

Managing Resource-Dependence amidst Opportunities and Challenges: Defining a New Sustainability Narrative for Caribbean Coastal Economies

By Leisa Perch¹

1. Introduction

The Rio +20 meeting in 2012 was an opportunity for the global policy framework to review 20 years of action on Agenda 21 and what has been delivered and to whom. The ripple effects of the global economic crisis—i.e. the weakening of the insurance sector, lower demand for exports and reduced remittances—have exposed the fragility of both economies and households in Small Island Developing States (SIDS). Fiscal space constraints narrowed the options for mitigating the worst of the crisis on households, highlighting the unique set of challenges facing SIDS worldwide.

Disasters and crises now consistently shape growth in the Caribbean. The increasing frequency and intensity of disasters remains a significant challenge to sustained growth and development in the Caribbean, with hurricanes, tsunamis and earthquakes offsetting years of progress and investment. Predicted patterns of climate variability and change put Caribbean SIDS on a continuous cycle of **'build, repair and recover'**, with some analyses estimating that Caribbean governments could spend as much as 20 per cent of their gross domestic product (GDP) on coping with climate change (Goering, 2011).

As the discussion on 'greener pathways' of growth and development heightens, and more resources are allocated globally to support such efforts, a number of questions arise for SIDS, particularly for macro-economic policy. Using a literature review of the ongoing development narrative in the region and an assessment of policy gaps and strengths, an adaptive policy narrative for Caribbean SIDS is defined which seeks to balance opportunities and challenges arising from global environmental change. Both volatility and vulnerability are discussed and differentiated in the context of their implications for the sustainability of growth, improved and stable patterns as well as more resilient foundations for development.

Specifically, the Policy Brief explores the context, shape and scope of volatility as a unique phenomenon aligned but not synonymous with vulnerability, and its relevance to economic and social vulnerability in Caribbean SIDS. The broader purpose is to contribute to the necessary strengthening and sharpening of arguments for and by SIDS, particularly in accessing financing and technical assistance. The resulting new approach is defined as one that works more naturally to maximise resources and share benefits more equally across society, while also ensuring sustained development in the long-term.

2. Context for green growth in Caribbean SIDS

Characterising resource dependence in Caribbean SIDS

Coastal and marine resources are the lifeblood of all SIDS, including those in the English-speaking Caribbean. The 15 member states of the Caribbean Community (CARICOM) share many characteristics with other SIDS worldwide: small, open and largely mono-cultural economies define the macro-economic reality, shaped by heavy dependence on expansive coastal and marine resources. Tourism also dominates economically, with a few exceptions (Trinidad and Tobago, Guyana, and Belize).

Contradictions between growth and the environment often manifest significantly in the environmental externalities from coastally concentrated growth, pollution from agricultural intensity and resource depletion from extractive activities. Loosely regulated, often changing and now also under threat from climate variability and change, coastal and marine resources remain at the core of how Caribbean countries grow, develop and respond to cyclical crisis.

When the economic development of countries rich in natural resources² becomes largely dependent on those resources, the countries often risk being affected by the so-called 'resource curse'. According to the 'resource curse' theory, also known as the 'paradox of plenty',³ less developed countries and regions with an abundance of natural resources (specifically non-renewable resources such as minerals and fuels) tend to have less economic growth and worse development outcomes than countries with fewer natural resources. The economy of such countries usually concentrates on the exploitation of the resources available and focuses all capital and labour investments there, often leading to a lack of diversification of the economy and high dependence on resource-extractive sectors, and resulting in financial problems and unemployment.

The concentration of capital and labour investments in few sectors, particularly tourism, is a key characteristic of Caribbean SIDS, as the concentration of such investments is in the extractive sector of mineral-dependent economies. An analysis by Dixon (2001) suggested that the region was four times more dependent on tourism than any other region, and according to Blank and Cheia (2011: 424, 425), Jamaica and Barbados rank in the top five of countries with the highest amount of government expenditure on travel and tourism as a percentage of the total budget.

As a result, a complex web of inter-relationships and inter-dependencies arise in SIDS, wherein economics, social development and environmental sustainability are significantly intertwined and a source of both volatility and vulnerability. Still, Caribbean SIDS have not often been included in analysis or theories of resource dependency.⁴ Although the growth–development nexus in Caribbean SIDS does not usually result in ‘Dutch disease’,⁵ similarities which exist are important for policy reform. Correlations can largely be defined as those tied to the quantity and quality of natural resources and the level of consumption intensity. Of the key characteristics shared by resource- or mineral-dependent economies, Caribbean SIDS experience four acutely: economic volatility; high dependence on a single export product with limited diversification of the economy; significant environmental damage; and weak institutions and poor governance (as they relate to environmental management and resource sustainability).

