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Investment Promotion and Facilitation for Financing the Sustainable Development Goals (SDGs) in the Caribbean



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Special SDG Focus



THE GLOBAL GOALS



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SDGS & TRADE BRIEF SERIES

About The Series

Trade and sustainable development share a complex relationship. The economic benefits of trade make it easy to see how it can assist with the achievement of the economic-based SDGs. But beyond that, trade also impacts the social and environmental pillars of the other SDGs. When assessing trade within the context of sustainable development, trade becomes a double-edged sword. Absent supporting frameworks and policies, trade when pursued unsustainably can actually hinder the achievement of the 17 SDGs. But with the right tools, trade can make a big difference in helping countries achieve their SDG commitments. Recognizing this, the SRC is committed to leveraging trade for sustainable development by conducting research and raising public awareness in this area through dedicated webinars, policy briefs, courses and outreach events.

We hope that you enjoy this new SRC policy brief series and we encourage you to regularly check the SRC's website at www.shridathramphalcentre.com for updates and new releases!

Acknowledgements

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The views expressed in this document are those of the author and do not necessarily reflect the views of the SRC or The UWI.

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EXECUTIVE SUMMARY

2020 marks the commencement of the 'Decade of Action' for countries to scale up their ambition and action to deliver on the 17 United Nations (UN) Sustainable Development Goals (SDGs) by 2030. The goals form part of the ambitious 2030 Agenda for Sustainable Development (Agenda 2030) agreed to in 2015 by all UN Member States – both developed and developing. Significant financing will be required to achieve the SDGs which cover areas as diverse as poverty elimination, health, education, infrastructure and gender equality, among others. Even before the COVID-19 pandemic, there was a wide gap between available financing and developing countries' SDG financing needs. In 2014, the United Nations Conference on Trade and Development (UNCTAD) estimated developing countries' average annual SDG funding gap to be USD 2.5 trillion per year based on the level of both public and private investment in SDG-related sectors.

While the exact size of Caribbean countries' SDG financing gap is unknown, there are many challenges predating COVID-19 which impact adversely on their ability to finance and achieve the SDGs, more specifically, and long-term sustainable development, more broadly. These challenges include, but are not limited to, generally low rates of GDP growth, undiversified economies, constrained fiscal space due to high debt servicing obligations, susceptibility to natural disasters, declining access to concessional financing and official development assistance (ODA) and declining foreign direct investment (FDI) inflows.

Aim & Scope

Given that public revenues alone cannot meet the financing needs for Caribbean countries' SDG attainment, the aim of this Brief is to conceptually, rather than empirically, analyse the role that promoting and facilitating private domestic, foreign and diaspora investments, particularly in SDG-related sectors, could play in supplementing the financing shortfall. It does so against the backdrop of the COVID-19 pandemic's adverse impact on regional and international economies and societies, and the global decline in FDI flows. The Caribbean countries under study for the purposes of this Brief are the 14 independent Member States of the Caribbean Community (CARICOM).¹

Methodology

The Brief was informed by secondary (desk research) and primary research (interviews for the case studies included). The author drew on official reports published by UN agencies and other multilateral institutions, government reports, legislation, statistics and public official statements. The Brief also contains two case studies. The first, based on the author's interview with the Executive Director of the Caribbean Export Development Agency, highlights that agency's work on investment promotion and the SDGs at the regional level. The second, based on the author's interview with staff of the Jamaica Promotions Corporation (JAMPRO), features Jamaica's mainstreaming of the SDGs into its investment promotion and facilitation efforts.

¹ These are Antigua & Barbuda, The Bahamas, Barbados, Dominica, Grenada, Guyana, Haiti, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago. It does not include the dependent territory of Montserrat which is also a CARICOM Member but is not an independent country.

Outline

The Brief is outlined as follows:

- **Section I** discusses the 2030 Agenda, the estimated SDG financing gap globally and the Caribbean landscape, more specifically;
- **Section II** outlines the inadequacy of existing sources of SDG financing in the Caribbean;
- **Section III** discusses how investment promotion and facilitation reforms could contribute to mobilizing private investment from domestic, foreign and diaspora sources for financing SDG achievement;
- **Section IV** outlines policy recommendations on investment promotion and facilitation for financing SDG achievement.

Key Messages

The key messages of the Brief are as follows:

1. Although quantification work is on-going, there is currently no measure of the present SDG financing gap faced by Caribbean countries. Moreover, existing estimations will need to be recalibrated in light of the COVID-19 setback faced by regional economies, and must take into account the region's susceptibility to natural and other disasters.
2. No country in the world, including those in the Caribbean, is on track for meeting all of the SDGs. While there are a few goals on which the region as a whole, and individual countries, have done well, there has been little progress or some regression on others.
3. Achieving the SDGs will require financing from a variety of sources – domestic and external, public and private. As no two Caribbean economies are the same, the exact financing mix will differ by country.
4. While not a panacea, promoting and facilitating greater private capital flows by domestic, international and diaspora investors in SDG-related sectors is preferable to relying heavily on external borrowing given many Caribbean countries' debt profiles, which are expanding due to the COVID-19 fall-out.
5. There are investment promotion and facilitation reform initiatives being undertaken by Caribbean countries at the national, regional and international levels. However, more can be done in improving regional economies' business climates, particularly in the areas of transparency, streamlining of administrative procedures and the length of time for approvals. Ramping up investment facilitation reforms can address these barriers.
6. Caribbean countries generally have very open investment regimes but could benefit from more clearly articulated investment policy frameworks and strategies which specifically incorporate the promotion and facilitation of investment in SDG-related sectors.
7. Data deficiencies on regional FDI flows, including on existing levels of diaspora FDI and FDI into SDG-related sectors, both impacts regional governments' ability to formulate evidence-based investment policies and investors' capacity to make informed decisions.
8. Governments, along with other development actors, have a critical role to play in mobilizing these private investment flows and channeling them into sectors covered by the SDGs.

The Brief then concludes.



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INTRODUCTION

Figure 1: The 17 Sustainable Development Goals



Source: United Nations

What are the SDGs?

The SDGs comprise 17 goals and their 169 targets announced as the outcome of the UN summit for the adoption of the post-2015 development agenda in a resolution by the General Assembly on September 25, 2015. They build on the eight Millennium Development Goals (MDGs)², but, unlike the MDGs which focused on developing countries, the SDGs are universal – applying to all countries. The SDGs are not just integrated, but indivisible. They comprise and balance the three pillars of sustainable development which are: economic, social and environmental (UN 2015a). **Figure 1** above illustrates the 17 SDGs.

Financing the SDGs

To achieve the SDGs, substantial investments will be required in people, infrastructure, technology, inter alia (Sachs 2015). The Addis Ababa Action Agenda (Addis Ababa Agenda) is the global framework agreed to by countries for financing sustainable development, including supporting the implementation of the 2030 Agenda (UN 2015b). The Addis Agenda recognizes that financing SDG achievement must come from a variety of sources; domestic and international, public and private, as depicted in the matrix in **Figure 2**. Each financing source has its distinct characteristics – some are countercyclical (like remittances and financing from multilateral financing institutions) while others, like FDI and portfolio investment, are typically procyclical (UNDP 2018). Some, like loans, might have conditionalities and/or technical assistance attached.

² The Millennium Development Goals (MDGs) were eight global goals adopted by the UN General Assembly in September 2000 as part of the Millennium Declaration.

They also differ in their speed of disbursement, maturity periods and interest costs, where applicable. As no two economies is the same, it is up to each country to ascertain the best financing mix for SDG achievement (UNDP 2018).

