Chapter 6

Private Sector Development and Innovation: Towards a More Prosperous Caribbean

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6.1 Introduction

Envisioning a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness seems challenging and almost enigmatic for the Caribbean, particularly in the light of weakening institutional conditions, persistent ecological vulnerabilities, enduring inequalities and stagnating economic development for well over a decade. The Caribbean's vulnerability, however, originates not from episodic external events, but – more importantly and persistently – from idiosyncratic internal inertias. Challenging and changing this status quo in small states will require nothing less than a paradigmatic shift and systemic transformation to build resilience based on the needs of a sustainable future rather than accepting or reacting to a multiplex of challenging institutional and market conditions by means of traditional interventions. In essence, the Caribbean will need to innovate its way out – led by the private sector in partnership with public institutions and regional agencies.

Commissioned by the Commonwealth Secretariat and building on previous studies and policies on building resilience of small states, this chapter explores the status and strategies for private sector innovation in the Caribbean, with special attention to the small states of The Bahamas, Barbados, Grenada, Guyana, Jamaica, Saint Lucia, and Trinidad and Tobago. It concludes that, despite considerable policy intentions and interventions, and beyond financial and market cycles, structural innovation deficits in small states in the public and private sectors are persistent and worsening, consequently leading towards an unsustainable path for building resilience and improving economic development. In the spirit of William G Demas, addressing this innovation deficit and developing the requisite transformability will be crucial for the future of the Caribbean.

Premised on the evidence that 'business-as-usual' is not sustainable, and that building economic resilience to absorb shocks is not sufficient, the chapter proceeds by exploring and expanding on eco systemic resilience from a dynamic evolutionary perspective by focusing on the needs of sustainable future (private sector) innovation and fostering entrepreneurial ecosystems to build innovation resilience towards realising the vision for the Caribbean 2050. While persevering with past endeavours and present engagements to improve (macro-)economic stability and market efficiencies are certainly necessary in terms of (fiscal, financial, social, educational, logistical, technical and ecological) regulatory qualities and conditions for doing business and private sector enterprise, these are proving to be insufficient to build resilience from, and especially for, an emerging future of small states.

The future of the Caribbean will increasingly rely on its collaborative creativity and capability to plot proactive, private sector-led, parallel pathways towards innovation resilience for sustainable development. In challenging the status quo and developing the requisite transformability and flexibility to adapt and innovate, this chapter concludes by outlining innovation pathways for systemic transformation and building the resilience of small states, in which private sector leadership is essential in developing institutional innovation and entrepreneurial ecosystems. Emphasising the need to innovate systemically across the private and public sectors, in addition to elevating and engaging (regional) innovation across small states, the innovation pathways underline the importance of strengthening institutional trust and thrusts, and deepening emerging business ecosystems. Facilitating capital, connectivity and capacity – financial, social, digital, human and creative – is thus pivotal in the pathways for innovation.

While there is no 'silver bullet' or standard recipe for building the resilience of small states, the innovation pathways present a systemic (multistakeholder and integrated) framing and featuring of principles, policies and parameters to transition and transform (public and private) institutions and markets within and across small states of the Caribbean. In relation to this, the innovation pathways provide a discussion and development framework through which stakeholders at and between different sectoral, national, regional and international levels can envision and engage in building innovation resilience of small states for the Caribbean 2050.

6.1.1 Status quo in small states

The Caribbean consists of a wide variety of small(er) states and political–economic styles, with a diversity of political–economic histories and trajectories. Within the (Anglophone) Caribbean, and from an economic perspective, small states are clustered according to two general dimensions, i.e., their economic base (production orientation) and their economic income (as measured by gross national income per capita).

The Caribbean (small) states discussed in this chapter – The Bahamas, Barbados, Grenada, Guyana, Saint Lucia, Jamaica and Trinidad and Tobago – differ (relatively) according to these two dimensions, and form four distinct (stylised) clusters of economic development. Guyana and Trinidad and Tobago are (horizontally) classified as commodity-based economies (predominantly natural products including oil/gas, minerals/mining and agriculture). The Bahamas, Barbados, Jamaica, Saint Lucia and Grenada are classified as service-based economies (predominantly tourism, financial and professional services).

In terms of income levels (see Table 6.1), The Bahamas, Barbados and Trinidad and Tobago are classified as high-income countries (income/capita is greater than US$12,000), and Jamaica, Saint Lucia, Grenada and Guyana are classified as upper middle-income (between US$4,000 and US$12,000) to lower middle-income (between US$1,045 and US$4,000) economies.

Table 6.1 Stylised economic indicators for selected countries

	The Bahamas	Barbados	Grenada	Guyana	Jamaica	Saint Lucia	Trinidad and Tobago	Mean	Median	SD
GDP (US$ billion)	8.8	4.3	0.8	3.1	14.2	1.3	28.9	8.8	4.3	9.3
GDP/capita (US$)	24,484	15,447	7,913	3,945	5,097	7,866	21,462	12,316.3	7,913.0	7,586.5
GDP growth (%)	1.6	0.3	2.6	3.8	0.8	–2.7	0.5	1.0	0.8	1.9
Gross public debt (%GDP)	65	115	109	58	140	75	42	86.3	75.0	32.9
Current account balance (%GDP)	–14.7	–7.8	–22.6	–18.3	–8.5	–11.4	10.1	–10.5	–11.4	9.7
General gov revenue (%GDP)	17.1	33.1	24.9	28.6	26.9	25.4	32.2	26.9	26.9	5.0
Inflation (Consumer Price Index percentage)	1.9	1.9	1.6	3.9	9.1	1.1	4.8	3.5	1.9	2.6
Unemployment (%)	15.5	15.6	20	11	14.9	25	5	15.3	15.5	5.9
Trade openness (%GDP)	102.3	96.8	71	142.7	80.8	112	98.9	100.6	98.9	21.4
Tourism growth percentage of Stop Over Arrivals (%SOA)	3.5	0.2	18.4	8	3.6	6.1	Unavailable	6.6	4.9	5.8
Renewable energy supply as percentage of total (%TOT)	1	7.5	6.7	NA	6.5	1.8	0.3	4.0	4.2	3.0

Source: CDB 2014; World Bank 2015a

Despite the stylised divergence and diversity in terms of (economic) population, production and productivity, Caribbean countries share several (geo-)economic 'invariants', including economic space, openness, concentration and exposure to (global) economic disruptions, (natural) ecological risks and (self-induced) environmental destruction. These economic vulnerabilities of the Caribbean small states are well recognised, and have been discussed for over half a century. They pose significant and structural challenges to the sustainable development of small states.

Collectively and cumulatively, these challenges also underline the increasingly urgent need to build the resilience of small states, as addressed for over three decades in the Caribbean: 'more fundamentally, the per capita income figure conceals the true nature of economic underdevelopment, which is a distorted and highly unbalanced economic structure incapable of meeting the basic needs, and lacking in internal economic resilience in the face of adverse economic impacts of external origin. Thus, the Caribbean economies, in spite of the relatively high levels of per capita income, are riddled…' (Demas 1980, 238).

Today, these discussions are by no means less pertinent, particularly in the light of persistent socio-economic deteriorations and ecological disruptions and, consequently, economic stagnation and fragile sustainability (IMF 2013; IDB 2014a). The need for (re)building and realising the (economic) resilience of Caribbean small states, as advocated and addressed by the Commonwealth Secretariat for over a decade, is an imperative and *sine qua non* for the sustainability of the Caribbean on the road to 2050.

It is increasingly recognised that the resilience and sustainability of the Caribbean is not dictated by inherent endowments, contextual vagaries and other vulnerabilities, but, more importantly, determined and developed by creating and cultivating internal resilience, describing the systemic transformation and ability to (1) recover from economic disruptions and shocks, (2) withstand and absorb the effects of economic disruptions, (3) foresee (the effects of) economic disruptions and (4) develop the innovation capability to act and adapt collectively (Briguglio et al. 2006; Peterson 2012).

In essence, building (economic) resilience through systemic transformation goes beyond traditional policy and market reforms, and industrial or competitiveness policies, which often reinforce the status quo. Systemic transformation challenges and changes the status quo, and involves developing the capabilities and continuing capacities to foresee and adapt to changing and challenging conditions, and to apply systemic change and innovations in a proactively integrated manner (Demas 1965). This is the quintessence of building sustainable resilience.

6.1.2 Caribbean economic developments

Envisioning a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, and reflecting on the contemporary economic development of the Caribbean, there is a clear and present consensus that, despite significant development and progress in the past century, and notwithstanding continued international investments and a multiplicity of regional initiatives and national (industrial and innovation) policies in recent years, the Caribbean continues to experience structural stagnation and fragility in economic development with low growth, low productivity, high debt and high unemployment (see Table 6.1).

Over the past decade, the Caribbean has become economically less productive and competitive, as evidenced by several interrelated developments. These include (IDB 2014a; IMF 2013; World Bank 2015a):

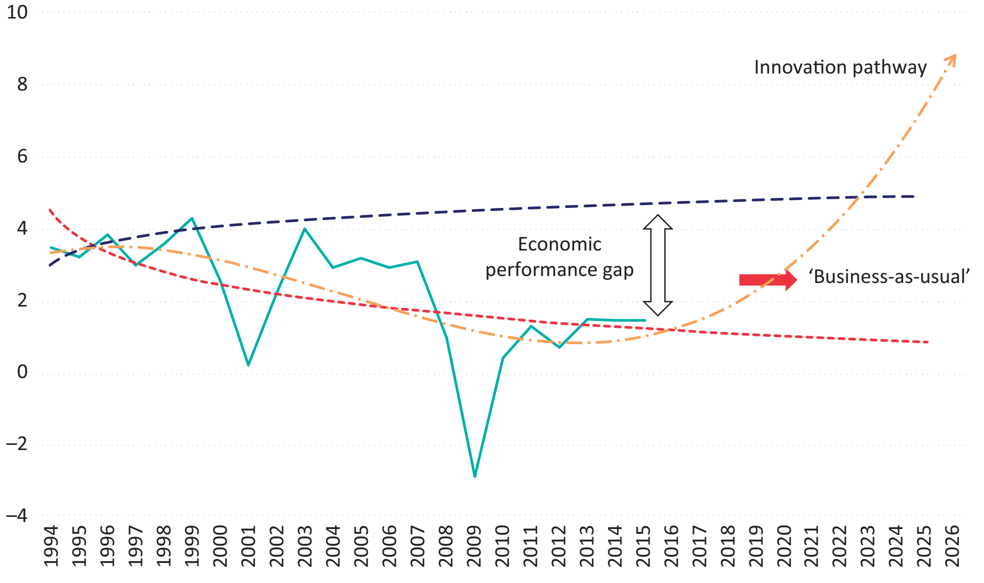
- declining comparative GDP per capita (despite high average real GDP per capita);
- declining labour productivity (despite growth in labour participation);
- declining tourism contribution and market share (despite growth in tourist numbers, tourism expenditures and tourism infrastructures);
- declining total export market shares (despite growing market demand in Latin America);
- declining business investments and innovation (despite increasing available investment and innovation funds);
- increasing (public) debt and deficit-to-GDP ratios (despite fiscal reforms and financing programmes);
- increasing cost disadvantages in terms of labour, electricity, credit and other tariffs;
- increasing inequalities and informal sector developments (despite regulatory reforms);
- increasing public-to-private investment ratios (despite market and private investment reforms); and
- increasing economic costs and debt burden from ecological disruptions.

Compared with past economic performance and potential, the present Caribbean economy continues to underperform, and there is a growing economic performance gap (see Figure 6.1).

If the Caribbean is to realise its vision and potential for developing a creatively enterprising private sector, then the foregoing state of economic affairs and developments needs to be challenged and changed. The need for an alternative scenario – an innovation pathway – is thus not only imperative, it is increasingly urgent. Whereas 2005 was heralded as a 'time to choose' for Caribbean development in the twenty-first century (World Bank 2005), a decade later, 2015 was proclaimed a 'time to act' swiftly and sagaciously in order to build the resilience of small states for the Caribbean 2050.

The past, present and persistent economic state of the Caribbean indicates that, beyond economic cycles, there are deeply rooted (structural) factors at play, which span beyond exogenous conditions and (basic) factor inputs and accumulation.

