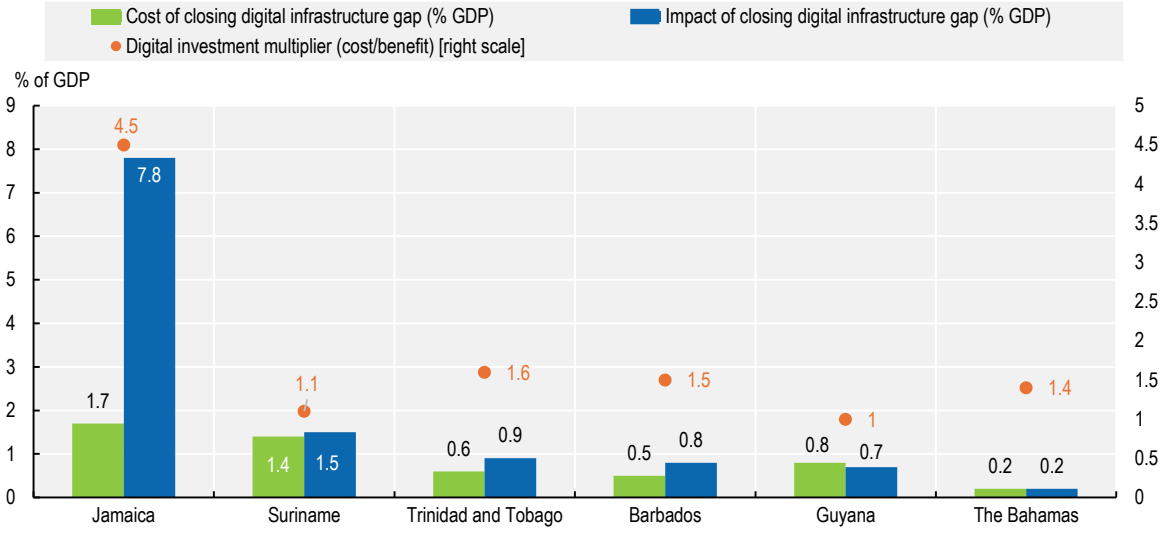
Digital infrastructure can have net economic benefits in Caribbean countries.[7] A 10-percentage point change in digital infrastructure is associated with 3.2% increase in GDP and a 2.6% increase in productivity, mostly due to multiplier effects (Rosenblatt et al., 2022[173]). Results and related implications for many Caribbean economies are striking. The cumulative positive impact on growth of investing in digital infrastructure in three of the six analysed economies could be between 1.5 and 4.5 times the associated costs (e.g. 1.5 in Barbados, 1.6 in Trinidad and Tobago, and 4.5 in Jamaica) (Figure 2.18). In two of these three cases, the estimated cost of closing digital infrastructure gaps is relatively small – under 1 percentage point of GDP in each case. Jamaica had the highest cost of closing the infrastructure gap (1.7% of GDP) and largest return on investment (7.8% of GDP). For Guyana, Suriname and the Bahamas, while the costs vary, the estimated benefits are also potentially significant. In the Bahamas, for example, the yield in terms of cumulative GDP benefits over time could be as much as 1.4 times the investment costs.

Figure 2.18. Estimated gaps relative to the OECD average, 2024



Note: "Gap" refers to the cost of closing the estimated digital infrastructure gap relative to OECD economies. Figures expressed in percentage points are as of the end-2024 GDP. The multiplier is defined as the estimated GDP growth impact of closing these gaps relative to their costs.
Source: Authors' elaboration based on Caribbean Economics Quarterly January 2022 (IDB), based on data from Zaballos and Lopez-Rivas (2012[174]); Zaballos et. al. (2021[172]); and IMF World Economic Outlook (2021[175]).

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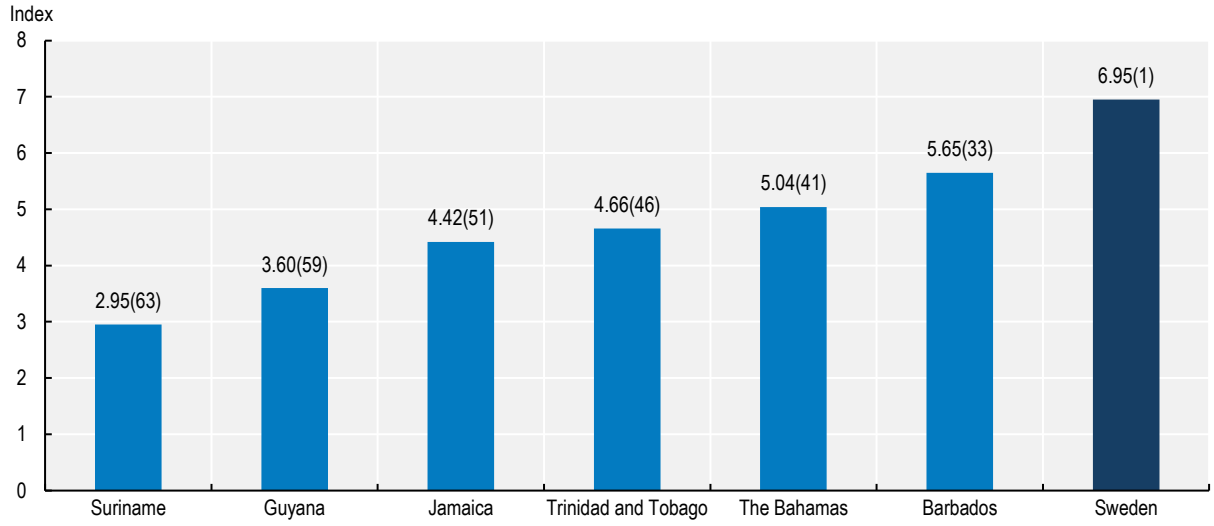
Specific government actions, including updating regulatory frameworks for issues such as "rights of ways", spectrum allocation and universal service funds are crucial for creating an enabling environment. Equally important is the need to establish a close relationship between digital agendas and national connectivity plans. The IDB Broadband Index measures the country's readiness in terms of policies and strategic regulations to take advantage of such investments. Figure 2.19 shows that Barbados and The Bahamas, score relatively high on this Index. Indeed, they are not far from Sweden, the country with the highest score in the sample. While there are caveats, this simple estimate provides a ballpark measure of the economic net benefits of digital infrastructure.

Figure 2.19. IDB Broadband Development Index: Scores and rankings of lead country and Caribbean countries, 2023

Overall score (ranking over 65 countries in parenthesis)



Note: Index for 65 countries (including OECD and IDB 26 borrowing countries), where the maximum possible score is 8. The value for each country represents its ranking among the 65 analysed countries.
Source: Authors' elaboration based on (Zaballos et al., 2024[176]).

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Scaling up digital investment can help close financing and technology gaps by developing broadband networks, data centres and other critical infrastructure. It also facilitates access to advanced technologies like artificial intelligence, cloud computing and fintech, while fostering knowledge transfer and skill development (UNCTAD, 2025[177]). In turn, these dynamics can stimulate the emergence of new service industries, reduce dependence on traditional sectors, promote economic diversification and strengthen regional integration into global markets, ultimately supporting sustainable growth (ECLAC, 2025[178]).

In an increasingly digitalised global economy, investment in reliable information and communication technology (ICT) infrastructure is a key driver of development. Maximising these benefits depends on broad mobile and broadband coverage, high-quality ICT infrastructure and affordable access for households and firms.

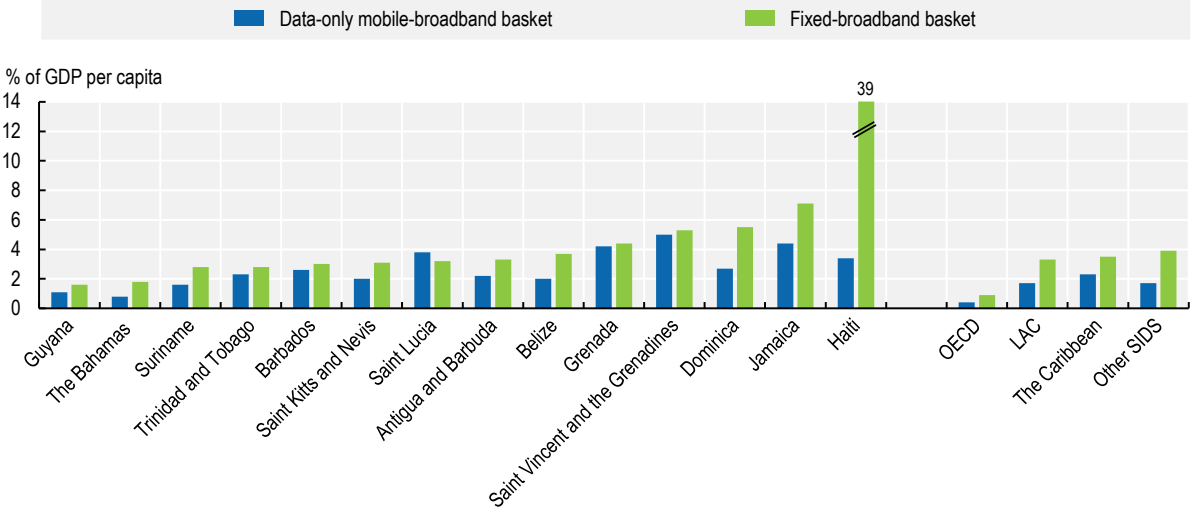
Caribbean countries are accelerating investment in modern telecommunications infrastructure, including fibre-optic networks and emerging 5G technology. OECS members have advanced fibre-optic infrastructure upgrades that expand network capacity and coverage (Table 2.11). Barbados is pursuing a broader digital transformation agenda, supported by a recent USD 40 million investment from the IDB to reduce the digital divide. Jamaica has also strengthened high-speed connectivity through nationwide fibre deployment. It has also established a Universal Service Fund to expand bandwidth access and public Wi-Fi services across the island.

Broadband access remains uneven across the Caribbean. On average, the region records a similar number of mobile subscriptions per 100 inhabitants as Latin America overall. However, it continues to lag behind OECD Member economies. Saint Kitts and Nevis is the only country with subscription levels comparable to the OECD. Suriname and The Bahamas show high rates of active mobile-broadband connections per 100 inhabitants, while Barbados performs strongly in fixed-broadband uptake. By contrast, Haiti, Guyana, Belize, and Antigua and Barbuda continue to face significant gaps in access to ICT services.

The quality of ICT infrastructure also varies widely across the Caribbean. Average transmission speeds remain below those of LAC and significantly below the OECD, while latency levels are nearly 60% higher than the OECD average. Service quality remains a particular challenge in Suriname, Antigua and Barbuda, Haiti, Belize, the Bahamas and Jamaica.

High mobile and broadband costs remain the main barrier to fully harnessing digital technologies in the Caribbean. These costs are similar to those in LAC but well above OECD levels (Figure 2.20). This affordability gap disproportionately affects lower-income households, widening digital divides within and across countries. Only The Bahamas, Guyana, and Trinidad and Tobago are on track to achieve the Broadband Commission's target of keeping broadband costs below 2% of GDP per capita by 2025, underscoring the scale of the affordability challenge facing the region.

Figure 2.20. Digital affordability gap: Cost of data-only mobile-broadband basket and fixed-broadband basket, 2023 (percentage of GDP per capita)



Source: Authors' elaboration based on ITU (2025[179]), *Global Connectivity Report 2025*, https://www.itu.int/dms_pub/itu-d/opb/ind/D-IND-ICT_MDD.GCR-2025-4-PDF-E.pdf.

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Digital technologies and connectivity are a cross-sectoral enabler of development, especially in tourism-dependent economies like many Caribbean countries. Tourism requires digital connectivity for reservation systems and hotel back-office links. Business tourism and remote workers require fast Internet connections. This is even more important in archipelago economies where inter-regional transport is a challenge.

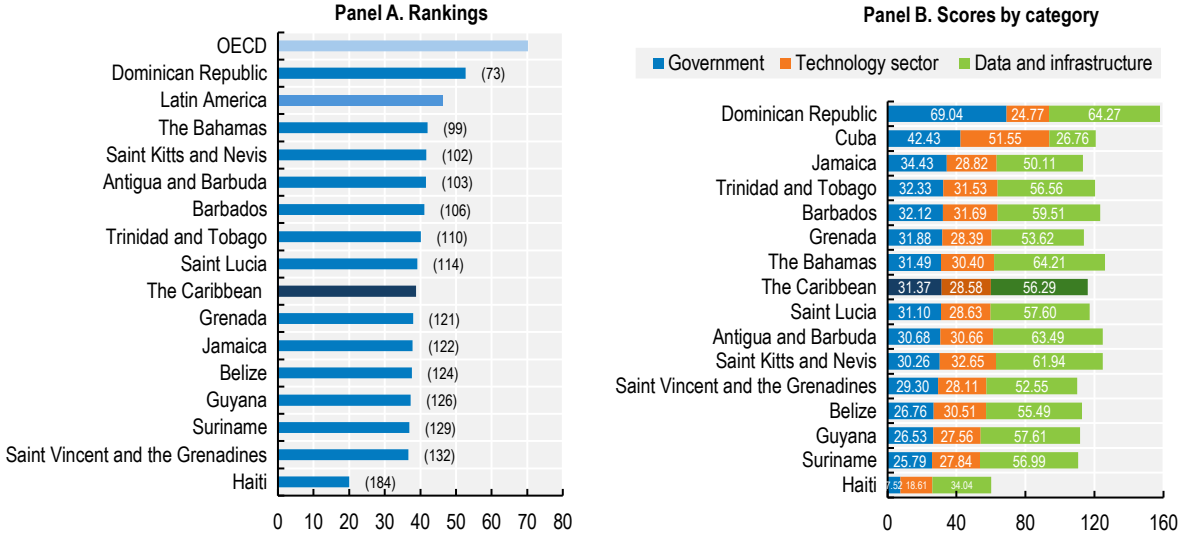
Artificial intelligence in the Caribbean

AI tools have become widely accessible in recent years, with their uptake accelerating rapidly. Policymakers and stakeholders worldwide, including in the Caribbean, are exploring how to harness these technologies to support sustainable development while managing their associated risks. Caribbean countries are less AI-prepared than Latin American or OECD Member countries. The AI-readiness level for Caribbean countries (38.74), on average, lags behind Latin American (46.16) and OECD averages (70.16) in the 2024 Government AI Readiness Index (GAIRA) (Figure 2.21, Panel A). From the 14 Caribbean countries included in the GAIRA, the Dominican Republic (ranked 73 of 188 countries) and The Bahamas (99) were the better positioned. All other countries were ranked more than 100, with Haiti among the least advanced in AI readiness, ranking 184. In the latest edition, the United States (87.03) and

Singapore (84.25) ranked as the top performers in overall AI readiness. Regarding scores by category, Caribbean countries, on average, tend to rank better in data and infrastructure (56.29), followed by government (31.37) and the technology sector (28.58) (Figure 2.21, Panel B).

Attitudes towards AI adoption in the region are low among citizens and firms. More than 90% spend nothing or very little on AI, although they agreed or were neutral in considering AI as critical to their survival. Adoption is low even among the large digital leaders in the region, with only 12% of businesses in the Caribbean using AI (INCUS, 2025[180]).

Figure 2.21. Government AI Readiness Index (GAIRA), 2024, by pillar



Note: In Panel A, the ranking comprises 188 countries. In Panel B, each pillar is scored 0-100 points. No data were available for Dominica.
Source: Authors' elaboration based on Nettel et al. (2024[181]), *Government Readiness Index*, https://oxfordinsights.com/wp-content/uploads/2025/06/2024-Government-AI-Readiness-Index.pdf.

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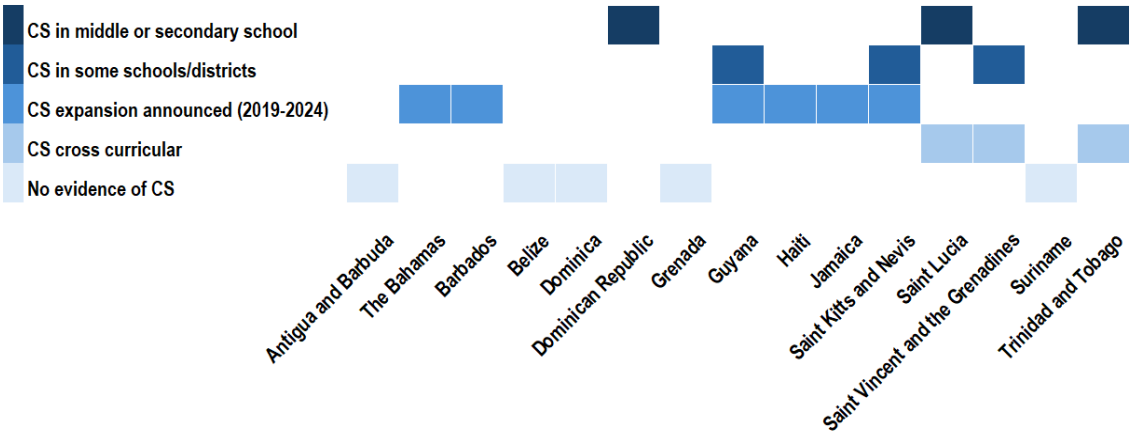
AI is making its first steps in the region. To date, no Caribbean state has enacted national legislation or regulations specifically addressing AI. However, Barbados (in 2019) and Jamaica (in 2020) enacted laws that developed frameworks for data protection, an essential foundation for AI adoption in the public sector. The Dominican Republic has expressed explicit interest in developing a national AI approach. For its part, Trinidad and Tobago created a new Ministry of Public Administration and Artificial Intelligence in 2025 and launched the National Artificial Intelligence Assessment Initiative in collaboration with the United Nations Development Programme (UNDP) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) (OECD/CAF, 2022[182]).

Ethical considerations are central to the design of public policies governing the use of AI. Nine major ethical challenges warrant particular attention: i) unemployment, reflecting concerns about job displacement due to automation; ii) inequality, as AI may exacerbate divides in income and opportunities; iii) impacts on human behaviour and interaction, raising questions about how technology shapes social norms; iv) errors in intelligent systems or "artificial stupidity"; v) algorithmic bias, leading to discriminatory or unjust outcomes; vi) security risks, including threats to cybersecurity and data protection; vii) unintended consequences, sometimes described as the "evil genie" problem; viii) loss of human control over increasingly complex systems, often linked to debates on technological singularity; and ix) treatment of autonomous systems, including emerging discussions on "robot rights". These issues highlight the need for robust governance frameworks that promote responsible and trustworthy AI (World Economic Forum, 2024[183]).

AI uptake also depends fundamentally on the availability of strong basic and intermediate digital skills. Limited digital skills remain a major constraint to AI readiness in several Caribbean countries, reinforcing digital divides and limiting the potential productivity and service-delivery gains from emerging technologies. For example, computer science[8] education content in school curricula is not yet widespread in the region (Johnson, 2025[184]) (Figure 2.22). In 2024, only the Dominican Republic, Saint Lucia, and Trinidad and Tobago had included computer science education as a mandatory subject at the middle or secondary school level. Guyana, Saint Kitts and Nevis, and Saint Vincent and the Grenadines had introduced it in some schools or districts, while The Bahamas, Barbados, Haiti and Jamaica announced plans for its expansion or introduction. For the remaining countries, no evidence of computational schooling was found.

Figure 2.22. Presence of computer science education in school curricula, Caribbean countries, 2024



Note: The heatmap classifies the status of computer science education in Caribbean countries based on data from the *Computing Around the World* study. "Computing" refers to curricula that incorporate programming and algorithms in their work and related material. Categories are defined as: mandatory as a standalone subject; partial provision in some schools or regions; integration as a cross-curricular component; announced government plans or pilot activities; and no evidence of formal computing education found.
Source: Authors' elaboration based on Johnson (2025[184]), *Two-Thirds of Countries Worldwide Offer Some Form of Computing in the School Curriculum*, https://computingeducationresearch.org/computing-education-around-the-world-data/.

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Table 2.11 presents initiatives in Caribbean countries that aim to advance digital transformation and AI adoption. Barbados created the National MSME Development Policy (NMDP). The Dominican Republic created Digital Agenda 2030. Trinidad and Tobago developed the National Digital Transformation Plan (NDTP) and created the Ministry of Public Administration and Artificial Intelligence. There are also regional initiatives, such as the OECS's Caribbean Digital Transformation Project and UNESCO's Caribbean AI Policy Roadmap.

Other relevant experiences in the region include Barbados' adoption of a new grid code with digitalised interconnection and operational requirements, initiatives to expand e-governance and adopt regional best practices in transparency and accountability, and improved digitisation for effective EWS and monitoring of agricultural water/heat levels. Moreover, Jamaica's plans to expand capabilities in sectors such as Business Process Outsourcing and Special Economic Zones will require improved connectivity. These opportunities are expanding (given time-zone and language affinities with North America).

Table 2.11. Experiences with digital transformation and AI

Trinidad and Tobago	National Digital Transformation Plan (NDTP) 2024-2027 and National Artificial Intelligence Assessment	The NDTP is building a knowledge-based society and digital economy through multiple initiatives. These include deployment of a public broadband network (TTWifi) across 24 sites, strengthening digital literacy by training10 000 individuals and distributing 2 400 laptops in secondary schools with the WeLearnTT programme and advancing online public services and payments with an e-ID system. Furthermore, the Campus Plaza Developer's Hub, established in 2023, is providing a dedicated virtual space for application development, fostering innovation in digital sectors. In 2025, a new Ministry of Public Administration and Artificial Intelligence was established. The National Artificial Intelligence Assessment Initiative in collaboration with UNDP and the UNESCO evaluates the country's readiness for AI adoption and supports planning for responsible and inclusive digital transformation (IMF, 2024[185]; UNESCO, 2025[186]).
The Dominican Republic	Digital Agenda 2030	Digital Agenda 2030 is a strategic framework to promote the digital economy through different initiatives that enhance governance, training and innovation. A key project is the Innovation Hub *Punta Bergantín*, launched in 2024 to attract tech start-ups, advance R&D and bolster local technical skills for an estimated 10 000 professionals. In parallel, the inclusive *Semillero Digital* programme provides cost-free training in AI and programming to young innovators (18-25 years) from vulnerable communities. This skills development has already equipped over 500 students, with more than 100 now employed in the field, illustrating the Agenda's tangible success (IASP, 2024[187]; TRADE, 2024[188]; Semillero Digital, 2025[189]).
Barbados	National MSME Development Policy (NMDP)	Implemented in 2025, the amended NMDP supports growth and competitiveness of MSMEs through enhanced digitisation, technology deployment and targeted financial instruments. These instruments include grants, a tax credit of up to USD 20 000 for green energy and a deduction of up to 15% of technology expenditure. Enterprises granted "Approved Business Status" due to their innovative impact can access an additional USD 150 000 for technical assistance. Beyond this, the policy fosters capability development through training, R&D centres and the promotion of PPPs to build a more digital, sustainable and innovative MSME sector (University of West Indies, 2025[190]).
OECS	Caribbean Digital Transformation Project	The Caribbean Digital Transformation Project provides targeted financing across several Eastern Caribbean countries, including Dominica (USD 28 million), Grenada (USD 8 million), Saint Lucia (USD 2 million), and Saint Vincent and the Grenadines (USD 30 million). In addition, a regional grant of USD 8 million to support initiatives implemented through the Organisation of Eastern Caribbean States is envisaged. By strengthening digital capabilities and infrastructure, the project seeks to foster an enabling environment for sustained economic development and improved service delivery to citizens and businesses (CAF, 2025[111]).
Regional	Caribbean AI Policy Roadmap	The Caribbean Artificial Intelligence Policy Roadmap provides a guide for developing AI policy within the Caribbean context. It applies a human-centred, multi-stakeholder vision for developing standards for AI use that encompasses co-operation, human rights and sustainable development. The roadmap has six key dimensions: resiliency, governance, sustainability, transformation, upskilling and preservation (UNESCO, 2021[191]).

Key policy messages

This chapter highlights the importance of guiding investment efforts in the Caribbean towards resilience and sustainability as two fundamental policy objectives. Caribbean countries can design and implement public investment projects, engaging the private sector to improve their growth potential in a sustainable and inclusive fashion. Mainstreaming climate mitigation and adaptation policies as cross-cutting issues across government levels and agencies is key. Integrated approaches would allow the green transition to fully consider social development priorities in the green transition, while helping to reduce multi-dimensional inequalities.[9] The key policy messages below present actionable priorities to help create institutional and financial conditions for resilient and sustainable investment projects that improve citizens' safety and well-being (Box 2.14).