While SIDS generally have a positive record on governance, particularly electoral participation and representation, challenges remain in key social areas: the lack of youth engagement; and the limited participation of women in political decision-making. A Caribbean Vision for Development (Girvan, 2007) acknowledges the interconnections between poverty reduction, environmental sustainability and growth, and identifies the following strategies: a flexibility of resource use; full-employment economy and quality of life; spatially equitable growth; social equity and justice and environmental protection and ecological sustainability (Girvan, 2007: 12).

Management challenges in the context of intense volatility Research highlights the fact that reliance on natural resources for development has often led to a truncated process of institution-building in many countries

(Bagattini, 2011). The multiple layers of the challenge of governing the environment in the Caribbean and the need for coordination and a collective regional response illustrate the complex nature of environmental management.

Two significant threats to the sustainability of the growth model in SIDS have emerged: persistent inequalities; and rapid and potentially irreparable resource degradation which leads to systemic unstable/inconsistent income flows (micro and macro economy) and imply a continuous cycle of ‘build, repair and recover’.

Economic growth—and, by extension, human development—is inextricably tied to the quantity and quality of natural resources. The sustainability of that growth and development is defined by the capacity to effectively maintain these resources and to weather economic and environmental storms—the latter increasingly relevant as unpredictable climate variability and change becomes reality. Clear patterns of unstable and below-average growth in Caribbean SIDS further contextualise the challenge. Between 2000 and 2010, growth in Caribbean SIDS was almost consistently below that of both global and SIDS averages, except between 2005 and 2007 (Perch, 2011).

Furthermore, both economic and environmental disasters undermine the stability of income flows for households and the macro-economy. High-impact, low-probability events (Lee et al., 2012) present a major challenge to Caribbean SIDS both economically and socially (see Table 1), often with the social damage outweighing and outlasting the infrastructural (Kambon, 2005). Indeed, while sectors might recover economically, the people who rely on them for employment may not be able to recover those jobs or other forms of livelihoods and may be forced to transition or rely on multiple sources. On the one hand, this reduces their reliance on one highly vulnerable sector, and, on the other, it potentially increases their exposure to multiple shocks.

Poverty in the Caribbean is nuanced and relative compared to poverty in other regions. It occurs in spite of high GDP per capita, long-term commitment to health and education⁶ and impressive statistics on access to basic services—all the cornerstones of effective human development. Persistent levels of working poverty in the region suggest that employment provides a key ‘security function’ and that

Table 1
Sectoral Impacts of Disasters in 2005

Country	Impact on Productive Sectors in US\$M	Impact on Infrastructure in US\$M	Impact on social sectors in US\$M	Impact of social sector as % of total socio-economic impact	Total socio-economic impact in US\$M	Impact of disaster as % of GDP
Cayman Islands	1117.7	488.4	1810.3	0.53	3416.4	138.0
Grenada	539.2	262.4	1588	0.66	2389.6	212.0
Jamaica	215.7	112.7	220.7	0.40	549.1	8.0
Haiti	83.3	33.9	125.8	0.52	243.0	4.5

Source: Kambon, 2005.

volatility of income is significantly disabling (Perch, 2011). Despite strong investments in education and generally equal outcomes for both men and women, participation in the labour force remains markedly unequal. Such high levels of working poverty result in high dependence on the public sector for stable and long-term employment (the government is the largest employer in many Caribbean SIDS) and also high capital outlays in welfare to allow families to maintain a basic capacity to function and survive. According to Perch and Roy (2010), public expenditure covers 90 per cent of all health costs, representing a significant fiscal burden for the state, with further implications for the extent to which resource-intensive growth sectors must perform to finance recurrent and capital outlays as well as to smooth and accelerate crisis recovery. Lessons from the global financial crisis point to specific threads of vulnerability linked to the phenomenon of working poverty (Perch and Roy, 2010) and the distribution of vulnerable employment in key sectors (ILO, 2011; 2006).

In addition to the structural factors of volatile economic growth outlined so far, the mono-cultural nature of tourism-dependent growth brings a number of challenges to sustainable and sustained development in Caribbean SIDS, namely:

- degradation of reefs due to activities such as dive tourism;
- the highly susceptible and vulnerable nature of tourism to weather-related events and naturally occurring patterns of coastal change;
- structural vulnerability in the built environment generated by the proximity to coastline tourism, aided by the denuding of much of the indigenous natural infrastructure;
- significant pressure on available and future environmental assets due to ever-expanding tourism populations combined with the indigenous population; and
- the inability to control the tourism sector by government policy alone.