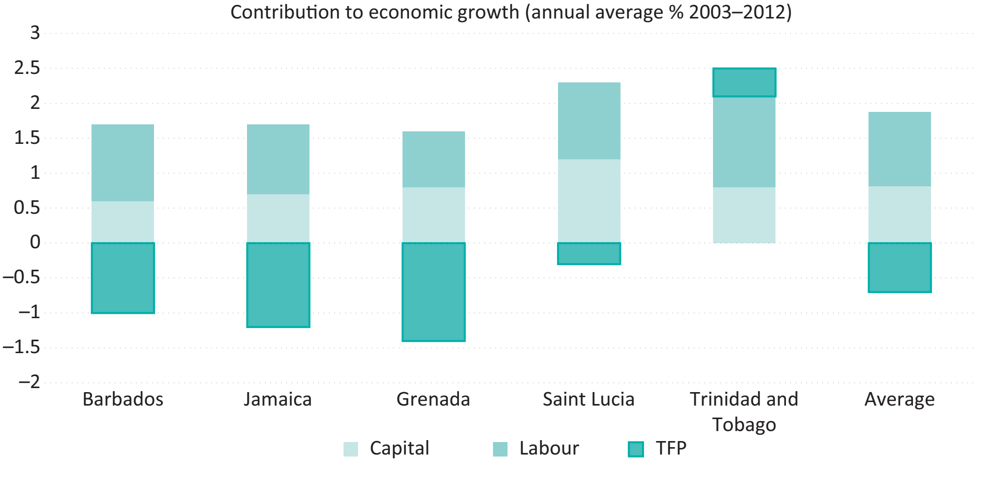
Figure 6.1 Caribbean GDP growth (1994–2014): past, present and prospective pathways



Source: IMF 2013; CDB 2014

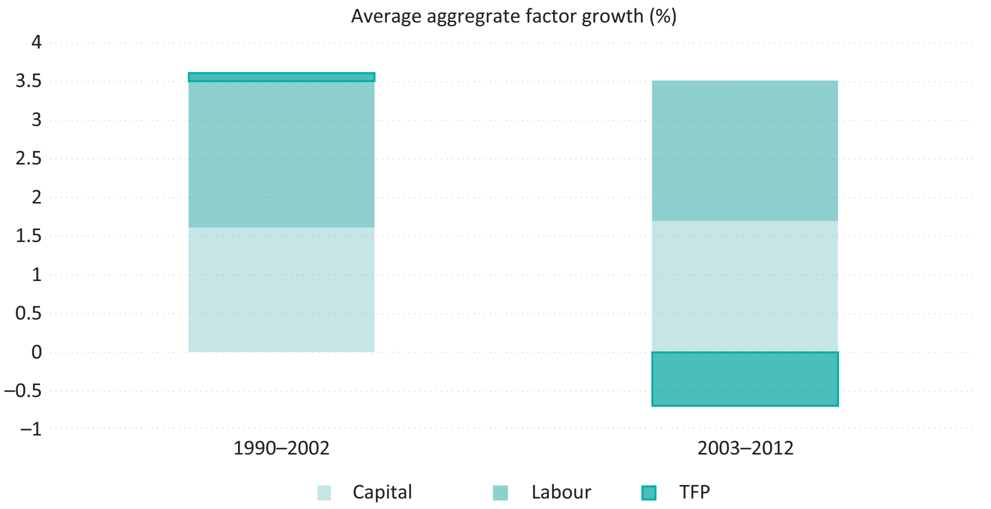
Analysis indicates that the economic stagnation of the Caribbean is largely attributed to and explained by not (the lack of) capital and labour inputs but, more importantly, negative and declining TFP (see Figures 6.2 and 6.3). Relative to historical economic development and to other small states, TFP has been declining since the mid-1980s. Total factor productivity captures the (residual) 'intangible' capacities related to

Figure 6.2 Contribution to economic growth of capital, labour and TFP (annual average percentage for select small Caribbean states between 2003 and 2012)



Source: IMF 2013

Figure 6.3 Decline in TFP (2003–12)



Source: IMF 2013

(in)efficiencies, (in)formalities and (in)equalities of political and (macro- and micro-) economic institutions, (market) integration and (knowledge) innovation. In effect, it captures the 'invisible' effect of institutional regimes, relationships and resilience.

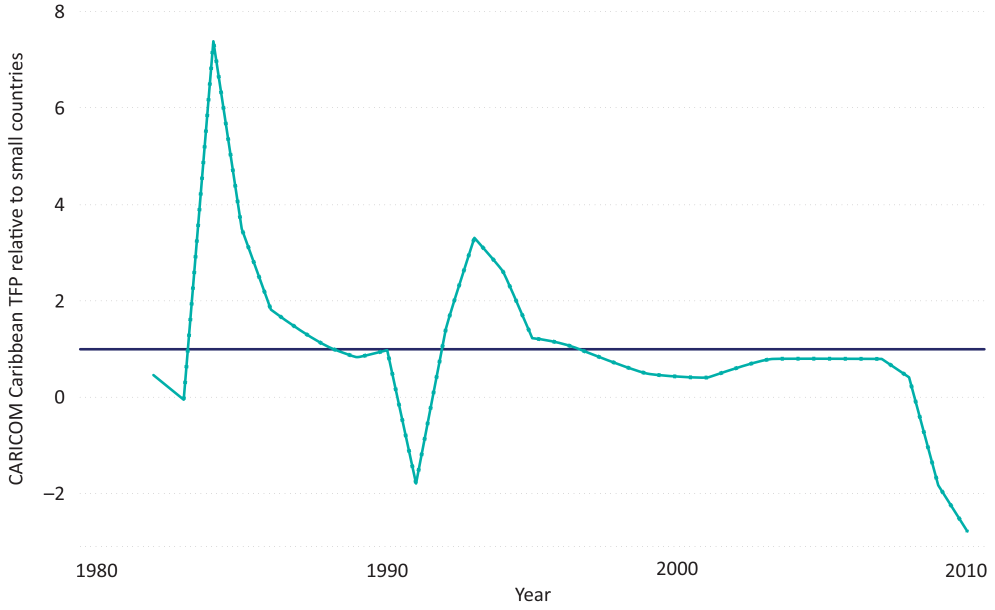
The importance of innovation and knowledge for transitioning towards green and blue economies is increasingly acknowledged, as innovation is accepted as the key driver for sustainable competitiveness and inclusive growth. Over 60 per cent of sustainable development is explained not by the investments and accumulation of (physical and financial) capital and labour, but by factors and actors, including creative capital, communication architectures, innovation cultures and agile governance, involved in knowledge creation, knowledge sharing and knowledge exploitation (ECLAC 2010).

Nevertheless, institutional entrepreneurship and regime innovation, and thus the creation of enabling institutional conditions and developing institutional capabilities, and the elaboration of appropriate and efficient policies and programmes to capitalise on this knowledge, have proved to be elusive, and the Caribbean, consisting widely of small (island) states, is no exception (Peterson 2012).

6.1.3 Innovation in small states

Along the foregoing lines of declining growth and productivity, and turning towards the qualities of institutions, integration and innovation in the Caribbean, analysis indicates that the Caribbean continues to underperform (see Figure 6.4), and has not improved its competitive position or capacity to compete over the past decade. In essence, the development and improvement of (regulatory) institutions, (market) integration and (sophisticated) innovation remain stagnant and unchanged, and in some cases have deteriorated at an increasingly rapid pace (thus explaining the negative TFP).

Figure 6.4 CARICOM Caribbean TFP growth relative to other small economies



Source: IDB 2014a

Cumulative empirical evidence indicates that the economic resilience of the Caribbean has declined over the past decade (discussed in section 6.2). More specifically, there are persistent weaknesses in terms of simultaneous inefficiencies and inertias across institutions and markets, in which the Caribbean is caught in a vicious cycle of economic stagnation and decline. The simultaneous and reinforcing presence of both government and market failures explains to a large extent the current position of the Caribbean, in addition to why traditional industrial policies and integration strategies have been largely disappointing, as they fail to address the institutionalised status quo. Challenging this status quo and breaking free from this insidious cycle will be imperative in (re)building and realising the economic resilience of these small states today and, more importantly, towards the future of the Caribbean in 2050.

Beyond the general challenges, private sector development and innovation is currently being challenged by several 'idiosyncratic' factors and specific (national) conditions, which unfold in small-state-specific ways (see Figure 6.5). Beyond these specific symptomatic features, systemic transformation and building resilience of small states is intimately tied up with the fundamental and deeply embedded social and political processes underlying private sector enterprise and economic development (Demas 1965; Peterson 2012). The combination of increased economic vulnerability (exposure to economic risks, deficits and shocks), and limited economic resilience (development of innovation capabilities and competencies) has contributed to continued economic decline and stagnation.

Figure 6.5 Private sector in small states of the Caribbean: key challenges for innovation

The Bahamas
- Tourism dependency (mature tourism industry in concentrated markets)
- Workforce capacity deficit
- Youth unemployment
- Declining regulatory quality
- Public service inefficiencies
- Customs/trade inefficiencies (time and tariffs)
- Informal sector (unregistered competition)
- Lack of (work/investment) capital
- High collateral (lack of sound credit information system)
- Limited innovation & entrepreneurship
- Declining expor innovation
- Costly and unreliable technical (IT/energy) infrastructure

Barbados
- Tourism dependency (mature tourism industry in concentrated markets)
- Limited labour market flexibility
- Public service inefficiencies
- Lack of (work/investment) capital
- Business licensing inefficiencies (time and costs)
- Inefficient tax administration
- Customs/trade inefficiencies (time and tariffs)
- Costly technical (energy) infrastructure
- Limited innovation & entrepreneurship
- Declining export innovation

Grenada
- Tourism dependency (maturing tourism industry in concentrated markets)
- Workforce capacity deficit
- Public service inefficiencies
- Declining regulatory quality
- Business licensing inefficiencies (time and costs)
- High tax rates
- Informal sector (unregistered competition)
- Lack of (work/investment) capital
- High collateral requirement
- Limited innovation & entrepreneurship
- Limited export innovation
- Limited/unstructured private sector involvement

Guyana
- Weak regulatory quality
- Fragmented institutional support for business development
- Corruption & costs of crime
- Obsolete (extractive) technologies and production processes
- Workforce capacity deficit
- Public service inefficiencies
- Informal sector (unregistered competition)
- Lack of (work/invest-ment) capital
- High collateral requirements
- Inefficient tax administration
- High tax rates
- Costly and unreliable technical (IT/energy) infrastructure
- Customs/trade inefficiencies (time and tariffs)
- Declining export innovtaion

Jamaica
- Weak regulatory quality
- Youth unemployment
- Public service inefficiencies
- Fragmented institutional support for business innovation
- Informal sector (unregistered competition)
- Lack of (work/invest-ment) capital
- Workforce capacity deficit
- Corruption & costs of crime
- High tax rates
- Complex tax policies
- Informal sector (unregistered competition)
- Lack of (work/invest-ment) capital
- Tourism dependency (mature/masstourism industry in concentrated markets)
- Customs/trade inefficiencies (time)
- High collateral requirement
- Limited innovation & business development
- Lack of business quality
- Limited export innovation
- Costly and unreliable technical (IT/energy) infrastructure

Saint Lucia
- Weak regulatory quality
- Fragmented institutional support for business development
- Tourism dependency (maturing tourism industry in concentrated markets)
- Youth unemployment
- Limited labour market flexibility
- Workforce capacity deficit
- Public service inefficiencies
- Lack of (work/investment) capital
- High tax rates
- High collateral requirements
- Customs/trade inefficiencies (time and tariffs)
- Costly technical (energy) infrastructure
- Limited innovation & entrepreneurship
- Lack of business quality
- Declining export innovation

Trinidad and Tobago
- Weak regulatory quality
- Workforce capacity deficit
- Limited labour market flexibility
- Corruption & costs of crime
- Public service inefficiencies
- Lack of (work/invest-ment) capital
- Fragmented and rigid financial market
- Business licensing and property registration inefficiencies (time and costs)
- Inefficient tax administration
- Informal sector (unregistered competition)
- Customs/trade inefficiencies (time)
- Limited innovation & entrepreneur-ship
- Lack of business quality
- Environmental(disaster, pollution, destruction) risks of energy (oil) sector
- Limited export innovation

Source: World Bank 2015b; Economist Intelligence Unit 2015; stakeholder interviews and private sector consultations (personal communications, 15 April to 10 May 2015).