Box 2.14. Key policy messages

Invest in resilient development

- Prioritise investments in climate-resilient infrastructure to safeguard populations and support economic stability. Well-designed resilient assets can substantially reduce GDP losses by limiting damage to capital during natural disasters.
- Invest heavily in early warning systems and civil protection mechanisms to prevent, prepare for and reduce the economic, environmental and social impacts of extreme climate-related events.
- Promote PPPs to catalyse new sources of private expertise and finance for critical public infrastructure, while addressing key challenges related to PPPs, such as performance and impact evaluation, project preparation and sustainability, and risk management and contract monitoring. Taking advantage of initiatives such as the ONE Caribbean Project Preparation Coordination Mechanism (PPCM) could provide an impulse to the needed first steps.
- Strengthen regional and international partnerships to attract investments and mobilise resources that align the international financing agenda with regional and national priorities.

Direct investment towards strategic sectors of opportunity

- Foster the structural transformation of the region's productive sectors to support a more sustainable growth model, generate quality employment, enhance well-being and better respond to climate-related challenges.
- Promote opportunities to drive innovation, resilience and inclusive development across the region by investing in strategic sectors, including the energy transition, blue and circular economies, sustainable tourism and transport, Nature-based Solutions, creative industries and digital transformation.

Notes

[1] This estimation includes The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

[2] The Infrascope index (https://infrascope.eiu.com/about) is a benchmarking tool that evaluates the capacity of countries to identify, select, prepare, structure and execute PPP projects so as to help determine a country's capacity to implement sustainable and efficient PPPs in key sectors, including transport, energy, water and sanitation, solid waste management and social infrastructure. The index aims to help policymakers identify challenges to private sector participation in infrastructure that, if overcome, could encourage greater use and availability of PPPs and support the broader development agenda.

[3] PFP is defined as an approach or single initiative that secures important policy changes and all funding necessary to meet specific conservation goals of a programme over a defined, long-term timeframe with the ultimate aim of achieving the ecological, social, political, organisational and financial sustainability of that programme (WWF, 2021[192]).

[4] Creative industries include music, film, literature, fashion and digital content rooted in cultural expression and intellectual property.

[5] Cultural goods are products that contain artistic or creative value. They are created, produced or shared in cultural and creative sectors, such as design, craft, film, music, books, performing arts, architecture, museums and heritage. Their value comes from their cultural or artistic content, often protected by intellectual property, and they help generate jobs and innovation (OECD, 2023[193]).

[6] Productive and resilient agriculture is defined by FAO as "Resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality" (FAO, 2025[136]).

[7] Estimated broadband gap information is used to calculate the economic net benefits of digital infrastructure. The cost of installing digital infrastructure to fill the gap (in USD terms) is estimated for each Caribbean country by adding the cost of closing the gaps, which is the sum of the cost of investing in fixed broadband and mobile broadband. The cost of fixed broadband is based on an estimate of the required capital expenditure per person (from past projects), controlling for savings on cost per person from higher population density. The cost of mobile broadband is estimated as the mobile broadband investment requirement per person, multiplied by the population (see (Rosenblatt et al., 2022[173]) for methodology). To calculate the benefits of closing the digital infrastructure investment gap, the econometric model developed by (Zaballos and López-Rivas, 2012[174]) was applied.

[8] Computer science is the study of computers and their algorithmic processes. It spans multiple domains, including artificial intelligence, computer systems and networks, security, databases, human-computer interaction, vision and graphics, numerical analysis, programming languages, software engineering and computational theory. For early education, key foundational concepts include algorithms (ordered sequences of commands) and control structures (instructions that shape algorithmic behaviour, such as loops or conditional statements.

[9] The IDB Strategy+ is a commitment to address the region's vulnerabilities and unlock its potential to foster transformative social and economic progress while addressing climate change. It sets the Group's strategic direction through 2030, with biodiversity, natural capital and climate change being its main areas of focus.

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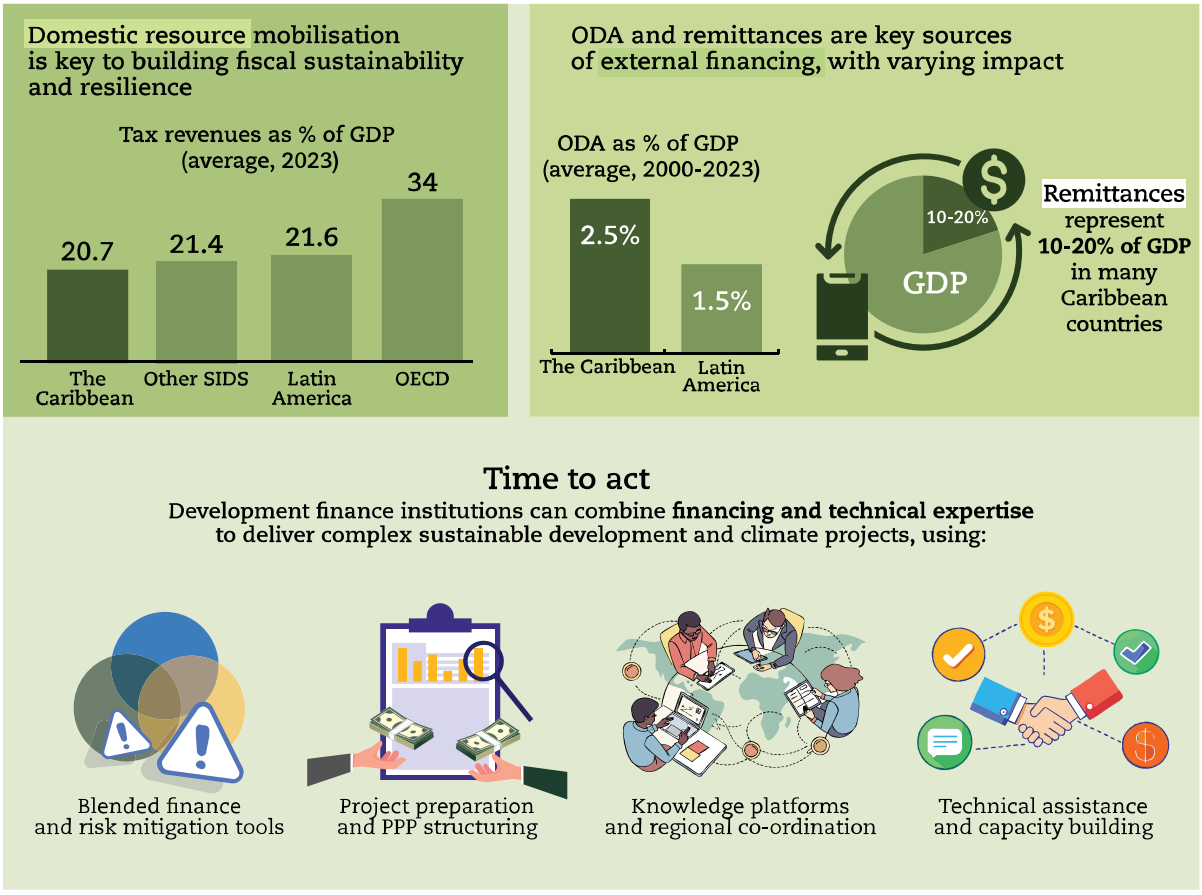
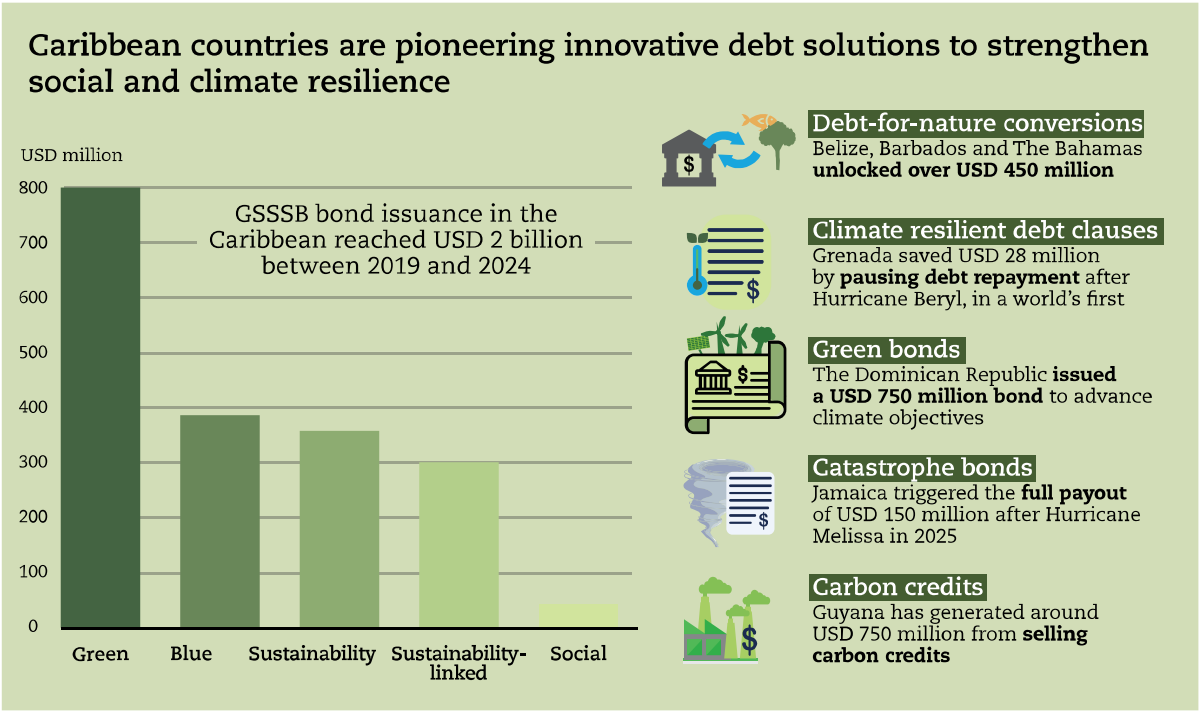
3 Promoting better financing through enhanced resource mobilisation, innovative instruments and renewed partnerships

The Caribbean faces significant investment needs to achieve its development goals. This chapter explores key strategies from diverse sources on how to mobilise finance in the Caribbean. It begins by examining how strengthening domestic resource mobilisation through fairer tax systems, rationalising tax expenditures and enhancing international tax co-operation can expand fiscal space. Sound fiscal frameworks are also essential to manage high debt levels and safeguard public investment. The chapter then discusses how mobilising private capital through deeper regional capital markets, and leveraging remittances and development assistance can help diversify financing sources. It also highlights the central role of development finance institutions in supporting project preparation, resilience building and investment efforts. Finally, it examines innovative debt and risk-financing mechanisms, which offer new opportunities to channel investment towards environmental, social and climate objectives.

Infographic 3.1. An ambitious regional investment agenda requires mobilising multiple sources of financing





Introduction

Meeting the vast investment needs of the Caribbean requires a diversified approach to financing. This chapter examines how the region can strengthen domestic and international resource mobilisation; expand access to finance through development finance institutions (DFIs); mobilise private capital via deeper regional markets and external flows, such as remittances and official development assistance (ODA) and harness innovative financial instruments.

Tax revenues remain an important source of development finance in the Caribbean. Strengthening tax systems can improve both efficiency and equity while reducing dependence on external resources. Rationalising tax expenditures, enhancing international tax co-operation and reinforcing fiscal frameworks to manage high debt levels are essential steps.

Private sector investment is essential for addressing development challenges, yet access to finance remains limited. Caribbean capital markets are small and fragmented, limiting access to long-term financing. Greater regional integration could expand investment opportunities and reduce borrowing costs. External financial flows also play a key role, including remittances and ODA. Although remittances face challenges in supporting long-term investment, they can be harnessed as an important source of development financing. ODA remains essential for the most vulnerable economies, with new metrics and frameworks being explored to enhance its effectiveness and allocation.

DFIs can help close investment gaps by combining financing with technical assistance, including support for project preparation across public investments, private ventures and PPPs, ensuring projects are well-designed, bankable and aligned with national and regional priorities. Unlocking financing requires addressing market failures through policy innovations, partnerships and new forms of collaboration between multilateral development banks (MDBs), regional development banks (RDBs), development cooperation agencies and NDBs to further scale sustainable investment.

Caribbean countries have emerged as pioneers in adopting innovative financing instruments, such as thematic bonds, debt-for-nature swaps, carbon-pricing mechanisms, contingent disaster loans and grants, and climate-resilient debt clauses. There is room for greater uptake across the region as the suitability of each instrument depends on country-specific contexts and their implications for debt sustainability. Scaling these mechanisms effectively requires substantial international financial and technical support, which can help strengthen regulatory frameworks, institutional capacity and risk management strategies in Caribbean countries. Co-ordinated regional action and knowledge sharing will be critical to achieving long-term financing goals.

Domestic resource mobilisation will be essential to finance the development agenda

Tax revenues in the Caribbean remain low with strong cross-country heterogeneity and a heavy reliance on indirect taxes

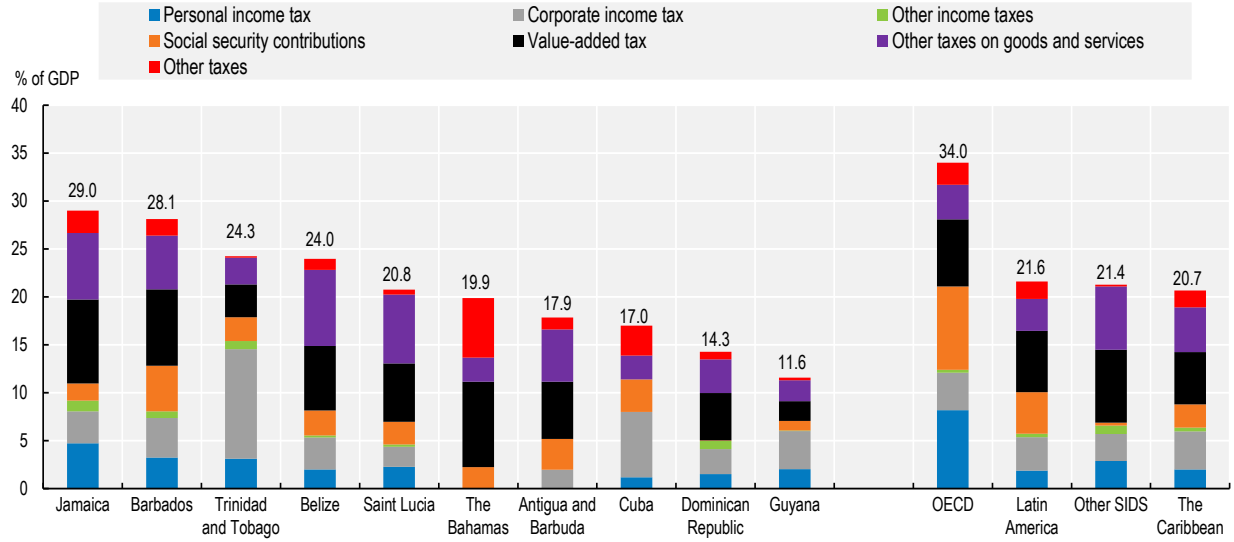
In 2023, average tax revenues in Caribbean countries were 20.7% of gross domestic product (GDP). This was slightly below the Latin American average (21.6% of GDP) and the average of other Small Island Developing States (SIDS) (21.4%), and significantly lower than the OECD average (34%) (Figure 3.1). The Caribbean average includes The Bahamas, Barbados, Belize, Cuba, the Dominican Republic, Guyana, Jamaica, Saint Lucia, and Trinidad and Tobago, the nine Caribbean countries for which comparable data are available (OECD et al., 2025[1]).

The tax structure in the region is characterised by a low contribution of direct taxes, notably personal income taxes (PIT) and social security contributions (SSCs), alongside a high reliance on indirect taxes.

This is similar to the average tax structure of other SIDS and Latin American countries, and contrasts with OECD countries (Figure 3.1). As a percentage of total tax revenue, indirect taxes – value-added tax (VAT) plus other taxes on goods and services – accounted for an average of 51% in the Caribbean. This was lower than the average of other SIDS (65%) but higher than the Latin American average of 44% and well above the OECD average of 32%. In the Caribbean, corporate income tax (CIT) comprised a higher share of total revenues than in OECD countries. On average, CIT revenues accounted for 4% of GDP in the Caribbean (20.1% of total tax revenues). This compared to 2.8% in other SIDS (14.6% of total tax revenues) and 3.3% in the OECD average (10.2% of total tax revenues), with high heterogeneity across Caribbean countries (OECD et al., 2025[1]). In Trinidad and Tobago, CIT revenues accounted for 11.4% of GDP, although this share tends to vary across years depending on the price of oil. Meanwhile, in Antigua and Barbuda, CIT revenues accounted for 2.0% of GDP; The Bahamas does not collect any revenue from CIT as of 2023.

Although SSCs remain relatively low compared to the OECD, Caribbean countries collect much higher revenues from SSCs than other SIDS. SSCs in the region average 2.3% of GDP, compared with just 0.3% in other SIDS. SSCs have become central to financing Caribbean social insurance systems as these systems have historically relied heavily on employer and employee payroll contributions to fund their contributory pillars. Early surpluses allowed the accumulation of substantial reserves, providing financial stability in the initial decades. However, demographic changes, slower economic growth and maturation of these systems have made relying solely on contributions increasingly unsustainable. Many countries are now drawing on their reserves, which are rapidly declining. Strengthening the collection, administration and enforcement of contributions is therefore critical. Compliance reforms are particularly important, given the large shadow economies in the region, which range between 25% and 45% of economic activity and constrain SSC revenue (González Velosa and Villa, 2024[2]).

Figure 3.1. Tax structure in the Caribbean, OECD, Latin America and other SIDS, 2023



Note: The Latin America average excludes Venezuela due to data issues. Due to data quality issues, Ecuador is excluded from the Latin America average for personal income tax (PIT) and corporate income tax (CIT) revenues. The OECD average is for 2022 and represents the unweighted average of the 38 OECD Member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38). Other Small Island Developing States (SIDS) represents the simple average of Cabo Verde, Cook Islands, Fiji, Kiribati, Maldives, Mauritius, Nauru, Niue, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Timor-Leste and Vanuatu.
Source: OECD et al. (2025[1]), *Revenue Statistics in Latin America and the Caribbean*, https://doi.org/10.1787/7594fbdd-en.

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Re-assessing PIT and indirect tax design in the Caribbean offers opportunities to enhance revenue and progressivity within national tax systems. Strengthening direct tax collection, particularly PIT, can boost revenues for some countries and improve the redistributive impact of tax systems. PIT performance varies widely: Jamaica, Barbados, and Trinidad and Tobago collect over 3% of GDP, while the Dominican Republic collects just 1.5%. Meanwhile, some countries, such as Antigua and Barbuda, have no PIT at all. For countries with low PIT and high indirect tax reliance, rethinking PIT design could increase both revenue and equity. Low PIT collection in the region stems from high tax relief, a narrow base limited to formal wages and significant evasion.

The region's marked heterogeneity in tax structure supports tax design that varies across countries. In many tourism-based economies, a large share of indirect tax revenue comes from tourism-related activities that fall on visitors rather than residents. Because PIT is levied only on resident workers, increasing it may not yield substantial additional revenue. In principle, people working in the tourism sector could pay PIT. In practice, however, much of this employment is informal or low wage, limiting the potential tax base (ILO, 2020[3]). Indirect tax systems should be carefully reviewed with attention to allocation of public spending. When expenditure policies are progressive, the overall fiscal system can still promote equity. Tourism-based economies should aim to maintain a streamlined structure with a limited number of indirect tax rates and a broader base, while ensuring that public spending is targeted effectively to support redistribution.

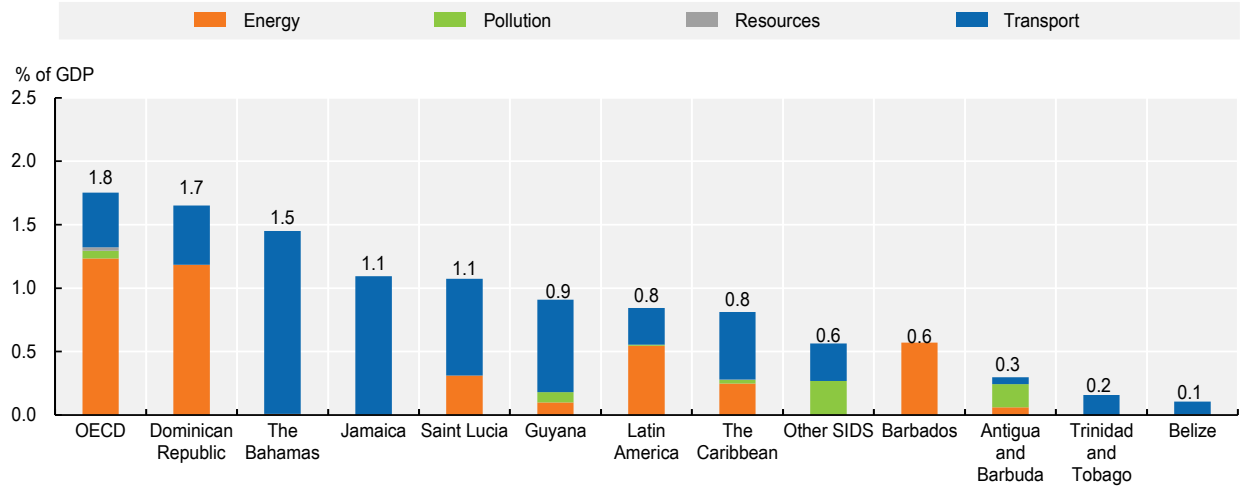
Environmentally-related taxes have also been introduced to the region, with levels above other SIDS

CO_2 emissions from the Caribbean region remain close to zero. Caribbean countries are committed to increasing their share of renewable energy to enhance the reliability of their energy systems. As a result, policy efforts have focused more on climate change adaptation than on mitigation.

Environmentally-related tax revenues (ERTR) in the Caribbean reflect the region's focus on climate change adaptation rather than mitigation. Unlike other SIDS that rely on pollution taxes, the Caribbean relies extensively on transport and energy taxes. Overall, the Caribbean slightly outperforms other SIDS in ERTR, with an average of 0.8% of GDP in 2023 – similar to Latin America (0.8%) and higher than other SIDS (0.6%), but still below the OECD average of 1.8% (Figure 3.2).

Within the Caribbean, ERTR variation across countries is significant, ranging from 1.7% of GDP in the Dominican Republic to just 0.1% in Belize. While most Caribbean nations rely mainly on transport taxes for ERTR, Barbados and the Dominican Republic depend more on energy taxation, generating 0.6% and 1.2% of GDP, respectively. This contrasts with the ERTR structure in other SIDS, which relies heavily on pollution taxes – an instrument rarely used in the Caribbean, aside from limited application in Guyana, and Antigua and Barbuda. In the Caribbean, the most common instruments are vehicle- and travel-related levies, followed by fuel and hydrocarbon taxes, although only the Dominican Republic and Guyana have introduced fuel or carbon taxes.

Figure 3.2. Environmentally-related tax revenues by main tax base in Caribbean countries, 2023



Note: The Caribbean average represents the unweighted average of nine Caribbean countries. The figure does not include Jamaica's revenues from the special consumption tax on petroleum products (estimated to be more than 2.0% of GDP in 2018), as the data are unavailable. The OECD average represents the unweighted average of 37 OECD Member countries, excluding Costa Rica.
Source: OECD et al. (2025[1]), *Revenue Statistics in Latin America and the Caribbean*, https://doi.org/10.1787/7594fbdd-en.

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Rationalising and improving the design of tax expenditures, especially CIT incentives and VAT exemptions, can contribute to stronger and fairer tax systems

Tax expenditures are one of the main reasons behind relatively narrow tax bases in the Caribbean (Reyes-Tagle, Ruprah and Baca Campodónico, 2024[4]; Ding et al., 2020[5]). The strong reliance on tax incentives in some small Caribbean economies – where these incentives represent an important share of overall tax expenditures – reflects their structural conditions. Limited domestic markets, high vulnerability and narrow production structures make attracting foreign direct investment essential. Given their similar tourism offerings and the small scale of their economies, some of these countries grant incentive packages such as CIT or VAT exemptions and customs duties to avoid losing potential investment to neighbouring jurisdictions. For many small island economies, these incentive schemes operate alongside citizenship-by-investment (CBI) programmes. These are important sources of external revenue that help compensate for low domestic tax yields. Although tax incentives can support investment and provide necessary financing if well designed, evidence shows that their long-term effects on investment, growth and employment is often modest, while their fiscal costs can be considerable (Van Parys, 2012[6]; Ding et al., 2020[5]). Caribbean countries have scope to rationalise these instruments. Negative externalities make unilateral reductions of tax expenditures difficult, so stronger regional co-ordination is needed to harmonise their use and address collective action problems (Ding et al., 2020[5]).

