

Underestimated and Overlooked

Reducing the cost of crime and violence
for improved financing for development
in the Caribbean



The Commonwealth

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Financing for Development in the Caribbean



The Commonwealth

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Published by the Commonwealth Secretariat.

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Acknowledgements

This report was prepared under the general guidance of Travis Mitchell, Adviser and Head of the Economic Policy and Small States Section, and authored by Sophie Brain, Research Officer in the Economic Policy and Small States Section, with statistical advice from Akeem Rahaman, Economic Adviser in the Economic Policy and Small States Section. James Gregory, Tamara Mughogho, Heather Cover-Kus, Motselisi Matsela and Devyn Holiday provided valuable feedback.

The author is grateful for the very constructive and thoughtful comments received from the external reviewers: Wendell C Wallace, Lecturer in Criminology and Criminal Justice at the University of the West Indies; Marco Dugato, Senior Researcher at Transcrime and Adjunct Professor of Methods and Techniques for Criminological Research at the Faculty of Political and Social Sciences of the Università Cattolica del Sacro Cuore; Jenny Constantine, Lecturer at the Police Academy, St James in Port of Spain, Trinidad and Tobago; and Fran Collier, Serious and Organised Crime Network (SOCnet) Regional Policy Coordinator for the Caribbean.

Acronyms and Abbreviations

FDI	foreign direct investment
GDP	gross domestic product
IADB/IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin American and Caribbean (region)
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
UVI	Universal Vulnerability Index
UNODC	United Nations Office on Drugs and Crime
UNICEF	United Nations Children's Fund

Executive Summary

Key findings:

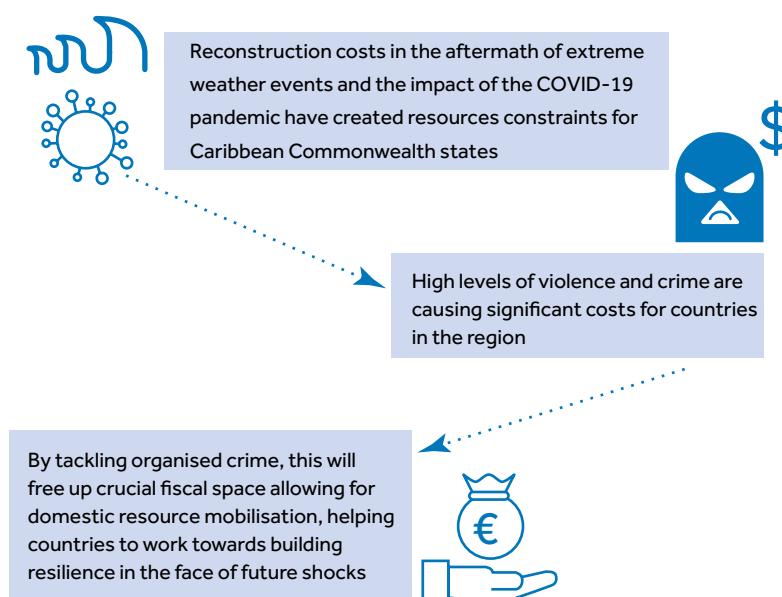
1. It is estimated that crime-related costs in the Commonwealth Caribbean amount to around 3 per cent of gross domestic product (GDP) annually. This is comparable to the income share of the poorest 30 per cent of the Caribbean population and higher than both the impact of the financial crisis in 2008 and the average economic damage due to natural disasters.
2. Inequality and relative deprivation are more influential factors than poverty when it comes to crime and violence in Caribbean Commonwealth countries.
3. Overall expenditure in Caribbean Commonwealth countries has traditionally been focused on law enforcement rather than other components of a potential solution against crime, such as administration, justice and violence prevention.
4. The amount that firms in the Caribbean spend on private security is higher than the international average, drawing money away from other activities that could potentially enhance productivity and diverting funds away from business expansion, which affects economic growth and government revenue.
5. Both tourism and foreign direct investment are impacted by organised crime in the region, with implications for Caribbean countries' long-term growth.

Addressing some of the consequences of organised crime and tackling its root causes will free up crucial fiscal space in the Caribbean Commonwealth

Organised crime in the Commonwealth Caribbean holds back the region and acts as a barrier to improved governance and economic prosperity,

as well as undermining state institutions and weakening the ability of the state to ensure the rule of law. The COVID-19 pandemic has also exacerbated many of the vulnerabilities already present in Commonwealth small states in the Caribbean, affecting the tourism industry, increasing unemployment and creating a bleak economic forecast.

Figure 1. The reasons for tackling violent and organised crime



Given the resource-constrained nature of Caribbean small states, addressing crime will need a clear and logical process, as resources are finite and allocations in one area will result in losses in others. Addressing some of the consequences of organised crime and tackling its root causes will free up crucial fiscal space in the region, given the large private, governmental and social costs they pose.

The reasons for tackling violent and organised crime in the Commonwealth Caribbean

Organised crime touches on many development priorities and it is estimated that crime-related costs in the region amounts to around 3 per cent of GDP

Organised crime could directly and significantly impact the ability to achieve 23 out of the 169 Sustainable Development Goal (SDG) targets, almost 15 per cent of them (Reitano et al. 2015). In the context of the Commonwealth Caribbean countries, organised crime touches on many development priorities, especially given the region's role as one of the busiest trade routes for illegal narcotics and weapons.

Both the Commonwealth's Universal Vulnerability Index and the Commonwealth's 'Achieving a Resilient Future for Small States: Caribbean 2050' project have recognised organised crime as being one of the more serious developmental challenges facing the

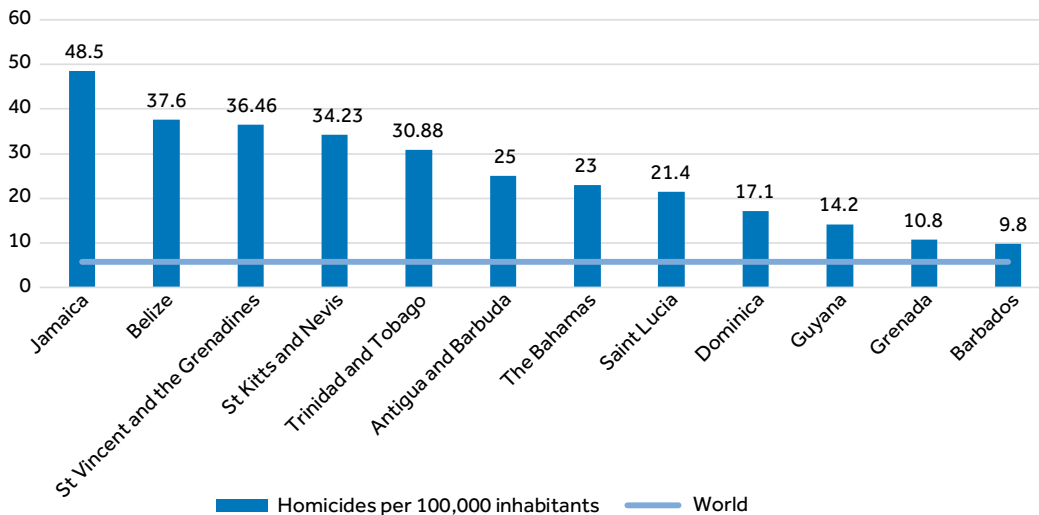
Caribbean. It is estimated that crime-related costs in the region amount to around 3 per cent of GDP annually. This is comparable to the income share of the poorest 30 per cent of the Caribbean population and higher than both the impact of the financial crisis in 2008 and the average economic damage due to natural disasters (Sutton et al. 2017).

Caribbean Commonwealth countries' geographical location make them susceptible to organised crime, while homicide rates are some of the highest in the world

Caribbean Commonwealth countries' geographical location make them susceptible to organised crime, illicit economies and the drug trade, as they lie in the middle of the suppliers' market to the south and the consumers' demand to the north. Violence in Caribbean Commonwealth countries is aggravated by the presence of organised crime, while homicide rates are some of the highest in the world. Organised crime groups and, more specifically gangs, which make up a large percentage of these groups, are largely responsible for these high levels of violence – with much of the region's violence stemming from intergang rivalries (Yagoub 2017).

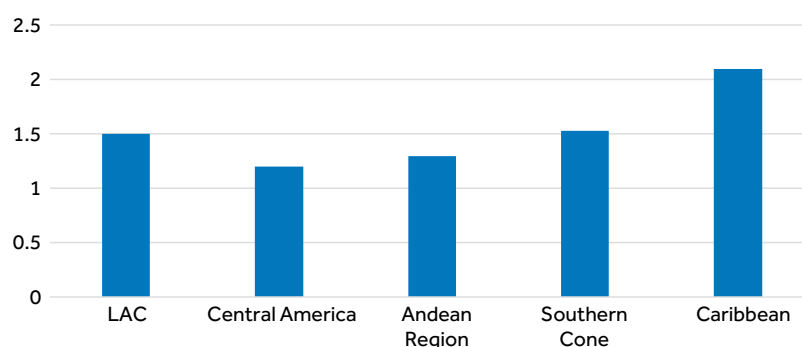
Unemployment rates of those aged between 15 and 24 are three times those aged 25 and older in certain Caribbean Commonwealth countries. Chronic unemployment makes criminal activity attractive to the young generation, who see no other prospects, thereby increasing the propensity for crime within this age group.

Homicide rates per 100,000 of the population in Caribbean Commonwealth countries (2020 or latest available year)



Source: UN Office on Drugs and Crime (UNODC); official national sources in each country

Public spending on citizen security by subregion (upper bound levels), 2013/2014 (as a percentage of GDP)



Source: Jaitman et al. (2017)

In some Caribbean cities, especially in larger territories, there remains a substantial subset of the population who are excluded and poor (UNDP 2013). Overall, inequality and relative deprivation are more influential factors than poverty when it comes to crime and violence in Caribbean Commonwealth countries. When it comes to trust in government, in some countries in the Caribbean, criminal organisations have become parallel social, political and economic structures that fill vacuums or replace the state when it is not present (IACHR 2015).

When compared to the Latin America and Caribbean region, the Caribbean has the highest levels of crime-related expenditure by governments

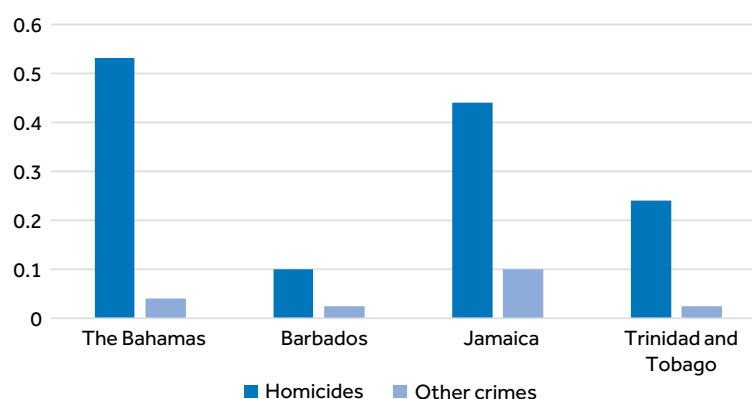
Given the high level of impact that crime has on society, and the trade-off it imposes, a better understanding of its costs can help guide the prioritisation of law enforcement, education and social programmes that deter criminal activity and provide considerable cost savings to society (Cohen et al. 2010).

When compared to the Latin America and Caribbean region (LAC), the Caribbean has the highest levels of crime-related expenditure by governments. Research suggests that in selected countries in the Caribbean, the averages of upper-bound and lower-bound estimates range between 1.5 and 2.1 of GDP spent on public security (Sutton et al. 2017). This is around 0.5 percentage point of GDP higher than the LAC average. Overall expenditure in these countries has traditionally been focused on law enforcement rather than other components of a potential solution to crime, such as administration, justice and violence prevention.

Both homicides and spending by the private sector to try and mitigate crime contribute to the Commonwealth Caribbean's high cost of crime.

Homicides are by far the largest contributor to social costs in the Caribbean, representing 0.53 per cent of GDP in The Bahamas and 0.44 per cent of GDP in Jamaica (Sutton et al. 2017). Violence against women and girls also creates

Social costs of crime (as a percentage of GDP), 2013/2014



Source: Jaitman et al. (2017)

economic costs, especially in countries such as The Bahamas, where rates for sexual violence against women for 2017 and 2018 were more than ten times higher than they were for men.

Crime also affects a large portion of the private sector, through losses directly from crime and through spending to try and mitigate crime. Nearly 70 per cent of firms in the Caribbean report spending money on private security measures, such as expenditures on equipment, insurance, personnel or professional security services (Jaitman 2017). The amount that firms in the Caribbean spend on private security is higher than the international average, drawing money away from other activities that could potentially enhance productivity and diverting funds away from business expansion, which affects economic growth and government revenue.

The prevalence of crime and violence in the region has an effect on both tourism and foreign direct investment, with consequences for growth

The prevalence of crime and violence in the Commonwealth Caribbean can limit and disrupt the development of the tourism industry, with consequences for the economic costs of crime. Using a system dynamic panel model, an analysis was carried out to capture the impact of organised crime on tourism in the region. The results show that in this model, although the variable is not statistically significant, it is negative, implying that homicides do have somewhat of a negative impact on tourist arrivals. Despite this lack of significance, several other studies in the region have produced significant negative results.