In order to reverse the cycle of economic vulnerability and resilience, the private sector needs to take a leading role towards innovation and competitiveness. This is not only because of the limiting degrees of (fiscal and financial) freedom of the public sector (today and within the medium term) but, more importantly, because (economic) productivity and (national) competitiveness (in the mid-to-long term) are ultimately determined by the resilience of the private sector and its ability to innovate and excel. The track record of the Caribbean indicates that too often the public sector has assumed the main role in enabling economic development and innovation, to the detriment of involving and engaging the private sector in the process. In developing a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, it is thus imperative that the private sector accepts and assumes a leading role in building resilience.

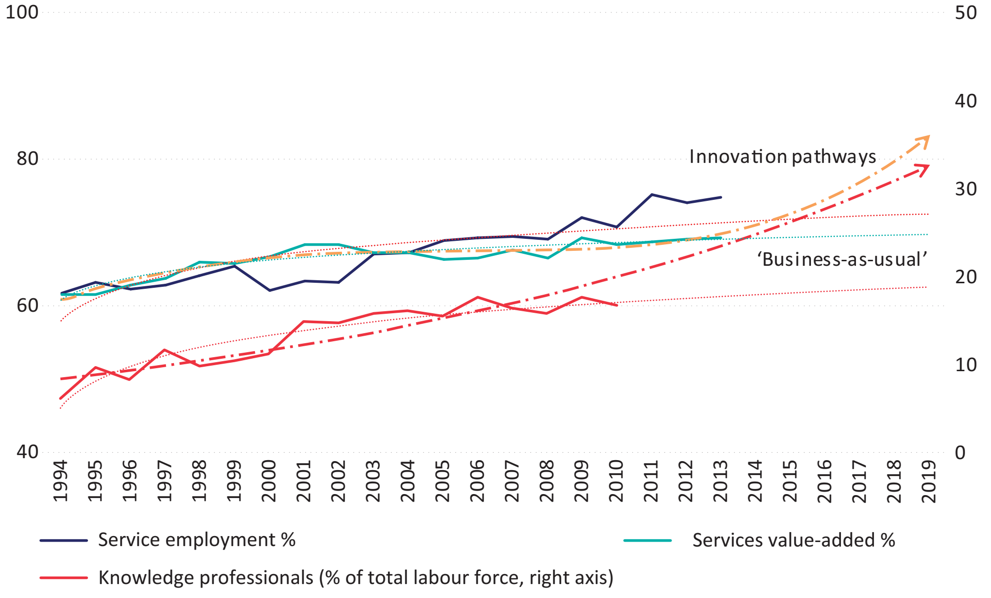
While public sector institutions play an important role in creating the political–economic conditions and managing negative externalities for transitioning towards a new (green and blue) economy, private sector institutions and enterprises are imperative in leading and realising sustainable development. The Caribbean is well aware of this need for private sector leadership for innovation and competitiveness, as witnessed consistently across national policies and regional programmes for development and innovation, and recent calls for convergence and a more competitive Caribbean (IDB 2014b; CDB 2014). However, as discussed in the remainder of this chapter, one of the key challenges lies not in the lack of vision or policies for the future of the Caribbean, but in the absence of *shared* visions, *co-ordinated* execution, *innovation* capabilities and *leadership* excellence between public and private sectors and stakeholders.

6.2 Structural challenges in private sector innovation

Similar to the diversity of small(er) states in the Caribbean, the private sector contains a wide and diverse variety of organisations and orientations. Nonetheless, the private sector across small states does share certain key market and business traits of which their small(er) size is a key feature.

Industry analysis of the private sector indicates that well over 80 per cent of firms are small to medium-sized enterprises, operating in the (traditional) services industry (e.g. tourism, financial services, retail/wholesale, construction, transportation, education, social services, etc.), with several new service-related industries emerging over the past decade, including high-tech/ICT, energy and specialised (international) business services, including tourism and financial specialisation. Over 75 per cent of employment is generated by the services industry. Employment in the services industry has grown steadily and significantly for over two decades (testifying to the shift from an agricultural and industrial economy towards a service-driven economy). While the value-added of services (as percentage of GDP) has grown, growth rates have remained stagnant for more than a decade (see Figure 6.6) (World Bank 2015a). In effect, analysis indicates that service productivity and service innovation have declined significantly since the turn of the century, inducing economic stagnation.

Figure 6.6 Development and stagnation of service productivity and value-added



Source: World Bank 2015a

Indications are that (labour and total factor) productivity in the service industry has declined since 2003, and under current 'business-as-usual' conditions will continue to decrease. The lack of qualified human capital and specialised (higher-educated) professionals (see Figure 6.6) (World Bank 2015a), in addition to a generally ageing and emigrating (younger) workforce, is significantly correlated with the stagnation in service industry productivity. More importantly, there are some salient (micro-economic) business features of the Caribbean private sector, which explain its (past and present) role and resilience.

6.2.1 Microenterprises in the Caribbean

Analysis of available firm-level data across the Caribbean – based on World Bank Enterprise Surveys (World Bank 2015b) and stakeholder information – indicates that the predominantly service-driven private sector is home to microenterprises and small business (MSEs) with distinguishing microbusiness features (see Table 6.2), including:

- **Micro and maturing businesses**: The average size of MSEs is 36 full-time employees. The majority of companies (well over 90 per cent) can be classified as micro- to small enterprises (with fewer than 100 employees), of which almost 70 per cent have fewer than 50 employees. The average age of MSEs is 20 years, with managers enjoying on average 19 years of industry experience. Analysis suggests that the private sector has matured over the past two decades, after experiencing an 'entrepreneurial boom' in the early 1990s, and is currently facing significant challenges related to size and seniority of MSEs.

Table 6.2 Stylised business and private sector indicators for selected countries

	The Bahamas	Barbados	Grenada	Guyana	Jamaica	Saint Lucia	Trinidad and Tobago	*Mean*	*Median*	*SD*
Organisation										
Age (years)	24	15	23	24	21	14	21	20.3	21.0	3.8
Size (number of full-time equivalents)	38	30	25	80	29	25	25	36.0	29.0	18.5
Domestic ownership	85	88	82	80	94	86	93	86.9	86.0	4.9
Female ownership	58	44	57	58	38	32	45	47.4	45.0	9.7
Industry management experience (years)	23	17	23	23	16	10	20	18.9	20.0	4.5
Finance										
Bank loan (%)	34	58	49	51	27	25	54	42.6	49.0	12.6
Collateral req (%)	81	51	66	85	97	98	88	80.9	85.0	15.7
Collateral value (% TOT value)	232	138	220	202	204	195	140	190.1	202.0	34.3
Bank finance investments (%)	15	46	37	35	44	52	37	38.0	37.0	10.9
Bank finance work capital (%)	29	39	50	60	53	49	64	49.1	50.0	11.1
Prop. internal financing (%)	83	73	60	56	72	76	66	69.4	72.0	8.7
Capital access constraint (%)	13	41	24	18	41	57	29	31.9	29.0	14.2
Tax rate constraint	15	24	40	50	73	31	12	35.0	31.0	19.9
Tax admin constraint	14	13	28	22	43	8	8	19.4	14.0	11.8
Operations										
Time to licence (days)	17	49	22	22	9	19	29	23.9	22.0	11.7
Quality certification	31	18	33	30	17	1	11	20.1	18.0	11.0
External financial auditing	52	70	60	90	69	45	80	66.6	69.0	14.5
Electronic communication	50	68	43	46	36	15	31	41.3	43.0	15.3
Invest formal training (%)	37	36	46	63	26	14	28	35.7	36.0	14.5
New technology adoption	20	7	15	17	15	0	2	10.9	15.0	7.2
Electricity constraint	25	47	17	43	34	56	15	33.9	34.0	14.5
Skilled workforce constraint	34	33	39	51	20	22	41	34.3	34.0	10.0

(*continued*)

Table 6.2 Stylised business and private sector indicators for selected countries (*continued*)

	The Bahamas	Barbados	Grenada	Guyana	Jamaica	Saint Lucia	Trinidad and Tobago	*Mean*	*Median*	*SD*
Market										
Annual sales growth (%)	2	5	4	6	–7	3	8	3.0	4.0	4.5
Direct export (%)	13	22	10	25	8	24	15	16.7	15.0	6.4
Domestic sales (%)	88	88	94	85	95	85	96	90.1	88.0	4.4
Unregistered competition	68	49	73	60	66	18	69	57.6	66.0	17.7
Customs/trade constraint	22	22	20	25	15	21	13	19.7	21.0	3.9

Note: The lack of available and reliable firm-level and business data in the Caribbean is a well-acknowledged fact. Up until 2010, there was no integrated data set with valid business indicators for productivity and innovation, thereby limiting econometric analysis and evidence-based policy development. In 2011 and 2014, the IDB, in collaboration with the World Bank, under the Compete Caribbean programme, funded and organised two rounds of Caribbean Enterprise and Indicator Surveys in 14 countries. The reported data is based on the latest (2014) available data from the World Bank's database on Enterprise Surveys, in addition to select data indicators from IDB's Compete Caribbean Enterprise Bulletins for the selected Caribbean small states. Nevertheless, collecting, updating and integrating reliable and valid data on economic resilience indicators for the Caribbean remains relevant and important.

Source: CDB 2014; World Bank 2015b

- **Domestic focus**: On average, 86 per cent of companies are domestically owned, with almost 50 per cent wholly or partially owned by females. The domestic focus is also clearly present in origin of sales, with domestic sales accounting for 90 per cent of total sales. On average, fewer than 20 per cent export directly to foreign markets, or are strongly and actively present in integrated supply and business value chains. An equal percentage indicate that they experience customs and trade constraints (due to costly tariffs, complex customs procedures and logistical inefficiencies). Analysis indicates that CARICOM/Caribbean Single Market and Economy initiatives have not resulted (yet) in the creation of new markets and expansion of trade (IDB 2014a). The confluence of these conditions results in microenterprises not only in terms of size, but also in terms of small markets and narrow margins.
- **Narrow margins**: The combination of local ownership, domestic focus and local competition indicates narrow margins and limited annual sales growth (on average 3 to 4 per cent). In addition, companies indicate intensive and informal competitive markets, with almost 60 per cent of companies indicating that they compete against unregistered competition. These narrow margins are also influenced by relatively high (corporate) tax rates (with 35 per cent of companies perceiving this as a major constraint). In addition, there are significant challenges with regard to access to credit and capital in local markets.
- **Seeking financing**: On average, fewer than 50 per cent of companies have a bank loan, with the majority (more than 60 per cent) making use of personal accounts and loans for business development. On average, banks and other credit institutions provide 38 per cent of investments and 49 per cent of working capital, with the majority of banks (over 80 per cent) requiring collateral (close to 200 per cent). Access to finance is considered one of the key constraints by more than two-thirds of the private sector, in which MSEs and entrepreneurs face significant barriers and biased financing.
- **Competitive orientation**: In combination with the foregoing structural micro-features, competitive advantages are more likely to be sought in cost leadership and price offerings, rather than quality or innovation distinguishing competitive features. Only one in ten companies (11 per cent) invests in new technologies (with 40 per cent having adopted basic – communication – technologies). International quality standards and quality certification are present in 20 per cent of companies. Investments in service improvements and human resource development are limited to 35 per cent of businesses, with an almost equal amount (34 per cent) perceiving the lack of qualified (skilled) workforce as a major constraint for business.

In review of the foregoing private sector landscape, the picture is of 'frail' markets and fragile enterprises. Except for a handful of innovative and leading businesses, world-class enterprise remains severely underdeveloped in the Caribbean. The (micro-) enterprise profile that emerges from the Caribbean private sector is that of a relatively simple (small and informal), standard (unsophisticated) business, with a strong focus on offering basic products and services, risk-averse operations and competing locally based on cost and price. For the experienced manager/owner, maintaining control of costs and stability is essential, and there seems to be limited (strategic and financial) space to invest and develop internationally and innovatively. In terms of future orientations, 'surviving' rather than 'thriving' seems to be the *modus operandi* and 'mood' in contemporary Caribbean private sector enterprise, with indications that the Caribbean is indeed a 'rough neighbourhood' for doing business (IDB 2014a).

The enduring question – which has received considerable attention in national development policies and regional investment programmes geared at stimulating and supporting small businesses, creating and expanding (capital and export) markets, incentivising (green and information) technology adoption, and other industrial policies over the past decade (IDB 2014a,b; CDB 2014) – is not whether this (classical) business model and enterprising model suffices in a hyper competitive and disruptive economic environment, but rather how the Caribbean private sector can and should develop the requisite business competencies and innovation capabilities to not only survive in the twenty-first century but, more importantly (and urgently), thrive and transform itself, in order to contribute to the sustainable development of the Caribbean. In effect, envisioning a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, the central question is how we can transform our enterprising modes and business models in a systemic manner in order to build the resilience of small states and achieve the Caribbean 2050 vision.