Total tax expenditures across all types of taxes in the Caribbean have resulted in significant foregone revenue. In 2023, they amounted to 4.6% of GDP in the Dominican Republic (0.6% from CIT and 2.5% from general consumption taxes) and 2.9% of GDP in Jamaica in 2022 (0.1% from CIT and 1.1% from general consumption taxes), representing substantial shares of government tax revenues (CIAT, 2025[7]). In Suriname, tax expenditures exceeded 6.5% of GDP in both 2019 and 2021, with import duty and sales tax concessions each accounting for nearly 45% of the total (Reyes-Tagle, Ruprah and Baca Campodónico, 2024[4]). In the Eastern Caribbean Currency Union – comprising Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines – total foregone revenue averaged an estimated 5.8% of GDP in 2010-2018, equivalent to about 21% of total tax

revenue (Ding et al., 2020[5]). As tax expenditure benchmarks differ from one country to another, comparing revenue foregone across countries can be challenging.

Corporate income tax incentives

Corporate tax incentives are widely used in the Caribbean. These help countries in the region attract foreign direct investment (FDI), promote export-oriented industries, create jobs, facilitate technology transfer and diversify economies that are reliant on a narrow range of sectors (Agostini and Jorrat, 2013[8]; ECLAC/OXFAM International, 2020[9]; James, 2020[10]; Artana and Templado, 2015[11]). Some of these incentives are also designed to encourage investment in digitalisation, green technologies and emerging industries, thereby supporting long-term competitiveness and sustainable development. They can reduce the cost of capital, enabling governments to support export manufacturers and free-zone firms that generate employment, foreign exchange and stronger linkages with the domestic economy. Corporate tax incentives also provide some governments in the region with a flexible policy tool to promote specific sectors or policy objectives – such as housing, technology, rural development and green energy – without raising general tax rates or altering broad tax bases.

However, corporate tax incentives often entail high costs and offer limited effectiveness (IMF, OECD & World Bank, 2025[12]). Research on the Caribbean region shows that, in some cases, these can further narrow already limited tax bases – constrained by widespread informality in some Caribbean countries – reduce fiscal transparency, foster corruption, create inequities, undermine competition and fail to guarantee the attraction of FDI (Gupta, 2018[13]; Reyes-Tagle, Ruprah and Baca Campodónico, 2024[4]). CIT incentives can also reduce fiscal revenue, create windfall gains, distort markets and favour certain sectors or regions, potentially displacing more productive investments (OECD, Forthcoming, 2025[14]; James, 2020[10]).

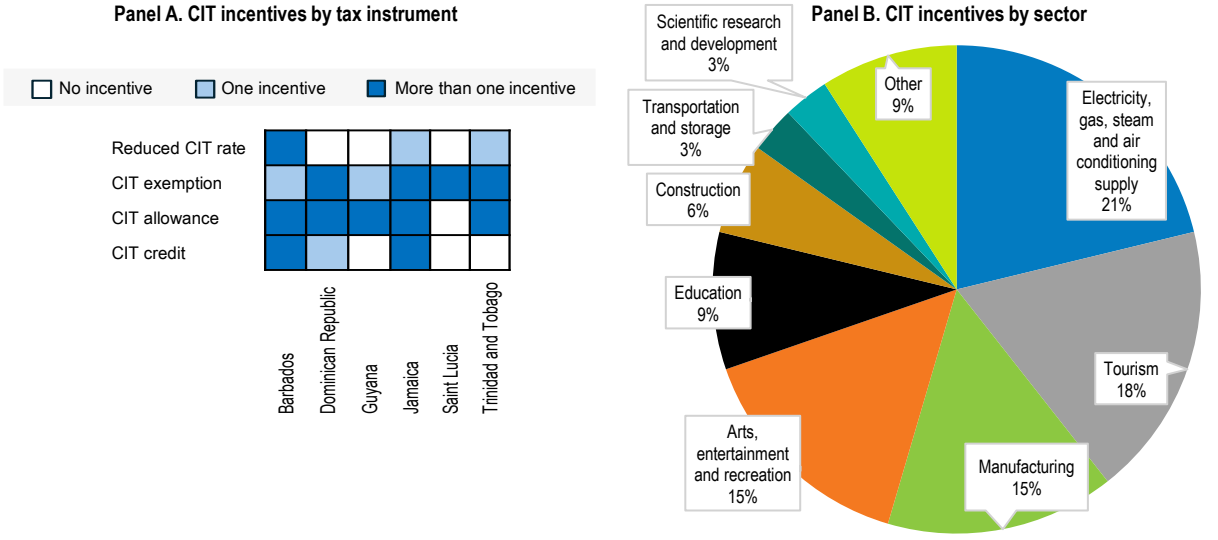
Evidence suggests that other factors in the investment climate can be more influential than CIT incentives. Favourable investment climates can significantly amplify the impact of tax incentives, with studies showing up to eightfold greater effectiveness in such contexts (James, 2020[10]; IMF et al., 2015[15]). They may undermine tax equity by benefiting larger, well-connected firms over smaller ones and increase administrative burdens for both authorities and businesses, reducing transparency (Zolt and Schill, 2015[16]). Careful cost-benefit analysis is therefore essential, placing incentives within broader investment-promotion strategies (World Bank Group, 2020[17]; IMF et al., 2015[15]; IMF, OECD & World Bank, 2025[12])**.**

CIT exemptions and allowances are a common form of corporate tax incentives in the Caribbean (Figure 3.3, Panel A). Across six selected Caribbean countries, CIT exemptions vary in duration, but are generally designed to provide long-term investment incentives, typically ranging from 5 to 15 years, with some special programmes extending longer. For example, exemptions for approved tourism projects in some Caribbean countries last up to 10 years, while others grant 15-year exemptions that may be extended by ministerial order. The Dominican Republic offers 15-20-year CIT exemptions for tourism and cinema projects (Gascon et al., Forthcoming[18]). In Guyana, pioneering industries may benefit from exemptions of up to 10 years, sometimes extended in exceptional cases. CIT allowances are also widely used and often take the form of accelerated depreciation and enhanced deductions. For instance, Trinidad and Tobago provides 150% allowances for technology start-ups, energy efficiency and property development, while Saint Lucia targets education, and research and development (R&D). Good practice for CIT incentives prioritises expenditure-based instruments (e.g. accelerations, allowances, credits) over income-based instruments (e.g. CIT exemptions, reduced CIT rates) as the former have been shown to encourage investment with lower revenue losses (OECD, Forthcoming, 2025[14]; Gascon et al., Forthcoming[18]).

Among Caribbean countries that apply sector-specific conditions, corporate tax incentives primarily target the electricity, tourism, manufacturing, and arts and entertainment sectors (Figure 3.3, Panel B). The electricity sector is targeted by multiple incentives, most of which relate to renewable energy; for instance, four out of seven incentives in the six selected countries focus on renewables, all three electricity-related

incentives in Barbados support renewable energy and one out of four in Trinidad and Tobago does so. In Barbados, measures include a 150% deduction of energy audit costs (up to BBD 25 000 per year for five years) (≈ USD 12 500), a 50% deduction for retrofitting or renewable energy systems, a 150% CIT credit for interest on loans, staff training, marketing and R&D for 10 years and a 10-year income tax exemption for developers, manufacturers and installers involved in renewable energy generation and sale. Tourism is also widely targeted: in the Dominican Republic, tourism projects benefit from a 100% CIT exemption and a 20% tax allowance, while in Saint Lucia approved tourism investments may obtain a CIT exemption of up to 100% for 15 years. Manufacturing is targeted in the Dominican Republic through a permanent 100% CIT exemption for the textile industry and the arts and entertainment sector is also heavily incentivised, ranging from exemptions and tax credits in the Dominican Republic for new filming or recording studios and cinemas to CIT allowances for production companies in Trinidad and Tobago. In several cases, countries target the same sector with multiple incentives and such overlapping sectoral targeting suggests that countries could benefit from streamlining their incentive policies.

Figure 3.3. CIT incentives in selected Caribbean countries, 2025



Note: The list of corporate tax incentives by country is non-exhaustive. CIT= corporate income tax. Panel B: The International Standard Industrial Classification (ISIC) of All Economic Activities, Rev. 4, was used to classify CIT incentives. Only CIT incentives with a sectoral condition are included. Within the "Other" category, Trinidad and Tobago has one incentive for activities of households as employers and undifferentiated goods- and services-producing activities of households for own use, and one for financial and insurance activities; the Dominican Republic has one incentive for waste management. The "Scientific research and development" category includes a single sector-specific incentive from Barbados, which applies only to R&D expenditures in specific industries, such as medical sciences, engineering and technology, natural sciences and financial technology. R&D incentives are granted by other countries but are economy-wide and therefore not included in this sector-specific grouping.
Source: Authors' own elaboration based on (PwC, 2025[19]; Gascon et al., Forthcoming[18]).

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Special economic zones (SEZs) and special development areas are also widely used. Five of the six countries analysed have incentives for SEZs or special development areas (Barbados, the Dominican Republic, Jamaica, Saint Lucia, and Trinidad and Tobago). Jamaica, for instance, offers two CIT exemptions for urban development projects in these areas or for approved large-scale or pioneer industries. In Saint Lucia, projects located in designated development zones benefit from up to 15 years of exemptions under the Special Development Areas Act. Trinidad and Tobago applies a reduced CIT rate for SEZ operators. In the right context SEZs can provide net benefits, but they can be costly and create

domestic frictions. Evidence shows mixed results: while they can generate agglomeration and spillover benefits, they may also strain public finances, distort competition, encourage profit shifting, and risk creating a dual economy (Gascon et al., Forthcoming[20]).

Key policy objectives central to sustainable development are also targeted by several incentives: these include technology and innovation, R&D and small and medium-sized enterprise (SME) support. Some Caribbean countries are embracing digitalisation, with governments offering tax incentives to encourage technology adoption. For instance, Barbados offers the Productivity and Innovation Credit, which provides a 25% CIT credit for certified innovation expenditures, while Jamaica grants tax credits for IT infrastructure upgrades under the Digital Jamaica Initiative. In Trinidad and Tobago, tech start-ups and digitalisation initiatives benefit from 150% CIT allowances for both property development and employee training. In R&D, Trinidad and Tobago provides 140% CIT allowances for qualifying R&D expenditures and Guyana offers tax deductions for scientific research and accelerated depreciation on qualifying assets. SME support is also targeted: Barbados applies a reduced CIT rate and a CIT credit for micro, small, and medium enterprises (MSMEs), and Jamaica provides a non-refundable JMD 375 000 (USD 2 350) credit. If well designed, sustainability-policy-oriented incentives can help Caribbean businesses modernise their operations and strengthen long-term competitiveness and sustainable development.

General consumption tax expenditures and others

Consumption tax expenditures in the Caribbean primarily take the form of VAT exemptions. These exemptions are commonly used to stimulate tourism, housing and energy-related activities. For instance, Saint Lucia provides VAT exemptions on construction materials and equipment for approved tourism projects under the Tourism Incentives Act, while Jamaica offers VAT relief through the Productive Inputs Relief (PIR) programme for manufacturing, agriculture and tourism. In the Dominican Republic, approved tourism developments benefit from VAT exemptions under the Tourism Development Incentives (PwC, 2025[19]).

In addition to consumption tax expenditures, Caribbean countries employ a range of other tax incentives, including foreign trade and property tax expenditures. Foreign trade tax expenditures typically take the form of customs duty exemptions and other import-related relief, reducing the cost of imported goods used for production or investment. For example, The Bahamas provides customs duty exemptions for materials and equipment used in hotels and industrial projects through the Hotel Encouragement Act and Industries Encouragement Act, while Guyana, Barbados, and Trinidad and Tobago offer similar exemptions on imported machinery, plant and raw materials across multiple sectors. Property tax expenditures, on the other hand, includes real property tax exemptions, reduced income tax rates and sector-specific allowances. For example, The Bahamas grants up to 20-year property tax exemptions for approved tourism and industrial developments, Saint Lucia provides property tax relief under its Special Development Areas Act and Jamaica offers property and transfer tax exemptions under the Urban Renewal (Tax Relief) Act (PwC, 2025[19]).

Reforming the design of tax expenditures can enhance their effectiveness

To improve their effectiveness, incentive policies should be guided by clear objectives and sound design from the outset. Incentives must be based on a well-defined rationale, supported by ex-ante assessments of expected benefits, costs and potential unintended consequences. Clear, measurable and stable eligibility criteria – meaning rules that are predictable, consistent over time and not subject to frequent discretionary changes – combined with citizen engagement and transparent reporting can help build trust and strengthen tax morale. Regular evaluation and publication of tax expenditures, together with parliamentary ratification, Ministry of Finance oversight and effective inter-agency co-ordination, can ensure that incentives remain fit for purpose, transparent and well-targeted (Gascon et al., Forthcoming[18]; OECD, Forthcoming, 2025[14]).

International tax co-operation in the Caribbean will be essential for enhancing domestic resource mobilisation

International tax co-operation can be an important tool to increase domestic resource mobilisation. Tax evasion by high net-worth individuals, alongside base erosion and profit shifting (BEPS) by corporations, can significantly erode a country's tax base. Caribbean jurisdictions have made progress in adopting international tax transparency standards, especially through their participation in the Global Forum on Transparency and Exchange of Information for Tax Purposes, which has 23 Members from the region. This includes initiatives like the automatic exchange of financial information, capacity-building programmes and legal reforms on beneficial ownership. For example, Trinidad and Tobago's efforts resulted in its removal from the European Union (EU) list of non-cooperative tax jurisdictions, following a decision by the Economic and Financial Affairs Council of the EU on 17 February 2026 (EEAS, 2025[21]). However, challenges remain in several Caribbean countries to ensure effective implementation and enforcement of these standards across all jurisdictions (OECD, 2023[22]; OECD, 2023[23]).

The region is also engaged with the OECD/G20 Inclusive Framework, which supports countries in tackling BEPS and developing global reforms such as the Two-Pillar Solution. This initiative is particularly relevant in the region, given the high reliance on corporate tax revenues in many Caribbean jurisdictions, coupled with tax incentives that erode the corporate tax base described above. The widespread adoption of the global minimum corporate tax (GMT) under Pillar Two of the Two-Pillar Solution could help neutralise harmful tax competition and enhance corporate tax revenues (OECD, 2022[24]).

Essentially, the GMT provides for an interlocking set of rules that requires large multinational enterprises (MNEs) to pay a minimum effective tax rate of 15%. This effectively neutralises tax incentives that provide for lower effective tax rates (ETR) on corporate profits wherein the source jurisdiction does not tax profits and therefore another jurisdiction where the MNE operates can now, following GMT rules, impose a top-up tax.. Under these rules, the source jurisdiction may collect the tax first through a domestic minimum tax. GMT encourages developing countries not to resort to corporate tax incentives to the extent that the ETR becomes lower than 15%, thus, increasing their tax revenue without harming their ability to attract FDI.

Already, more than 50 jurisdictions worldwide have implemented GMT rules, including countries that invested significantly in the Caribbean (e.g. Canada, the United Kingdom and many EU states). In the Caribbean, The Bahamas, Barbados and Curaçao have implemented GMT rules. Because the application of the GMT will affect the operation of tax incentives, Caribbean governments are encouraged to re-assess them and align domestic policies with these international reforms.

In parallel, Caribbean governments are exploring the introduction of transfer pricing rules in line with international standards. Transfer pricing – which relates to the prices at which goods, services and intangibles are transferred between related parties – has been used to shift profits from high to low tax jurisdictions. Caribbean governments are aware that subsidiaries of multinational groups could pose transfer pricing risks and have expressed interest in exploring transfer pricing regimes. Six jurisdictions have implemented or are implementing transfer pricing rules in domestic legislation (Antigua and Barbuda, Barbados, Guyana, Jamaica, Saint Lucia, Suriname). A survey of jurisdictions in the region revealed that agriculture, banking and finance, and tourism are included in the main industries relevant for transfer pricing rules. Additionally, four respondents identified oil, gas and other extractive industries as another key area where these rules play an important role. To support transfer pricing, countries need capacity building such as bespoke technical assistance, peer-to-peer learning and programmes like the OECD/United Nations Development Programme (UNDP) Tax Inspectors Without Borders initiative (Box 3.1).

Box 3.1. Caribbean Tax Outreach Programme

On 22-26 July 2024, the 26th Caribbean Organisation of Tax Administrators (COTA) General Assembly and Technical Conference took place. It was co-organised by the Caribbean Community (CARICOM) Secretariat with the Government of Saint Lucia under the theme "Tax Resilience in a Rapidly Changing Global Environment". The event welcomed representatives from CARICOM Member States and Associate Members, international organisations and regional tax organisations to discuss an array of tax topics, such as the new international tax agenda, modernisation of the tax administration and updating of the CARICOM Double Taxation Agreement. The CARICOM Secretariat concluded the event with a regional roundtable in which jurisdictions and development partners outlined challenges faced by Caribbean tax administrations and the capacity building required to tackle them.

In response, development partners have offered a regional outreach programme to build tax capacity in the Caribbean with a view to enhancing domestic resource mobilisation. The initiative is led by CARICOM/COTA with the collaboration of the Commonwealth Association of Tax Administrators, the Inter-American Center of Tax Administrations (CIAT), the International Monetary Fund/Caribbean Regional Technical Assistance Centre (IMF/CARTAC), the Organisation for Economic Co-operation and Development (OECD) and the World Bank Group.

In March 2025, development partners hosted a two-day Virtual High-Level Seminar on International Tax Developments in the Caribbean, exploring topics such as corporate tax, tax and crime, transformation of the tax administration, OECD/G20 Inclusive Framework updates and regional tax priorities. This event gathered 148 participants from 20 Caribbean jurisdictions. Similarly, in June 2025, another two-day virtual workshop showcased the fundamentals and benefits of introducing transfer pricing in the region, the Caribbean's transfer pricing journey, issues related to the tourism industry, tax administration considerations and capacity-building support. The workshop, which brought together 307 participants from 18 Caribbean jurisdictions, benefited from the experiences of Antigua and Barbuda, Barbados, Grenada, Guyana, Jamaica, Saint Lucia and Suriname on their challenges with transfer pricing rules.

Development partners in the region hope the initiative continues to synchronise capacity-building efforts and strengthens the Caribbean's voice in wider international tax fora. In response to the high demand for capacity building on tax issues, they anticipate holding a series of webinars and in-person events geared to the needs and priorities of tax administrators and policymakers in the region.

Source: OECD (2024[25]), *Regional Tax Outreach*, https://www.oecd.org/en/topics/sub-issues/tax-capacity-development-and-outreach/regional-tax-outreach.html.

Strengthening tax morale in the region requires building a more transparent, accessible and trusted fiscal system

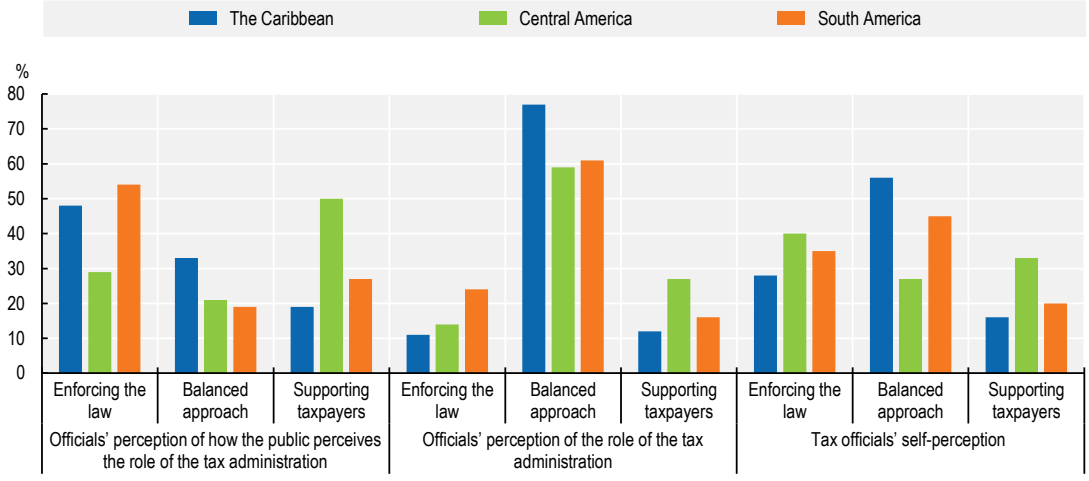
Beyond technical reforms, tax morale – the willingness of individuals to pay taxes – is a critical determinant of how well a tax system performs. In many countries with persistently low compliance, weak tax morale contributes to underperforming systems that recover significantly less revenue than their potential (OECD, 2019[26]). Strengthening tax morale in the Caribbean could reduce evasion and enhance revenue collection, but it requires addressing deeper governance challenges, including low public trust in institutions. Trust is the foundation of the fiscal contract: citizens are more likely to pay taxes when confident that revenues fund essential public services. When trust diminishes, compliance suffers, undermining fiscal capacity and the government's ability to invest in infrastructure, education, healthcare and other key enablers of economic transformation (OECD et al., 2022[27]). The Initiative to Promote Fiscal Justice in Latin America and the Caribbean, led by the Spanish Agency for International Development Co-operation (AECID) in

collaboration with partners, such as the OECD, the United Nations Economic Commission for Latin America and the Caribbean, and Oxfam, has been instrumental in advancing the tax morale agenda. One key outcome is the development of surveys such as *Public Trust in Tax 2024 – Latin America and Beyond* (IFAC/ACCA, 2024[28]), which covers 26 countries across Latin America, Africa and Asia. The survey shows that in 2023, 52.4% of Dominicans did not feel their public services and infrastructure represent a fair return on the taxes they pay. Some 35.6% viewed paying taxes as a personal cost rather than a contribution to the community (IFAC/ACCA, 2024[28]). Extending such initiatives to other Caribbean jurisdictions would provide valuable insights into how citizens view taxation in theory and in practice.

A deeper understanding of tax administrators' perceptions is also fundamental for analysing tax morale in the region. It provides the perspective of public officials who are in constant, direct contact with citizens, offering insights that are essential for strengthening trust and improving compliance. A survey of more than 8 000 tax officials across 11 LAC countries, including 260 tax administrators from six Caribbean economies (Dominica, the Dominican Republic, Grenada, Jamaica, Saint Kitts and Nevis, and Saint Lucia) shows that tax administrations in the Caribbean continue to face persistent challenges, including high informality, low institutional trust and limited fiscal education. Despite these constraints, notable progress is emerging in staff professionalisation and a growing commitment to equity. This suggests that – with well-targeted reforms – Caribbean tax administrations have the potential to become stronger drivers of reduced inequality and enhanced voluntary compliance (OECD, Forthcoming[29]).

There is a gap between how the public views tax administrators' enforcement focus and how tax officials see their own role. Some 48% of Caribbean tax officials believe the public sees tax agencies as focused primarily on law enforcement, while only 19% view them as supporting taxpayers (Figure 3.4.). This contrasts with Central America and South America, where tax administrators believe the public views tax agencies as more supportive of taxpayers – 50% in Central America and 27% in South America. Tax officials themselves report a more balanced perception between enforcement and taxpayer assistance. This suggests that the agency's external image remains tied to its enforcement role, revealing a mismatch between internal and public perceptions. Bridging this gap may be key to strengthening public trust and encouraging greater taxpayer co-operation (OECD, Forthcoming[29]).

Figure 3.4. Tax officials' perceptions of the role of the tax administration, by region, 2024



Source: (OECD, Forthcoming[29]).