Figure 2: Financing for Development Sources Matrix

	Domestic Sources	External Sources
Public Sources	<ul style="list-style-type: none"> • Tax revenues • Non-tax revenues • Sovereign wealth funds 	<ul style="list-style-type: none"> • Official development assistance • Other aid flows • Concessional finance • Government borrowing from capital markets
Private Sources	<ul style="list-style-type: none"> • Private borrowing • Investment by domestic companies • Philanthropy 	<ul style="list-style-type: none"> • Foreign Direct Investment • Portfolio investment • Migrant Remittances • Private borrowing from capital markets

Source: Adapted from UNDP (2018)

Blended Finance

According to the OECD (2018), “commercial and private capital have the capacity to fill a significant portion of the investment gap”. A major challenge for developing countries, however, is to attract investment in SDG-related sectors which private investors might traditionally perceive as unattractive, risky or not financially rewarding. Blended finance is one way in which this hurdle may be overcome. Blended finance is defined by the OECD (2018) as “the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries”. It brings together public and private resources and expertise (UN 2014). This can include the use of development guarantees where the guarantor (the multilateral agency usually) agrees to pay part (partial guarantee) or all of the loan (full guarantee) in the event of non-payment by the borrower, which helps to mitigate the risk for the private sector lender. Blended finance allows for the attraction of private capital flows to sustainable development sectors while providing the investors with returns and reduced risk.

In its 2014 report, the Intergovernmental Committee of Experts on Sustainable Development Financing argued that blended finance instruments must be properly designed to ensure that they do not lead to high returns for the private partner, while the public partner assumes all the risk (UN 2014). Blended finance instruments are not suitable for all projects.

While there is a “strong case” for this type of financing to “facilitate investments which are just below the margin or real or perceived commercial viability and cannot be unlocked by an enabling policy and institutional environment alone but also serve public interest”, these instruments are less suitable for providing basic development needs which offer no economic return (UN 2014).

In October 2017, members of the OECD's Development Assistance Committee (DAC) adopted the five OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs. These are the de facto practice for countries, donors, organisations and other actors to follow when applying blended finance (OECD 2020b). **Figure 3** below lists these principles.

Figure 3: The OECD DAC Blended Finance Principles

Principle 1:	Anchor Blended Finance Use to a Development Rationale
Principle 2:	Design Blended Finance to Increase the Mobilisation of Commercial Finance
Principle 3:	Tailor Blended Finance to Local Context
Principle 4:	Focus on Effective Partnership for Blended Finance
Principle 5:	Monitor Blended Finance for Transparency and Results

Source: Adapted from OECD (2020b)

The Financing Gap and the COVID-19 Effect

In its World Investment Report of 2014, UNCTAD identified 10 SDG-related sectors which cover all 17 SDGs. These are: power, climate change mitigation, food security, telecommunications, transport, ecosystems/biodiversity, health, water and sanitation, climate change adaptation and education (UNCTAD 2014). It further estimated that based on the level of investment – public and private – in SDG-related sectors in developing countries at that time, an annual funding shortfall of some \$2.5 trillion remained (UNCTAD 2014). Global investment in the SDGs is falling short of the target to close the \$2.5 trillion annual financing gap for developing countries (Zhan & Santos-Paulino 2021). An IMF study from 2019 placed the financing gap at an even higher value - \$2.6 trillion (Gaspar et. al 2019).

The latest Inter-Agency Task Force on Financing for Development Report 2020 noted that the financing landscape has “changed dramatically” since the adoption of the Addis Ababa Agenda in 2015 (UN Inter-Agency Task Force 2020). It identified several destabilizing trends, namely slowing economic growth, declining ODA, growing financial risks, high debt risks, increasing trade restrictions, and increasing environmental shocks (UN Inter-Agency Task Force 2020). The report further called on governments and businesses to arrest these trends and change trajectory (UN Inter-Agency Task Force 2020). This is further reinforced by the OECD (2021) which speaks to the growing “scissors effect of SDG financing”, that is, increasing needs and declining resources. The OECD (2020a) estimated that the “annual SDG financing gap in developing countries could increase by US 1.7 trillion, that is over 70% in 2020”.

The UNCTAD Investment Trends Monitor of January 2021 found that global FDI inflows in 2020 were just \$859 billion, representing a 42% contraction and a one third decline in international private sector investment flows to developing and transition economies in sectors relevant to the SDGs (UNCTAD 2021a). The decline in goals-relevant investment was much greater in developing and transition economies than in developed countries (UNCTAD 2021b).

As FDI flows are generally procyclical in nature, this contraction is not surprising. However, by stepping up investment facilitation reforms Caribbean countries can better position themselves to take advantage of a resurgence in FDI flows once global growth picks up, which the IMF (2021) in its April World Economic Outlook Update predicts at 6% this year.

Moreover, it reiterates why Caribbean countries' focus should not be solely on promoting and facilitating foreign investment, but also investment from their local private sectors and diaspora communities. According to the Commonwealth (2017), among the several benefits that scaling up diaspora investment offers for recipient countries is the potential to provide "a more reliable resource flow that is not solely driven by the rate of financial return, particularly in the face of growing global uncertainty".

SDG Progress in the Caribbean

ECLAC has reported that not only has there been inadequate progress by LAC countries towards the SDGs, but only a third of the targets are on course to be met by LAC countries (ECLAC 2021a). Further, the Sustainable Development Report 2020, covering 166 countries, shows that Caribbean countries have a long way to go to achieve the SDGs. This report describes each country's progress towards achieving the SDGs and indicates areas requiring faster progress (Sachs et. al 2020). Countries are ranked by their overall SDG index score, which measures a country's total progress towards achieving all 17 SDGs (Sachs et. al 2020). The score is a percentage of SDG achievement, with a score of 100 indicating that all SDGs have been achieved. Therefore, the higher the percentage, the closer to SDG achievement.

Data on the Caribbean's progress towards SDG achievement is not always readily available which means that while Caribbean countries are included, not all are scored on the SDG Index.³ At number 84, Jamaica was the highest ranked of those Caribbean countries listed in 2020, while Haiti (154th ranked) was the lowest. **Figure 4** below shows Caribbean countries' rank and score on the SDG Index (2020) and where available, score on the SDG Index (2019). Jamaica, Guyana and Trinidad & Tobago saw lower scores on the 2020 index than the 2019 index, while Belize, Haiti and Suriname saw improvements in their 2020 scores. Barbados was not ranked in 2019.

Figure 4: Caribbean Countries' Performance on SDG Index 2020

Country	Rank on Index (2020 Index)	Score (2020 Index)	Score (2019 Index)
Barbados	87	68.3	Not ranked
Belize	102	65.1	62.5
Guyana	124	59.7	61.4
Haiti	154	51.7	48.4
Jamaica	84	68.7	68.8
Suriname	86	68.4	67.0
Trinidad & Tobago	98	65.8	67.6

Source: Author's compilation from Sachs et al (2020) Table 2: SDG Index Scores and Sachs et al (2019) and Table 3: 2019 SDG Index (2020)

The SDG Index further monitors countries' progress towards the achievement of each of the 17 SDGs on two dimensions: direction and status.

³ Antigua & Barbuda, The Bahamas, Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent and the Grenadines were among those countries included but not scored in the 2020 Index due to data issues.