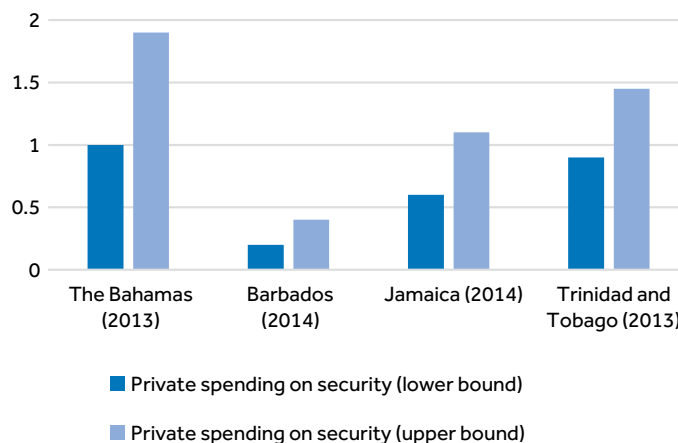
Criminal activities have the potential to increase the cost of doing business, reduce the demand for goods and services that are sold in high-crime areas, make property rights less secure, and reduce the capacity of legal systems to effectively enforce justice, discouraging foreign direct investment and in turn creating forgone income for governments. Using a system dynamic panel model, an analysis was carried out to capture the impact of organised crime on foreign direct investment in the region. The results show that in this model, although the variable is not statistically significant, it is negative, implying that homicides do have somewhat of a negative impact on foreign direct investment. Several other studies in other regions have also produced significant negative results of the impact of crime on foreign direct investment.

COVID-19 has caused a paradigm shift that has enabled criminal opportunism

In Caribbean Commonwealth states, COVID-19 has caused a paradigm shift that has enabled criminal opportunism to take place. Although criminals have faced the same set of challenges as everyone else, they have found ways to carry on working and, in some situations, thrive. There are four main areas of organised crime in the region that because of the pandemic are likely to have implications for the cost of organised crime. These are:

- cybercrime
- reduced levels of homicides with increased levels of drug trafficking
- Ponzi and pyramid schemes and
- the misappropriation of public funds.

Private spending on security (as a percentage of GDP), 2013/2014



Source: Sutton et al. (2017)

Policy recommendations are ordered in a way that facilitates the most cost-effective initiatives initially

The policy recommendations in this report are ordered in a way that facilitates the most cost-effective initiatives initially. As initial cost savings are achieved through reduced crime, it will then be possible for Caribbean countries to focus on more long-term investments to ensure long-term sustainable development.

Short term cost-effective recommendations

- Focus on the young people being implicated in criminal activity
- Focus policies on unemployment, especially on youth
- Increase understanding of crimes against business and encourage private–public partnerships

Medium-term recommendations

- Revise government spending allocations on law enforcement and carry out analysis on whether increased spending on justice administration and crime prevention would be more effective
- Continue to invest in tools that protect against cyberattacks
- Continue monitoring and investments in maritime smuggling operations.

Longer-term higher-cost recommendations

- Inequality and relative deprivation are more influential factors than poverty when it comes to crime and violence in the region and, therefore, they need to be addressed
- Reduce inefficiencies in government spending

1. Setting the Scene of the Crime

Blood spatter, a bullet-riddled domino table and concrete columns bursting from the force of a warhead. These are the scenes in Tivoli Gardens, a neighbourhood in Kingston, Jamaica, that has become a centre of drug trafficking and home to one of Jamaica's most notorious gangs, the Shower Posse. Despite the lockdowns imposed by governments across the world because of the COVID-19 pandemic, scenes like these have continued to proliferate across the Caribbean region. Organised crime in the Commonwealth Caribbean holds back the region and acts as a barrier to improved governance and economic prosperity, as well as undermining state institutions and weakening the ability of the state to ensure the rule of law.

The COVID-19 pandemic has exacerbated many of the vulnerabilities already present in Commonwealth small states in the Caribbean. With limited economic diversification, the region has experienced a severe shock to one of the sectors it relies on most, the tourism industry, causing economic recessions and job losses. COVID-19 has also been combined with hurricane season in the region, putting many more lives and livelihoods at risk.

Reconstruction costs from past disasters have made it difficult for governments to use their fiscal space to adequately respond to the health crisis, with consequences for employment and social protection (United Nations 2020). Given the bleak economic forecast for Caribbean countries following COVID-19, unemployment rates continue to increase – a particular issue for the younger population. This is because they had already seen the highest unemployment rates before the pandemic, with the 15–24 age group reaching 24.6 per cent unemployment levels in 2019; this was compared to 7.9 per cent for the Latin American and Caribbean region as a whole (ILO 2022). Given that the largest number of arrests for criminal behaviour and homicides occur within the 18–30 age group, there is a clear indication that crime may increase (Sutton et al. 2017). This could have adverse social effects, with increased opportunities

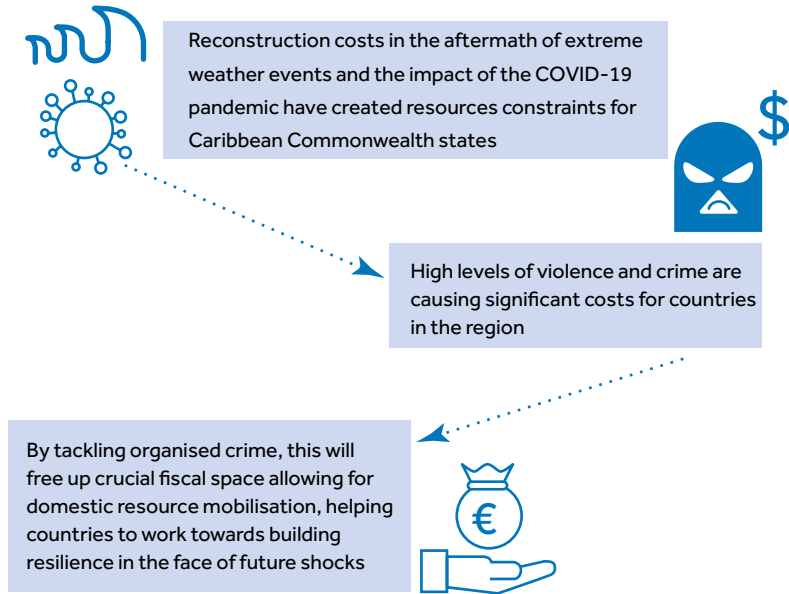
for organised crime groups and threats to citizen security. Chronic unemployment in the region is also likely to make criminal activity attractive to the young generation – who see no other prospects.

Given the resource-constrained nature of Caribbean small states, addressing these potential threats will need a clear and logical process, as resources are finite and allocations in one area will result in losses in others. Addressing some of the consequences of organised crime and tackling its root causes will free up crucial fiscal space in the region, given the large private, governmental and social costs of these crimes. Reducing spending on citizen security and improved taxation of firms, income tax and indirect tax such as VAT (value-added tax) will allow for more efficient domestic resource mobilisation, helping countries to work towards building resilience. Furthermore, there is an unmistakable relationship between sustainable development and the fight against drugs and crime; therefore, reducing these will allow for improved socio-economic development and inclusion, which helps to tackle inequality.

Increasing the development finance available to Caribbean countries and improving their absorptive capacity will also allow them to improve economic growth and reduce poverty and inequality, helping these countries to achieve the Sustainable Development Goals (SDGs).

There are few cross-national studies on the frequency, causes and effects of violence and organised crime in the Caribbean, while both governments and international financial institutions rarely look at reducing organised crime for domestic resource mobilisation. Given the lack of research, this paper aims to explore the ways in which organised crime is affecting the economies of Commonwealth Caribbean countries in order for them to build up the capacity for resilience, through increased financing. This objective will be incredibly important given these states' high levels of violence, their resource constraints and their continued vulnerability in the face of natural disasters.

Figure 1. The reasons for tackling violent and organised crime



The rest of this paper is organised as follows. Section 2 highlights the links between organised crime and development in the Caribbean. The third section introduces some stylised facts and drivers of crime in the region. Section 4 discusses the cost of crime in the Caribbean and breaks it

down into two main areas, the primary costs of crime and secondary costs of crime. The fifth section examines evolving areas of crime and their impact on the cost of crime. Finally, Section 6 offers some policy recommendations for Caribbean governments moving forward.

2. Organised Crime and Sustainable Development in the Caribbean

The objective to 'combat all forms of organised crime' has been recognised as one of the 169 targets of the Sustainable Development Goals (SDG Target 16.4), demonstrating the unmistakable interrelationship between security and development. Organised crime, which we define using the United Nations Convention against Transnational Organised Crime, involves a group of three or more persons that was not randomly formed, operating during a period of time in order to obtain directly or indirectly a financial or other material benefit. It is a persistent issue in the Caribbean (UNODC 2003).

A study by the Global Initiative against Transnational Organised Crime has demonstrated that organised crime could directly and significantly impact the ability to achieve 23 out of the 169 SDG targets, almost 15 per cent of them (Reitano et al. 2015). It is clear from this analysis that organised crime is a cross-cutting issue that will considerably impact SDG achievement.

In the context of the Commonwealth Caribbean countries, organised crime touches on many development priorities, especially given the region's role as one of the busiest trade routes for illegal narcotics and weapons. Using the trade in illicit narcotics as an example, we can see that it not only threatens the achievement of Target 3.5 (to strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol) but also SDG 1 (to end poverty), given that it is usually the poorest in society who are linked to drug trafficking and use (Reitano and Hunter 2018).

Furthermore, there are also impacts on SDG 3 (to ensure healthy lives), given the many effects that narcotics have on individual health and the strain they put on health systems that help provide drug treatment and care (ibid). Finally, SDG 5 (to achieve equality and empowerment for women and girls) is also affected, not only because of the links between

drug use and prostitution, but also because of the disproportionate impact of drug control policies on women, as well as the interlinkages between organised crime groups and human trafficking (ibid). The reality of this is evidenced in investigative work carried out in both Antigua and Barbuda and Barbados, revealing that organised crime groups are responsible for most sex workers in the country being immigrant women forced into the sex trade (Global Initiative against Transnational Organized Crime 2020a).

This example does not consider the many other areas that organised crime affects, such as the impact that it has on political and judicial processes, which undermines the quality of institutions and the rule of law, with implications for SDG 16 (to build effective, accountable and inclusive institutions at all levels). More specifically, organised crime in Caribbean Commonwealth countries has been linked to the corruption of government officials, police officers and other persons within the criminal justice system, highlighted in SDG 16.5 (to reduce corruption and bribery in all their forms) (Wallace 2017). This corruption within both the political and judicial systems erodes the potential for financial development in Caribbean countries, with consequences for aid, foreign direct investment and in terms of leakages of public funds.

Organised crime also has implications for economic growth, as it creates a destabilising influence on legitimate businesses and discourages investment as investors are reluctant to carry out business activities in a volatile environment. Furthermore, major industries such as tourism can face negative impacts from organised crime, as international governments issue travel advisories to their residents against travelling to the Caribbean, with consequential implications for foreign exchange balances (ibid).

Finally, tax evasion, corruption and the misappropriation of public funds have the

Box 1. How organised crime groups operate in the Commonwealth Caribbean: Christopher 'Dudus' Coke

Christopher 'Dudus' Coke was the leader of the famous Shower Posse, a well-known gang that controlled a West Kingston community known as Tivoli Gardens in Jamaica. At the age of 23, Dudus inherited the gang after the death of his father from a prison fire in 1992. From his home base in Jamaica, Christopher Coke presided over the international drug and weapons trafficking organisation, which he controlled through violence and intimidation, enlisting an army of 'soldiers' to do his bidding (Debucquoy-Dodley 2012). According to United States (US) prosecutors, Coke masterminded the trafficking of tons of marijuana and cocaine over almost two decades until his 2010 arrest. A main base of his US operations was in the Bronx, New York, but he also built a significant network in Toronto, Canada, as well as using the Jamaican diaspora in the United Kingdom (UK) to distribute his product (Grillo 2017). The Shower Posse has been declared as one of the most violent and notorious gangs ever to operate in America.

To smuggle the product into the US, Coke preferred that his 'mules' be female. One Jamaican woman travelled to New York as a tourist, to buy clothes to sell back home — and was ordered by Coke to carry cocaine hidden in her body (Hamilton 2010). If the women refused to do so, then their businesses would be threatened and the clothing they sold and the money they earned would be stolen (ibid). Coke bolstered his public image by carrying out 'Robin Hood'-style charity work in Tivoli and allied communities. His operatives would hand out schoolbooks and stationery to children at public events before the term started. He also ran free biannual concerts with some of Jamaica's top reggae artists (Parkinson 2017). In turn, many singers, including Bob Marley's stepbrother Bunny Wailer, recorded tracks praising Coke, helping build a personality cult bigger than that of any previous Jamaican criminal (ibid). His influence was so significant that the entrances to the Tivoli Gardens community were blocked with barricades and guarded by heavily armed men, who placed restrictions on who could enter, including the police.

