



Investing Back Home: The Potential Economic Role of the Caribbean Diaspora



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Acronyms and Abbreviations

AFI	Approved Financial Institution
BoP	Bottom of the Pyramid
BP	British Petroleum
BPO	Business Process Outsourcing
BSE	Barbados Stock Exchange
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CBI	Citizenship By Investment
CDB	Caribbean Development Bank
CDC	Commonwealth Development Corp.
CEO	Chief Executive Officer
CIBC	Canadian Imperial Bank of Commerce
CIF	Caribbean Investment Fund
CIM	Caribbean Idea Marketplace
CMIP	Caribbean Mobile Innovation Project
CORFO	Chilean Economic Development Agency
DBJ	Development Bank of Jamaica
DCI	Development Corporation of Israel
DFATD/EPIC	Department of Foreign Affairs, Trade and Development/Entrepreneurship Program for Innovation in the Caribbean (Canada)
DFI	Development Finance Institution
DFID	Department for International Development
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECLAC	Economic Commission for Latin America and the Caribbean
ECSE	Eastern Caribbean Stock Exchange
EFF	Extended Fund Facility
EGFL	Enterprise Growth Fund Ltd
ELP	English Limited Partnership
EMDE	Emerging Markets and Developing Economies
EPIC	Entrepreneurship Program for Innovation in the Caribbean
FAJ	First Angels Jamaica
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FDI	Foreign Direct Investment
FI	Financial Institution

FY	Fiscal Year
GDP	Gross Domestic Product
GHL	Guardian Holdings Limited
GP	General Partner
HNW	High Net Worth
IABD	Inter-American Development Bank
IBC	International Business Company
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
infoDev	Information for Development Program
IOM	Institute of Migration
IPO	Initial Public Offering
IPP	Independent Power Producer
IRC	Incubator and Resource Center
IRR	Internal Rate of Return
IT	Information Technology
JAMPRO	Jamaican Promotions Corporation
JBDC	Jamaica Business Development Center
JDI	Jamaica Diaspora Institute
JM	Junior Market
JN	Jamaica National Building Society
JSE	Jamaica Stock Exchange
JVCP	Jamaica Venture Capital Program
JVF	Jamaica Venture Fund
LAC	Latin America and the Caribbean
LAVCA	Latin America Venture Capital Association
LNG	Liquefied Natural Gas
LP	Limited Partner
MBSS	Mona Business Support Services
MIF	Multilateral Investment Fund of the IADB
MoFA	Minister of Foreign Affairs
MPI	Migration Policy Institute
MSME	Micro, Small, and Medium Enterprises
NBFI	Nonbank Financial Institution
NPL	Nonperforming Loan
OECS	Organization of Eastern Caribbean States
OFC	Offshore Financial Center
OM	Offering Memorandum

PAJ	Port Authority of Jamaica
PE	Private Equity
PFIC	Passive Foreign Investment Company
PPP	Public Private Partnership
RBC	Royal Bank of Canada
REIPPPP	Renewable Energy IPP Procurement Process
RFP	Request For Proposal
RIB	Resurgent India Bonds
SEAF	Small Enterprise Assistance Fund
SEC	Securities and Exchange Commission
SIDF	Sugar Investment Diversification Fund
SIF	Strategic Investment Fund
SLDB	St. Lucia Development Bank
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SPV	Special Purpose Vehicle
SUJ	Start-Up Jamaica
SWF	Sovereign Wealth Fund
TA	Technical Assistance
THA	Tobago House of Assembly
TRIPS	Trade Related Aspects of Intellectual Property Rights
TTFZ	Trinidad and Tobago Free Zones Company
TTIFC	Trinidad and Tobago International Financial Center
TTSE	Trinidad and Tobago Stock Exchange
TTSEC	Trinidad and Tobago Securities and Exchange Commission
UNDP	United Nations Development Programme
UWI	University of the West Indies
VC	Venture Capital
VF	Venture Fund
WTO	World Trade Organization

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Executive Summary

This study was initiated as a result of interest expressed by Caribbean Governors attending the 2014 World Bank–International Monetary Fund Annual Meetings to tap into the regional Diaspora investor community to fund investment needs across the region. The overall development objective of the study is to formulate options that can help mobilize Diaspora capital in the form of private investment in productive investable assets, including start-ups and other business enterprises, social infrastructure (e.g., schools, hospitals), physical infrastructure (e.g., energy, transport, water), and public market (i.e., liquid) investments. Diaspora-sourced investment flow into these types of productive assets can ultimately serve to spur economic growth and job creation, which is a clear imperative in this region. The survey also builds on the promising conclusions of the 2013 Information for Development Program (infoDev) survey, which identified the potential demand for such investments within the global Caribbean Diaspora.

This document encompasses a broad survey of 14 countries in the Caribbean as well as an in-depth analysis of four countries in particular (Barbados, Jamaica, St. Lucia, and Trinidad and Tobago), whose macroeconomic overview can be found in the table below. The team visited these four countries as part of a mission in April and May 2015 in addition to conducting extensive desk research on the region as a whole. There are clear differences among the countries that comprise the broader group of Caribbean states, much as there are differences among the subset of four countries. Irrespective, the countries in the region face a number of challenges: The region as a whole faces low growth, persistent unemployment, and climatological exposure. Many Caribbean nations must also contend with high levels of indebtedness and structural fiscal imbalances that constrain government investment. As a result of these myriad factors, much needed investment, whether in the form of funding for

small and medium enterprises (SMEs) or for large infrastructure projects, remains elusive.

Despite these headwinds, the region also enjoys some inherent strengths, including a largely untapped resource: Given high levels of migration over the last 60 years, the Caribbean can claim one of the largest and most highly skilled Diasporas in the world. By designing and implementing a strategy to engage this Diaspora, the governments in the region could position themselves to benefit from the skills and financial support of it. To do so, these governments would need to implement a series of interventions and catalytic reforms that would be expressly designed to unlock the potential of the diverse offshore community of individuals and groups that maintain close ties to the Caribbean. At the same time, this strategy would represent a shift from one of the largest flows of capital at the present—remittances. Instead, it would seek to mobilize a group that has been traditionally oriented toward remittances to channel a portion of this financial engagement into productive investments.

The objective of the 2015 mission to Barbados, Jamaica, St. Lucia, and Trinidad and Tobago, and subsequent meeting with members of the Caribbean Diaspora in London and Toronto, was to conduct research to assess the modalities of potential initiatives to catalyze Diaspora investment into the Caribbean region. The framework for this prefeasibility assessment comprised four areas of analysis, focused on (1) sizing the Diaspora population and its investment potential and interest; (2) conducting market research on the investment landscape, including investable assets and market drivers and impediments; (3) analyzing the legal and regulatory framework for investments in the Caribbean; and (4) identifying distribution channels and convening platforms that can offer, host, or advocate for a potential Caribbean regional Diaspora initiative.

Main Findings

It is often said that there is a 1:1 ratio between Caribbean nationals living in the Caribbean and people of Caribbean descent residing abroad. Although this anecdotal evidence is widely cited, sizing and segregating the Diaspora is a challenge because of a paucity of official and reliable data both on a regional and on a state-by-state basis.

Music, food, and cultural events typically serve as fora to assemble members of the Diaspora in their host countries. The convening Diaspora platforms tend to be the High Commissions/embassies, social/cultural/professional affiliation organizations or old boys/old girls networks, all of which are most likely to be country-specific rather than pan-Caribbean. They also cater to older and well-established Diaspora individuals. Most of these organizations are oriented toward charity rather than investment, although these charitable donations may also contribute to overall economic development. Caribbean businesses that cater to the Diaspora and provide cultural goods, telecommunications, or remittance services also provide platforms for the Diaspora to convene, although these tend mainly to be Jamaican businesses.

Anecdotal evidence shows that like any other group, the Caribbean Diaspora is heterogeneous, with a range of investment preferences, varying capacity to invest, and little uniformity with regard to levels of financial sophistication.

Various Caribbean governments have taken promising steps to target the Diaspora, although infrastructure for, and outreach to, Diaspora members is stronger in some Caribbean countries than in others. The ideal government role in these initiatives remains an open question since members of the Diaspora are often suspicious of government-led actions. Thus, any potential government role in investment programs could affect overall demand.

Although investment is needed in a number of sectors (e.g., transport, alternative energy,

agriculture), capital is not always the constraint in every Caribbean country.

Although members of the Diaspora are reportedly relatively active and quite enthusiastic about investing in the Caribbean, the dominant form of investment has traditionally been housing, often for when these individuals retire (not productive investment). A broad base of Diaspora investment tends to be channeled through either charity (schools and hospitals are mostly the beneficiaries), remittance-investments to empower entrepreneur-relatives (for small-scale businesses such as farms), or Diaspora entrepreneurship in their home country (e.g., information-technology companies, outsourcing, nursing homes). A smaller group of higher net worth Diaspora members tend to make larger investments in the Caribbean through diversified holdings or through investment vehicles.

In general, there are few well-packaged investment opportunities, particularly for retail investors interested in passive vehicles. Diaspora members tend not to invest in infrastructure projects because these are large and complex investments that are difficult to navigate for noninstitutional investors. However, a new class of high net worth (HNW) individuals who have entered through the Citizenship by Investment Program in small Caribbean states may possibly represent motivated potential investors in infrastructure projects.

While members of the Diaspora are motivated to invest in the Caribbean for sentimental reasons or because of the potential to make high returns in a geographically accessible region (for the North American Diaspora), they also face significant market impediments. Apart from concerns about crime (e.g., Jamaica), individuals find transacting in the Caribbean islands to be highly bureaucratic, often ridden with governance issues, and lacking in accountability across both government and nongovernment sectors. In addition, members of the Diaspora are often not aware of opportunities in their home countries. A range of promising new initiatives and platforms also seek to facilitate

increased Diaspora investment. The Diaspora are also impeded because they face multiple legal jurisdictions and legal compliance challenges.

Conclusions

To pursue targeted Diaspora-focused initiatives, more resources need to be committed to conducting robust Diaspora sizing and mapping exercises in select countries so as to segregate the Diaspora by generation, income, and net worth to better understand affinity and investment capacity as any menu of initiatives designed to mobilize Diaspora investment will need to be segregated to target specific groups of the Diaspora by investment capacity and preference.

Financial instruments and vehicles that target the Diaspora have to be commercially viable, and not just pull at the heartstrings. This is particularly important when targeting younger professionals.

Caribbean governments must continue to build robust infrastructure to enable outreach to the Diaspora. However, these initiatives have to be complemented with a strong focus on “soft” practices that can engender confidence in the government. In the meantime, an honest broker—such as the World Bank or the Caribbean Development Bank (CDB)—is believed generally to be a better interface for a Caribbean Diaspora-focused initiative than governments.

With respect to structuring specific solutions that target the Diaspora community, interventions that target SMEs offer accessible and attractive investment opportunities. In order to encourage investment in these types of assets, a Diaspora entrepreneurship cofinancing facility could be established to support Caribbean Diaspora entrepreneurs wishing to set up businesses in the region. A feasibility study should be conducted to assess the potential for such a facility, which would be erected by the World Bank and CDB.

At the same time, programs that support Diaspora investment have to recognize the scarcity of investable opportunities in a number of sectors, including social infrastructure. Additional research could determine whether further investment into social infrastructure sectors would ideally be commercially oriented, or whether it is best to continue to facilitate existing philanthropic channels.

Beyond SMEs, mutual funds focused on Caribbean investments may not have sufficient supply of securities to operate effectively and to offer adequate diversification for the Caribbean Diaspora population. Thus trying to set up additional Caribbean-focused mutual funds may not be advisable at this time.

Given that private equity and venture capital (PE/VC) are commercially challenging in the Caribbean, and the Development Bank of Jamaica is currently planning to serve as an anchor investor in PE funds that could attract Diaspora investments, creating an additional PE/VC vehicle to specifically target Diaspora members is not recommended at this stage. Angel investment in the Caribbean may instead provide a more attractive alternative for HNW Diaspora members.

Citizenship By Investment (CBI) programs link citizenship in a particular nation with an associated investment by a noncitizen. These programs have been gaining in popularity, and although debate is ongoing with respect to the due diligence and security issues of CBI programs in small states, the Diaspora population that arises from these programs could be an interesting source for investment, particularly for larger infrastructure projects. Assessing the potential for CBI involvement in infrastructure investments should be part of a broader feasibility study for a regional infrastructure public private partnership (PPP) facility designed by the World Bank and CDB.

From a legal and regulatory perspective, a number of key areas exist where laws and policies around the region should be strengthened and harmonized to enhance the business environment, particularly with regard to PPP frameworks.

In hopes of catalyzing financial and broader business connections between the Diaspora and their countries of origin, Diaspora “connectors,” that is, Diaspora who have significant networks in their host countries, may be able to play a major role in building bridges between entrepreneurs in the Caribbean and investors abroad. Thus expanding angel networks and connections to HNW Diaspora members is an important goal.

The Jamaica Stock Exchange (JSE) initiative could be replicated by other Caribbean countries to facilitate retail investment into the stock markets.

Given that Homestrings has an established track record as a crowdfunding platform for Diaspora investment, the World Bank and CDB could potentially support the listing of SMEs and projects on the platform to allow for more Diaspora investment into the region.

There is a need to package and clearly present investment opportunities to the Diaspora through various convening platforms.

Recommendations

Retail investors (passive vehicles and stock exchange)	Diaspora entrepreneurs wanting to invest in Caribbean	Diaspora professionals who can play the role of connectors and facilitate skills transfer	Diaspora HNW investors, including Diaspora from the Citizenship By Investment program
Financial Instruments			
Regional	Active dissemination of existing investment opportunities for retail Diaspora investors that can be marketed without capital market authority approval.	Conduct a feasibility study to assess the potential for a regional facility set up by CDB/World Bank to cofinance Caribbean entrepreneurs interested in investing in SMEs in the Caribbean. Possible partner: infoDev DFATD-EPIC	Conduct a feasibility study to assess the potential for a regional infrastructure facility set up by CDB/World Bank and managed by private manager to facilitate both institutional investors and HNW individuals in the CBI program to invest in both commercial and social regional infrastructure projects. Possible partner: PPIAF
Jamaica Pilot	The Development Bank of Jamaica set up a facility with technical assistance (TA) from the World Bank to cofinance Diaspora entrepreneurs in investing in SMEs in Jamaica.		
Market Catalyzing			
Regional	<p>(1) CDB to work with governments and CEDA to package various investment opportunities for the Diaspora through monthly meetings at High Commissions, Diaspora associations, etc.</p> <p>(2) World Bank to partner with CDB to establish a funding and/or TA facility to support the sourcing, diligence, and offering of Caribbean deals on international crowdfunding platforms. (3) Work with various stock exchanges to promote JSE's idea of allowing Diaspora investors with tax-sheltered retirement accounts option to invest in existing Caribbean stocks and vehicles.</p>	<p>(1) In coordination with the various Investment Promotion Agencies and the University of the West Indies, arrange group business trips for a cross section of professional, well-connected Diaspora members to introduce them to incubators, SMEs, larger businesses, etc. This would allow for connections between their network of investors and SMEs/entrepreneurs.</p> <p>(2) World Bank/CDB to set up a TA facility for Diaspora connectors to create sector-specific forums in the Caribbean to introduce entrepreneurs to investors.</p>	Support all groups and associated initiatives (such as infoDev) that help foster linkages between angel networks and potential Diaspora investors (with the capacity to invest as angels).
<p>(1) Support regional initiatives to map and analyze the Caribbean Diaspora to better understand its investment capabilities and geographic location.</p> <p>(2) Support the expansion of online platforms like Homestrings to create regional or subregional initiatives uniting Diaspora investors around thematic projects/ SMEs, etc.</p>			

<p>Jamaica Pilot</p>	<p>(1) Package various investment opportunities for Diaspora through monthly meetings at HCs, Diaspora associations, etc. (2) World Bank to partner with CDB to establish a funding and/or TA facility to support the sourcing, diligence, and offering of Jamaican SME deals on international crowdfunding platforms.</p>		<p>DBJ to host exchange trips/seminars with professional Jamaican Diaspora to help professionalize the business environment. Should work in coordination with University of the West Indies, Jamaican Diaspora Institute, and Caribbean Export Development Agency.</p>	<p>(1) Support the rollout of DBJ's Jamaica PE/VC program and strengthen marketing strategy to accredited Diaspora investors. (2) Establish DFI-funded TA facilities to partner with local/foreign PE/VC funds to support investment to SMEs (including export-focused SMEs catering to Diaspora consumer markets).</p>
<p>Support the Jamaican government's efforts to (1) map and (2) craft national policies catered to attracting Diaspora investment and (3) build tools (such as online databases) to collect data to understand the Diaspora and engage in a meaningful way with these communities.</p>				
<p>Legal/Regulatory</p>				
<p>Regional</p>		<p>(1) Diaspora offices in Foreign Affairs ministries could have high-level ombudsmen to register complaints by Diaspora members and facilitate fast track dispute resolution mechanisms to provide Diaspora investors with comfort. (2) Improvement of justice systems for timely management of business disputes.</p>		<p>Strengthen and harmonize the regional legal and regulatory framework for PPPs to help facilitate HNW Diaspora investment in infrastructure projects within the region.</p>



Objective of the Study, Scope, and Methodology



This prefeasibility study assesses the modalities of a potential regional financial initiative to catalyze Diaspora investment into the Caribbean region. The study comprises the first stage of a two-stage process providing recommendations for possible regional initiatives to catalyze Diaspora investment. In the second stage, the Bank will conduct a feasibility study to assist the government in implementing one (or more) of the recommended initiatives.

The World Bank's engagement in this prefeasibility study follows a request made by Caribbean Governors at the 2014 World Bank–International Monetary Fund (IMF) Annual Meetings. During the annual meetings in 2013, the Trinidad and Tobago Central Bank Governor and delegation had already expressed an interest to tap into the Diaspora investor community as a source of potential funding for (1) infrastructure and social projects and (2) start-ups, smaller firms, and private sector projects in Trinidad and Tobago and possibly the Caribbean region more broadly. Subsequently, during the annual meetings in 2014, several high-level representatives from Caribbean countries expressed similar interest in tapping into the regional Diaspora investor community

to fund investment needs. This report has been developed as a result of these conversations and a concept note review meeting held in April 2015 for a proposed prefeasibility study. The study has analytical underpinnings in a 2013 study on *Diaspora Investing: The Business and Investment Interests of the Caribbean Diaspora*, conducted by the World Bank–managed Information for Development Program (infoDev) and supported by the Canadian Department of Foreign Affairs, Trade and Development/Entrepreneurship Program for Innovation in the Caribbean (DFATD/EPIC).

Scope: A group of 14 Caribbean countries (table 1) were considered in this proposed study, based on the grouping of World Bank clients in this region.

Table 1: Geographic Scope of the Caribbean Prefeasibility Study

Non-OECS Caribbean	OECS Caribbean	Central & South American
Barbados Dominican Republic Jamaica Trinidad & Tobago The Bahamas	Antigua & Barbuda Dominica Grenada St. Kitts & Nevis St. Lucia St. Vincent & The Grenadines	Belize Guyana Suriname

In-depth case studies: Although the broad study discusses all 14 countries listed above, practical necessity dictated that a more in-depth analysis be conducted on a subset of these countries that could form the basis of a regional pilot initiative. The report thus focuses on a subgroup of countries based on geographic representation, viability (based on economic activity and ease of doing business), and potential impact (based on estimated size of Diaspora and investment potential). We selected the following four countries for the in-depth assessment: Barbados, Jamaica, St. Lucia, and Trinidad and Tobago.

Rationale: Research and interviews conducted suggest that Jamaica, the Dominican Republic, and Trinidad and Tobago are the most viable pilot countries in terms of the respective size of their national and Diaspora populations, as well as overall economic activity and deal flow. This understanding is substantiated by these countries' relatively high global competitiveness and economic freedom rankings (table 2). The three countries that have the largest Diaspora populations in the region are also among the highest remittance recipients, attesting to potential viability and impact. Given the relative ease of grouping a regional pilot initiative within a subset of English-speaking countries, we picked

Jamaica and Trinidad and Tobago out of this group of three. We choose Barbados because it is a high-income service-based economy in which both remittances and tourism play an important role. Moreover, Barbados has one of the more sophisticated financial sectors in the region and seeks to cast itself as an international financial center. It also hosts the Caribbean Development Bank, which may be a suitable partner for this initiative. In pursuit of geographic representation, St. Lucia is selected as a member of the Organisation of Eastern Caribbean States (OECS), with a sizeable Diaspora population, as well as greater reported economic activity than some of its counterparts in the OECS. In addition, St. Lucia also seats the OECS Secretariat, which promotes cooperation across the OECS region.

In addition, this report narrows the prefeasibility study to members of the Diaspora residing in Canada, the United Kingdom, and the United States. Both the World Bank Migration and Remittances Factbook 2011 and infoDev study on the Caribbean Diaspora indicate that these three countries host the largest population of Caribbean migrants. In fact, the infoDev survey found that half of the Diaspora respondents were based in London, New York, Miami, and Toronto.²

Table 2. Economic Activity, Viability, and Potential Impact²

Country	Population (in millions)	Economic Activity & Viability					Potential Impact	
		GDP (US\$MM)	GDP Growth	Global Entrepreneurship & Development Index Rank	Ease of Doing Business Ranking (2015)	Global Competitiveness Index	2015 Economic Freedom Index	Stock of Emigrants/ as a percentage of population)
Antigua and Barbuda	0.09	\$1,200	-0.1%	NA	89	-	48,000/48.3%	\$24
Bahamas	0.38	\$8,400	0.7%	NA	97	-	44,000/12.8%	-
Barbados	0.28	\$4,200	0.0%	59	106	55	105,200/41.0%	\$149
Belize	0.33	\$1,600	1.5%	NA	118	-	50,200/16.1%	\$80
Dominica	0.07	\$516	-0.9%	NA	97	-	69,300/104.1%	\$23
Dominican Republic	10.4	\$61,000	4.6%	77	84	101	1,035,800/10.1%	\$3,477
Grenada (OECS)	0.11	\$835	2.4%	NA	126	-	68,000/65.5%	\$54
Guyana	0.8	\$2,900	5.2%	127	123	117	432,900/56.8%	\$253
Jamaica	2.7	\$14,300	1.3%	97	58	86	985,500/36.1%	\$1,924
St. Kitts and Nevis	0.05	\$709	4.2%	NA	121	-	31,900/61.0%	\$41
St. Lucia	0.18	\$1,300	-0.4%	NA	100	-	40,400/23.2%	\$28
St. Vincent and the Grenadines	0.11	\$709	1.7%	NA	103	-	41,100/37.6%	\$30
Suriname	0.54	\$5,200	2.9%	121	162	110	204,400/39.0%	\$2
Trinidad and Tobago	1.3	\$24,600	1.6%	89	79	89	358,600/26.7%	\$99

Sources: World Bank, *World Bank Migration and Remittance Factbook 2011*.

Notes: GED Index 2015: Based on entrepreneurial attitude, ability, and aspiration.



Context



Overview of the Caribbean Region

Although the Caribbean is often viewed as part of the greater Latin American region, the regional economy of the Caribbean is distinct from the rest of Latin America in numerous and important ways. Broadly speaking and despite their diversity, national economies within the region can be grouped into three different types, albeit with significant overlap: (1) commodity exporters³ (i.e., natural resources and agricultural goods); (2) service-based economies⁴ (i.e., tourism and financial

services); and (3) microstates (i.e., Eastern Caribbean Currency Union⁵ [ECCU] members). Although economic integration and policy coherency continues to increase around the region, it has largely been a piecemeal process and has failed to create a standardized level of development across the Caribbean. Growth dynamics and investment conditions vary from country to country as a result of a disperse set of market sizes and economic growth drivers. For instance, commodity-exporting nations have shown a markedly better performance over the past decade than their service economy and microstate counterparts.

Despite their differences, Caribbean economies large and small also share a number of important traits that prove critical to understanding why, overall, the region's economic growth has lagged behind global and regional Latin American benchmarks. Prior to the global financial crisis in 2008, the Caribbean was growing less on average than other emerging market regions, including those in the rest of Latin America. Once the crisis took hold, the Caribbean was more impacted by

the worldwide downturn, and it has recovered to a lesser extent since. In 2013, while South America region grew by 3.2 percent, the Caribbean (excluding the ECCU) saw growth of just 2.8 percent, while the ECCU subregion grew just 0.5 percent. Unemployment has been a particularly problematic indicator of this stagnant economic environment, with unemployment ranging from 12 to 21 percent in the Bahamas, Barbados, St. Lucia, and Belize.⁶ Although the adverse macroeconomic environment dates to the 1990s, when trade preferences to European markets were lost and heightened emigration caused a flight of skilled labor, the biggest contemporary challenges facing Caribbean countries are a derivative of their mutual vulnerability to external and climactic shocks. Natural disasters, in particular, have caused problems for countries reliant on the tourism industry and for the smaller countries. According to the IMF, losses on account of natural disasters in the Caribbean rose from 0.9 percent of gross domestic product (GDP) per year in the 1980s and 1990s to 1.3 percent of GDP in the 2000s.

The strain on already struggling public budgets in the Caribbean over the past two decades—in the form of fallout from the global financial crisis and periodic yet massive costs associated with natural disasters—has led to a regional debt crisis. In particular, non-commodity-exporting Caribbean economies face limited growth because of high debt and rising debt-to-GDP ratios. In 2012 the overall public debt for the region (excluding the Dominican Republic and Jamaica) was estimated at 79 percent of regional GDP. Meanwhile, Jamaica’s public debt represented 123 percent of its GDP in 2013, while the Dominican Republic’s debt reached 47 percent of GDP. OECS countries such as Antigua and Barbuda and St. Kitts and Nevis, as well as high-income nations such as Barbados, also face dangerously high-debt to-GDP ratios (table 3). Still, Jamaica faces perhaps the most troublesome debt scenario in the region. In 2013 the country received a four-year Extended Fund Facility (EFF) by the IMF in the amount of US\$932 million (as part of a total of US\$2 billion provided by multilateral agencies). The EFF requires that Jamaica implement a number of reform and adjustment measures aimed at debt and deficit reduction.

Throughout the region, structural fiscal problems continue despite some improvement over the last two years. This has continued in the form of persistent deficits and high public debt. Rising interest rates associated with that debt—reaching 17 percent in Jamaica and 13 percent in the Dominican Republic in 2014—have further exacerbated the

public funding problem. As a result, the risk of fiscal crisis looms over the Caribbean as a whole, which means that borrowing costs remain high, limiting both fiscal flexibility and private investment.⁷

The twin challenges of high indebtedness and fiscal imbalances across the Caribbean region have led to constraints on government spending. Thus, the private sector must take a leading role in driving economic dynamism as well as job creation via investment in businesses across the economic spectrum, but especially in the small and medium enterprises (SME) segment. Private sector investment in business and infrastructure is a critical foundation for future growth, especially in strategic sectors: The private sector is estimated to be responsible for creating some 90 percent of jobs on a global level. Moreover, while in emerging markets SMEs are known to be fundamental drivers of job creation, 70 percent cannot access financing from a formal financial institution.⁸ In the Caribbean region, specifically, according to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), foreign direct investment (FDI) has been effectively monopolized by just two sectors: services and natural resources, with the latter becoming a larger portion of the region’s inflows in recent years (a trend at odds with ECLAC’s observation that investment in tourism tends to have a larger impact on job creation). The overwhelming concentration of FDI in these two sectors has prompted some governments in the region to try and attract more diverse investments.⁹

Table 3: Macroeconomic Indicators for Four Select Caribbean Countries

	GDP (US\$MM)	GDP Growth	GDP Per Capita	Debt/GDP Ratio	WB Country Classification
Barbados*	\$4,200	0.0%	\$14,917	90.5%	H
Jamaica	\$14,300	1.3%	\$5,290	123.6%	UM
St. Lucia	\$1,300	-0.4%	\$7,328	79.8%	UM
Trinidad and Tobago	\$24,600	1.6%	\$18,372	37.1%	H

Source: World Bank Databank.

Note: H = High, UM = Upper Middle, LM = Lower Middle. High-income economies (US\$12,746 or more); upper-middle-income economies (US\$4,126 to US\$12,745); lower-middle income economies (US\$1,046 to US\$4,125). The most recent figures for Barbados available are from 2012.

That top FDI-receiving Caribbean nations have seen foreign investments largely in the form of big-ticket transactions, such as the new Sandals resort in Barbados or British Petroleum's (BP) new offshore oil endeavor in Trinidad and Tobago, further suggests the need for diversification of FDI, and, more specifically, the exclusion of SMEs in the region's current investment paradigm.

Beyond broad-based job creation, the private sector must take an active role in financing improvements in infrastructure, especially given the limited financial space for most governments—outside of Trinidad and Tobago—to fund large-scale projects. With regional governments lacking the funds they need to invest in infrastructure development and maintenance, which are critical to sustainable economic growth but in most countries under the purview of public spending, this makes FDI a critical potential source of external financing for the region's significant infrastructure needs. And the need for investment is considerable: The March 2014 World Bank Public-Private Partnership (PPP) Roadmap in the Caribbean identified a potential PPP pipeline of 33 projects with a total estimated investment value of US\$2–3 billion.

Given the region's inherent challenges to growth, government leaders have looked to find innovative ways to catalyze productive investment into the region. One of these innovative mechanisms seeks to tap into the Caribbean Diaspora¹⁰ as a source of investment capital. Plainly stated, the Caribbean Diaspora may be one of its greatest resources in terms of both human capital and investment capital. The countries in the region, regardless of size and relative prosperity, report high emigration rates. Anecdotally, the nations of the Caribbean share a striking distinction: Many sources report a 1:1 ratio of Diaspora to nationals,¹¹ with particularly large numbers of skilled emigrants among the ranks living abroad.¹² The potential link between Diaspora and development is drawing attention from organizations such as the Global Forum on Migration and Development. Studies have found that the persistent cultural affinity and patriotism of

the Diaspora can motivate individuals to contribute to the development of their home country.