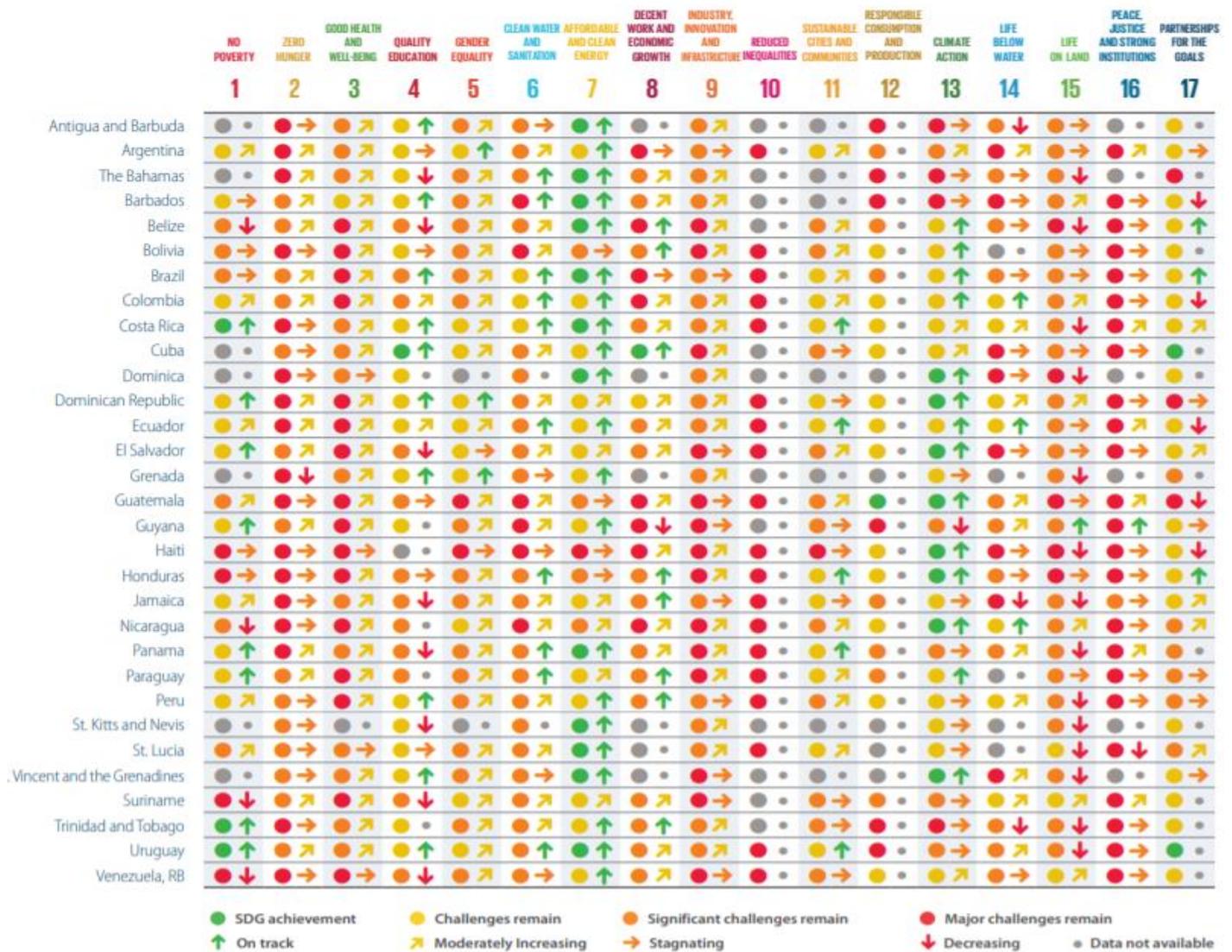
The direction tracks whether the country's progress on the SDG in question is on track, using three classifications: moderately improving, stagnating or decreasing. The status monitors the following: whether the SDG is achieved, challenges remain, significant challenges remain or major challenges remain.

Based on this Index, SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) are the two goals on which Caribbean countries generally appear to be most on track. There are other SDGs on which the region is less on track, particularly SDG 14 (Life below Water) and SDG 2 (Zero hunger). Most Caribbean countries appear to be making some progress on SDG 9, but either with challenges or significant challenges remaining. There are also goals for which there is insufficient data to provide an analysis of trends for Caribbean countries, such as SDG 10 (Reduced Inequalities) and SDG 12 (Responsible Consumption and Production).

Another issue is that the region's vulnerability to shocks, including natural disasters, can quickly undo any progress made on any of the SDGs. The COVID-19 crisis has been compounded by the eruption of the La Soufriere volcano in St. Vincent and the Grenadines which has not only impacted that country's economy and displaced thousands of people, but has resulted in ashfall in the neighboring countries of Barbados and St. Lucia. In Barbados, heavy ashfall forced the closure of commercial activity, including the island's sole airport, for several days. These shocks all have implications for the region's progress towards SDG achievement.

The SDGs are also not mutually exclusive; progress or the lack thereof on one goal can impact progress on other goals. For example, failure to take Climate Action (SDG 13) can impact the achievement of Clean Water and Sanitation (SDG 6) due to drought conditions caused by climatic factors. Additionally, the region's high non-communicable disease (NCD) burden has implications for its achievement of SDG 3 (Good Health and Well-being). **Figure 5** below shows Latin American and Caribbean countries' progress on SDG achievement in 2020.

Figure 5: LAC Countries' Progress on SDG Achievement (2020)



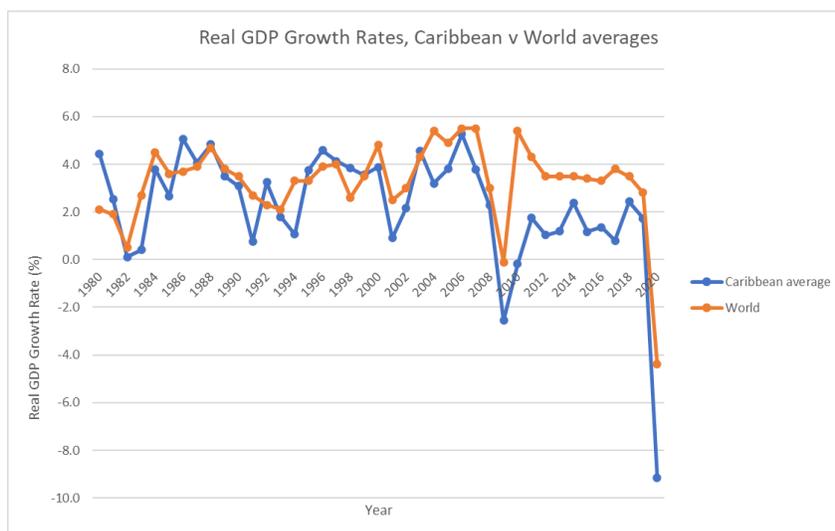
Source: The table was taken from Figure 16 of Sachs et. al (2020) on page 43.

INSUFFICIENCY OF EXISTING FINANCING SOURCES IN THE CARIBBEAN

In a comprehensive study conducted for the UNDP, Bourne (2015) highlighted the financing for development challenges confronting Caribbean SIDS. He further outlined the case for a review of the eligibility criteria for countries' access to concessional financing which at present focus heavily on gross national income (GNI) per capita. Though it has been several years since the publication of this study, many of the Bourne (2015) study findings hold true even more so today given the impact of COVID-19.

On a whole, the real GDP growth rates of Caribbean countries on average are low and have lagged below world GDP for most of the past two decades as the **Figure 6** below shows:

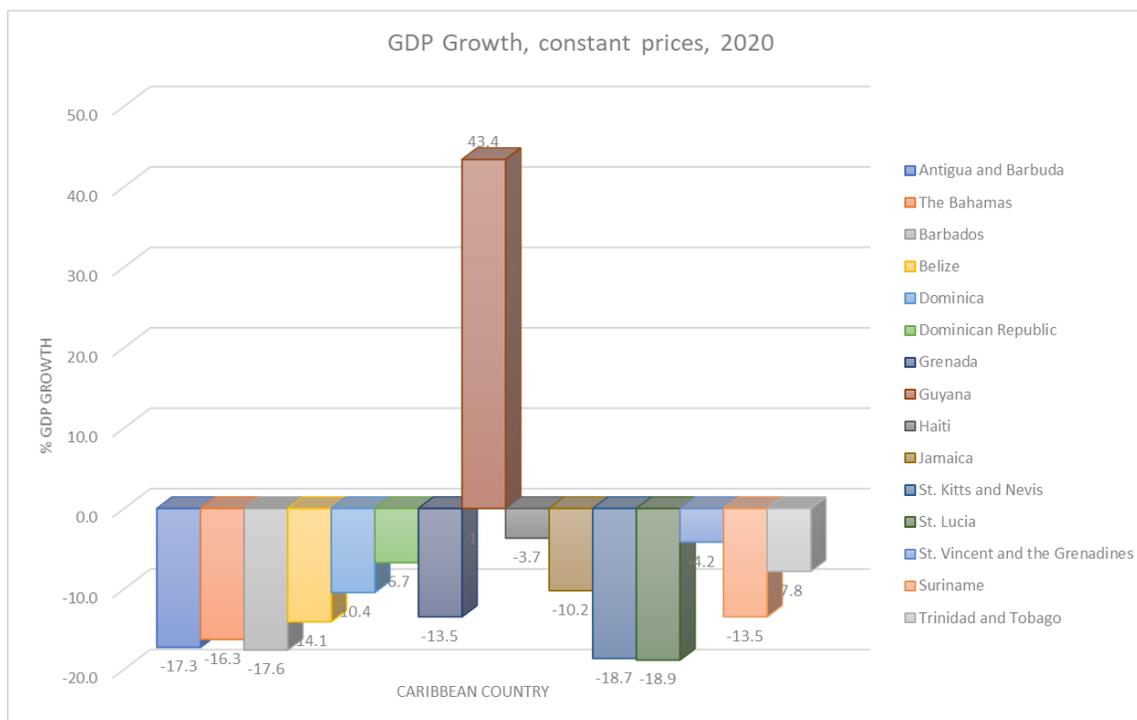
Figure 6: Caribbean Countries' Real GDP growth rates vs world