Table 2
Patterns of Working Poverty Across Caribbean Countries in 2006

Country	Working poverty – working poor as percentage of all workers: national poverty line (in %, 2006)	Female/male composition of working poor: national poverty line (in %, 2006)
Bahamas	2.44	1.15/1.29
Barbados	3.74	2.02/1.72
Dominica	21.5	7.32/14.18
Grenada	20.26	n.a.
Guyana	29.42	n.a.
Jamaica	16.8	7.95/8.85
St. Kitts and Nevis	11.99	6.47/5.52
Trinidad and Tobago	15.35	3.69/11.66

Source: Statistical Report on Working Poverty in the Caribbean, ILO Sub-regional Office for the Caribbean (2006).

This contradiction between the operational aspects of economic growth and socio-economic efficiency, particularly in sectors such as tourism and construction, has tended to be detrimental to the environment in question. As such, they present a cautionary lesson regarding virtuous links between a green economy, poverty reduction and equity as a guiding strategy for better reconciliation between growth, sustainability and equity in the transformation to a green economy. Indeed, an analysis of the travel and tourism regulatory framework shows the challenge in regulating the

use of resources which are important economically and socially today but are also critical for the long term in economies with few other options for economic growth.

3. Sustainable Growth in a Resource-dependent Green Economy – Roles for Social Equity and Economic Governance?

Current approaches to the green economy largely rely on employment to provide the largest segment of its pro-poor impact and to some extent also its equality gains. However, without attention to governance elements that are weak or less than effective, efforts may lead to ‘de-browning’ rather than ‘greening’. Moreover, given the reality of SIDS, delivering for poor people through employment will not be a simple undertaking. Like other countries, the inability of SIDS to foresee, monitor and contain the effect of adverse impacts of crises on the labour market persists as their core area of vulnerability. The labour market remains the key channel through which shocks are transmitted to households (Paci et al., 2012), and in SIDS this is acutely so.

Table 3
Travel and Tourism Regulatory Framework

Country/Economy	Travel and Tourism Regulatory Framework		
	Policy Rules and Regulations	Environmental Sustainability	Prioritisation of Travel and Tourism
	Overall Rank	Overall Rank	
Barbados	75	30	3
Guyana	99	34	86
Jamaica	11	116	4
Trinidad and Tobago	42	137	103

Source: Blanke and Cheia (2011: 27, 28).

Micro-level drivers of volatility – emphasising social equilibrium

Ensuring that the dynamic employment cycles post-disaster or related to tourism are more equitable and less destabilising to both economic and social development is complex. It is pivotal to do so in a way that ensures less reliance on the environment as both a micro- and macro-level coping mechanism. A number of ways to address the legacy of fragile and volatile structural features of resource-dependent growth can be identified, including:

Reducing volatility

Poverty has implications for the extraction of resources (fish) or the use of short-term agriculture as a safety net. Thus the nexus between working poverty, economic development and environmental sustainability demands certain structural characteristics in a green economy:

- jobs and resilience-generating capacity;
- consistent permanent employment;
- a 'living wage'; and
- productive inclusion.

Targeting specific groups through transparent policy

Poverty reduction through green employment must also respond to the following either through mitigation or elimination: seasonality; high mobility and turnover; low skills; little capacity to adapt to the needs of a dynamic labour market; youth unemployment; and the lack of structural protective mechanisms.

Prioritizing Pro-poor employment

For SIDS, job creation has been a perpetual problem, with demand for employment—particularly by young people—significantly outpacing job creation.

Promoting Public ownership and accountability

Increased public ownership of business and the decentralisation of business into small poles could also be useful for a more inclusive approach and a broader public-private commitment to sustainability.

It is much easier for government to hold local businesses accountable than it is with international businesses which either fall under a different jurisdiction or for which jurisdiction on certain actions is unclear or contested.

Strengthening institutional frameworks

Institutional frameworks which encourage and bolster innovation, based on a partnership between the public and private sectors, would do much to reduce the volatility of innovation. Often, the region's central weakness has been its inability to anticipate change and the potential impact on key sectors and thus a failure to adjust with minimum fall-out. Such efforts need to be complemented by stronger institutional reform.