6.2.2 Private sector challenges for building economic resilience

Enterprise development and industry productivity are determined by both macro-economic and micro-economicfactors. In terms of macro-economic conditions, the stability and efficiency of political and economic institutions are deemed essential and a prerequisite for the effective development of private sector enterprise.

However, whereas macro-economic conditions are necessary, they are not sufficient to achieve productivity and innovation. Micro-economicconditions of (transactional) market efficiencies and flexibility, in addition to (transformational) business sophistication, and innovation are imperative. Correspondingly, two (complementary) forms of economic resilience are distinguished: efficiency-based economic resilience, based on macro-economic stability and market efficiencies (Briguglio et al. 2006), and innovation-based economic resilience, which focuses on institutional entrepreneurship market innovation and entrepreneurial ecosystems (Peterson 2012). Efficiency- and innovation-based economic resilience differ in terms of parameters, focus, orientation and capacities, with different underlying paradigms for economic development, in which the public and private sectors play complementary roles in developing economic resilience.

The combination of these macro- and micro-conditions and capabilities for both efficiency and innovation – in a systemic fashion – define and determine economic resilience.

Consequently, in the following subsections, the state and strategies for private sector innovation in small Caribbean states are analysed and discussed in terms of structural challenges and changes towards realising a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, including:

- macro-economic and institutional conditions and challenges focused on enabling business environments;
- micro-economicand market conditions for (transactional) efficiency in doing business; and
- micro-economicand business conditions for (transformational) innovation, new business formation and innovating business ecosystems.

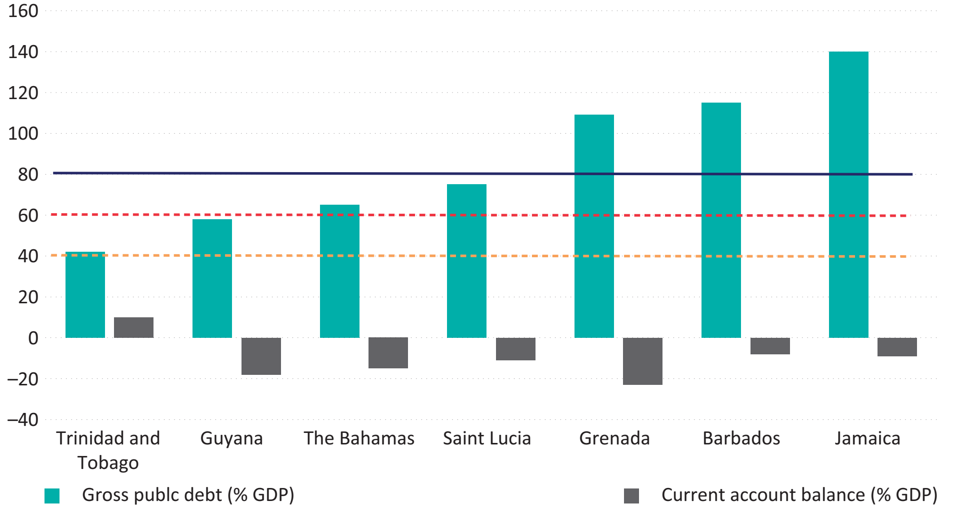
Institutional conditions and challenges

Sound and strong political and economic institutions are essential for the efficient and stable functioning of the economy and business enterprises. The role of government and the public sector is to create the conditions that facilitate and stimulate business and enterprise development. Good economic governance and macro-economic stability are thus prime policies and parameters, in addition to the high quality of (physical, natural, social and human) infrastructures.

From a macro-economic perspective, analysis indicates that the situation in the Caribbean has deteriorated in recent years and remains delicate (IDB 2014a; IMF 2013). While inflation has moderated and is relatively stable, the rising levels of unemployment, 'talent migration', public debts and fiscal deficits have reduced economic stability and (macro-)resilience (see Figure 6.7), with significant implications for markets and private sector development (see Table 6.1). Compounding this increased (macro-)economic vulnerability is a deterioration in the quality and efficiency of economic institutions, resulting in a decline of shock-absorptive capacities and (efficiency-based) economic resilience for more than a decade.

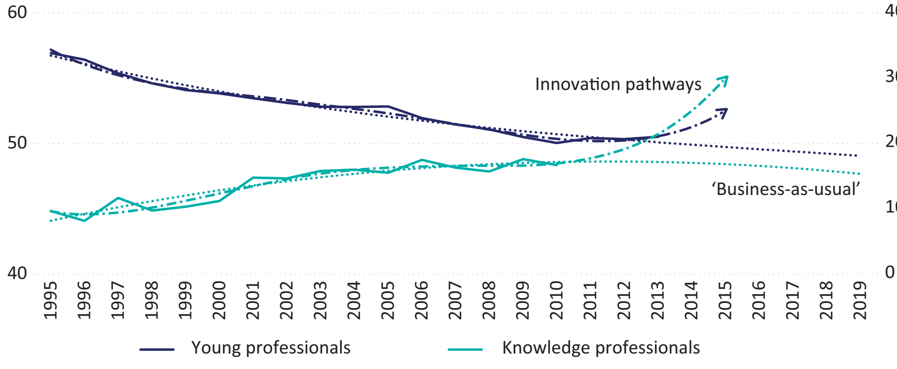
The average gross public debt in the Caribbean has risen to more than 85 per cent, with a 10 per cent fiscal deficit (see Figure 6.7). The average unemployment rate is

Figure 6.7 Declining macro-economic stability: gross public debt and account balances



Source: World Bank 2015a

Figure 6.8 Caribbean workforce development: workforce between the ages of 15 and 24 years (% of total labour market – left axis) and workforce with tertiary education (% of total labour market – right axis)

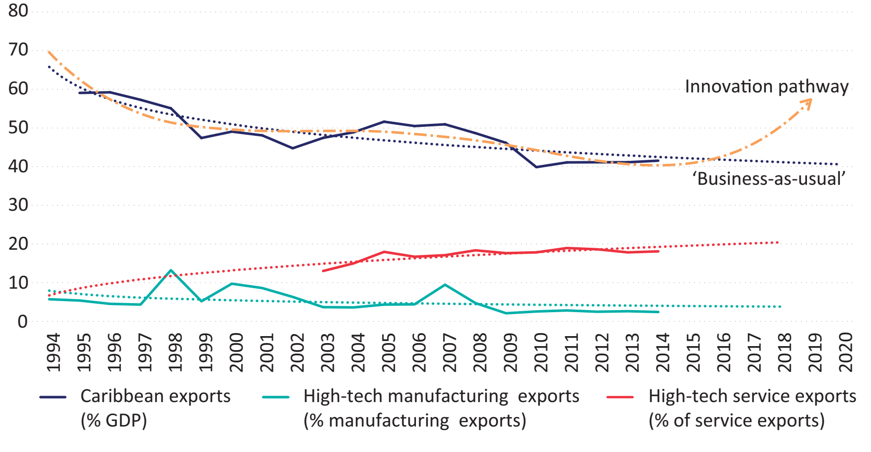


Source: World Bank 2015a

15 per cent, with female and youth unemployment significantly higher. In terms of human capital development, fewer than 20 per cent of the workforce enjoy a tertiary education degree, and labour market participation by young professionals (aged 15 to 24 years) has declined significantly (see Figure 6.8).

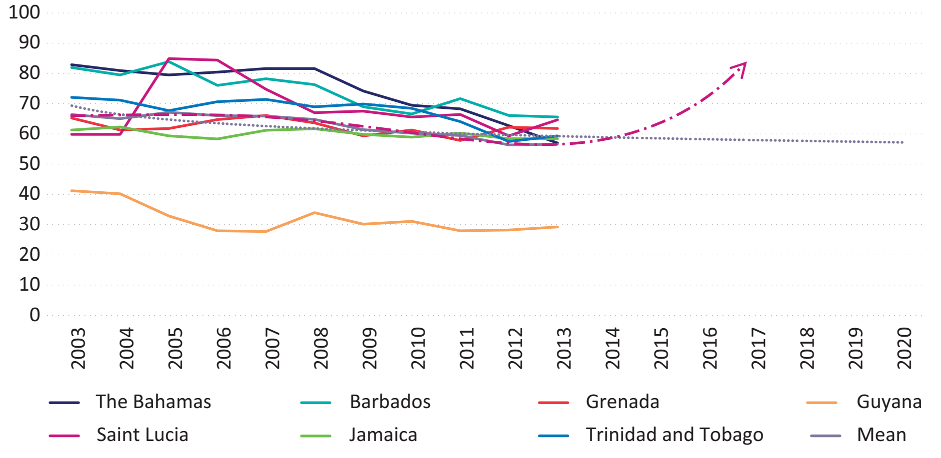
In addition to the general ageing of the workforce, analysis indicates that, over the past decade, the Caribbean has lost more than 70 per cent of its tertiary-educated workforce (knowledge professionals) through emigration, such that this 'talent migration' is costing the Caribbean almost 15 per cent of GDP. Ironically, the 'export' trend does not hold for trade, as total exports have declined by almost 20 per cent over the past two decades, with stagnant growth in tourism and (high) tech manufacturing and service exports (see Figure 6.9).

Figure 6.9 Declining exports and trade competitiveness of the Caribbean



Source: World Bank 2015a

Figure 6.10 Decline in Caribbean governance and regulatory quality (percentile rank 2003–2013)



Source: World Bank 2015a

This fragile macro-economic situation is affecting economic governance and the effective regulatory functioning of the Caribbean, with serious downside effects for the private sector in terms of dealing with the (high) costs of government (Economist Intelligence Unit 2015). More importantly, with tax rates already (relatively) high (on average between 35 and 40 per cent) (CDB 2014; World Bank 2015b), and being perceived as one of the key constraints for doing business, the delicate and uncertain financial and fiscal climate reduces business confidence and, consequently, investment propensity, which has declined for more than a decade.

Building on the Caribbean case in point (see Box 6.1), and in terms of economic governance, analysis indicates that government effectiveness and governance (regulatory) systems experienced a gradual decline in quality between 2003 and 2013 (see Figure 6.10). While political and economic institutions have enjoyed relative stability and security and the judiciary has enjoyed independence, it is perceived that the quality of public services, policy formulation and implementation, and the credibility of the government's commitment to such policies, have declined in the Caribbean.

More specifically related to the private sector, perceptions of the commitment and ability of the government to formulate, and especially implement and execute, sound policies and regulations that protect property and investment rights, and promote and enable private sector development, worsened between 2003 and 2013 (see Figure 6.10).

Beyond the traditional complaints and constraints of government bureaucracy, private sector analysis indicates that many of these perceptions and challenges are due to a lack of communication, co-ordination and collaboration between (semi)public institutions and private sector institutions, in addition to the lack of (timely) execution and demonstrated effectiveness of past and present private sector

Box 6.1 Case In Point – Enabling business in the Caribbean

The high level of the government's indebtedness places limits on public sector goals, but it can also impact negatively on private sector development. One key limitation is in the area of public goods such as tourism marketing, business support, and other investments to support private sector development. Faced with budgetary constraints, the public sector's ability to spend money in these areas is limited.

Other limitations that may be partly due to high levels of public indebtedness include long delays in processing applications and overall bureaucratic inefficiencies, as well as the limited availability of support mechanisms. All of these factors have the potential to impose time and monetary costs on business activity. In addition, participants were of the view that the need to improve data availability and access to information was a priority area in relation to private sector development.

Development planning lacked any strategic long-term vision, and that the private sector needed to be given a greater voice in the development of programs and policies affecting it. Private sector stakeholders indicated that the government lacks an understanding of how the various segments of the private sector operate, and argued that the government's tax policy is detrimental to investment and growth in the private sector.

Source: IDB 2014b, 15

development programmes (IDB 2014a). The latter is a particular perennial challenge in the Caribbean, in which the quality and capacity for policy implementation remains underdeveloped. These classical failures of government and governance – including the lack of institutional capabilities, 'silo administrations', rent-seeking behaviours, ambiguous economic signals and stakeholders, and the politics of bureaucracy – are significant institutional challenges to building resilience and sustainable development (ECLAC 2012; Peterson 2012). The lack of execution thrust and executive trust, in addition to precarious public finances, has induced significant transactional inefficiencies and market uncertainties (discussed in the next section).