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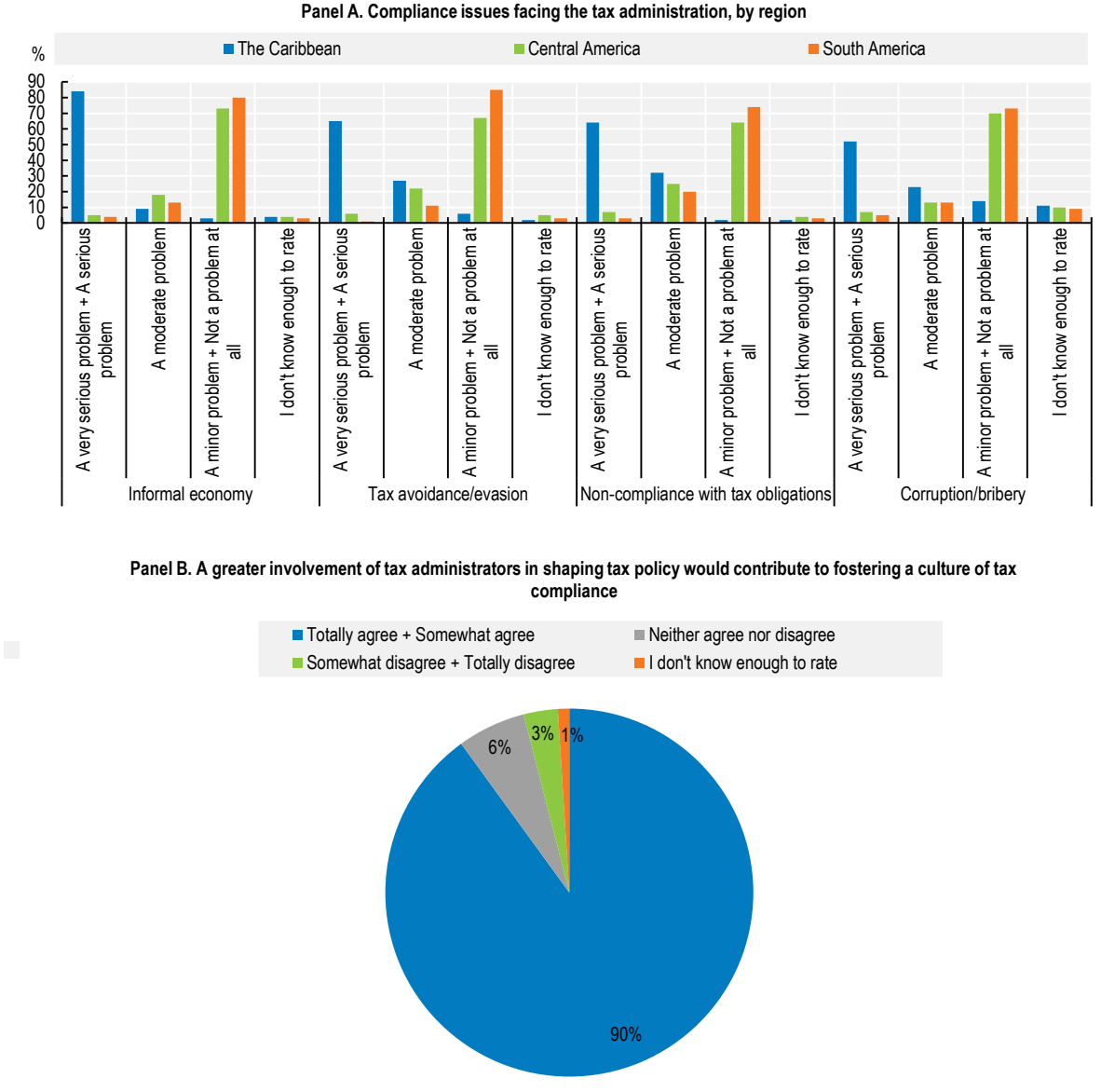
Tax administrations in the Caribbean face compliance challenges, with root causes perceived by tax officials in the region as more severe than in Central or South America. The informal economy, tax avoidance, non-compliance with tax obligations, and corruption are widely viewed as very serious drivers of non-compliance, whereas tax officials in Central and South America typically consider these issues to be moderate or minor concerns (Figure 3.5, Panel A). The informal economy stands out as the most pressing challenge: some 84% of Caribbean officials rate it as serious or very serious, compared to just 5% of tax administrators in Central America and 4% in South America. Yet only 36% of Caribbean officials consider current measures to combat informality effective. Tax evasion is likewise viewed as a major problem by 65% of officials – far higher than in Central America (6%) and South America (1%). Notably, 78% believe that existing anti-tax evasion measures are effective. These contrasting perceptions highlight the need for more granular, issue-specific policy design rather than broad or generalised reforms (OECD, Forthcoming[29]).

Figure 3.5. Compliance issues facing tax administrations in Caribbean countries, 2024



Source: (OECD, Forthcoming[29]).

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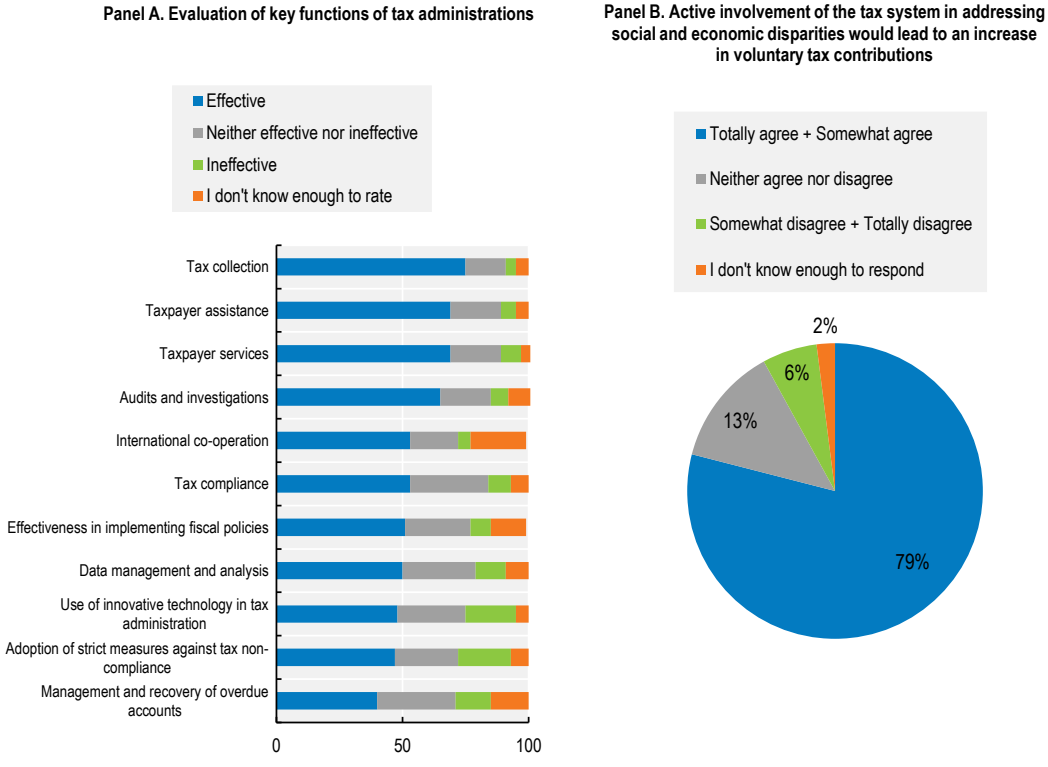
There is also strong consensus that strengthening voluntary compliance requires a greater role for tax administrations in policymaking, with 90% of officials agreeing that a more integrated and technically informed involvement in tax policy design would significantly enhance compliance (Figure 3.5, Panel B). Caribbean tax administrators view education as the central strategy for strengthening the formal economy and promoting compliance. Officials emphasise expanding tax education programmes – alongside greater transparency and citizen participation – as essential for building trust and supporting voluntary compliance. For informal workers, preferred approaches are explaining the benefits and obligations of taxation and simplifying procedures. This signals a preventive and inclusive strategy rather than reliance on sanctions. Tax officials also place strong emphasis on integrating tax education into school curricula. Other outreach tools, such as media campaigns and institutional visits, are seen as secondary, underscoring the importance of shaping tax attitudes from an early age (OECD, Forthcoming[29]).

Caribbean tax administrators believe they perform well in core functions but face persistent challenges and that this limits their broader effectiveness and equity goals. Officials reported strong performance in revenue collection and taxpayer services, yet note weaknesses in enforcement, technological capacity and cross-border collaboration (Figure 3.6, Panel A). They also acknowledged that current efforts tend to prioritise revenue generation over redistribution and fairness. At the same time, there is broad recognition of the need for reforms that reduce inequality and improve social welfare, with 79% of officials agreeing that tax reforms aimed at addressing socio-economic disparities would strengthen voluntary compliance (Figure 3.6, Panel B). Tax administrators increasingly view their role as promoting social equity and enhancing co-ordination, education and stakeholder engagement; however, initiatives related to gender equality and support for marginalised groups remain fragmented and underdeveloped. Overall, there is a need for a more coherent and integrated framework that advances fairness, inclusion and sustainable compliance across the region (OECD, Forthcoming[29]).

Figure 3.6. Evaluation of tax administrations' key functions in Caribbean countries, 2024



Source: (OECD, Forthcoming[29]).

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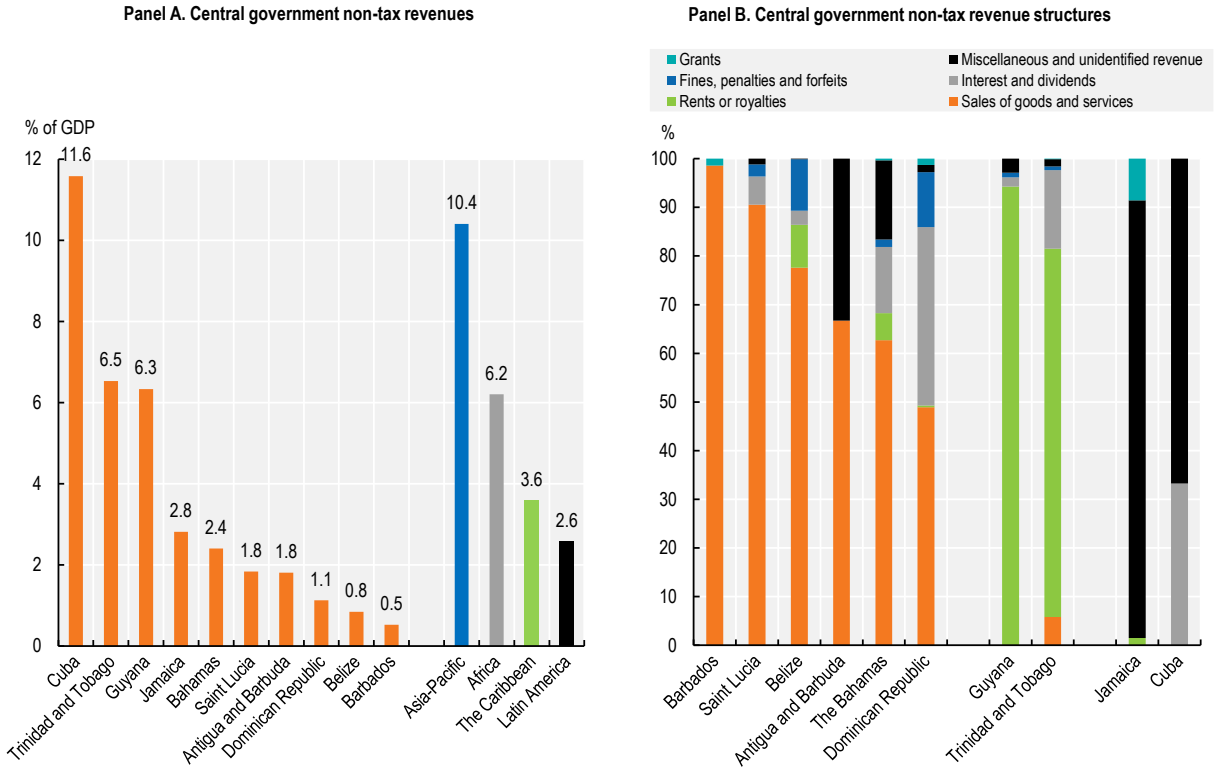
Looking forward, strengthening tax morale in the Caribbean will require building a more transparent, accessible and trusted fiscal system. To this end, it is essential to expand tax awareness and education, recognising that informed taxpayers are more likely to comply voluntarily and engage constructively with the tax system. Simplifying tax procedures and reducing administrative burdens are also critical to promoting formalisation and improving operational efficiency. Equally important is strengthening institutional confidence through greater transparency and accountability. At the policy level, clearer communication on how tax revenues translate into public services can help reinforce the relationship between tax administrations and citizens. Investing in human capital and modern digital systems is also key, reflecting the need for well-trained staff and technologically advanced administrations. Finally, multi-sectoral collaboration – with academia, the private sector and civil society – is vital for designing more effective and inclusive reforms that foster long-term trust and compliance across the region (OECD, Forthcoming[29]).

Caribbean countries rely significantly on non-tax revenues, deriving them mostly from rents, royalties and sales of goods and services

Non-tax revenues are a significant component of public finances in the Caribbean. They vary widely across countries and reflect structural differences between service-oriented and resource-exporting economies. On average, Caribbean non-tax revenues accounted for 3.6% of GDP in 2023, higher than Latin America (2.6%), but lower than in the Asia-Pacific region (10.4%) and Africa (6.2%) (Figure 3.7, Panel A). There is considerable heterogeneity within the Caribbean, ranging from 0.5% in Barbados and 0.8% in Belize (Government of Belize, 2024[30]) to 6.5% in Trinidad and Tobago, and 11.6% in Cuba. For service-oriented countries, such as Barbados, Saint Lucia, and Antigua and Barbuda, non-tax revenues come mainly from the sale of goods and services (99%, 91% and 67%, respectively). In these three countries, citizenship-by-investment (CBI) programmes also play a key role. By contrast, in resource-oriented economies, such as Guyana, and Trinidad and Tobago, non-tax revenues stem primarily from rents and royalties on natural resources (96% and 76%, respectively, in 2023). In other cases, such as Jamaica and Cuba, the structure differs markedly from the rest of the Caribbean.

Non-tax revenues from grants provided by non-resident governments or international organisations are relatively low compared with those in other regions. On average, grants in the Caribbean contribute only 1.2% of total tax revenues, compared with 28% in Africa and 22% in the Asia-Pacific region. Only Jamaica exceeds 2% of total tax revenues from grants, contributing 8.6%, while other countries remain below 2%: Barbados at 1.4% of GDP, the Dominican Republic at 1.3%, The Bahamas at 0.3%, and Trinidad and Tobago at 0.1% (Figure 3.7, Panel B). In the Asia-Pacific region, grants represented a substantial share of non-tax revenues in countries such as Bhutan, Cambodia, Cook Islands, Marshall Islands, Papua New Guinea and Samoa.

Figure 3.7. Central government non-tax revenues in Caribbean countries, 2023



Note: Figures for Belize and Cuba refer to general government non-tax revenues as disaggregation by government level is not available and thus may not be comparable with other countries. The Latin America average represents a simple average for 11 countries with non-tax revenue data excluding the four OECD Member countries (Chile, Colombia, Costa Rica and Mexico). The Africa average represents a simple average of 35 African countries reporting non-tax revenue data to Revenue Statistics in Africa. The Asia-Pacific average represents a simple average of 21 Asia-Pacific economies reporting non-tax revenue data to OECD's Revenue Statistics in Asia and the Pacific, excluding Tokelau due to data issues.

Source: OECD et al. (2025[1]), Revenue Statistics in Latin America and the Caribbean, https://doi.org/10.1787/7594fbdd-en.

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CBI programmes have become an important revenue source for several Caribbean countries, supporting sustainable national development in some cases and helping others repay debt or strengthen fiscal positions. Government-run, CBI arrangements grant citizenship and a passport to foreign investors in exchange for contributions to the economy through approved investment channels. Caribbean countries, such as Antigua and Barbuda, Saint Kitts and Nevis, Grenada, Dominica and Saint Lucia, have implemented CBI programmes. Required investments range from USD 200 000 in Dominica to USD 250 000 in Saint Kitts and Nevis (Table 3.1). Processing times vary from 90 days in Dominica to six to nine months in Antigua and Barbuda, and Grenada. Most programmes do not require applicants to reside in the country. For most countries, investment options include national development funds and real estate acquisition. Only Saint Lucia offers investment in government bonds, and Antigua and Barbuda, and Saint Lucia allow business investment. Some CBI programmes offer investment options that support sustainable development objectives. In Dominica, for example, the Economic Diversification Fund (EDF) finances social infrastructure, climate resilience projects and hurricane recovery. CBI revenues have also helped improve fiscal sustainability in the region. Saint Kitts, Antigua and Grenada used proceeds to repay International Monetary Fund (IMF) loans, with Grenada reducing its debt from 103% to 60% of GDP between 2013 and 2019. The IMF credited inflows to Saint Kitts with supporting debt restructuring, economic growth and the buildup of fiscal buffers essential for small states (Surak, 2024[31]).

Table 3.1. Main features of CBI programmes in Caribbean countries, 2024

Country	Processing time	Required length of stay	Minimum investment (USD)	Investment options	Due diligence measures
Antigua and Barbuda	6-9 months	5 days	230 000	– Donation to the National Development Fund (NDF) – Real estate acquisition – Business investment – Contribution to the University of the West Indies Fund	– Regulated by Citizenship by Investment Act – Introduction of mandatory interviews – Certainty of Product due to adherence to the 2023 Memorandum of Agreement (MoA) among Caribbean nations
Saint Kitts and Nevis	3-6 months	0 days	250 000	– Sustainable Island State Contribution (SISC) – Investments in public benefit projects – Government-approved real estate acquisitions	– Certainty of Product due to adherence to the 2023 MoA among Caribbean nations
Grenada	6-9 months	0 days	235 000	– Donation to the National Transformation Fund (NTF) – Investment in approved real estate developments	– Regulated by Grenada Citizenship by Investment Act – Certainty of Product due to adherence to the 2023 MoA among Caribbean nations
Dominica	90 days	0 days	200 000	– Economic Diversification Fund (EDF) – Invest in government-approved real estate	– Interviews and a multi-layered background check – Certainty of Product due to adherence to the 2023 MoA among Caribbean nations
Saint Lucia	3-6 months	0 days	240 000	– Donation to the National Economic Fund (NEF) – Investment in real estate – Government bonds – Enterprise projects	– Certainty of Product due to adherence to the 2023 MoA among Caribbean nations

Source: Authors' own elaboration based on Global Intelligence Unit (2025[32]), *Global Residency and Citizenship by Investment Report: Full Report*, https://www.globalcitizensolutions.com/intelligence-unit/reports/global-rcbi-report/global-rcbi-report-full-report/#the-cbi-index-where-to-secure-a-second-citizenship.

While CBI programmes can mobilise investment for certain sectors, this is typically short term, which limits their broader economic impact. Applicants overwhelmingly favour donations or real estate, often opting for the cheapest short-term option. Such an approach treats contributions as upfront fees rather than long-term investments – a pattern reinforced by the citizenship industry itself (Surak, 2024[31]). In Saint Lucia, changes to donation requirements, administrative fees and the introduction of a discounted COVID-19 Relief Bond shifted demand, with donations and real estate capturing the bulk of applications (Surak, 2024[31]; Clerides et al., 2025[33]).

CBI programmes can also create significant vulnerabilities for countries that rely heavily on them. Before and during COVID-19, CBI income reached 33% of GDP in Dominica and 53% in Saint Kitts and Nevis. Heavy dependence on CBI exposes governments to risks from sudden drops in applications, slower sales or changes in source-country policies. Such shocks can strain their ability to fund basic public services. Furthermore, CBI programmes may permit an application to disguise or misrepresent its residency for tax purposes. Consequently, they may undermine international efforts on tax transparency, including the OECD's automatic exchange of information on financial accounts pursuant to the Common Reporting Standard.

Additionally, financial crime risks, including money laundering, remain a concern, often exacerbated by inconsistent risk mitigation. Effective oversight and adherence to best practices, such as those outlined by the Financial Action Task Force, are crucial (OECD/FATF, 2023[34]). To that end, several Caribbean nations signed a Memorandum of Agreement (MoA) in 2023 to enhance regional co-operation, transparency and standardisation. The agreement commits countries to a minimum investment of USD 200 000, prohibits

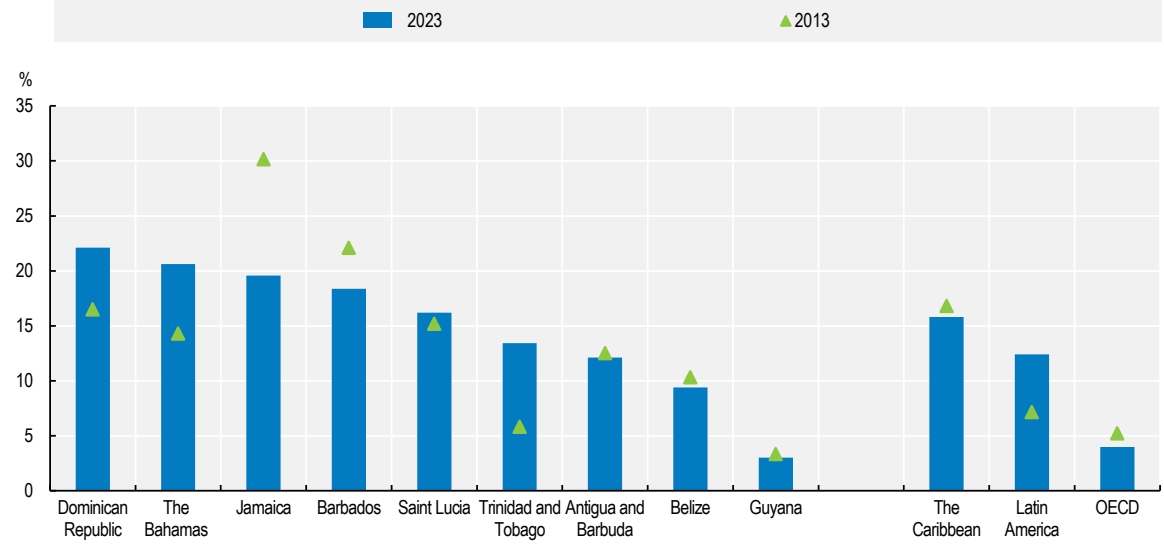
discounting, mandates enhanced due diligence and lays the groundwork for a regional regulatory body (OECS, 2024[35]). In the case of Grenada, the country further strengthened regulation by restructuring its CBI programme in 2024 under the Investment Migration Agency, in line with the Grenada Citizenship by Investment Act (Global Intelligence Unit, 2025[32]).

In resource-rich Caribbean countries, non-tax revenues have risen due to higher income from commodities. Global commodity price fluctuations often create significant volatility in these revenues for countries heavily reliant on natural resources. In Guyana, and Trinidad and Tobago, increases in rents and royalties accounted for almost all changes in central government non-tax revenues (OECD et al., 2025[1]). Natural resource royalties were the largest component of non-tax revenues in countries with the highest non-tax revenue-to-GDP ratios in 2023. In Trinidad and Tobago, over 75% of central government non-tax revenues came from natural resource royalties, including extraordinary revenue from oil and gas companies. Similarly, more than 90% of Guyana's non-tax revenues in 2023 were derived from the Natural Resource Fund, which manages the country's fossil fuel wealth (OECD/IDB, 2024[36]).

Strengthening fiscal frameworks can help Caribbean countries cope with high debt levels

High public debt continues to constrain fiscal space and social spending across the Caribbean. Debt servicing represented 15.8% of tax revenues in 2023 compared with 12.4% in Latin America and 4% among OECD Members. This constrained the public investment and crisis response, although debt servicing was still below the 16.8% recorded a decade earlier (Figure 3.8). Heterogeneity persists across the region. Countries, such as Jamaica and Barbados have reduced their debt burdens through fiscal consolidation efforts, fiscal rules and reforms. In contrast, others – including the Dominican Republic, The Bahamas and Trinidad and Tobago – have faced rising debt service pressures. High debt service burdens require many governments to allocate a substantial share of public revenues to debt repayments, potentially crowding out development-oriented public spending and investment.

Figure 3.8. Debt service-to-tax revenues ratio, 2013 and 2023



Source: Authors' elaboration based on IMF (2025[37]), *World Economic Outlook*, https://www.imf.org/en/publications/weo/weo-database/2025/April; OECD et al. (2024[38]), *Revenue Statistics in Latin America and the Caribbean 2024*, https://doi.org/10.1787/33e226ae-en.