The Caribbean region is thought to have one of the largest net migration rates globally, with particularly large numbers of skilled emigrants. The World Bank's 2011 Migration and Remittances Factbook indicates that 10 Caribbean countries were among the top 30 emigration countries by percentage of population. Furthermore, 13 of the 14 countries addressed in this study are also among the top emigration countries of tertiary-educated individuals. The Caribbean Diaspora is a particularly promising group considering the large percentage of self-identified Caribbeans living abroad, many of whom are well-educated, occupy professional jobs, and have the capacity to make investments. Given the large Diaspora population in North America, this is aided by the geographic proximity for most Diaspora residing in Canada and the United States to travel frequently to their country of origin and their propensity to maintain various economic linkages with their native countries. In fact, a December 2013 infoDev Caribbean Diaspora survey¹³ found that half of the survey respondents sent money back home in the form of remittances.

The potential to mobilize members of the Caribbean Diaspora for both regional and country-specific investment initiatives is encouraging some Caribbean political leaders to craft specific strategies aimed at their respective Diasporas. For example, the government of Jamaica is creating an International Migration and Diaspora policy, which seeks to coordinate and mobilize engagement across the various geographies in which the community resides. The Ministry of Foreign Affairs (MoFA) has concluded that in all countries where Diaspora mobilization has been successful, there has been support of the state to do so, and thus it seeks an active role for the federal government in Diaspora affairs. Given this assertion, the MoFA is circulating a draft Diaspora policy, which will eventually become the National Diaspora Policy. The MoFA also maintains a permanent Diaspora Advisory Board that includes representatives from Canada, the

United Kingdom, and the United States (Northeast, Midwest, South). Each of these respective locations selects a representative to serve on the board. These representatives advise the Minister of State who interacts with the Diaspora through quarterly meetings in an effort to maintain close coordination with overseas leaders and associations. Similarly, St. Lucia has launched a new Diaspora policy that attempts to engage members of its Diaspora to cultivate as many ties as possible between them and the island through an array of policy strategies. From proactive engagement to incentives, the policy framework entails various strategies for attracting Diaspora investment into the St. Lucian economy. Moreover, it looks to provide Diaspora with a straightforward path toward becoming full-fledged resident citizens once again.¹⁴

This prefeasibility study has been prepared as part of a series of efforts to consider the overall development objective of mobilizing Diaspora capital toward private investment in productive investable assets, which are defined as start-ups and other business enterprises, as well as social infrastructure (e.g., schools, hospitals) and physical infrastructure (energy, transport, water) projects that are appropriate to Diaspora investors. The ultimate objective of this Diaspora-sourced investment flow would be to spur economic growth and job creation, which is an imperative in this region. The study comprises a focus on selected countries in the Caribbean region, including OECS states, non-OECS states, and three countries in Central and South America. Taken together, the region that is the subject of this prefeasibility study has a combined population

Table 4: Country Profiles of Mapping Study Nations (2013)

	Population	GDP (US\$B)	GDP (% Growth)	GDP per capita	Current Account (US\$B)	WB Country Classification*
Dominican Republic	10,400,000	61.10	4.6%	\$5,879	(2.40)	UM
Trinidad & Tobago*	1,300,000	24.60	1.6%	\$18,372	2.80	H
Jamaica	2,700,000	14.30	1.3%	\$5,290	(1.30)	UM
Bahamas	377,274	8.40	0.7%	\$22,312	1.60	H
Suriname	539,276	5.20	2.9%	\$9,825	(0.20)	UM
Barbados*	284,644	4.20	0.0%	\$14,917	(0.22)	H
Guyana	799,613	2.90	5.2%	\$3,739	(0.43)	LM
Belize	331,900	1.60	1.5%	\$4,893	(0.07)	UM
St. Lucia	182,273	1.30	-0.4%	\$7,328	(0.10)	UM
Antigua & Barbuda	89,985	1.20	-0.1%	\$13,342	(0.20)	H
Grenada	105,897	0.84	2.4%	\$7,890	(0.21)	UM
St. Kitts & Nevis	54,191	0.77	4.2%	\$14,132	(0.06)	H
St. Vincent	109,373	0.71	1.7%	\$6,485	(0.21)	UM
Dominica	72,003	0.52	-90.0%	\$7,175	(0.07)	UM
Total	17,346,429	127.63				
Average				\$7,357		
Median	308,272	2.25		\$15,218		

Source: World Bank Databank.

Note: H = High, UM = Upper Middle, LM = Lower Middle. High-income economies (US\$12,746 or more); upper-middle-income economies (US\$4,126 to US\$12,745); lower-middle income economies (US\$1,046 to US\$4,125). The most recent figures for Barbados available are from 2012, and current account from 2010; Trinidad and Tobago's current account figure is from 2011.

of over 17 million inhabitants, GDP of US\$1,276 billion, and GDP per capita of US\$7,357. Given the wide range of countries in this study, however, a wide range of wealth, population, and GDP growth is found across this selected group. Table 4 presents key data points for each of the countries included in this study, in this case ordered by population.

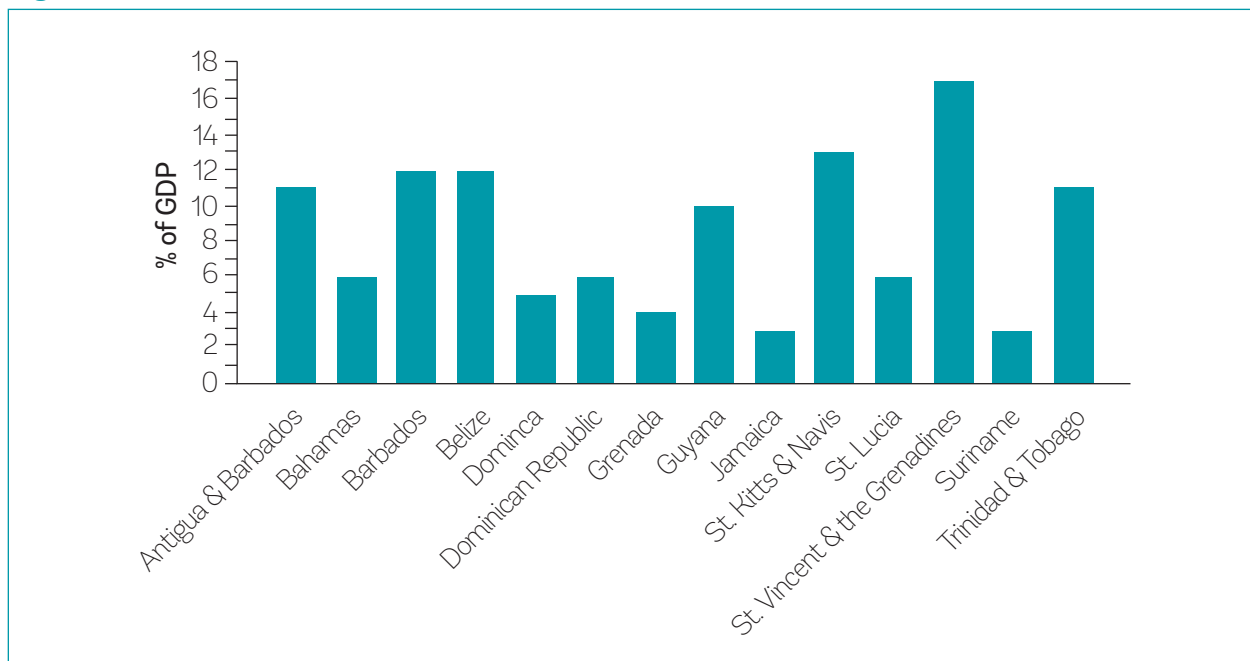
Defining the Overall Problem: Lack of Private Investment in the Caribbean

Although comprehensive policy initiatives to address the Caribbean region's public debt issues remain fundamentally important, any long-term solution to spur sustainable growth must involve a comprehensive role for the private sector. In addition to debt restructuring and fiscal policy reform, countries in the region also require initiatives to improve conditions for business and investment and to reduce supply side constraints. Most Caribbean countries currently lack adequate private investment in infrastructure, which, as previously

discussed, is directly connected to the public debt issues and fiscal imbalances seen around the region. Thus infrastructure could benefit from increased FDI, but as a critical building block for economic growth itself, increased investment in infrastructure could have tremendous positive ripple effects on regional economies as a whole. The same holds true for the Caribbean's SME markets. A variety of structural, regulatory, and financial constraints, which will be detailed here, remain.

FDI is an important source of external financing in the region. Even though FDI levels in the Caribbean have recovered since the devastating impact of the global financial crisis, they have recovered less than other emerging markets regions. FDI represents a critical source of capital, with some of the region's economies reporting some of the world's highest FDI-to-GDP ratios (figure 1). The Caribbean's FDI inflows have recently relied on big-ticket transactions in the largest economies in the region (e.g., the Jamaica-based Sandals group's investment of nearly US\$300 million in Barbados in 2014) and rise in internal demand, privatization,

Figure 1: FDI Inflow to GDP Ratio



Source: World Bank (figures from year-end 2012).

and liberalization programs, as well as increased tourism and investor interest in areas like real estate development. Although the financial crisis hit the Caribbean's FDI flows slightly harder than it did most places (down 54 percent regionally in 2008, compared with 33 percent worldwide), according to the United Nations Conference on Trade and Development, FDI in the Caribbean grew 37.8 percent from 2012 to 2013, growing from US\$82 billion to US\$113 billion.

Allocation of FDI across the 14 economies in this study remains a story of the “have’s” and the “have not’s.” Although FDI in the Caribbean totaled US\$113 billion in 2013, the region suffers from

a general lack of scale with regard to investible assets. Thus, foreign investors have difficulty finding opportunities for attractive financial returns. Specifically, although FDI flows have recovered since 2009 on a regional basis in the aftermath of the financial crisis, this rebound has not been distributed evenly across the region, but rather has focused largely on the Dominican Republic and Trinidad and Tobago (table 5). These two economies represent approximately 60 percent of FDI regionally. They are also the most evolved markets with regard to energy (Trinidad and Tobago) and investment in tourism (Dominican Republic). FDI in the rest of the region has remained flat.

Table 5: FDI Inflow Trends 2009–2013 (US\$ million)

	2009	2010	2011	2012	2013	Total	% Total
Dominican Republic	1,695.30	1,820.20	2,197.50	3,415.90	1,599.70	10,728.60	36.4%
Trinidad & Tobago	709.1	549.4	1,216.10	2,452.20	1,712.60	6,639.40	22.5%
Bahamas	663.9	871.9	666.6	526.1	382.2	3,110.70	10.6%
Barbados	458.1	668.8	725.1	515.6	376.3	2,743.90	9.3%
Jamaica	485.1	185.7	172.7	473.4	626.7	1,943.60	6.6%
Guyana	164	198	246.8	277.9	200.5	1,087.20	3.7%
Belize	108.8	96.4	95.3	194.2	89.2	583.9	2.0%
St. Kitts & Nevis	130.7	116.2	109.6	92.4	110.7	559.6	1.9%
St. Vincent and the Grenadines	110.2	97.2	85.6	115.4	126.7	535.1	1.8%
St. Lucia	146.3	121.2	96.4	75.7	83.5	523.1	1.8%
Antigua & Barbuda	80.6	96.6	65.1	129.3	134.2	505.8	1.7%
Grenada	102.5	60.4	42.6	31.4	74.6	311.5	1.1%
Dominica	42.4	24.3	14.1	23.1	17.9	121.8	0.4%
Suriname	-93.4	-246.7	145.2	124.3	137.4	66.8	0.2%
Total	4,803.60	4,659.60	5,878.70	8,446.90	5,672.20	29,461.00	100.0%
Total Ex-Dr, T&T	2,399.20	2,290.00	2,465.10	2,578.80	2,359.90	12,093.00	41.0%

Source: World Bank Databank.

In search of investment capital for the region, Caribbean leaders have launched various programs, some rather innovative, to attract investment to their respective countries. Jamaica seeks to create a more attractive environment for private equity/venture capital with the help of the World Bank, the Multilateral Investment Fund of the Inter-American Development Bank (IADB), and the Development Bank of Jamaica (DBJ). The partners recently launched the Jamaica Venture Capital Program (JVCP), which seeks to raise a venture capital fund—with a minimum target size of US\$20 million—that will be regional in nature. An initial “Call for Proposals” launched in late 2014 generated applications for eight potential fund managers, most of which were regional funds also seeking to invest in Jamaica.¹⁵ Various governments, for example, Jamaica, have created online portals that

are meant to serve as vehicles for crowdsourcing or as a conduit to build databases of the Diaspora to use technology to forge stronger ties for both political and economic initiatives. This includes a program called Global Business Connect, an online business portal launched in May 2014 and managed by Jamaica Promotions Corporations (JAMPRO), the investment promotion agency of Jamaica. Finally, several Caribbean governments, such as St. Kitts and Nevis and Antigua and Barbuda, have also turned to less orthodox ways of enticing investors to put capital to work in the region by creating “citizenship for investment” programs. Essentially, these countries have set up mechanisms to provide passports for high net worth (HNW) individuals that can provide a donation or investment to the country.



Diaspora and the Potential for a Diaspora-Focused Finance Initiative



Sizing the Diaspora Population¹⁷

Since the mid-20th century, the Caribbean region has been the source of one of the largest emigrant populations in the world. Although this population is diverse, in terms of both demographics and destinations, according to the World Bank's 2011 Migration and Remittance Factbook, relative to other global Diaspora groups, a distinctively large portion of Caribbean migrants consists of individuals who are both highly skilled and well educated. Within the Latin American and the Caribbean (LAC)

region, the Dominican Republic and Jamaica rank as two of the top 10 countries with the largest number of emigrants. According to the United Nations Population Division, in 2013, the Dominican Republic's migrant stock as a country of origin (i.e., the number of people born in the Dominican Republic living abroad) at midyear was the highest in the region at 1,190,441, with Jamaica coming in close behind at 1,094,899 (table 6). Although Guyana and Trinidad and Tobago have the next largest migrant stock, both populations total less than half a million people. As noted, these figures remain estimates, however, and sources within the Caribbean offer alternative figures. For example, the Jamaica Diaspora Institute estimates that the overall Jamaican migrants stock is far higher, approximately three million individuals.

As shown in the tables below, the vast majority of the Caribbean Diaspora population¹⁸ is concentrated in Canada, the United States, and Europe (especially the United Kingdom). Although well-maintained data are available for the broad brush strokes of these migrant patterns thanks to the efforts of entities like the United Nations Population Division's Department of Economic and Social Affairs, for the most part, there is a dearth of data regarding the precise locational

Table 6: Total Migrant Stocks (2013)

	Total Migrant Stock	Percent of National Population
Dominican Republic	1,190,441	11.0%
Jamaica	1,094,899	40.0%
Guyana	462,187	57.0%
Trinidad & Tobago	374,092	27.0%
Suriname	262,006	48.0%
Barbados	100,224	35.0%
Dominica	74,793	103.0%
Belize	62,570	18.0%
St. Vincent	60,295	55.0%
Grenada	57,910	54.0%
Antigua & Barbuda	56,700	63.0%
St. Lucia	56,027	30.0%
Bahamas	49,950	13.0%
St. Kitts & Nevis	28,756	53.0%
Total	3,930,850	22.0%
Average	280,775	

Source: United Nations, Population Division.

and socioeconomic orientations of the Caribbean Diaspora, even in primary destination countries such as the Canada, the United Kingdom, and United States. That said, data on the dynamics of the Caribbean Diaspora in the United States are far more abundant than what is available on the populations based in Canada and Europe. Regarding the demographic and geographic specificities of Caribbean Diaspora populations in Canada and Europe, data gaps remain, although it is clear the majority of the communities are concentrated in Toronto and London.

Based on data gathered by the United Nations, the breakdown of the size and origins for the Caribbean Diaspora communities residing in the United States, Europe, and Canada is as follows:

- **United States:** As seen in table 7, the United States has by far the largest Caribbean migrant stock of the three top destination countries, with 65 percent of all migrants from the select 14 Caribbean countries residing in the United States as of mid-year 2013. According to the U.S. Census Bureau, in addition to foreign-born migrants, in 2009, there were a total of 6 million self-identifying members of the Caribbean Diaspora in the United States. In 2009 the U.S. Census Bureau reported that 44 percent of Caribbean-born people in the country were non-naturalized U.S. citizens that represented around 9 percent of the entire foreign-born population. Most Caribbean migrants living in the United States reside in Florida and New York (60 percent in 2009), although Spanish-speaking Caribbean and Central American countries (e.g., Belize and the Dominican Republic) also have large populations in California. According to the United Nations, the largest Caribbean subgroups in the United States as of 2013 were the Dominican Republic, reaching nearly one million, followed by Jamaica, Guyana, Trinidad and Tobago, and Barbados (table 7).
- **Europe:** With the exception of Suriname, which has the vast majority of its Diaspora worldwide concentrated in the Netherlands, the Caribbean Diaspora in Europe is primarily located in the United Kingdom. An estimated 65 percent of the Caribbean population in the United Kingdom is Jamaican. There are limited data about the broader Caribbean-origin population in the United Kingdom, although the 2011 Census for England and Wales showed that 1.1 percent of the population identifies as black Caribbean, an indicator that has remained stable for the past decade. Caribbean migrants (foreign-born and otherwise) in the United Kingdom are estimated to number around half a million people total, with most of them concentrated in and around the city of London. In addition to the United Kingdom, other prime destinations countries in Europe for the Caribbean Diaspora are Germany, Italy, the Netherlands, and Spain. As table 8 shows, again excluding Suriname, as of mid-year 2013, the largest Caribbean Diaspora populations in Europe originated from Jamaica, the Dominican Republic, Guyana, Trinidad and Tobago, Barbados, Dominica, and St. Lucia.
- **Canada:** Although the size of the Caribbean Diaspora populations residing in Canada largely mirrors those of European countries, albeit slightly smaller, as table 9 indicates, Canada has almost three times as many migrants from Trinidad and Tobago and a far smaller population from the Dominican Republic. In total, Canada's Caribbean migrant stock in descending order of size is Jamaica, Guyana, Trinidad and Tobago, and Barbados. Including the second generation population, Jamaica's Diaspora in Canada is thought to number around 300,000 people, up from the 142,000 first generation migrants reported by the United Nations in table 9. Recent data on the total Caribbean Diaspora in Canada beyond recent migrants are unavailable, but in 2001 more than 500,000 people of self-reported Caribbean origin were living in Canada, which comprises approximately 1.7 percent of the country's total population. At the time, the Caribbean migrant community in Canada was highly concentrated in Ontario and Quebec, comprising around 6 percent of Toronto's population and 3 percent of Montreal's population (table 9).¹⁹

Table 7: U.S. Migrant Stocks (2013)

	U.S. Migrant Stock	Percent of Total Population
Dominican Republic	967,988	37.7%
Jamaica	765,043	29.8%
Guyana	281,371	11.0%
Trinidad & Tobago	249,001	9.7%
Suriname	7,981	0.3%
Barbados	55,384	2.2%
Dominica	35,812	1.4%
Belize	53,099	2.1%
St. Vincent	26,510	1.0%
Grenada	29,688	1.2%
Antigua & Barbuda	22,806	0.9%
St. Lucia	21,712	0.8%
Bahamas	35,569	1.4%
St. Kitts & Nevis	12,538	0.5%
Total	2,564,502	100.0%
Average	183,179	18,3179

Source: United Nations, Population Division.

Table 8: European Migrant Stocks (2013)

	U.S. Migrant Stock	Percent of Total Population
Dominican Republic	90,182	16.0%
Jamaica	150,659	26.7%
Guyana	28,876	5.1%
Trinidad & Tobago	25,012	4.4%
Suriname	215,514	38.2%
Barbados	20,650	3.7%
Dominica	13,291	2.4%
Belize	226	0.0%
St. Vincent	219	0.0%
Grenada	44	0.0%
Antigua & Barbuda	321	0.1%
St. Lucia	12,928	2.3%
Bahamas	6,788	1.2%
St. Kitts & Nevis	111	0.0%
Total	564,821	100.0%
Average	40,344	

Source: United Nations, Population Division.

Table 9: Canada Migrant Stocks (2013)

	U.S. Migrant Stock	Percent of Total Population
Dominican Republic	142,933	37.0%
Jamaica	101,004	26.1%
Guyana	76,310	19.8%
Trinidad & Tobago	17,925	4.6%
Suriname	11,498	3.0%
Barbados	10,560	2.7%
Dominica	7,742	2.0%
Belize	4,821	1.2%
St. Vincent	3,387	0.9%
Grenada	2,755	0.7%
Antigua & Barbuda	2,709	0.7%
St. Lucia	2,443	0.6%
Bahamas	1,297	0.3%
St. Kitts & Nevis	934	0.2%
Total	386,318	100.0%
Average	27,594	

Source: United Nations, Population Division.

Rather than representing a monolith, the Caribbean Diaspora is a diverse and vibrant collection of individuals, many of whom have strong emotional ties back to the homeland that reflect in the types of economic connectivity with the region that they maintain or aspire to create. The Jamaican Diaspora provides a case study with respect to the change in the nature of migration over the last half century, specifically with regard to the changing nature of Jamaican migrants with the passing of time. In the 1950s and 1960s, Jamaican migrants largely migrated to the United Kingdom. The population was characterized by low educational attainment and limited economic means, and it participated in largely public sector outfits such as the National Health Service and public transport. Another wave of immigrants were professionals, such as nurses and teachers. When British immigration laws tightened in the 1990s to focus more on skilled labor, the numbers of Jamaican immigrants to the United Kingdom, and immigrants from the Caribbean more broadly, declined. Migration patterns thus began to shift from the east to the north, with greater numbers of Jamaicans and other Caribbean migrants moving to Canada and the United States. In Canada, a point-based system for immigration was introduced earlier (in the 1970s), which favored educated immigrants. In the 1990s and 2000s, more middle class Jamaicans migrated to Canada because of the crime and drug problems in Jamaica. These later immigrants tended to be more educated and wealthy and have a strong connection to their home country. Thus, as can be gleaned from the case of Jamaica, although older generations of the Caribbean Diaspora are primarily low-skilled and low-income migrants, newer generations are better educated and more equipped to invest capital back in the Caribbean region.

Given the relatively high level of skills and educational attainment among members of the Caribbean Diaspora, broadly speaking, it is no surprise that they outpace other immigrant

populations in terms of gaining citizenship in destination countries. As table 10 illustrates, a comparison of Migration Policy Institute (MPI) data collected on migrant citizenship statuses in the United States from 2006 through 2008 strongly favor black Caribbean migrants over most other immigrant groups. As a large subset of the Caribbean Diaspora, black Caribbean immigrants are far more likely than other migrants to the United States to achieve citizenship, and they are far less likely to enter the country illegally.

Table 10: Citizenship Status of Black Caribbean Immigrants to the United States, 2006–2008

	Black Caribbean Immigrants ¹	All US Immigrants
Naturalized US Citizens	49%	32%
Permanent Residents	28%	28%
Unauthorized Immigrants	16%	30%
Other	7%	10%
	100%	100%

Source: MPI.

Note: The totals in this study also include Haiti and Cuba.

According to MPI data, Caribbean migrants to the United States also build higher relative wealth, thus fueling remittance flows back to their origin countries. Using the United States as an example, Caribbean immigrants are also more affluent than the average American worker, with Barbadians and West Indians earning as much as 10 percent more. Jamaicans and Trinidadians fall within average earnings, while the remaining migrants from the region earn less than the average (table 11).

Table 11: Median Annual Earnings for Caribbean Migrants vs. Overall U.S. Workers

Median Earnings, 2005-2009	
All Workers	
All US workers age 16 and over	\$32,000
Native-Born Workers	\$33,000
Immigrants Workers	\$26,000
Caribbean Sub-Set	
Barbados	\$36,000
Other West Indian	\$35,000
Antigua Barbuda	\$35,000
Grenada	\$33,000
Jamaica	\$32,000
Trinidad & Tobago	\$32,000
St. Vincent	\$32,000
St. Kitts & Nevis	\$31,000
Bahamas	\$30,000
Dominica	\$30,000
St. Lucia	\$27,000
Dominican Republic	\$22,000

Source: MPI.

Assessing the Diaspora Population's Potential to Invest

At present, small investors represent the most likely source of Diaspora investment. Specifically, less than 10 percent of those surveyed in the infoDev study self-reported that they met the U.S. regulatory definition of “accredited investor,” having a net worth of US\$1 million and income of at least US\$200,000 each year for the last two years (or US\$300,000 together with their spouse if married) with an expectation to make the same amount in the current year.¹⁹ Thus, more than 90 percent of potential investors face the following limitations.²⁰

- Unaccredited investors cannot—at least with respect to U.S. law—invest in private equity, venture capital, hedge funds, or other types of

funds that offer investment opportunities that are designed for sophisticated investors. This restriction applies, regardless of the size—in terms of capital committed—of the investment. Moreover, it is not prudent to advise these investors to consider committing their capital to these types of sophisticated strategies.

- Moreover, it is worth noting that few individuals, whether they are in the Diaspora or not, have the expertise and knowledge to become active angel investors. Angel investing, if done correctly, requires a specialized understanding of how early stage ventures work, their needs, and what kinds of risks are entailed in these types of investments. Typically, less than 10 percent of such ventures are successful. It is imprudent to advise Diaspora investors to commit capital to ventures where the likelihood of failure is extremely high as this will only serve to discourage repeat investment.

The target population of the Caribbean Diaspora—who have the potential to invest in their countries of origin—tend to be the HNW members, as well as younger professionals with high disposable incomes and net worth, which includes both more recent migrants as well as first to third generation Diaspora members. The children of the earliest generations of Caribbean migrants tend to have a strong affinity to their country of origin. These Diaspora members, now middle-aged, also tend to be professionals, with higher incomes and ability to invest. Some have set up businesses in their home countries (e.g., Jamaica) such as restaurants, grocery stores, farms, outsourcing outfits, and nursing homes. With Canada’s and the United Kingdom’s more stringent immigration rules that favored the most professional and skilled migrants, more recent Caribbean Diaspora members in these countries tend to be highly skilled professionals who can understand and invest in financial instruments. Of course, older migrants, such as Michael Lee Chin and Raymond Chang (both Jamaican-Canadians), who accumulated considerable personal wealth, also demonstrate significant potential to invest in their countries of origin.

The Jamaican Diaspora in Canada is uniquely large, diverse, and very engaged, making it particularly suited for investment opportunities back in the Caribbean. The Jamaican Diaspora in Canada, more than its counterparts in the United Kingdom and the United States, has generated a number of very prominent individuals, such as Michael Lee Chin, Raymond Chang, and Delores Lawrence. This Diaspora is known to significantly give back to their home country through remittances (discussed further below), and through charity—via both national association and their alumni associations. They tend to also be politically engaged in their home countries, despite the Diaspora members lacking the right to vote. The financial sophistication, wealth accumulation, and investment interests of the Jamaican Diaspora reflect the nature of its varied constituencies. Older Jamaicans, such as those in the United Kingdom, often are saving capital to build a home in Jamaica for their retirement years. Their financial needs are a savings account and a mortgage, but they are not looking for investment opportunities that require packing, analysis, and active management. They are also not accredited investors and thus cannot invest in alternative assets funds. Still, they may also want to start or get involved with business opportunities once they return home. In contrast, younger migrants are more likely to stay in their adopted countries because they have migrated for economic opportunity. They may plan to acquire property in Jamaica, but likely as an investment or a second residence. At the same time, this younger generation is likely more familiar with financial products and more likely to build investment portfolios, so they could have an interest in opportunities in Jamaica. Broad generalizations remain inadequate, of course, since within each generational, educational, socioeconomic, and regional grouping, there will also be individuals who seek more substantial opportunities to invest or operate businesses in Jamaica.

Additionally, a new class of potential Diaspora investors has emerged among a subset of Caribbean small states: those who gain Caribbean nationality

through Citizenship By Investment (CBI) programs.²¹ This group of HNW citizens are likely to have the investment capacity, professional networks, and experience to be strong Diaspora investors. St. Kitts and Nevis has the oldest CBI program, which started in 1984; but other islands such as Jamaica and St. Lucia are considering such programs. In St. Kitts and Nevis, investments from such HNW individuals are channeled either into a qualified real estate project (US\$400k minimum investment) or as a contribution (at least US\$250K investment) into the Sugar Investment Diversification Fund (SIDF), which aims to diversify the economy beyond sugar by investing in areas such as entrepreneurial development and renewable energy programs. The SIDF is thus a quasi-sovereign wealth fund (SWF), funded by the capital of HNW individuals seeking citizenship. As of 2014, St. Kitts and Nevis planned to fully convert the SIDF into a SWF, also making investments in financial instruments. Although debate is ongoing about the due diligence checks and security issues of these CBI programs, the Diaspora population that arises from them could be an interesting source for investment. For example, if some of these individuals were to relocate part of their business operations into the islands in which they are citizens, it could result in increased jobs and capital coming into the country. However, identifying these individuals is a challenge, since the databases documenting them are apparently guarded closely.

Beyond accredited investors, though, individuals in the Diaspora can and do participate in investment. Although remittances are mainly used for consumption purposes, an Institute of Migration (IOM) study from 2010 observed that about 20 percent of remittances received by Egypt went toward various forms of investment, such as real estate, SME enterprises, the stock market, or agriculture.²² Moreover, in the absence of clear data showing investment trends of the Caribbean Diaspora, remittance data can serve as a proxy for the potential capital that could be directed toward investment rather than solely funding remittances. Given its relatively large size, as well as the level of demand for foreign currency

in local Caribbean markets associated with poverty and unemployment, the Caribbean Diaspora, through remittances, has become major financial participants in many economies in the region. In the case of the Dominican Republic, as can be observed in table 12, remittances play a dominant role, even relevant to the other nations in this study.

In 2012 the Dominican Republic received a net US\$3.6 billion in remittances, ranking it 30th in the world in most net remittances received. That figure represented 6.1 percent of the Dominican Republic's GDP in 2012, which ranked 36th in the world for share of GDP. Out of the total remittances received, the overwhelming majority was estimated to have come from migrants residing in the United States (US\$2.7 billion or 75 percent of total remittances). The next largest amount came from Spain (US\$417 million or 13 percent) and Italy (US\$78 million or 2 percent) (table 13).

Jamaica is the second largest beneficiary of remittances in the region, with a total volume of US\$2.1 billion in 2012. Although the total amount of remittances Jamaica receives is less than the Dominican Republic, they represent a larger share of GDP (14.5 percent in 2012, ranking 16th in the world). Sources include US\$1.4 billion (or 66 percent of total remittances) from the United States, US\$328 million (or 16 percent) from the United Kingdom, and US\$305 million (or 14 percent) from Canada (table 13).