In summary, while there is no lack of policy 'ideation' and intentions to enable and promote private sector development, the Caribbean (still) struggles with classical 'institutional failures' and vulnerabilities: (the lack of) effective and efficient policy integration, policy inclusion and policy implementation. In moving forward on an 'innovation pathway', the Caribbean will have to – as a minimum – improve its institutional capabilities in terms of at least five related areas (see Table 6.3). These include the efficiency, quality, co-ordination and innovation of regulation, and trust-based relationships with the private sector.

Market conditions and challenges

The efficiency of markets and transactions is a primary mechanism for the effective functioning, integration and development of the private sector, i.e. for doing business.

Table 6.3 Summary of pillars, policies, programmes and parameters for private sector innovation pathways

Value(s)	Principles	Pillars (goals)	Policies (strategies)	Programmes (actions)	Parameters (average rates)
Resilience (efficiency-based)	Economic resilience and sustainability	Effective institutions	Building strong institutions	Improve macro-economic stability, debt management and fiscal prudence	+ 4% GDP/capita −5% reduction debt/GDP −1% deficit/GDP
Leadership	Public sector leadership	Trust and transparency (stability)		Improve institutional qualities, governance, legislation and policy implementation	+20% regulatory quality and efficiency +30% public–private partnerships −10% informal business (non-registrations/tax evasion) Develop renewable energy and electronic business legislation Improve competition policies and enforce environmental/ coastal zone conservation
				Improve knowledge-based labour market Develop human capital	+5% youth employment +5% diaspora acquisition and talent immigration +10% higher education enrolment +15% knowledge professionals (tertiary-educated workforce)
				Improve connectivity, reliability and efficiency of energy and technical Infrastructure	+1% national R&D/GDP +10% energy reliability +8% renewable energy adoption +20% ICT network connectivity

(*continued*)

Table 6.3 Summary of pillars, policies, programmes and parameters for private sector innovation pathways (*continued*)

Value(s)	Principles	Pillars (Goals)	Policies (Strategies)	Programmes (Actions)	Parameters (average rates %)
Resilience (innovation-based) **Leadership**	Industry productivity & market competitiveness Shared public–private leadership	Efficient integration Transactions and time (speed)	Enabling savvy enterprise	Improve market and transaction efficiencies Improve financial market sophistication	+20% funding/finance focus on small and medium-sexed enterprises (SMEs) in/ and emerging industries −2% start-up capital −25% time to start-up −30% time to export −15% custom clearance time SME customisation of financing programmes +20% diversified access to finance (credit, venture capital) −10% non-performing loans +20% macro prudential programmes
				Diversify export markets (Latin America and the Caribbean; inter- and intra-regional trade linkages and markets)	+3% trade/GDP +5% service export (services, ICT) +20% Latin America and Caribbean market export +20% funding/finance focus on knowledge-intensive business services
				Improve availability of professional/skilled workforce Invest in innovation skills Develop talent programmes	+15% science, technology and engineering professionals (science, technology, energy competencies) +20% entrepreneurship programmes in secondary and tertiary education +20% innovation professional workforce development +10% investment in university–industry research, innovation projects

(*continued*)

Table 6.3 Summary of pillars, policies, programmes and parameters for private sector innovation pathways (*continued*)

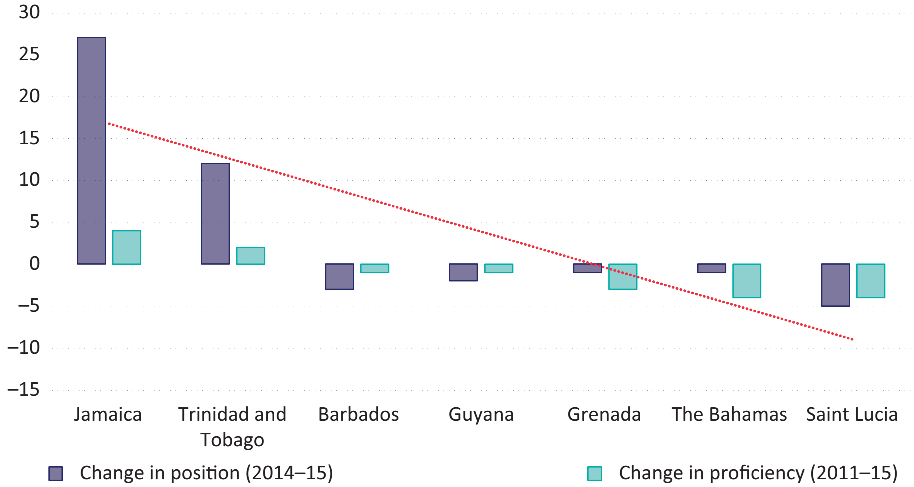
Value(s)	Principles	Pillars (Goals)	Policies (Strategies)	Programmes (Actions)	Parameters (average rates %)
Leadership	Enterprise innovation & business entrepreneurship Private sector leadership	Enterprising innovation Transformation and tenacity (sagacity)	Infusing smart innovation	Develop business ecosystems and value networking Target new/emerging industries and service sectors: – Eco-/green tourism – International business and financial services – Creative/ICT services – Energy/eco-services – Higher education and international business school consortia	+10% new business formation (emerging industries: creative services, energy, niche tourism, business services, ICT) +30% deepening and widening of online business transactions and electronic collaboration
				Business model innovation (also applicable to public services and government enterprises)	Value innovation and business architecture redesign +25% new business technology adoption +25% business quality and energy efficiency certification of businesses +30% service quality enhancement +25% formal and on-the-job training +20% online marketing and branding +10% direct exporting and exploration of new markets

(*continued*)

Table 6.3 Summary of pillars, policies, programmes and parameters for private sector innovation pathways (*continued*)

Value(s)	Principles	Pillars (Goals)	Policies (Strategies)	Programmes (Actions)	Parameters (average rates %)
				Leadership innovation and business entrepreneurship Focus on competencies for: creativity and creative thinking; communication and collaborative leadership; transformational and value-based leadership; ethics and (corporate) social responsibility; multidiscipline and cross-industry	+20% new business incubation centres (local and regional) +25% leadership innovation and entrepreneurship programmes +25% enrolment and engagement of (SME) leaders and managers in innovation programmes +25% participation and application for innovation funds

Figure 6.11 Doing business in the Caribbean, relative position and proficiency



Source: World Bank 2015a

As a corollary to the institutional context and conditions for enabling business, doing business focuses on (market) transaction cost efficiencies and effectiveness, including the costs of starting a business, getting credit, protecting property rights, taxes, trade and contractual costs (World Bank 2015b).

In general, analysis indicates that despite (industrial) policies and (economic) reforms to address market failures, conditions for doing business in the Caribbean remain inefficient and 'sticky'. While some conditions have improved for doing business – albeit at a slow pace – the general situation in the Caribbean remains inefficient and ineffective (see Figure 6.11). The situation is caused by classical 'market failures' and a core set of market conditions involving (the lack of) access to (financial and human) capital, and the (high) costs of (financial and human) capital (IDB 2014a; IMF 2013; World Bank 2015b).

Overall, the costs of (starting and doing) business are comparatively high, and availability and affordability of finance and credit remain low (see Table 6.2). Fewer than 20 per cent of (smaller) businesses in the Caribbean indicate that access to capital is not a constraint (Economist Intelligence Unit 2015). The general lack of access to capital is attributed to a complex confluence of conditions and challenges, including the (lack of) depth and breadth of existing financial markets (ECLAC 2012), in addition to increasing financial volatility and macro-prudential risks (IMF 2013). While the financial crisis and the costs of financial sector concentration were obvious in the balance sheets of some Caribbean financial institutions, and the collapse of a regional financial conglomerate, analysis indicates that challenges are also structurally rooted in the financial market and institutions.

Despite the relatively large and generally well-capitalised and stable conditions of financial markets – except for non-banking and national banking – in the Caribbean (IMF 2013), financial systems are underdeveloped, relatively unsophisticated and fragmented. This is coupled with insufficient supervision, in addition to their being highly dependent upon traditional institutions for financing (ECLAC 2012). Access to finance and the financial system in general is dominated by (local and offshore) banking, credit unions and insurance companies, with limited alternatives, which is consistent with the structural heterogeneity of small states in the Caribbean, in addition to being unresponsive to the diverse needs of predominantly small and micro-businesses (ECLAC 2012). Capital and investment markets remain relatively shallow and thin, with equity, debt, micro, venture and angel capital practically non-existent. It is therefore no surprise that most (small) businesses use internal (self-) financing or seek other (informal) means of financing.

This challenging financial situation is further exacerbated by relatively high interest rates and interest rate spreads, the need for high collateral, and the lack of credit bureaus and other financial (guarantee and collateral) mechanisms which are customised and geared specifically towards the diversity and intensity of microenterprises and small(er) businesses in the Caribbean. Over the past decade, development banks and other (regional and international) investment funds for development have played a significant role in financing for development. In addition, opportunities in terms of crowdfunding and financing by means of the diaspora are also being explored throughout the Caribbean, especially in light of the increasing importance of, and reliance on, remittances in financing development (IDB 2014b).

In general, contemporary Caribbean financial institutions do not seem to be capable of catering to the complex, specific and 'risky' needs of microenterprises and entrepreneurs. According to private sector stakeholders, particularly microenterprises and new business ventures, there is an insidious 'cultural' bias against financing innovation and development (see Box 6.2; IDB 2014b; Economist Intelligence Unit 2015). Persistent asymmetries in access to financing reinforce historical inequalities in terms of participation and productivity in external markets, thereby marginalising innovation and reinforcing the economic vulnerability of the private sector (ECLAC 2012). In summary, despite the size and stability of the financial sector, it is questionable whether small states can build resilience without addressing the commensurate resilience of financial systems in the Caribbean. Connected to this, diversifying financial instruments and services catering to MSE needs, new business ventures and emerging innovation ecosystems, and improving financial institutional capabilities in terms of regulatory quality and capabilities, are essential.

Beyond the (relatively high) costs and investment requirements of starting a business in the Caribbean, the high monetary costs of conducting business in the Caribbean are also influenced by relatively high tax and (trade) tariffs, in addition to operational (utility and personnel) costs.

In terms of utilities, access to and affordability of (reliable) energy/electricity remains a basic impediment for starting and doing business in the Caribbean. Energy costs, efficiency and reliability are a long-standing concern in the Caribbean. Analysis indicates that the Caribbean remains one of the most energy-costly and energy-unreliable regions, despite an abundance of natural energy sources and several national and regional calls for the adoption of green technologies and renewable

Box 6.2 Case in Point – Doing business in the Caribbean

… the banking sector is too liquid and does not provide enough lending to new businesses, thereby limiting investment and economic growth. The banking sector's response to this criticism has been to argue that banks assess risk and the availability of collateral (consisting exclusively of real estate) to make all their business-lending decisions, and that the result of this is that the portfolio of loans to the private sector is growing faster than the economy. The end result is that lending is expanding, but is not doing so quickly enough to satisfy demand for loans.

Commercial banks require up to 150 per cent collateral, and have cumbersome loan-application processes. This acts as a major constraint for small and medium-sized enterprises (SMEs). The regulatory system is biased towards the exclusive use of real estate as collateral, and the banking system offers only a limited supply of financial products such as leasing, factoring and the use of movable property as collateral.

… the length of time taken to obtain approval to develop land … can significantly delay the process. Indeed, it took 270 days on average to receive permission … . Furthermore, efficiency in granting import licences and operating licences could be improved. Private sector entities therefore require a significantly longer time to access these permits and licences. In addition, more than 15 per cent of all firms reported that tax administration was a major or very severe obstacle to doing business.

Source: IDB 2014b, 17

energy (CDB 2014), and this remains a key concern and cost of business in the Caribbean (see Table 6.2).

The economic opportunities and imperatives for doing business by transitioning towards renewable/reliable energy, improving operational (energy) efficiencies, diversifying into renewable energy and energy business services (including export), and 'talent management' (professional development and job creation) are thus promising and hold potential, particularly as less than 5 per cent of energy generated is currently renewable (see Table 6.1) and less than 20 per cent of the private sector is energy efficient (see Table 6.2).

Likewise, access to human capital and acquiring skilled professionals are considered significant costs of doing business in the Caribbean, and confirm the previously identified trend in 'talent migration'. Despite significant investments in tourism, trade (vocational) and technical training, private sector stakeholders indicate that young professionals lack the required (social-entrepreneurial) skills and business competencies. Regional analysis indicates that well over one-third of the private sector perceives the lack of a skilled workforce as a structural challenge for business development and innovation (see Table 6.2). The systemic transformation of education for youth employability and entrepreneurship are deemed essential for building resilience of small states towards the Caribbean 2050.