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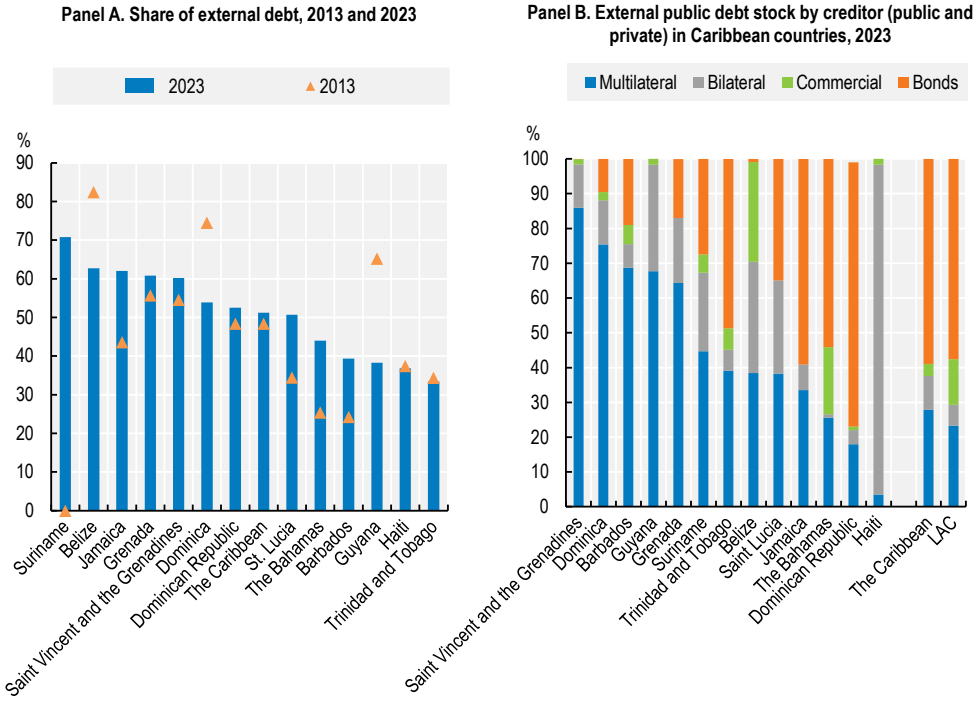
The share of debt denominated in foreign currency remains high in most Caribbean countries. High exposure to external debt introduces challenges such as exchange rate volatility, which can increase the cost of debt servicing. In 2023, the Caribbean average share of external debt stood at 51.24%, up from 48.4% in 2013 (Figure 3.9, Panel A). For most countries, the share of external debt increased between 2013 and 2023. There were varying degrees of change – from a 4.1 percentage-point rise in the Dominican Republic and 5.1 percentage points in Grenada to as much as 70.8 percentage points in Suriname and 18.4 percentage points in Jamaica. By contrast, some countries recorded notable declines over the same period: in Guyana, the share fell by 26.9 percentage points (from 65.2% to 38.3%), while in Dominica, it declined by 20.6 percentage points (from 74.5% to 53.9%).

The composition and maturity of debt in some Caribbean economies expose them to significant financial risks. On average, 59% of external debt is owed to bondholders, 28% to multilaterals and 10% to bilateral creditors, with access to markets varying widely across countries (Figure 3.9, Panel B). Smaller, lower-income countries tend to have a larger share of their debt with multilateral or bilateral agencies. Saint Vincent and the Grenadines, Dominica and Barbados have most of their debt with multilaterals. The wealthier Caribbean countries have about half or more of their debt with the private sector (through bond issuance).

Debt structures also differ by currency. Suriname, Jamaica and the Dominican Republic hold mostly foreign currency debt (63-80%), heightening exchange rate vulnerability. For their part, Trinidad and Tobago, Barbados, The Bahamas and Haiti rely more on domestic-currency debt. Longer maturities have helped mitigate short-term refinancing risks. However, in countries such as Suriname, debt maturing within five years represents about 40% of GDP, underscoring the need for stronger debt management strategies.

Figure 3.9. External public debt: Share and composition by creditor in Caribbean countries



Note: Panel B: The Caribbean and LAC are simple averages.
Source: Panel A: (IMF-WEO, 2025[39]); Central Bank of Trinidad and Tobago, Adjusted General Government debt from 2015; (IMF, 2024[40]); and own calculations. Panel B: Authors' calculations based on IMF (2025[41]), *World Economic Outlook*, https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025.

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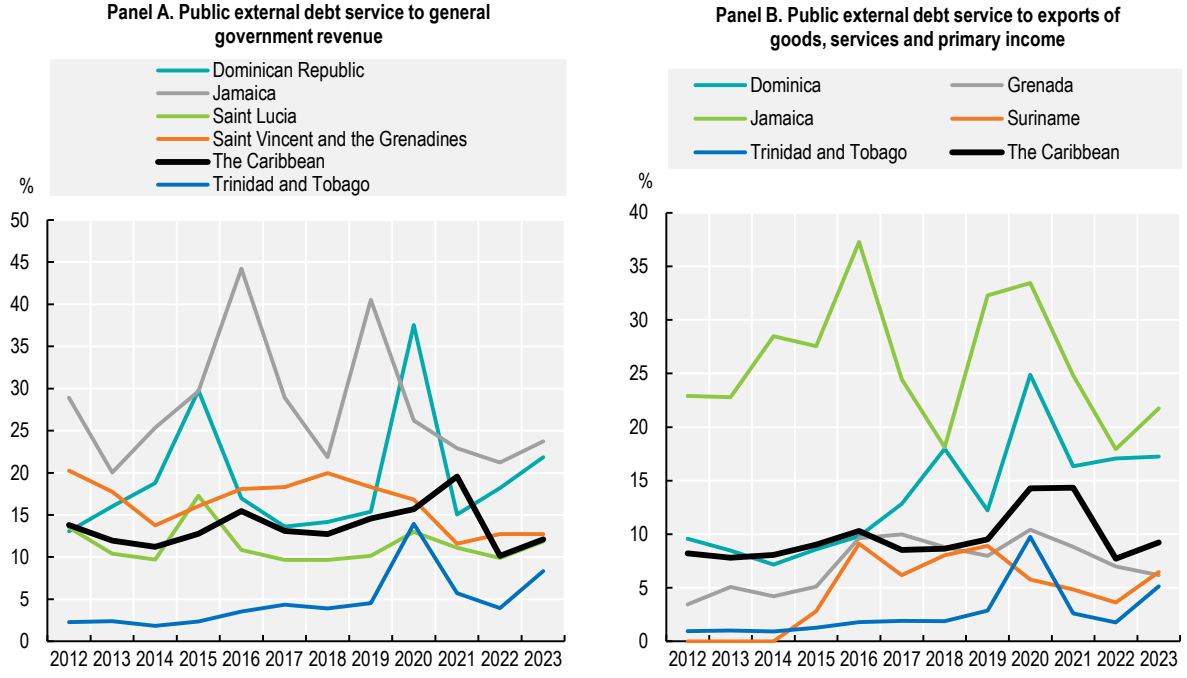
Public external debt service relative to total government revenues has been high in most Caribbean countries. This ratio provides a measure of credit constraint and fiscal space as it indicates the resources available for current and capital expenditures. For 11 countries with external debt data between 2012 and 2023, the average share of public external debt service to revenues was around 13%. It reached its highest level in 2021 at 19%. Several countries have experienced crises with exceptionally high levels of external debt service relative to general government revenue. This could be related to maturing loans and large bullet payments, as in the Dominican Republic in 2015 (almost 30%), or to sharp declines in general government revenues, such as in 2020 during the COVID-19 pandemic (Figure 3.10, Panel A). In 2020, public external debt service to GDP reached 37.5% in the Dominican Republic and 13.9% in Trinidad and Tobago.

External debt repayment capacity has also been high during certain periods. Public external debt service relative to exports of goods and services, and primary income measures external debt payment outflows against external inflows. In small, open island economies, lower external debt service can ease balance of payments pressures and increase overall foreign exchange availability, thereby freeing resources and supporting the financing of imports, including capital goods related to investment. The average for the same 11 Caribbean countries was 10% over 2012-2023. It peaked at 14% in 2020 and 2021, when exports, including tourism receipts, dropped significantly amid the pandemic. Some countries faced particularly high levels of external debt service relative to export flows in 2020, reaching 33% in Jamaica and 25% in Dominica (Figure 3.10, Panel B).

Figure 3.10. External public debt service in Caribbean countries, 2012-2023



Note: The Caribbean average is based on 11 Caribbean economies, including Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.
Source: (IMF-WEO, 2025[39]); *World Bank World Development Indicators*; Central Bank of Trinidad and Tobago; and authors' own calculations.

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Well-designed fiscal frameworks are critical to ensuring debt sustainability and maintaining fiscal space in the medium term to safeguard investment in the Caribbean. By setting clear rules, fiscal frameworks help

anchor fiscal policy and stabilise debt-to-GDP ratios. In so doing, they protect capital investment essential for long-term growth and structural transformation. Without such protections, governments often cut capital spending during fiscal consolidation, undermining recovery and future productivity. Debt management institutions, such as fiscal rules, medium-term fiscal frameworks, independent fiscal councils and sovereign wealth funds, have all played a role in strengthening the fiscal frameworks of some Caribbean countries.

Well-designed fiscal rules can help contain deficits and public debt. Fiscal rules mitigate debt accumulation, stabilise expectations and can even improve creditworthiness by lowering bond spreads and sovereign risk perceptions. Their effectiveness, however, depends on quality and compliance. Rules must be supported by robust legal and institutional frameworks, incorporate flexibility to respond to shocks and include credible enforcement mechanisms. Caribbean countries, such as Jamaica, Grenada and The Bahamas have adopted fiscal responsibility laws with escape clauses for natural disasters or economic downturns, recognising the region's vulnerability to external shocks. Evidence suggests that countries with well-designed fiscal rules, which often include escape clauses for unforeseen events, can contribute to containing deficits and the levels of public debt (Beuermann, 2021[42]).

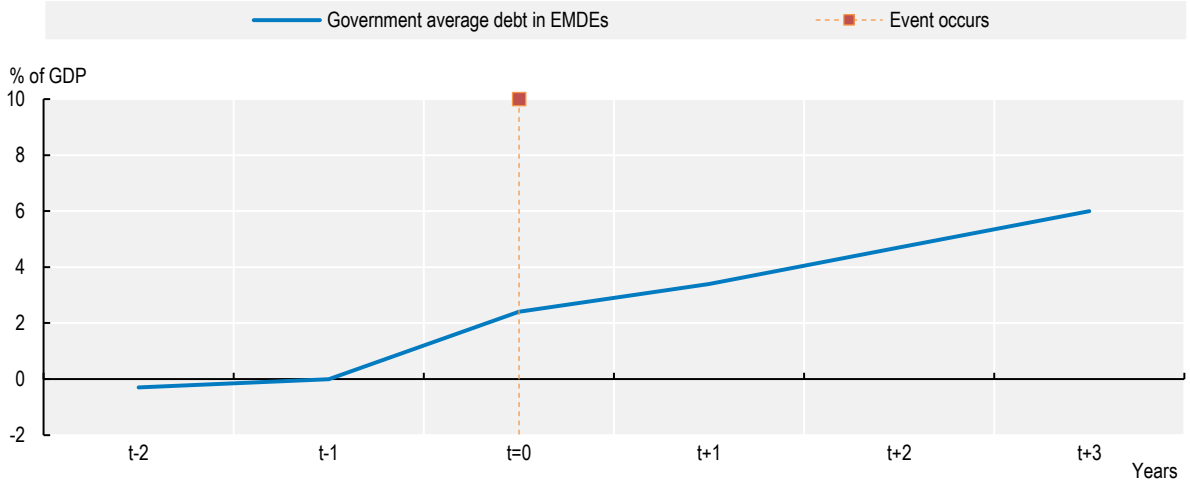
Similarly, several Caribbean countries have independent fiscal councils that play a useful role in promoting responsible and sustainable fiscal policies. In The Bahamas, the Fiscal Responsibility Act sets ceilings on the overall fiscal deficit. In Barbados, the Financial Management and Audit Act mandates the annual preparation of a rolling medium-term fiscal framework for the next three fiscal years, supporting a prudent level of public debt. Finally, Jamaica successfully reduced its debt-to-GDP ratio from 135% to 62.4% over 2012-2025 on the back of strengthening planning and setting fiscal objectives, enshrined in Jamaica's Fiscal Responsibility Law. In 2025, it began implementation of the Independent Jamaican Fiscal Commission Report.

Sovereign wealth funds (SWFs) have also acted as a buffer to output fluctuations and a vehicle to support long-term savings. SWFs can be particularly effective for Caribbean countries that export commodities. Trinidad and Tobago's Heritage Stabilization Fund has provided a significant buffer and savings mechanism – with assets equivalent to more than 25% of GDP. Guyana and Suriname have also established SWFs. In addition to providing a mechanism to build up external assets, SWFs have been associated with an improvement in institutional quality (Al-Sadiq and Gutiérrez, 2023[43]). Moreover, SWFs could be used to set aside a portion of revenues collected through Citizenship-by-Investment (CBI) schemes where maintained to absorb volatile CBI income and strengthen fiscal buffers (IMF, 2025[44]).

Despite advances in fiscal frameworks, small Caribbean island countries face disproportionate challenges from climate events that place significant pressure on their fiscal sustainability. Countries can strengthen fiscal and planning frameworks, and introduce multi-year budgeting tools, such as medium-term expenditure frameworks or medium-term debt strategies. However, navigating the fiscal challenges introduced by climate events requires even higher levels of planning, preparation and policy tools.

Natural disasters have greater effects on fiscal deficits and public debt levels in small states than in other emerging economies. Small states generally have a lower capacity to sustain debt compared to other emerging markets and developing economies (EMDEs). This is due in part to structural limits on growth and their heightened vulnerability to external shocks (Andrian, 2013[45]; Hill and Khadan, 2024[46]). This is evident in debt sustainability analyses, where small states tend to receive higher risk ratings at comparatively lower debt levels than their EMDE peers (World Bank, 2024[47]; Kling et al., 2025[48]). Recent research finds that three years after a natural disaster, debt to GDP was 6% higher in small states, which was higher than in other emerging economies. For the Caribbean, effects of the most damaging natural disasters are about 4%, once other effects are considered (Noy and Strobl, 2024[49]). Global recessions were estimated to have similar impacts but not as strong as natural disasters (Hill and Khadan, 2024[46]) (Figure 3.11).

Figure 3.11. Small states: Change in government debt around large natural disasters



Note: EMDEs=emerging markets and developing economies. Chart shows differences in average debt as a percentage of GDP in EMDEs compared to those in the year preceding events occurring in year t=0. Events include natural disasters resulting in damages of at least 5% of GDP; that is, droughts, earthquakes, extreme temperatures, floods, storms, volcanic activity and wildfires. Based on a sample of 24 natural disasters in small states for 2000-2022.
Source: EM-DAT (dataset); WEO (dataset); Hill and Khadan (2024[46]), *Strengthening fiscal resilience in small states*.

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Private capital can be unlocked as a fundamental source of development financing

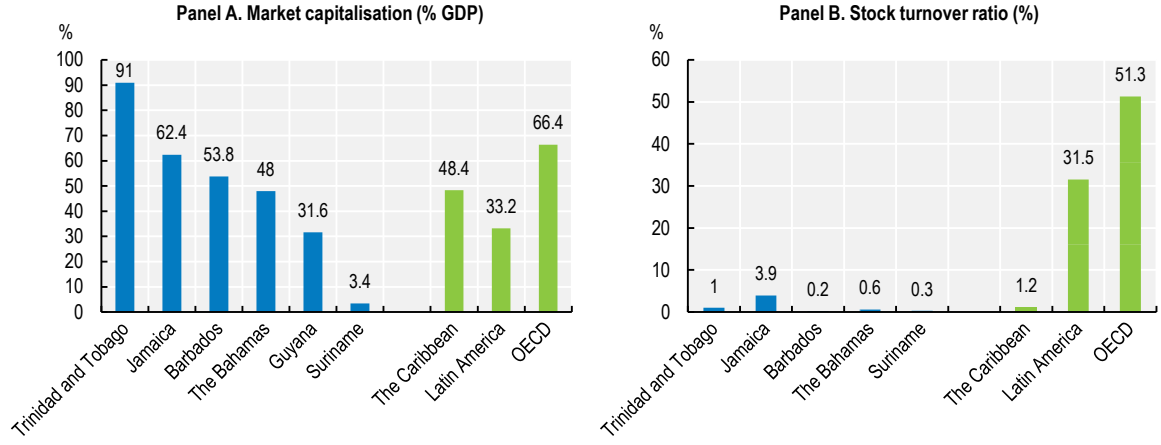
Deepening capital markets through regional integration can unlock long-term financing

Capital markets are key mechanisms for mobilising long-term financing for development. Capital markets include equity and debt markets, where funds can be raised either through the issuance of new securities in the primary market or through the trading of existing securities in the secondary market. These markets enable an efficient allocation of capital and firms to scale, innovate and modernise, while also providing governments with access to long-term financing for development priorities. They also support the creation of innovative instruments that can channel resources towards strategic policy objectives. By broadening access to large-scale and long-term financing, capital markets can drive investment and productivity, and support economic growth and development (Fiorella and Didier, 2024[50]; OECD et al., 2024[51]). Strengthening these markets is therefore key to unlocking larger, more stable and diversified sources of financing for the region's economic growth and resilience.

However, capital markets in the Caribbean remain insufficiently developed and liquid, constraining their ability to support long-term investment. Individual economies operate small markets that lack the depth and liquidity required for efficient capital allocation. This reduces investment opportunities, raises transaction costs and restricts private sector access to long-term financing. In equity markets, market capitalisation – the total value of listed shares as a share of GDP – averages 48.4% in the Caribbean, higher than Latin America (33.2%), but below the OECD (66.4%) (Figure 3.12, Panel A). However, this figure masks strong disparities, ranging from 91% of GDP in Trinidad and Tobago to just 3.4% in Suriname. Moreover, despite their relative adequate size, markets are highly concentrated, with only a limited number of issuing firms. Liquidity remains limited as the stock turnover ratio – which measures how frequently

shares are traded relative to market size – stands at just 1.2% in the Caribbean compared to 31.6% in Latin America and 51.3% in the OECD (Figure 3.12, Panel B). Bond markets show similar limitations, remaining underdeveloped, dominated by government securities and with limited corporate issuance and secondary market activity.

Figure 3.12. Market capitalisation and stock turnover ratio in the Caribbean, 2024 or latest year available



Note: Data correspond to 2024 for Jamaica, Latin America and the OECD, and to 2020 for the remaining Caribbean countries.
Source: Authors' elaboration based on Beuermann et al. (2024[52]), *Are We There Yet? The Path Towards Sustained Economic Growth in the Caribbean*, https://doi.org/10.18235/0013218; World Bank (2024[53]), *World Development Indicators*, https://data.worldbank.org/.

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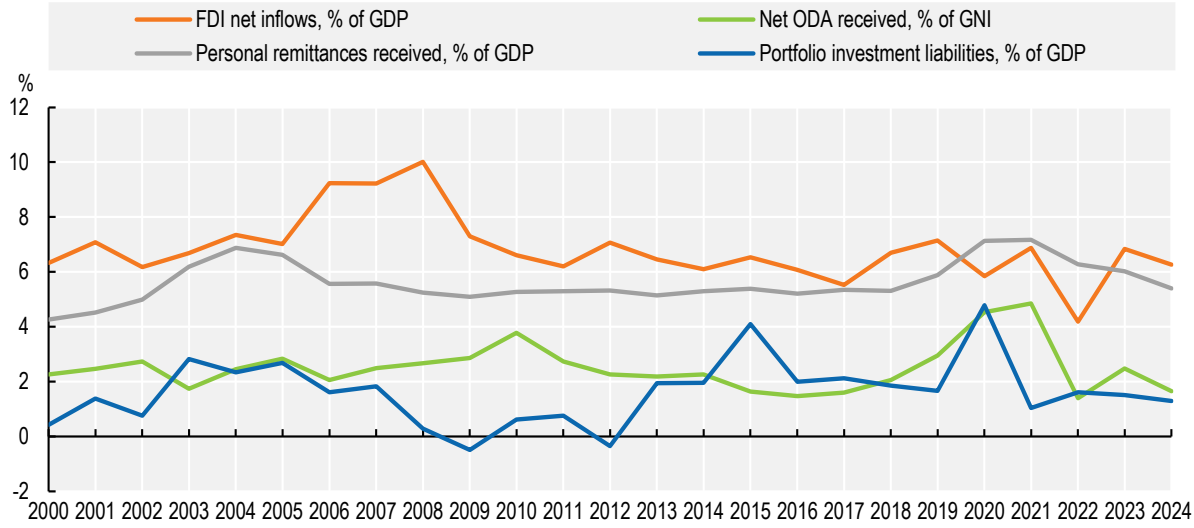
Regional financial integration could deepen capital markets in the Caribbean. By fostering a more interconnected financial system, integration can expand the availability of capital, improve efficiency, reduce transaction costs, strengthen liquidity and lower risks. In addition, it can create incentives for foreign investors to diversify their portfolios by acquiring assets across countries within a unified market (OECD et al., 2024[51]). Since governments largely dominate capital markets in the region, integration could broaden the issuer base and attract investment into diverse sectors (Bown, 2017[54]). In turn, increased demand for securities on a regional platform could lower borrowing costs for both firms and governments, while promoting competition, efficiency and risk sharing. Currently, cross-listing arrangements – which allow securities to be listed and traded on multiple exchanges simultaneously – exist among Barbados, the Eastern Caribbean, Jamaica, and Trinidad and Tobago. However, other CARICOM Members remain outside this system. Empirical evidence suggests that share prices of actively traded cross-listed firms in Barbados, Jamaica, and Trinidad and Tobago have converged over time, contributing to some extent to co-movement in stock market indices across these exchanges, likely reflecting active cross-border trading in the listed securities. In addition, the Eastern Caribbean Regional Government Securities Market provides a sub-regional platform for government debt, supporting low-cost financing and deeper financial markets, while the Eastern Caribbean Securities Market facilitates equity issuance and trading (Alhassan et al., 2020[55]). Despite these arrangements, further development is needed to create a robust, liquid and inclusive regional capital market that can fully support investment. To this end, under the IDB ONE Caribbean regional program, IDB and the CARICOM Private Sector Organization (CPSO) have established a partnership to explore the feasibility of, and support the steps needed to develop, a regional stock exchange.

Several barriers hinder regional integration in the Caribbean. Macroeconomic disparities, limited supply and demand in local markets, fragmented regulatory systems and incompatible infrastructures complicate harmonisation across the region. Varying levels of economic stability, different exchange rate regimes and the lack of consistent tax and legal frameworks further undermine integration efforts (Bonita et al., 2020[56]). Moreover, the limited number of active issuers and investors, combined with insufficient financial literacy, contribute to low market participation. Differences in tax regulations, legal frameworks and the use of separate trading systems across national exchanges further challenge integration across the region.

External flows remain an important source of financing in the Caribbean, although their significance varies across sources

Caribbean countries depend heavily on external financial flows to support development. This reflects their small size, limited domestic financial resources, exposure to external shocks, and substantial investment needs (Chapter 2). As a result, external financing has long been a defining feature of the region's economies, although its importance varies across sources. Between 2000 and 2024, ODA averaged 2.5% of gross national income (GNI) (Figure 3.13). In 2024, FDI was the largest flow at 6.3% of GDP, followed by remittances at 5.4% of GDP.

Figure 3.13. Main external financial flows to the Caribbean, 2000-2024



Note: FDI=foreign direct investment; GDP=gross domestic product; GNI=gross national income; ODA=official development assistance. Graduation out of ODA recipient status for Barbados, and Trinidad and Tobago after 2010; Saint Kitts and Nevis after 2013; and Antigua and Barbuda after 2022. Portfolio investment liabilities based on authors' calculations.
Source: Authors' elaboration based on (IMF, 2024[57]; World Bank, 2024[53]).

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Remittances

Remittances are cross-border transfers of money sent by migrants to their families in their home countries. Although they are private flows rather than public revenue, they play an important financial role for many economies and can be seen as an alternative source of financing alongside tax revenue. By increasing household income, remittances stimulate consumption, which, in turn, generates indirect tax revenue and supports domestic demand. Remittances also provide foreign exchange inflows that strengthen international reserves, improve a country's external balance and reduce vulnerability to debt crises. In

addition, remittances often expand savings and deposits in the banking system, which can then be channelled into lending or the purchase of government bonds, indirectly supporting public finance. Their countercyclical and relatively stable nature makes them especially valuable in small or vulnerable economies, where they can act as a buffer against shocks.

Remittances serve as an important macroeconomic stabiliser in the Caribbean. As one of the main sources of external financing, remittances help smooth private consumption. Because they are countercyclical, remittances tend to be much less volatile than FDI and other inflows, indirectly supporting a more stable investment climate. This contrasts with export revenues from commodities in some resource-rich countries. Remittance inflows also typically exceed ODA and FDI by a significant margin.

Remittance inflows to the Caribbean continued to grow in 2025, with an annual increase of 9.2% compared to the previous year, bringing total inflows to an estimated USD 20.9 billion by the end of the year (Maldonado and Harris, 2024[58]). This growth is mainly driven by strong remittance flows to the Dominican Republic and Jamaica – a trend that has persisted since last year – along with rising transfers to Haiti, particularly from the United States. However, this represents a clear deceleration from the surge observed during the pandemic, when migrants rapidly increased transfers to support their families amid the crisis.