Although its total migrant stock is not much smaller than that of Guyana, Trinidad and Tobago's remittance volume in terms of absolute numbers as well as share of GDP (US\$126 million or 0.5 percent of GDP) is significantly lower than that of Guyana (US\$469 million or 16.5 percent of GDP). This is undoubtedly because of its wealth of natural

Table 12: Trends in Remittances (2012-2013): the Dominican Republic and Jamaica Dominate

	Remittances Received - 2012		Remittances Received - 2013		Total
	US\$MM	% GDP	US\$MM	% GDP	
Dominican Republic	4,200.0	7.1%	4,400.0	7.3%	8,600.0
Jamaica	2,100.0	14.6%	2,100.0	15.0%	4,200.0
Guyana	469.2	16.5%	328.2	11.0%	797.4
Belize	75.9	4.8%	74.4	4.6%	150.3
Trinidad & Tobago*	126.1	0.5%			126.1
St. Kitts & Nevis	51.0	7.0%	51.5	6.7%	102.5
Barbados	81.9	1.9%			81.9
St. Vincent	31.1	4.5%	30.0	4.5%	61.1
St. Lucia	29.7	2.3%	30.1	2.3%	59.8
Grenada	29.2	3.7%	29.6	3.5%	58.8
Dominica	23.2	4.5%	23.5	4.6%	46.7
Antigua & Barbuda	20.8	1.7%	21.1	1.8%	41.9
Suriname	8.0	0.2%	6.9	0.1%	14.9
Total	7,246.1		7,095.3		14,341.4

Source: World Bank's Bilateral Remittances Matrix 2012.

*Missing data on remittance levels for the Bahamas and Trinidad and Tobago

Table 13: Geographical Source for the Three Dominant Remittance-Receiving Nations

Dominican Republic		Jamaica		Guyana	
United States	75%	United States	66%	United States	69%
Spain	13%	UK	16%	Canada	25%
Italy	2%	Canada	14%	UK	6%

Source: World Bank's Bilateral Remittances Matrix 2012.

resources and high GDP per capita (GDP per capital is the third highest in the Western Hemisphere, after the United States and Canada), which greatly decreases the in-bound demand for remittances. Nevertheless, the two countries are similar in that the primary sources of remittances for both of them are first and foremost the United States, then Canada, and finally the United Kingdom.

Finally, although Suriname has the fifth largest migrant stock living abroad among the countries in this study, its remittances volume is one of the lowest in the region (US\$8.1 million or 0.2 percent of GDP in 2012). Observers have suggested that remittance levels have fallen over time because of the Eurocrisis and its effects on the Diaspora in Europe, unemployment among the Diaspora in the Netherlands, and the lack of a clear Diaspora policy in Suriname.²³ Moreover, Suriname sees significant outflows of remittances by foreign nationals (e.g., from Brazil, China, and United States) who work in the country as well as individuals who fund school fees for children living overseas. The next highest remittance volumes after Trinidad and Tobago in the region are associated with Barbados (US\$82 million in 2012) and Belize (US\$83 million in 2012).

Remittances can serve as a proxy for net worth of the Diaspora when considering financial engagement in the Caribbean. It should be noted, however, the existing research and data available on the financial and socioeconomic profiles of the Caribbean Diaspora are decidedly inadequate. Although infoDev's recent Caribbean Diaspora Survey (December 2013) and Compete Caribbean's Diaspora Entrepreneur Survey (2014)²⁴ are valuable

sources, key questions remain. In part there is a paucity of information regarding (1) where members of the Diaspora currently invest, (2) what they invest in, and (3) how they may be impeded from expanding on their investments. Based on interviews with Diaspora members in Canada and the United Kingdom, it appears that the Caribbean Diaspora, especially members of older generations, tend to invest more in retirement homes in the Caribbean than in productive assets. As previously noted, the economic makeup of the older immigrants is not typically considered conducive to entrepreneurship and investing. Specifically, the stock of the Caribbean Diaspora in the United Kingdom tends to be older than persons in Canada and the United States, and thus these migrants have saved primarily to invest in retirement homes, with the eventual plan of moving back to their home country. For a more systematic evaluation of the financial profiles and investment capacity of the Caribbean Diaspora, however, more data need to be collected. For now, some light can be shed by the Compete Caribbean Survey, which sought to gather information on the operations and business models of firms owned and operated by members of the Caribbean Diaspora. The survey indicates that 43 percent of respondents earned less than US\$50,000 in annual income in 2012, followed by 17 percent earning between that number and US\$100,000 and 20 percent earning between US\$101,000 and US\$300,000.

According to the 2013 infoDev Diaspora Survey, one in four members of the Diaspora invest in Caribbean real estate, and one in 10 invests in business enterprises in the region. Moreover, the community is highly engaged: 70 percent of those

interviewed belong to an affiliation organization in their resident country or back in the Caribbean. Members of the region's Diaspora give back to the region through charity and other donations as well, with one-third of respondents helping to support philanthropic enterprises and one-fifth donating to their schools. Beyond that, however, there is an information gap, especially with regard to private investment activity and preferences.

Nevertheless, based on the infoDev Survey, as well as the activity of organizations such as Homestrings, which is a global crowdfunding Internet company focused on mobilizing Diaspora capital, significant opportunity exists to expand the Caribbean Diaspora's level of investment and financial engagement with the region. Although just 13 percent of those interviewed in the infoDev Study had invested in businesses in the Caribbean at the time, 80 percent reported that they would be interested in doing so. Moreover, approximately 23 percent of respondents invested in new ventures in the Caribbean at some time. The recent expansion of Homestrings's presence in the region is also a noteworthy sign of promise in Caribbean Diaspora investment. Under the leadership of Desmond Brunton, Homestrings is seeking to crowdfund Diaspora investment in Caribbean projects requiring a minimum of US\$5 million in fundraising, ranging from SMEs and commercial real estate to commercial banks and bank mutual funds that are available only on the Homestrings platform. Initial data on Caribbean activity on the Homestrings platform are thus far unavailable. Homestrings allows only individual investors whom it deems to be "qualified investors," meaning someone with a net worth of over US\$1 million (including residence) or reported income for each of the past three years equal to US\$250,000.²⁵

The Caribbean Diaspora is large, educated, and professional and, more importantly, highly engaged, with a profound sense of loyalty as well as a sense of obligation to give back. Of those interviewed for the infoDev Survey, 90 percent said they would like to be "more connected" to their home country,

and 70 percent said they would be interested in mentoring individuals in the region. The possibility of giving back to education was an area that was also distinctively strong. There seems to be a "patriotic dividend" in the way Diaspora members view financial engagement in their home countries; the survey shows that 80 percent of respondents would accept lower than average commercial returns on their investments as a way of giving back (although interviews with Diaspora find that commercial viability would be particularly important for younger Diaspora in particular), which would in turn allow for more portfolio flexibility and development-oriented involvement. The picture as a whole, despite the persisting gaps in information, is one that lends credence to the assumption that there is great potential in galvanizing Diaspora financial support for business and development in the Caribbean.

More specifically, the infoDev Survey indicates that Diaspora investors are most interested in directing their capital toward early stage SMEs. Of those surveyed, 40 percent said they had invested in a start-up or early stage company, 60 percent of which were based in the Caribbean. Although they have also invested in larger public companies, accredited investors, along with the nonaccredited investor respondents to the survey, indicated a great deal of interest in angel investments in start-ups related to green energy, telecommunications, education, and agribusiness. Interest in investing in a Diaspora bond (63 percent) was 15 percentage points lower than the interest in investing in business ventures. Of the start-ups respondents had already invested in within the Caribbean region, 73 percent were in Jamaica, 15 percent in Trinidad and Tobago, and 4 percent in Barbados. Notably, 14 percent of respondents indicated they were indifferent about the country in which they would be willing to invest. Taken together, the data provided by the infoDev survey indicate a level of experience and continued interest in SME investment and financing among members of the Diaspora that would lend itself well to an initiative to channel Diaspora capital into early stage firms in the Caribbean. Although

The largest onshore Caribbean institutional investors are members of four different banking groups, three of which are Canadian. In 2010 these four all together controlled around 75 percent of the sector's total assets in the region. Canada's Scotia Bank dominates the market in Jamaica (32 percent), the Bahamas (28 percent), Antigua and Barbuda (23 percent), and Grenada (23 percent) but operates in a total of 21 Caribbean countries. Scotia Bank's total assets in the region amounted to over US\$10 billion in 2010. Two other Canadian banks, the Royal Bank of Canada (RBC) Financial and the First Caribbean International Bank, a subsidiary of the Canadian Imperial Bank of Commerce (CIBC), are also dominant in several countries in the region, with a total asset valuation of US\$11.6 billion and US\$9.7 billion in 2010, respectively. The only indigenous Caribbean bank operating on a large regional scale is Trinidad and Tobago's Republic Bank, which controls almost half of all the assets in its own market as well as much of the market in neighboring Guyana. Within ECCU countries, the indigenous banking sector is heavily integrated through cross-shareholdings, the interbank market, and public sector exposure. Many of the governments and national insurance companies are shareholders in the banks.

The ECCU subregion and its indigenous banks, in particular, fared badly the wake of the financial crisis and have seen asset quality deteriorate. From 2007 through 2012, the ratio of nonperforming loans (NPLs) reportedly doubled in ECCU countries. By the end of September in 2012, return on equity for the subregion stood at 7.4 percent, a full 15 percentage points lower than it was in 2007. In both cases, high credit risk and low liquidity are to blame. Indigenous banks saw the capital-to-risk-weighted-assets ratio rate reach 18.4 percent in 2012. This has resulted in already limited access to finance throughout the subregion getting worse, and both credit and equity investment rates have not yet recovered from the contractions caused by the financial crisis.

Although banks in non-ECCU countries fared better than those in the subregion after the financial crisis, their portfolios remain weak and credit growth is lackluster. Dependency on deposits and equity limited the funding risks taken by the banks, and adequate pools of liquid assets helped them to weather the crisis. But, although capital adequacy ratios remain strong, banks in countries outside the ECCU (e.g., the Bahamas and Trinidad and Tobago) have been impacted by increasing NPLs. This has, in turn, hampered profitability. NPLs have led to a contraction in credit, with banks exercising caution and increasing capital provisions in recent years.

Although the share of total assets held by NBFIs remains small in comparison to that of the banks, NBFIs, particularly credit unions, pension funds, and insurance conglomerates, are gradually becoming more significant investors in the region. With tightened lending practices at banks across the region since the global crisis, credit unions have become more prominent. Still, their combined assets totaled just 7 percent of regional GDP in 2012. The countries with the most credit union activity are Belize, Barbados, Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines. Like the banks, credit unions around the Caribbean are facing credit issues because of NPLs.

Data on the size and asset composition of Caribbean pension schemes are limited, but management sources at Sagicor, the largest insurance company in the region and the operator of the largest pension fund program in Jamaica, provided some data on the firm's investment strategy. To put their operation in context, Jamaica's entire pension system totals approximately US\$2.6 billion. Sagicor's Jamaican operation is a joint venture, with slightly more than 50 percent held in local hands and the remainder held by a regional holding company based in Barbados. The Sagicor pension fund is heavily invested in Jamaican government bonds and is the largest equities holder on the JSE. Sagicor has exposure to Jamaican property investments, such as hotels. It has not yet invested in private equity (PE) or venture

that kind of activity is present in a limited set of countries in the region at the moment, the infoDev survey also indicated access to information about potential investment opportunities and awareness about the region's financial systems are seen as barriers to increased engagement, meaning efforts to mitigate them could open the door to broader and more substantial capital flows.

Investable Assets for the Diaspora: Need vs. Demand

Current Investment Landscape in the Region

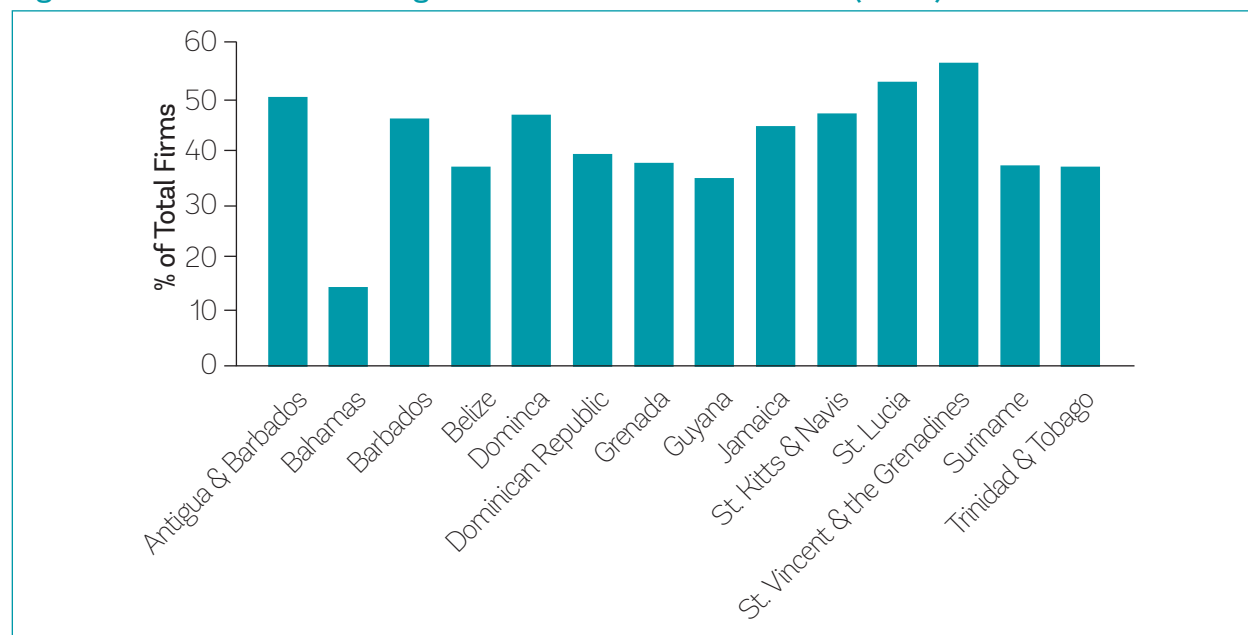
A detailed review of the Caribbean's current investment landscape can be found in annex III. Below is a regional summary of the composition of the financial sector, the major investment players, and their positions in the landscape.

The Caribbean's financial sector is comparatively large given the size of the countries in the region and of the region overall. Banking is the largest area

of activity, and the region's banks fund the majority of institutional investments, thus classifying them as "institutional investors" for the purposes of this study.²⁶ The total assets of the Caribbean financial sector, excluding offshore banks,²⁷ amounted to 124 percent of regional GDP in 2013, 91 percent of which correspond to banks, with the rest attributable to nonbank financial institutions (NBFIs). The Bahamas has the largest overall banking economy, with an onshore sector equivalent to 150 percent of GDP and an offshore sector equivalent to 72 times the size of the overall economy in 2013. Jamaica's onshore banking sector, the smallest in terms of total assets as share of GDP, was still equivalent to almost 50 percent.

Firms use banks to finance their working and growth capital needs much more in ECCU and other smaller nations than in larger economies such as the Bahamas, the Dominican Republic, Jamaica, and Trinidad and Tobago. This trend reflects the outsized importance of the banking sector in countries where there are little other options for financing relative to the larger and more sophisticated financial sectors in larger economies in the region (figure 2).

Figure 2: Share of Firms Using Banks to Finance Investment (2010)



Source: World Bank Enterprise Survey.

capital (VC). Finally, Sagicor operates mutual funds in Jamaica (including the Select Growth Fund, one of the largest on the island) and Barbados (the Global Balance Fund). There is a Sagicor unit in the United States, but it does not have a Caribbean Diaspora-specific business strategy.

The region's insurance sector is dominated by conglomerates that operate transnationally, with a total asset value of around 17 percent of regional GDP in 2012. As mentioned above, one of the largest players in the region is Sagicor, which is based in Barbados and Jamaica and has an estimated US\$5.3 billion in total assets under management. The next is Guardian Life, which is based in Trinidad and Tobago and has US\$3.4 billion in assets in its portfolio. Sagicor also operates extensively in Latin America, the United Kingdom, and the United States. Overall, the largest insurance industries are in the Bahamas, Barbados, Jamaica, and Trinidad and Tobago.

In sum, the Caribbean's institutional investor environment is dominated by banks but has begun opening up to NBFIs more recently. Both of these types of institutions, which are highly integrated among Caribbean states and are heavily exposed to foreign financial systems, were hit hard by the global financial crisis at the end of the last decade. The downturn led to contractions in credit and equity investments, especially in the ECCU subregion. The OECS saw total investment dropped to just 29.6 percent of GDP in 2010, and although that figure climbed to 30.4 percent of GDP by 2013, it contracted in 2014 and is projected to do so once again in 2015.

Potential Investable Assets

Publicly Traded Securities: Equity Markets and Debt Markets

According to the infoDev survey, 22 percent of Caribbean Diaspora investors would like to invest in publicly traded securities of companies in the Caribbean, but only 8 percent of them currently do. This is the result of the fact that stocks and bond markets in the Caribbean are thin and illiquid. All

the exchange markets are relatively small, even while some have done better than others, largely reflecting the overall macroeconomic trends of the region. The ECCU subregion, the Bahamas, Barbados, the Dominican Republic, Guyana, Jamaica, Suriname, and Trinidad and Tobago all have their own stock exchanges, and most of them cross-list. The ECCU has a subregional market for the debt instruments of its member states, which issues Treasury bills and bonds. Among non-ECCU nations, all nations with stock exchanges also have bond markets. The largest of the capital markets is located in Jamaica (the Jamaica Stock Exchange [JSE]), which had just 39 firms in 2012, of which 31 were domestic. The market capitalization of domestic firms that year was US\$6.3 billion (or 43.2 percent of GDP), and the total value of stocks traded was equal to 1.4 percent of GDP. Notably, Jamaica's government debt market has been shut down since the IMF granted the country an EFF program, which mandated debt retirement.

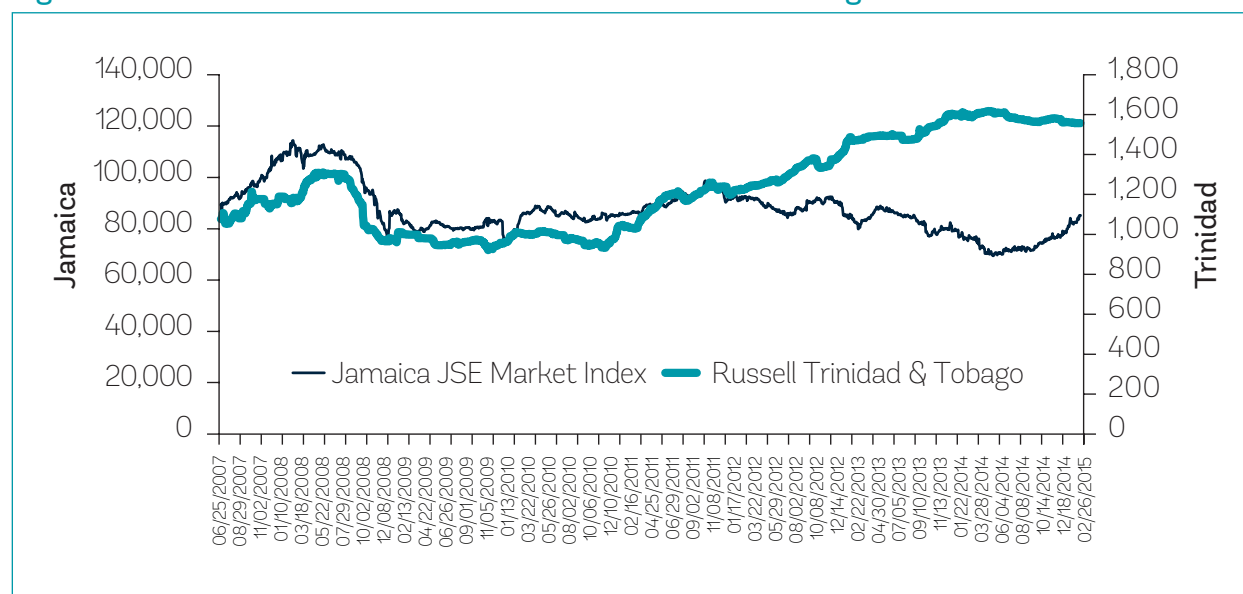
Despite this generalized level of interest, with the exception of Jamaica, the markets in the region remain very shallow and public security markets all trail Jamaica in terms of size and market capitalization. Investment in public equity markets in the Caribbean is primarily concentrated in companies from the financial, energy, and construction sectors, all of which are areas that attracted the attention of respondents to the infoDev Diaspora Survey. Trinidad and Tobago's main stock exchange (TTSE) had only 34 firms listed in 2012, of which 23 were domestic. Although still smaller than Jamaica's overall, the market capitalization of the domestic firms listed on the TTSE that year saw growth, moving from about US\$12 billion in 2010 to more than US\$15 billion in 2012 (figure 3). The total value of stocks traded in proportion to GDP was down, however. The next largest exchange, in terms of domestic firms listed, is in the Barbados (BSE), which is the home exchange of the First Caribbean International Bank Ltd, followed by markets of the Bahamas (BISX), Dominican Republic (BVRD), Guyana (GASCI), the ECCU (ECSE), and Suriname (SSX).

Some regional cooperation occurs between the exchanges, however, with cross-listings serving as a vehicle for regional players to access investors in multiple markets. In 2012 the companies that were cross-listed on different Caribbean exchanges included the First Caribbean International Bank Ltd., Trinidad Cement Limited, Jamaica Money Market Brokers Ltd., Neal & Massy Holdings Ltd., Sagicor Financial Corporation, Fortress Caribbean Property Fund, National Commercial Bank of Jamaica Ltd., Scotia Investments Jamaica Ltd., GraceKennedy Ltd., and Capital and Credit Financial Group Ltd.

The 2013 infoDev survey indicates that 28 percent of Diaspora investors would like to invest in SMEs, which the region’s main markets do not offer. While Junior Markets (JMs) in the region promise such public traded investments, namely, the Jamaican JSE, the exchanges are particularly small and generally still underdeveloped. Since 2009 Jamaica has operated a JM, which, upon opening, rose rapidly to become a popular resource for Jamaican SMEs and a model for effective small business finance in the Caribbean region more broadly. As of the end of 2014, the Jamaican JM

had 23 listed companies (table 14) that includes firms in sectors such as manufacturing (9), retail (6), financial services (5), and tourism, culture, and logistics. According to interviews conducted with leaders at the Jamaican Chamber of Commerce, the JM is considered to be a critical element on the stock market’s future sustainability. Both of Jamaica’s exchanges proscribe parameters such as a mandatory free float of at least 20 percent, additional shareholder protections, independent audits and regular financial reporting. Companies are permitted in the JM for up to 10 years (split into two five-year stages), or until surpassing a maximum shareholder’s equity capital capitalization of J\$500 million, after which point they are required to list on the senior exchange. The companies on the JM, and others like them not yet listed, face difficulties in accessing capital through less SME-friendly sources such as domestic banks or private equity, a common barrier to entrepreneurship and broader economic development seen throughout the Caribbean region. Jamaica’s JM presents a promising example of how SMEs can be connected to the capital they need as well as how investment opportunities can be diversified to include less main-street sectors of the economy.

Figure 3: Performance of the Jamaica and Trinidad and Tobago Stock Markets since 2007



Source: Bloomberg.

Table 14: Snapshot of the Junior Market of the JSE

	2009	2010	2011	2012	2013	2014
Listed Companies	1	8	12	16	21	23
Market Capitalization (J\$B)	0.76	8.47	23.6	22.1	27.4	26.1

Sources: Development Bank of Jamaica, "Practical Assessment: The Venture Capital Industry in Jamaica," and JSE Annual Report 2014.

One attractive feature of the JSE JM has been the tax benefit inducement it offers for listed companies. For the first four years of the JSE JM's existence, listed companies were guaranteed 10 years of income tax incentives. Then, in 2013, as part of its debt reduction program with the IMF, the Jamaican government reduced the incentive to a complete income tax holiday for just the first five years. That year 22 companies were listed on the exchange, a jump from 16 the year before, which was in turn a jump from 12 the year before that. Given the change in tax incentives, however, in the period since the amendment to the incentive structure, only four new companies have been listed on Jamaica's JM. The Jamaican government has announced plans to phase out the JM's tax benefits entirely in 2016, and then end all special incentives by 2021. It is worth noting that such a change in policy could ultimately lower the incentive for companies to choose to list on the JM.

Despite the recent lull in listings seen at the JSE JM, it remains the preeminent securities market for SMEs in the region, and there is potential for it to continue to grow, as well as for its model to lead the way for other junior exchanges in the region. Knowing the tax benefits that helped get the JM off and running will soon expire, the JSE has explored other options for attracting firms, such as a new US\$1.1 million pipeline project with the Multilateral Investment Fund of the IADB (MIF) to help develop corporate governance among small and microenterprises that are interested in listing. Although junior exchanges, or "SME Markets," have already been started in the Bahamas, Barbados, and Trinidad and Tobago, they remain small and underdeveloped. It is no surprise then that the JSE has looked to attract firms from other Caribbean

countries by extending listing opportunities to any company incorporated in a CARICOM member. In addition to the potential for cross-listing and information sharing, the various junior exchanges emerging in the Caribbean region should look to the JSE JM model for guidance in how to navigate balancing public budget considerations with SMEs and capital markets development.

Other Caribbean nations have attempted to replicate the success of the Jamaican JM, but they have seen only limited success. The Bahamas Stock Exchange includes a JM but no companies have listed on it; companies listed on the Bahamian JM are required to float 75 percent of shares. In Trinidad and Tobago, the JM remains small, but has seen some success, according to interviews with market experts, because of a low corporate tax rate inducement of 10 percent for the first five years. This model mirrors the incentivizing strategy that had a central role in making the Jamaican JM an appealing option for SMEs. In the case of Barbados, there is a JM, but it remains very small, with only one listing.

Public debt has become the most formidable of financial and economic challenges that the Caribbean has had to face over the past few decades, particularly since the global financial crisis, and especially in ECCU countries (table 15). From country to country, there is a wide range of public debt levels and sources of supply. Jamaica, where public debt was 143 percent of GDP in 2012, has been forced to restructure its debt, guided by the IMF, and retire its government debt market en masse. Similarly, Antigua and Barbuda, Belize, Grenada, and St. Kitts and Nevis have also gone through debt restructuring efforts. However, for

Table 15: Public Debt and Equity Overview (2012)

	Claims on Central Government (annual growth %)	External Debt Stocks, Public and Publicly Guaranteed (US\$MM)	Listed Domestic Companies*	Market Capitalization of Listed Companies (% of GDP)*	Portfolio Equity, Net Inflows (US\$MM)*	Stocks Traded, Total Value (% of GDP)	S&P Rating
Antigua & Barbuda	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
Bahamas	5.7	n/a	n/a	n/a	n/a	n/a	n/a
Barbados	n/a	n/a	24.0	106.4	-4.1	0.0	B
Belize	-6.1	1,052.2	n/a	n/a	n/a	n/a	B-
Dominica	4.8	2,63.5	n/a	n/a	n/a	n/a	n/a
Dominican Republic	3.8	14,176.5	16.0	n/a	0.0	n/a	BB
Grenada	-2.8	489.5	n/a	n/a	n/a	n/a	n/a
Guyana	3.1	1,092.2	12.0	21.4	n/a	n/a	n/a
Jamaica	1.1	7,421.9	36.0	43.2	103.0	0.0	B-/B
St. Kitts & Nevis	-26.7	n/a	13.0	82.2	n/a	0.0	n/a
St. Lucia	4.5	342.2	n/a	n/a	n/a	n/a	n/a
St. Vincent & the Grenadines	1.1	269.7	n/a	n/a	n/a	n/a	n/a
Suriname	6.6	n/a	11	n/a	0.003	n/a	BB-/BB
Trinidad & Tobago	-5.4	n/a	37	0.6	n/a	0.005	A/AA

Sources: World Bank Databank; individual stock exchange listings.

those countries that have most of their debt held domestically, restructuring can be devastating for the domestic financial sector. Antigua and Barbuda, Barbados, Jamaica, and St. Kitts and Nevis all have considerable domestic public debt, while Belize, Dominica, Grenada, Guyana, and St. Vincent and the Grenadines have a much larger portion of public debt supplied by external sources. Belize and Guyana have the greatest portion of their debt supplied externally, with external debt stocks in the amount of US\$1.2 billion and US\$2.3 billion in 2013. Belize also owes the largest share of its external debt to commercial and other private creditors, along with the Bahamas, Jamaica, and Trinidad and Tobago. The ECCU general public debt amounted to 38 percent (domestic) and 46 percent (external) in 2013, with forecasts of growth in both categories in years ahead.

Excluding the Dominican Republic and Suriname, for which data were unavailable, the domestic share of public debt across the Caribbean region in 2010 was dominated by commercial banks (36 percent), NBFIs (27 percent), and social security schemes (20 percent). The external share of public debt that year primarily broke down to commercial creditors (46 percent), multilateral creditors (34 percent), and bilateral creditors (14 percent). Meanwhile, the Dominican Republic saw its external debt stocks rise from US\$13.4 billion in 2010 to US\$23.8 billion in 2013. Looking forward, given the expectations of stunted regional growth without a solution for the public debt quagmire, fiscal consolidation is critical, and growing numbers of countries are pursuing such policies.

Private Securities: Infrastructure/ Public Private Partnerships

Infrastructure needs in the Caribbean are significant, and governments in the region recognize the importance of investment in infrastructure to drive sustainable and balanced growth. Without proper and continued investment in infrastructure, the inherent challenges to economic growth in the region—factors such as high-energy costs and

expensive and incomplete transport links—serve as considerable constraints to economic development. They stymie competition, limit regional cooperation, and delay critical investments in public assets such as broadband.

Financing for such projects comes from one of two principal sources: public financing or private financing. Given the region's constraints with respect to providing public finance, private financing could fill this gap to finance large or long-term infrastructure projects, and institutional investors can serve as a source of capital for such opportunities. Specifically, an emerging alternative assets class of infrastructure investment caters to investors who seek alternative investment opportunities within their overall portfolio strategies. Moreover, these types of projects can be attractive to private investors as they offer opportunities for yield in a low return environment and also are uncorrelated with other investments in their portfolios. Furthermore, institutional investors such as pension funds and insurance companies may see these types of assets as more predictable and longer term in nature than other illiquid investments.

