

**Remarks by ECCB Governor, Hon Sir K Dwight Venner
at the
Caribbean Growth Forum - St Kitts and Nevis Chapter
26 February 2013**

The Caribbean Growth Forum is making steady progress in establishing itself throughout the countries of the Eastern Caribbean Currency Union. St Kitts and Nevis is the fifth country in our jurisdiction in which it is being launched and I rather suspect that it has been a tremendous learning experience for all those who have participated to date.

The participants from the countries would have brought to the table their local experiences and would have profited from this exchange of knowledge in a suitably constructive setting. In fact, and as strange as it may seem, it is erroneous to assume that because we live in close and small communities that we share such experiences on a regular basis in such a structured manner. That is certainly not the case!

The World Bank and the other institutions involved in the process would have picked up some of the fundamentals of how some things work or don't work in our environment and many lessons would have been learnt and shared along the way. Indeed, this exercise should be, in and of itself, a tremendous learning experience for us all.

There are a few points I would like to make on this occasion, having attended two of these launches and being fully briefed on the other two. I wish to mention first of all the matter of methodology. In this regard this forum is in essence a socioeconomic event in which people have assembled to discuss economic circumstances in a social setting. Economic development, we are discovering more and more, occurs in a climate of social consensus on the objectives which communities and nations aspire to. The way in which these consensus building activities occur and are executed can have a lasting impact on the society and the development process. Fora are established in which persons learn the art of consensus building and hone the tools and methodology of solving problems at the macro and micro levels. This, of course, requires a certain level of foresight and discipline as these processes have to be carefully

managed and their progress measured if they are not to end up as useless talk shops. In short, it is not only what is spoken or discussed, but the methodology and institutionalization of these processes which are also important and become, as it were, social capital to be used for developmental purposes.

There must of course be a vision of where we want to be at some time in the future, for example, in the year 2027; and we must find practical ways to achieve this vision. The highlighting of the role of the private sector in this initiative is timely, appropriate and urgent.

We live in a system of economic organisation which is mainly market driven and therefore it is the private sector which has been identified as the engine of growth. It is the sector which produces goods and services for domestic consumption and for export. The approach to private sector development in the region has however fallen short of what is necessary to make it the engine of growth. This is due to two factors:

1. the very small size of the markets in these economies; and
2. the historical evolution of the private sectors.

In addition the mind-set of the sector tends to be largely risk averse and not particularly innovative.

The approach to this problem has to be both empirical and strategic to be resolved. A number of basic approaches are being suggested to jump start the process of private sector development.

- First, the private sector must, with some urgency, pursue the establishment of institutional arrangements for its comprehensive representation at the national, currency union, CARICOM, and international levels to facilitate the process of networking with critical agencies in both the public and private sectors outside of their borders.
- All sectors including chambers of commerce, manufacturing associations, small business, agriculture, tourism and service coalitions must come together under an umbrella organization, at the currency union level to be able to effectively represent themselves. The attempts to establish an OECS Business Council must be strongly

supported by the private sector itself, the governments, and the various regional and international institutions which are involved in the Growth Forum.

- Surveys and censuses of the structure and composition of the private sector in the currency union are being undertaken at this time and are showing some interesting results. The IDB has carried out several surveys and the Department of Statistics in Saint Lucia has conducted a census which revealed that the private sector is composed of one third formal and two thirds informal entities.

The question then becomes: What is the magnitude of the role that the domestic private sector can play in the development of these economies? The sector is mainly engaged in wholesale, retail, real estate, and construction activities. These are not tradable activities which earn foreign exchange but depend on foreign inflows from other activities.

We therefore have a major structural imbalance manifested in a private sector which is overwhelming informal and import oriented. These proportions need to be reversed for development purposes. Assuming this reversal takes place, the question now is: What would be the scale of activities of this sector which could move our growth rates from the current range of 1 to 2 per cent to a range of 5 to 7 per cent, on a sustainable basis, in order to reduce unemployment and poverty and transform our economies into competitive entities, both domestically and internationally?

A number of critical issues must be addressed to move us in the desired direction. In this regard the development of markets and firms is crucial. Since our domestic markets are very small we will have to identify a number of markets which we must access. These will range from the domestic to the currency union, the CARICOM, and the international. The same holds for firms which must be classified as micro, small, medium, large and flagship. A major effort for private sector development must be the support of such market and firm structures.

A number of agencies already exist and these must be fully encouraged and substantially upgraded to support the private sector development effort. Such agencies would include:

- *Offices of Private Sector Development* which now exist in some countries. They must be located in critical ministries such as the Prime Minister's Office, Finance, or Trade.
- *Investment Promotion Agencies* which cater to both foreign and domestic investors.
- *Bureaux of Standards* which are critical for ensuring a high quality in the production of goods.
- *Community Colleges* which must be developed to play a vital role in higher education, skills training, research and development.
- *Air and Seaport Authorities* which are of extreme importance to the export of tourism services and tradable goods.
- The gamut of *government agencies* which are crucial to the effective and successful performance of the private sector must function effectively.

Two other matters are worthy of mention, the constructive role of the 'Doing Business index' and a clear enunciation of the policy on foreign direct investment to make it complementary to the development of the domestic private sector. In this regard, membership in the World Bank group must be maximized through the effective use of the Multilateral Investment Guarantee Agency (MIGA), the International Centre for Settlement of Investment Disputes (ICSID) and the International Finance Corporation (IFC).

My final point is on the matter of coordination which is a show stopper in all our efforts. Coordination starts at the national level within islands and then should extend between islands, given the existence of the OECS Economic Union. It should then extend further to incorporate other regional and international institutions.

It is my considered opinion that we have a fundamental problem in the serious lack of coordination at all levels. Its absence has led to a monumental waste of resources of both time and money as we replicate, duplicate, and repeat activities over and over again. We need to set aside quality time to have a sober, honest and objective appraisal of this issue and to commit to its successful resolution. Given our current resources and our present

circumstances, a significant increase in information exchange, cooperation, collective decision making and collective action, required for much closer coordination, is a sine qua non for our growth and development.

I am very hopeful that the Growth Forum will lead us in this direction.