While remittance inflows remain high in nominal terms in the region, their growth has dropped since the COVID-19 pandemic. In 2021, following the pandemic, remittances to the Caribbean grew by 20% as migrants met the needs of households back home, partly supported by fiscal stimulus in host economies such as the United States. Since 2023, however, growth has moderated to pre-pandemic levels. Per capita inflows remained high in nominal terms in 2024, averaging USD 533 per capita across the Caribbean. Jamaica leads the region with USD 1 255.4 per capita, followed by the Dominican Republic with USD 984.2 per capita (Figure 3.14, Panel A).

The Caribbean had the highest level of remittances as a share of GDP in 2024, at 5.4%, compared with other regions, such as South Asia (4.4%) and Sub-Saharan Africa (3.3%). Remittances as a share of GDP were highest in Jamaica, the Dominican Republic, Saint Kitts and Guyana, and remained large when considered on a per capita basis. In 2024, the Caribbean had an average emigration rate of 18.7%, with Jamaica showing the highest at 44.0% and The Bahamas the lowest at 2.0% (Figure 3.14, Panel B).

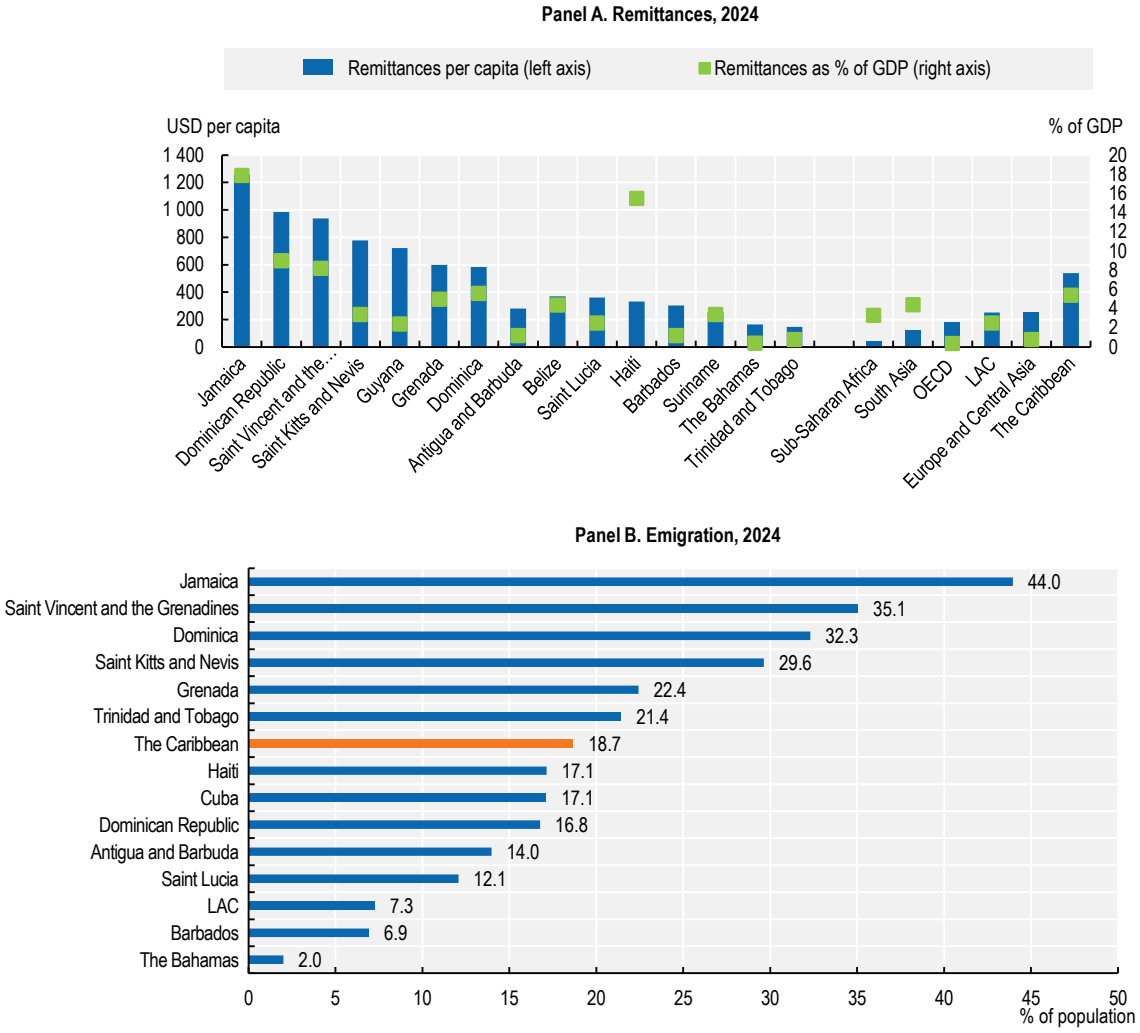
While remittances hold significant potential as a source of development financing in the Caribbean, their contribution to long-term growth and investment remains limited. Remittances are an important source of external financing in the Caribbean, helping families pay for consumption and reduce poverty. A 2019 survey of remittance flows in the Dominican Republic found that up to 10% of migrants sent remittances to bolster family savings and many appeared to be supporting older parents who likely lack appropriate pensions (Xavier et al., 2019[59]). A total of 9% of survey respondents sent remittances to themselves, which they used for savings or investments in their homes. However, their impact on long-term development and investment remains limited. While large in scale, remittances have not been strongly linked to higher per capita growth. This is partly because many skilled workers migrate abroad, reducing the stock of human capital at home and thereby inducing brain drain. In Caribbean countries, migrants are often young and highly skilled, such as doctors, nurses, or engineers. Their departure can reduce the country's economic potential, as remittances do not fully offset the negative impact of emigration on growth (IMF, 2017[60]) Remittances are also mostly used for consumption rather than productive investment.

Studies show that, although remittances can improve welfare and provide financial stability for households, their contribution to economic growth has been modest (Lim and Simmons, 2015[61]; Beaton et al., 2017[62]). Even so, remittances play a vital social role. They help families cover education, housing and health expenses, and can indirectly support human capital development over time.

Understanding how to better channel remittance flows into productive uses – such as financing small businesses or supporting community investment – could significantly enhance their developmental impact

across the Caribbean. There are different ways to maximise the benefits of the region's diaspora to increase development financing. For instance, countries could leverage economic ties with their overseas populations to stimulate FDI and boost tourism revenues. Strengthening diaspora networks through targeted investment promotion could also help harness the knowledge, skills and financial assets of these communities. Best practices illustrate how remittances are being channelled towards sustainable development. In 2012, a project in Haiti channelled remittances to finance clean energy investments, increasing household access to sustainable products while creating a scalable business model for the remittance service provider (Fomin and Arc Finance, 2012[63]). More recently, Pacific SIDS are piloting a remittance-based financing mechanism to fund micro-infrastructure, such as roof strappings and solar panels, aimed at enhancing household resilience, with an expected mobilisation of USD 35 million and impact on 9 000 households (OECD, 2024[64]).

Figure 3.14. Remittances and emigration in the Caribbean, 2024



Source: Authors' calculations based on World Bank (2025[65]) World development indicators, received remittances, https://databank.worldbank.org/source/world-development-indicators and United Nations (2025[66]) International Migrant Stock 2024, https://doi.org/development/desa/pd/content/international-migrant-stock.

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However, mobilising remittances for production investment is challenging. It would require either finding mechanisms that encourage recipients – often elderly relatives – to channel funds into investment rather than essential expenses, such as rent or healthcare, or incentivising migrants to send additional remittances directed towards productive uses. Both approaches face practical and social constraints. Diaspora investments – such as the financing of housing for temporary stays like Airbnb properties in Jamaica – can stimulate local economic activity. However, they may also have trade-offs, including driving up housing prices for residents. More broadly, improving the business environment and reinforcing strong institutions remain essential to raising productivity and ensuring that diaspora engagement contributes to inclusive and sustainable development.

Official development assistance (ODA)

ODA remains a vital source of external finance for Caribbean countries. Between 2000 and 2022, ODA represented on average 2.53% of the region's GNI, well above the Latin American average of 1.54%. ODA flows have spiked in response to crises, such as natural disasters and the COVID-19 pandemic. In 2022, Haiti absorbed 54% of ODA to the Caribbean, while several countries – including Barbados, Trinidad and Tobago, Saint Kitts and Nevis, and Antigua and Barbuda – had already graduated from ODA eligibility. This underscores the challenge of graduation criteria as rising GNI per capita does not necessarily reduce vulnerability to external shocks. Moreover, higher GNI does not automatically imply an improvement in the population's well-being. In many countries, high levels of multi-dimensional poverty persist, reflecting deprivations in education, health, housing and access to basic services – beyond monetary income. Likewise, the United Nations Human Development Index (HDI) – which combines indicators of health, education and income – shows that some countries with elevated GNI still face significant structural challenges in terms of human development.

To address these vulnerabilities, new metrics and frameworks are being explored to improve ODA allocation. This includes efforts to develop a more comprehensive map of country-specific and regional vulnerabilities. This information would then be incorporated into the different financing allocation processes followed by bilateral and multilateral donors and lenders. Also, it is important to anticipate and respond to financing challenges that may emerge as countries advance along their development paths. In that sense, tools like the OECD's Transition Finance can help countries navigate the shift away from ODA by anticipating financing challenges and mobilising alternative sources of funding. This mechanism can help Caribbean ODA recipients optimise their access to financing to reap their development potential.

Beyond ODA, Total Official Support for Sustainable Development (TOSSD) provides a broader measure of financing flows for the Caribbean. Between 2019 and 2022, the largest share of TOSSD resources supported SDG 13 on climate action (17.2%). This was followed by SDG 17 on global partnerships (15%) and SDG 10 on reducing inequalities (14.8%).

South-South co-operation is an increasingly important part of TOSSD, with Latin American partners such as Brazil, Mexico and Chile playing key roles. Brazil has been a major actor in South-South co-operation, particularly through its Brazilian Co-operation Agency (ABC), an entity of the Ministry of Foreign Affairs (MRE), with efforts focused on areas such as food security, family farming and sustainable development. In 2022, Brazil alone implemented 213 activities with Caribbean partners. This included a project to improve irrigated rice production in the Dominican Republic, contributing to SDGs on zero hunger, clean water and responsible consumption.

The Brazil-Caribbean Summit held in 2025 underscored Brazil's renewed commitment to South-South co-operation. The meeting culminated in the signing of several agreements and memoranda of understanding aimed at advancing regional integration and strengthening collaboration in key areas. These included social development, connectivity, technical knowledge exchange, public sector management, and science and technology.

Development finance institutions are central to supporting resource mobilisation for sustainable development

Development finance institutions (DFIs), including national development banks (NDBs), regional development banks (RDBs), multilateral development banks (MDBs), and development co-operation agencies play a crucial role in financing development efforts in the Caribbean. There is considerable heterogeneity among NDBs in terms of institutional and financial capacity, with several small countries lacking one altogether. Accordingly, each NDB contributes to advancing sustainable development in the region within its own capacity. RDBs, MDBs and development co-operation agencies, with their cross-country presence, cross-sectoral experience and ability to combine financial support with technical assistance, are well positioned to complement these efforts. Beyond mobilising resources and enabling private sector participation in investment initiatives, they also serve as knowledge hubs, offering technical expertise and helping to scale up investments by supporting sector-specific project pipelines.

NDBs vary in size and purpose across countries and some face significant constraints

NDBs in the Caribbean vary widely in size and purpose, with several focusing on development of small and medium-sized enterprises (SMEs) (Table 3.2). NDBs in the Caribbean – such as the Development Bank of Jamaica (DBJ), the National Export-Import Bank of Trinidad and Tobago (EXIMBANK) and the Saint Lucia Development Bank (SLDB) – play a central role in improving access to finance for SMEs, infrastructure development and climate-resilient projects. These institutions use market and blended finance instruments, such as concessional loans, credit guarantees, interest rate buy-downs and technical assistance to address financing gaps and market failures, particularly in underfinanced sectors like agriculture, renewable energy and tourism. For example, the DBJ has launched lines of credit for energy efficiency improvements and adaptation measures in SMEs and the SLDB offers concessional financing for student loans and small business recovery (Ministry of Infrastructure of Saint Lucia, 2020[67]). However, many NDBs face constraints in capitalisation, risk appetite and technical capacity, limiting their ability to scale up investment and respond to climate-related shocks.

Table 3.2. NDBs in the Caribbean

Country	Institution	Main objective/ sector focus	Total assets (2023)
Antigua and Barbuda	Antigua and Barbuda Development Bank	SMEs, agriculture, tourism, fisheries, housing	
Belize	Development Finance Corporation	MSMEs, housing, agriculture, education	USD 82 million
Jamaica	Development Bank of Jamaica (DBJ)	SME finance, energy efficiency, climate adaptation, loan guarantees	
Jamaica	National Import – Export Bank of Jamaica	SMEs and export-oriented sectors (tourism, manufacturing, agro-processing, ICT, etc.)	
Saint Lucia	Saint Lucia Development Bank (SLDB)	Agriculture, tourism, housing, SME support, climate change adaptation	
The Bahamas	Bahamas Development Bank	SMEs, agriculture, tourism, fisheries	
The Dominican Republic	Agricultural Bank of the Dominican Republic	Agriculture, livestock, rural development	USD 751 million
The Dominican Republic	National Export Bank	Exports, MSMEs, strategic sectors, development finance	USD 387 million
Trinidad and Tobago	National Export-Import Bank of Trinidad and Tobago (EXIMBANK)	Export-import finance, trade facilitation, corporate & infrastructure lending	USD 76.3 million
Trinidad and Tobago	Agricultural Development Bank (ADBTT)	Agricultural sector financing	

Source: Authors' own elaboration based on (Jiajun et al., 2021[68]; EXIMBANK T&T, 2023[69]).

Multilateral and regional development banks, in close co-ordination with NDBs, can help facilitate access to low-cost financing and technical assistance, including project preparation

RDBs and MDBs, in close co-ordination with NDBs, can help Caribbean countries access low-cost financing and technical assistance for complex sustainable development and climate projects. Often referred to as "knowledge banks", institutions such as the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB), the World Bank and the European Investment Bank (EIB) combine financial capacity with technical expertise to design, fund and implement projects tailored to the needs of SIDS. Among other services, they offer emergency and long-term finance in the form of investment and policy-based lending, technical support and analytical tools. For example, the EIB and SLDB provided USD 5 million to support micro, small and medium-sized enterprises (MSMEs) affected by COVID-19 in Saint Lucia. This was complemented by EU-funded technical assistance to strengthen SLDB's capacity and promote inclusive financial services for women and youth (EIB, 2022[70]).

RDBs and MDBs also facilitate blended finance structures that attract private investment by assuming part of the project risk. The IDB's NDC Invest platform supports countries like Jamaica and The Bahamas in structuring projects aligned with their Nationally Determined Contributions (NDCs). Meanwhile, the 2024 Blue Green Facility brings together Jamaica, the DBJ, the IMF, IDB, World Bank, EIB, US Aid for International Development and the United Kingdom to mobilise up to USD 500 million over five years. Through a mix of blended finance instruments, including grants, concessional loans, guarantees and equity, it aims to support climate adaptation, mitigation and MSME climate action (IMF, 2024[71]). The IDB, CAF and CDB launched a Caribbean multi-guarantor debt-for-resilience initiative at COP30 in November 2025 to ease debt pressures, while expanding countries' capacity to invest in climate resilience – an initiative being supported by IDB's ONE Caribbean regional programme. By co-ordinating guarantees across RDBs, MDBs and private partners, the initiative aims to streamline and scale debt-for-resilience swaps, create fiscal space for priority investments and strengthen the provision of regional public goods (IDB, 2025[72]). RDBs and MDBs can also help NDBs integrate international standards, such as environment, social and governance (ESG) safeguards, strengthen operational efficiency and build capacity through knowledge-sharing platforms like the Special Development Fund (CBD, 2025[73]) and the Regional Public Goods Initiative (IDB, 2025[74]).

Development co-operation agencies, such as AFD, can also strengthen the work of RDBs and MDBs in the Caribbean. For example, the Caribbean Development Bank (CDB) and AFD have launched a new EUR 4 million Grant Facility to help Caribbean economies implement climate-smart, gender-responsive and agriculture-focused initiatives. Over five years, it will finance gender research, agricultural investments, biodiversity finance tracking, sectoral studies, capacity building and project co-ordination. The initiative builds on the long-standing CDB-AFD partnership and complements a USD 50 million AFD-funded Credit Facility, further advancing climate resilience, reducing inequalities and promoting sustainable development in the region (CBD, 2025[75]).

Global financial institutions can also complement the work of RDBs and MDBs. For instance, through its capacity development initiatives under the G20 International Financial Architecture mandates, the IMF strengthens national institutions in tandem with MDB financing. Regional technical assistance centres, including the Central America, Panama and Dominican Republic Regional Technical Assistance Centre (CAPTAC-DR) and the Caribbean Regional Technical Assistance Centre (CARTAC), provide targeted support. This aims to improve public financial and debt management, and enhance institutional capacity for implementing sustainable development policies (IMF, 2025[76]). By combining MDB financing with IMF technical assistance, Caribbean countries can better mobilise resources, strengthen institutions and implement complex climate and development projects.

RDBs and MDBs can also play a critical role in helping Caribbean countries catalyse private investment in resilient infrastructure, while enhancing technical assistance in this area. Building such infrastructure

requires an enabling investment environment, including incentives for private sector participation and the development of technical and institutional capabilities in both the public and private sectors. These challenges are often compounded when infrastructure issues have a regional dimension, requiring cross-country co-ordination.

Beyond providing loans to improve the investment climate, RDBs and MDBs offer technical assistance to governments to facilitate public-private partnerships (Chapter 2) (Mooney, 2025[77]). Enabling private capital for resilient infrastructure financing can involve combining multilateral and national resources under programmatic approaches that benefit multiple countries. Examples include the Resilience and Sustainability Facility in Barbados (2022-2025) and Jamaica (2023-2025), where the IMF provides long-term financing, while countries commit to reform programmes aimed at strengthening resilience to external shocks. MDBs such as the IDB and the World Bank act as implementation partners, offering financial and technical support in areas requiring high levels of sectoral expertise. Traditional approaches can also be repurposed to enable private capital for the region. Enhancing fiscal space through bilateral or multilateral lending, including policy-based loans and guarantees, at regular, blended or grant terms, can improve access to private debt markets. A pioneering example is the first regional, standardised, multi-country debt-for-resilience swap, requested by CARICOM and coordinated by the IDB, CAF, and the CDB, launched at COP30 as the Multi-Guarantor Debt-for-Resilience Joint Initiative (IDB, 2025[78]). By leveraging guarantees from MDBs and private sector actors, the initiative refinances costly sovereign debt to create fiscal space and redirects the savings toward priority resilience measures and regional public goods. The MDBs will jointly develop common principles for guarantee terms and shared taxonomies for resilience investments. The CDB is also advancing other initiatives and programmes to unlock capital for growth and resilience (Box 3.2).

Box 3.2. Scaling development finance in the Caribbean: The Caribbean Development Bank's efforts to unlock capital for growth and resilience

In line with the G20's call for Multilateral Development Banks (MDB) to evolve their operational models to increase financial capacity and maximise impact, the Caribbean Development Bank (CDB) is strengthening its development finance model to expand the scale and impact of its development resources available to its borrowing members.

Expanding capacity through balance sheet optimisation

CDB launched its Balance Sheet Optimisation (BSO) Programme to strengthen capital efficiency and increase lending headroom, guided by the 2023 G20 Capital Adequacy Framework. In May 2025, CDB implemented an Exposure Exchange Agreement (EEA) with the Central American Bank for Economic Integration (CABEI), the first among non-AAA and regional MDBs to do so. The transaction reduced CDB's exposure to its most concentrated sovereign borrowers by USD 450 million. This translates to an approximately 20% reduction in Top 5 outstanding exposures, replacing it with exposure to six Latin American countries of equivalent risk. Two additional BSO transactions are planned: a portfolio guarantee from a highly rated shareholder, expected in 2026, and the development of a contingent capital instrument, which will be treated as risk-bearing capital by the rating agencies. These instruments increase the bank's lending capacity without compromising stability or its AA+ rating.

Strengthening climate and sustainable finance delivery

To mobilise additional resources for climate action and sustainable development, CDB has established a Sustainable Finance Framework to guide the issuance of green, social and sustainability bonds as well as green and social loans, in line with international standards. Under this framework, the bank has successfully issued its first sustainable bond, the proceeds of which will be used to finance eligible

green or social projects. The framework enhances CDB's ability to expand its funding pool, leverage private investment and channel financing toward projects that advance sustainable development across the Caribbean.

In parallel, the bank is scaling up its climate finance operations to increase the flow of resources to climate resilient investments across Borrowing Member Countries (BMCs). In 2024, CDB channelled 33.5% of its own resources to climate finance and established targets to ensure that at least 30% of its Ordinary Capital Resources and 35% of Special Development Fund commitments support climate resilience. Additionally, in 2024, the Green Climate Fund raised the bank's accreditation limit to USD 250 million per project or programme, five times the previous limit, enabling larger, more transformational operations. Complementing this, CDB's Climate Change Project Preparation Fund, operationalised in 2025, supports the design of bankable climate action projects, enabling faster delivery of climate resilient outcomes.

Catalysing private investment and trade

CDB's Trade Finance Guarantee Programme, introduced in 2025, will de-risk local financial institutions by covering part of confirming-bank risk and expanding access to trade finance for SMEs. It will also crowd in private capital, while building the capacity of local financial institutions to provide trade finance solutions. CDB is further expanding its suite of blended-finance and risk-sharing instruments to unlock greater private investment in renewable energy, climate adaptation and infrastructure. This includes developing liquidity support mechanisms and leveraging partnerships to channel concessional and catalytic finance into high-impact projects. The bank also continues to strengthen the enabling environment to accelerate private capital participation for priority sectors.

CDB is upgrading its toolkit to deliver larger, faster and more impactful financing. By strengthening capital efficiency, mobilising climate resources and catalysing private investment, the bank is better positioned to help the Caribbean meet its growing development needs. CDB is the only indigenous multilateral financial institution with a Caribbean-focused development mandate.

Source: (CBD, 2025[79]).

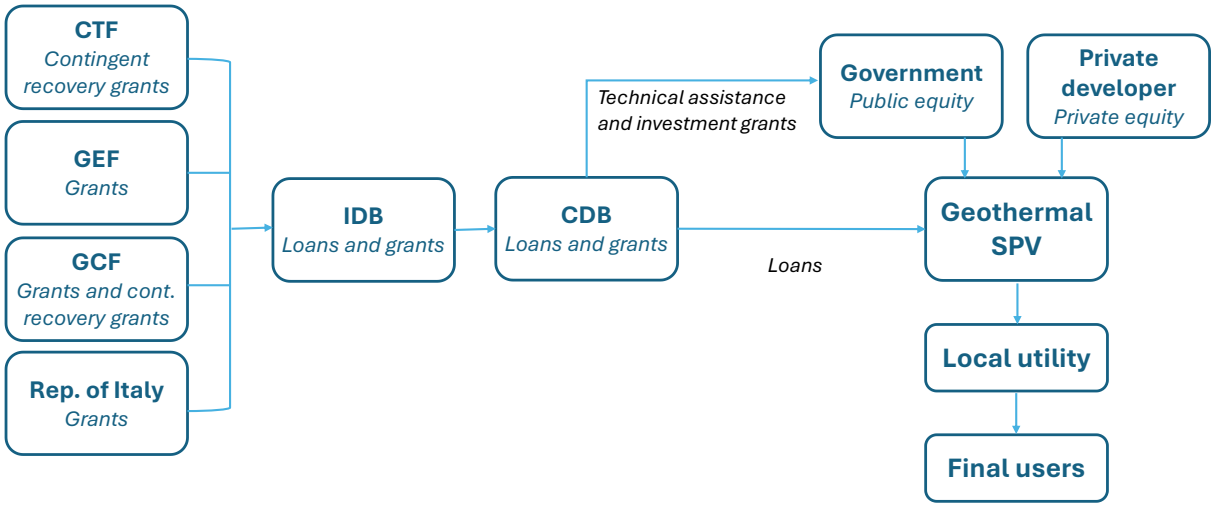
RDBs and MDBs also provide technical assistance in the form of project preparation mechanisms that can help transform early-stage concepts into viable, bankable projects. Project preparation remains a critical bottleneck in the Caribbean, reflecting persistent capacity and implementation gaps in project selection, the quality and efficiency of preparation, and the systematic integration of environmental and social sustainability considerations (Economist Impact, 2024[80]; Mooney, 2025[77]). Against this backdrop, the IDB ONE Caribbean regional programme, for instance, has established a dedicated Project Preparation and Coordination Mechanism (PPCM) to address core challenges in preparing and structuring viable, bankable projects for Caribbean countries. The PPCM provides technical and financial assistance for project development and is building long-term partnerships with investment and export promotion agencies – at both the national and regional levels – while adopting a flexible, cross-sectoral approach to identify and develop the most promising pipeline of projects (Chapter 2).