There is a dearth of data on levels and trends in private sector investment when it comes to infrastructure and other alternative assets within the Caribbean region. Although the World Bank tracks private sector participation in specific areas of infrastructure development (e.g., energy, telecoms, transport, water and sanitation), as table 16 shows, the majority of the select regional countries either lack data or record no private participation in areas of infrastructure investment. Of the biggest economies in the region, only the Dominican Republic and Jamaica have well-documented private participation in infrastructure investment. More data are required to assess current levels of private participation in regional and country-specific infrastructure investment and, in turn, to strategize methods for mobilizing private Diaspora capital for investment.

Table 16: Investment with Private Participation by Sector (US\$ million)

	Energy	Telecoms	Transport	Water & Sanitation	Total
Antigua & Barbuda	n/a	0.0	n/a	n/a	8,600.0
Bahamas	n/a	n/a	n/a	n/a	4,200.0
Barbados	n/a	n/a	n/a	n/a	797.4
Belize	22.2	n/a	n/a	n/a	150.3
Dominica	n/a	0.0	n/a	n/a	126.1
Dominican Republic	265.7	584.4	73.4	n/a	
Grenada	13.6	n/a	n/a	n/a	102.5
Guyana	n/a	0.0	n/a	n/a	81.9
Jamaica	132.0	15.3	600.0	n/a	61.1
St. Kitts & Nevis	16.5	n/a	n/a	n/a	59.8
St. Lucia	11.2	0.0	n/a	n/a	58.8
St. Vincent	n/a	0.0	n/a	n/a	46.7
Suriname	n/a	0.0	n/a	n/a	41.9
Trinidad & Tobago	n/a	n/a	n/a	n/a	14.9
Total	461.2	599.7	673.4	n/a	14,341.4

Source: World Bank Databank.²⁸

Table 17: PPP Policy and Institutional Architecture in the Caribbean

	Policy	Law	Detailed Guidelines	Defined Roles*	Dedicated Unit(s)	Level of Staff Experience with PPPs	Dedicated Project Prep Funding
Jamaica	In place (2012)	Absent	Underway	In place	In place (DBJ & MOF)	Moderate	Absent
Trinidad & Tobago	In place (2012)	Absent	Underway	In place	In place (MOF)	Low	Absent
Dominican Republic	Absent	Absent	Absent	Absent	Absent	Moderate	Absent
Haiti	Absent	Absent	Absent	Absent	In place (MOF)	Low	Absent
Suriname	Absent	Absent	Absent	Absent	Absent	Low	Absent
OECS States	Absent	Absent	Absent	Absent	Absent	n/a	Absent

Source: Caribbean Infrastructure PPP Roadmap, March 2014.

*Defined roles means positions with clearly defined functions related to PPPs.

What is clear is that the overall architecture for PPPs in the Caribbean is underdeveloped. Within the region, only three countries, Jamaica, St. Lucia, and Trinidad and Tobago, have adopted PPP policies, defined the roles of various government entities in the PPP space,²⁹ and are preparing detailed guidelines

for the preparation of PPP projects (table 17). Only three countries, Haiti, Jamaica, and Trinidad and Tobago, have established dedicated PPP units. No countries have adopted PPP laws and have dedicated PPP project preparation funding to date.

Experience with infrastructure transactions in the region is mixed. Although most Caribbean countries have attracted some private investment in infrastructure over the last 20 years, many of these transactions have taken place through structures other than PPPs. These included privatizations of public utilities and regulated greenfield investments. The use of PPPs has been concentrated by both country and sector. According to the Caribbean Infrastructure PPP Roadmap, more than half of all PPPs over the past two decades took place in the Dominican Republic (27 projects), followed by Jamaica (11 projects), and Haiti and St. Kitts and Nevis (six projects). All other countries had a maximum of five PPP projects to date. Among sectors, PPP projects concentrated in electricity and transport, mainly comprising investments in electricity generation by independent power producers (IPPs) and investments in roads, ports, and airports. In water, there have been a handful of experiments with technical assistance lease contracts in Haiti, as well as with bulk water treatment elsewhere. None of the investments in information and communications technology (ICT) have taken the form of PPPs. Taken together the regional track record remains uneven. Several projects such as Suralco in Suriname and WindWatt Nevis in St. Kitts and Nevis have been providing reliable, quality service to their customers under power purchase agreements (PPAs) over a number of years. On the other hand, several projects have encountered problems with unanticipated fiscal costs, questionable value for money, and implementation delays, and many PPP projects have failed to launch.

Across the region, currently a pipeline exists of about 33 PPP projects at various stages of preparation, of which 15 are at concept stage, 12 at feasibility study stage, five at tender stage, and one transaction closed. The largest project pipelines are in Jamaica and Trinidad and Tobago (eight projects each), followed by St. Lucia and Suriname (three projects each) and St. Vincent and the Grenadines (two projects). The closed transaction is the Kingston Container Terminal in Jamaica, for which a 30-year

concession agreement was signed between the Port Authority of Jamaica and the consortium of CMA-CGM and Terminal Link on April 7, 2015. The total value of the PPP pipeline determined by the PPP Roadmap estimates a total value between US\$2 and US\$3 billion, suggesting an average investment requirement of US\$75 million.

Across sectors, PPP projects in the pipeline are overwhelmingly in economic infrastructure. Among 33 projects, only six projects are in social infrastructure, including (1) a teaching hospital in Grenada, (2) a green government office complex in Jamaica, (3) secondary schools in Jamaica, and (4) specialist clinical centers, (5) primary schools, and (6) court complexes in Trinidad and Tobago. Among these, only the teaching hospital in Grenada and the court complexes in Trinidad and Tobago have reached the feasibility stage. The remaining 27 projects are in economic infrastructure, including transport (14 projects), ICT (six projects), energy (four projects), and water and wastewater (three projects) (annex I).

Despite the attractive aspects of infrastructure as an asset class, however, the IADB identifies three principal constraints to infrastructure financing in Latin America and the Caribbean: (1) regulatory hurdles, (2) weak institutional frameworks, and (3) a lack of local financing sources. These constraints are discussed in detail below:

1. Weakness of the PPP legal and regulatory frameworks: In the absence of PPP laws, private operators and investors and government entities must rely on general administrative law and on specific sector laws to structure PPP transactions. Although this approach is feasible in a common law legal framework and can be handled contractually in the PPP contract, it results in a fragmentation of the legal and regulatory framework across countries that reduces visibility for private sector participants. The lack of dispute resolution mechanisms also contributes to uncertainty of treatment of private operators and investors in PPP transactions, although this can be handled through the PPP contract.

2. *Weakness of the PPP institutional frameworks:*

The general absence of PPP policy, guidelines, and rules (with the exception of Jamaica, St. Lucia, and Trinidad and Tobago) further heightens uncertainty for the parties to PPP transaction and adds to transaction costs. The absence of PPP units (with the exception of Haiti, Jamaica, and Trinidad and Tobago) contributes to a weak PPP project pipeline across the region. In addition, even in countries that have a PPP unit, the absence of incentives linked with implementation of successful PPP transactions results in limited transformation of PPP project concepts and feasibility studies into actual transactions.

3. *Limited base of financing sources for PPP transactions:*

In the past, the vast majority of PPP transactions in the region have been financed through equity from industrial sponsors/operators and bank project finance. This traditional model is increasingly showing signs of stress in the wake of the international financial crisis. First, the average debt/equity ratio of infrastructure PPP transactions is declining, as part of a trend to strengthen the balance sheet of project special purpose vehicles (SPVs). Second, as a result of regulatory reforms under Basel II and III, banks are reducing their exposure to infrastructure project loans because of increased capital charges, and they are reducing the maturity of these loans to meet new asset-liability matching rules. As a result, alternative financing instruments need to be mobilized to raise additional equity beyond the traditional industrial sponsors/operators base and to raise long-term debt beyond traditional project finance by banks.

The limited base of local financing sources for infrastructure PPPs, and the associated lack of patient local currency capital, makes tapping foreign investors necessary. Yet, for a number of reasons discussed below, FDI remains a minor source of funding for infrastructure in the Caribbean region. In fact, about 10 percent of FDI to Latin America and the Caribbean has gone to infrastructure

investment.³⁰ First, there is a dearth of patient capital that is also willing to invest in local currency. Given low public and private savings local investors—whose investments would be denominated in local currency—are unable to finance such large projects. As a result, foreign capital is required to fund such projects, but this solution comes with its own challenges. Foreign capital inflows—in the form of FDI—are unpredictable in nature and are denominated in foreign currencies. Given the long-term nature of infrastructure projects, investors looking for stable returns must as a result also take currency risk. The combination of a long-term lock-up and a long term currency bet makes such investments less attractive than other more liquid investments.

In addition, foreign investors face considerable market risk in the region. This risk arises from the low sovereign ratings of most economies in the region. As shown in table 18, with the exception of Aruba and Trinidad and Tobago, all countries in the region have a sovereign rating below investment grade. This places constraints on investments by institutional investors in infrastructure and other assets in the region.

Table 18: Sovereign Ratings in the Caribbean Region

	S&P	Moody's	Fitch
Aruba	BBB+ stable	-	BBB- stable
Barbados	B negative	B3 negative	-
Belize	B- positive	Caa2 stable	-
Dominican Republic	BB- stable	B1 stable	B+ stable
Jamaica	B stable	Caa2 positive	B- positive
St. Vincent	-	B3 negative	-
Suriname	BB- stable	Ba3 stable	BB- stable
Trinidad & Tobago	A stable	Baa2 negative	

Sources: S&P, Moody's, Fitch.

In the absence of inflows in the form of FDI, local institutional investors—specifically local pension funds and insurance companies—would theoretically be a good source of capital for infrastructure initiatives, but in the Caribbean that is not the case. Caribbean pension funds and insurance companies know the legal and regulatory hurdles and challenges in the region, are investing in local currency, understand the core economic opportunity, and are able to best assess the rationale and the risks of a particular economy and project. However, these sources of capital in the region do not have the scale and the depth of assets to truly take an active role in the financing of infrastructure projects. For example, Jamaica’s entire pension system totals approximately US\$2.6 billion. A 2012 OCED study of large pension funds in developing markets found that pension funds invest, on average, less than 3 percent of their assets in infrastructure.³¹ If Jamaica were to follow this global benchmark, the entire pension fund system would have less than US\$80 million available for infrastructure projects. Even in the Dominican Republic, the largest economy in the region, this lack of capacity to invest in infrastructure is systemic. As of 2011, the size of the pension fund industry in the Dominican Republic was US\$3.5 billion, which suggests infrastructure investment capacity of approximately US\$100 million. Clearly, in the smaller economies of the Caribbean, this investment capacity declines precipitously.³²

In the absence of sufficient local capital, then, Caribbean governments must find ways to create an investment environment and support infrastructure projects that will be attractive to foreign sources of capital. As noted, foreign investors often choose not to invest in infrastructure in the Caribbean because of regulatory concerns. A well-structured PPP can serve to bring new sources of capital and expertise to the table that will serve to improve the execution of a project while mobilizing new sources of capital into the economy in the form of an earmarked infrastructure investment.

To date, the reliance on traditional sources of finance for infrastructure PPP transactions meant that practically no channels were open for investments by qualified Diaspora investors in infrastructure PPP projects in the region. The need to broaden the equity and debt finance base beyond industrial sponsor/operators and bank project finance creates both opportunities and challenges for mobilizing both domestic and international investors, including Diaspora investors, in support of infrastructure PPP projects in the region.

Given the significant equity investments required for such projects, infrastructure and PPP opportunities require specific types of investors, often development finance institutions (DFIs) such as the World Bank, IFC, IADB, MIF, European Union, or foundations. Depending on the nature of the project, however, the remaining investors, especially if they are meant to be private investors, will require specific skills. First, the investors must be able to understand and navigate the considerable legal, regulatory, and process hurdles that are endemic to PPP processes. At present, there is no harmonized PPP legal and regulatory framework across the Caribbean, and each particular country and project has its own specific dynamics, risks, and opportunities. Second, the investor must have the knowledge and capability to understand the risk and return profiles of a given investment and then analyze whether those factors are consistent with the investor’s overall investment and portfolio strategy. Finally, the investor must have sufficient capital to finance the process of due diligence and—more importantly—the eventual investment itself. Although the presence of DFIs and other early backers of a project is helpful in establishing some credibility, it does not obviate all of the other steps needed to close an investment. Similarly, the envisioned Regional PPP Unit—to be developed in partnership with the World Bank Group, CDB, and MIF—will serve to address regulatory and other upstream constraints, but those additional hurdles will remain.

Although PPPs often entail large infrastructure projects, other types of investments are found that may be attractive to smaller investors or that would be attractive to highly motivated investors such as Diaspora investors. Specifically, social capital is an area that could be more accessible to these types of investors. First, these projects tend to be smaller in nature and are naturally available to a wider range of players. Second, they typically have a social objective that is appealing to investors who seek to couple impact with return or are willing to trade some return in exchange for achieving social objectives. The Caribbean Infrastructure PPP Roadmap identified several social infrastructure projects (schools and health care facilities). For example, Trinidad and Tobago is assessing the business rationale for building 10 early childhood education centers and primary schools, and St. Lucia has begun discussions on a health PPP. It is worth noting, however, that these projects are at this point very conceptual. PPPs in schools are done under a private finance initiative where the private partners do not provide the service but instead build and maintain the infrastructure since education is a sensitive, state-provided service. Trinidad and Tobago is also studying the business case for building three imaging and laboratory diagnostic centers. This PPP initiative was announced in 2013 and was funded with more than US\$1.5 million from the MIF, IADB, and Compete Caribbean and an additional US\$450,000 in resources from the IADB. As discussed earlier in the report, social infrastructure—schools and hospitals—also tends to attract significant Diaspora philanthropy.

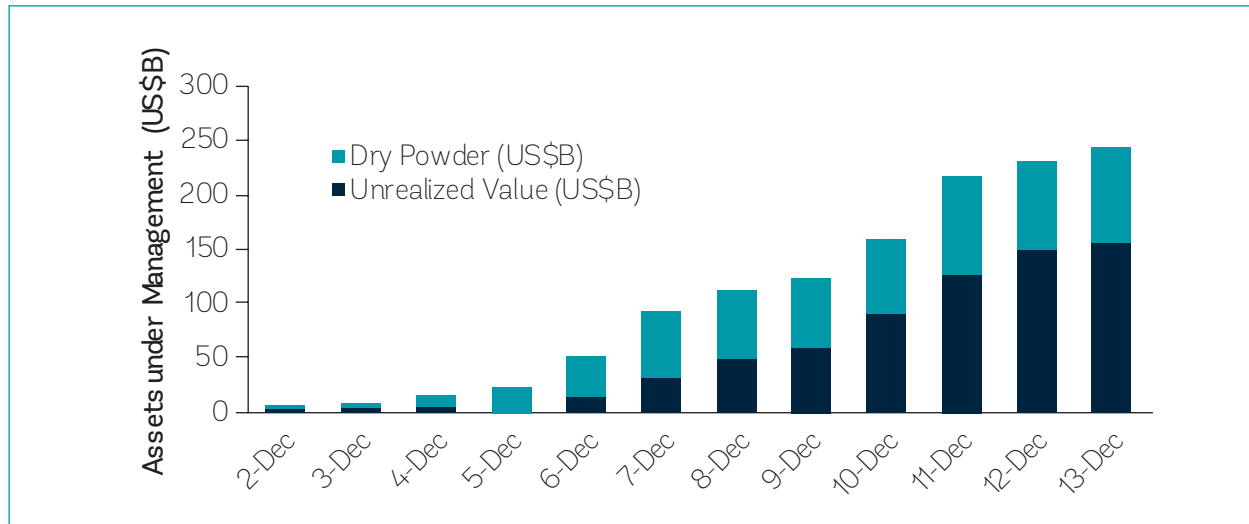
An opportunity may also present itself to consider PPPs that are targeted to industries beyond core infrastructure or social infrastructure. Within the smaller economies in the Caribbean, a wider range of assets and sectors are seen as belonging to the public sphere. Thus, sectors such as agriculture and tourism can provide investment opportunities that would otherwise be privatized or left to the private sector in other markets. In such a situation, the government may partner with an operator who

will bring the most value to a piece of land—by developing it either for agriculture or for tourism.

Several alternative vehicles could be mobilized to diversify the financing of infrastructure PPP projects in the region. These vehicles could constitute channels for mobilizing investments by qualified investors including qualified Diaspora investors to infrastructure projects in the region.

For instance, the past 10 years have witnessed the emergence of a new class of private equity and debt funds dedicated to infrastructure investments. Starting from a very low base of US\$17 billion in 2004, assets under management of unlisted infrastructure funds have increased steadily to reach US\$244 billion globally in mid-2013 (figure 4). The growth of the fund class continued through the financial crisis, albeit at a slower pace in 2009 and 2010. Following the international financial crisis in 2008, infrastructure debt funds have developed as a small but increasing fund class. Although an average of five new infrastructure debt funds were raised per year over 2005–09, the number of funds raised has increased to 20 in 2013, with an aggregate capital raised of US\$7.5 billion in that year. Over the period, the share of infrastructure funds' investments in emerging markets has increased rapidly, reaching 10 percent of the total in 2013. By industry, the largest sector is renewable energy, which represented 23 percent of the total over 2008–13, followed by transport (18 percent), social infrastructure (18 percent), energy (15 percent), and utilities (14 percent). Pension funds (both private and public) are the most important investors in the infrastructure fund class, representing a combined 35 percent of the total in 2013, followed by insurance companies (10 percent) and foundations (8 percent). In terms of performance, infrastructure funds outperformed other private equity funds over 2007–13. Specifically, taking 2007 as a base, the Preqin infrastructure index reached 138.0 in June 2013, compared to 121.3 for the all private equity indexes.

Figure 4: Unlisted Infrastructure Assets under Management December 2004 to June 2013



Source: 2014 Preqin Global Infrastructure Report.

Within the Caribbean, three private equity funds of note have been oriented toward infrastructure. At present, only one of these groups, Real, remains active:

1. Conduit Capital: Conduit was an early entrant to the private equity asset class in Latin America, raising its first fund in the 1990s. All three of its funds were focused specifically on energy, with investments primarily in Central and South America. The firm did make one investment in the Caribbean via a greenfield energy project in Jamaica. All three funds raised by Conduit—Latin Power Funds 1, 2, and 3—invested in Jamaica Energy Partners, the operator of 11 barge-mounted, diesel-fired power generating units. The combined capacity of 125 MW represents roughly 20 percent of the electricity consumed on the island, and Conduit is the controlling shareholder of these assets. Conduit sold its stake in Jamaica Energy Partners to Basic in 2007 and then reacquired the company in 2009. It continues to hold its stake at the present. Conduit raised its last private equity fund in 2005 and is not expected to raise future funds.

2. Prometheus Energy Partners: Prometheus was a private equity fund focused on energy opportunities in Trinidad and Tobago and the greater Caribbean region. Established as an offshoot of Guardian Holdings Limited (GHL), a leading Trinidadian financial services company, the firm invested in the development of Trinidad's extensive hydrocarbon resources and to enhance returns on shareholder capital. In November 2008, during the aftermath of the 2008 crisis, Guardian sold the fund to a global infrastructure fund, Denham Capital. Although Denham Capital made one follow-on investment in a failed chemical plant project (CariSal), it has not announced any additional investments in the region.

3. Real Infrastructure Capital Partners: Real is a new energy-focused private equity firm formed by several departing members of the Conduit Capital team. In January 2014, the firm announced that it closed on a US\$100 million Latin Renewables Infrastructure Fund to invest in utility-scale, renewable power generation such as solar, wind, and hydropower in Latin America, Mexico, and Central America. To date, it has expressed interest in the Caribbean but has not closed any investments.

Over the last five years, domestic infrastructure equity and debt funds have emerged in a growing number of emerging markets and developing economies (EMDEs) with the objective to mobilize resources from domestic institutional investors for investment in infrastructure PPP projects. The largest number of infrastructure debt funds raised or closed are outside the advanced economies of North America, Europe, and Asia, with 21 funds seeking to raise or having raised US\$8.2 billion in a dozen EMDEs by mid-2014. A good example of this new class of funds is provided by the Vintage Capital GreenX fund in South Africa (box 1).

Building on the model of large SWFs that invest domestically such as Temasek in Singapore and Khazanah in Malaysia, a growing number of governments in advanced economies and in EMDEs are establishing strategic investment funds (SIFs) to serve as anchor investors for international and domestic institutional investors in domestic investment projects or funds, in particular in infrastructure. These institutional investors include

pension funds, insurance companies, as well as private equity and debt funds. Recent examples include the European Fund for Strategic Investments in the European Union, and the Fund for Strategic Investments in Senegal. Other countries such as Indonesia and Morocco are actively considering establishing SIFs. *The development of private infrastructure equity/debt funds and SIFs could open the door for Diaspora investments in infrastructure PPP projects in the region.* In particular, a regional Caribbean private equity/debt fund and/or a SIF could be marketed to qualified investors in the Diaspora as part of a broader marketing strategy including both institutional and domestic private investors.

The feasibility of a regional SIF would need to be studied carefully. In particular, the following elements should be taken into account:

1. The governance structure of the fund would need to be carefully articulated to separate the ownership and management function. The SIF

Box 1: The South Africa Green X Infrastructure Debt Fund

Group in South Africa in November 2013. The fund first closed (Note I) raised R 2.5 billion entirely from South African pension and provident funds. The fund invests in senior debt in energy and renewable energy projects in South Africa.

GreenX Note I focuses on deals that are structured along limited recourse project finance principles. Investments under Note I focus on projects that have been successful in the South Africa Department of Energy Renewable Energy IPP Procurement Process (REIPPPP). These projects include solar plants and wind plants in the provinces of Eastern Cape, Northern Cape, and Mpumalanga. Note I focuses on refinancing of bank debt on the secondary market and is now fully invested.

Vantage Capital is now raising GreenX Note II, which will have a wider remit. In addition to projects under REIPPPP, Note II will also target investments in sustainable energy projects, which will include natural gas and cogeneration projects run by the South Africa Department of Energy. By contrast with Note I, Note II is targeted at primary finance and aims to enter deals post selection as preferred bidder but before financial close.

The projects in which GreenX invests are underpinned by a South Africa Ministry of Finance guarantee to cover buyer payment default and/or political force majeure.

- would not be established by an existing regional institution but would be established jointly by interested governments. The SIF would be registered as a public limited liability company in one of the participating countries or in a third country in the region. The board of the SIF would consist of Ministers of Finance and heads of specialized government agencies in charge of PPP from participating countries and the CEO of the fund management company (see below). The board would be responsible for defining and monitoring the fund overall investment strategy but would not be responsible for individual investment and exit decisions. The SIF would have a Secretariat responsible for supporting the activities of the board and the governance and audit committees. The SIF would establish a fund management company responsible for implementing the SIF investment strategy under a management contract with clear key performance indicators. The fund management company would be responsible for all investments and exit decisions. The fund management company would establish funds and/or subfunds or compartments targeting specific infrastructure sectors and/or investor risk profile, including Diaspora investors. These funds/subfunds/compartments could be in equity, mezzanine, and/or senior debt (loans or bonds).
2. The regulatory framework for the fund manager and for the funds/subfunds/compartments would need to be carefully considered. In particular, the choice of jurisdiction for the fund manager and for the funds/subfunds/compartments would need to be made taking into account the quality of the regulatory and supervisory framework for investment funds, the quality of the business environment in particular for bankruptcy and for dispute resolution, the feasibility to register the funds as pass-through structures for fiscal purposes, and the existence of double taxation agreements with a broad range of jurisdictions across the region and with major Diaspora host countries.
 3. The investment strategy for the SIF would need to be carefully articulated. In particular, the SIF could invest as general partner (GP) in equity and/or debt funds, either cross-sectoral and/or sector-specific (economic infrastructure, social infrastructure), with the objective to crowd in regional and international private investors, including Diaspora investors, in infrastructure PPP projects in the region. The funds would take minority equity positions in infrastructure PPP projects SPVs and/or buy debt from SPVs (loans or bonds).
 4. The human resources strategy for management and staff of the fund management company would need to be carefully articulated. In particular, management and staff would be recruited solely based on their professional expertise and experience and originate solely from the private sector, including investment banking, project finance, and PE/VC. Finance professionals strongly networked with Diaspora investors could constitute an interesting target group for recruitment by the SIF. They would need to be remunerated based on private market standards.
 5. The criteria for project selection by the fund manager would need to be carefully articulated. In particular, it would be critical to rely on a double trigger including minimum internal rate of return (IRR) and economic rate of return. Projects with strong regional economic integration potential as well as potential for regional integration in the global economy would be prioritized.
 6. The remuneration for the fund manager company would need to be carefully structured to align the incentives of the fund manager with the strategic objectives of the SIF. This would apply in particular to the definition of the fund management fee, share of the carry, and hurdle rate.
 7. International and regional financial institutions would need to be closely associated with the development of the regional SIF from the outset. In particular, international financial institutions

(IFIs) and regional FIs could provide critical technical assistance support for the development of the SIF during both the preparation and implementation phases and could also participate as limited partners (LPs) in the capital of the fund and provide leverage through mezzanine and/or senior debt alongside their LP participation, thus acting as a catalyst for private investors including Diaspora investors. Among IFIs, the World Bank could provide its expertise in selling bonds in support of its development projects to retail investors.

8. A preliminary market sounding would need to be carefully designed and conducted with regional and international private investors. The marketing strategy of the SIF would be targeted at both institutional investors and qualified investors in the Diaspora.

In parallel with the regional SIF, participating governments could consider establishing a regional infrastructure project venture fund (VF), with the objective to accelerate the preparation of infrastructure PPP projects ready for transactions with the private sector. The VF would carry out the appraisal of PPP projects screened by national PPP units and prepare infrastructure PPP transactions, including transactions in which the regional SIF could invest. It would be powerfully incentivized to develop a strong pipeline of infrastructure PPP transactions through its participation in the equity of the SPVs of transactions that have been successfully closed. The fund would work in close relationship with PPP units in participating countries and with the regional SIF.

As in the case of the SIF, the feasibility of a regional VF would need to be carefully studied. This would cover governance structure, regulatory framework, business strategy and plan, human resources strategy, fund manager selection and remuneration, participation of IFIs and regional FIs, and market sounding with international and domestic investors, including qualified investors in the Diaspora.

Private Equity Securities: Private Equity, Impact Investment, and Early Stage Investment

Private Equity

Private equity (PE) refers to an asset class in which investors purchase the illiquid equity (or equity-like) securities of operating companies. This equity is not publicly traded but instead held in private hands. In exchange for their capital, PE firms take ownership stakes that range from minority through to majority ownership in a company. PE investors typically hold these securities for a period of three to seven years with the expectation of generating attractive risk-adjusted financial returns upon exiting the investment. PE firms are investment managers that typically raise fixed pools of capital that are then invested in a diversified set of companies, often across many industries. PE firms source deals by working with a network of intermediaries, developing business linkages and competencies in specific sectors, and by scouring a given market for investment opportunities. Apart from providing financing, funds typically take a hands-on (also known as value-add) approach, in that they help the companies in their portfolios to enhance management capacity, improve market focus and presence, strengthen governance, and manage growth. Although investment styles may vary considerably, many firms seek financial returns by supporting and financing the growth of the companies in their portfolios. As such, these firms are widely linked to job creation, because this is often a by-product of their efforts to build, and eventually sell, valuable portfolios of companies.

In the 2013 infoDev survey of Diaspora investment activities, 8 percent of respondents self-reported that they met the U.S. regulatory definition of “accredited investor,” specifically having a net worth of US\$1 million and income of at least US\$200,000 each year for the last two years (or US\$300,000 together with their spouse if married) with an expectation to make the same amount in the current year.³³ As noted, accredited investors have the option to invest in PE, VC, hedge funds, or other types of funds that

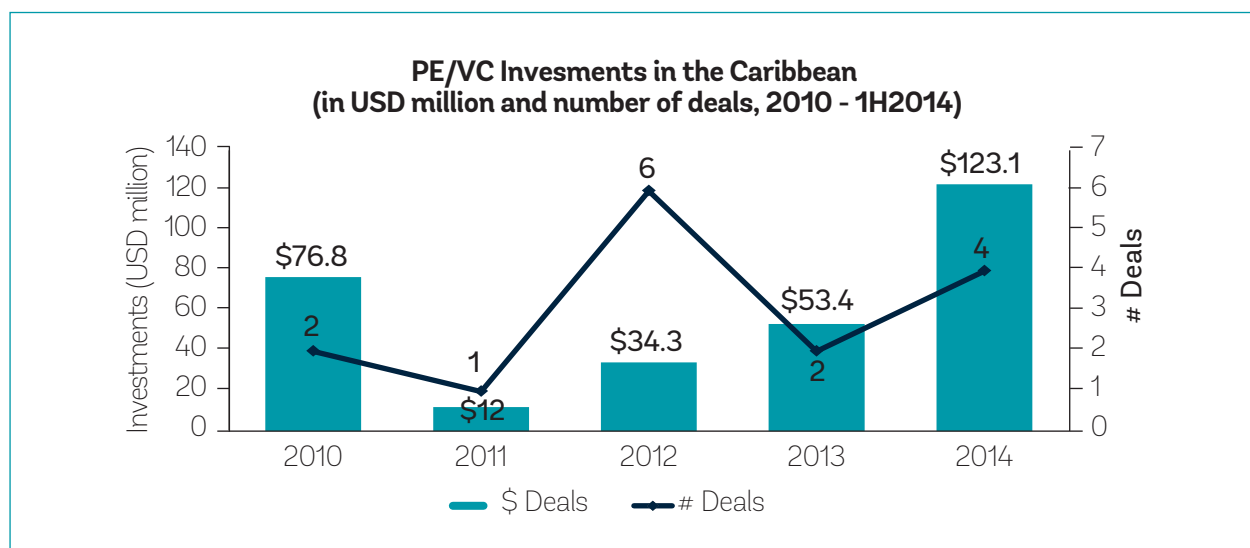
offer investment opportunities that are designed for sophisticated investors. Moreover, this same study noted that 7 percent of respondents mentioned PE when asked to list “What sectors are most attractive to invest in?” Thus, although interest in PE and VC remains lower than other sectors such as agriculture (41 percent) and real estate (33 percent), a strong correlation seemingly exists between the percent of accredited investors and interest in PE and VC.