Source: Data taken from IMF World Economic Outlook April 2021. Caribbean average includes the 14 independent Member States of CARICOM.

Moreover, the COVID-19 fall-out hit Caribbean economies hard, particularly tourism-dependent economies (IDB 2021a; ECLAC 2020). Commodities-based economies like Trinidad & Tobago, Suriname and Belize also experienced declines. Guyana was the only Caribbean economy which experienced growth (43.5%) in 2020 due to the discovery of oil in that country which has boosted economic growth. **Figure 7** below shows this performance by economy.

Figure 7: GDP Growth of Caribbean Countries in 2020



Source: Data taken from IMF World Economic Outlook – April 2021

Tax Revenues

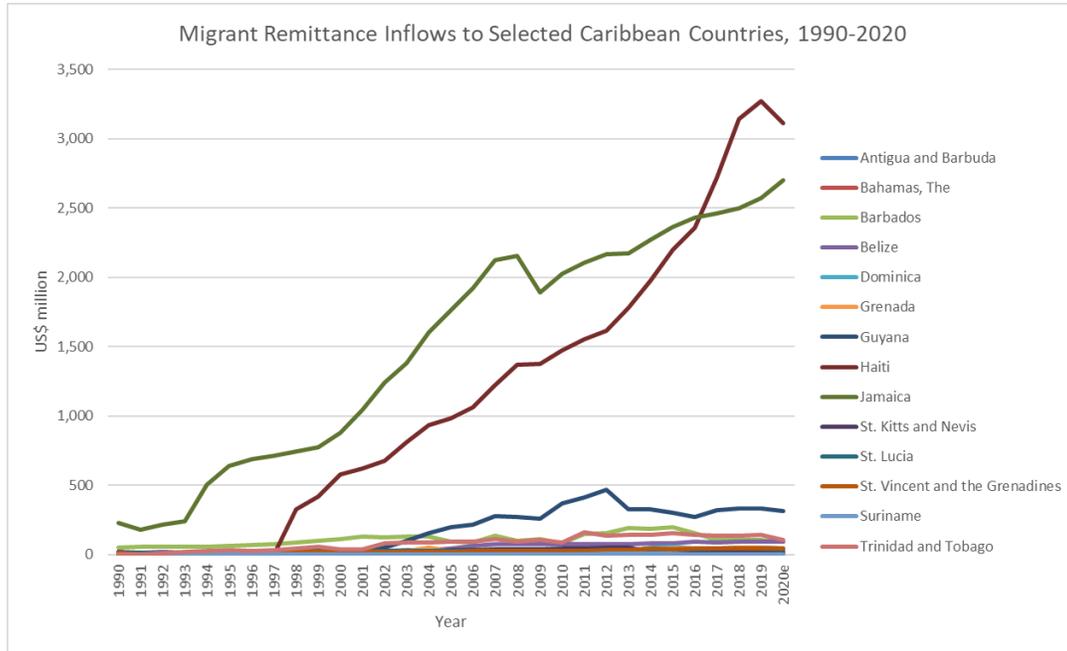
This dire macroeconomic situation has implications for Caribbean governments' ability to raise revenues domestically, particularly from personal income and corporate income taxes. Unemployment, which was already high in some Caribbean countries before COVID-19, has worsened due to the pandemic, reducing tax bases and also putting a strain on unemployment schemes (ECLAC/ILO 2020).⁴ Business closures, as well as corporate losses, also negatively impact corporate tax revenues.

Migrant Remittances

Migrant remittances are currently an important source of private capital flows to several Caribbean countries, particularly to Haiti and Jamaica where these flows are equivalent to over 10% of GDP, according to World Bank Development Indicator data. Unlike other private capital flows, migrant flows have generally been on an upward trend to the region as shown in **Figure 8**.

⁴ COVID-19 has also had a gendered impact, with women losing jobs at a higher rate than their male counterparts (World Bank 2021).

Figure 8: Migrant Remittance Inflows to Selected Caribbean Countries

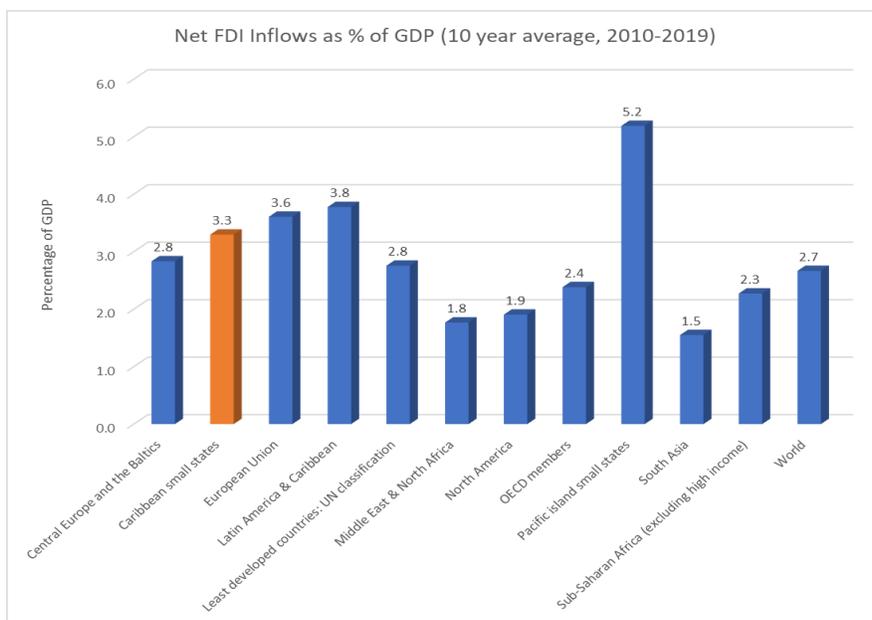


Source: World Bank Development Indicators (2021)

Foreign Direct Investment

Caribbean small States generally receive higher levels of FDI relative to GDP than the world average and when compared to most other regions. See **Figure 9** below:

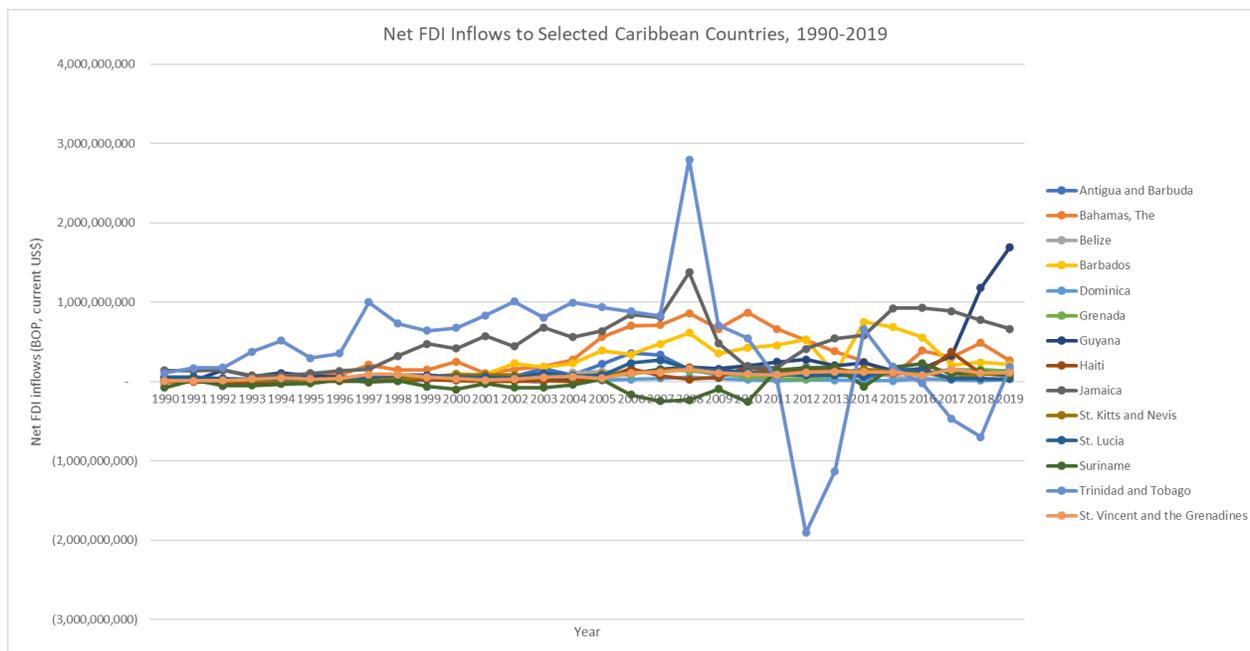
Figure 9: Net FDI Flows as % of GDP (10 year average)



Source: Author's calculations based on World Bank Development Indicators (2021)

Unlike migrant remittances which have generally been on an upward trajectory, FDI flows have been more volatile as shown in **Figure 10** below.

Figure 10: FDI Flows to Caribbean Countries



Source: World Bank Development Indicators (2021)

Caribbean countries' Citizenship by Investment programmes (CIPs)⁵, while controversial, seek to encourage inward investment in certain areas through the creation of special funds as investment options. St. Kitts & Nevis, for instance, gives investors a choice of investing in its Sustainable Growth Fund as one of its newest investment options.⁶ Among its five investment options, St. Lucia offers a minimum investment of US\$100,000 into its National Economic Fund Investment or an investment of US\$250,000 in its limited COVID-19 Bond Relief, a non-interest bearing government bond.⁷

The diaspora can also be an important source of FDI. A 2017 study by the Commonwealth found that on average, small states could raise approximately 4.52% of GNI per annum from their migrants as compared to 1.18% of GNI for Commonwealth non-small states (Commonwealth 2017). Turning specifically to the Caribbean, a World Bank (2013) study found that “over 85 percent of diaspora members give back to the Caribbean in some way, shape, or form”. A later World Bank study of 2016 further revealed that members of the Caribbean Diaspora are motivated to invest in the Caribbean for sentimental reasons or, for those based in North America, because of the potential to make high returns in a geographically accessible region. However, they also face significant market impediments which are elaborated upon in Section III of the Brief.

Unfortunately, it is not known the level of diaspora FDI in the region as many Caribbean countries do not have a high level of disaggregation of their FDI data, including disaggregation by country of origin or by sector.

Borrowing

Several Caribbean countries rank among the most indebted countries in the world by debt-to-GDP ratio and have undertaken a number of debt restructurings over the years (IDB 2021b). LAC countries experienced not only worsening fiscal situations and a rise in general government debt levels due to the COVID-19 pandemic (ECLAC 2021b). ECLAC forecasts a rise in Latin America and Caribbean debt from 68.9% in 2019 and 79.3% of GDP in 2020, making the LAC region “the most indebted region in the developing world and the region with the highest external debt service relative to exports of goods and services (57%)” (ECLAC 2021b). Fiscal revenues which are used to finance debt service payments make financing long-term development, including SDG achievement, difficult (Bourne 2015).

Official Development Assistance

The OECD defines official development assistance (ODA) as “government aid designed to promote the economic development and welfare of developing countries”.⁸ This definition excludes loans and credits for military purposes. Only those countries and territories listed on the OECD's DAC List of ODA Recipients are ODA-eligible. Barbados, The Bahamas, St. Kitts & Nevis and Trinidad & Tobago have been excluded from the list because of their high income status for several years.⁹ **Figure 11** below shows the net ODA received as a percentage of their GNI per year since 2015 for ODA-eligible Caribbean countries.

⁵ Five Caribbean countries currently operate CIPs: Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis and St. Lucia.

⁶ <https://www.ciu.gov.kn/the-sustainable-growth-fund/>

⁷ <https://www.cipsaintlucia.com/investment-opportunities-st-lucia-citizenship>

⁸ [https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm#:~:text=Official%20development%20assistance%20\(ODA\)%20is,and%20welfare%20of%20developing%20countries.](https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm#:~:text=Official%20development%20assistance%20(ODA)%20is,and%20welfare%20of%20developing%20countries.)

⁹ The 2021 list of ODA eligible countries and territories may be accessed here: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>.

Figure 11: Net ODA as a percentage of GNI per year

CARICOM Member State	Net ODA Received as Percentage of GNI per year (%)				
	2015	2016	2017	2018	2019
Antigua and Barbuda	0.12	0.01	0.74	1.15	1.73
Belize	1.74	2.10	2.00	2.00	2.19
Dominica	2.26	1.53	3.78	4.88	8.96
Grenada	2.73	0.89	0.57	3.00	1.34
Guyana	0.75	1.56	1.08	2.19	2.21
Haiti	7.02	7.78	6.88	6.23	5.05
Jamaica	0.43	0.20	0.43	0.66	0.79
St. Lucia	0.83	0.87	0.81	0.44	1.61
Suriname	0.33	0.56	0.71	0.46	0.71
St. Vincent and the Grenadines	1.83	1.19	1.51	2.26	10.33

Source: World Bank Development Indicators

The OECD (2021) reported that COVID-19 has led to a substantial increase in aid spending. In 2020 ODA by DAC member countries reached the highest level ever recorded, rising by 3.5% in real terms compared to 2019. However, this total, amounting to USD 161.2 billion, only represented 0.32% of their combined GNI, far lower than the UN target of 0.7% of GNI.

Multilateral Development Banks and Multilateral Funds

Multilateral development banks (MDBs) are an important source of concessional financing and grants for projects, including those in SDG-related sectors. They are also critical providers of technical assistance (ADB et. Al 2020). Although the Caribbean Development Bank (CDB) and Inter-American Development Bank (IDB) are important sources of development finance in the region, many Caribbean countries have now been 'graduated' from most forms of MDB concessional financing due in the main to their per capita income levels.

The Joint Sustainable Development Goals Fund has funded 101 joint programmes to date, but its level of capitalization is still far short of the annual US\$ 290 million target envisioned by the UN Secretary-General and agreed to under the Fund's Funding Compact (Joint SDG Fund 2021). Another issue facing multilateral funds is the inability of some countries to access financing which is available due to the human resource capacity constraints to make applications for access to funds for projects.

In 2008, CARICOM countries established the CARICOM Development Fund (CDF), as provided for under Article 158 of the Revised Treaty of Chaguaramas and financed mainly by contributions from Member States.