Mobilising finance and enabling investment for resilient infrastructure also requires co-ordinating diverse stakeholders to overcome barriers inherent in such projects. These include high upfront costs, early-stage uncertainty and limited economies of scale. Effective co-ordination involves governments, private investors, multilateral and bilateral banks, donors and a variety of financial instruments, including grants, loans, guarantees and equity across sectors and countries. A notable example is the Sustainable Energy Facility for the Eastern Caribbean, financed by the IDB through the CDB. This programme combines resources from the IDB, CDB, Clean Technology Fund, Global Environment Facility, Green Climate Fund and the Republic of Italy to support geothermal energy projects in Dominica, Nevis, Saint Vincent and

Grenada. The initiative aims to transform the energy mix of six Eastern Caribbean countries – Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines – by emphasising complex geothermal investments, which are considered high-risk compared with more conventional renewable energy sources, such as solar or wind.

Innovative blended finance structures can mitigate risks, attract private capital and ensure the financial viability of such capital-intensive projects. IDB Invest blended investment helped launch Portland III – a multi-sector private equity fund supporting the growth and regional expansion of mid-sized Caribbean companies – by providing USD 3 million in concessional finance that enabled the fund to reach a USD 100 million first closing and pursue ambitious climate and gender targets through impact-linked incentives (IDB Invest, 2023[81]). For the Sustainable Energy Facility, the IDB provides loans funded by its ordinary capital, complemented by contingent recovery grants from the Clean Technology Fund, grants from the Global Environment Facility and the Republic of Italy and contingent recovery grants and loans from the Green Climate Fund. CDB channels this blended financing, combined with its own resources, as loans and grants to sub-projects. Downstream, these funds are combined with public and private equity to support Special Purpose Vehicles (SPVs) responsible for operating specific geothermal projects (Figure 3.15).

Figure 3.15. Structure of a global credit loan by the IDB to the CDB



Note: CDB=Caribbean Development Bank; CTF=Clean Technology Fund; GCF=Green Climate Fund; GEF=Global Environment Facility; IDB=Inter-American Development Bank.

New debt financing mechanisms can mobilise resources to support environmental, social and climate resilience objectives

The range of development-enhancing financial instruments available to Caribbean countries is broad, encompassing innovative tools that channel investment towards priority areas. On the one hand, instruments mobilise resources through debt markets and direct capital towards thematic development goals, including green, social, sustainability, sustainability-linked and blue (GSSSB) bonds, thematic debt conversions and carbon-pricing mechanisms. On the other hand, pre-arranged financing mechanisms are designed to enhance resilience against natural disasters – a critical area for innovative finance in the

Caribbean. This includes regional risk pools, catastrophe (CAT) bonds, contingent disaster loans and grants, and climate-resilient debt clauses (CRDCs).

Several Caribbean countries have pioneered innovative financing tools, often leading in both scale and frequency compared to other SIDS in Africa, the Indian Ocean and the Pacific. In the Dominican Republic, a USD 750 million green bond marked a milestone in the region's participation in sovereign GSSSB markets. The Caribbean also leads globally in debt-for-nature swaps – with major operations in Belize, Barbados and The Bahamas – and in sovereign CAT bonds, led by Jamaica. Moreover, several Caribbean nations have been early adopters of climate-resilient debt clauses, setting an example for other SIDS in integrating sustainability and resilience into their debt frameworks (OECD, 2025[82]).

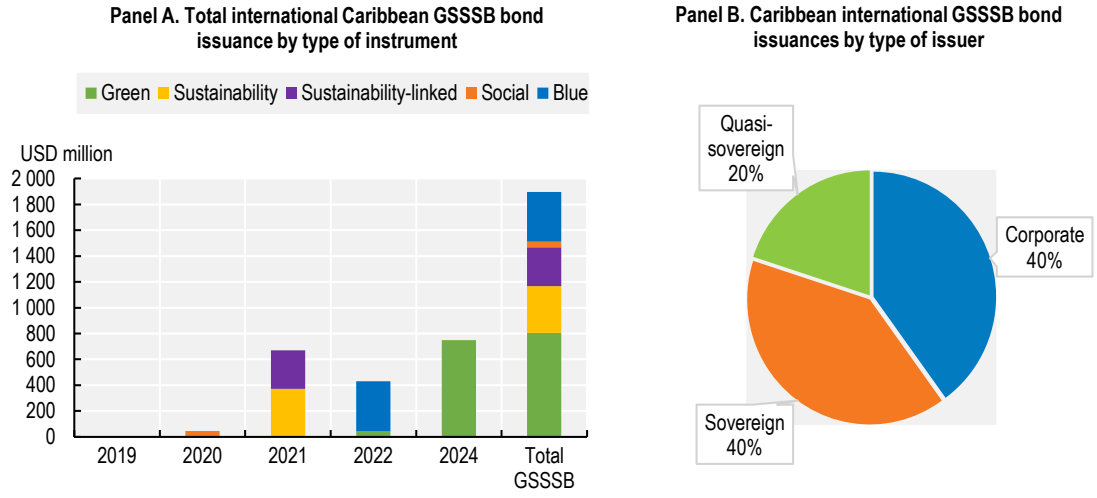
Deploying these instruments effectively requires careful consideration of context, institutional capacity and policy coherence. Each instrument carries distinct financial and opportunity costs, and more sophisticated tools are not always preferable to simpler alternatives. Their implementation also demands significant financial, human and political resources, which must be prioritised amid competing development objectives. Yet, despite rising demand for such instruments, technical assistance and capacity-building support remain insufficient. This highlights the need for sustained international engagement and stronger domestic institutions. To maximise their impact, these financial instruments should be embedded within broader, well-integrated public policy and fiscal strategies that align with national and regional development objectives.

Thematic bonds are increasingly used in the Caribbean as a sustainable financing tool, helping countries access growing ESG capital markets

Caribbean countries and corporate entities are increasingly using GSSSB bonds. Between 2019 and 2024, the international GSSS bond market in the Caribbean reached a cumulative value of USD 2 billion (Figure 3.16, Panel A). Green bonds lead the way with USD 804 million, followed by blue bonds at USD 385 million, sustainability bonds at USD 364 million and sustainability-linked bonds (SLBs) at USD 300million. Corporate issuers account for 44% of total issuances, sovereigns for 44% and quasi-sovereigns for 22% (Figure 3.16, Panel B). Large transactions are dominated by sovereign issuers such as the Dominican Republic, Belize, The Bahamas, Barbados, and Trinidad and Tobago. Evidence suggests that thematic bonds help broaden sovereign investor bases by drawing in new categories of investors, notably from European markets (Torres Pelaez et al., 2024[83]). Moreover, sovereign issuers in the region can benefit from a green premium (greenium) when issuing green bonds, resulting in slightly lower borrowing costs than conventional bonds; however, these gains remain limited and depend on credible frameworks, external verification and sustained issuance strategies (see the section below on enhanced regulation and oversight) (Roch, Brichetti and Cavallo, 2025[84]).

Despite their promise, GSSSB bonds face several challenges in the Caribbean that require innovation in the thematic bond space. Greater flexibility in the use of proceeds and performance-based pricing could enhance the attractiveness of SLBs for both issuers and investors. However, these added complexities require stronger institutional capacity and further market development. Moreover, small issuance sizes often lead to high transaction costs and limited secondary market liquidity, making Caribbean bonds less appealing to international investors.

Figure 3.16. GSSSB bond issuance in international markets in the Caribbean, 2019-2024



Note: Sustainability label bonds include a USD 364 million debt-for-nature conversion by Belize. SLBs include a USD 73 million sustainability-linked bond issued by BB Blue DAC to advance a loan to the Barbados government as part of a debt-for-nature swap.
Source: Authors' elaboration based on OECD/IDB (2024[36]), *Caribbean Development Dynamics 2025*, https://doi.org/10.1787/a8e79405-en.

StatLink https://stat.link/qzdlkw

Scaling up GSSSB bond issuance requires strengthening the institutional framework. This, in turn, entails building institutional capacity, improving regulatory frameworks, enhancing transparency and finding ways to overcome size-related constraints. Bilateral and multilateral partners play an active role in these efforts by providing technical assistance alongside financial support and promoting cross-country co-ordination for regional solutions. However, even with a sound institutional strategy for the issuance and management of thematic securities, robust pipelines of bankable projects aligned with national development strategies remain essential to scale up investment. MDBs can also contribute to institutional strengthening by creating facilities to prepare projects (Chapter 2).

Thematic debt conversions have gained prominence in the region

Thematic debt conversions are financial arrangements that reduce a country's foreign debt in exchange for a commitment to invest in a specific development goal. These deals are typically structured to allow debt buybacks at discounted rates, with the resulting savings redirected towards environmental outcomes. In some cases, the transaction takes the form of a swap, with the same investor exchanging one type of asset for another. In other cases, the country repurchases debt from a specific set of investors and issues new securities that any willing investor can acquire in the capital markets.

Thematic debt conversions have gained prominence in recent years, with Caribbean countries leading many large-scale operations. In Belize, for example, the debt-for-nature swap (DFNS) in 2021 linked to marine conservation created an SPV – the Belize Blue Investment Company – to issue blue bonds. This enabled the buyback of USD 553 million in external debt and channelling of around USD 180 million towards conservation funding over 20 years (CFFA, 2022[85]). Similarly, in Barbados, the 2022 DFNS created the Barbados Environmental Sustainability Fund to manage proceeds from a bond refinancing operation facilitated through an SPV structure (The Nature Conservancy, 2023[86]). Barbados has engaged in two highly innovative debt transactions in recent years to advance nature conservation and build climate resilience (Box 3.3). Moreover, in 2024, The Bahamas also launched a USD 300 million debt-for-nature swap with the support of The Nature Conservancy, the IDB, and private partners including Builders Vision, AXA XL, and Standard Chartered. The operation refinanced USD 300 million of external commercial debt and is expected

to generate around USD 124 million for marine conservation over 15 years, supported by IDB guarantees and private-sector risk sharing (IDB, 2024[87]).

Box 3.3. Innovative debt transactions for nature conservation and climate resilience in Barbados

In September 2022, Barbados conducted a debt-for-nature transaction with the support of the Inter-American Development Bank (IDB) and The Nature Conservancy (TNC) to improve its debt profile and support marine conservation. The country contracted new debt equivalent to USD 147 million (about 3% of GDP), with a 100% guarantee issued by the IDB (AAA-rated) and TNC (AA-rated). The proceeds were immediately used to buy back part of the outstanding Eurobonds (6.5% note due in 2029), as well as domestic bonds (8% bonds). The transaction is expected to generate savings of around USD 50 million over 15 years. These savings will flow into a conservation fund to enhance marine protection.

In November 2024, the Government of Barbados conducted another debt-for-climate swap with the support of the IDB and the European Investment Bank (EIB). The joint guarantee of USD 300 million was used to contract new domestic debt through a syndicated loan with a fixed interest rate of 3.5%, with the proceeds channelled to repurchase outstanding domestic bonds. The stream of savings, estimated at USD 110 million over ten years, is being used to upgrade the South Coast water and sewage treatment plant. The project is funded by an IDB investment loan, alongside a Green Climate Fund grant and concessional loan.

In exchange for the guarantees, the government has committed to a series of policy reforms. In addition, sustainability-linked performance targets are included in both transactions. In keeping with the agreement, financial penalties will be charged and channelled to the Barbados Environmental Sustainability Fund if the government does not reach certain goals. These mechanisms ensure that commitment towards advancing the reform agenda and enhancing sustainability is demonstrated and maintained.

Source: (IDB, 2022[88]; Central Bank of Barbados, 2025[89]).

Special Purpose Vehicle (SPV) structures can enhance thematic debt conversions but introduce additional complexity that often requires external support. SPVs can facilitate private investor participation, improve risk management and provide a transparent governance structure for funds. However, setting up and managing an SPV entails legal, administrative and financial complexities and costs, often requiring external support and technical assistance. In contrast, earlier bilateral swaps, such as the 2008 agreement in Seychelles, did not involve an SPV and instead relied on direct arrangements between the government, creditors and conservation partners (The Commonwealth, 2020[90]). While simpler to execute, these deals tend to be smaller in scale and limited to public creditors.

Scaling up thematic debt conversions is often complex. These transactions require strengthening local institutional capacity, improving regulatory frameworks and enhancing transparency. Consequently, simpler instruments – such as regular policy-support operations with DFIs – may be preferable for some Caribbean governments. The choice of thematic debt conversions typically depends on two factors: the size of the operation and the difference between old and new debt contracts (i.e. the premium between the interest rate on repurchased and newly issued securities). This, in turn, reflects country-specific risk perceptions and market appetite for thematic investments.

Thematic debt conversions also demand high levels of co-ordination among governments, bilateral creditors and conservation actors – an especially heavy burden for Caribbean administrations with limited staffing. DFIs can play an active role by offering concessional guarantees to enhance investor appeal and facilitating inter-institutional and regional co-ordination. MDBs can help reduce issuance costs by pooling projects, creating regional platforms for verification and monitoring, and providing adaptable guidelines

and templates. The regional, standardised debt-for-resilience multi-country swap programme announced at the Brazil-Caribbean Summit provides a recent example. In this case, CARICOM Chair and Barbados Prime Minister Mia Mottley requested the IDB lead co-ordination efforts with other multilateral institutions.

Thematic debt conversions can affect a country's sovereign credit ratings. While such transactions may be viewed as measures to strengthen fiscal sustainability and demonstrate prudent debt management, they can also be interpreted as a form of debt restructuring. Credit rating agencies have adopted differing approaches in this regard. Moody's classified the 2021 transaction in Belize, and the 2023 and 2024 deals in Ecuador as distressed exchanges. However, these classifications did not change their sovereign credit ratings. In contrast, Fitch and Standard & Poor's (S&P) did not treat these operations as distressed exchanges or default events.

Carbon credit markets are becoming an increasingly important instrument for Caribbean countries to attract foreign investment

Carbon markets are becoming an increasingly important source of climate finance for the Caribbean. Carbon pricing now covers around 28% of global emissions and in 2024 alone, over USD 100 billion was mobilised through carbon-pricing mechanisms. Demand in compliance carbon markets has also surged. Countries such as Brazil, Colombia, Guyana and Peru have begun accessing climate finance through projects that generate carbon credits in voluntary markets and by linking to international compliance markets, where financing is available on a much larger scale. Other countries, including several in the Caribbean, such as Jamaica, are developing domestic carbon markets as policy tools to help meet their NDCs under the Paris Agreement (IDB, 2024[91]).

Caribbean countries are adopting carbon credit markets to attract foreign investment. Currently, 80 carbon taxes and emissions trading systems (ETSs) operate worldwide – a fivefold increase in the past year (World Bank, 2025[92]). Revenues from carbon credits are three times higher in real terms than a decade ago. This reflects the rapid growth of global carbon markets, although revenues were slightly lower in 2024 compared with 2023. In the Caribbean, Guyana is leading carbon market development. The country has established a voluntary carbon market focused on selling forest-based carbon credits to attract investment (Box 3.4). The Dominican Republic has started designing a pilot ETS to move towards an operational carbon market (UNFCCC, 2025[93]). Grenada and Saint Lucia are building technical readiness through capacity-building initiatives supported by the Global Carbon Market of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (OECS, 2022[94]).

Other Caribbean nations are seeking to monetise their ocean resources and conservation efforts through blue carbon credits. Although many Caribbean countries have small land areas, they are large ocean states. Countries within the Organisation of Eastern Caribbean States (OECS) have exclusive economic zones that are 81 times the size of their landmass. Given its critical role in sequestering carbon, the ocean represents an asset and a catalyst for investment (Chapter 2). In 2025, The Bahamas launched the world's first blue-carbon sovereign securities transaction. Through a partnership with Laconic Infrastructure Partners and public-private entity Carbon Management Ltd., The Bahamas will use digital tools to measure and verify how much carbon is absorbed by seagrasses and then turn these verified carbon removals into tradable Sovereign Carbon Securities that can be sold on global markets (Laconic Global, 2025[95]).

Box 3.4. Carbon credits in Guyana: Using forests to generate revenue in exchange for protection and conservation

Guyana is a leader in the Caribbean region in carbon credits and voluntary carbon markets, using its forests to generate revenue in exchange for its protection and conservation. The country's forested area, part of the Amazon, spans 18 million hectares (87% of the country), storing 21.8 billion tonnes of carbon dioxide. Companies can buy carbon credits issued to Guyana under the REDD+ Environmental Excellence Standard (TREES) framework to offset their carbon emissions.

The 2020 Low Carbon Development Strategy outlines how much Guyana can earn from the climate services provided by its forests. In keeping with this strategy, the UN-backed Architecture for Reducing Emissions from Deforestation and forest Degradation (REDD+) Transactions (ART) issued Guyana 7.14 million 2021 TREES credits in February 2024. Guyana became the first-ever government to report a corresponding adjustment to the United Nations Framework Convention on Climate Change (UNFCCC) for its associated emission reductions. The credits issued in February 2024 came on top of 33.47 million TREES credits issued by ART to Guyana in December 2022 for its work on actively protecting its forests between 2016 and 2020 (ART, 2025[96]).

Later in 2024, Guyana authorised the use of its carbon credits for compliance under Phase I of the United Nations (UN) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), allowing airlines participating in CORSIA to offset emissions. Through CORSIA, Guyana has sold carbon credits equivalent to approximately USD 750 million (over 14% of 2020 GDP or 3% of 2024 GDP). These credits are to be paid over 2022-2032. So far, the government has already received USD 237.5 million (Government of Guyana, 2025).

Of these carbon credit sales, 15% are earmarked for investment in community-led activities to be decided by Indigenous Peoples and local communities in Guyana, recognising their dependence on the forest and its ecosystem services. The remaining 85% of revenue from carbon credits are to be invested in land titling for Indigenous villages, renewable energy, repairing canals and protecting against climate change (ART, 2025[96]). Between 2020 and 2024, carbon credit revenues in Guyana primarily supported climate adaptation and mitigation projects in the country's hinterland, including drainage and solar power farms. In 2025, the government budgeted a further USD 512.5 million from carbon credits to finance drainage and Amerindian village sustainability plans. Over 2022-2024, Amerindian villages received USD 9.5 million for 800 projects in the areas of agriculture, tourism, transport and education, among others (Government of Guyana, 2025[97]).

Source: (Government of Guyana, 2025[97]; ART, 2025[96]).

For the Caribbean, developing carbon markets offers significant potential to attract investment, but strong regulatory and verification frameworks are essential. Without robust governance, carbon markets risk undermining environmental and financial integrity, leading to issues such as carbon leakage, double counting of emission reductions and unclear ownership of carbon credit rights. These problems can weaken the effectiveness of carbon markets as tools for mobilising climate finance for both mitigation and adaptation. The Global Carbon Market project – funded by Germany's Ministry for Economic Affairs and Energy in partnership with the OECS – is laying the groundwork for a regional carbon market underpinned by strong regulatory frameworks. Through stakeholder engagement, capacity building and initiatives, such as mangrove-based offsets, the project aims to establish a Caribbean Alliance on Carbon Markets and Climate Finance (BMWE, 2025[98]). It supports governments in developing the necessary institutional and technical capacities to participate effectively in both voluntary carbon markets and emerging mechanisms under the Paris Agreement (BMWE, 2025[98]).

The Caribbean is also increasingly using innovative pre-arranged financing instruments to strengthen financial resilience to natural disasters

Caribbean countries have innovated in the transition from purely reactive approaches to pre-arranged financing for natural disasters. Instead of allocating resources for disasters *after* an event occurs, they are moving towards pre-arranged financing approved in advance of crises and released when pre-identified triggers are met (Mustapha and Benson, 2024[99]; Plichta and Poole, 2024[100]). The Caribbean is increasingly using pre-arranged financing instruments to enhance resilience to natural disasters, a key area for innovative financing. These instruments comprise regional risk pools, CAT bonds, contingent loans and grants, and climate-resilient debt clauses. Similar advances in other regions, including in Emerging Asian countries, indicate the benefits of multi-layered disaster risk financing frameworks that combine pre-arranged financing instruments and traditional budgetary tools (OECD, 2025[101]).

Regional risk pools

Regional risk pools are mechanisms through which multiple countries share and diversify the financial risks of disasters, allowing for more efficient and collective management of catastrophic events. They are a proactive instrument that requires regional co-operation and helps eliminate moral hazard. In the Caribbean, the CCRIF Segregated Portfolio Company (CCRIF SPC, formerly the Caribbean Catastrophe Risk Insurance Facility) is a non-profit insurance entity that provides risk instruments by pooling the risks of participating countries into a single, better-diversified mechanism. Since its inception in 2007, CCRIF SPC has made 81 payouts totalling USD 462 million to member governments across 19 Caribbean countries and four Central American countries[1] (CCRIF SPC, 2026[102]). In 2025, CCRIF SPC disbursed a USD 70.8 million payout to the Government of Jamaica, its largest to date, within 14 days of Hurricane Melissa (CCRIF SPC, 2026[102]).Evidence from the Association of Southeast Asian Nations (ASEAN) countries show that regional disaster risk-sharing arrangements can deliver significant diversification and resilience benefits, as carefully selected country groupings with weakly correlated loss profiles can form effective multi-country catastrophe risk-sharing pools (OECD, 2025[101]).

Political ownership is key to the success of regional risk pools; CARICOM played a central role in establishing CCRIF SPC. The main advantages of regional risk pools include designing and validating insurance products for a range of similar countries, joint procurement of coverage and the ability to mobilise donor funding to cover insurance premiums (World Bank, 2017[103]; Cebotari and Youssef, 2020[104]). However, their regulatory frameworks, levels of capitalisation and reliance on reinsurance markets limit the scale of their operations (Mustapha and Benson, 2024[99]).

Regional risk pools such as CCRIF face several challenges that will shape their effectiveness going forward, requiring both stronger institutional capacity and greater value for members. Pools need to continue improving value for money by limiting costs, passing on price benefits and fully leveraging co-benefits, such as data platforms, modelling tools and knowledge exchange. On institutional capacity, a key priority – particularly for CCRIF – will be helping countries integrate these tools into broader disaster risk management and fiscal planning, including through more accessible risk models and stronger contingency planning (Martinez-Diaz, Sidner and Mcclamrock, 2019[105]).

It is also important for regional risk pools to manage expectations and basis risk as members will expect payouts when disasters strike. Pools need to better manage unmet expectations and basis risk through continual model improvements, transparent rules-based processes and, where appropriate, secondary triggers. Ensuring access and affordability will also require more strategic premium support from donors and MDBs, while recognising the fiscal risks of using loans to pay premiums. Looking ahead, pools need to accelerate product innovation – from new sovereign parametric covers to sector-specific instruments – and deepen collaboration with MDBs to build local capacity on risk layering. They also need to communicate that insurance complements, but cannot replace, the need for large-scale climate finance,

ensuring sustained political support for their role in providing rapid post-disaster liquidity (Martinez-Diaz, Sidner and Mcclamrock, 2019[105]).

Catastrophe bonds

CAT bonds are risk transfer securities that provide payouts when specific disaster parameters are triggered. In 2014, Grenada issued a parametric CAT bond through the World Bank's Global Facility for Disaster Reduction and Recovery, becoming one of the first Caribbean countries to pilot such instruments. More recently, in 2021, the World Bank issued a CAT bond, providing the Government of Jamaica with financial protection of up to USD 185 million against losses from named storms for three Atlantic tropical cyclone seasons ending in December 2023. After the expiry of this bond, in 2024, it was renewed with USD 150 million in financial protection for four hurricane seasons (World Bank, 2024[106]). In October 2025, the full payout of USD 150 million to Jamaica was triggered after Hurricane Melissa met the pre-agreed parametric criteria of the World Bank catastrophe bond, based on the storm's central pressure and path as analysed by AIR Worldwide Corporation. This payout provided immediate financial support to help the country respond to the disaster, fund relief and reconstruction efforts, and strengthen climate-resilient infrastructure (World Bank, 2025[107]).

Despite growing interest, the adoption of CAT bonds remains limited in the Caribbean. Broader uptake is deterred by high issuance costs, limited domestic expertise, challenges in defining parametric triggers that match actual losses and limited information on assets' exposure, which makes it more difficult to design triggers that minimise basis risks. Investors often require high premiums due to the perceived risk and limited diversification in the region, while small country sizes make individual issuances less economically viable. Countries also struggle with the timing and use of payouts, as well as with integrating CAT bonds into broader disaster risk management and fiscal frameworks (OECD, 2024[108]).