In May 2010, 800 soldiers and 370 police officers stormed into Tivoli Gardens with the aim of restoring state authority in that part of Kingston and to arrest Coke, who was wanted for extradition to the US on drugs and arms trafficking charges. Although they were unable to locate and arrest Coke, around 70 civilians and 3 members of the security forces were killed in the search for gunmen allied to the drug lord (Cordner et al. 2017). On 22 June, a month after the attack on Tivoli, the police caught Coke at a roadblock (Schwartz 2011). He was dressed as a woman and wearing a wig. The car's driver, the Reverend Al Miller, said that Coke was on his way to the US Embassy to surrender (ibid).

potential to cause waste of scarce resources, to the detriment of other critical social needs in the Caribbean, making it more difficult for countries in the region to achieve SDG 8 (inclusive and sustainable economic growth) (ibid).

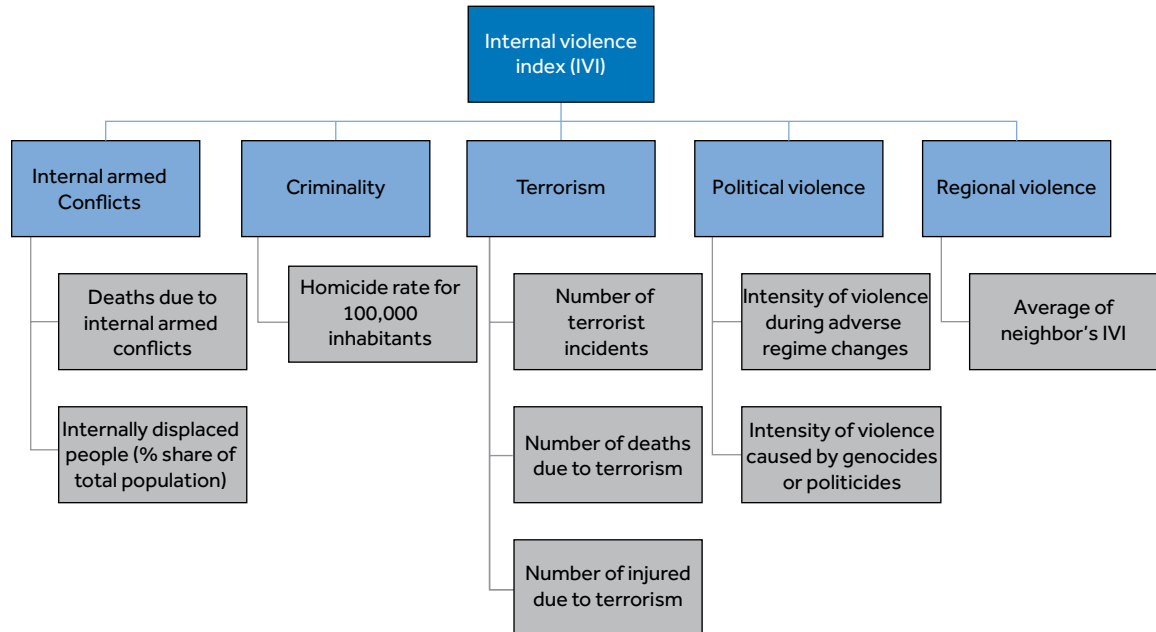
Work on the Universal Vulnerability Index (UVI) produced by the Commonwealth Secretariat, which focuses on both the vulnerability and resilience of countries, has also highlighted organised crime as an area of concern in the Caribbean (see Appendix 1).

Societal fragility within the UVI has been measured using an Internal Violence Index (IVI) that allows for both internal conflict and crime to be measured

(Figure 2). Analysis shows that at the regional level, the Caribbean and Americas Internal Violence Index is higher than the global average of 43.35, reaching 49.17 and only surpassed by the Middle East and North Africa region (The Commonwealth 2021). From a country perspective, 7 out of the 11 Commonwealth Caribbean small states score above 60 on the Internal Violence Index, with most other countries worldwide hovering at around 30 (ibid).

Although other sub-components, such as deaths due to internal and armed conflict and the number of terrorist incidents, contribute to the Internal Violence Index, these levels remain relatively low in the region. This suggests that the criminality

Figure 2. The UVI Internal Violence Index



sub-component, and more specifically, homicide rates per 100,000 inhabitants, is contributing to these large figures. This is crucial, as a high Internal Violence Index (IVI) contributes to overall higher structural vulnerability figures, determining the structural exposure of Caribbean Commonwealth countries to exogenous shocks.

Previous analysis by the Commonwealth Secretariat, such as the *Achieving a Resilient Future for Small States: Caribbean 2050* project, have also explored the idea of both citizen security and organised crime within Caribbean Commonwealth countries. Within this analysis, crime is discussed as being one of the more serious developmental challenges facing the Caribbean, with estimates suggesting that homicides per 100,000 inhabitants would more than double by 2050 in certain countries under a worst-case scenario (The Commonwealth 2016).

The link between organised crime and youth unemployment is also discussed, with projections suggesting that higher levels of employment among young people will lead to a decrease in the crime rate (ibid). With the onset of COVID-19, however, we can suggest that the reverse is likely to occur. Furthermore, it is highlighted that high levels of violence within these countries have a wide range of both social and economic costs, including eroding faith in the institutions of government, undermining democracy, deterring investment, and

encouraging the migration of skills and capital, with implications for economic growth (ibid).

Caribbean small states are extremely vulnerable to external shocks. In economic terms, they have high degrees of economic specialisation, limited economic resources, a limited economic impact on global markets and high transportation costs (ECLAC 2011). Because they are less able to diversify away from the sectors in which they have a comparative advantage, this means they suffer disproportionately from changing economic conditions in the largest economies around the globe.

This was exemplified during the financial crisis, where the impact of the crisis permeated through to Caribbean economies with implications for trade, tourism, remittances and foreign direct investment. In 2009, all Caribbean Commonwealth countries apart from Guyana experienced an economic contraction because of the global financial crisis (IMF 2021). On average, growth was -0.6 per cent across the region in 2009, reaching as low as -12.1 per cent in Antigua and Barbuda, but cushioned by positive growth in Guyana of 3.3 per cent (ibid).

Environmental vulnerabilities also plague the region, as scarce land resources, high population densities (especially along coastal areas), location within a very active hurricane belt, proximity to active tectonic plates and relatively scarce

water resources mean Caribbean countries are vulnerable to disaster damage (ECLAC 2011). Extreme weather events are common, with the region experiencing nine hurricanes at Category 3 and above in 2019/2020, and a record number of named storms in the 2020 hurricane season (World Bank 2021).

For coastal communities in the region, recovery costs take away scarce resources from development and social spending budgets, making speedy reconstruction and sustained economic development more difficult (Global Americans 2019). International Monetary Fund (IMF) estimates suggest the average annual economic cost due to natural disasters in the Caribbean to be around 2.3 per cent of GDP (Ötoker and Srinivasan 2018). However, in some more rare cases, the economic damage well exceeds the size of the economy. Hurricane Maria, for example, is estimated to have cost Dominica 225 per cent of its GDP, while the hurricane damage for Grenada in 2004 was 200 per cent of GDP, leaving huge reconstruction needs that can take years to fulfil (ibid).

Despite these external shocks, organised crime emerges as one of the areas with the highest impact on GDP. High rates of violent crime in

Caribbean small states pose a serious social and economic burden in the region, directly affecting their rate of development. They distort the allocation of both private and public resources, which can have a significant impact on economic prospects. This is especially the case in the Caribbean, where several economies are stuck in a low-growth/high-debt trap (Jaitman et al. 2017). It is estimated that crime-related costs in the region amount to around 3 per cent of GDP annually, which is comparable to the income share of the poorest 30 per cent of the Caribbean population and higher than both the impact of the financial crisis in 2008 and the average economic damage due to natural disasters (Sutton et al. 2017). It is also more than double the worldwide costs of crime, as well as higher than the average costs of crime in the UK, Australia and the European Union. This demonstrates why addressing the issue of organised crime is so pressing, as it will free up crucial fiscal space needed to address the other vulnerabilities Caribbean states face.

In order to understand why violence is so prevalent and in turn why these costs are so high, an analysis of the organised crime landscape and its drivers is necessary.

3. Stylised Facts and Drivers of Crime in the Caribbean

Caribbean Commonwealth countries are renowned for their calm seas, miles of shoreline and opportunities they present for 'island-hopping'. However, the things that attract many tourists, and their geographical location, make countries in the region susceptible to organised crime, illicit economies and the drug trade, as they lie in the middle of the suppliers' markets to the south and consumers' demand to the north. There was evidence in the mid-2000s that the flow of drugs through the region may be decreasing; however, there have been indications that at least since 2010, the Caribbean route is re-emerging (Clavel 2017).

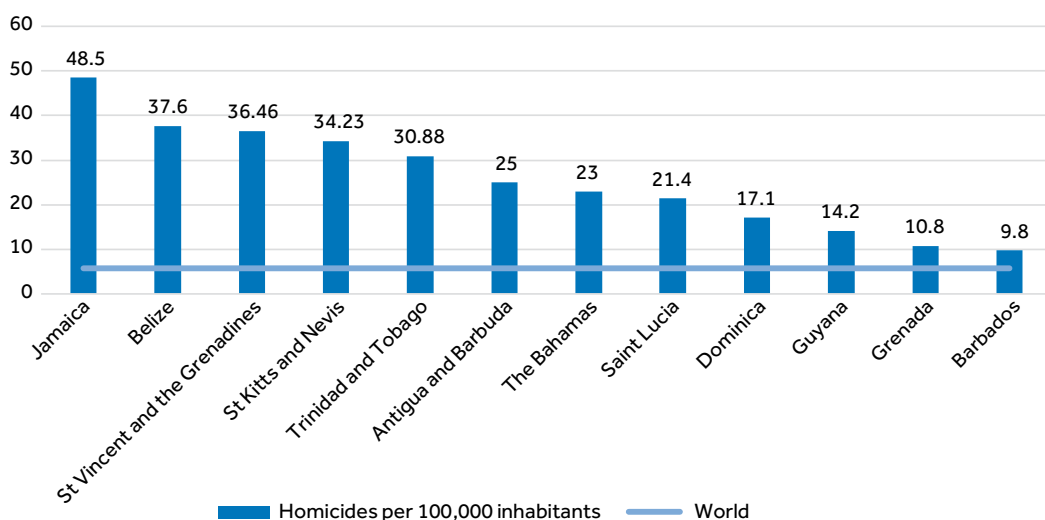
In 2013, cocaine flows to the United States via the Caribbean reportedly reached their highest levels in a decade (Insight Crime 2017). This was due to a variety of factors, such as an increase in drug interdiction efforts in Mexico and Central America, a boom in Colombia's cocaine production, as well as the deep crisis shaking Venezuela – a launch point for many Caribbean shipments – which facilitated trafficking activity (Clavel 2017). These factors, combined with new alliances between Latin American groups and gangs with those in the Caribbean, meant large amounts of cocaine,

marijuana and other drugs transiting through Jamaica, Trinidad and Tobago, The Bahamas, and the Eastern Caribbean.

Drug trafficking is not the only form of organised crime that takes place in the region; contraband and money laundering are also prominent criminal activities. Tax havens are exploited by criminals to hide illicit proceeds and Caribbean states struggle to contain money laundering because of the extensive offshore financial services they provide to the US and European markets (Atlantic Council 2022). Traffickers also often use drug routes to move cash through the Caribbean and into South America (Insight Crime 2017). Additionally, forced labour and sexual exploitation are issues in several Caribbean countries, with victims being trafficked both within the region and beyond (ibid).

Violence in Caribbean Commonwealth countries is aggravated by the presence of organised crime, while homicide rates are some of the highest in the world. Of the ten countries¹ with the highest murder rates in the world, four of them are Caribbean Commonwealth states. Jamaica has the highest homicide rate across the region, reaching

Figure 3. Homicide rates per 100,000 population in Caribbean Commonwealth countries, 2020 or latest available year¹



Source: UNODC, Official national sources in each country

¹ 110 countries with highest murder rates in order (2022): El Salvador, Jamaica, Lesotho, Honduras, Belize, Venezuela, St Vincent and the Grenadines, South Africa, St Kitts and Nevis, Nigeria

48.5 per 100,000 people in 2019 (Figure 3). Although this has declined since 2017, rates remain three times higher than the average for Latin America and the Caribbean. Several other Caribbean Commonwealth countries top the list, such as Belize and St Vincent and the Grenadines, while the average murder rate in the region is 25 per 100,000 – almost five times the global average (Figure 3).

Violent crime is particularly high in the region, with homicide and victimisation by threat and assault being the leading criminal offences (Sutton et al. 2017). New Providence (The Bahamas) and Kingston (Jamaica) have the highest levels of assault and threat in the Caribbean, reaching nearly double the world average (ibid). Crimes involving the use of firearms are frequently committed, as guns are used twice as often in robbery and three times as often in assault when compared to global averages (ibid). Organised crime groups and more specifically gangs, which make up a large percentage of these groups, are largely responsible for these high levels of violence – with much of the region’s violence stemming from intergang rivalries (Yagoub 2017). In Trinidad and Tobago, gang members are responsible for more than 60 per cent of the nation’s homicides and engage in at least double the violence, property crime and drug crime of non-gang members (Katz and Choate 2006). This suggests that organised crime groups’ methods of operation in the region are highly violent, with violent competition among rival groups.

What is particularly worrying is that victims of homicide are predominantly young and usually between the ages of 18 and 35, which has implications for economic and social outcomes – both in the long term and the short term (Table 1). Most offenders and victims of violent crime are also male; however, women are more likely to experience sexual assault and/or rape (UNDP 2013).