While not SDG-specific, it provides financial and technical assistance to disadvantaged countries, regions and sectors in the Community.¹⁰

PROMOTING AND FACILITATING INVESTMENT IN THE SDGS

Caribbean countries have very open investment regimes, offering a variety of fiscal and non-fiscal incentives to investors. Although Caribbean countries, generally speaking, attract high levels of FDI relative to GDP, most of that investment is in a narrow set of sectors, particularly tourism, financial services and extractive industries (ECLAC 2014). In 2020, Guyana saw high levels of FDI into hydrocarbons, becoming the second largest recipient of FDI inflows in the sub-region (ECLAC 2020). Although there is currently no publicly available data on Caribbean countries' FDI to SDG-related sectors, it appears that most of the region's FDI, with the exception of the renewable energy industry and the medical supplies industry (mainly the Dominican Republic), is in non-SDG-related sectors.

What are 'Investment Promotion' and 'Investment Facilitation'?

UNCTAD (2017) differentiates between the terms 'investment promotion' and 'investment facilitation', although the two concepts complement each other. While there is no internationally agreed definition of the terms "investment promotion" or "investment facilitation", this Brief adopts the definitions employed by UNCTAD (2017). The term 'investment promotion' broadly speaks to the promotion activities undertaken by governments through, for instance, their IPAs to promote their economy as an attractive investment destination (UNCTAD 2018).

It defines investment facilitation as "the set of policies and actions aimed at making it easier for investors to establish and expand their investments, as well as to conduct their day-to-day business in host countries" (UNCTAD 2017). In other words, investment facilitation reforms aim to create a more transparent, facilitative, predictable and accountable environment for attracting and retaining investors. Lack of ease of doing business has been a constant complaint of the local private sector. Investment facilitation reforms aim to facilitate investment not just by foreign investors, but also domestic and diaspora investors.

It should be noted that the aim of investment facilitation for development is not to get rid of checks, but to promote a balance between facilitating investments that can have a positive SDG impact in a timely manner, but in line with domestic laws and regulations, including those for the protection of the environment and labour. Investment screening for potential development impact, therefore, remains important.

Investment Barriers in the Caribbean

Caribbean countries generally rank low overall on global competitiveness indices¹¹ and due to data shortages not all countries are ranked in any given year. In order to attract greater domestic, diaspora and foreign investment for SDG financing, Caribbean countries must address existing barriers to investment.

¹⁰ <https://caricom.org/institutions/caricom-development-fund-cdf/>

¹¹ For example, no English-speaking Caribbean country ranks within the top 50 countries on the World Bank's Doing Business Index (2020). Ranking at 71, Jamaica is the highest ranked among these Caribbean countries, and ranks number 6 globally on the 'starting a business' indicator.

Among these are long waiting times for approvals and slow bureaucratic processes, limited availability of up-to-date and disaggregated statistics, inability to make applications and payments online, limited availability of some countries' most up-to-date legislation and policies online in one central place, access to non-debt financing options and limited information on available investable projects.

The World Bank (2016) identified several barriers to diaspora investment in the Caribbean, including concerns about crime, highly bureaucratic processes, and lack of accountability across both government and nongovernment sectors. It further found that diaspora investors are often not aware of opportunities in their home countries.

Access to capital is one of the biggest impediments to local investors and foreign investors seeking to establish in the region. Foreign investors usually have to bring their own capital from their home countries. There are few platforms for innovative products or new financial instruments to provide low cost capital. Excess liquidity in many regional banks has been a much ventilated issue as it represents unused lending capacity and are funds that could be mobilized for responsible investing in innovative products. Banks in the Caribbean are generally risk-averse with regard to their lending practices, especially in light of increased requirements due to Basel III regulations, increased Anti-Money Laundering/Countering the Financing of Terrorism/Proliferation Financing (AML/CFT/PF) regulations and de-risking practices by their correspondent banks. According to Tennant (2007), commercial banks can play an important role in "maximizing the mobilization of domestic funds, maintain efficiency in the transferral of savings to the real sector, minimize financial costs and interest rate spreads, and efficiently allocate funds to growth-enhancing investments" (Tennant 2007).

Equity financing options in the region remain limited. Caribbean stock exchanges are underdeveloped, with generally low volumes of trading activity. There is an Eastern Caribbean Securities Exchange (ECSE), with listed companies from Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & the Grenadines. A Regional Stock Exchange in CARICOM was first mooted in 1989 by the Government of Jamaica (Robinson 2006). Such an exchange would allow persons to buy and sell shares in companies across the region without restrictions. According to Robinson (2006), while there is not a regional stock exchange, there is "an agreement of cooperation to facilitate the purchase and sale of stocks cross border" (Robinson 2006). This arrangement has been in place among the Barbados Stock Exchange (BSE), Jamaica Stock Exchange (JSE) and Trinidad and Tobago Stock Exchange (TTSE) since April 1991 (Robinson 2006).

With commercial bank interest rates in many Caribbean countries at very low levels, the environment is ripe for greater use of bonds. Resilience bonds are among the types of instruments being considered by Barbados for example.¹² Green bonds are issued by governments, banks, municipalities or corporations in order to raise finance for climate change solutions (Climate Bonds Initiative 2019). Climate Bonds Initiative (2019) reports that LAC issuers have contributed 2% of global green bond issuance volume to date, of which 41% of this is from Brazil. Williams Caribbean Capital (Barbados) certified a BBD3m (USD1.5m) green bond which was issued to finance a solar PV asset (Climate Bonds Initiative 2019).¹³

¹² <https://gisbarbados.gov.bb/blog/consider-caribbean-growth-resilience-bonds/>

¹³ <https://www.climatebonds.net/certification/williams-caribbean-capital>

Wenner (2015) in an IDB study noted that while diaspora bonds are “a promising alternative financing instrument”, “success seems to hinge on winning and maintaining the confidence of responsive emigrants”. Wenner (2015) further noted that “the main challenges are to understand the preferences of the emigrants, make credible and full disclosures about the projects to be financed, assure the diaspora that the monies raised will be well spent and bond payments honored, structure a viable deal and, if necessary, obtain credit enhancements from multilateral and bilateral organizations” (Wenner 2015).

Regional Efforts at Investment Promotion in the SDGs

The case study in **Figure 12** below outlines the work undertaken by the Caribbean Export Development Agency at the regional level to promote investment in the SDGs in the Caribbean.

Figure 12: Caribbean Export Promoting Investment for Development

The **Caribbean Export Development Agency (Caribbean Export)** is a regional trade and investment promotion agency established in 1996 to serve the fifteen Member States of the Caribbean Forum (CARIFORUM) of the Organization of African, Caribbean and Pacific States (OACPS). The Sustainable Development Goals (SDGs) set the scope for the agency’s trade and investment promotion work and are featured in its soon to be approved revised Strategic Plan (2021-2024).

A good portion of Caribbean Export’s trade promotion activities centers on the empowerment of women entrepreneurs, which contributes towards achieving SDG 5 (Gender Equality and Empowering Women). Since 2018, its Women Empowered through Export (WeExport) programme has supported Caribbean women in business to either start exporting or to increase the exports of their products and services. Additionally, its Caribbean Trade for Sustainable Development Hub (T4SD), jointly administered with the International Trade Centre (ITC), aims to promote resilient and green SMEs. This initiative assists with both SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

As part of its investment promotion function, Caribbean Export is the secretariat for the Caribbean Association of Investment Promotion Agencies (CAIPA) which facilitates collaboration among the twenty-three regional Investment Promotion Agencies (IPAs). Caribbean Export promotes the region as a single investment destination which is a more attractive value proposition to investors. It promotes inward investment in a number of areas which impact on the SDGs, such as agriculture, technology, business process outsourcing and renewable energy. It is also seeking to package regional investment projects.

Caribbean Export’s aim is to attract sustainable investment which creates jobs, boosts development and growth, which ultimately contribute to SDG 1 (no poverty) and SDG 8 (decent work and economic growth). Caribbean Export presently hosts a list of investment opportunities in its Member States on its website which can raise investors’ awareness of these opportunities. The Agency also sponsors investment events, such as the Invest in Guyana Virtual Forum 2021 on March 23, 2021 which highlighted investment opportunities in an array of sectors in Guyana.