Establishing clear guidelines and protocols for each stakeholder's involvement will help to streamline processes, mitigate risks and enhance market confidence. These bonds transfer natural disaster risks from governments to investors using measurable physical parameters – such as central air pressure thresholds – rather than actual damages to determine payouts. In some cases, this can leave countries without support despite severe impacts. In 2024, for example, Jamaica suffered significant destruction during Hurricane Beryl, but its USD 150 million World Bank-sponsored CAT bond did not pay out. The storm's central pressure did not fall below the required threshold in any of the 19 pre-defined grid sections and its most intense core passed 72 km offshore from Kingston. This illustrates the issue of basis risk, where bond payouts do not correspond to actual losses on the ground.

While parametric triggers provide transparency and predictability for investors, they can result in gaps in coverage. In Jamaica, the updated 2024 CAT bond was approximately 60% more expensive than earlier versions due to rising climate risks and investor demands for returns near 15%; this highlights the trade-off between cost and coverage. CAT bonds remain valued for their ability to provide rapid, rules-based disbursement. However, the experience of Jamaica demonstrates the challenges of aligning these instruments with the practical needs of disaster-affected nations, especially under atypical weather events (Bretton Woods Project, 2024[109]).

Contingent loans and grants

Less complex risk-retention instruments, such as contingent loans and grants, have had a much larger acceptance among Caribbean countries. Contingent credit instruments account for nearly 70% of pre-arranged disaster coverage in low- and middle-income countries, with contingent disaster loans and grants provided by MDBs increasing by 126% between 2017 and 2023 (Plichta and Poole, 2024[100]). These instruments consist of loans and grants prepared and approved in advance of an eligible event. They are disbursed following a disaster if a set of pre-agreed conditions is met. Such instruments have been widely adopted in the Caribbean (Box 3.5). In 2025, USD 300 million was made available to Jamaica through the

IDB's Contingent Credit Facility (CCF) following Hurricane Melissa (IDB, 2025[110]). One key reason for their popularity is that disbursements from MDB-contingent loans and grants – like regional risk pools – are among the quickest and most predictable flows reaching government accounts after a qualifying event (Mustapha and Benson, 2024[99]). These instruments provide contingent liquidity that does not add to the debt stock unless triggered, making them a valuable complement to budgetary buffers and insurance arrangements. Nonetheless, the macro-fiscal framework should incorporate a contingent-liability analysis to assess the impact of triggered flows on debt levels.

Box 3.5. The Contingent Credit Facility of the Inter-American Development Bank

The Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) is an ex-ante risk-financing instrument to help borrowing Member countries strengthen effective financial management of natural disaster and public health risks.

The CCF aims to provide Members with immediate liquidity following a natural disaster or public health event of severe or catastrophic proportions. To that end, fast eligibility and simple verification stages enable governments to count on fresh resources for timely humanitarian relief and restoration of basic services after a severe or catastrophic event. Studies from around the world that compare the speed of post-disaster response find that affected communities that benefit from immediate aid and resources have improved human development outcomes – other things being equal – to communities that faced delayed or protracted responses.

CCF loans can include two modalities of coverage. The first one provides parametric coverage for natural disasters for up to USD 300 million or 2% of GDP, whichever is less. The second one provides non-parametric coverage for natural disasters and public health risks for up to USD 100 million or 1% of GDP, whichever is less.

Proceeds from CCF loans are used exclusively to cover extraordinary government expenditures incurred in the 180-270 calendar days following the onset of an eligible event.

The current CCF portfolio in the Caribbean includes coverage for The Bahamas (hurricanes), Barbados (hurricanes, excess rainfall), Belize (hurricanes, excess rainfall), the Dominican Republic (earthquakes, hurricanes, excess rainfall), Jamaica (earthquakes, hurricanes) and Suriname (floods).

Source: (IDB, 2025[111]).

Climate-resilient debt clauses

Sovereign debt contracts increasingly include climate-resilient debt clauses (CRDCs) to enhance fiscal flexibility following extreme events, but their impact on borrowing costs and the perception of investors remains unclear. CRDCs are increasingly included in sovereign debt contracts to enhance fiscal flexibility following extreme events. These clauses typically allow governments to defer debt service for a limited period after a natural disaster, freeing resources for emergency response and recovery. Barbados was among the first in the region to adopt such clauses in its 2018-2019 debt restructuring agreements. Grenada, and Saint Vincent and the Grenadines also used debt service pause clauses after Hurricane Beryl as part of broader disaster risk-financing strategies that included pre-arranged instruments. In 2024, in a world first, Grenada was able to pause debt repayment due to a hurricane debt suspension clause after Hurricane Beryl, saving the country USD 28 million. While the clauses delivered swift liquidity relief, limited uptake by private creditors and Grenada's ongoing absence from capital markets raised questions about their impact on borrowing costs and investor perception (Mustapha, 2025[112]).

Barbados pioneers the integration of CRDCs into sovereign bond issuances. In 2024, Barbados enacted the Debt (Natural Disaster and Pandemic Deferment of Payment) (Miscellaneous Provisions) Bill. This allowed deferral of principal and interest payments for two years in the event of a qualifying natural disaster or pandemic under the CCRIF. Reflecting the aim of Bridgetown 1.0 to embed automatic shock-response mechanisms in the global financial architecture, Barbados issued a USD 500 million Eurobond in June 2025 that included both CRDCs and pandemic clauses. This marked the first use of such clauses in a primary market transaction, offering a replicable model for other climate-vulnerable countries to manage external shocks without losing market access (Fitch Ratings, 2025[113]).

Unlike standard sovereign debt clauses, CRDCs are not yet common in international debt markets and require careful negotiation with creditors. Many bondholders are reluctant to accept such terms without additional risk premiums and some multilateral lenders have yet to fully embrace their inclusion. There is also uncertainty around what constitutes a qualifying event and how it may affect sovereign credit ratings and investor perceptions. Without strong legal language and objective disaster triggers, these clauses may not provide the timely fiscal relief that governments in the region expect. Furthermore, the clause must be ready to be activated – but not exercised – until the event occurs to avoid being treated as a form of debt restructuring.

MDBs have become major drivers in the expansion of CRDCs in the region, actively promoting the instrument across their lending portfolios and within the broader financial system. The IDB pioneered the use of these clauses in 2021, initially through a pilot phase focused on Caribbean countries – marking a significant step forward in the region's toolkit for managing natural disaster risks. Interest has grown rapidly since then: as of July 2025, seven countries – including Barbados, Belize, Ecuador, El Salvador, Panama and The Bahamas – have incorporated these clauses into their loan contracts with the IDB, amounting to a total of approximately USD 3 855 million. Formally known as the *Principal Payment Option* (PPO), the IDB's resilient debt clause allows countries to defer principal payments for two years following an eligible natural disaster and to repay the deferred amounts in later instalments. This deferral is neutral with respect to the loan's weighted average life and does not extend its original maturity; interest payments must continue to be made. By providing temporary liquidity at a critical moment, the PPO offers countries essential financial relief to address urgent post-disaster needs. Only IDB Member countries with access to the Contingent Credit Facility (CCF) are eligible to contract the PPO (IDB, 2024[114]).

CRDCs remain relatively new and have been triggered only a few times. Grenada, and Saint Vincent and the Grenadines used them to defer debt payments to bondholders and the World Bank, respectively, after Hurricane Beryl. These arrangements were complemented by other pre-arranged financing instruments, some of which provided substantial payouts following the hurricane (Mustapha, 2025[112]). Given the limited number of instances, empirical evidence on their effectiveness remains scarce and comprehensive impact assessments are still needed.

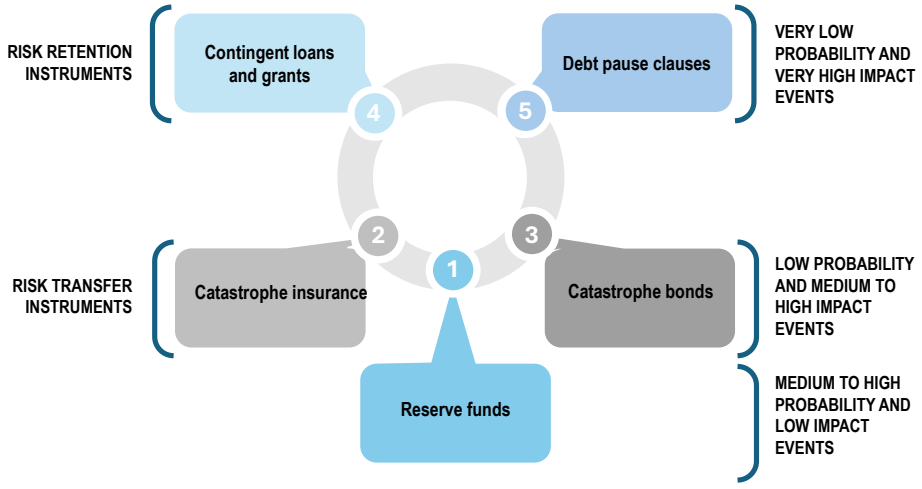
To maximise the impact of pre-arranged disaster finance instruments, coherent frameworks are needed to guide their use

Coherent frameworks are needed to guide the selection and use of pre-arranged disaster finance instruments to ensure they complement each other as much as possible. Yet, countries often fall short in fully integrating their national disaster risk finance strategies into broader fiscal policy frameworks. Effective risk financing must align with external debt management strategies to ensure fiscal sustainability and consistency with overall financial planning, while investments in resilience require mainstreaming within public investment systems and budget programming to support proper prioritisation and efficient resource use. The OECD's framework for strengthening financial management of climate-related risks emphasises the importance of reporting climate-related risks and their fiscal implications, mitigating financial losses through risk reduction, adaptation, insurance, and clear compensation arrangements, and preparing integrated financial strategies that combine budgetary tools, debt financing, and risk transfer instruments

(OECD, 2022[115]). A comprehensive risk-layering approach should also be embedded within wider disaster risk management efforts that include preparedness, prevention, risk reduction and rapid post-disaster response. Within this framework, instruments such as contingent credit lines and CAT bonds should be combined strategically, recognising that no single tool can efficiently cover all types and layers of risk.

Different risk retention and risk transfer instruments need to be sequenced according to the probability and expected impact of potential events. A national disaster risk finance strategy typically orders instruments by their suitability: reserve funds for medium- to high-probability events with low impact at the base; risk retention instruments for medium- to high-frequency events with moderate impact in the middle; and risk transfer instruments for low-probability, high-impact events at the top (Figure 3.17) (Mustapha and Benson, 2024[99]). This structured approach can help ensure that adequate resources are available when needed, while integrating disaster risk considerations across fiscal and social protection systems. Ultimately, risk layering should complement broader strategies that strengthen preparedness, reduce vulnerabilities and build fiscal and financial resilience to shocks, ensuring that disaster responsiveness is systematically embedded in national policies. Moreover, MDBs can support data systems, risk-transfer mechanisms, and pre-arranged financing instruments that align incentives, reduce moral hazard, and help countries manage public and private disaster risks more effectively (Durante et al., 2011[116]).

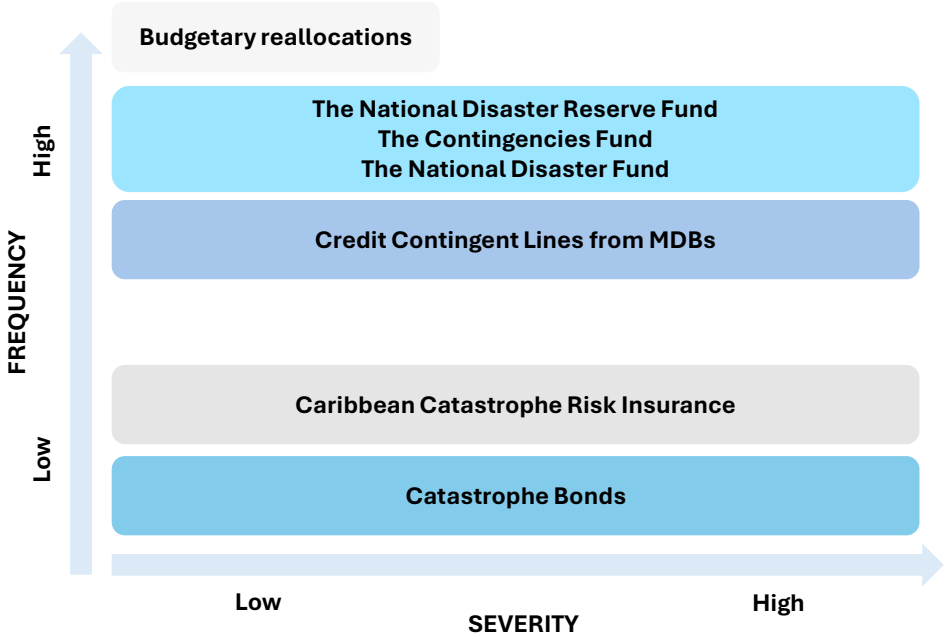
Figure 3.17. A generic multi-layered risk management strategy for natural disasters using pre-arranged financing instruments



Source: Based on material provided by the IDB disaster risk finance team and Mustapha and Benson (2024[99]), *Demystifying Pre-arranged Financing for Governments: A Stocktake of Financial Instruments from International Financial Institutions*, https://www.disasterprotection.org/publications-centre/demystifying-pre-arranged-financing-for-governments.

Coherent frameworks combining multiple instruments should consider country-specific needs, commercial and market factors, and broader aspects of fiscal, economic and political context. For example, Jamaica's National Natural Disaster Risk Financing Policy, unveiled in 2022, addresses climate risks using a layered approach (Figure 3.18). Low-severity, high-frequency events are managed through budgetary reallocations. Higher-frequency events with low or high expected severity are addressed using a combination of risk retention resources. These include special government funds – the National Disasters Reserve Fund, the Contingencies Fund and the National Disaster Fund – and pre-arranged financing, such as the Credit Facility for Natural Disasters (IDB) and the Catastrophe Deferred Drawdown Option (World Bank). Low-frequency, high-impact events are covered through risk transfer instruments, including insurance from the CCRIF and CAT bonds.

Figure 3.18. Jamaica's national natural disaster risk financing policy (by frequency and severity of natural disaster)



Source: Clarke (2024[117]), *Building robust disaster risk financing framework*, https://jamaica-gleaner.com/article/commentary/20240728/nigel-clarke-building-robust-disaster-risk-financing-framework.

At the same time, risk management strategies should be integrated into a broader risk-hedging approach that accounts for the country's full spectrum of risks. Social bonds and other thematic investment instruments should be aligned with a macro-fiscal framework that balances development objectives with macroeconomic stability. This should ensure consistency between disaster risk management strategies, social protection systems and overall risk-hedging efforts. Instrument selection should also consider interactions between public policy objectives and frameworks as, in some cases, traditional instruments may be more appropriate than innovative or cutting-edge options.

There is significant scope to improve the design, implementation and scaling of disaster financing instruments. In disaster coverage, a promising area for innovation is early action – deploying financing once an event becomes highly likely but has not yet occurred. Pre-arranged financing for such early action requires a higher level of operational readiness. Thus, collaboration between Caribbean governments and international organisations will be key to assessing its relevance, feasibility and cost effectiveness.

Enhanced regulation and oversight play pivotal roles in ensuring the efficacy of sustainable finance instruments while mitigating associated risks

Establishing robust, sustainable finance frameworks is essential for enhancing transparency and attractiveness in regional markets while mitigating risks. Given the vulnerability of many Caribbean countries to climate change, transparent, sustainable frameworks are crucial to ensure investment and promote innovation across various fronts (UNDP, 2023[118]). This requires developing and refining various mechanisms, including taxonomies, standards, guidelines, policies, international co-operation initiatives and regulations. These mechanisms may be created by the public sector, the private sector or through collaboration between both. For sustainable finance instruments such as green, social and sustainability (GSS) bonds, issuers at both national and international levels have developed frameworks to enhance transparency. These frameworks aim to ensure credible verification of the use of proceeds and their

environmental and social impacts, which remain a key challenge for GSS bond issuance. For example, the IDB has developed a Sustainable Debt Framework aligned with the International Capital Market Association (ICMA) green, social and sustainability bond principles. Under this framework, the IDB issues GSS bonds to finance or refinance eligible projects and programmes across Latin America and the Caribbean, with annual allocation and impact reports required to meet transparency and disclosure standards (IDB, 2024[119]).

Sustainable finance frameworks often follow three key objectives: integrating economic, social and governance principles into financial sector operations; climate risk management and sustainability financing. The diverse components of these frameworks make a unified definition challenging, requiring enhanced co-ordination. Greater efforts in the Caribbean region are needed to foster more consolidated sustainable finance frameworks, ensuring comparability, certainty, credibility, integrity and transparency in the market.

While the Dominican Republic remains the only Caribbean country with a green taxonomy, other nations in the region are advancing in the design of sustainable finance frameworks (Figure 3.19). Efforts focus on green protocols, surveys and climate risk guidelines involving diverse stakeholders.

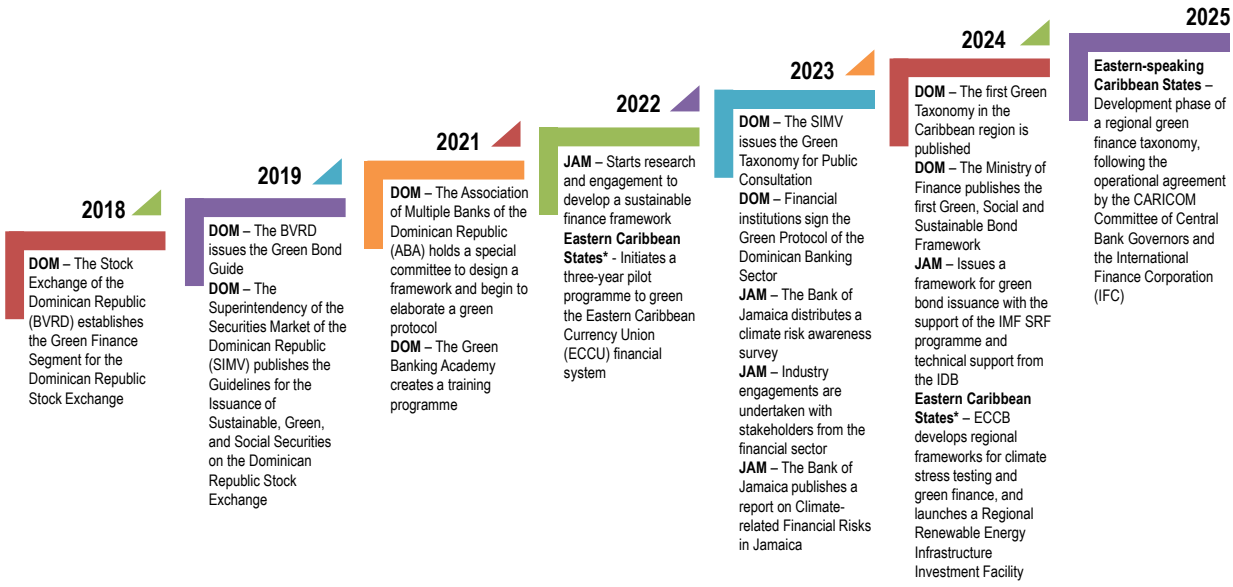
In 2018, the Stock Exchange of the Dominican Republic took a pioneering step by establishing the Green Finance Segment, followed by the issuance of the Green Bond Guide in 2019. In June 2024, it published the first green taxonomy in the Caribbean and the Framework for Green, Social and Sustainable Bonds through the Ministry of Finance. These aimed to help investors, companies and other market participants more easily identify strategic investment opportunities that align with the country's environmental objectives, such as those outlined in the Paris Agreement.

In 2022, Jamaica published a report on climate-related financial risks and conducted surveys to enhance its sustainable finance framework. By 2024, the country had developed a framework for green bond issuance with support from the IMF Resilience and Sustainability Facility programme and technical assistance from the Inter-American Development Bank (IDB) (IMF, 2024[120]). That same year, the Jamaica Stock Exchange developed the Green Bond Plus, a platform for trading and issuing green, social, sustainability and SLBs (UNDP, 2025[121]).

In 2024, Eastern Caribbean states launched a three-year pilot programme to green the Eastern Caribbean Currency Union financial system. Participating states comprised Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, and Saint Kitts and Nevis. That same year, the Eastern Caribbean Central Bank also developed regional frameworks for climate stress testing and green finance, including a Regional Renewable Energy Infrastructure Investment Facility.

In 2025, the English-speaking Caribbean entered the development phase of a regional green finance taxonomy, following an operational agreement between the CARICOM Committee of Central Bank Governors and the International Finance Corporation (IFC, 2025[122]).

Figure 3.19. Sustainable finance framework development in the Caribbean, 2018-October 2025



Note: *Eastern Caribbean States comprise Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, and Saint Kitts and Nevis. DOM=Dominican Republic; JAM=Jamaica; IMF SRF=International Monetary Fund's Resilience and Sustainability Facility.
Source: Authors' elaboration based on SBFN (2024[123]), *Country Profiles*, https://data.sbfnetwork.org/country-profiles.

Key policy messages

Financing the Caribbean's development agenda requires a multi-pronged approach that combines domestic resource mobilisation, private sector engagement, and innovative financial instruments. Enhancing tax systems and fiscal frameworks can increase public revenues, while regional integration, remittance channels, and targeted ODA can mobilise additional private capital. NDBs in co-ordination with MDBs and co-operation development agencies are central to expanding financing for SMEs, green infrastructure, and climate-resilient projects through blended finance and technical support. At the same time, expanding GSSSB bonds, thematic debt conversions, carbon markets, and pre-arranged financing instruments can mobilise resources for environmental, social, and resilience goals, with robust frameworks and oversight ensuring efficiency and fiscal sustainability (Box 3.6).

Box 3.6. Key policy messages

Reinforcing domestic resource mobilisation

- Rethink the structure of tax systems to move towards a larger relative contribution of direct taxes, including by stronger personal income tax collection and the rationalisation of corporate income tax incentives. The latter should prioritise expenditure-based incentives over income-based, and enhance their governance, targeting, and evaluation.
- Strengthen international tax cooperation by fully implementing standards on transparency, exchange of information, and beneficial ownership to combat tax evasion and base erosion.

- Improve tax morale and public trust by strengthening transparency, accountability, and communication on public spending, while improving tax education.
- Ensure rigorous oversight and due diligence of Citizenship by Investment (CBI) programmes, while closely monitoring and limiting over-reliance on these revenues to mitigate fiscal volatility.

Strengthening fiscal frameworks to cope with high debt levels

- Continue to enhance fiscal frameworks through the use of fiscal rules and independent councils to stabilise debt and safeguard public investment, while integrating disaster and climate risks into fiscal planning to preserve fiscal space and resilience.

Unlocking private capital as a fundamental source of development finance

- Promote regional financial integration to expand investment opportunities, increase market efficiency, enhance liquidity and reduce transaction costs and risks.
- Further develop remittance-based financing mechanisms to fund productive investments.
- Strengthen frameworks to guide ODA and transition finance toward climate action, inequality reduction, and regional development priorities.

Strengthening the role of development finance institutions

- Continue developing NDBs' capacity to expand financing for SMEs, green infrastructure, and climate-resilient projects.
- Leverage MDBs to provide blended finance, technical support, and project pipelines for sustainable development, with specific support for sound project preparation.
- Co-ordinate NDBs, MDBs, and development co-operation agencies to target investments that strengthen regional resilience and development outcomes.

Expand and improve the use of innovative debt financing mechanisms

- Scale up thematic bonds by enhancing institutional frameworks and project pipelines to boost market attractiveness and transparency.
- Ensure strong governance and transparency in thematic debt conversions, leveraging MDB support to boost capacity and investor participation.
- Continue developing carbon credit markets and blue carbon initiatives to monetise natural assets and fund climate adaptation and community projects.
- Continue expanding pre-arranged disaster finance instruments – regional risk pools, CAT bonds, contingent loans, and climate-resilient debt clauses – to ensure timely liquidity after shocks.
- Implement multi-layered disaster risk financing frameworks that sequence pre-arranged financing instruments by risk and integrate them into debt management and public investment planning to ensure fiscal sustainability and efficient resilience funding.
- Leverage MDBs and international partners to provide technical assistance, project preparation, and capacity building for complex sustainable finance instruments.
- Further strengthen sustainable finance frameworks to improve regulation, oversight, and risk management of sustainable finance instruments.

Notes

[1] The Facility includes 19 Caribbean members – Anguilla, Antigua and Barbuda, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, Sint Maarten, St. Vincent and the Grenadines, The Bahamas, Trinidad and Tobago, and the Turks and Caicos Islands – as well as four Central American countries: Guatemala, Honduras, Nicaragua, and Panama.

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