To understand the reason for the high rates of homicide and violent crimes, beyond the islands’ geographical location and composition, an analysis

of the drivers of organised crime in Caribbean Commonwealth countries is needed. The legacy of the region, rooted in its colonial past, has left economic, political and social factors that still influence the economies in the region today.

These include high levels of income inequality, high rates of unemployment, high rates of rural and urban poverty, and communities with histories of social exclusion (UNDP 2013). Natural disasters also impede countries in the region from achieving consistent economic growth, as funds are constantly being used to rebuild infrastructure, thereby reducing economic opportunities for young people and increasing their vulnerability to illegal activities and organised crime.

The 2008 global financial crisis had a strong effect on the unemployment rate of those aged between 15 and 24 in Caribbean countries, which increased on average by 5 percentage points between 2007 and 2013 (IMF 2018). This trend was still present in the data from 2019, with unemployment rates of those aged between 15 and 24 three times those aged 25 and older in selected Caribbean Commonwealth states (Table 2).

Unemployment is a complex issue in the Caribbean because of the large numbers of long-term unemployed persons, with most unemployed youth clustered at the bottom of the labour market, usually in low or semi-skilled work (UNDP 2013). These unemployed youth tend to be poorly educated with basic levels of literacy and numeracy, as well as being faced with an education system that does not prepare them adequately for the regional and global labour market (ibid). These issues generate chronic unemployment, which makes criminal activity attractive to the young generation, who see no other prospects, thereby increasing the propensity for crime within this age group.

With weak economic growth forecast for Caribbean countries in the wake of COVID-19, unemployment rates are likely to increase. This will have particular

Table 1. Homicide rates by age group (per 100,000)

Country	Under 18	18–25 years old	25–35 Years Old	Total population
The Bahamas	5.3	84.8	67.4	23
Barbados	1.9	24.6	22.6	9.8
Jamaica	6.3	64	90.8	48.5
Trinidad and Tobago	8.6	52.8	69.6	30.88

Source: Sutton and Ruprah (2017)

Table 2. Unemployment rate by age group 2019. Measured as a percentage of the labour force (i.e. employed and unemployed)

Country	Age (youth, adults): 15+	Age (youth, adults): 15–24	Age (youth, adults): 25+
The Bahamas	10.11	24.5	7.38
Barbados	10.1	30.15	7.62
Jamaica	7.72	22.07	5.78
Trinidad and Tobago	3.46	9.12	2.8

Source: ILO (2022)

consequences for youth populations, especially in service industries that have been hit hard by the crisis. This weak growth will also reduce economic opportunities for the young, increasing their vulnerability to victimisation or gang membership (IMF 2017).

Exposure to violence and a society that tolerates violence as a way of resolving conflict also play a role in the high levels of crime in the region. These factors, combined with the acceptance and availability of firearms, suggest that children and adolescents are not only exposed to violence, but more likely to be caught up in it (IACHR 2015). A UN Development Programme (UNDP) report suggested that the use of weapons by adolescents in Caribbean countries had increased, with 21.7 per cent of adolescents surveyed bearing arms at night and 32.5 per cent keeping arms at home (UNDP 2012).

There has been a large amount of research indicating that income inequality leads to violent crime: income gaps create social tensions, leading to feelings of unfairness among the poor that manifest in violence and crime (Metz and Burdina 2016). Historically in the Caribbean, unequal distribution of land, assets and resources during the period of colonialism and slavery resulted in the unequal distribution of productive assets (ECLAC, 2008). This unequal distribution persists to the current day, although it has been somewhat eroded by changes in economies, greater access to education and high rates of social mobility.

However, in some Caribbean cities, especially in larger territories, there remains a substantial subset of the population who are excluded and poor (UNDP 2012). This is evidenced in countries such as Trinidad and Tobago as, despite having some of the highest rates of GDP per capita among developing nations, income poverty still affects 16.5 per cent

of the population (ECLAC 2008). This inequality can escalate social tensions, as well as increasing the economic returns to criminal activity, leading to higher crime levels.

Poverty also plays a role in the high levels of crime in the Caribbean, as it is usually accompanied by substandard living conditions and overcrowding, which contribute to frustration, anger and violence (ECLAC 2008). Parents from poorer households are also more likely to work longer hours to compensate for low wages, meaning they have less time to spend on the development of their children, who in some cases become vulnerable to negative influences such as gangs (ibid).

Table 3. Poverty statistics for Jamaica, Belize and Barbados. Rate per 100,000 people

Jamaica		
	Poverty rate	Homicide rate
1995	27.5	30.7
2005	14.8	61.1
2015	21.2	41.8
Belize		
	Poverty rate	Homicide rate
2009	41.3	30.8
2019	52	33.5
Barbados		
	Poverty rate	Homicide rate
1997	13.9	7.4
2010	15.1	10.9
2016	17.2	7.7

Sources: Statistical Institute of Jamaica, Statistical Institute of Belize, Barbados Survey of Living Conditions, UNODC

However, when analysing the data, we can clearly see this is context specific, as some countries display falling levels of poverty with increasing homicide rates and vice versa (Table 3). This demonstrates the considerable variation and unevenness in the poverty profile of countries in the region, as well as the idea that inequality and relative deprivation are more influential factors than poverty when it comes to crime and violence in Caribbean Commonwealth countries.

Corruption and the erosion of the rule of law also play a role in facilitating the criminal activities of organised crime groups in the region. Organised crime groups have been able to exert social control and co-opt the state in a variety of ways, especially with regards to security forces and the judiciary. In countries such as Jamaica, up to 10 per cent of the police force at any one time have had allegations of misconduct, while in some countries in the region, certain police forces are thought to carry out summary executions of known serious offenders (UNDP 2012).

High levels of corruption in the region are evidenced through the World Bank's World Governance Indicators, where the Caribbean Commonwealth states (CWS) are ranked below not only North America, but also below the Latin American and Caribbean averages when it comes to the control of corruption (Figure 4). This includes the extent to which public power is exercised for private gain and the 'capture' of the state by elites and private interests. What is more worrying is that these rankings are not improving over time.

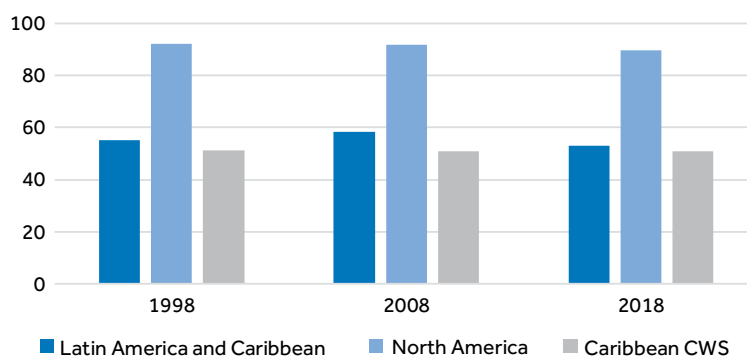
These levels of corruption remain nuanced, however, as we have seen that some countries, such as Barbados and The Bahamas, score relatively well on Transparency International's Corruption Perceptions Index, scoring 65 and 64 out of

100 (with 100 being a very 'clean' country). By comparison, both Guyana and Trinidad and Tobago score relatively low, reaching 39 and 41 out of 100 for corruption (Transparency International 2022). The scores in Guyana are explained people's trust in the political leadership and institutions of Guyana being low, with accusations of electoral fraud and government collusion with drug-trafficking organisations, as well as an apparent inability and unwillingness to carry out investigations (Global Initiative against Transnational Organized Crime 2022a). Furthermore, in Trinidad and Tobago, the perception of corruption is relatively high and challenges with the adherence and implementation of anti-corruption measures remain (Global Initiative against Transnational Organized Crime 2022b).

Survey data have shown that an average of 53 per cent of inhabitants of Antigua and Barbuda, Barbados, Guyana, Jamaica, Saint Lucia, Suriname, and Trinidad and Tobago believe that criminals with political connections go free; around 50 per cent think that the judiciary is corrupt; 47.3 per cent believe that powerful criminals stay out of jail; and 37.2 per cent think that judges are corrupt (UNDP 2012). This demonstrates the nuances around corruption in the region and the power these organised crime groups have over citizens.

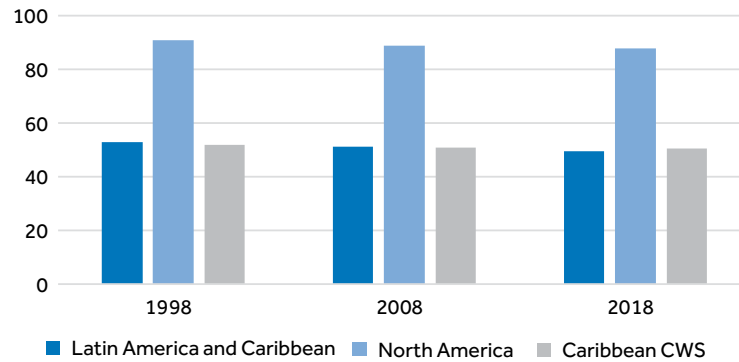
High levels of corruption erode the rule of law, exacerbating weak institutions and paving the way for further crime and corruption. In some countries in the Caribbean, criminal organisations have formed parallel social, political and economic structures that fill vacuums or replace the state when it is not present (Bobeia 2017). They also provide basic services in areas where the legal and justice systems are ineffective, while in some cases

Figure 4. Regional rankings for control of corruption²¹



* Note: CWS – Commonwealth states. Source: World Governance Indicators (2021)

Figure 5. Regional rankings for rule of law³



* Note: CWS – Commonwealth states. Source: World Governance Indicators (2021)

government sectors have established political alliances with local gangs to compensate for the state's abandonment of certain communities.

We also see evidence of a weak rule of law in Caribbean Commonwealth states, as their rankings on the World Governance Indicators suggest that their rule of law rankings are well below North American figures (Figure 5). When compared to the Latin America and Caribbean region average, their rankings seem to either be worse or on par with these averages. This erosion of the rule of law is evidenced through survey data, as 83 per cent of respondents of a survey carried out by UNDP (2012) in Antigua and Barbuda, Barbados, Guyana, Jamaica, Saint Lucia, Suriname, and Trinidad and Tobago suggested that organised crime groups might have a direct impact on 'fair and free

elections'. However, there is evidence that the rule of law is improving over time, suggesting that the cycle of impunity and lack of public trust may be getting better.¹

Several drivers contribute to the high levels of crime and violence in the Caribbean region. These high levels of crime and violence create costs for Caribbean Commonwealth states, which take away from their ability to work towards sustainable development and build resilience. Understanding these costs help us to build a clear picture on where government spending is focused and how it can be redirected to be as efficient as possible, freeing up funds for future resilience building. The next section therefore attempts to estimate the costs of organised crime spending in the region.

³ <https://info.worldbank.org/governance/wgi/pdf/rl.pdf>

4. Estimating the Cost of Organised Crime in the Caribbean

Given the high level of impact that crime has on society, and the trade-off it imposes as crime expenditure is weighed up against expenditure on education, healthcare, public sanitation and numerous other public functions, a large amount of interest has been given to its cost. A better understanding of its costs can help guide the prioritisation of law enforcement, education and social programmes that deter criminal activity and provide considerable cost savings to society (Cohen et al. 2010).

This is especially crucial in situations where governments are resource constrained. With the economic fallout from the COVID-19 pandemic forcing Caribbean Commonwealth states to increase borrowing to pay for social protection measures, and with high levels of debt, countries are increasingly constrained in terms of budget allocation. Therefore, ensuring that funds are spent on evidence-based and targeted interventions will be crucial as these states continue to rebuild their economies. Furthermore, with high levels of corruption present in the region, ensuring transparent and accountable budgeting is necessary. A thorough understanding of the costs of crime in these countries is therefore a good place to begin.

Over the past five decades, studies estimating the economic impact of criminal activity have varied greatly in their perspective, methods, measures and data sources, resulting in conflicting outcomes. As a result of these varying estimates and because of a lack of data in the Caribbean region, this analysis will aim to discuss the different economic costs of crime that policy-makers may wish to consider rather than attributing solely numerical values to these different areas.

Traditionally, costs are split into several categories, with direct costs and indirect costs featuring prominently in the literature (Wickramasekera et al. 2015; Islam and Hussain 2018). Different definitions are given of these costs, with direct costs associated with specific criminal victimisations,

usually involving a direct monetary exchange (Dominguez and Raphael 2015; Wickramasekera et al. 2015). Indirect costs traditionally refer to the economic value of the consequences of crime that do not involve a direct monetary exchange (Wickramasekera et al. 2015). This includes the opportunity cost of time lost to criminal activities, incarceration, crime prevention and recovery after victimisation (Anderson 2012).

The most recent analysis of the cost of crime in the Caribbean has been undertaken by the Inter-American Development Bank (IADB), which estimated that overall crime-related costs for selected countries in the region (The Bahamas, Jamaica, Barbados, and Trinidad and Tobago) amounted to around 3 per cent of GDP, which was comparable to the income share of the poorest 30 per cent of the Caribbean population (Jaitman et al. 2017).