According to the Agency’s Executive Director, much of Caribbean Export’s future work will be on helping the green economy transition (SDG 7) consistent with their emphasis on working with the private sector to boost climate action (SDG 13). On the latter, about 25% of their direct grants scheme supports firms in this area. Addressing climate change via leveraging private sector assets and steering both foreign and regional private investment towards SDG-related sectors is a high priority and will also be key elements of Caribbean Export’s 2021 - 2024 Strategic Plan.

Sources: Based on the author’s interview with Caribbean Export Executive Director Deodat Maharaj in May 2021 and the Caribbean Export website: www.carib-export.com

National Investment Promotion and Facilitation Efforts and the SDGs

UNCTAD provides a Global Action Menu for Investment Facilitation with 10 action lines containing investment facilitation reform options for countries to consider to meet their policy needs.¹⁴ A study conducted by the CARICOM Secretariat as part of its stakeholder engagement efforts in preparation for the WTO Joint Statement Initiative on Investment Facilitation for Development negotiations found that Caribbean countries have begun undertaking many of the reforms under the UNCTAD Global Action Menu.¹⁵

In many cases, these reforms have benefited from the technical support and assistance of international agencies and funding by international development partners. For example, several Caribbean countries have received assistance to create iGuides, which are one-stop guides for investors on doing business in that particular jurisdiction. iGuides currently exist for Antigua & Barbuda, Jamaica, Curacao, St. Lucia, Barbados and St. Vincent & the Grenadines. Trinidad & Tobago has established a Single Window (TTBiz Link)¹⁶. Some investment facilitation initiatives already fall under the remit of the region's IPAs and other agencies which have a role in interfacing with potential and existing investors.

Diaspora outreach is also a growing component of several Caribbean countries' both pre and post-COVID-19 economic development efforts, through the establishment of dedicated diaspora units, ministries or agencies, the hosting of diaspora conferences and incentives for diaspora investors to both promote and facilitate diaspora investment.

An analysis of the investment legislation and policy documents (where available) of various Caribbean countries generally evince little to no SDG-mainstreaming in investment policy frameworks as many predate the SDGs. A notable exception is Belize whose National Investment Policy and Strategy (2019) specifically mentions and incorporates the SDGs. Trinidad & Tobago's Investment Policy Statement of 2015 does not specifically mention the SDGs but refers in several cases to sustainability.¹⁷ Jamaica, which is discussed more comprehensively below (see **Figure 13**), is in the process of drafting a National Investment Policy.¹⁸ UNCTAD (2014) has called on countries to adopt more systematic approaches to factoring investment promotion and facilitation into national SDG strategies and mainstreaming SDGs into national investment policy frameworks and IIA regimes.

A review of the websites of Caribbean countries' IPAs shows that the sectors of investment interest include some of the sectors covered by the SDGs, such as education, health tourism, logistics and renewable energy. Attracting private sector financing is most effective in commercially sensitive areas and one can also argue, in those sectors in which the region lags the greatest behind on SDG achievement.

¹⁴ <https://investmentpolicy.unctad.org/uploaded-files/document/Action%20Menu%202001-12-2016%20EN%20light%20version.pdf>

¹⁵ This was revealed by a CARICOM Secretariat representative during a High-Level Forum on Investment Facilitation for Development held by the International Trade Centre, the DIE, the World Economic Forum and the SRC on February 24, 2021.

¹⁶ <https://www.ttbizlink.gov.tt/tntcmn/faces/pnu/PnuIndex.jsf>

¹⁷ <https://tradeind.gov.tt/wp-content/uploads/2016/03/INVESTMENT-POLICY-STATEMENT.pdf>

¹⁸ https://dobusinessjamaica.com/wp-content/uploads/2020/08/National-Investment-Policy_Opt.pdf



These include SDG 2 (food security) where agro-processing could not only have commercial benefits but could assist in the availability of healthy food, and reduce food insecurity. Investment projects in the blue economy could be commercially interesting for investors, but also assist countries in meeting, for example, SDG 14 (Life below water). It is also important for governments to advertise these commercially attractive areas that overlap with the SDGs.

Among Caribbean countries, Jamaica appears to be the most progressive in its SDG mainstreaming. It is also the top ranked Caribbean country on the SDG Index (2020). This has not been by fluke but by considered reforms and collaboration among the major agencies. The case study in **Figure 13** below outlines how Jamaica achieved these feats.

Figure 13: SDG Mainstreaming in Investment Facilitation in Jamaica

The **Jamaica Promotions Corporation (JAMPRO)** is the trade and investment promotion agency for Jamaica. As part of its investment promotion function, JAMPRO determines and sets the tone for Jamaica's investment attraction efforts. Among JAMPRO's sectors of focus for FDI attraction are tourism, agribusiness, manufacturing, energy, mining, logistics, infrastructure and the creative industries, some of which fall under SDG-related sectors. Much of JAMPRO's success could be credited to its evidence-based and targeted approach to investment attraction, relying on data, analysis of global markets to ascertain trends and opportunities and engagement with major players – both potential investors and buyers. JAMPRO also sits on the SDG Committee, which is a national committee led by the Planning Institute of Jamaica. It was the committee that formulated Jamaica's National SDG Plan and ensures its alignment with Vision 2030.

Although JAMPRO does not grant approvals or permits, the agency is able to leverage its strong relationship with both its government and business partners to serve as a one-stop shop for investors throughout the entire investment life cycle, assisting them with interfacing with various Ministries, Departments and Agencies. Economic diplomacy is also a major tool in JAMPRO's investment strategy toolkit. JAMPRO has signed a Memorandum of Understanding (MOU) with Jamaica's Ministry of Foreign Affairs. JAMPRO trains foreign service officers, hosts webinars for them, and supports their engagement with potential investors and buyers of Jamaican products. Moreover, JAMPRO sees the Jamaican diaspora as playing a critical role in spreading the message for investing in, and buying from, Brand Jamaica. Their diaspora engagement takes place through both informal and formal channels, such as Jamaica's diplomatic missions and diaspora associations. JAMPRO has a triennial investment forum – the Jamaica Investment Forum – and always partners with the Foreign Ministry in their biennial Jamaica Diaspora Conference, although sometimes the diaspora reaches out to JAMPRO directly.

JAMPRO incorporates the sustainable development goals (SDGs) into its work in promoting and facilitating investment into Jamaica. The Government of Jamaica is drafting a National Investment Policy Paper, of which a green paper has been agreed and a white paper is in process. The SDGs are contemplated in the investments JAMPRO pursues.

The newly drafted Green Economy Investment Strategy seeks to promote and incentivize investment projects that are green and will help to guide green investment in Jamaica in the future. Green-specific loans are also to be addressed in the strategy. Though it is not yet finalized, JAMPRO is one of the stakeholders that has provided input.

While nationally there are some lingering challenges with bureaucracy in some cases, JAMPRO has been successful in getting buy-in from implementing agencies for going online. Some of the other major business reform successes identified are:

- Changes to the financial framework of the country, including the decrease in the General Consumption Tax (GCT), property transfer taxes and stamp duties.
- Implemented an online system to facilitate development-related applications – the Jamaica Development Application Portal
- Facilitated legislative changes, e.g: The Electricity Act of 2016 changed how government facilitates access to electricity.
- Facilitated the creation of an online business registration system, which contributed to their position as No.6 for Ease of Starting a business in the World Bank Doing Business Index 2020
- Creation of a Collateral Registry and legislation to support collateralization of moveable property

The Government of Jamaica works well with multilateral financing agencies, such as the World Bank and the Inter-American Development Bank, including to identify best practices.

For more information on JAMPRO, visit their website: <https://dobusinessjamaica.com/>.

Source: Author's interview with JAMPRO staff in April 2021.

RECOMMENDATIONS FOR SUSTAINABLE INVESTMENT PROMOTION AND FACILITATION FOR FINANCING SDG ACHIEVEMENT

While Caribbean governments have, to varying extents, been implementing reforms, there are some further recommendations that can be made for promoting and facilitating investment in SDG-specific sectors.