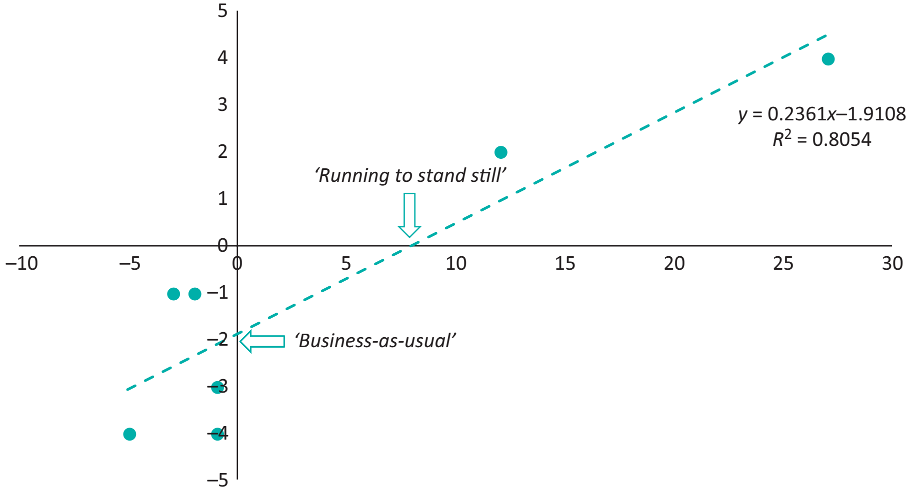
Beyond monetary costs, the conditions for doing business in the Caribbean are also significantly determined by procedural costs associated with the complexity and time required to enterprise and conduct business. In addition to market uncertainties, these procedural inefficiencies are a significant contributor to the lack of productivity and competitiveness of the private sector.

Procedural inefficiencies describe the (considerable) number of different procedures (individual permits, separate documents) that need to be completed and submitted (across different institutions), and the amount of time spent on these procedures, covering taxes, utility, trade/customs, starting business and acquiring (qualified) human resources (World Bank 2015b). This confirms the experience of declining regulatory efficiencies and qualities in the Caribbean, and emphasises the relevance and requisite need for regulatory efficiency, integration and (inter-)institutional innovation (especially in terms of competence, communication and co-ordination), within and across multiple (public and private) institutions.

Time and 'timing' are a recurrent theme in the conditions for enabling and doing business, and have a profound effect on private sector functioning and development. Analysis indicates, however, that the Caribbean may well find itself 'running to stand still' when it comes to improving market conditions for doing business (see Figure 6.12). In effect, despite improving percentile performance in terms of market efficiency and transactional proficiency, the Caribbean private sector is still losing (relative) market competitiveness and international positioning in terms of doing business (IDB 2014a; IMF 2013). While the Caribbean has improved certain conditions for doing business, improvements and changes took almost a decade to crystallise.

Thus, even if the Caribbean is changing and improving incrementally, the depth and breadth of innovation are not fast and flexible enough to remain competitive. The current hypercompetitive business environment and emerging digital ecosystems

Figure 6.12 Proactive and parallel innovation pathways, correlation of proficiency and position (2015)



put a premium on agility and the speed of innovation (Peterson 2015). Small states will need to transform themselves at an increasingly rapid pace if they are to build resilience. This capability to transform systemically is reflected in an internal capacity to respond creatively to changes and shocks *with speed and resilience* (Demas 1980).

In summary, in terms of micro-economic(market) efficiency, the Caribbean remains fragile, and has not improved significantly over the past decade, consequently reducing its (efficiency-based) economic resilience. With deteriorating (macro-) socio-economic and institutional conditions, compounded by weakening (micro-) economic and market conditions, the overall net effect on economic resilience is negative, putting the Caribbean in 'double jeopardy'. The combination of weak institutional capabilities, inefficient market conditions and static (non-dynamic) enterprise models accounts for more than 60 per cent of reasons behind the enduring economic stagnation in Caribbean small states.

To remain economically competitive, improvements in doing business are increasingly required; dynamic resilience, and the requisite agility and nimbleness of creating conditions for enabling and doing business, are thus imperative. Beyond transactional quality improvements in doing business, the time and timing of these improvements emphasises the sagacity of execution for building the (economic) resilience of the Caribbean private sector.

The future of private sector innovation will thus depend not only on 'doing the right things' and 'doing things right', but more importantly on 'doing the right things *swiftly*'. Under a 'business-as-usual' scenario, with no significant improvement and systemic change in institutional and market conditions, the private sector will regress by default and continue to lose competitiveness (see Figure 6.12).

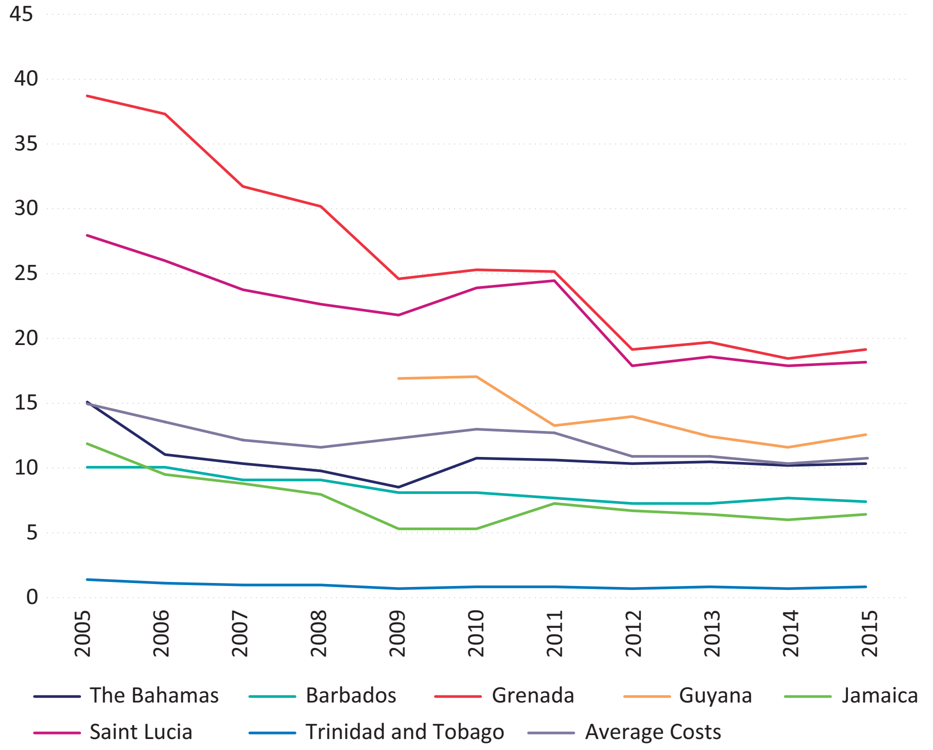
More importantly, analysis indicates that, while the costs of starting a business have gradually declined in the Caribbean in recent years (see Figure 6.13), the overall rate of innovation and new business formation has not changed and remains stagnant (see Figure 6.14). While the financial crisis and the slow recovery have dampened access to finance and new business ventures, research suggests that even if (hypothetically) financing were more easily and efficiently accessible, and there were no significant costs incurred in starting a new business, entrepreneurship would still remain below par and stagnant (see Figure 6.15). It thus seems that there are other, deeper, factors at play in the private sector, beyond the conditions for doing business.

Innovating conditions and challenges

Economic stability and efficiency are necessary conditions for enabling and doing business. The quality and qualities of (state) institutions and (market) integration are essential in developing and achieving (efficiency-based) economic resilience.

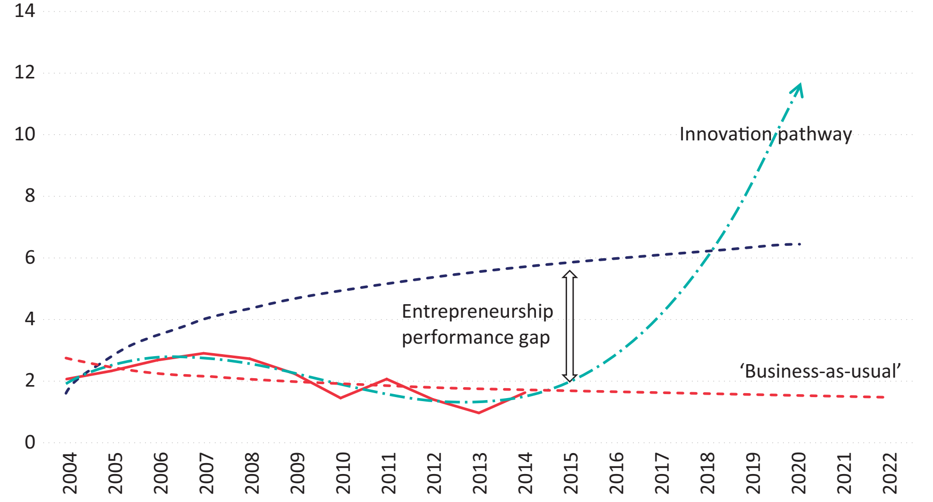
However, in the light of past and present economic stagnation and considering contemporary hypercompetitive and future disruptive environments, traditional industrial and competitiveness policies fall short, as innovation remains enigmatic, inequalities endure, and inclusive growth and ecological conservation are elusive (CDB 2014; ECLAC 2012).

Figure 6.13 Decline in costs of start-up procedures (% GNI/capita)



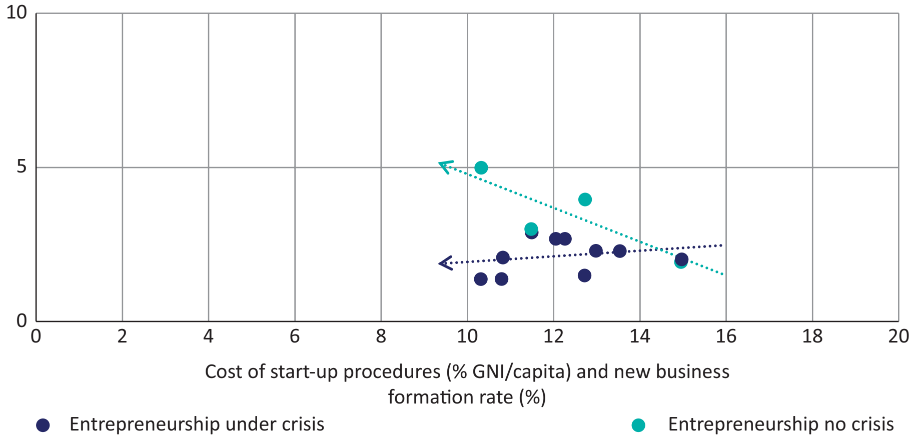
Source: World Bank 2015a

Figure 6.14 New business formation rate (% of total business population)



Source: World Bank 2015a

Figure 6.15 Hypothetical relationship between costs of start-up and new business formation under two scenarios of 'crisis' and 'no crisis'



Source: World Bank 2015a

Although the requirements and conditions for macro-economic stability and micro-economicefficiency are important and are ripe for improvement, they are not sufficient for realising a vision of sustainable innovation, inclusiveness and competitiveness for the future of the Caribbean. Premised on assumptions of static equilibrium and efficiency, economic resilience thus remains transient, if not extended and complemented by continuous, creative and 'deep' innovation within and across private sectors and business ecosystems (Peterson 2012).

Envisioning a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, and persevering along the (present) path of macro- and micro-economicefficiency improvements and (policy and market) reforms, are necessary. However, these strategies are neither sufficient nor sustainable if the Caribbean is to realise its potential and build innovation resilience for the Caribbean 2050.

While the need for national innovation, research and development, and national innovation systems is well recognised in the Caribbean (IDB 2013), past and present innovation policies and competitiveness programmes have been 'biased' towards promoting and creating conditions for 'doing business', without equal (concerted) attention and resources towards 'innovating business', i.e. business innovation and the creation of new (digital) businesses and business ecosystems (Peterson 2015). This requires an intimate and deep understanding of the dynamics and intricacies of enterprising under challenging conditions. According to private sector insights, too often this intimate understanding of innovation intricacies in small enterprise is lacking in public sector institutions and policies.