Private equity in the Caribbean is not a new phenomenon, but there have been fits and starts to build a homegrown industry mixed with intermittent interest from external players. The main target of both attention and volume in the industry has focused on the larger markets in the region, principally Jamaica, the Dominican Republic, and Trinidad and Tobago. There have not been any specific funds launched for any of these markets of note, but rather small efforts by local players such as business angels or local corporates. As a result, information is scarce regarding the nature, timing, and size of transactions. That said, the Latin America Venture Capital Association (LAVCA) has been tracking deals in the Caribbean since 2010. Since that time, the region has seen total invested capital of US\$299.6 million in 15 transactions. This

implies an average investment of approximately US\$20 million (figure 5).

Targeting Diaspora investors as a source of capital for PE funds remains a challenge. Although Michael Lee-Chin, a Jamaican Diaspora investor based in Canada, is the sponsor of Portland Private Equity, arguably the most successful fund in the region’s history, his case is the exception rather than the rule. Targeting offshore investors requires an investment fund to assume a set of additional costs and administrative burdens during its fundraising process. For example, a fund that wishes to raise capital from Diaspora investors located in the United States will need to register the fund with the U.S. Securities and Exchange Commission (SEC). Such a strategy could prove worth the time and effort were it straightforward to target Diaspora investors, but the informal nature of Diaspora networks means that funds will then need to invest time and capital in identifying and marketing to a disperse set of investors. Given that funds typically target large institutional investors or family offices that can invest in excess of US\$5 million, launching a specific effort targeting individuals does not offer a clear return on the time and capital involved to reach Diaspora investors. That said, PE remains

Figure 5: Snapshot of Private Equity in the Caribbean



Source: LAVCA

an attractive asset class that could be relevant to family offices associated with Diaspora investors or to members of the Diaspora with sufficient financial capacity to investment in such funds.

Despite the challenges raising capital and identifying attractive deal flow, the PE industry in the Caribbean has matured over the last decade. After a series of false starts by other firms in the region (see annex III), Portland Private Equity is the first sustainable PE firm in the region, having closed on its first fund in 2008. At that time, the firm raised the US\$225 million AIC Caribbean Fund to invest in platform companies, specifically fast-growing companies that could provide significant potential to expand into neighboring countries of the Caribbean, thus supporting regional integration. As noted, Portland Private Equity was founded by Michael Lee-Chin, a self-made former billionaire of Jamaican origin and controlling shareholder of National Commercial Bank of Jamaica. The fund invested in six companies and as of December 31, 2012, had disbursed a total of US\$154.8 million into these businesses. The overall performance of the fund has been good, with several exits generating gross IRRs to date that are in line with the 20–30 percent target IRRs for a fund of this nature.

The investment portfolio focused on a diversified set of industries, although the investments themselves were largely concentrated in a few countries. The portfolio of the first fund included businesses in the insurance, construction, telecom, real estate, energy, and agribusiness sectors. Three of the businesses are based in the Dominican Republic, one is located in Jamaica, another is based on Bermuda, and one company is pan-regional nature. In terms of investment size, over 50 percent of the capital in the fund was directed to the Dominican Republic, while almost all of the remaining capital was allocated to a regional telecom business that operates in 21 countries. The investment in Jamaica and Bermuda was minimal, with each investment representing less than 3 percent of the capital deployed by the fund.

Unlike other fund managers who were forced to exit the market because of fund raising concerns, inability to deploy capital, and poor returns, Portland has proceeded to launch and execute on the process of raising a second fund. Given the solid performance of the first fund, Portland Private Equity launched a US\$300 million second fund in 2013. Portland Caribbean Fund II, L.P. (“PCF II” or “the Fund”), is a 10-year closed-end fund seeking to invest in six to 10 fast-growing companies in the Caribbean region. The Fund will invest in various sectors (in particular financial services, infrastructure, (renewable) energy, telecommunications, agribusiness, consumer/retail, health care, and property development), primarily in the Caribbean region and potentially in adjacent countries such as Colombia and those in Central America (in particular Costa Rica and Panama). Investments are expected to be in the range of US\$5–60 million (including follow-on financings) and may be in the form of equity, quasi-equity or structured loans, which allow for self-liquidating investment positions. The first US\$100 million closing of the fund—which was originally expected in 2013—took place in late 2014. The IFC invested US\$20 million alongside other DFIs.

Impact Investment

Private impact investing has remained largely absent from the Caribbean despite the fact that it has become a steadily more common method of financial engagement in many developing markets around the world. In 2011 no members of the Global Impact Investors Network were focused on the Caribbean region, and not one single impact investment in the Caribbean had been registered with the network. The following are thought to be the primary reasons for why the Caribbean has not been targeted for such investments: (1) With the exception of Dominican Republic and Jamaica, Caribbean nations are for the most part extremely small and relatively isolated island economies, where developing economies of scale, an important factor for profitability, is inherently more difficult; (2) most Caribbean nations are considered middle and upper-income economies with relatively high

levels of development, while their Bottom of the Pyramid (BoP) populations—those most often targeted by impact investing—are relatively small in size; and (3) PE, the primary financial instrument of global impact investors, is lacking on both the demand and supply side in the Caribbean, as was discussed previously.

Nevertheless, various noteworthy private impact investors are operating in the region. With the largest BoP population in the region, as well as some of the greatest economic weaknesses more broadly, Haiti, which is not under consideration in this study, has traditionally been the Caribbean's biggest magnet for private impact investments. Leopard Capital is one example of a profits-minded firm that has been involved in investments geared toward impacting areas such as affordable housing, food processing, renewable energy, and tourism in Haiti (given the nascent stage of the Haitian tourism sector and its potential development impact, tourism may be considered within the impact sphere). Firms including the Small Enterprise Assistance Funds (SEAFs) and Root Capital have, in addition to providing growth capital for SMEs in Haiti, also developed technical assistance (TA) programs for local business partners. The Calvert Foundation, which intervened strongly in Haiti following the 2010 earthquake, provides “patient capital” for social and environmentally conscious enterprises. Although these examples of global impact investors in the Caribbean are limited to Haiti, a strong case can be made for the possibility of extending their engagement, or at least learning from their models, to grow impact investment activity in other Caribbean markets. Already, in Jamaica, the Jamaica National Building Society has partnered with I-Support Jamaica to launch a start-up online effort (Isupportjamaica.com) to attract increased impact investment to small entrepreneurs in the country's neediest communities (albeit with very limited results). Finally, as a self-described “investment platform that facilitates Diaspora and impact-investing to make a difference in the world,” the expansion of Homestrings' involvement in the Caribbean region suggests the viability

of leveraging Diaspora capital, in particular, for impact-minded investment.

Looking ahead, despite noted impediments, arguably significant unseen potential exists for the region to develop as an impact-investing environment given the generally large market gap between capital supply and demand. Although the Caribbean is considered a highly banked region, with significant liquidity and private capital, access to credit remains extremely limited for BoP communities and access to equity funding limited at all levels. Investors have shown interest in impact investing in the region, but the lack of real pipeline and deal selection is a major barrier. On the capital demand side, opportunities exist that can be considered investment-ready, as well as those that need to be articulated and developed, but also an abundance of unexplored and completely undeveloped ones. According to Compete Caribbean's report *Supply and Demand Side Assessment of Impact Investment within the Caribbean*, the greatest unmet demand for investment in the Caribbean is among SMEs, which go unserved by sources of capital such as remittances and microfinance institutions that cater to entrepreneurs, as well as large company and greenfield project suppliers such as commercial and national banks and DFIs. The major financial barriers thought to be causing capital demands of SMEs to go unmet are their lack of sufficient collateral, inadequate business planning, and aversion to equity investments. On the nonfinancial side, the main barriers are the general lack of knowledge and awareness of opportunities from both the perspectives of potential investors and investees, the inaccessibility of deal flow, and the dearth of investment opportunities developed to the level of being considered investment ready.

Among the countries in this study, Barbados, the Dominican Republic, Jamaica, and Trinidad and Tobago are the most suitable for international impact investment given their size, relatively high degree of financial development, and SME activity. Nevertheless, many differences are found between them individually when it comes to access

to capital and entrepreneurial opportunities. First, Barbados has a dramatically smaller population than Dominican Republic, Jamaica, and Trinidad and Tobago, making growing economies of scale a greater challenge (table 2). Second, as the region's only "high income" nation, and the only Caribbean country that ranks above average for the LAC regions in both domestic credit provided by the banking sector and usage of domestic credit by the private sector (figure 7), the gap between supply and demand of capital in Barbados is far smaller than the other three comparators. Therefore, the potential BoP impact is relatively smaller. Separately, regarding opportunities for investment in start-ups and SMEs, Trinidad and Tobago stands apart from the others as an economy dependent on fossil fuel industries. This, in turn, limits investment options with respect to renewable and alternative energy, which is otherwise a major area of opportunity in much of the region, as well as one of the most popular targets for impact investments globally. In contrast, the Dominican Republic recently passed a Renewable Energy Incentives Law, which provides incentives for the production of renewable energy and products made with renewable energy.

The abundance and variety of sectorial opportunities for impact investment in the Caribbean speaks to the largely unheralded potential for the asset class in the region as a whole, but also its relevance for this study's examination of the potential for a region-wide Diaspora investment initiative. There are many overlaps between the potential areas of investment discussed previously in this study in the context of a hypothetical Diaspora investment initiative in the Caribbean and those that are in the most need and best suited for impact investments. These primarily include SMEs, transportation/infrastructure development, tourism and cultural industries, alternative energy, and agricultural development.

SMEs: Across the region, access to capital is limited on account of banks' requirements related to cash flows and collateral. The informal nature of sectors throughout the Caribbean also makes

connecting capital supply and demand difficult for commercial banks. But it also creates a void in which impact investing and TA programs could be best positioned to meet the needs of the growing SME market, helping create jobs and overall socioeconomic development through financing and consulting services. Regarding the optimal countries for impact investment in the region, much variation is seen when it comes to conditions in SME markets. Jamaica's strong junior stock exchange has invigorated SME activity, while the Dominican Republic continues to face major access to capital issues among early and growth stage firms. That said, the Dominican Republic's government has recently put in place a number of reforms in its corporate law system in an attempt to catalyze entrepreneurship and investment.³⁴ Although Trinidad and Tobago's banking sector is not as developed as that of Barbados, it does see greater access to capital among SMEs. On both a regional and domestic level, a platform such as Homestrings, which already boasts nine SME investment options in Africa and Asia that it ranks on a scale of impact,³⁵ could provide a blueprint for connecting Diaspora capital to SMEs in the Caribbean.

Transportation/infrastructure development: As IDB has observed, governments in the Caribbean region "are striving to bridge the gap between transportation demand and supply to facilitate access to health care, education, jobs and markets to all economic and social groups." According to Compete Caribbean's December 2011 report *Supply and Demand Side Assessment of Investment within the Caribbean*, around the region the biggest transportation and infrastructure development-related investment opportunities involve port facility development and air travel privatization. The government of Trinidad and Tobago recently launched a major initiative to redevelop ports, including PPP projects, which is discussed in detail in the in-depth profile later in this study. Jamaica, meanwhile, held a successful bid for the privatization of Norman Manley International Airport in April 2015. According to the Compete

Caribbean report, the wealthier Barbados is most interested in developing a ferry system linking it by water to Trinidad and Tobago and its OECS neighbors. Regarding Diaspora investment opportunities, again, Homestrings could provide a blueprint, given its 19 existing infrastructure-related investment opportunities in Africa.

Tourism and cultural industries: Most of the region comprises tourism-dominated economies, and so the scalability of opportunities in this sector should be an immediate attraction for impact investors. Yet maximizing opportunities in the tourism sector is closely linked with transportation/infrastructure development and building connections to cultural goods markets such as artisanal handicrafts and music. These cultural industries are essential channels through which BoP communities can reap value from the influx of consumers associated with tourism arrivals, but they also add value to the overall economy because they primarily involve cash transactions, thus increasing the inflow of foreign currencies. Jamaica and the Dominican Republic stand apart as the two largest tourism economies, yet, according to Compete Caribbean, both have major financing and TA needs when it comes to building the necessary infrastructure and bringing local products to market.

Alternative energy: Energy dependence and high electricity tariffs make the shift toward alternative and sustainable energy sources extremely advantageous for the vast majority of the Caribbean, again with the notable exception of Trinidad and Tobago. The alternative energy areas identified by Compete Caribbean in 2011 for having the greatest need and potential for investment in the region include wind, geothermal, small hydro, and biomass fuel. That said, Barbados is a world leader in solar-powered water heating systems, boasting the third largest deployment on a per capita basis globally. And a significant opportunity exists to invest in and build out similar capacities in countries around the region. Jamaica generates over 90 percent of its power from oil and has some of the highest electricity costs in the region, though there

is much promise in its wind energy. Meanwhile, the Dominican Republic has committed to being 25 percent renewable dependent by 2025 and has already seen major public and private investments in wind projects, as well as some in geothermal. Regarding Diaspora investment, as of July 2015, Homestrings offered two different “green energy” investment options—the SME Fund Green Energy and Biofuels—that are both based in Africa.

Agricultural development: Although many Caribbean nations export food products, they also face food security issues, such as relying a large amount on food imports, according to Compete Caribbean. Although Trinidad and Tobago again stands apart because of its natural resource wealth and the ability to offset food price fluctuations, Jamaica and the Dominican Republic are both ranked among the least food secure nations in Latin America and the Caribbean.³⁶ Nevertheless, across the region, countries would benefit from the kind of increased productivity and better protections against natural disasters that technological development and investment would provide. In addition, increased financing opportunities and TA could help improve quality and standardization in the local food market, which would benefit both exports and connectivity with the tourism sector. In terms of precedent for Diaspora investment in this sector, as of July 2015, Homestrings offered three different investment opportunities in agribusiness, including two companies and a bond, all based in Africa.

Early Stage Investment: Accelerators, Angel Groups, and Venture Capital

Like PE firms, venture capital (VC) firms also invest in the private securities of operating companies. VC firms are known for investing in early-stage companies that are typically riskier in nature than the investments made by their PE counterparts. Often, VC firms invest in companies in sectors that are related to technology or innovation, although they may also back businesses in other verticals. In developed markets, VCs also source ideas and build new companies from proprietary networks of

proven entrepreneurs. This seeding of investment ideas into the market is less common in developing markets but will likely become more common as these markets become more robust.

Also like PE firms, VC firms are structured as a private asset management funds that make investments from long-term pools of capital provided by LPs. The structure and nature of a venture capital fund is very similar to that of a PE fund in terms of economics, duration, and governance structure. Investors in VC must also be prepared to take on more risk but are theoretically compensated by outsized returns on their investments. Thus, although a number of investments in a given VC portfolio will likely fail, those investments that are successful will produce attractive gains for the entire portfolio.

As noted, in the 2013 infoDev survey of Diaspora investment activities, 8 percent of respondents self-reported that they met the U.S. regulatory definition of “accredited investor,” specifically having a net worth of US\$1 million and income of at least US\$200,000 each year for the last two years (or US\$300,000 together with their spouse if married) with an expectation to make the same amount in the current year.³⁷ As with PE funds, accredited investors have the option to invest through VC funds or invest directly into early stage businesses (i.e., start-ups) either on their own or via organizations such as angel investment groups. The study noted that 32 percent of respondents stated that they were “very interested” in start-ups and early stage companies, and another 43 percent were “somewhat interested” in those types of opportunities. Moreover, 7 percent of respondents referenced VC when asked to list “What sectors are most attractive to invest in?”

At present, the focus for early stage funding for the region is fixed on angel investment groups. infoDev’s EPIC is a seven-year US\$20M program funded by the government of Canada that seeks to build an enabling ecosystem to foster high-growth and sustainable enterprises throughout the Caribbean. The program does not focus on VC and

does not seek to catalyze the creation of country-specific or pan-*regional* VC funds at this point. Given the nascence and lack of scale and volume of start-up opportunities, infoDev instead chose to focus on creating smaller pools of early stage funding in the form of angel groups. These groups, through targeted investments of capital and hands-on mentorship, can generate the kinds of early stage ventures that will eventually provide the business case and justification for the first VC funds in the region.

The first set of angels groups created as part of the infoDev’s programs in the Caribbean are set to launch or have launched already. Much of the activity that is taking place at this stage is experimental because there is little culture in the region of formal angel investing. By mid-2015, infoDev expects to have four angel groups up and running. Two of these four groups are stewarded by HNW individuals who have created angel groups by recruiting and collaborating with 10 to 15 other business angels. Geographically, the groups are focused in the larger markets, with two groups in Jamaica (First Angels and Alpha Angels), one in Barbados (Trident Angels), and one pan-Caribbean in nature (but not yet launched). The pan-Caribbean angel group is under the auspices of the Caribbean Export Agency.

The most developed of the angel groups, First Angels, is based in Kingston, Jamaica. The creation of the group has been championed by a HNW individual, Joe Matalan, who is also the Chairman of the Development Bank of Jamaica. Each of the 10–15 members pays US\$2,300 annual dues and agrees to meet monthly with two presenting potential investment companies. The members of the group lead due diligence and seek to close two or three investments of US\$100,000–250,000 per annum. This angel group is typical of other such groups both in Latin America as well as the United States. Given the small number of members, however, it will be critical for the members to be willing to invest between US\$10,000 and US\$25,000 per member if the group is going to meet its investment

objectives. It is worth noting that First Angels and other angel investment groups may choose to establish links with Diaspora investors, not just as a source of capital, but also as a source of expertise and direct linkages to potential overseas markets where start-ups may choose to expand their presence as they grow. To date, First Angels has closed one investment. The group invested US\$150,000 in DRT Communications, a marketing communications agency, which also offers technology-driven media monitoring services.

Beyond the work of infoDev with respect to building an ecosystem of angel investment and investable entrepreneurs, several parties are working together to deepen the supply of entrepreneurial finance by supporting the development of a stand-alone venture capital fund. The Multilateral Investment Fund of the IADB has partnered with the Development Bank of Jamaica (DBJ) to launch the JVCP. The objective of this initiative is to raise a VC fund—with a target size of US\$20 million at minimum—that will be regional in nature. An initial “Call for Proposals” launched in late 2014 generated applications for eight potential fund managers. While this is promising in terms of eventually raising capital for a fund, it remains to be seen whether there is sufficient deal flow to support a fund, even at the regional level. This will become more apparent once the angel groups operating around the Caribbean with the support of infoDev are in full operation and begin to make investments. These angel groups, along with accelerators, will serve as feeder funds for companies that could be candidates for VC investment. Until sufficient deals are seen in the market, however, there will not be enough volume to justify the economic returns expected by a venture capital firm.

Critically, VC firms are part of an overall ecosystem for early stage capital that also includes angel investors or individual investors who seek to provide seed money to early stage companies. Beyond these sources of capital, incubators and accelerators are intermediaries that help companies to grow by providing a combination of capital,

mentorship, technical support, infrastructure, and other critical resources. See annex III for an overview of the supply-side actors in the Caribbean early stage market.

Current Modes of Diaspora Investment

Current Diaspora investment in productive assets is heterogeneous in nature, corresponding to members’ capacity and willingness to invest. A broad base of Diaspora investment tends to be channeled through either charity (schools and hospitals are mostly the beneficiaries), remittance-investments to empower entrepreneur-relatives (for small-scale businesses such as farms), or Diaspora entrepreneurship (e.g., IT companies, outsourcing, nursing homes) in their home country. A small group of HNW Diaspora members tend to make large investments in the Caribbean such as through diversified holdings in banks or the energy sector (e.g., Michael Lee Chin’s investment in National Commercial Bank of Jamaica) or through investment vehicles (again, Michael Lee Chin’s Portland Private Equity). Diaspora members tend not to invest in infrastructure projects because these are multimillion investments that are complex and difficult to navigate for noninstitutional investors. Based on these observations, Diaspora investment falls into a few key categories:

1. Housing: This remains the most dominant form of investment and represents an important source of hard currency, investment, and tourism (since Diaspora homeowners visit their properties or rent them out to third parties). Diaspora preference to invest in housing or real estate results from the advantage inherent in the asset class. Such investments are long term in nature, which obviates any concerns about exchange rate and capital portability issues. Moreover, these investments generate steady income, often indexed in dollars, since the owners may choose to rent their properties to expatriate works in a market such as Trinidad. Finally, Diaspora may see real estate as a part of the planning process for an eventual return home.

2. *Philanthropic investment in economic development:*

As mentioned above, a broad base of the Diaspora invest in economic development through their various cultural associations and other platforms that put together annual fund raisers and other events to send money or in-kind contributions home (e.g., raising funds for an ambulance, sending books, investing in nursing seminars).

3. *Empowering entrepreneurship among family members by providing start-up funding:*

A broad base of the Diaspora also fund dependent relatives in the Caribbean to start small-scale businesses, for example, by buying a car to run a taxi business or to buy chickens to start a chicken farm. These investments tend to be made via remittances and hence are difficult to capture since remittance data are not broken down between consumption oriented and investment oriented.

4. *Investing in small businesses as an owner-operator or through a holding company model:*

Illiquid investments largely take the form of owner-operated companies operated by individuals from the Diaspora who either maintain business interests in the region or have local partners. Some Diaspora members may set up tourism businesses (such as a guest house) or nursing homes or restaurants back home. They may reside in Canada, the United Kingdom, or the United States and operate the business through family members; others may go back home to start the businesses. Direct investment by Diaspora may be facilitated by investment agencies such as JAMRPO, InvesTT, Invest St. Lucia, or Invest Barbados (see section III for greater detail on these agencies). Stories of these investments are anecdotal in nature, however, and no data exist to suggest systematic success of these initiatives. Rather, these types of investments tend to come via personal networks among trusted friends or family. HNW Diaspora members may invest through a holding company model in various opportunities across

the Caribbean. However, again there is a dearth of data to understand the flow of capital into the Caribbean through these channels.

5. *Investing through passive investment vehicles:*

About 7.5 percent of respondents to the 2013 infoDev survey reported investing in local stock markets, which is consistent with the estimates of the management of the JSE. It is likely that most of this capital flows into the JSE rather than the other regional exchanges because of the relatively high valuations in Trinidad and Tobago. A few asset management platforms cater to the Diaspora; for example, Jamaica Money Market Brokers is a platform for investment for risk-averse Diaspora members. MF&G Trust and Finance in Jamaica caters to more financially savvy Diaspora investors. At the highest levels of investment are the likes of Michael Lee Chin, who is an anchor investor in the pan-Caribbean Portland funds. However, PE and VC remain highly niche investments that are available to accredited investors. As noted, these types of organizations do not employ specific strategies to target Diaspora investors because of the regulatory and marketing investments required to raise money offshore and from individuals. Finding and marketing to these types of investors is far more demanding than targeting large institutional pools of capital. That said, the region's most prolific PE shop, Portland Private Equity, was started by a member of the Jamaican Diaspora. Moreover, very good potential may exist for Diaspora participation in the angel investment sector once this industry gains greater scale.

6. *Invest through Citizenship for Investment Program in government-sponsored vehicles:*

As discussed above the CBI programs channel would-be citizen capital into specific vehicles that are quasi-SWFs.

In the 2013 infoDev survey on Diaspora investment, 64.4 percent of Diaspora respondents expressed interest in pursuing investment in the

Caribbean, with particular interest in start-up and early stage companies. Although just 13 percent of respondents said they are currently invested in businesses in the Caribbean (table 19), the survey indicates 40 percent of respondents have at some time invested in a start-up or early stage company and that 60 percent of those were in the Caribbean (73 percent of which were in Jamaica, albeit with a lower response rate)³⁸ (table 20). Green energy, telecommunications, education, and agribusiness were the top sectorial interests identified. Most respondents said they made their investments directly to the company (88 percent) or via an online platform (11 percent), which was not specifically named in the survey. Also notable is

that there appears to be a “patriotic dividend” in the way Diaspora members view financial engagement in their home countries; according to the infoDev survey, 80 percent of respondents would accept below average commercial returns on their investments as a way of giving back. (Although interviews conducted with Diaspora as part of this study also suggest that a patriotic dividend is more applicable to older migrants than to the younger Diaspora population.)

Looking at the survey in terms of the types of participants and their general financial ties, then, one sees that the Caribbean Diaspora largely comprises people with less than US\$100,000 of investible wealth (table 21).

Table 19: Responses Suggesting 13 Percent of Individuals Have Invested “Back Home”

Caribbean diaspora survey (EPIC), Question 6		
In what ways do you engage with the Caribbean community “back home”? (Check all that apply)		
Answer Options	Response Percent	Response Count
I send money to friends and family	46.9%	213
I donate money to charities and non-profits	31.7%	144
I donate money to my alma mater	17.4%	79
I volunteer my time	39.9%	181
I mentor individuals	32.6%	148
I invest in the stock market	7.5%	34
I invest in property	22.5%	102
I invest in companies/businesses	12.6%	57
I work for a Caribbean entity	14.5%	66
I am not involved	16.1%	73
	Answered question	454
	Skipped question	193

Table 20: Responses Suggesting 23 Percent of Individuals Have Funded Caribbean Startups

Caribbean diaspora survey (EPIC), Question 11 and 12		
Have you ever invested in a start-up or early stage company?		
Answer Options	Response Percent	Response Count
Yes	40.2%	179
No	59.8%	266
Answered question		454
Skipped question		202
Where was the start-up or early stage company based? (Please list all geographies that apply)		
Answer Options	Response Percent	Response Count
Caribbean	57.8%	104
Other	49.4%	89
If Other (please specify)	80	
Answered question		180
Skipped question		467

Table 21: infoDev's Findings Regarding Investor Profiles within the Caribbean Diaspora

	Accredited Investor	Investible Wealth less than US\$100,000	Investible Wealth US\$100,000-250,000	Investible Wealth US\$250,000-1,000,000	Active investor in Caribbean stock market	Active investor in Caribbean property	Active investor in Caribbean businesses
Response Percentage	7.5	75.6	13.7	7.6	7.5	22.5	12.6
Response Count	26	248	45	25	34	102	57
Answered Question	345	328	328	328	454	454	454
Skipped Question	302	319	319	319	193	193	193

Source: infoDev.

Note: "Accredited Investor"—Definition provided in survey based on U.S. law: "1. Individual: Has greater than one million USD investible assets excluding property OR making 200,000 USD per year for at least the last two years 2. Institution: Has greater than five million USD investible assets." "Investible Wealth"—Investible wealth includes liquid assets such as cash, stocks, bonds, insurance and excludes property.

Diasporic Investment and Linkages with Trade

The Caribbean Diasporic Entrepreneurship Analytical Report, a 2014 study prepared by Dr. Keith Nurse and Dr. Claremont Kirton, both of UWI Consulting, a subsidiary of the University of the West Indies, examines the role of Diasporic communities in driving trade in goods and services. In the study, which the IADB commissioned through Compete Caribbean, Dr. Nurse and Dr. Kirton draw a clear relationship between economic diversification and global competitiveness for the Caribbean and the mobilization of the Diaspora. More specifically, they assert that although Diaspora actors can serve as providers of capital to businesses in the region, their role should be far more holistic. Specifically, they argue the growth of Diasporic communities generates new markets and demand for associated services. This expanded market and the demand within it helps to drive trade and to create larger and more successful Caribbean enterprises. Diasporic communities have a beneficial effect on companies that service their constituency in a number of ways. First, Caribbeans who move to new markets still demand goods and services from their home countries. Second, they also demand new services in telecommunications or in financial services that allow them to seamlessly connect back to their home countries. Often these cross-border services are innovative in nature, whereby the Diaspora actually helps to introduce new products and services into the region. As a result of this demand for relevant goods and services—either in their home market or to connect back to the Caribbean—the Diaspora has an impact on business development by helping to circulate investment, knowledge, intellectual property, and innovation.

Dr. Nurse and Dr. Kirton conducted a survey of 67 Diasporic entrepreneurs to understand the nature of their businesses as well as the industries that generate relevant opportunities. In doing so, they found that agriculture, agribusiness, and food processing—related businesses were the most prevalent industries (31 percent of responses) with

professional services (15 percent) coming second. This is notable because these industries are trade-focused, create local employment in the region, and also drive demand for secondary industries such as logistics and shipments. Moreover, the researchers noted that the majority of the entrepreneurs in their survey could be classified as “high impact” since they were firms that undertook one of more of the following key actions as they build their companies: They performed detailed market research, sought regional or international expansion, introduced innovative products back into the region, constantly upgraded their offering, or catered to the Diaspora to generate a growing market for their end products.

In addition to the survey, the researchers conducted in-depth interviews with a group of 18 large and well-known Diasporic firms in the agroprocessing (Golden Krust, GraceKennedy), transportation (Laparkan), remittances (Jamaica National Heritage Trust, GraceKennedy Money Services), creative (Tempo, Sports Max), and telecommunications (Digicel, LIME, Telesur) industries. These firms include some of the largest home-grown corporations in the Caribbean such as LIME, Jamaica National, Digicel, and GraceKennedy, and thus underscore the point that the many large companies in the region see the Diaspora as critical to their operations.

By focusing on the role of Diasporic communities in generating trade and other linkages, the Caribbean Diasporic Entrepreneurship Analytical Report also suggests that engagement of Diaspora investors can have a catalytic effect on the overall investment environment in a given country. Specifically, Diaspora investors wishing to operate in the Caribbean may demand “best practices” in terms of the institutional arrangements in the region with respect to the proper operations of government, suppliers, or buyers. This type of catalytic relationship should be encouraged to improve access to capital and to undertake structural reforms that encourage these investors and reflect their desire for clearer and investment-friendly policies.

Market Drivers and Impediments for the Diaspora

The primary institutional drivers for investment in the Caribbean are the countries' respective investment promotion agencies, which, as mentioned above, have facilitated some investments by the Diaspora. Below is a brief synopsis of the roles investment promotion agencies play in the four Caribbean nations selected for in-depth study: Jamaica, Trinidad and Tobago, St. Lucia, and Barbados. Further details on the agencies and other relevant government apparatuses in the region can be found in the in-depth profiles and the diagrams in annex VI.