Through an accounting methodology which compared the 'no-crime' and 'crime' scenario, the analysis attempted to quantify the costs incurred by and losses experienced in economies that would not be observed in the absence of crime and then used these to represent the direct welfare losses to citizens (Jaitman et al. 2017). Through analysing executed government budget allocations and attributing a portion of this budget to estimates of the costs of crime, the analysis established figures on the costs of crime incurred by government. Furthermore, through surveys, firms were asked how much they spent on security costs as a percentage of annual sales. This was then aggregated to the sector level using gross output as a proxy for sales. Finally, by using health burden studies, the analysis was able to identify the healthy years of life lost and quantify these by using average annual incomes of individuals with similar ages, helping to create values for the social cost of crime.

Therefore, the analysis undertaken by the IADB took into account mainly the primary impacts associated with crime (which in this case included murder, rape, robbery and assault) and looked at

three categories of cost: 1) costs incurred by the government, including the cost of administering the judiciary system, police and prisons; 2) social costs, which included the 'quality of life' loss due to homicides; and 3) the costs of other violent crimes incurred by the private sector, which involved expenditure in crime prevention by firms and households.

This report, however, attempts to go further than this and suggests that costs may be higher, as secondary impacts also affect the economy through an economic multiplier effect and via the impact criminal activity has on tourism and foreign investment. It also considers the evolving areas of crime in the wake of COVID-19 and speculates how this will impact costs in the region.

4.1 Primary costs of crime in the Caribbean

4.1.1 Costs incurred by the government

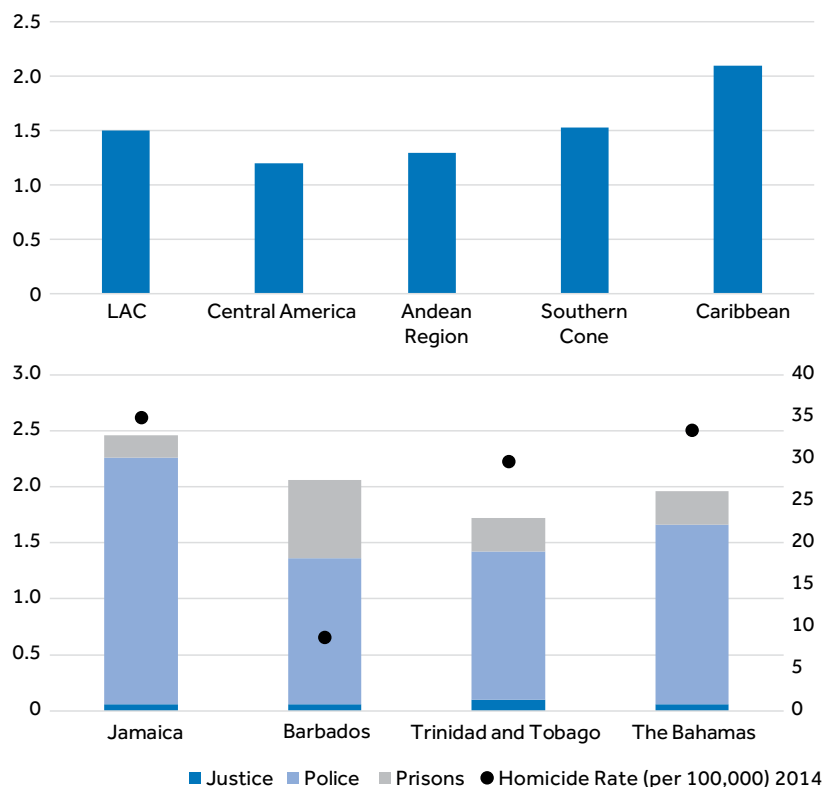
High rates of violent crime in the Caribbean pose a serious social and economic burden, directly affecting the region's development rate. They also

distort the allocation of both private and public resources, which can have a significant impact on economic prospects, as several economies are stuck in a low-growth/high-debt trap.

When compared to the Latin America and Caribbean (LAC) region, the Caribbean has the highest levels of crime-related expenditure by governments. Research suggests that in selected countries in the Caribbean, the averages of upper-bound and lower-bound estimates ranged between 1.5 and 2.1 per cent of GDP in 2013/2014 spent on public security (which included spending on the police, administration of justice and prisons) (Sutton et al. 2017). This was around 0.5 of a percentage point of GDP higher than the LAC average (Figure 6).

Furthermore, Jamaica had the highest level of public spending on citizen security at both the upper-bound and lower-bound levels, followed by Barbados. Analysis by IADB has shown that Jamaica used nearly all these funds for police funding, with little spent on the administration of justice or prisons (Figure 6). The story was similar in Trinidad and Tobago, with high levels of expenditure

Figure 6. Public spending on citizen security by subregion and country (upper-bound levels), 2013/2014 (as a percentage of GDP)



Source: Jaitman et al. (2017)

used for the police; however, its spending on the administration of justice was higher. In Barbados, on the other hand, estimates for public spending suggested that expenditure on the three different areas was more balanced, which could explain its lower crime rates.

What is interesting is when we compare this public spending with crime in 2014 (using homicide rates per 100,000 people as a proxy for crime), we see that Jamaica had the highest spending on crime and the highest homicide rate in 2014. Furthermore, we see that Barbados had the second highest spending on crime but the lowest homicide rate, with its main category of spending being on prisons. This could suggest that high levels of spending on prisons may be one of the ways to minimise the crime taking place in a country. Despite this, Trinidad and Tobago and The Bahamas had similar levels of spending on prisons with varying crime rates, suggesting this causation may not be so direct.

Furthermore, overall expenditure in these countries has traditionally been focused on law enforcement rather than other components of a potential solution to crime, such as administration, justice and violence prevention. This suggests that spending has mainly focused on the consequences and outcomes of crime – such as the police and prisons – rather than being preventative in nature and focusing on justice, administration and violence prevention. The Bahamas, Barbados and Jamaica, for example, are among the countries that spend the least on justice administration throughout the LAC region – about 0.06 per cent of GDP (Sutton et al. 2017).

This has meant that areas such as the court systems account for the smallest amount of

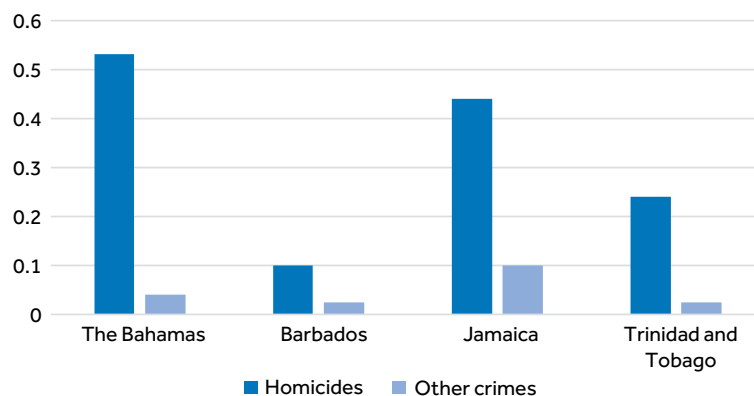
spending in national budgets, even though research has shown that state investment in harsher penal laws, and the non-strategic expansion of police forces, has had a limited impact on reducing violence (Jaitman et al. 2017). This is evidenced in Belize, where the justice system faces procedural, knowledge and resource constraints that lead to inefficiencies and inflexibility in handling cases (Peirce and Pontet 2013). This means that institutions and officials rarely apply laws and policy options that promote alternatives to incarceration (such as community service) because of a lack of training by justice officials on how to use such instruments and how to determine which alternative measures are most appropriate for which offenders (ibid).

4.1.2 Social costs

Social costs also need to be considered when looking at the economic costs of crime, as they create forgone income for Caribbean economies as productive citizens are either victims of homicide or jailed, meaning they are no longer able to contribute to the country economically. Estimates suggest that homicides are by far the largest contributor to these types of costs in the Caribbean, representing 0.53 per cent of GDP in The Bahamas and 0.44 per cent of GDP in Jamaica (Sutton et al. 2017) (Figure 7).

The easy availability of handguns in the region contributes to these results, as well as the high levels of violent crime. In addition to forgone income, it has been suggested that in Jamaica, costs amount to around US\$400,000 per day to keep gunshot victims in intensive care – creating large costs for governments and, in turn, taxpayers (Clarke 2017).

Figure 7. Social costs of crime, 2013/2014 (as a percentage of GDP)



Source: Jaitman et al. (2017)

Because of the young age at which homicides occur in the region (usually within the 15–30 age range), we can also suggest that homicide costs include a longer life cycle than in other countries, increasing their overall level (UNODC 2012). This also means that individuals are killed in their most productive years, making their loss of life very costly for society in terms of loss of human capital.

Many women within organised crime networks and gangs face violence, including sexual violence and violence by intimate partners who are also part of the organised crime networks (Social Development Direct 2020). Furthermore, different types of organised crime involve forms of violence and abuse against women and girls, including crimes such as trafficking for forced sexual exploitation, online sexual abuse, violence associated with illicit firearms, forced labour and modern slavery (ibid). In The Bahamas, we can clearly see the disproportionate levels of sexual violence women face when compared to men, as rates for sexual violence against women for 2017 and 2018 were more than ten times higher than they were for men. These forms of violence have an economic cost, as explored in the Commonwealth's recent research measuring the economic cost of violence against women and girls (VAWG). Research suggests that in Lesotho, the total cost of VAWG to society was around 5.548 per cent of GDP annually (Commonwealth Secretariat 2020). Although in this case we were focusing on the African region, there is a risk that there may be similar outcomes if research is undertaken for the Caribbean Commonwealth countries.

Another social cost is the cost of forgone income due to imprisoned populations. This cost is lower

than that for homicides in Caribbean economies, representing 0.35 per cent of GDP in The Bahamas and 0.10 per cent of GDP in Jamaica according to IADB analysis (Sutton et al., 2017). When compared to the LAC average of 0.19 per cent of GDP, both The Bahamas and Barbados surpass this figure; however, the costs due to imprisoned people in Jamaica and Trinidad and Tobago fall below this figure.

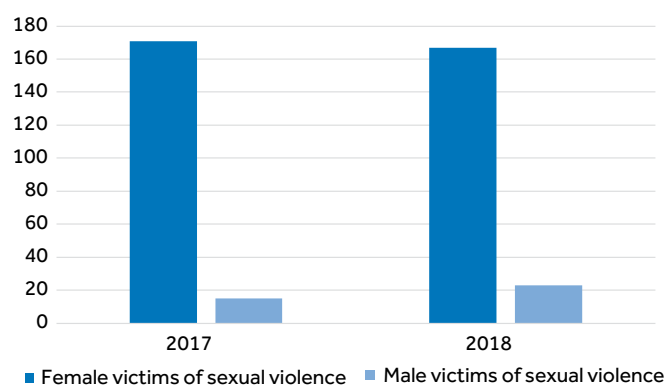
The reason for this is the high rate of incarceration in Barbados and The Bahamas, which means that more individuals are incarcerated per 100,000 people in the country, increasing the cost of forgone income. However, analysis has shown that high incarceration rates have not resulted in greater safety or just outcomes in the region, suggesting governments need to pursue alternative strategies (IDB 2020).

4.1.3 Costs incurred by the private sector

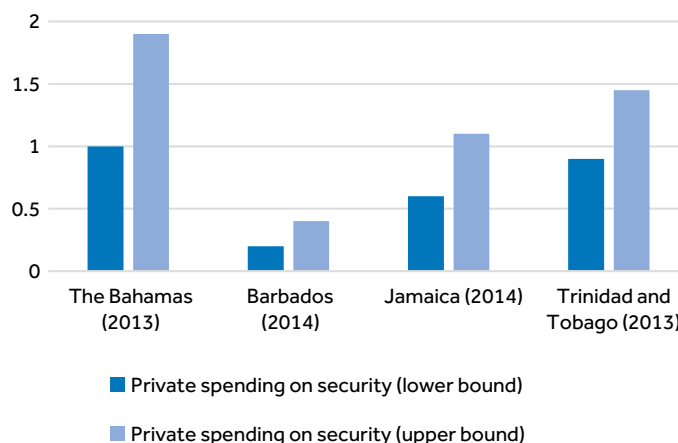
Crime also affects a large portion of the private sector, through losses directly from crime and through spending to try and mitigate crime (for example, expenses related to private security). An Inter-American Development Bank (IADB) survey showed that in 2013/2014, nearly one in five Caribbean businesses (23%) reported experiencing losses due to theft, robbery, vandalism or arson during the fiscal year (Sutton et al. 2017).

Nearly 70 per cent of firms in the Caribbean report spending money on private security measures, such as expenditures on equipment, insurance, personnel or professional security services (Jaitman 2019). This is significantly higher than the world average, with the World Bank's Enterprise Survey

Figure 8. Total count of victims of sexual violence in The Bahamas



Source: UNODC Data portal. Data extracted in 2023.

Figure 9. Private sector spending on security, 2013/2014 (as a percentage of GDP)

Source: Sutton et al. (2017)

reporting 55.6 per cent of firms worldwide spending money on security (ibid).

Estimates show that The Bahamas had a high private cost of spending on crime in 2013/2014, reaching between 1.0 and 1.9 per cent of GDP, whereas of the countries analysed, Barbados had the lowest private sector cost (Figure 6) (Sutton et al. 2017). Overall, the Caribbean had an estimated lower bound of 0.6 per cent of GDP and an upper bound of above 1.0 per cent of GDP spending on private security (ibid). The amount that firms in the Caribbean spent on private security was higher than the international average, drawing money away from activities that could potentially enhance productivity and diverting funds away from business expansion – so affecting economic growth and government revenue.