Macro-level drivers – emphasizing adaptability and sustainability in the tourism sector

The contradiction between tourism and resource sustainability resonates as a localised 'governance of the commons' challenge for SIDS. It has been suggested by Lipman and Vorster in Blanke and Cheia (2011: 77–80) that there is a need to transform 'classic tourism' dominated by considerations of growth and market share into 'smart

tourism' that is also inclusive, clean, green, ethical and customer- and quality-orientated. Clean, green and ethical considerations would require strong accountability frameworks such as corporate social responsibility and building on Blue Flag and Green Globe programmes which have been quite successful. It would also require mechanisms to ensure and enforce accountability for international investors.

Furthermore, more stable and less resource-intensive income streams should be identified and prioritised as part of structural reforms including less volatile and resource-intensive tourism models and markets.

A high 'willingness to pay' is observed in tourists visiting the region, and green tourism should take advantage of this significant interest. Additionally, strengthened regulatory frameworks for environmental sustainability are a priority area for increased attention. Collaborative partnerships that develop complementary programmes such as the recent efforts with the US National Oceanic and Atmospheric Administration (NOAA) to establish legislative/policy coherence on coastal and marine pollution in the region should be encouraged.

Furthermore, a more public-owned business sector could effectively complement earlier strategies highlighted in the context of inclusive economic participation by poor people and can ensure that the tourism sector pledges to similar commitments of inclusion and, more importantly, to appropriate investments in resource sustainability. What is critically needed is greater balance between short- and long-term goals and carrying capacity and more effective structures for management.

An adjunct priority area is sustainable infrastructure including adaptive technology and energy systems. A focus on sustainable infrastructure goes beyond better construction and location but must also include the blending of natural infrastructure solutions with built environment solutions for climate/weather resilience as well as energy and water efficiency.

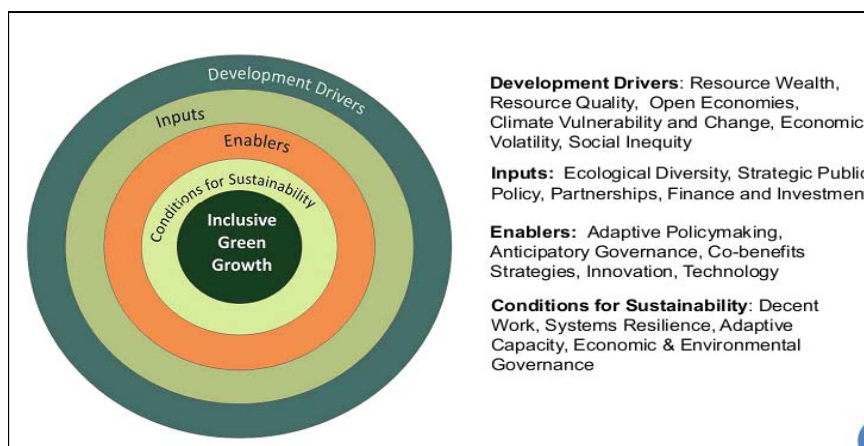
As a key subsector of the construction sector, mainstream changes in the tourism sector have the capacity to influence the entire construction approach to infrastructure. Haiti remains a telling lesson for the rest of the region, particularly for a confluence of factors and declining governance, investment and accountability over time to significantly weaken the capacity of the social and/or economic system to recover and the importance of construction and infrastructure development being approached as a broader development goal and not aligned solely or mainly to enable further economic success in any one sector.

4. Sustaining a Viable Transformation Anticipatory Governance

A long-term sustainability hypothesis is based on the assumptions that SIDS have enough **control** of the key decision-making levers to move towards sustainability, can **negotiate** effectively with partners to do so and can attract or leverage the necessary **financing** in the long term.

Figure 1

Proposed Framework for Aligning Resource Dependence in SIDS with Sustainable Growth and Equity



There is still limited evidence of pro-poor and inclusive strategies in resource management policy frameworks and instruments, and the consistency of regulatory frameworks requires urgent attention. A regime of instruments, laws and regulations needs to be employed and enforced. Fundamentally, the lack of attention to institutional frameworks for sustainable development, including the governance of public goods, remains the significant limitation to managing resource dependence in SIDS over the long term.

Sustaining growth while continuously reducing income inequality is a priority, requiring policy approaches, investments and incentives that ensure that:

- employment opportunities can be linked to structural innovation; and
- all external financing is shaped and directed towards long-term benefits as a complement to national income and finance which is invested for the short and medium term and to cope with shocks as they arise.