JAMPRO: An agency of the Ministry of Industry, Investment and Commerce, JAMPRO promotes business opportunities in terms of trade and exports and foreign investment into Jamaica. Traditionally, JAMPRO has not segmented their marketing efforts to foreign investors versus Diaspora investors, so there is usually a mix of Diaspora and foreign investors with no ties to Jamaica. But, more recently, JAMPRO has set out to address the unstructured nature of Diaspora interaction. One way it has tried to do this is through a program called Global Business Connect, an online business portal. This online presence seeks to build on a number of offline interactions that are sponsored by key actors in the government and economic establishment of Jamaica such as the MoFA, JAMPRO, and the JSE as well as consulates and High Commissions. JAMPRO focuses its investment promotion activities on strategic sectors that correspond to the planning and development priorities of the government of Jamaica, such as business process outsourcing (BPO), manufacturing, agroprocessing, and tourism.

InvesTT: Similar to its Jamaican counterpart, InvestTT promotes investment opportunities in Trinidad and Tobago and has not traditionally segmented its marketing efforts to foreign investors versus Diaspora investors. It focuses specifically on investment opportunities of US\$1 million or more

in value and targets eight strategic sectors that align with the overall economic diversification goals of the federal government: agribusiness, cleantech, manufacturing, tourism, creative industries, downstream energy, IT, financial services, and maritime industries. Through major cultural events like carnivals and parades in Diaspora hubs like New York and London, InvestTT actively markets investments to the Diaspora. In 2014 InvestTT, in partnership with several cabinet ministries, sponsored an investment conference in New York.

Invest St. Lucia: Although the investment promotion agency of St. Lucia does not target the Diaspora specifically when seeking foreign investment, it does engage with Diaspora investors. In the past, the government, in partnership with Invest St. Lucia, has conducted missions to Canada, the United Kingdom, and the United States to promote government bonds. Most members of the St. Lucia Diaspora do not make investments in their countries of residence, so the agency figures they are unlikely to invest in St. Lucia. Instead, Invest St. Lucia sees opportunity in offering Diaspora an opportunity to target regional markets or develop products locally that can serve external markets. The strategic areas Invest St. Lucia focuses on are ancillary services for tourism, manufacturing with export potential, and infrastructure, both hard and soft. There is also strong interest in alternative energy, such as wind and solar projects.

Invest Barbados: The government of Barbados, through Invest Barbados, encourages foreign direct investment, with the stated goals of creating jobs and earning foreign currency, by seeking out and presenting projects to potential investors. The investment promotion agency doesn't segment its marketing between foreign investors and the Diaspora and, ostensibly, has the least amount of Diaspora-tailored investment promotions activity among the four respective agencies discussed here. That said, like the others, Invest Barbados focuses specifically on investment opportunities in key strategic sectors such as the hotel industry, IT, offshore banking, and manufacturing. For example,

international business companies have a maximum tax rate of 2.5 percent on income and exemption from foreign exchange controls.

Many potential impediments to Diaspora investment in the Caribbean are seen, but several key concerns emerge as the most pressing. From the perspective of trying to catalyze investment from the Diaspora, a high cost is associated with finding and marketing to potential investors. From the perspective of investors themselves, on the other hand, a number of high-level concerns are seen. First, investors are focused on macroeconomic instability and social instability. Moreover, investors and potential investors are concerned about a weak legal framework and poor legal enforcement. Finally, some investors feel too distant from the region and likely don't know how best to source and manage any Caribbean investments. The responses to the infoDev survey are given in table 22.

In interviews with members of the Caribbean Diaspora in Canada and the United Kingdom, a major topic of discussion was the difficulty of vetting potential partners and conducting due diligence in the Caribbean. Members of the Diaspora worry about the competence and trustworthiness of their intermediaries (such as lawyers) when trying to navigate the landscape back home. Among business professionals, there is experience with local partners in the Caribbean not honoring their commitments, financial or otherwise. In general, a perception is found that local partners and intermediaries are opportunists with the lack of long-term commitment. The Diaspora find due diligence a problem in the Caribbean; they find smaller lawyers to be lacking in competence and professionalism. Top firms (e.g., MF&G Trust and Finance Ltd), on the other hand, are seen as more reliable, but are also more expensive. Diaspora members often rely on their family members to conduct due diligence for them.

Table 22: Impediments to Engagement in the Caribbean

Caribbean diaspora survey (EPIC), Question 7		
What prevents you from getting more involved in the Caribbean? (Check all that apply)		
Answer Options	Response Percent	Response Count
I do not feel a connection to the Caribbean	3.3%	15
I have no family there	4.4%	20
I have no friends there	1.8%	8
I worry about macroeconomic instability	30.0%	136
I worry about social instability (crime)	41.0%	186
I worry about the weak legal framework and enforcement	31.1%	141
I am too geographically distant	18.9%	86
I am not ready to get involved now, but would like to later	17.8%	81
Not applicable - I am already as involved as I want to be	28.0%	127
	Answered question	454
	Skipped question	193

Source: infoDev.

In fact, family members are often the frontrunners because Diaspora fear being fleeced by locals simply because they reside abroad. There is strong belief that a trusted intermediary, such as the World Bank, has to mediate between the government and the Diaspora to have anything happen. A structure that is independent of the government is important to the Diaspora. Further, Diaspora members believe that a big organization such as the World Bank can provide resources, but a small nimble organization should be the interface, to execute any new initiative.

Based on interviews, the Diaspora in Canada and the United Kingdom find that clarion calls issued by the government to invest in the Caribbean are not backed with infrastructure and actions on the ground to help facilitate such endeavors. Diaspora members are uncomfortable with general calls for investment from the government without strides to adequately create a better environment for them. These calls for investment, in fact, exacerbate the credibility problem since the Diaspora believes them to be a reflection of an unprofessional, ill-conceived, and therefore a risky mode of operating. Diaspora members complain that even large agencies like JAMPRO do not move fast enough. The Diaspora feels there is a lack of comprehensive information on programs and opportunities available. For example, the Jamaica Stock Exchange advancement with the Canadian Ministry of Finance, which allows Jamaican-Canadian Diaspora to invest in JSE stocks through tax-sheltered accounts in Canada, has not been widely promoted.

Although a subset of Diaspora members have entrepreneurial ambitions of their own, and would like to set up businesses in the Caribbean, they often do not have the resources to do so. For example, members of the Diaspora cannot get small business loans in Canada to start a business in Jamaica, and the cost of borrowing tends to be high in the Caribbean. Canadian banks operating in the Caribbean are separately managed and separately incorporated foreign subsidiaries. If it were possible to access a small business loans through these Canadian bank subsidiaries it

might help the Diaspora set up businesses in the Caribbean. Similarly, if the Jamaica National Building Society (JN) or Victoria Mutual could get the necessary regulatory greenlight for a banking license in Canada and build a base of Caribbean customers, they could provide start-up funding to such Diaspora entrepreneurs.

Interviews and discussions with a large number of private and public sector actors in the Caribbean region also surfaced specific obstacles not found in the infoDev survey or in the meetings with Diaspora members in Canada and the United Kingdom. These include the following types of considerations:

1. Currency volatility and controls: Investors in Jamaica, in particular, noted that the Jamaican dollar has lost value steadily over the last four years. In particular, since the beginning of 2012, the Jamaican currency depreciated from approximately J\$86 per U.S. dollar to more than J\$115 per U.S. dollar as of mid-2015. That represents depreciation in excess of 30 percent, which makes investing in Jamaican dollars far less attractive than under a more stable currency regime. Investors in Barbados and ECCU countries don't face such concerns because the currencies of these countries are pegged to the U.S. dollar. Similarly, the government of Trinidad and Tobago has historically maintained a close trading band with the U.S. dollar. Although these countries offer currency stability, a tightly controlled currency regime does have some secondary effects. Investors in Barbados, for example, are advised to register foreign currency that they bring into the country with the Central Bank to ensure that they will be able to liquidate these positions and repatriate capital in the future.

2. Requirement to trade with local brokers: Although the local equity capital markets in the Caribbean offer potential for Diaspora members and other offshore investment, investors face some structural challenges with regard to purchasing shares. For example, the exchanges

in the region are not yet integrated, either regionally, or with global exchanges. As a result, in Barbados, Jamaica, and Trinidad and Tobago, offshore investors must open a local brokerage account and trade from that account.

3. *Foreign Account Tax Compliance Act (FATCA):*

FATCA is a U.S. federal law requiring U.S. citizens (including those living outside the country) to report themselves and their non-U.S. financial accounts to the Financial Crimes Enforcement Network on a yearly basis. It also requires all non-U.S. financial institutions to search their records for suspected U.S. nationals for reporting their assets and identities to the U.S. Treasury. Congress enacted FATCA to make it more difficult for (resident and nonresident) U.S. citizens to avoid taxes and other financial obligations in the United States. This regulation imposes significant reporting obligations and costs on foreign banks and financial institutions and could serve as an impediment to the Diaspora population as they determine whether they could like to open offshore accounts.

4. *Low liquidity in public markets:* All of the public equity markets in the Caribbean suffer from low levels of liquidity. As a result, the markets are not dynamic, do not attract new offerings, and make it difficult for investors to buy or sell large blocks of shares.

5. *Lack of investment vehicles or “packaged” investments:* Although the local investment promotions agencies work to create matches between offshore investors who are interested in the region and local entrepreneurs in need of capital, very few investment opportunities marketed by highly credible names in the market come “investment ready.” Moreover, few investment vehicles, whether for publicly traded investments or for private investments, could appeal to a wide range of retail investors.

Annex VII includes an in-depth review of country-level regulations.

Legal and Regulatory Impediments and Drivers for the Diaspora

The following is a summary of the legal/regulatory and taxation impediments and drivers facing Diaspora members residing in Canada, the United Kingdom, and the United States, followed by a broad overview of preexisting evaluations and studies of the Caribbean’s legal and regulatory environment by international researchers, including the World Bank’s Ease of Doing Business Study, the Heritage Foundation’s Index of Economic Freedom, and Transparency International’s Global Corruption Perception Index.

U.S. Investment Regulation and Taxation

Investment Regulation for Retail Investors

Public Offering—Equity/Debt in Caribbean Companies

Public offerings of equity or debt securities in Caribbean companies to U.S. retail investors—Caribbean Diaspora members and others—would entail an extremely costly and time-consuming process to be in compliance with the Securities Act section 5. To make a public offering in the United States, a company must first register with the SEC and submit a detailed prospectus for approval. If a public offering is conducted, the company must then regularly file financial information with the SEC. This process is very costly and time-consuming and therefore is a realistic option only for large companies. The SEC has estimated that the average cost of achieving initial regulatory compliance for an initial public offering is US\$2.5 million, followed by an ongoing compliance cost, once public, of US\$1.5 million per year.³⁹

Public Offering—Units in Caribbean Investment Funds/U.S. Funds Active in the Caribbean

Selling participation in an investment fund via a public offering is—just like for an equity or debt offering—a major time and cost commitment that makes it a viable option to only large funds, none of which focus their activities exclusively in

one Caribbean nation or even the broader region. A public offering of units in an investment fund requires the fund to comply with the requirements of public offerings in accordance with the Securities Act section 5. The large investment funds that are capable of meeting those requirements are too large to address only a single Caribbean nation or the Caribbean region only. In practice, the funds that use public offerings and may invest in the Caribbean are ones that have an emerging markets investment profile.

Crowdfunding

New crowdfunding rules provide an opportunity for Caribbean companies of all sizes to offer investment opportunities to the Diaspora (retail as well as accredited investors) without having to commit to a cumbersome offering procedure. The SEC passed new crowdfunding rules (Regulation A+ under Title IV of the JOBS Act) on March 25, 2015. Regulation A+ provides an exemption from the registration requirements of the Securities Act. The rules allow nonaccredited investors to participate in equity crowdfunding and invest in start-ups and small businesses. Although nonaccredited investors can only invest 10 percent of their income/net worth per year via crowdfunding, companies are allowed to raise up to US\$50,000,000.

Although crowdfunding under U.S. law is a relatively simple and cost-effective method of raising funds, the establishment of crowdfunding platforms faces greater regulatory complications. A crowdfunding portal must be registered with the SEC as a funding portal and be a member of the Financial Industry Regulatory Authority. It is prohibited from offering investment advice or recommendations; soliciting purchases, sales, or offers to buy the securities displayed on its platform; compensating employees, agents, or other persons for such solicitation; or holding, managing, possessing, or otherwise handling investor funds or securities.

Investment Regulation for HNW Investors

Private Placement—Equity/Debt in Caribbean Companies

Using the private placement exemption in the Securities Act section 4 is a less costly and time-consuming alternative to the public offering option for SMEs, but sellers are required to sell only to “accredited investors,”⁴⁰ which would limit reach of the offering to only the wealthiest members of the Diaspora. A company is not required to register a sale of securities with the SEC if it conforms to rules promulgated under the private placement exemptions of the U.S. Securities Act, which is significantly less demanding than a public offering. However, companies are permitted to offer and sell only up to US\$5 million worth of securities in a 12-month period, and only to “accredited investors,” or up to 35 other persons. The rules promulgated under the law also states that the securities once bought cannot be sold for at least six months without being registered with the SEC, and general solicitation or advertising cannot be used to market them. Thus, although the private placement exemption represents a simplified and less costly option, it is best fitted for a seller that has already identified angel investors and/or HNW Diaspora members in the United States interested in investing.

Private Placement—Units in Caribbean Investment Funds/U.S. Funds Active in the Caribbean

As is the case for companies offering equity or debt securities, investment funds can make use of the private placement exemption from the public offering requirements, but can then sell only to accredited investors. Investment funds can make private placements provided they only sell units to “accredited investors” or up to 35 other persons. These limitations would likely make it very challenging to establish a fund that invests only in a Caribbean nation or solely in the region alone.

Taxation for Retail and HNW Investors

As U.S. taxpayers, members of the Diaspora face a number of disadvantages in receiving foreign incomes (including capital gains), and are incentivized to make their investments abroad through U.S. financial institutions. U.S. taxpayers are offered a tax credit or itemized deduction to prevent double taxation on income on which they have already paid foreign levies. As a general rule, one must choose to take either a credit or a deduction for all qualified foreign taxes. In most cases, it is an advantage to take the tax credit. This is because (1) a credit reduces the actual U.S. income tax on a dollar-for-dollar basis, whereas a deduction reduces only the income subject to tax; (2) one can choose to take the foreign tax credit even if one does not itemize the deductions; and (3) if tax credit is chosen, and the taxes paid or accrued exceed the credit limit for the tax year, one can carry over or carry back the excess to another tax year. Nevertheless, the result is that the taxpayer will end up paying the highest tax—whether it is in the foreign country or the United States.

The 2010 FATCA legislation heightened enforcement regarding reporting on investments held outside the United States; citizens and permanent residents are required to file with the Internal Revenue Service if they hold financial assets of more than US\$50,000 abroad. They are also required to report on any investments in a passive foreign investment company (PFIC),⁴¹ income from which is taxed at the top individual tax rate (39.6 percent). The FATCA legislation not only requires new self-reporting on PFICs and other foreign-held financial assets, but also requires all “foreign financial institutions” to report on the assets held by U.S. citizens and permanent residents or face noncompliance sanctions. Because of the punitive tax rate and the time-consuming reporting requirements, financial advisers are strongly recommending that U.S. citizens and permanent residents invest internationally only via U.S. financial institutions.

Canada Investment Regulation and Taxation⁴²

Investment Regulation for Retail Investors

Public Offering—Equity/Debt in Caribbean Companies

Similar to the case in the United States, the sale of debt or equity in a Caribbean company to the Diaspora (retail and accredited investors) in Canada requires a prospectus be prepared and filed with the relevant securities regulators, a process that is costly⁴³ and time-consuming, and therefore out of reach for all but the largest companies. The prospectus required for a public offering is a comprehensive disclosure document providing detailed information on the issuer’s business and the securities being offered. It must also include three years of audited financial statements prepared in accordance with International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles. In Québec, written material such as prospectuses and take-over bid circulars (tender offer materials) must be translated and sent to residents in French. The process for completing an IPO in Canada generally takes three to four months. An issuer that becomes listed in Canada will be required to comply with further requirements regarding periodic disclosures, financial reporting, and corporate governance, as well as the policies of the exchange on which its securities are listed.

There are exemptions to the prospectus requirement that would make an offering of securities to the Caribbean Diaspora a less demanding process. Of note for retail investors is the offering memorandum (OM) Exemption, under the British Columbia model, which is also practiced in New Brunswick, Nova Scotia, Newfoundland, and Labrador. The British Columbia model of the OM Exemption allows for sale of securities to retail investors without the issuer having to comply with the prospectus requirement if (1) the purchaser purchases the security as principal and

(2) at the same time or before the purchaser signs the agreement to purchase the security, the issuer delivers a prescribed OM form to the purchaser and obtains a signed and prescribed form of risk acknowledgment from the purchaser. Even though a company must pay for preparation of the OM, as a rule of thumb, this expenditure will be worth the cost if the fund is looking to raise more than CAN\$100,000.

Public Offering—Units in Caribbean Investment Funds/Canadian Funds Active in the Caribbean

As is the case for companies offering securities the selling of participation in an investment fund to the general public in Canada requires the fund to first file a prospectus with the relevant securities regulator, which is a costly and time-consuming process, in turn limiting it as an option to only the largest funds. These funds are too large to focus exclusively on the Caribbean, so there are no retail funds that Diaspora members can invest in with the hope that their investment will benefit the Caribbean.

The British Columbia model of the OM exemption for the prospectus requirement applies to investment fund offerings as it does for securities, making it the best option for funds interested in tapping Canada’s retail investor market. As discussed above, the British Columbia model of the OM exemption allows for fundraising without imposing any eligibility requirements on investors. Thus, it is not only a cheaper and less demanding procedure than the prospectus filing, it also broadens the field of potential investors to the entire Diaspora. This exemption could allow smaller-scale investment funds with allocations focused on the Caribbean region to initiate fundraising from the Diaspora.

Crowdfunding

Crowdfunding represents a cost-effective way for companies and investment funds to raise capital from the general public in Canada, though there is variation in the legal framework applicable to

crowdfunding across the country’s provinces and territories. All securities regulators in Canada provide two exemptions to allow companies to raise capital using crowdfunding: (1) the Accredited Investor exemption and (2) the OM exemption. The British Columbia version of the OM exemption, which is also practiced in New Brunswick, Nova Scotia, and Newfoundland and Labrador, applies to crowdfunding as it does securities and units in investment funds. It is a good option for Caribbean companies or investment funds looking to attract investors to the Caribbean because it is inexpensive and inclusive of retail investors.

Investment Regulation for HNW Investors

Private Placement—Equity/Debt in Caribbean Companies

There are several exemptions to the prospectus requirements that allow companies to issue securities without having to comply with the expensive and arduous public offering requirements, yet most of the attendant exemptions (NI 45-106) are predicated on investor eligibility requirements that greatly limit the field of potential investors. Given the extent to which these restrictions limit from whom companies can raise funds, it follows that only Caribbean companies that have already identified some angel investors or HNW Diaspora members would utilize them:

1. ***The Accredited Investor Exemption***—allows the distribution of securities in any dollar amount to an unlimited number of investors in any Canadian jurisdiction, provided that each investor purchases the securities as “principal” (i.e., not for the benefit of others) and qualifies as an “accredited investor.”⁷⁴
2. ***The Minimum Purchase Exemption***—applies in all provinces and territories in Canada, but under this exemption, an investor must purchase or be deemed to purchase the securities as “principal” and the securities must have an aggregate acquisition cost of no less than Can\$150,000.

- 3. The Private Issuer Exemption**—allows private corporations to avoid prospectus requirements so long as they have fewer than 50 shareholders, securities that are closely held by a prescribed group of private investors (e.g., family, close friends, business associates and accredited investors), and a restriction on the transfer of securities.
- 4. The Affiliates Exemption**—permits an issuer to trade to an affiliate of the issuer that is purchasing as principal. This exemption is available in all of the provinces and territories of Canada. An issuer is an “affiliate” of another issuer if one of them is the direct or indirect subsidiary of the other or if each of them is controlled by the same entity.
- 5. The OM Exemption**—available in all Canadian jurisdictions except Ontario, but only the British Columbia model allows for the participation of retail investors. In contrast, the Alberta OM Exemption model, which is also practiced in Manitoba, the Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan, and the Yukon, has the same requirements as the British Columbia OM Exemption, but with the addition of the following: Purchasers must qualify as “eligible investors”⁴⁵ and the acquisition cost to the purchaser cannot exceed Can\$10,000.

Private Placement—Units in Caribbean Investment Funds/U.S. Funds Active in the Caribbean

Investment funds can make use of the private placement exemption from the prospectus requirements in Canada. The prospectus exemptions described above in relation to regular companies are also all available to investment funds. Because investment funds normally sell participation outside of their close circle of founders, the exemptions that are most applicable are the Accredited Investor Exemption, the Minimum Purchase Exemption, and the OM Exemption. Although these exemptions would help funds avoid the costly and time-consuming procedure of a prospectus filing, excluding the British Columbia

OM Exemption model, they would greatly narrow the field of potential investors. Although larger funds could avoid this all together by absorbing the costs of a prospectus procedure, they are unlikely to be Caribbean-focused, as previously discussed. In addition, it should be noted that, even if an investment fund takes advantage of an exemption, it still must file notice of the exempt trades with, and pay a filing fee to, the relevant Canadian securities regulators within 10 days. The amount of the filing fee is generally a nominal amount; however, in British Columbia, Alberta, and Québec, the fee is calculated as a percentage of the investment made by resident investors and could become a significant amount.

Taxation for Retail and HNW Investors

Canada’s taxation regime relevant to the foreign incomes and assets of its citizens and permanent residents largely mirrors that which exists in the United States, except that no punitive rate is applied to investments in PFICs. Canada’s tax system is based on residency rather than citizenship, and Canadian residents—including their spouses that may work abroad—are subject to federal and provincial taxation and reporting standards for international incomes. Any income, dividends, or capital gains generated by foreign investments must be reported to the Canada Revenue Agency. Additionally, the taxpayer must report the specified foreign investments in his or her tax return if the total cost of a Canadian taxpayer’s foreign property exceeds Can\$100,000 at any time during the year. Specified foreign property includes funds and bank accounts held abroad; debt securities issued by a nonresident; shares of foreign corporations, even if they are held by a Canadian broker; shares of Canadian corporations on deposit with a foreign broker; real estate; and other tangible and intangible properties located outside Canada. It does not include property used or held exclusively in the course of an active business carried on by the taxpayer; registered pension fund investments; foreign investments held in Canadian-registered mutual funds; personal-use properties; and shares

or debt securities of a foreign affiliates. Although a resident can receive a foreign tax credit (T2209) to avoid double taxation if the foreign country in which they garner income or hold assets levies taxes on them, Canadian residents will end up paying the highest tax rate whether it is in the foreign country or in Canada. In particular, the foreign tax credit provides residents with a credit for withholding taxes previously paid to another country, up to 15 percent. If the credit is insufficient—that is, if the credit is less than the foreign tax paid—investors may also be able to claim a provincial (or territorial) tax credit (T2036). All said and done, Canada’s taxation system for foreign earned income is unfavorable compared to the taxation of returns on domestic investments. However, the system is distinctively less inhospitable toward foreign investments than is the case in the United States because it does not impose disincentives to investing through foreign financial institutions.

United Kingdom Investment Regulation and Taxation—Executive Summary

Investment Regulation for Retail Investors

Public Offering—Equity/Debt in Caribbean Companies

The sale of a debt or equity in Caribbean company to the Diaspora in the United Kingdom must as a main rule prepare and submit for approval by the Financial Conduct Authority (FCA), a costly and time-consuming procedure that is out of reach for all but the largest Caribbean companies. In the United Kingdom, the Companies Act prevents anyone other than public companies from offering securities to the general public. The Prospectus Rules, implemented by the EU Prospectus Directive,⁴⁶ require that securities cannot be marketed or sold to the general public until a financial regulator has approved a prospectus. These requirements apply to offers of transferrable securities to the public and/or when securities are admitted to trading on a regulated market, which, in the United Kingdom, is the London Stock Exchange. The requisite prospectus must contain information regarding the

assets, liabilities, financial position, profits, losses, and prospects of the company making the securities offering. Thus, as in Canada and the United States, the procedural requirements of the U.K. public offering regime are time and cost consuming, and therefore prohibitive to Caribbean SMEs.

An exemption to the prospectus requirement for securities offerings could allow Caribbean companies to market to retail investors while also avoiding the expensive and onerous nature of a prospectus filing. This exemption from the prospectus requirement is for offers where the total consideration for securities offered is less than £5 million. This may allow for Caribbean companies to raise funding in the U.K. market from a large swath of the Diaspora, which predominately comprises retail investors. More research is needed to better understand this avenue.⁴⁸

Public Offering—Units in Caribbean Investment Funds/Canadian Funds Active in the Caribbean

Selling participation in an investment fund to the general public requires the investment fund be authorized and have a prospectus approved by the FCA. The time and cost commitment needed to comply with these requirements allows only the largest funds to pursue this option. An investment fund that seeks to attract retail investors must be authorized by the FCA, for which a labor-intensive prospectus is required. Furthermore, a fund promoter must be authorized by the FCA to arrange investment deals. This procedure is costly and time-consuming and therefore only available for large funds. As explained earlier, large funds cannot limit their investment scope to a Caribbean nation or the Caribbean region; thus any competitive advantage in marketability to the Diaspora is diminished.

As mentioned above, an exemption to the prospectus requirement could allow for fundraising from Diaspora retail investors in the United Kingdom, and this exemption also applies to investment funds. The exemption providing for investment funds offering units with a total value of less than £5 million to avoid the prospectus procedure could

mean smaller, Caribbean-focused funds looking to fundraise from the Diaspora in the United Kingdom can target retail investors. Yet, again, more research is needed to verify this possibility.

Crowdfunding

Crowdfunding rules in the United Kingdom allow for Caribbean companies and investment funds to sell equity, debt, or participation to retail investors, provided their investment is limited. Crowdfunding in the United Kingdom is regulated by FCA rules. These rules stipulate that crowdfunding platforms can attract: (1) HNW investors, (2) certified sophisticated investors, (3) self-certified sophisticated investors, and (4) restricted investors. Retail investors are permitted to invest in companies and funds via crowdfunding so long as their investments are limited to 10 percent of their assets. Given the relatively lenient regulation regarding qualifications for investments through crowdfunding, as well as the growth seen in fundraising vis-à-vis crowdfunding in the United Kingdom in recent years, it follows that crowdfunding is an auspicious vehicle for Caribbean companies and funds of all sizes to raise capital from the Diaspora in the United Kingdom.

Investment Regulation for HNW Investors

Private Placement—Equity/Debt in Caribbean Companies

Several exemptions to the prospectus requirement in the Prospectus Rules could make sales of debt or equity to the Diaspora in the United Kingdom a cost-effective option for Caribbean firms, so long as they limit their offerings to “qualified investors.”⁴⁸ A prospectus is not required for an offer of securities addressed solely to qualified investors/professional clients. The prospectus requirement that follows from the EU Prospectus directive will not apply and the issuer will not be required to produce a prospectus for offers within the following thresholds: offers of securities addressed to fewer than 150, with denominations of at least €100,000, where the

total consideration received per investor is at least €100,000, and where the total consideration cannot exceed €100,000. These exemptions parameters provide for a less demanding securities placement option to Caribbean companies, but they also narrow the field of potential investors to only HNW individuals and financial professionals within the Diaspora, meaning this option is likely best suited for companies that have already identified some investors ahead of the placement.

Private Placement—Units in Caribbean Investment Funds/U.S. Funds Active in the Caribbean

The aforementioned exemptions apply to investment funds offering units as they do to companies looking to sell securities. However, these exemptions and liberties are predicated on a fund’s field of potential investors being limited to HNW and qualified professionals. An investment fund investing in Caribbean companies would typically be a venture capital fund. In the United Kingdom, the most common legal structure for venture capital funds is an English Limited Partnership (ELP) formed under the Limited Partnerships Act. ELPs allow significant flexibility around the commercial terms for the fund and are tax transparent. Most venture capital funds do not sell units to retail clients and are for that reason unregulated. In addition, they are lightly regulated from a corporate governance perspective, are not subject to onerous publication requirements, and offer investors limited liability protection. Other structures that may be used include public companies for VC fund structures, private companies for club-style investments and limited liability partnerships. The tradeoff between the freedoms allotted to investment funds of this kind and the narrowing of their potential investor field ultimately means such funds would be able to approach only a small portion of the Diaspora. This, in turn, could provide an obstacle toward the establishment of a fund focused on investments in the Caribbean exclusively.

Taxation for Retail and HNW Investors

In the United Kingdom, investment in a company in a foreign country by a U.K. taxpayer will be taxable to both the foreign country and the United Kingdom if there is no double tax treaty or tax exemption to avoid double taxation of profits earned overseas and brought back to the United Kingdom in place. Even if a tax credit is awarded, a U.K. taxpayer will pay the highest tax on income overseas whether it is in the foreign country or the United Kingdom. Individuals who are resident in the United Kingdom are generally liable to U.K. taxation on their worldwide income and gains. Partnerships are generally treated as transparent (i.e., flow-through) for U.K. tax purposes. Accordingly, where the member of a partnership is a company or an individual, he or she will be taxed on his or her share of the profits as if they accrued directly. In the event that a nonresident company is a partner or a member in a partnership that conducts a trade in the United Kingdom, the nonresident company will be considered to have a permanent establishment in the United Kingdom such that profits will be subject to the country's corporation tax of 24 percent, unless an alternative arrangement has been agreed to by HM Revenue and Customs. Where a taxpayer (whether a company or an individual) is resident in the United Kingdom and another country, and the United Kingdom has a double tax treaty with the country in place, then that treaty will normally have a residence "tie-breaker" provision. This provision will determine in which country the person is to be treated as resident for the purposes of allocating taxing rights. The United Kingdom has an extensive network of double tax treaties. Other U.K. tax policies typically considered favorable for investors are as follows: generous rules as to deductibility of interest expenses;⁴⁹ no withholding tax on dividends paid out to shareholders; an exemption from tax on capital gains on the disposal of trading subsidiaries and certain minority interests in trading companies (known as the "Substantial Shareholdings Exemption"); and an attractive tax

regime for non-U.K. individuals (i.e., not U.K. domiciled) coming to base themselves in the United Kingdom.