This high cost of private spending is evidenced in The Bahamas, where the private security industry has been one of the few growth areas in the economy since the 2008/2009 recession (Hartnell 2017). In Jamaica, the number of people working in the private security industry outnumbers the police and military combined (Haughton et al. 2019).

Despite this, private spending is not associated with a reduction in criminal activity. In fact, evidence has shown that expenditure on private security is associated with higher levels of victimisation (Sutton et al. 2017). Some explanations for this include the idea that the majority of private security guards are not only poorly trained, in both conflict resolution and the safe handling of firearms, but also underpaid, making them susceptible to bribery and committing crimes themselves (Blackwell

2015). Further research and understanding of crimes against business are therefore needed to respond to this issue, alongside an increase in private–public partnerships focusing on improved security at the community level.

In addition to these primary costs, violence and crime in the Caribbean have wider impacts, affecting one of its major economic sectors, tourism. They also have consequences for foreign direct investment and create an economic multiplier effect, with consequences for productivity and investment. Inefficiency in government spending also raises costs in the region, reducing the ability of countries to respond to criminal activity.

4.2 Secondary costs of crime in the Caribbean

4.2.1 Tourism

Tourism has become one of the largest and fastest growing industries for Caribbean Commonwealth states. For most Caribbean islands, it is a vital earner of foreign exchange that is needed to pay for imports, maintain exchange rates and service foreign currency debt obligations, as most islands do not have other significant exports (Mohammed and Sookram 2015). Therefore, the social, economic and environmental well-being of many of these countries is tied to this sector.

Tourism also has many backwards links with industries such as energy, telecommunications, environmental services, agriculture, manufacturing

and other support services (Morris-Francis et al. 2019). While the odds of being victimised as a tourist in the Caribbean are low (especially for violent crime), perceptions of crime – driven by media coverage in the sending country rather than actual dangers – do affect tourism (UNODC 2007). This suggests that the prevalence of crime and violence can limit and disrupt the development of the tourism industry, with consequences for the economic cost of crime.

In order to verify the impact of organised crime on tourism in Caribbean Commonwealth states, the authors of the present study carried out a regression analysis. A system dynamic panel estimation was used with the dependent variable being tourist arrivals (estimated on a lagged version of itself), with data obtained from the World Tourism Organization. The independent variable was homicide rates per 100,000 (estimated on a lagged version of itself) obtained from the UNODC Data Portal. The control variables included US GDP growth and foreign direct investment (FDI), both retrieved from the World Bank.

Using a system dynamic panel model (more specifically, a system generalised method of moments), an unbalanced panel of the 12 Caribbean Commonwealth countries was used in the analysis (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, and Trinidad and Tobago), using annual data from 1995 to 2018/2019. The dynamic panel model was used because it captures the persistence of tourist arrivals (that is, the inertia) over time. This model therefore overcomes any potential endogeneity that may exist in the analysis.

The results (Table 4) clearly show that the lagged tourist arrivals variable has a high value, capturing the inertia or persistence of tourist arrivals. Crucially, the lagged homicide rate (a 1 period lag) is negative but not statistically significant. Despite this, several other studies (Mohammed and Sookram 2015; Lorde and Jackman 2013; Alleyne, and Boxill 2003) have produced significant negative results when it comes to estimating the impact of homicides on tourist arrivals in the Caribbean. Therefore, even given the lack of significance, it can be argued that homicides do have somewhat of a negative impact on tourist arrivals. Several reasons for this lack of significance can be given, such as the facts that homicides may take place outside the 'tourist

Table 4. Model including tourist arrivals and homicides

Variable	Coefficient
Tourist arrivals (-1)	0.5620*
Homicide (-1)	-0.0274
US GDP	0.0268*
Foreign direct investment	0.0858*
Arellano-Bond test for autocorrelation	
Lag order	p-value
1	0.0327
2	0.1231

Where * denotes statistical significance at the 5% level.

bubble' between domestic residents and the high levels of crime are not homogenous across the region. These are discussed further below. The US GDP variable is positive and statistically significant, which can be explained by the large number of US visitors. Finally, the FDI variable is also positive and statistically significant, as FDI can take the form of hotel investments or tourism infrastructure. As a test for model robustness, the Arellano-Bond test for autocorrelation was carried out and revealed that no autocorrelation exists at the second lag order.

This analysis demonstrates that the impact of crime and violence on tourism in Caribbean Commonwealth states is not homogeneous, as shown by the lack of a statistically significant homicide variable. Despite this, the negative relationship demonstrates there is still an impact on tourist arrivals. The type of crime across countries is also thought to have different impacts; however this was not estimated in the present report due to the lack of data for all Caribbean Commonwealth states. Previous national studies have shown the impact of different types of crime, with an analysis in Trinidad and Tobago suggesting that a spike in total criminal incidences causes a decrease in tourist arrivals, usually with a six-month time lag (Mohammed and Sookram 2015). Further research concurs and finds that as violent crime and property crime increase, tourist arrivals to Trinidad and Tobago decrease (ibid).

More specifically, analysis suggests that property crime has a higher impact on tourist arrivals than violent crime in the country (ibid). One of the explanations for this is that the murder rate in

Trinidad and Tobago is primarily driven by gang- and drug-related activities and therefore less likely to affect tourists directly, whereas property crime is more likely to have a direct impact.

In Barbados, research has shown that an increase in the overall crime rate has a negative and significant impact on the island. Analysis demonstrates that a 1 per cent increase in crime reduces arrivals to Barbados with a six-month time lag (Lorde and Jackman 2013). This results in direct income losses of US\$47,000 and indirect losses of US\$108,000 (ibid).

However, in contrast to Trinidad and Tobago, violent crimes such as murder, assault, and intent to rob and rape have a larger impact on drop-offs in arrivals than total crime rates. The direct and indirect impacts on income are also affected by the crime type, with a 1 per cent increase in the murder rate having a higher impact in terms of income losses than any other type of crime (ibid). One explanation for this is that violent crimes will generate significant media coverage, making it more likely that tourists will be informed of criminal activity and choose not to travel to the island. This demonstrates that different types of crime have different impacts in different states.

In Jamaica, however, the negative relationship between high levels of crime and tourist arrivals is less visible. When looking at the data, it is more difficult to establish the trend seen in both Trinidad and Tobago and Barbados, with studies demonstrating that crime only has a small impact on tourist arrivals in the following years (Alleyne and Boxill 2003). Analysis suggests that the negative impact of crime has been mitigated by an increased number of all-inclusive hotels in Jamaica, where tourists never need to venture onto the streets (Sutton et al. 2017).

Further evidence of this is demonstrated in an analysis of total visitor arrivals and European visitor arrivals, which shows that although crime rates have a negative effect on both markets, the impact on the European market is more significant than on the total market (Mohammed and Sookram 2015). Researchers suggest that this result was obtained because tourists from the European market tended not to frequent the all-inclusive resorts, which increases guest contact with persons outside of the hotel facilities and, in turn, the possibility of them being a victim of criminal activities (ibid). The issue with these resorts is that they do not foster

significant backward linkages to the rest of the local economy, creating less economic return for local populations.

The impact of crime and violence on tourism is clear across several countries in the region. Although these impacts do vary, decreases in tourist arrivals and reduced interactions of tourists with local businesses cause direct losses to both private and public revenue, with significant implications for costs. Improving the security situation across Caribbean Commonwealth states would allow for higher and more stable revenue coming into the countries in the region. This, in turn, would help contribute towards long-term development.

4.2.2 Foreign direct investment and the economic multiplier effect

Foreign direct investment (FDI) is one of the financial flows that helps economies, especially developing ones, overcome development challenges. However, some of these economies may themselves have internal challenges that can either substantially reduce these inflows or eliminate them altogether from the pool of potential recipients (Brown and Hibbert 2017).

One such challenge is the prevalence of criminal activities. Several researchers have already investigated the links between high levels of crime and the impact this has on FDI (Afriyanto 2017; Daniele and Marani 2011; Cabral Torres et al. 2018). Criminal activities have the potential to increase the costs of doing business, reduce the demand for goods and services that are sold in high-crime areas, make property rights less secure, and reduce the capacity of legal systems to effectively enforce justice, discouraging FDI and in turn creating forgone income for governments.

A loss of FDI can also create a spiral of escalating social and economic damage, as it can result in rising unemployment, a reduced rate of economic growth, increased poverty and rising public debt, a possible consequential reduction in the size and capacity of the police force, reduced levels of social expenditure, and the withdrawal of government business incentive programmes (Government of Jamaica 2014).

Analysis has shown that for every increase in total crime incidence per 100,000 people by 10 per cent, FDI inflow is expected to decrease by approximately 0.95 per cent (Afriyanto 2017). This relationship

is illustrated in Caribbean Commonwealth states, as research has shown that robberies in Jamaica are significantly and negatively correlated with FDI (Campbell 2020).

As with tourism, the authors of this report carried out a regression analysis to verify the impact of organised crime on FDI in Caribbean Commonwealth states. A system dynamic panel estimation was used with the dependent variable being FDI (estimated on a lagged version of itself) with data obtained from the World Bank. The independent variable was homicide rates per 100,000 (estimated on a lagged version of itself) obtained from the UNODC Data Portal. The control variable was the real interest rate, retrieved from the World Bank.

Using a system dynamic panel model (more specifically, a system generalised method of moments), an unbalanced panel of the 12 Caribbean Commonwealth countries (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, and Trinidad and Tobago) was used in the analysis, with the data running from 1990 to 2019. The dynamic panel model was used because it captures the persistence of foreign direct investment (that is, the inertia) over time. This model therefore overcomes any potential endogeneity that may exist in the analysis.

The results in [Table 5](#) clearly show that the lagged FDI variable has a high value, capturing the inertia of FDI. Furthermore, the lagged homicide rate (a 1 period lag) is negative but not statistically significant. Despite this, several other studies

Table 5. Model including foreign direct investment and homicides

Variable	Coefficient
Foreign direct investment (-1)	0.6935*
Homicide (-1)	-0.0009
Real interest rate	0.1103**
Arellano-Bond test for autocorrelation	
Lag order	p-value
1	0.0383
2	0.4191

Where * and ** denote statistical significance at the 5% and 10% levels, respectively.

(Daniele and Marani 2011; Daniele and Marani 2008; Afriyanto, 2017; Cabral Torres et al. 2018), although not focused specifically on the Caribbean, have produced significant negative results when it comes to estimating the impact of homicides on foreign direct investment. Therefore, even given the lack of significance, it can be argued that homicides do have somewhat of a negative impact on foreign direct investment. One of the reasons for this lack of significance could be that alternative measures of crime, aside from homicides, could also be impacting FDI, but are not included in this model. Several studies have shown this to be the case, with property crime being significantly correlated with FDI (Afriyanto 2017, Blanco et al. 2019). The real interest rate is statistically significant and positive, as expected. This is because an increase in the real interest rate will lead to an increase in FDI, as foreign investors would be attracted to the higher interest rate if they are able to receive a better return on their investment than they would get in their local market. As a test for model robustness, the Arellano-Bond test for autocorrelation was carried out and revealed that no autocorrelation exists at the second lag order.

Several studies reinforce the negative relationship between organised crime and FDI in Caribbean Commonwealth states. For example, in a study conducted with 29 existing or potential investors in Jamaica, crime and a lack of security were cited as the second biggest challenge facing foreign investors (IADB 2010). Crime and violence are also often cited as an important obstacle to businesses in Belize. In 2010, it ranked 123rd out of 142 countries globally in the competitiveness index computed by the World Economic Forum, with institutional factors (including security institutions) considered the fourth most serious concern (WEF 2011).

Aside from the costs to foreign direct investment, it has been suggested that high levels of crime and violence in the region create a negative economic multiplier effect, affecting intergenerational productivity (Tulchin et al. 2003). More specifically, crime and violence reduce an individual's ability to participate in the labour market, decrease their level of productivity on the job, increase absenteeism and lower their ability to make higher earnings (ECLAC 2008).

At the macro level, this depresses saving levels and investment, which translates directly into reduced

rates of capital accumulation. This then depresses future growth rates (Government of Jamaica 2014). This can result in a vicious circle, where regions badly affected by violence receive little productive investment, meaning that there are few legitimate employment opportunities. This, in turn, means that crime becomes the main source of opportunity, thereby increasing the level of crime and further deterring investment (ibid). This therefore impacts government revenue, policy decisions and will increase government spending.

Another consequence of the negative economic multiplier effect is the intergenerational impacts of violence on children. Children who experience or witness organised crime and violence are more likely to have disciplinary problems in school and may also be more likely to repeat grades (Morrison and Orlando 1997). Within the Caribbean region, violence against children is recognised as being widespread. A survey undertaken by the UN Children's Fund (UNICEF) in the Eastern Caribbean region reported that 70 per cent of children had experienced either physical or emotional abuse in the previous month in 2016 (UNICEF 2019). Such

abuse has a direct impact on children, resulting in lower educational attainment and affecting their future ability to obtain adequate employment at a decent wage, with consequences for economic growth (Buvinic et al. 1999).

In addition to the economic multiplier effect, which affects intergenerational productivity and savings, the inefficiency of public spending carried out by Caribbean governments is another contributing factor to the lack of fiscal space (see [Box 2](#)). Given the lack of fiscal space available to Caribbean states, alongside inefficient public spending, it will be important for these governments to revise and plan how to increase the resources available to them going forward.