In assessing private sector development in the Caribbean, and evaluating current and future challenges for developing a competitively creative enterprising Caribbean, the Caribbean Development Bank (CDB 2014) indeed concludes that there is a need for greater focus on innovation, quality, marketing and technology within the Caribbean small business sector. In essence, while (external) conditions for doing business require significant improvements, equally if not more important is the development of (internal) capabilities for business innovation and entrepreneurship. The two must go in tandem if the private sector is to lead and contribute to building resilience in small states.

Business innovation and new business formation are essential for sustainable economic development and inclusive growth, as they provide the main impetus for higher value-added services, job creation and professional employment. While the Caribbean is cognisant of this, analysis indicates that, over the past decade, several new services have emerged; yet these remain relatively embryonic and peripheral in comparison with established (traditional) service industries (which, according to young entrepreneurs, enjoy preferential treatment by political and financial institutions due to seniority and stability). These new services include:

- niche tourism (eco-tourism, wellness tourism);
- energy and eco-services (alternative and renewable energy technologies, and related services);
- high-tech/ICT and specialised technical/management training (higher education, edu-business);
- international business, specialised financial and creative services (business support services, marketing and social media); and
- agriculture and agro-processing.

The emerging service sectors and high-growth enterprises signify a new knowledge-intense specialisation within the Caribbean service economies. Although still embryonic, these specialised services hold great potential for Caribbean private sector innovation (see Box 6.3; IDB 2014b; Economist Intelligence Unit 2015), as they represent advanced, knowledge-driven, ecologically sensible, value-added services.

While estimates are that these emerging knowledge-intense services are less than one-fifth of current economic value added, there is certainly innovation potential in the Caribbean to build the resilience of small states. Analysis indicates that, while the potential and prospects for innovation and entrepreneurship are tacitly present in the Caribbean (GEM 2014), their fruition and realisation have lingered and lagged for well over a decade, and under conditions of 'business-as-usual' will continue to decline (see Figure 6.14).

The question and quest is thus how to incubate and accelerate this nascent capacity of (private sector) innovation and entrepreneurship toward creative enterprise and building resilience. Plotting this innovation pathway towards enabling and cultivating these emerging business eco-systems is key to realising a dynamically enterprising private sector for sustainable innovation, inclusiveness and competitiveness. In this regard, enabling and fostering youth entrepreneurship and youth engagement in business innovation will be of prime importance to building resilience. Without the

Box 6.3 Case in Point – Innovating business in the Caribbean

… the incentive framework is such that companies tend not to invest adequately. As a result of this underinvestment, companies do not modernise, and practices … have not changed significantly for many years. They use obsolete technologies, and they are frequently responsible for significant environmental damage, including water pollution. This is an issue that needs to be addressed, as the enforcement of laws and regulations is weak.

… there is a group of local companies that have developed the capacity to provide high value-added goods and services to the energy sector, both domestically and abroad. These companies offer the potential for long-term economic growth, but this will depend on their continued specialisation and expansion abroad.

Companies … have access to technological platforms that can enhance the efficiency of their enterprises. However, corporate investment in innovation lags significantly behind investment in technology. Given the importance of services in the domestic economy, this could suggest that R&D expenditure may not accurately capture the extent to which firms are innovating. However, the low level of R&D expenditure reflects the dependence of local firms on the domestic market.

Source: IDB 2014b, 3

entrepreneurial involvement and creative engagement of Caribbean youth today, tomorrow's sustainability remains elusive.

Furthermore, in light of intersectoral linkages and (horizontal) value networking opportunities between these emerging advanced services, supporting and developing (regional) business clusters and cultivating emerging business ecosystems is imperative to building the (innovation) resilience of small states. Currently, these emerging advanced service sectors remain relatively fragmented (across value networks and value chains), and current (institutional and financial) conditions for enabling and doing business remain biased against and unresponsive to the specialities of these 'savvy ecosystems' (see Box 6.4; Economist Intelligence Unit 2015; CDB 2014). Supporting innovation and entrepreneurship should not, however, focus solely on facilitating and financing individual (high-tech) start-ups, but more importantly cultivate and create an integrated ecosystem for enabling business innovation. The former 'venture model' has proved to be ineffective and inefficient, and is often conducive to further fragmentation (Peterson 2015).

Using an *innovation-based* economic resilience index (the Innovation Resilience Index, IRI), and reflecting on the (average) 'standardised business model' of Caribbean enterprise (see section 6.2.1; Table 6.2), industry-level assessment suggests strong innovation inertia in the Caribbean private sector. The IRI (Peterson 2012) is an innovation composite index that captures private sector/industry innovation, and is based on available World Bank Enterprise Survey data (World Bank 2015b).

Box 6.4 Case in Point – Innovating 'green' business in the Caribbean

Despite development and diffusion of national 'green policies' and multiple regional (investment and development) programmes across the Caribbean, and, in spite of the potential benefits related to the development of 'green energy' such as increased energy security and the potential for sustainability, there remain a number of challenges to adoption which so far have led to relatively slow innovation – less than 5 per cent of total energy generation – in the Caribbean. These barriers include (CDB 2014):

- absence of legislation, regulatory institutions and instruments; and lack of consistent and coherent policies;
- inadequate financing/high levels of public sector indebtedness; and high initial capital costs;
- infrastructural and technical limitations; and economy of scale limitations;
- limited R&D resources; and inadequate availability of skills.

> *A significant barrier to 'greening' the small hotel business is the lack of access to loans from banks at an attractive interest rate. It is somewhat disappointing that although many hotels had energy audits undertaken, none of the recommendations so far have been implemented. This appeared to be due to the cost of implementation. Even if significant long-term savings could be demonstrated, hotels preferred not to invest due to upfront cost. The problem was a matter of the mindsets of those at the hotels in not looking beyond financial impacts. The desire to safeguard profits and returns in the short run was seen as posing a significant barrier to green investments and green innovation.*

Source: CDB 2014, 47

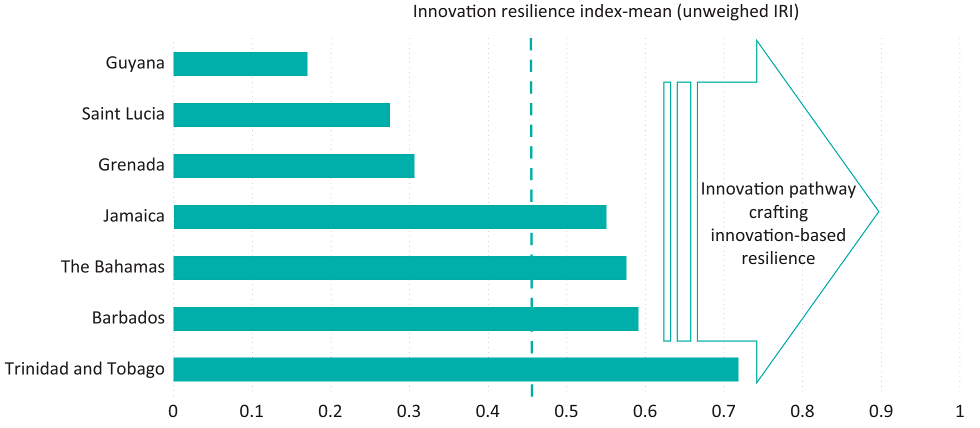
The IRI is calculated based on the (standardised and simple) average of seven dimensions and indicators: business innovation, management innovation, technology innovation, process innovation, market innovation, network innovation and service innovation. Collectively, these indicators capture innovation resilience.

Beyond the lagging rate of new business formation, business model innovation is not a distinguishing feature of the (contemporary) Caribbean private sector landscape. While the Caribbean shows some variety in (country-specific) innovation-based economic resilience (see Figure 6.16), overall the Caribbean lags in innovating business (see Figure 6.17).

More specifically in terms of innovation resilience, it lags significantly in the areas of:

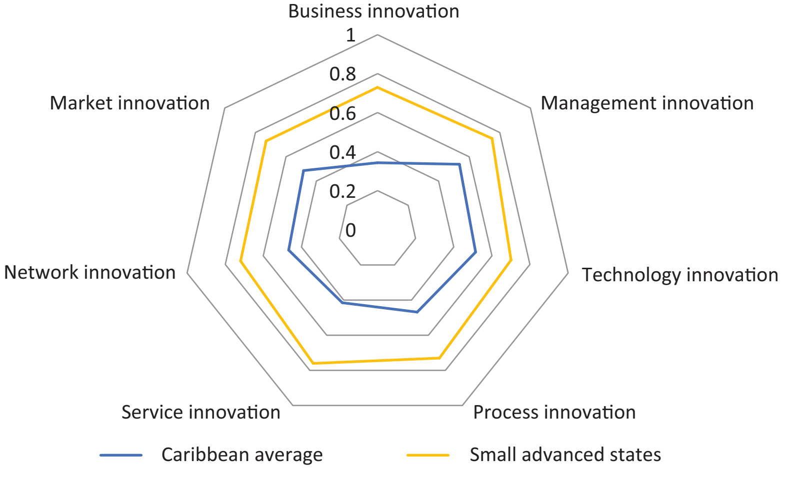
- technology innovation (on average, 10 per cent);
- market innovation (on average, 15 per cent);

Figure 6.16 Innovation-based economic resilience in Caribbean small states



Source: World Bank 2015b

Figure 6.17 Dimensions and Caribbean scores for innovation-based economic resilience (2014)



Source: World Bank 2015b

- process innovation (on average, 20 per cent);
- network innovation (on average, 20 per cent); and
- service innovation (on average, 30 per cent).

In summary, the results confirm recent findings from the Compete Caribbean programme (Economist Intelligence Unit 2015), and indicate a lack of innovative business models and dynamic business ecosystems, in addition to lagging transformative leadership and innovation management. This analysis confirms previous findings of a relatively undifferentiated, static and unsophisticated Caribbean business environment and enterprise models (see section 6.2.1).

In moving forward, there is a clear and present need to develop transformative leadership capabilities and entrepreneurial competencies with and within the private sector. After 20 years of doing business as always, the future competitiveness of the Caribbean will depend squarely on infusing innovation and entrepreneurship within national and regional business ecosystems.

While previous national and regional policies and investment programmes have focused intensively on stimulating and supporting microenterprising and small businesses (Economist Intelligence Unit 2015), in particular new business ventures and existing productive sectors, these initiatives have proved inefficient and ineffective in light of several factors. These factors include, among others, assumptions underlying past industrial policies and market reforms, deficits in institutional capabilities, the lack of proactive engagement by the private sector, and the lack of ecosystemic (inclusive and integrated) strategies and policies (ECLAC 2012; IDB 2013, 2014b; IMF 2013).

Merely focusing on business ventures or small business clusters (either vertically or horizontally), without inclusion, involvement and incorporation of other public (e.g. educational) or private (e.g. financial) institutions and stakeholders, will not suffice – regardless of available or affordable capital – in developing entrepreneurial ecosystems and building the requisite economic resilience of small states for the future (OECD 2014). As previously noted, while the right (market) conditions for doing business need to be created, equal dedication and effort is required in leading and managing enterprise innovation, which is first and foremost a prerogative of the private sector.

In similar fashion, merely focusing on developing (basic) human capital, while necessary, will not be sufficient. Systemic transformation and hereto building resilience of small states toward the Caribbean 2050 will depend squarely on developing the 'creative capital' and entrepreneurial competencies of a new generation of leaders for enterprising. These new competencies emphasise and encompass creativity and creative thinking; (cross-cultural) communication and collaborative leadership; transformational and value-based leadership; and ethics and (corporate) social responsibility.

These required competencies for innovating and building resilience in the Caribbean of the twenty-first century necessitate structural rethinking and redesign of educational systems and developmental values. Moving beyond vocational education and technical training programmes, educational and other institutions for professional and entrepreneurial development should identify, integrate and incubate these and other relevant competencies in their programmes for innovation and development. Like building resilience in the financial sector, the (public and private) educational sector in the Caribbean requires due resilience to adapt to and align itself with the evolving innovation demands of the contemporary microenterprise private sector.

Establishing and fostering networks and linkages between and among educational, financial and established/emerging business ecosystems is imperative. In this regard, the private sector should be a key partner in the development and execution of these programmes – by means of, for example, public–private partnerships, management traineeships, entrepreneurial internships, service learning and leadership, and (digital) incubation centres, which are connected to centres of learning, development and innovation (Peterson 2015).

6.2.3 Moving forward with resilience

While persevering along the (present) path of macro- and micro-economicefficiency improvements and (policy and market) reforms is necessary, yet it is not sufficient in order to shift from recovery to resilience, to transform from stability to sustainability, and to realise the vision of a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness.