The Business Environment

The following provides analysis of the World Bank's Ease of Doing Business Study, the Heritage Foundation's Index of Economic Freedom, and Transparency International's Global Corruption Perception Index as they pertain to the Caribbean region.

Despite growing integration throughout the Caribbean, the regulatory environment is far from monolithic, which belies attempts at making generalizations about environmental conditions for investing, starting, and operating businesses in the region. Nevertheless, based on the World Bank's Ease of Doing Business Study in 2014, Jamaica and Trinidad and Tobago are the most welcoming business environments holistically and, more specifically, appear to be the most hospitable for investments involving construction and SMEs (table 23). In 2014, Jamaica had the most auspicious climate for starting and operating a local firm among all Caribbean nations, ranking 58th out of the total 188 countries and sixth out of the 32 Latin American and Caribbean countries surveyed. In fact, Jamaica ranked first in the entire LAC region for "starting a business." The next best-rated overall Caribbean regulatory environment is Trinidad and Tobago, which placed 79th in the world and eighth in the region. It ranked fifth among Latin American and Caribbean countries for Protecting Minority Investors, seventh for Starting a Business, and ninth in Getting Credit, which together make its legal and regulatory environment seem one of the most advantageous for equity investment and debt financing for SMEs, yet as has been discussed previously and as will be explored in detail in the in-depth profile, this is not the reality on the ground.

**Table 23: Ease of Doing Business Rankings
(Within LAC Region Except Where Indicated)**

	Ease of Doing Business Rank (Global)	Ease of Doing Business Rank	Starting a Business	Dealing With Construction Permits	Getting Credit	Protecting Minority Rights	Enforcing Contracts	Trading Across Borders	Resolving Insolvency
Antigua & Barbuda	89	12	18	3	25	2	6	19	19
Bahamas	97	15	15	17	32	18	21	9	8
Barbados	106	19	14	26	20	29	27	3	2
Belize	118	22	26	14	29	24	30	20	10
Dominica	97	14	5	8	22	13	26	18	20
Dominican Republic	84	11	19	18	14	12	5	2	27
Grenada	126	28	9	7	22	18	24	7	29
Guyana	123	26	17	5	30	17	4	15	24
Jamaica	58	6	1	2	4	8	19	25	7
St. Kitts & Nevis	121	25	12	1	25	13	18	10	29
St. Lucia	100	16	8	6	25	18	25	26	16
St. Vincent and the Grenadines	103	17	9	4	25	8	15	5	29
Suriname	162	30	30	15	31	25	32	23	21
Trinidad & Tobago	79	8	7	21	9	5	31	14	9

Source: World Bank Ease of Doing Business Study 2014.

With regard to the level of economic freedom in the Caribbean, again, conditions vary dramatically from country to country. Nevertheless, based on the Heritage Foundation’s 2015 Index of Economic Freedom, the vast majority of Caribbean nations fall into the “moderately free” category (table 24). The Index of Economic Freedom grades a country’s economic freedom based on measuring certain indicators on a 0 to 100 scale, ultimately creating an aggregate score and country ranking. The indicators used include Rule of Law, Limited Government, Regulatory Efficiency, and Open Markets.⁵⁰ As table 24 indicates, the only Caribbean nation with a “mostly free” ranking (35th out of 178 countries) is St. Lucia, which had an aggregate score of 70.2 out of 100. The next highest ranking goes to the

Bahamas, which topped the Caribbean nations labeled “moderately free,” at 40th out of the total 178 countries. For Jamaica (48th) and Trinidad and Tobago (67th), which ranked high in the World Bank’s Ease of Doing Business Study, low scores on the Freedom from Corruption, Property Rights, and Financial Freedom indicators are the primary reason for the low rankings on overall economic freedom. These factors are common impediments to investor confidence all along the continuum from SME investments through to large-scale PPPs. Further down the list, Belize, Guyana, and Suriname fell in the “mostly un-free” category, though none of the select countries fell within the “repressed” categorization.

Table 24: Economic Freedom Favors St. Lucia, Eschews Corruption in Largest Economies

	Global Economic Freedom Ranking (out of 178)	Overall Economic Freedom Score	Property Rights Score	Freedom From Corruption Score	Investment Freedom Score	Financial Freedom Score
St. Lucia	35	70.2	70	71	65	40
Bahamas	41	68.7	70	71	30	60
St. Vincent	44	68	70	62	60	40
Barbados	46	67.9	80	75	65	60
Jamaica	48	67.7	40	38	85	50
Dominica	61	66.1	60	58	75	30
Trinidad & Tobago	67	64.1	50	38	60	50
Dominican Republic	86	61	30	29	75	40
Belize	117	56.8	30	6.7	50	50
Guyana	123	55.5	25	27	45	30
Suriname	129	54.2	35	36	30	30
Antigua & Barbuda	n/a	n/a	n/a	n/a	n/a	n/a
St. Kitts & Nevis	n/a	n/a	n/a	n/a	n/a	n/a
Grenada	n/a	n/a	n/a	n/a	n/a	n/a

Source: Heritage Foundation 2015 Index of Economic Freedom.

With regard to the legal, regulatory, and business environment in the Caribbean, corruption trumps liberalization or “openness” (table 25). On Transparency International’s Global Corruption Perceptions Index for 2014, some Caribbean countries were ranked toward the top as well as the bottom. Barbados scored the best, above the United States, with a 74 on a 0 to 100 scale (0 being “highly corrupt” and 100 being “very clean”), and an overall ranking of 17th out of 175 countries, with the lower the ranking meaning the lower the level of corruption in comparison to the other countries assessed. But perhaps the most noteworthy data from the corruption perceptions index are those that expose just how serious corruption issues are in the region’s largest and in many ways strongest economies (e.g., Jamaica 85th, Trinidad and Tobago 85th, Dominican Republic 115th).

Table 25: Corruption Perception Index

Global Corruption Perception Ranking (out of 175)			
Barbados	17	Dominican Republic	115
Bahamas	24	Guyana	124
St. Vincent	29	Belize	n/a
Dominica	39	Antigua & Barbuda	n/a
Jamaica	85	St. Kitts & Nevis	n/a
Trinidad & Tobago	85	Grenada	n/a
Suriname	100	St. Lucia	n/a

Source: Transparency International 2014 Global Corruption Perceptions Index.

Current Diaspora Convening Platforms and Distribution Channels

The Caribbean Diaspora is connected through a linked chain of long-standing associations, although these organizations tend to channel their energies into political, charitable, and cultural interactions, with some investment and economic activities as well. For example, the Jamaican Diaspora Institute counts more than 187 Diaspora organizations, which make significant contributions to Jamaica in the areas of health care, education, sports, politics, business, investment, and trade. Similarly, the St. Lucian government interfaces with 24 different Diaspora groups in Canada, the United Kingdom, the United States, and the Caribbean. Barbados and Trinidad and Tobago also maintain similar social, political, and cultural networks. Depending on the country, these organizations tend to fall into three general categories: charities, “old boys” and “old girls” networks, and regional organizations that bring together the Diaspora at the local level to engage in areas of shared interest, such as cultural and political events. The Diaspora also comes together for large, periodic cultural events. These include large food festivals and Caribbean parades such as the Jambana festival in Canada and Trinidad Carnivals held all over the world. Finally, the Caribbean community participates actively at athletic events such as the Penn Relays, an important track and field competition in Pennsylvania.

The various High Commissions and embassies are typically a convening platform for the Diaspora, organizing cultural events and providing Diaspora with country updates, and they often work in coordination with nongovernmental Diaspora-related organizations. The Grenadian High Commission in the United Kingdom invites the Diaspora for events on the last Friday of every month to provide updates and exchange information. About 60 people on average attend every month. There are 23 active Guyanese organizations, six Grenadian organizations (two of which are for medical professionals), 10

national associations for the St. Kitts and Nevis Diaspora, and upwards of 200 Jamaican societies spread across the United Kingdom. In Canada, the Jamaican Canadian Association is perhaps the most prominent organization catering to Jamaican migrants, but Jamaican associations are found all over the country. In addition, secondary school alumni associations are extremely active across the Diaspora community. In Canada, Jamaican Diaspora member Paul Barnett brought together the Alliance of Jamaica Alumni Associations, consisting of 33 different school organizations. Professional organizations, which may group nurses of Guyanese-descent or lawyers among the Jamaican Diaspora, tend to perform significant charity work through either mobilizing money to buy equipment for a hospital, paying for nurses back home to take courses in Canada and the United Kingdom, or even providing skills transfer to their countries of origin. The embassies/high commissions often assist these charitable causes by helping deliver the goods to the country. The sociocultural organizations typically consist of older Diaspora members; these organizations tend not to evolve to suit the needs of the younger Diaspora, thus the younger Diaspora population tends not to be as actively connected with them.

In addition to consular missions, many countries also maintain online communities through which they are seeking to engage with their Diasporas. Barbados engages with its Diaspora via the Barbados Network.⁵¹ Similarly, the Jamaican Minister of Finance has created a Diaspora web portal at jamicaDiasporaconnect.com in an initiative funded by the European Commission–United Nations Joint Migration and Development Initiative for the project Knowledge Networks for Connecting Jamaica and Its Diaspora. To date, 1,500 registered members are in the database, although the goal is to reach at least 100,000 to have some critical mass. One of the impediments to growing this web community, other than marketing and public relations, will be skepticism and distrust of the Diaspora, who may not understand the exact intention of the site and may have privacy concerns.

In an effort to stimulate direct political, cultural, and economic engagement in the homeland, more formal interactions with the Diaspora take the form of conferences or government missions abroad. Barbados, Jamaica, St. Lucia, and Trinidad and Tobago all organize conferences in which the country invites the Diaspora to discuss Diaspora issues. Several of these conferences also include discussions of issues relevant to investors. For example, the goal of the Jamaican biennial conference in June 2015 was to attract 2,000 attendees, up from 1,500 in 2013. Organizers hoped 50 percent of the attendees would come from the Diaspora, while the remainder would represent key local stakeholders. Similarly, St. Lucia also organizes a biannual conference in which the country invites the Diaspora, particularly the leadership and members of the associations, to return home to discuss Diaspora issues. Attendance at the most recent event topped 1,000 individuals. The conference focuses on political and social topics, including education, welfare, and charitable fundraising, but it does not have an economic or investment component. Additionally, the government uses this conference as a forum to develop and refine its policies for the Diaspora.

Leveraging their consular networks, governments also promote investment in their countries—either from the Diaspora or from overseas investors in general—through investment promotion agencies, which are discussed in detail above in the Market Drivers and Impediments section. These include Invest Barbados, which focuses specifically on investment opportunities in key strategic sectors such as IT, offshore banking, and manufacturing. Similarly, JAMPRO promotes business opportunities in terms of (1) trade and exports and (2) foreign investment in Jamaica. JAMPRO focuses its investment promotion activities on strategic sectors that correspond to the planning and development priorities of the government of Jamaica. While Invest St. Lucia does not target the Diaspora specifically when seeking foreign investment, it does engage with Diaspora investors. Finally, InvestTT seeks to facilitate investment

into strategic sectors such as agribusiness, clean tech, manufacturing, tourism, creative industries, downstream energy, IT, financial services, and maritime industries.

In addition to government entities and sciocultural and professional associations, the private sector is a powerful force in bringing the Diaspora together. Successful companies from the region that operate internationally and cater to both local and Diaspora residents represent a vital and significant source of both cultural and commercial linkages. Several Jamaican titans in the corporate sector have grown and internationalized, both within the Caribbean and in markets like Canada, the United Kingdom, and the United States, by catering to the needs of the Jamaican and broader Caribbean Diasporas. These companies include the building societies Jamaica National and Victoria Mutual, as well as consumer goods company GraceKennedy. JN, under Earl Jarrett's leadership, has an active presence in the United Kingdom dating back almost 30 years. They facilitate the flow of remittances back to region and help the Jamaican Diaspora with mortgages to buy land and build or buy homes, which are the predominant forms of Diaspora investment. Through its active presence in the United Kingdom over the past decades, JN has invested in understanding the Diaspora, their aspirations and motivations, so that the institution can evolve to suit the Diaspora's needs. In doing this, JN has also tried to reach out to the younger generations in the United Kingdom: JN and the Caribbean Council, which supports trade and investment between the United Kingdom and the Caribbean, have yearly events called "Caribbean Question Time," which target the professional Diaspora to foster the political relationship between the U.K. Caribbean Diaspora and their U.K. parliamentary representatives. In Canada, both JN and Victoria Mutual have a strong presence when it comes to remitting funds and facilitating the purchasing of retirement homes. In the United Kingdom, the *Voice* newspaper, which seeks to speak for the black community in the country, was launched in 1982 and is geared toward people of Afro-Caribbean origin; the Jamaican newspaper

The Gleaner bought it in 2004. The GraceKennedy Group, a large Caribbean conglomerate, is another business organization active in the United States in terms of providing a convening platform for the Diaspora, but they are not as active in Canada or the United Kingdom. Similarly, Digicel, the pan-regional telecom network, also has a presence in the United States, but not as much in Canada or the United Kingdom. Finally, Laparkan, a Guyanese-owned shipping company, seeks to connect the Caribbean community throughout the world with its services.

As discussed previously, the connection between trade and investment when it comes to Diaspora communities and their countries of origin is an important one. As the 2014 *Caribbean Diasporic Entrepreneurship Analytical Report* contends, the generation of increased trade and other commercial linkages between Diaspora communities and the Caribbean region can have a catalytic effect on the overall investment environment in the region. Diasporic communities have a beneficial effect on companies that service their constituency in a number of ways when they increase demand for both nostalgic goods and innovative services in sectors such as telecommunications and finance. The Diaspora can have an impact on business development by helping to circulate investment, knowledge, intellectual property, and innovation. At the same time, Caribbean firms are able to reach a degree of size and scale that would not be possible if they were simply to operate in their home markets. In addition, Diaspora investors wishing to operate in the Caribbean may demand “best practices” in terms of the institutional arrangements in the region with respect to the proper operations of government, suppliers, or buyers. This type of catalytic relationship should be encouraged to improve access to capital and to undertake structural reforms that encourage these investors and act upon their desire for clearer and more investment-friendly policies.

There is a strong initiative to mobilize the younger, more financially savvy, professionals (e.g., second generation) among the Caribbean Diaspora by the

High Commissions, cultural organizations, and businesses. This group tends to be less motivated by altruism given their connection with their home country is weaker (thus less charity-oriented) and more geared toward investment that yields commercial returns. The younger Caribbean Diaspora, which is less connected through social, cultural, and alumni networks, is a group that is harder to identify and congregate. They have a connection with the Caribbean, but a less tangible one than that shared by older migrants. They tend to be professionals with higher disposable income levels. Although they tend not to join clubs, they would attend meetings that have status and meaning and are aspirational (e.g., meetings with high-level ministers) and are motivated more strongly by financial returns than altruism. Both JN and the Caribbean Council have tried to engage with these Diaspora members, for example, by inviting key representatives from Jamaica who are focused on the Logistics Hub to the United Kingdom in May 2014.

Nevertheless, based on interviews with members of the Caribbean Diaspora in both Canada and the United Kingdom, there is little awareness of the existing investment platforms and initiatives for either HNW or retail investors; that is, outside of facilities for charity, retirement homes and remittances. Associations such as the Jamaican Canadian association tend to host property developers who inform the Diaspora about investments in retirement homes. While this is based on interviews, Diaspora members would be interested in investing in mutual funds (such as through RBC in Canada) with investment focus on the Caribbean, there are currently no such vehicles to their knowledge in either Canada or the United Kingdom. It is unclear if Michael Lee Chin’s AIC mutual fund (which was sold in 2009 to Manulife Asset Management Ltd) or Raymond Chang’s CI Investment Inc. had particular allocations to Caribbean assets. Michael Lee Chin’s Portland Private Equity funds were not discussed by HNW Diaspora interviewed as being a potential channel for their investment.

Diaspora-tailored bond offerings, which can provide the opportunity for Diasporic communities to finance government debt or private enterprise in their countries of origin, have been explored by developing countries in need of external financing and looking to engage Diaspora investors.⁵² As is detailed in the Typology of Diaspora Initiatives below, both India and Israel have successfully issued Diaspora-oriented government bonds.⁵³ In the case of India, three different Diaspora bonds have been issued to help address balance of payment deficits and circumvent the high costs associated with accessing international capital markets (e.g., tougher standards of credibility, demands for higher yields, and pressures for public policy reform). To date, Diaspora bonds issued by the government-owned State Bank of India (SBI) have raised more than US\$11 billion. The example provided by Israel is also relevant to the Caribbean region, because its Diaspora bonds, first made available by the Israeli government and the Development Corporation of Israel since 1951, have financed more than US\$26 billion in funding for transportation, energy, telecommunications, water resources, and other essential infrastructure projects. The structures of the bonds issued by the two countries have varied in their length of maturities, fixed or floating rates, minimum subscriptions, and degree of discount.

Interest in Diaspora bond offerings has been demonstrated among both Caribbean governments as well as members of the region's Diasporic communities. However, Diaspora bonds were not considered as part of this prefeasibility study given the context in some Caribbean countries of impediments such as currency volatility, trust in government as an interface, and so on. According to the 2013 infoDev survey, 63 percent of Caribbean Diaspora respondents said they would be interested in investing in a Diaspora bond. Previously, the World Bank in partnership with the government of Jamaica explored the potential for issuing a Diaspora bond, as part of an intervention tied to alleviating Jamaica's public debt issues. In the case of St. Lucia, the country's investment promotion agency has, in the past, in coordination with the

government, conducted missions to Canada, the United Kingdom, and the United States to promote government bonds. Currently, St. Lucia's Ministry of Finance is partnering with a brokerage firm called Eastern Caribbean Global Investment Brokers Ltd, which is a division of the Bank of St. Lucia, to study Diaspora bonds and their potential to help St. Lucia access external financing. Nevertheless, a number of obstacles face the potential success of Diaspora bonds offerings in the Caribbean and should be kept in mind. First and foremost, Jamaica and St. Lucia—the two countries in the region that have explored the possibility of a Diaspora bond offering—have already encountered some problems. The earlier World Bank intervention on Diaspora bonds in Jamaica did not take off in the end because the Jamaican government purportedly did not consider it valuable to specifically target the Diaspora. From an investor's standpoint, the attractiveness of a public bond in a country like Jamaica, which has one of the highest rates of public debt in the region, is also a concern. Lack of borrowing credibility, concerns with regard to governance, and institutional deficiencies are disincentives for investors and have proven the downfall of Diaspora bonds elsewhere, such as Ethiopia's Millennium Bond.⁵⁴ As well, a Diaspora bond issuance would also have to surmount the effects of currency depreciation. The Jamaican dollar lost more than 30 percent of its value against the dollar in the last three years, which directly affects the returns for offshore investors who are investing hard currency and the bond market. Thus, in the absence of currency stability, investment in liquid assets will remain unattractive in terms of absolute returns, and liquidity is likely to remain limited until foreign investors feel that their overall return will be attractive when they convert it back to hard currency. Finally, as the experience of St. Lucia in exploring a Diaspora bond option stands to show, there are legal hurdles as well. The greatest of these is registering with the SEC, which is required if a bond offering wishes to raise capital in the United States.



IV

Recommendations

A stylized map of the Caribbean region, showing the outlines of the islands and the surrounding sea. The map is rendered in shades of green and yellow, with a white background for the landmasses. It is positioned at the top of the page, partially overlapping the 'Framing the Recommendations' header.

Framing the Recommendations

The efficacy of a regional investment initiative oriented for the Caribbean Diaspora would be best served through a dynamic structure of targeted and tailored strategies. A multifaceted approach would address the diversity of investment capacities and preferences within the Caribbean Diaspora, as discussed in section IV. Specifically, the initiative should cater to retail investors interested in passive investment vehicles; Diaspora entrepreneurs wishing to set up business in the

Caribbean; HNW individuals interested in angel investment and PE/VC vehicles; and the citizenship by Investment Diaspora class, with possible interest in bigger ticket investments. What crosscuts all of these potential areas of focus—regardless of what investors are being targeted, what assets are financed, and the facilitation methodology being employed—is the need for commercial viability. A look at various past and present efforts to galvanize Diaspora investors for development in emerging markets elsewhere supports this conclusion (section V).

SMEs are a strategic sector seeing growth across the region that could offer entrepreneurial and investment opportunities to members of the Diaspora and in turn foster both capital and skills transfer to markets in the Caribbean. Through VC and PE networks as well as securities exchanges, such as the JMs in Jamaica and Trinidad and Tobago, SME investments should target a range of sectors, including, but not limited to, services, agriculture, manufacturing, and technology. In some countries, such as Trinidad and Tobago, capital is not the biggest constraint faced by firms; instead, it would be more useful to focus on building a better

environment for businesses, encouraging economic diversification, or developing market catalyzing initiatives. But whether through investment, TA, or regulatory reform, efforts to cultivate SMEs markets would fundamentally contribute to sustainable development in the region.

Given the state of the financial sectors around the region discussed in detail by this report, setting up a new mutual fund with underlying Caribbean investments would be unadvisable. As discussed in section IV (subsection C) and annex I, the supply of securities in the region is currently insufficient, including in the largest stock exchange in Jamaica, to operate such a mutual fund effectively while providing adequate diversification to investors. What's more, as indicated by the infoDev Caribbean Diaspora Survey, a relatively limited percentage of the Diaspora are interested in pan-Caribbean investments, which would be the only way to compensate for the insufficient securities supply in individual country markets, for example, by structuring a regional vehicle. Finally, it would be very costly to register a new mutual fund with the capital markets authorities in Diaspora host countries.

The research conducted in this prefeasibility study also indicates that a new PE/VC fund should not be established. Specifically, as discussed in section IV (subsection C), the Caribbean presents a commercially challenging environment for PE/VC, with rare successes so far, and thus establishing a new fund could entail more risk than reward. Moreover, in the case of Jamaica, as is discussed in annex I, the DBJ may provide Diaspora members with the opportunity to invest in their own sponsored PE/VC funds, which could make establishing a new fund both redundant and self-defeating. It should be noted that research—outlined in this study—shows that marketing to individual (HNW) investors is both challenging and expensive, and thus it would be impractical to start a fund designed exclusively for Diaspora investors.

Given the relative size and maturity of its economy, Jamaica could provide the best option for the pilot of a Diaspora investment initiative (annex I). Jamaica stands out as the most advantageous country in which to domicile a preliminary pilot project because of its vibrant entrepreneurship ecosystem; its large, diverse and actively engaged Diaspora; the fact that the government already has a robust Diaspora outreach program; and the DBJ would be a strong and reliable partner. That said, as was noted in section IV, some potential investors and prominent members of the Diaspora in Canada, the United Kingdom, and the United States who were interviewed expressed skepticism about the credibility of the government in identifying and facilitating investment opportunities. Thus the involvement of a reputable independent broker like the World Bank is preferable.

Recommendations for Implementation

The recommended next steps for implementation fall into three distinct, yet interrelated categories: (1) financial instruments and vehicles, (2) market-catalyzing activities, and (3) legal and regulatory reform. Specifically, we recommend feasibility assessments for (1) a regional Diaspora entrepreneurship cofinancing facility and (2) a regional infrastructure PPP fund.

The second set of recommendations are focused on catalyzing investment and SMEs development in the Caribbean and are primarily designed to inform existing projects that are under the auspices of the World Bank and other regional actors. Last, it is recommended that a number of legal and regulatory reforms be pursued, which would in turn have major implications for the aforementioned instruments and vehicles and would support market-catalyzing activities.

Financial Instruments and Vehicles

The World Bank should conduct a feasibility study for a potential regional Diaspora entrepreneurship cofinancing facility. Drawing from research into the demand for financing in the region in this report and others, this study will need to estimate the financing gap faced by SMEs and entrepreneurs in the region. Ultimately, it should orient this research toward a better understanding of the potential for a cofinancing facility with support from the World Bank and CDB, under a private manager, which would help finance Caribbean Diaspora entrepreneurs wishing to set up businesses in the Caribbean. Spillover value from such a facility would come from the elevation of local business practices. Potential partners for the cofacility could be infoDev, EPIC, and The Country Management Unit (CMU). The work of Israel's Ministry of Immigrant Absorption in assisting Jewish Diaspora members who wish to start a business in Israel or transfer one to the country, which is detailed in the Typology of Diaspora Initiatives in section V, could provide valuable guidance for the study. Funding sources for the study still need to be identified.

The World Bank should also conduct a feasibility study for a regional debt and equity-financed infrastructure PPP facility. This study should look at the viability of a facility with support from the Bank and CDB, under private management, that would target institutional investors as well as CBI HNW individuals for investment in regional infrastructure projects, including both commercial (e.g., transport, electricity, telecommunications) and social infrastructure (e.g., health, education). As discussed

in sections III and IV, substantial need exists for infrastructure financing throughout the Caribbean, largely attributed to the inadequate investment capacity of governments facing debilitating debt. Thus the feasibility study will need to establish an estimate of the financing gap for infrastructure in the region and in Jamaica, in particular. The initial idea is to structure the fund in three parts: (1) an infra-venture compartment, largely supported by a Department for International Development (DFID) grant; (2) an infra-equity compartment; and (3) an infra-debt compartment. But the feasibility study should optimize a plan for developing a facility that can finance a variety of project PPP SPVs. The study should also explore the possibility of the Public-Private Infrastructure Advisory Facility (PPIAF) serving as a partner and assess the potential for collaboration with CBI programs. The study would be funded with US\$1 million from a DFID grant.

Market-Catalyzing Activities

To help catalyze greater Diaspora investment in Caribbean markets and foster a more attractive business environment for private investment in the region more broadly, it is recommended that angel networks and their connections with the Diaspora be expanded. As was discussed in sections III and IV (subsection C), venture capital markets in even the strongest Caribbean economies such as Jamaica and Barbados remain underdeveloped in part because of a dearth of angel investors. Meanwhile, research into Diaspora investment preferences suggests HNW members are interested in early stage investment opportunities in their countries of origin, especially in certain strategic sectors such as technology. Expanding angel networks through EPIC and infoDev and their connection to HNW Diaspora members could narrow the gap between this potential supply of angel funding and the demand that exists for early stage capital in the Caribbean. Regional investment and business networking facilitators such as national investment promotion agencies and UWI could provide support for these efforts. In the case of Jamaica, the World Bank should aid DBJ's PE/VC program and strengthen its marketing strategy for accredited Diaspora investors.

Further Diaspora investment growth should be catalyzed by capitalizing on a number of existing financial development projects in the region. First, packaged investment opportunities should be presented regularly to the Diaspora through existing convening platforms in host countries; second, TA should be deployed to support deal flow for crowdfunding platforms targeting the Diaspora; third, TA should be used for replicating the JSE idea of allowing Diaspora members to invest in the local stock exchange through tax-sheltered accounts; fourth, TA should be utilized to aid the expansion of Homestrings into the Caribbean; fifth, TA should be provided to facilitate Diaspora-mapping exercises with IOM, particularly Jamaica's efforts to map its Diaspora population; and sixth, funding should be provided for study tours through which Diaspora connectors can meet entrepreneurs in the Caribbean region and familiarize with local markets.

Legal and Regulatory

To further improve the climate for Diaspora investment in the region, particularly in the context of PPPs, legal and regulatory frameworks in the region should be strengthened and harmonized. A number of legal and regulatory impediments to Diaspora investment in the region exist, reflected in the responses of Diaspora members to surveys and during interviews discussed previously in this report as well as the in-depth legal and regulatory analysis provided in annex VII. To resolve many of the issues faced by Diaspora investors, it is recommended that the Diaspora Offices in the Foreign Affairs Ministries of Caribbean nations establish high-level Ombudsmen to register complaints by the Diaspora and help facilitate fast-track dispute resolution mechanisms to provide Diaspora investors with greater comfort. Additionally, judiciary improvements should be made, particularly in Jamaica, so that arbitration institutions are not overburdened and can review business disputes in a timely manner. Taking these steps would be valuable for improving the environment for investment in the Caribbean broadly speaking, but they are especially critical for successful rollout of the infrastructure PPP investment facility discussed above.



Annex I.

In-Depth Case Studies

Country Analysis: Barbados

Despite being one of the richest countries in the Caribbean, Barbados confronts two crucial factors that must be reckoned with in weighing potential strategies for—and the merits of—a Diaspora-oriented investment initiative: public debt and exchange rate controls. In 2013 Barbados' debt-to-GDP-ratio was 90.5 percent, which placed it just below Jamaica and a handful of OECS microstates. Although most of the country's debt is domestic, its large fiscal deficits remain a concern. That said, Barbados is otherwise known for discipline when it comes to financial affairs, a fact that has played no small role in making it one of the Caribbean region's largest financial services hubs, with major onshore and offshore sectors. Barbados maintains some of the strictest exchange rate controls in the Caribbean, pegging its currency to the U.S. dollar at a 2:1 ratio. Although this enhances exchange rate stability, it also raises assets prices. These two macroeconomic issues—high public debt and strict exchange rate controls—affect the Diaspora as they would any other foreign investors.

Unlike Jamaica and St. Lucia, both of which have created policies and political units dedicated to deeper political and economic engagement of the Diaspora, Barbados, like Trinidad and Tobago, has taken a less active approach toward creating these types of ties. The difference could be correlated to their relative wealth vis-à-vis other countries in the Caribbean and the limited role of remittances in the local economy. Either way, given the perpetual need for hard currency, Diaspora returnees do play an important role in repatriating capital to the country, especially by building homes. In turn, the residential construction market creates jobs.

Sizing the Diaspora Population and Investment Potential

Although exact figures remain elusive, it is widely agreed that tens of thousands of Barbadians have migrated overseas during the last century. Unlike Jamaica and Trinidad and Tobago, where immigration corresponded first to the United Kingdom and later to Canada and the United States, Barbadians have headed in various directions, including the United Kingdom and various British dependencies in the Caribbean. Moreover, long-

standing Barbadian Diaspora communities live in both Panama, as a result of migration to help build the canal, and Haiti. Barbados itself does not maintain a systematic and reliable set of statistics on either emigration or immigration, so domestic sources do not capture the quantum of the Diaspora. Consequently, overall statistics on the Diaspora are relatively weak, and conjectural estimations place the total Diaspora at approximately 100,000, as seen in table 26. According to the United Nations, this figure includes 55,000 migrants in the United States, just under 18,000 in Canada, and just over 20,000 in the United Kingdom and Europe.