In the wake of COVID-19, the forms of criminal activity coming into play have changed, which has implications for government costs. Therefore, the next section analyses these evolving areas of crime. This will help governments anticipate what costs they may incur as a result of these changing activities and will guide policy priorities to ensure improved spending efficiency.

Box 2. Inefficiency in government spending

Caribbean governments are falling short in using their resources as a development tool that can boost growth as well as reduce poverty and inequality (IDB 2018). Furthermore, despite high public expenditure in the region, economic growth remains low, suggesting a lack of expenditure productivity.

Inefficiencies in procurement, which include losses caused by corruption and delays, and excessive civil service payroll and transfers, which fail to reach target populations, all contribute to this inefficient spending (ibid). Similarly, the dominance of public sector investment in the economy, which comes with an implied lack of efficiency and transparency, also contributes to this issue (IMF 2015).

When looking more closely at public spending in the Caribbean region, one of the biggest losers has been capital spending. In particular, wage costs and transfers – along with subsidies – have grown strongly as the role of the state in economies has expanded in the region, at the expense of capital expenditure (Seerattan 2013). Furthermore, in times of fiscal consolidation, the brunt of adjustment has gone into capital expenditure cuts, even though capital expenditure's impact on output – its multiplier effect – is much greater than that of current expenditure (Izquierdo 2018). This has affected private investment, as investors do not want to sink their money into places with low capital spending, where they may find a lack of infrastructure such as adequate ports or roads (ibid).

A larger proportion of government expenditure allocated to capital expenditures would therefore promote growth and fiscal sustainability. This could be achieved by governments introducing new fiscal rules that protect capital investment and ensuring they favour long-term progress over short-term interests.

5. Evolving Areas of Crime and their Impact on Cost: COVID-19 and Climate Change

The COVID-19 pandemic has forced governments to adopt unprecedented and drastic measures to limit the spread of the coronavirus. This has included, among other things, social distancing, the prohibition of large private and public gatherings, as well as the closure of leisure premises. As a result, these interventions have severely disrupted mobility, business activities and everyday habits, with consequences for society and economic systems. This has had a knock-on effect on organised crime and illicit markets, with the fallout of the pandemic shaping their activities.

In the Caribbean Commonwealth states, COVID-19 has caused a paradigm shift that has enabled criminal opportunism to take place. Although criminals have faced the same set of challenges as everyone else, they have found ways to carry on working and, in some situations, thrive. Therefore, the COVID-19 pandemic provides an ideal inflection point from which to study the changes in organised criminal activity in the Caribbean. In this paper, we have identified four main areas of organised crime in the region where the pandemic has had implications in terms of the economic costs of these types of crime.

5.1 Cybercrime

The COVID-19 crisis has accelerated changes that were already underway in the criminal economy, especially online. Industry data from all over the world show meteoric rises in internet usage, found to be 50 to 60 per cent higher in 2020 than in 2019 (Reitano and Shaw 2021). Without increased cyber surveillance, criminals used the COVID-19 crisis to bombard individuals and businesses with misinformation, distribute malware, and conduct phishing attacks and scams (ibid).⁴²

⁴ malware: any type of malicious software designed to harm or exploit any programmable device, service or network, phishing: form of social engineering where attackers deceive people into revealing sensitive information or installing malware such as ransomware.

Brute force attacks against users increased over 400 per cent and email scams grew by almost 700 per cent in the first few months of the global pandemic (Gerwitz 2020). Another set of online scams that proliferated during lockdowns used misinformation to mimic government agencies and other trusted institutions to steal personal information, credit card data or solicit funds (Reitano and Shaw 2021). The rapid expansion of cryptocurrencies also provided new and secure ways in which criminal proceeds could be banked anonymously (ibid).

The prevalence of social media scams that impersonate government ministers in Grenada is a prime example of this issue. The scam involves offering COVID-19 assistance packages, ranging from US\$30,000 to US\$2 million, under the guise of being a government minister and declaring that to qualify, persons are expected to pay fees ranging from US\$550 to US\$50,000 (Wong 2021).

Another example of this issue is 'romance scams' in Trinidad and Tobago, which have proliferated since the COVID-19 pandemic (Polo 2021). Estimates suggest that approximately US\$2.3 million was lost in the first 18 months of the pandemic, as victims sent money to scammers who claimed they had to send funds to customs for anti-money laundering clearance or who claimed that personal gifts and cash were being shipped through diplomatic channels (ibid).

The security lapse of Jamaica's JamCOVID app, which left quarantine orders exposed for more than half a million travellers to the island, is also an example of Caribbean governments' lack of preparedness in the face of cybercrime (Jamaica Gleaner 2021). Several regional security experts have warned that the region is underprepared for cyberattacks, as criminals continue to capitalise on the digital transformation that has taken place since the pandemic (ibid)

Because available data on this topic are scarce for Caribbean Commonwealth states, researchers may not have incorporated the costs of cybercrime into their estimates. This suggests that the previously mentioned projections of the costs of organised crime could be a lot higher than estimated. Furthermore, cybercrime has emerged rapidly as a risk area that could have long-term implications for the growth of criminal markets. It is likely that as organised crime groups continue to adapt, the issue of cybercrime will not go away in the aftermath of the pandemic. Rather it will continue to grow as another arm of criminal activities and therefore must be incorporated into cost estimates.

5.2 Reduced homicides with increased levels of drug trafficking

The reduction of room for organised crime groups to manoeuvre when carrying out traditional organised criminal activities such as drug trafficking, reflected the measures imposed by the pandemic. Despite this, the pandemic also offered new opportunities for these groups to expand their territories and markets.

Social distancing measures and lockdowns had an impact on violent street crime, which is an indicator of criminal activity (Global Initiative 2020). The limited movement of cars and empty streets, combined with a greater presence of law enforcement, meant that perpetrators' chances of getting away were dramatically reduced.

This was reflected across several Caribbean Commonwealth states, with serious crime and murder numbers decreasing during the pandemic. In both Trinidad and Tobago and Belize, a notable decrease in murders was reported when compared to figures in 2019 (Trinidad Express 2021; Insight Crime 2021). Furthermore, in 2020, in Barbados and Antigua and Barbuda, the total number of reported crimes fell when compared to the previous year (Joseph 2021; Michael 2021).

However, social distancing measures and lockdowns did not stop the movement of drugs, as the pandemic merely brought a short-term halt to drug production before business roared back to life. Crop eradication efforts declined in countries across Latin America, with knock-on effects for

drug transportation in the Caribbean region as an increased amount of product was available (Reitano and Shaw 2021).

In addition to this, in some countries, physical inspections by port officials were suspended to help limit the spread of the virus. Criminals quickly recognised the potential of this situation, smuggling drugs and other contraband in expedited shipments (ibid). Furthermore, despite airplanes being stuck on the ground, the fall in seagoing trade was much less serious and continued to operate (ibid).

The increase of drug trafficking by sea was evidenced in the Caribbean with an increasing number of reports of drug seizures. In December 2020, the UK Royal Navy reported it had seized a record breaking £400m worth of drugs in the last year in the Caribbean, £150m more than in 2019 (Royal Navy 2020). More recently, in 2021, a submarine was seized in Caribbean waters carrying cocaine with a record-breaking value of around US\$75m (Wyss 2021). Analysis suggests that it is unusual for this type of fully submersible drug-trafficking vessel to be intercepted in the Caribbean, with these more often captured off the Pacific Coast of Central America (ibid).

This exemplifies how traffickers have adapted their operations, responding to the closure of land borders by focusing on maritime smuggling. It suggests that rather than diminishing the strength of organised crime, the pandemic may in fact have increased it by forcing organisations to become even more adaptable and innovative.

Although some costs, such as forgone income associated with homicides, decreased during the pandemic, government spending is likely to increase in the future. Reduced controls at ports and reduced capacity to monitor Caribbean waters mean that drug traffickers can increase the amount and frequency of product movement destined for Europe and the United States. Going forward, as organised crime groups continue to exploit the new loopholes created by the pandemic and clear the stockpiles of drugs they have accumulated, it will be essential for governments to invest in adequate patrol teams for maritime smuggling and regular controls to ensure that these loopholes are not successfully maintained. This will likely increase government spending on security in the region.

5.3 Ponzi and pyramid schemes

Ponzi and pyramid schemes, which are fraudulent investing scams that generate returns for earlier investors with money taken from later investors, also proliferated across Caribbean countries during the pandemic. A rise in unemployment and reduced spending power contributed to this effect, as people experienced difficult economic times, pushing them towards different ways of trying to raise funds. Although in the past these types of schemes were used to trap rich investors, organised crime groups are now preying on economically vulnerable communities.

Reports suggest that these schemes have already cost would-be investors hundreds of millions of dollars in Antigua and Barbuda, Barbados, Guyana, Jamaica, and Trinidad and Tobago, as countries continue to experience economic contractions due to a drop in commodity exports and tourism (Bleszynska 2021). A Guyanese couple were arrested in August 2020 for allegedly running an unlicensed and unregistered investment company called Accelerated Capital Firm Inc., which collected US\$120,000 from around 17,000 people (Guyana Chronicle 2020). Through WhatsApp and email, they were able to lure people in with promises that for every person you persuaded to invest in the company, you would get 10 per cent of the amount invested by the person to be paid within five business days of the deposit (ibid).

In Trinidad and Tobago, the police arrested nine people in September 2020 and seized at least US\$3 million in conjunction with what they suspected was an illegal pyramid scheme (Bassant 2020). The organisation had dubbed itself a traditional 'sou-sou', which is an African-derived co-operative saving system, and had around 8,000 members and invited people to join via WhatsApp. However, participants in real sou-sous are generally part of a community and have confidence in one another's savings habits (ibid). It also promised members a 450 per cent return on investment, while authentic sou-sous don't usually offer interest (ibid).

Additional public spending will be needed to help people recover funds they have invested in the schemes and for adequate investigations to take place. Alongside this, public spending on government support for families who have been affected by schemes will also be required to ensure

they can face the financial hardship the scheme has put them in.

This will impact the economic cost of crime in the region. It will not only affect investors in the schemes, but also governments who try to regulate these practices. It is only through public education and awareness, together with enlightened laws and regulations, that the region will become less vulnerable to such practices.

5.4 Misappropriation of public funds

Governments around the world are investing large sums of money into their populations to counteract the impact of the COVID-19 crisis. However, this is a 'double-edged sword', as although timely reactions are essential to limit economic recessions, a quick disbursement of public funds may not leave enough time for institutions to establish appropriate public procurement policies and safeguard measures to avoid their misappropriation (UNODC 2016). Additionally, if the economic stimulus provided by governments is too small to have a significant effect, this may have a negative impact on businesses and workers, leaving them in a vulnerable economic position (ibid).

Previous disasters, such as tropical storms in the Caribbean, have demonstrated the ability of organised crime groups to commit fraud and misappropriate public funds (Karim 2017). As flows of money continue to enter the region to tackle the aftermath of the pandemic, through, for example, aid destined for distressed companies or protection for the most vulnerable populations, opportunities for the appropriation of public funds by organised criminal groups will rise.

Evidence of a lack of monitoring and oversight with regards to public funds during the pandemic was evidenced in Trinidad and Tobago. Shortcomings across ministries and regional corporations have meant that funds for COVID-19 have not been used efficiently and effectively. For example, 75 applicants for food and support grants were registered twice on the government databases, meaning they received double payments totalling US\$50,000. Similarly, out of US\$50,000 of gift cards used for humanitarian aid, US\$10,000 were not accounted for when auditing took place in 2021 (Christopher 2021).

In Barbados, a company tasked by the island nation's government with procuring COVID-19 vaccines was scammed out of millions of dollars by a Florida company that fraudulently promised to deliver 1 million doses of the AstraZeneca vaccine that did not exist (Law360 2021). The Barbadian organisation, Radical Investment, entered into a deal with the Floridian company, paying out over more than US\$6.7 million of government funds. It then came to light in calls between the Barbados Ministry of Health and representatives of the company that they did not have the legal capacity to supply AstraZeneca vaccines, despite their insistence for months that they could (King 2021).

The need for a rapid response to the COVID-19 crisis caused a lack of accountability and control

over economic stimulus packages. This has caused a 'double shock' for governments, as not only did they lose these funds to criminal groups, but they will need to replace them – as the economic stimulus may now be too small to produce a significant effect, leaving businesses and workers in vulnerable economic positions. Learning from the failures of the COVID-19 crisis will be crucial going forward. Ensuring that contracting procedures are public and open will help hold governments to account in their decision-making.

Alongside the shifts the COVID-19 pandemic has caused to organised criminal activity, there are other areas that could cause transformations in organised crime. One of these areas is climate change. [Box 3](#) explores the impact that this could have on criminal activity.

Box 3. Climate change and organised crime

The different dimensions of climate change have the potential to affect the way people live their lives, with implications for various environmental, social and economic areas. Extreme weather events such as storms, hurricanes, floods, heatwaves and drought will cause entire regions to become uninhabitable, triggering mass migration and increasing livelihood insecurity.

These high levels of livelihood insecurity and losses of employment make it more likely that individuals will be recruited into organised crime groups, as they may see no other alternatives to sustain themselves or their family. Furthermore, high levels of livelihood insecurity could contribute to migration towards urban areas to search for jobs and, in urban centres that cannot accommodate newcomers, there are risks of higher levels of urban crime and violence. In the case of sudden and extreme natural events, there is also often a breakdown in governance and institutions as security forces are concentrated on disaster response, leaving a vacuum for organised crime to exploit (Albaladejo 2018).