Resource dependency in Caribbean SIDS is a structural feature of growth in the region and is unlikely to change substantively as a pattern that defines the region’s possibilities and challenges.

This implies instead a rethinking of the pieces themselves—i.e. the components of successful growth and development—and how they may need to be connected in new ways to respond to a new narrative and leading to a more nuanced approach to development (see Figure).

It means, on the one hand, maximising ‘opportunistic’ windfall opportunities, while increasing natural resilience; focusing on win–wins or co-benefits to maximise limited financial resources; and governing and growing for resilience and inclusiveness, not just for problem-avoidance.

Successful transformations in Fiji (at the sectoral level) (IISD, 2012) and in Seychelles (in the macro-economy) show that, given enough time, efforts will pay off. Seychelles’s success, in particular, in reducing debt sustainably while also being recognised for its efforts in sustainable development

is an important case study for a region plagued by debt and whose tourism sector remains largely unsustainable (Wragg, 2012).

5. Conclusions: Tackling Governance Head on in the Macro Blue-green Economy

A Global Water Partnership study⁷ recommends “finding the right mix of the three I’s—information, institutions and infrastructure” as an important means to strengthening efforts to better cope with present climate variability and with future events. For generally water-scarce SIDS, these are important considerations. More broadly, the findings here suggest that enough information exists, viable institutions are in place if not being used effectively, but that what is significantly lacking is the infrastructure to connect the two and make the links to the other key sectors on which economic sustainability is significantly dependent and reliant.

The current attention to green growth, the green economy and, for SIDS, the blue-green economy is an opportunity to enter into a new phase of governance; one that anticipates, plans and adjusts rather than one that copes. A green economy does not arise simply from an economy based on environmental goods and services alone. Though a clear plus for Caribbean SIDS, greening growth should not be seen as an opportunity to make the old model better; it should be one that seeks to get the balance right, once and for all, for a region that can afford few mistakes and even less risk.

1. The author is Team Leader of the Rural and Sustainable Development Team at the International Policy Centre for Inclusive Growth (IPC-IG). This Brief was prepared by Bridget Barry, an intern with the Rural and Sustainable Development Team, modified from the original document which informed a presentation at the Planet Under Pressure Conference, March 2012. The latter was significantly aided by the research support of Daniela Stoycheva, intern, particularly the literature review on resource dependence as well as data research on working poverty in the Caribbean. Her assistance also in the editing of the paper for further distribution has been invaluable.

2. Countries rich in resources include well-developed states such as the OECD members Norway, Canada, Denmark and Mexico, but also developing and unstable ones such as Iraq and countries in Africa (Nigeria, Angola, Congo-Brazzaville, Chad), Central Asia (Turkmenistan, Kazakhstan, Azerbaijan), Southeast Asia (Cambodia, Burma, East Timor) and South America (Bolivia, Colombia, Ecuador, Peru).

3. The paradox of plenty (see Karl, 1997). Other seminal pieces of literature on the resource curse include Gelb and associates (1988), Sachs and Warner (1995), Ross (1999) and Auty (2001). Important pieces put forward by NGOs include Global Witness (1999), Christian Aid (2003) and Gary and Karl (2003). For the full titles of the works, see Bagattini (2011).

4. This is likely due to the fact that coastal and marine resources are 'renewable' compared to minerals and fuel. However, generation and regeneration take a long time – in the case of coral reefs, thousands of years. Over-reliance has significant implications for both quality and quantity. Additionally, the exploitation of these resources is not always as explicit as it is in the case of mineral resources.

5. 'Dutch disease' takes place when the "capital inflow of natural resource revenues, converted into national currency, causes the exchange rate to appreciate. This appreciation decreases competitiveness of the domestic non-resource sectors, leading to slower growth, inflationary pressures, reduced exports leading to widening current account deficits and higher unemployment." The term was coined in 1977 by *The Economist* (1977: 82–83) to describe the decline of the manufacturing sector in the Netherlands after the discovery of a large natural gas field in 1959.

6. Caribbean SIDS are generally well served by the health sector with most countries, with the exception of Haiti, with 90 per cent of births attended by skilled personnel

(UNDP, 2011). Access to basic services including water and sanitation are also higher in this region than in most other regions in the world, often exceeding 90 per cent and stably resting at almost 100 per cent for the last 4–5 years.

7. The Global Water Partnership is an intergovernmental organisation of 13 regional water partnerships, 73 country water partnerships and more than 2000 partner organisations in 150 countries.

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