The decline in economic development across the Caribbean, and the loss of competitiveness, are attributed not to a lack of capital or labour (these are necessary, but insufficient), but to a lack of systemic transformation. Once the traditional factors of production are reinterpreted as 'know-why' and 'know-how', the key to unlocking economic resilience is the growth of (*shared*) intellectual capacity, imagination and creativity. Economic resilience in the Caribbean will require sustained and continuously developing existing resources and assets, and creating new assets and capabilities, either in search of new opportunities or in response to rapidly changing market conditions. Both innovation capabilities are urgently required in the Caribbean.

More than simply improving the conditions for enabling and doing business, the future of private sector enterprise will increasingly and urgently (need to) focus on innovation and the development of dynamic capabilities and strategic flexibility to compete and sustain competitiveness. Strategic flexibility underscores the agility and ability to act in an integrated manner to unforeseen changes, and is a critical element in building the (dynamic) resilience of small states, particularly in microenterprises and small(er) business that constitute the foundation of the Caribbean private sector.

Beyond a metaphor, the scenario and strategy of 'business-as-usual' is certain to lead to the further decline and deterioration of the Caribbean private sector. Without the requisite dynamic resilience to innovate and transform, the future of Caribbean private sector development seems quite certain: disrupt or be disrupted.

Beyond the specific and individual challenges of small states in the Caribbean, regional institutional efforts should be geared at collaboratively (re-) building and realising both efficient and dynamic resilience in a concerted manner. Convergence in innovation pathways is quintessential for transforming Caribbean futures. This will require (at the least) committed, concerted and consistent attention and actions, by both public and private sectors and stakeholders across the Caribbean.

The systemic transformation of Caribbean economies, embedding (local, national and regional) innovation, is based on *parallel* pathways for Caribbean private sector innovation, and emphasises (regardless of state-specific visions and policies) the need for policy-driven innovation, in partnership with the private sector, based on proactive strategies and performance improvements.

The parallel innovation pathways describe three general (Caribbean) strategies for private sector innovation, focusing on:

A. **Strong institutions to build trust (and thrust) and transparency**: Strengthening institutions focuses on improving the conditions for enabling business, and includes economic governance and economic stability. The emphasis is on institutional (regulatory) quality, efficiency and (regulatory and relational) co-ordination.

B. **Savvy enterprise for efficient transactions and flexible transformation**: Stimulating markets and enabling (emerging) industries focuses on improving competences for doing (new) business, and includes (financial and service) market efficiency, (financial, service and labour) market sophistication and (regional and international trade) market orientation. The emphasis is on improving (the efficiency and flexibility of) access, availability and affordability of capital (financial, human, and markets).

C. **Smart innovation for talent development and leadership tenacity**: Energising smart innovation focuses on invigorating and realising the entrepreneurial potential and innovation performance of (new) business model innovation, and cultivating innovative business and entrepreneurial ecosystems. The emphasis is on nurturing a (new) culture of sustainable innovation, creative capital and entrepreneurial leadership for dynamic resilience.

In pursuing systemic transformation and pathways to innovation, we should not lose sight of local contexts and small (business) state environments. In true entrepreneurial fashion, focus on the pathways should be complemented by flexibility towards sociopolitical conditions and state-specific needs.

In the light of the 'idiosyncrasy' and 'stage-dependency' of building the resilience of small states, the private sector innovation pathways provide a framework to specifying and strategising small state- and economic stage-specific policies and programmes for private sector innovation and economic development (see Figure 6.18).

While the depth and breadth of innovation pathways will vary across constituents and contexts, it is essential that the private sector and its representative stakeholders be directly engaged in the development and execution of new policies and programmes geared towards innovation. Consistent with an ecosystemic philosophy, and regardless of the (specific) national goals and focus of the chosen vision and strategy for economic development, the collaborative partnership and trust between public and private sectors is a condition *sine qua non* for realising a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness. In this regard, the following basic conditions for strategising and succeeding at building resilience for the future of the Caribbean are:

- **Engagement and empowerment**: The private sector (nationally and regionally) and its many (dispersed) sectors, industries, associations and representations need to

Figure 6.18 Private sector development in small states of the Caribbean: pathways for Innovation

The Bahamas
- Fiscal reform
- Labour market reform for flexibility
- Workforce development (advanced service and technical/ICT skills)
- Youth employability (vocational and professional training)
- Entrepreneurship programmes
- Tourism diversification (source markets)
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Target SMEs and innovation growth business
- Streamline and digitise government services
- Financial credit information system
- Customs and logistics professionalisation
- Promote trade/export of high-end/knowledge-intensive services (Latin American markets)
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Support ecosystem innovation

Barbados
- Fiscal reform
- Labour market reform for flexibility
- Workforce development (advanced service and technical/ICT skills)
- Entrepreneurship programmes
- Tourism diversification (source markets)
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Investment Bank geared towards financing and supporting new business ventures and high-growth companies
- Target SMEs and innovation growth business
- Streamline and simplify tax administration
- Promote trade/export of high-end/knowledge-intensive services (Latin American markets)
- Customs and logistics professionalisation
- National Economic Innovation Platform (public and private sector)
- Support ecosystem innovation

Grenada
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Fiscal reform
- Labour market reform for flexibility
- Access to capital by credit bureaus and collateral registries
- Workforce development (advanced service and technical/ICT skills)
- Youth employability (vocational and professional training)
- Tourism diversification (products and source markets)
- Target SMEs and innovation growth business
- Streamline and simplify tax administration
- Entrepreneurship programmes
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Support ecosystem innovation

Guyana
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Fiscal reform
- Reform governance and improve regulatory quality
- Strengthen and secure property rights
- Stimulate adoption and usage of sustainable (non-extractive) technologies and production processes
- Workforce development (advanced service and technical/ICT skills)
- Entrepreneurship programmes
- Access to capital by credit bureaus and collateral registries
- Strengthen and diversify banking sector
- Labour market reform for flexibility
- Tourism development (eco-tourism)
- Customs and logistics professionalisation
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Target SMEs and innovation growth business

Jamaica
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Fiscal reform
- Reform governance and improve regulatory quality
- Streamline and simplify tax administration
- Customs and logistics professionalisation
- Workforce development (advanced service and technical/ICT skills)
- Youth employability (vocational and professional training)
- Entrepreneurship programmes
- Tourism diversification (products and source markets)
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Target SMEs and innovation growth business
- Streamline and digitise government services
- Support ecosystem innovation

Saint Lucia
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Fiscal reform
- Labour market reform for flexibility
- Access to capital by credit bureaus and collateral registries
- Workforce development (advanced service and technical/ICT skills)
- Youth employability (vocation and professional training)
- Tourism diversification (products and source markets)
- Target SMEs and innovation growth business
- Streamline and simplify tax administration
- Customs and logistics professionalisation
- Entrepreneurship programmes
- Renewable energy infrastructure innovation
- Economic diversification into knowledge-intensive business services
- Support ecosystem innovation

Trinidad and Tobago
- Private–public partnerships for economic development
- National Economic Innovation Platform (public and private sector)
- Reform governance and improve regulatory quality
- Environmental regulation
- Financial sector diversification and regulation
- Labour market reform for flexibility
- Workforce development (advanced service and technical/ICT skills)
- Youth employability (vocational and professional training)
- Entrepreneurship programmes
- Renewable energy services innovation
- Economic diversification into knowledge-intensive business services
- Support ecosystem innovation

Sources: World Bank 2015b; Economist Intelligence Unit 2015; stakeholder interviews and private sector consultations (personal communications, 15 April to 10 May 2015).

take on a leadership role and responsibility towards sustainability. Corresponding to this, the engagement and empowerment of the private sector, industries and enterprises is imperative. In light of the SME intensity and innovation potential of emerging industries, it is recommended to target microenterprise clusters, and focus on small innovation business ecosystems. In addition, financial institutions and other alternative credit-providing agencies, as well as educational and training institutions, need to be involved more intimately in the pathway towards innovation.

- **Incubation and acceleration**: The incubation of smart innovation and the acceleration of sustainability innovation (economically, socially and ecologically) are essential processes in the creation, cultivation and commercialisation of innovative products and services throughout the Caribbean. It is therefore recommended that (more) targeted and dedicated attention and resources be invested in (regional and national systems) for entrepreneurial leadership and 'talent incubation and commercialisation'. This includes developing educational, enterprise and entrepreneurship capabilities and competencies for management innovation, service innovation, process innovation, technology innovation, market innovation and network innovation. The aim is to stimulate and accelerate the development of (new) business model innovation and innovation ecosystems, and captivate and cultivate a culture of imagination and creative entrepreneurship.
- **Co-ordination and collaboration**: Within and across both public and private sectors there is a greater need for co-ordination and collaboration, which will intensify in the decades to come, in the light of increased uncertainties and vulnerabilities. Support and (financial and non-financial) resources should be focused on activities and assets that facilitate and foster co-ordinativon and establish networks and strategic partnerships that enable quality communication, efficient co-ordination, trust-based collaboration and a structured approach for (national and regional) learning from innovation experiences (particularly as the pathway towards innovation for 2050 remains uncertain and ambiguous).
- **Integration and implementation**: There is no void of vision or paucity of policy in the Caribbean. However, integration and (efficient and effective) implementation are critical areas for institutional improvement and capacity building. Considering that (regional and international) environments are becoming more dynamic (disruptive) and demanding in terms of responsiveness, agile execution becomes a key parameter for the success of sustainability and the resilience of small states in the Caribbean. In addition, co-ordination in execution becomes a second critical parameter for building resilience. Regarding this, the development and improvement of management execution capabilities is essential.
- **Evolution and evaluation**: Dynamic environments require dynamic institutions and industries. Consequently, the evolution of (current and future) national policies, regional programmes and regulatory reforms is essential. In relation to this, it is recommended that, regardless of the depth and breadth of existing

national and regional policies and plans for 'Innovation 2030', a 'Caribbean 2020 assessment' be conducted, and regular monitoring and measuring of implementation, improvement and innovation be(come) a new 'business-as-usual'. Subsequently, an integrated digital information and 'Caribbean innovation intelligence' system is imperative.

In conclusion, envisioning a creative and enterprising private sector that is geared towards sustainable innovation, inclusiveness, competitiveness and innovation-based resilience needs a systemic transformation of the Caribbean. This requires shared governance and innovation leadership by both the public and private sectors in developing a sustainable, enterprising society of innovation and inclusion. Such a transformation is built on proactive and parallel innovation pathways to develop strong institutions for enabling business, savvy enterprise for doing business and smart innovation for transforming business.

6.3 Conclusion

It is a truism that building the resilience of small states is imperative for Vision 2050. Envisioning a creative and enterprising private sector for sustainable innovation, inclusiveness and competitiveness, and given the status of small state Caribbean economies and private sector developments and demands, it is clear that a scenario and strategy of 'business-as-usual' is no longer a viable option or a sustainable proposition. If 2005 was a 'time to choose' (World Bank 2005), then 2015 was a 'time to act' … imaginatively, inclusively, intelligently and innovatively. Reflecting on the systemic vulnerability and structural challenges of the Caribbean, building the resilience of small states is no longer a luxury, but a clear and present necessity in which the status quo needs to be challenged and changed.

Like creative architects, Caribbean small states need to purposefully and imaginatively conceptualise and cocreate a new landscape, and creatively destroy old architectures and frames of reference. Charting a new pathway and crafting resilience are thus not questioned or questionable. More importantly, at both the international and regional, as well as the national and local, levels we need a new discourse and dynamic models and mentalities for building the resilience of small states. If we are to build the future of small states for the Caribbean by 2050, then we can no longer rely on paradigms, polices and parameters for 'bouncing back', i.e. restore, recover and/or reform; *ipso facto* we will need to explore and build new resiliency models, modalities and mechanisms for 'bouncing forward' towards structural change and systemic transformation.

If we are to realise our shared vision of a globally competitive and regionally enterprising private sector, in building the resilience of small states for the Caribbean 2050, then we can no longer separate enterprise from entrepreneurship, for both are synonymous to thriving economies. We should no longer pursue passive policies, antagonistic 'public versus private' positions, and obtrusive procrastinations. If we are to build the resilience of small states for the Caribbean 2050, then we should no longer disconnect the economy from ecology, for, without the latter, the former simply ceases to function and exist. If we are indeed to realise our vision for the future of the Caribbean, then we need to think and act passionately, proactively and purposefully in creating that desired future, and transform ourselves in a systemic fashion to benefit the future of Caribbean generations. In this generation we must go forward, resiliently.

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