Although it contributes less than 1 per cent to global greenhouse gas (GHG) emissions, the Caribbean could be one of the region's most disproportionately impacted by climate change. Rising sea levels and the erosion of beaches, an increase in the sea surface temperature and coral bleaching, storms, hurricanes and drought all plague the islands of the Caribbean. This has serious implications for vulnerable communities in the region, especially those 'frontier' coastal communities who are currently underserved by current socio-economic responses to climate change (Bolaji 2020).

So far, we have been able to see the impact that climate change is having on organised crime in the region, with an increase in fisherfolk engaging with arms and drug trafficking, human trafficking, and arms proliferation throughout the coastal regions. This is taking place as fisheries are over-exploited or depleted and the fisherfolk lose their jobs, leaving them with no other alternative (ibid). There has also been evidence that climate change increases the risks of violence against women and girls in the Caribbean, as the stress experienced by coastal communities is reflected in aggressive behaviours and frustration (ibid).

There is also a high probability that coastlines will continue to be physically damaged by climate change, with implications for tourist facilities, an area that provides large economic opportunities for people in the region. If these facilities are damaged, migration to the remaining touristic areas will take place; yet

these are already saturated and would have limited job opportunities to offer newcomers (ibid). This would increase crime and violence in this area, with implications for future tourism and, in turn, foreign direct investment.

It will therefore be crucial that the areas affected by environmental challenges receive adequate infrastructure development and alternative economic opportunities to ensure there is continued social cohesion in the Caribbean.

6. Closing the Case and Policy Recommendations

Organised crime groups are creating large costs for Caribbean Commonwealth countries. Given their resource-constrained nature and the impact of the COVID-19 pandemic, the time to work towards reducing the pressure that organised crime is creating is now. This pressure is evidenced throughout this report, as organised crime creates societies that are high in structural vulnerability, have high levels of violence and will fail to reach the SDGs. Through reducing that pressure, this will free up crucial fiscal space in the region and allow for domestic resource mobilisation, helping countries to work towards building resilience.

Because of its geographic location and history, including communities with histories of social exclusion and high levels of income inequality and unemployment, this has created a situation in which violent crime flourishes and homicide rates are some of the highest in the world. Corruption and an erosion of the rule of law also play a role in facilitating the criminal activities of organised crime groups in the Caribbean. However, this effect is nuanced, with some countries displaying higher levels of corruption than others.

These high levels of violence and crime have an economic knock-on effect, creating a 'cost of crime'. This report discusses the social costs, costs incurred by the private sector and costs incurred by the government, while also aiming to incorporate the secondary costs of crime in the Caribbean. Therefore, through statistical analysis, the negative impact of high levels of homicide on tourism and FDI are discussed. Furthermore, the inefficiency of government spending is highlighted as an added contributor to the lack of fiscal space in the region.

To understand how the 'cost of crime' will evolve going forward, an analysis of the impact of the COVID-19 crisis on organised crime in the Caribbean is included. By looking at cybercrime, the increase in maritime drug trafficking, Ponzi and pyramid schemes, and the misappropriation of public funds, this report aims to assess the impact the pandemic has had on organised crime. Taking a more long-term perspective, climate change is

also underlined as a contributor to the rising cost of organised crime – as individuals will move towards already saturated tourist areas, with implications for crime and violence.

Given the economic nature of this report, with its main aim being to build the resilience of Commonwealth Caribbean countries through increased financing, it is logical that the policy recommendations given are ordered in a way that facilitates the most cost-effective initiatives initially. As initial cost savings are achieved through reduced crime, it will then be possible for Caribbean countries to focus on longer-term investments, in order to ensure long-term sustainable development in a sequential manner. The policy recommendations are therefore ordered as follows: short-term most cost-effective recommendations first, then medium-term recommendations, and finally, long-term recommendations that will require longer-term investment.

These policy recommendations aim to ensure that there will no longer be bullet-riddled domino tables and that citizens of Commonwealth Caribbean countries will be able to play on.

6.1 Policy recommendations

6.1.1 Short-term, cost-effective recommendations

- a. **Focus on the young people becoming involved in criminal activity.** When we look at the short term, research has shown us that programmes focused on young people often show results within just a few years of the programme's implementation and have a benefit-cost ratio of between four and ten dollars of benefits for each dollar of costs (McIntosh and Li 2012). Therefore, when we look at short-term interventions, the main focus should be on young people who are becoming involved in criminal activity. Jamaica has demonstrated great progress in this respect, with several initiatives and programmes coming out of the country

in recent years. These include the Peace Management Initiative (PMI), in partnership with UNICEF, which is a violence-interruption programme that targets 16 to 25-year-old gang-involved young men in the country. Furthermore, the Youth Upliftment Through Employment (YUTE) programme in Jamaica arose out of the Tivoli insurgence, where more than 70 persons' lives were lost in order arrest a single criminal. It was started as a means of addressing the issue of youth dependency on criminal elements. Finally, the Amplifying Youth Voice and Action Project is designed to contribute to the empowerment of at-risk youth to actively participate in Jamaica's citizen security governance and policy-making mechanisms. It helps them to design and implement demand-driven interventions in their communities that will improve citizen security and safety.

- b. **Focus policies on unemployment, especially on youth** with lower levels of education and literacy, to help reduce the appeal of criminal activity and allowing for rapid cost savings. Jamaica is currently targeting its resources in this area, given its high rates of youth unemployment. In collaboration with key partners and the Jamaica National Service Corps, a music, sport and technology programme, an articulated truck-driving programme, and a music intervention programme have been implemented. The programmes are geared towards interrupting the cycle of crime among young people and will help to provide them with alternative employment opportunities. This will help to drive them away from crime as a viable option. Saint Lucia has also focused on this area, creating several new training institutions for youth that are both private and public, including the National Skills Development Center, Monroe College and the Springboard Training Institute. However, there has been criticism that these initiatives are disjointed and do not usually last longer than an election cycle, giving them limited effectiveness.
- c. **Increase understanding of crimes against business and encourage private–public partnerships** that are focused on increasing security at the community level, without

relying solely on private spending on security. Research has shown us that these types of partnerships allow for cost efficiencies at both the business and governmental levels (Shaw 2015). Furthermore, private–public partnerships allow for innovative approaches to crime prevention that are more likely to tackle the causes of crime and violence (ibid). Private–public partnerships are already present in The Bahamas, where businesses in the country spend the most on private security compared to other countries in the region. Collaboration between the Royal Bahamas Police Force and businesses in high-crime areas, such as tourist attractions and business districts, has taken place, with the analysis and installation of CCTV to keep watch over hotspot areas. Through funding from both the public and private sectors, the hope is that this will increase the likelihood of criminals being detected and help the police obtain information to apprehend and prosecute offenders.

6.1.2 Medium-term recommendations

- a. **Revise government spending allocation on law enforcement and carry out analysis on whether increased spending on justice administration and crime prevention would be more effective.** So far across the region, expenditure on judicial systems and crime prevention are far outweighed by expenditure on policing; therefore, an analysis is necessary on whether more balanced public spending could be more effective. This is especially true for Jamaica, which has high levels of crime, high levels of spending on the police but low levels of spending on justice administration. However, Barbados has more proportionate spending on police/prisons and higher levels of spending on the administration of justice, with lower levels of crime. Such analysis would take more time and resources than short-term interventions without necessarily demonstrating cost-effectiveness initially, but will be crucial in reducing the cost of crime in the long term.
- b. **Continue to invest in tools that protect against cyberattacks,** as the COVID-19 pandemic has presented a perfect opportunity for criminals to profit from these

weaknesses. Although this investment will be costly in the short term, in the medium term this is likely to 'bear fruit' as cybercrime has continued to be exacerbated in the aftermath of the pandemic and will likely grow moving forward. Protection against cybercrime across the Caribbean is lacking, with few countries having overall strategies or capacity to respond to cyberattacks, meaning that they have low levels of cyber resilience. However, Jamaica has been working hard to become one of the principal countries in the fight against cybercrime in the region. Its cybercrime strategy provides a vision for being an innovation hub on prevention and detection of cybercrime for the region (Government of Jamaica 2015). The country initially introduced its Cybercrimes Act in 2010, with revisions and amendments taking place in both 2015 and 2021. This has allowed the country to introduce new offences into the Act, as emerging areas of cybercrime take hold. Furthermore, new additions to the Act establish that cybercrime is dynamic and continuously evolving and that reviews need to take place to address new developments every couple of years. Although several other countries have started to introduce cybercrime legislation in the Caribbean in recent years, this is not always accompanied by a national strategy, nor by capacity building for the judiciary and law enforcement. One country in the region that is doing this well is Trinidad and Tobago, which has been a pioneer when it comes to setting up a national cybersecurity strategy. The country's Cybercrime Bill aims to ensure a coherent strategy in prevention, investigation, prosecution and sentencing of computer crime and cybercrime in the country, as well as providing both prevention and awareness raising for citizens (Ministry of National Security 2014).

- c. **Continue monitoring and investments in maritime smuggling operations,** as drug traffickers focus on this area of drug transportation given the limited opportunities for air transport due to flight cancellations because of COVID-19. Even though investment in this area is costly, the geographical structure of the Caribbean makes it extremely difficult to monitor and

protect its territory, especially in areas where there are archipelagos. Such monitoring and investment will need to happen for countries to protect their borders in the medium to long term. Furthermore, there is a gap in the number of coastguards patrolling the waters when compared to the large maritime territories over which Caribbean countries have control. COVID-19 could also have permanently altered the routes traffickers take, so having more investment in the medium term could help to ensure territories are protected. One country that is working towards this is Barbados. The country's government is actively working towards strengthening the police marine unit as well as the coastguard, so they can continue to effectively monitor illegal drug flows at sea (Global Initiative against Transnational Organised Crime 2020b). One example of these efforts that took place in 2021 was an inter-agency 'tabletop exercise' aimed at strengthening responses against transnational organised crime at sea for Barbados law enforcement officers, carried out jointly with UNODC and the Regional Security System. The exercise simulated actions of all the key national stakeholders, from the initial communication and information on the suspected activities, to the decision-making processes, and including the response/tracking, apprehension, processing and the prosecution of the perpetrators. The aim was to analyse the effectiveness of maritime law enforcement responses to organised crime at sea (UNODC 2021).

6.1.3 Longer-term, higher-cost recommendations

- a. **Address inequality and relative deprivation – as these are more influential factors than poverty** when it comes to crime and violence in the region. However, these structural issues are persistent, as they require both political and social innovation and often run counter to prevailing economic and political forces. They also touch on many different areas, making them a costly area of development policy. Some ways this could be done in the Caribbean include improving access to land and to financial resources, as well as ensuring good education

policies are in place. For example, although Barbados is ranked highly in the UNDP Human Development Index and according to a *Barbados Country Assessment of Living Conditions Report*, it ranks in the top 50 countries in the world, the country still suffers with intergenerational poverty, with some sections of society requiring social support to help improve their living conditions. To help tackle this, the Government of Barbados in 2017, with help from an IADB loan, launched the Strengthening Human and Social Development in Barbados project. The five-year project was targeted at retrenched workers, the unemployed and vulnerable youth aged 16–30 years, demonstrating the country's willingness to strengthen its poorest citizens and reduce inequality. Guyana has also shown strong commitment to reducing inequality through government spending. For example, the country spends 17 per cent of its national budget on education and 12 per cent on health and has a progressive tax structure, as well as progressive policies on trade unions and women's labour rights.

- b. **Reduce inefficiencies in government spending.** Although there are efficiency differences across countries, there is much scope for improvements in expenditure efficiency in the Caribbean. Decades of processes and systems being put in place will be difficult to unpick and, in some cases, could be costly. However, the creation of

specific agencies for strategic planning and undertaking cost–benefit analysis when determining budget choices will help to work towards achieving this goal. The IADB has set out recommendations for policy-makers on this issue across the Latin American and Caribbean region, including using more cost–benefit analysis when determining budget choices for better expenditure allocation, along with the creation of specific agencies for strategic planning that use rigorous evaluations of the impact of government programmes before making allocation decisions (IDB 2018). This will require governments putting in place new fiscal rules that protect capital investment and for them to transform political institutions to favour long-term progress over short-term interests (*ibid*). One country that has already been working towards this is Barbados. In 2017, the government announced a series of measures to increase revenues and reduce expenditures, as well as focusing on improving the efficiency of public expenditure, especially across state-owned enterprises. In 2020, the government reinforced this message by saying it was committed to modernising and improving the efficiency, quality and cost effectiveness of the public sector. Going forward, this will be done through an ongoing analysis of what is essential, what is highly desirable, what is optional, and what is essential or optional but better delivered elsewhere.

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Appendix 1

Universal Vulnerability Index

The Universal Vulnerability Index (UVI) separates out measurements for structural resilience and structural vulnerability, therefore allowing a flexible ranking of a country's ability to rebuild. It breaks down vulnerability to economic, climactic and socio-political challenges and resilience

to measurements of infrastructure and policy performance. The UVI aims to chart an axis of vulnerability versus resilience, while also measuring the different vulnerabilities within and outside a country's control. The measurement then allows for a point at which a country no longer needs assistance.