1. Mainstream the SDGs into National Investment Policy Frameworks and IIAs

Those Caribbean countries, which have not yet done so, should formulate National Investment Policies which prioritise channeling investment into SDG-related sectors through sustainable incentives, greater use of public-private partnerships and blended finance. UNCTAD's Investment Policy Framework for Sustainable Development (IPFSD) Action Plan provides a useful resource which countries can use to mobilise investment for SDG achievement. Caribbean countries can also more strategically use economic diplomacy - the use of diplomats for the promotion and facilitation of investment (UNCTAD 2021b). UNCTAD (2021c) has termed the role of the diplomat as a "bridge-maker" between the investor, other stakeholders and government bodies in the host country and playing a supporting role in the investment facilitation process (UNCTAD 2021c).

2. Conduct a comprehensive review of the region's IIAs to determine whether they support the goal of promoting and facilitating investment for development

As was recognized in paragraph 91 of the Addis Ababa Action Agenda Outcome Document, the goal of protecting and encouraging investment should not affect Governments' ability to pursue public policy objectives. Whether the region's existing network of IIAs currently supports the goal of encouraging, promoting and facilitating investment for development is in doubt. The vast majority of CARICOM countries' IIAs are older generation BITs, signed by individual CARICOM countries and often larger partners, which lack the development-friendly language and best practices of newer vintage IIAs. With the exception of the Guyana and Suriname agreements with Brazil, CARICOM countries' BITs lack any comprehensive investment promotion and facilitation provisions. A comprehensive review of the region's IIAs, especially its BITs, is needed to determine whether they support the goal of encouraging, promoting and facilitating investment for development, and if not, what actions should be taken, such as termination or renegotiation. UNCTAD has been playing a positive role in advocating for countries' inclusion of provisions safeguarding host States' rights to regulate to pursue the SDGs, while maintaining investment protection standards, and the inclusion of investment facilitation provisions.

3. Accelerate the creation of Integrated National Financing Frameworks

Integrated National Financing Frameworks (INFF) are a tool developed by the UN to assist countries in implementing the Addis Ababa Agenda at the national level, that is, operationalizing how the SDGs will be financed. Barbados, Haiti, Jamaica, Cuba and the Dominican Republic are among the list of country case studies on the Inter-Agency Task Force on Financing's website.

INFFs examine "the full range of financing sources and non-financial means of implementation that are available to countries, and lay out a financing strategy to raise resources, manage risks, and achieve sustainable development priorities" (Inter-Agency Task Force on Financing 2019). INFF are therefore not cookie-cutter and are tailored to each country's circumstances.

INFFs comprise four building blocks: assessment and diagnostics, financing strategy, mechanisms for monitoring, review and accountability and governance and coordination frameworks. The financing strategy does the following (1) identifies the actions required to finance national development strategies and goals, (2) mobilises financing and (3) aligns that financing with national priorities (Inter-Agency Task Force on Financing 2021). Therefore, a country's investment policy and its strategies for the promotion and facilitation of investment should be informed and cohere with its financing strategy which forms part of its INFF.

4. Create Facilitative Platforms for Innovative Products and Instruments

A significant reform would be to create innovative financial products, such as diaspora, green or blue bonds, that could be supported by multilateral development institutions. While having such backing will come with certain criteria and conditionalities, it would make investing in such a bond less risky for investors. Through the use of a World Bank guarantee, Seychelles launched the World's First Sovereign Blue Bond, which raised US\$15 million from international investors to finance sustainable marine and fisheries projects.¹⁹ It can be argued that borrowing used for investment, such as debt raised through the floating of green or blue bonds, is more sustainable than consumption-based debt. However, ultimately, a country's debt servicing levels will determine its capacity to take on additional debt for SDG financing.

The domestic financial sector in Caribbean countries should be encouraged to create new instruments, but in a responsible way which does not put consumers at undue risk. One way in which some regulators have sought to encourage this is through the use of regulatory sandboxes which allow a company, usually one involved in Fintech, to live test a new product in a controlled environment and under the regulator's supervision. An example is the regulatory sandbox established by the Central Bank of Barbados and the Financial Services Commission.²⁰

¹⁹ <https://www.worldbank.org/en/news/press-release/2018/10/29/seychelles-launches-worlds-first-sovereign-blue-bond>

²⁰ <http://www.fsc.gov.bb/index.php/en/2018-02-08-17-16-40/ccb-fsc-regulatory-sandbox>

Infrastructure projects are not always immediately seen as investable projects by private investors. In such cases, public-private partnerships (PPPs) can help to mobilise private sector investment in infrastructure projects by making these more attractive. According to the World Bank (2015), the use of PPPs has increased in the last two decades and “are now used in more than 134 developing countries, contributing about 15–20 percent of total infrastructure investment”.

5. Improve the availability of FDI data and information on investment opportunities

Although many Caribbean IPAs identify their priority sectors for investment on their websites, data on investment opportunities in the region remains limited. This is also compounded by the lack of comprehensive, timely and disaggregated FDI data which makes it difficult for investors to make informed investment decisions or for governments to conduct evidence-based policy-making or monitoring and evaluation of investment policies and reforms.

For the region to attract more sustainable investment, it needs a ready pipeline of viable region-wide and investable SDG-related projects which is currently lacking. Some projects are included in the list on Caribbean Export’s website. At least one IPA, Invest St. Lucia, outlines investable projects on its website.²¹ However, this is not commonly found on the websites of most of the region’s IPAs. As part of their reforms, therefore, Caribbean countries should make information about investable projects more publicly available.

6. Accelerate joint regional investment promotion efforts

Although there are some joint regional promotion efforts, investment promotion remains largely a nationally driven process. Regional investment promotion efforts must be intensified and can be done, for instance, through greater joint marketing efforts and the packaging of regional projects in SDG-related sectors.

7. Increase progress towards the creation of a single investment space and a regional stock exchange

Caribbean countries should accelerate efforts to reduce the still high administrative barriers which make doing business across the region less seamless than it could be. For instance, there is no single CARICOM registry for company incorporation or registration of intellectual property. A single CARICOM investment space, as contemplated by the CARICOM Single and Economy (CSME), would facilitate greater intra-regional investment, while also making the region more attractive to foreign and diaspora investors interested in investing in multiple Caribbean jurisdictions. The creation of a regional stock exchange would also make it easier for companies across the region to raise capital through selling shares to a wider pool of potential investors.

²¹ <https://www.investstlucia.com/opportunities>

8. Determine whether joining the WTO Investment Facilitation for Development Negotiations will add value to existing national investment facilitation reform efforts

Since September 2020, over 100 WTO Member countries are in the process of negotiating what they hope will be a binding multilateral agreement for the facilitation of investment for development. Currently, only four CARICOM Member States – Barbados, Dominica, Grenada and Suriname – are taking part in the negotiations. Each Member State would need to make its own assessment and determination about what added value joining these negotiations and their possible outcome could have for their investment promotion and reform efforts. At least two possible benefits could be identified based on those outlined by Sauvant (2019) for developing countries. First, submitting to these binding provisions could hasten the process of domestic investment facilitation reform. Second, it would permit Caribbean countries access to technical assistance under the WTO for undertaking reforms associated with this agreement, which would redound to the benefit of the region's wider reform efforts.



CONCLUDING THOUGHTS

This Brief has argued that achieving the SDGs will require financing from a variety of sources. Given the current macroeconomic environment, public sources will not be enough to finance Caribbean countries' SDG achievement. Although not a panacea, mobilisation of private investment flows from domestic, diaspora and foreign investors towards SDG-related sectors can help to address some of this shortfall. To do so, Caribbean countries will need to step up their investment promotion and facilitation reforms to address existing barriers to investment, while also making concerted efforts to formalise and mainstream the SDGs into their national investment policies and strategies. This will require improved data in order to monitor and evaluate the efficacy of these reforms.

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