Table 26: Total Size of Barbados Diaspora (Midyear 2013)

United States	Europe	Canada	Total
55,384	20,650	17,925	100,224

Source: United Nations (estimate).

Although a degree of uncertainty surrounds the accuracy of Barbados emigration and immigration statistics, it remains clear that significant emigration has occurred from the country over time. Dr. Keith Nurse, a leading authority on Caribbean migration who is based in Barbados, notes that migration from Barbados has been taking place far longer than in other nations in the region. As noted, a significant migration to Panama took place in the early 20th century. Moreover, migration to Haiti has been ongoing. Both of these populations are characterized by modest economic achievement. The community in the United Kingdom started off squarely in the working class following migration in the 1960s but has seen some relative prosperity over the last 50 years. Finally, more recent movement to Canada and the United States is led by a cadre of middle class professionals, as is consistent with the rest of the Caribbean.

Investable Assets and Market Impediments

Startups and SMEs

Angel Investing

Trident Angels, Barbados' angel investor group, was the first such group in Caribbean, although activity levels have been markedly lower than more recently formed groups in Jamaica. Trident Angels formed in early 2014 under the chairmanship by Peter Boos, a social entrepreneur and finance consultant, with an investment focus on MSME projects originating in Barbados. The group's key investment principles center on firms that have demonstrated that they have undertaken the necessary research to create a viable project. Deal flow for the group funnels from connections with the Barbados Entrepreneurship Foundation as well as the Automotive Arts entrepreneurship competition, which were held annually in 2013 and 2104. The Automotive Art company is a very successful Barbadian enterprise, led by CEO Derrick Foster, who is also a member of the Trident Angels.

The Caribbean Export Development Agency, based in Barbados, is actively working to develop a series of workshops to train Caribbean SMEs that are looking for financing to start or expand their businesses. In order to attend, participants must already have developed a business plan since the workshop will help them to reassess the strengths and weaknesses of their business models. Moreover, the workshop educates them on how to address the interests and concerns of angel investors. This effort is supported by funding from the government of Canada, the European Union, and the World Bank, including sponsorship that allows 20 CARIFORUM⁵⁵ firms to participate in this event.

Crowdfunding and Bitcoin⁵⁶

The sole crowdfunding platform based in Barbados is Visionfunder.com, which has not yet gone live. This project faces challenges with respect to sourcing projects, engaging backers, and navigating

regulations. The platform is run by two local Barbadian entrepreneurs and will focus on creating a marketplace for the preselling of Caribbean products and services to consumers in the Caribbean and in the Diaspora. From the perspective of the founders, the company faces major hurdles with respect to acquiring a merchant account and curating a cohort of in-demand products and services on the platform. It must also develop a strategy to solicit contributions from local Barbadians who do not use e-commerce widely and Diaspora communities who are distrustful of far-afield internet platforms. The company has been engaging with potential sources of pipeline in the eastern Caribbean and larger islands, but it will likely experience weak participation and varying quality of projects in the earliest phases of operations. The platform will be an interesting project for the ad hoc attention of Diaspora but not a qualified candidate for more structured, larger investment from Diasporic communities.

Barbados is home to Bitt, the first blockchain technology company in the Caribbean, with potential to reduce costs associated with remittances and ecommerce. Despite its innovative approach, the company faces significant challenges from established banks and other institutions. Bitt is a Caribbean-based digital asset exchange, remittance channel, and merchant-processing gateway that has leveraged United States-based AlphaPoint's state-of-the-art technology designed by veteran Wall Street traders. The company recently received a US\$1.5 million investment from Avatar Capital, a Caribbean investment group based in Trinidad and Tobago. Bitt facilitates international Bitcoin trading in 11 major fiat currencies, such as the U.S. dollar, Great Britain pound, Canadian dollar, Euro, and Barbadian dollar. The Bitt Exchange will facilitate trade between traditional and digital currency markets for international commerce at a 1 percent fee and between individuals for remittances and transfers at a 0 percent fee. The Bitt team was the sole blockchain platform in attendance at a bitcoin summit hosted May 25–28, 2015, by Sir Richard Branson on his private Necker Island.

Venture Capital

Despite several efforts by the Barbadian government, currently only the Enterprise Growth Fund Ltd (EGFL): Innovation Fund takes equity positions in firms owned by Barbadian citizens. The Innovation Fund pairs technical assistance and seed capital between US\$25,000 and US\$250,000 and invests in innovative companies with growth potential outside of Barbados and the Caribbean in the following sectors: information technology, environment, creative industries (music, arts, film, etc.), nontraditional agriculture, and tourism. The requirements for receiving funds from the Innovation Funding window is that the business must be majority owned by residents of Barbados and must have the potential to earn or save foreign exchange. The EGFL also features alternative grant and loan windows for development of agricultural projects, energy efficiency projects, industrial development and employment, small hotels development, tourism, and trade receivables liquidity. Although companies in this program could potentially be targets for Diaspora investors, no specific strategy exists to date. Moreover, any such investor would likely be a “buy and hold” or “buy and operate” structure since exiting equity positions in SMEs of this size in emerging markets is very challenging.

SME Lending

Given the size of its population relative to countries such as Jamaica and Trinidad and Tobago, Barbados has a notably large SMEs market, with an estimated 11,000 such firms on the island, based on interviews with local market experts. The proliferation of small, medium, and start-up companies in Barbados is directly linked to the country's success in the renewable energy arena. Barbadian SMEs were the first in the region to optimize and scale solar water heating technology and services, which are now ubiquitous around the country and rapidly spreading to other parts of the Caribbean. The SME-spurred innovation has helped reduce carbon emissions in Barbados and saved the country millions in energy costs, because it produces around just 15 percent of

its domestic energy requirements. Thus, the success story of SMEs in the green economy on Barbados is an important precedent to consider in assessing potential investment strategies and opportunities for the Diaspora. The success of green energy SMEs in Barbados lends credence to the renewables sector as well as the SMEs market on the island. Yet, in what is likely even more important in the context of a potential Diaspora investment initiative, domestic financial institutions are not providing enough supply of capital to harness the SME market's growth potential.

As is the case with Jamaica and Trinidad and Tobago, SMEs in Barbados report difficulties in getting access to credit from domestic lenders, despite the fact that the country has one of the most developed and highly capitalized banking systems in the region. According to the IFC Enterprise Finance Gap Database, 35 percent of Barbadian micro, small, and medium enterprises (MSMEs) report access to finance a major or severe barrier. Table 27 provides a more detailed look at the level of credit service different segments of the business market receive in Barbados, according

to the 2010 World Bank Enterprise Survey. For medium-sized Barbadian firms (20–99 employees), access to finance was by far the “Main Obstacle” they identified facing. Small firms indicated only electricity as a greater issue.

In a promising shift, however, the Central Bank of Barbados has recently launched an initiative to expand access to credit for SMEs, which in turn is expected to spur key sectors of the economy. In late 2014, the IDB approved US\$35 million to the Central Bank to fund a program called Enhanced Access to Credit for Productivity. The program will promote investment projects geared toward supporting SMEs access to medium and long-term credit. It will also assist them with technical assistance. This initiative seeks to invest in three strategic sectors in the Barbadian economy: tourism, construction, and manufacturing. It is hoped that the increased lending will support competitiveness and allow firms to diversify. Within five years, the program is expected to provide more than 200 new loans to SMEs, all with guarantees (some as high as 80 percent loan-value coverage for 10 years).

Table 27: Comparison of Firm Lending in Barbados, Select Caribbean Nations, and the LAC Region

	Small Firms (employ 1-19)	Medium Firms (employ 20-99)	Large Firms (employ 100+)	All Firms
% firms with access to a bank loan or line of credit				
Jamaica	26%	28%	47%	27%
Latin America & the Caribbean	40%	56%	68%	48%
Trinidad & Tobago	47%	72%	74%	
Barbados	58%	54%	76%	
Dominican Republic	50%	65%	77%	
% firms identifying access to finance as a major constraint				
Jamaica	47%	29%	11%	41%
Latin America & the Caribbean	32%	29%	21%	31%

Source: World Bank Enterprise Survey 2010.

Capital Markets and Private Equity

The Barbados Stock Exchange (BSE) is the third largest stock exchange in the English-speaking Caribbean, with 25 listed securities. Similar to Jamaica and Trinidad, the Barbados exchange, while characterized by the highest volume in the region in the past, now shows the lowest turnover in the region, whereby turnover serves as a measure of liquidity that is calculated by dividing the total number of shares traded over a period by the average number of shares outstanding for the period (table 28).

Although the BSE has been in business for over 25 years, it has not been profitable since 2008. Thus, although the exchange funds its operations because of significant reserves, it will require a series of structural changes to achieve profitability and sustainability. These changes include demutualization, alignment of the listing process with global standards, and regional integration with other markets in an effort to convince more panregional companies to cross-list on the BSE. At present, investors on the BSE are required to conduct trades through a registered broker who is also a member of the stock exchange. These brokers are located in Barbados, and so international investors must have a relationship with a local broker (namely, one of nine local players such as CIBC FirstCaribbean, Republic Bank, Sagicor, and Fortress) in order to trade. This structural barrier makes the trading process less user-friendly to

nonresident investors. The management of the BSE hopes that demutualization will help the exchange to internationalize and to simplify the investment process for Diaspora and other foreign investors. This will be possible because by demutualizing, the BSE will convert from a member-held organization to a joint-stock company that will be able to raise capital to invest in new initiatives such as internationalization. Still, this goal remains in process, since the demutualization plan is dependent on an ongoing legal process. Additionally, the BSE is working on a program of regional integration with other stock exchanges in the Caribbean. These exchange are coordinating with regard to technology in an effort to move all exchanges in the region onto the same software platform. Such coordination will help to reduce trading costs between the exchanges, which is critical given that technology represents the largest operating cost of the exchange. This coordination may also open the door to closer integration, coordination, and trading between investors in other Caribbean markets.

As with Jamaica and Trinidad and Tobago, the BSE also has a JM that allows smaller companies to list on the exchange under a modified regulatory regime. The BSE JM was introduced in 1999 and caters to companies that have gross assets of at least BD\$500,000 (US\$250,000) excluding goodwill and minimum equity capital of BD\$200,000. Moreover, companies must have at least 25 shareholders who maintain ownership of at least 25 percent. Although

Table 28: Comparative Turnover of the Barbados Stock Exchange

	2002	2003	2004	2205	2006	2007	2008	2009	2010	2011	2012
Caribbean (Ex-DR)	8.4%	4.4%	4.1%	3.2%	5.1%	3.0%	3.0%	1.6%	1.6%	1.6%	1.3%
Latin America & Caribbean	16.0%	19.9%	24.4%	27.8%	30.4%	40.7%	51.4%	48.9%	45.7%	46.1%	42.7%
High income: OECD	156.2%	111.8%	117.3%	123.0%	151.6%	185.8%	262.2%	219.1%	137.4%	141.0%	102.9%
Jamaica	2.7%	3.5%	4.2%	3.1%	2.3%	2.9%	3.6%	1.8%	3.3%	3.1%	3.0%
Trinidad and Tobago	3.0%	4.7%	3.8%	3.7%	2.6%	2.3%	2.6%	2.0%	1.2%	1.2%	0.8%
Barbados	31.5%	5.7%	5.3%	1.7%	19.8%	5.5%	3.6%	0.3%	0.4%	0.4%	0.4%

Source: World Bank.

this market has been in existence for over 15 years, it remains small, with just three listings from one issuer, a mutual fund managed by a local financial institution. To encourage more listings, the BSE has called on the government of Barbados to create a special tax structure, modeled after Jamaica, that would offer a tax holiday to companies listed on the JM. Such reforms have not been enacted to date.

The exchange does not have a Diaspora strategy, although it is important to note that unlike local investors, nonresident and foreign investors are not subject to capital controls as long as funds are registered with the Central Bank of Barbados upon entering the country.⁵⁸ Still, the extra step of registering capital can serve to hamper investor interest as it places one more step in the investment process. The main barrier to Diaspora investors at the moment, other than registration of capital, is the requirement to trade with a local broker. With demutualization and perhaps greater trading volume, the ongoing series of reforms that the BSE is undertaking may serve to attract more foreign investors.

Legal and Regulatory Drivers and Impediments

Please see annex VII for detailed discussion.

The Diaspora: Networks, Distribution Channels, and Platforms

Barbados engages with its Diaspora through its consular missions in particularly active communities such as New York, London, Miami, Washington, and Toronto. These hubs also tend to have cultural organizations, old boys and old girls networks, and professional organizations for groups like nurses or the police. Additionally, the Barbados Investment and Development Corporation maintains an online community called the Barbados Network (<http://barbadosnetwork.foreign.gov.bb>), although this site has not been updated regularly. The site is largely used at present as a promotional tool for the third biennial Diaspora conference held in August 2014.

The conference, which includes some sessions on investment and Diaspora linkages, convenes Diaspora as well as returned Diaspora members and is organized by the Ministry of Foreign Affairs. Attendance at the last event was approximately 200 individuals.

Leveraging these communities and the consular network, the government promotes investment in the country—either from the Diaspora or from overseas investors in general, through Invest Barbados, its investment promotion agency. The agency focuses specifically on investment opportunities in key strategic sectors such as IT, offshore banking, and manufacturing. Given its well-educated English-speaking populations, highly subsidized education system, and access to graduates of the local campus of UWI, Barbados has built a hub of high value-added knowledge-based services that are integral to the country's offshore financial services sector. Foreign clients for the local services sector include Canadian financial services firms such as Scotia, CIBC, and RBC, as well as Caribbean players like First Citizens and Republic Bank. Services include accounting and business process outsourcing. Invest Barbados seeks out and presents projects, looking to raise capital for potential investors, but given the limited local investment culture, based on interviews with market actors, most Diaspora investment tends to be made by owners of small businesses who will also run these businesses. These businesses are typically in the BPO sector but can also include garment production.

Additionally, the Barbados Investment and Development Corporation manages 12 industrial states and facilitates FDI for people who are seeking to establish businesses on these properties. They focus particularly on four sectors that have been defined as strategic sectors by the government of Barbados: manufacturing, ICT, tourism, and financial services. They also operate a co-working space with an incubation program and technical assistance grants of up to BD\$50,000 for export-focused businesses that are targeting the Diaspora. These include companies that sell cultural products such as Wibisco and Aunt Mays.

Country Analysis: Jamaica

Sizing the Diaspora Population and Investment Potential

Rather than representing a monolith, the Jamaican Diaspora is a diverse and vibrant collection of individuals, many of whom have strong emotional ties back to the homeland that reflect the types of economic connectivity with Jamaica that they maintain or aspire to create. Part of this dynamic reflects the changing nature of Jamaican migrants with the passing of time. In the 1950s and 1960s, Jamaican migrants largely migrated to the United Kingdom. The migrants were largely characterized by low educational attainment and limited economic means. More recently, migration has shifted from the east to the north, with greater numbers of Jamaicans moving to Canada and the United States. This group is more diverse, with examples of individuals migrating for educational and professional opportunities. Thus, although the Diaspora includes well-educated second generation Jamaicans who have the capacity to invest considerable amounts of capital in the Caribbean region, it also includes illegal immigrants with few skills and low incomes.

The financial sophistication and investment interests of the Diaspora reflect the nature of its varied constituencies. Older Jamaicans, such as those in the United Kingdom, often are saving capital to return home, build their dream home, and then retire in Jamaica. Their financial needs are a savings account and a mortgage, but they are not looking for investment opportunities that require packing, analysis, and active management. They are also not accredited investors and thus cannot invest in alternative assets funds. Still, they may also want to start or get involved with business opportunities once they return home. In contrast, younger migrants are more likely to stay in their adopted countries because they have migrated for economic opportunity. They may plan to acquire property in Jamaica, but likely as an investment or a second residence. At the same time, this younger generation is likely more familiar

with financial products and more likely to build investment portfolios, so they could have interest in opportunities in Jamaica. Given the prevalence of remittances in the Jamaican economy, both groups may choose to remit funds to support family back in Jamaica. Of course, within each generational, educational, socioeconomic, and regional grouping, there will also be individuals who seek more substantial opportunities beyond simply buying a house or remitting funds. These individuals will seek to invest or operate businesses in Jamaica.

Within this context, Jamaica has embarked on an active approach to classifying, quantifying, and gathering data about the Jamaican Diaspora in support of the Jamaica Vision 2030—National Development Plan. Vision 2030 Jamaica is a strategic road map to guide the country to achieve the twin goals of sustainable development and prosperity by 2030. Moreover, Vision 2030 Jamaica falls in line with the United Nations Millennium Development Goals. The Plan is being developed with broad-based support across every department of the government. The Planning Institute of Jamaica, in its role as the main planning agency in Jamaica, is leading and facilitating this collaborative process, incorporating the support from private sector groups, civil society, and members of the Diaspora.

The explicit inclusion and engagement of the Diaspora as part of this wider vision for the country is a fundamental aspect of both the development and the execution of Vision 2030. The rationale for this initiative is clear: Jamaicans in the Diaspora are of great economic importance, both in terms of remittances as well in terms of tourists, which represent some 11–15 percent of overall visitors.⁵⁸ With the right policies, incentives, and investment opportunities, the Diaspora could represent an even more important force beyond simply providing funds via remittances or investment in real estate. Efforts to engage in a more systematic and strategic fashion are now led by the MoFA. The Ministry aims to institutionalize the government's efforts through the Jamaican Diaspora Foundation and its operating arm, the Jamaica Diaspora Institute

(JDI), both established in 2009, as a direct outcome of resolutions passed at the first Biennial Diaspora Conference in 2004.

These ongoing efforts to dedicate considerable government resources to Diaspora engagement are manifest in its public policy. First, the government of Jamaica is creating an international migration and Diaspora policy, which seeks to coordinate and mobilize engagement across the various geographies in which the community resides. The MoFA has concluded that in all countries where Diaspora mobilization has been successful, there has been support of the state to do so, and thus it seeks an active role for the federal government in Diaspora affairs. Given this assertion, the MoFA is circulating a draft Diaspora policy, which will eventually become the National Diaspora Policy. Once this policy is adopted, the MoFA will endeavor to secure dedicated financing in the national budget to manage Diaspora-related initiatives. The MoFA also maintains a permanent Diaspora Advisory Board that includes representatives from Canada, the United States (Northeast, Midwest, South), and the United Kingdom. Each of these respective locations selects a representative to serve on the board. These representatives advise the Minister of State, who interacts with the Diaspora through quarterly meetings in an effort to maintain close coordination with overseas leaders and associations.

In tandem with these efforts at the public policy level, the government, through the JDI, is in the process of mapping the Diaspora in partnership with the International Organization of Migration. Similarly, the Mona GeoInformatics Institute at UWI is also contributing to efforts to map the Diaspora. All of these efforts are in addition to a region-wide project to map the Caribbean Diaspora under the auspices of the International Organization of Migration. These efforts are of critical importance because deeper knowledge regarding the exact nature, demographics, and geography of the Diaspora will allow the government to determine how best to engage these considerable resources for the benefit of its development goals.

With the creation of a draft Diaspora policy, and its eventual official policy, the government of Jamaica is building on some existing policy tools that drive Diaspora engagement. For example, Jamaicans living overseas may claim citizenship by descent and by marriage. Despite these benefits, some areas of Diaspora engagement remain points of contention between Diaspora leaders and the Jamaican government. Discussion is ongoing about the ability for Diaspora citizens to vote, with complications regarding residency tests, absentee balloting, and the impact that a widespread Diaspora political movement would have on local politics. These issues are not simply political issues, but also have a clear economic component. A limited political role for Diaspora members also limits the role of the Diaspora in having a say in the types of economic decisions and policies that will affect overall Jamaica investment opportunities.

Estimating the Size and Geographic Distribution of the Jamaican Diaspora

Although the JDI, under the leadership of Dr. Neville Ying, has undertaken a comprehensive effort to estimate the true size of the Diaspora across the globe, this exercise remains imperfect. A variety of estimates are used for the size and geographic distribution of the Diaspora. The process is not straightforward given the definitional issues at hand when seeking a straightforward estimate to the number of “Jamaicans” residing outside of the country. First, although reasonably good data sources exist for the three markets where most of the Diaspora reside—Canada, the United Kingdom, and the United States—other areas require estimates as well. Second, the estimate must consider the inclusion of descendants of Jamaicans, such as second and third generation descendants of the original émigrés. Additionally, in some jurisdictions, Jamaicans register as black, Caribbean, or West Indian, which requires further estimation. Thus, any estimation must reflect a series of adjustments to reflect these challenges.

Table 29: Total Size of the Jamaican Diaspora—JDI Working Estimate

United States		United Kingdom		Canada		Other	Total
Northeast	1,100,000	London	480,000	Toronto Area	210,000		
South	450,000	W. Midlands	200,000	Other	90,000		
Other	150,000	Other	120,000				
Total	1,700,000	Total	800,000	Total	300,000	200,000	3,000,000

Source: Jamaica Diaspora Institute.

Drawing from national census estimates from Canada, the United Kingdom, and the United States, along with statistical adjustments and estimations, the JDI estimates the total size of the Diaspora population at three million people (see table 29). The vast majority of Jamaicans live in Canada, the United Kingdom, and the United States.

The specific demographics in the survey, on a country-by-country basis, are as follows:

- ***Jamaicans in the United States:*** The JDI’s working estimate for Jamaicans in the United States is 1,700,000. The largest populations of residents are in the Northeast, mainly in New York, Hartford, Boston, and Baltimore. Additionally, a concentration of Jamaicans live in the South, mainly Miami Metro, Atlanta, Orlando, and Tampa.
- ***Jamaicans in the United Kingdom:*** The JDI working estimates show that 800,000 Jamaicans and descendants of Jamaicans live in the United Kingdom, of which 144,000 are Jamaican born. The majority of Jamaicans live in London (about 61 percent), with the next largest concentration in the West Midlands, specifically Birmingham.
- ***Jamaicans in Canada:*** The JDI estimates a total Diaspora population of 300,000 in Canada. Most Jamaicans live in Ontario (greater than 60 percent) in the Toronto area. In the other major regions, the population of Jamaicans is significantly lower: Nova Scotia (1,010), Quebec (11,940), Manitoba (3,275), Alberta (8,720), and British Columbia (6,915).

- ***Jamaicans in other regions of the world:*** The JDI does not have access to specific estimates but has indicated a “guesstimate” of 200,000.

To understand the investment capacity of these immigrants, it is critical to consider the wide range of individuals who make up the Diaspora. By its very nature, the Diaspora is diverse and cannot be addressed via policies that are “one size fits all” in nature. A 2014 study by the Migration Policy Institute sought to better define the socioeconomic nature of the Caribbean immigrant population. This study found that although black Caribbean immigrants were 50 percent less likely than other immigrants to classify as “unauthorized immigrants,” 16 percent of the population is still undocumented or illegal. Moreover, a study of Jamaican immigrants to the United States during the period of 2005–09 found that approximately 20 percent of migrants were graduates or a four-year college, while 52 percent had only attained a high school education or less.⁵⁹ The same study finds that Jamaicans civilian workers earned, on average, US\$32,000 per annum, which equals the average earnings for all U.S. workers aged 16 and over.⁶⁰ In that sense, the Jamaican Diaspora member looks very much like the average American.

Given the educational, financial, and demographic nature of the Jamaican Diaspora, investment capacity is similar to the investment capacity of the other average citizens in their adopted countries. Some portion of the Jamaican Diaspora, a small portion, will have the ability to invest in sophisticated assets such as PE, VC, or angel investments. These types of opportunities will appeal to accredited investors

or other HNW individuals, likely in the range of 5 to 15 percent of the Diaspora. The rest of the Diaspora will require investment opportunities that are packaged to their own particular financial appetite, capacity, and knowledge base. Based on the infoDev Survey of the Caribbean Diaspora, the relevant findings of which can be seen in tables 19–21, a number of areas can be identified as potentially viable opportunities for investment by the Jamaican Diaspora, along with avenues for both sophisticated assets as well as more accessible options. These data can and should guide a tailored approach toward packaging and marketing specific yet diverse investment opportunities to the different component communities of the Jamaican Diaspora.

Members of the Jamaican Diaspora, which made up an overwhelming 64.4 percent of the respondents to infoDev’s survey, appear interested in making investments in the Caribbean, especially in start-up and early stage companies, and even at lower than average commercial returns. Moreover, 80 percent of respondents said they would be interested in doing so in the future. Specifically, strong interest was expressed in further SMEs and start-up investment opportunities, with 40 percent of respondents having already invested in early stage businesses, and 60 percent of those companies based in the Caribbean. Moreover, of the start-ups in which respondents had already invested within the region, 73 percent were in Jamaica.

And yet, although great patriotic and national pride is found within the Diaspora, these products must be attractive enough to induce people regardless of whether they are in the Diaspora or not. Jamaicans overseas have a predisposition to invest, but it must meet the minimum requirements of safety and a good rate of return. Emotion doesn’t overrule commonsense. This is especially true for the second and third generations of Diaspora families. Such individuals are far less sentimental with regard to their homeland. Unlike their forebears, they will seek business opportunities that offer attractive returns, rather than simply look for a vehicle to contribute back to the homeland. These investors

will expect and demand best practices in terms of investment structures and corporate governance. As a result, vehicles through which the Diaspora is being encouraged to invest must be credible, and at the moment, there is a dearth of such vehicles available to potential investors. Instead, the vast majority of potential investments fall within the sphere or small opportunities that are generated through personal relationships rather than a structured or organized market that lends credibility to the entire process. Without resources on the ground, it’s very difficult to find and manage an investment.

Investable Assets and Market Impediments

Startups and SMEs

Angel Investors

Angel investing is a burgeoning phenomenon in Jamaica that may present start-ups with a nimble and widely accessible source of funding for the early stage of their business. Investing an individual’s wealth into a private business is a practice familiar to Jamaica; however, it has traditionally been executed through familial and personal networks, typically in traditional “main street” SMEs. Jamaica does have an accredited investor⁶¹ standard that governs individuals who are able to act as angel investors, as follows:

- Any individual whose net worth exceeds J\$50,000,000.00
- A corporation over 90 percent of the voting shares of which are owned by such an individual
- A trust of which such an individual is the sole primary beneficiary
- Individual who had an income before taxes in excess of J\$10,000,000.00 in each of the two most recent calendar years.

Angel investing in start-ups by groups and networks, in a manner analogous to more developed entrepreneurial ecosystems, is now being attempted by two groups which have been formed since the summer of 2014. It is likely that

the future investment strategies of angel groups will focus on services, rather than technologies, given their backgrounds in traditional industries. The anticipated investment amounts in companies will likely range between US\$50,000 and US\$100,000. The greatest challenge the following two angel groups will face is the lack of quality investible deals originating from Jamaica and the wider region. These two groups are profiled below:

- **First Angels Jamaica:** Based in Kingston, First Angels Jamaica (FAJ) was founded in July of 2014 under the chairmanship of Joe Matalon, who is also the Chairman of the Development Bank of Jamaica. The network consists of 13 due-paying investor members, as well as KPMG and law firm Hart Muirhead Fatta as associate members. The activities of the network are led by a noninvestor manager who orchestrates the sourcing of prospective investment deals, the screening process, due diligence processes, and other administrative functions of the group's operation. The operation of the network has been supported by the World Bank's EPIC initiative, which provided mentoring of the manager, assistance accessing the ProSeeder online investment platform, and support for implementing screening and diligence processes. Also, FAJ received a grant from the Xcala Program, funded by the Multilateral Investment Fund of the IADB, which supports the development of angel investment networks through Latin America and the Caribbean. The group openly accepts applications from entrepreneurs online via its website (www.firstangelsja.com) and its ProSeeder online account, as well as sourcing companies from the networks of its members. To date, the group has convened three pitch events, heard presentations from seven entrepreneurs, and made one investment. The value of this investment was not disclosed, but in the transactions, six of the angels in the network purchased a 17 percent equity stake in DRT Communications, a marketing communications consulting agency and media monitoring service, led by 35-year-old CEO Danielle Terrelonge.
- **Alpha Angels:** Based in Montego Bay, Alpha Angels is a group under development by its chairman Yoni Epstein, a business-process outsourcing entrepreneur. The network has 10 members committed to the group, at least two of which are American citizens with ties to Montego Bay. The network is member-led, without a manager, and is receiving support from the World Bank EPIC program. The group has been holding deal screening meeting intermittently but has yet to make an investment.

These investment groups, on their own, have the potential to address a critical gap in the early stage financing in Jamaica, but may also serve as an important mechanism to crowd in Diaspora investors. The infoDev Diaspora Study identified connectivity and distance as well as lack of awareness of investment deals as key barrier to investing in early-stage entrepreneurship. Hypothetically, local angel networks could address informational asymmetries and poor connectivity to serve as trusted deal-sourcing mechanisms. Initial connections between Diaspora groups and local angels will likely occur ad hoc, given that the individuals within these groups are investing their personal capital directly to companies on a deal-by-deal basis, without an overarching "side-car" fund or other pooling of capital, which could support coinvestment in a standardized manner by a third party.

Crowdfunding

Jamaican projects or entrepreneurs have attempted to presell products or solicit donations from local and international investors via international platforms such as Kickstarter, Indiegogo, and others. Pre-sale crowdfunding and contributions to crowdfunding, because they do not offer equity or security in a company, are permissible under current Jamaican legal and regulatory frameworks. The most successful Jamaican contributions-type campaign was run by the Jamaican bobsled team for their participation in the 2014 Sochi Olympics. The team raised US\$130,000 on Crowdfunder (now simply known as Tilt) with a 2.5 percent fee on total giving and 3 percent fee on credit card contributions. The

average donation was US\$34.60, with nearly 3,000 individuals contributing to the campaign from 50 states and 52 countries. Interestingly, US\$30,000 of their Crowdfunder campaign was amalgamated in the form of Dogecoin—a crypto-currency that’s similar to Bitcoin. The cryptocurrency fundraising incurred no base fee and less than 1 percent transaction fee. Dogecoin was exchanged for a fiat currency, presumably U.S. dollars, and contributed to the Crowdfunder campaign. Beyond Crowdfunder, the Jamaican bobsled team conducted an Indiegogo campaign to raise an additional US\$55,987 from 1,546 contributors in a total of four days. Indiegogo charges a 4 percent base fee on a successful campaign. The bobsled team campaign was certainly a unique example given their notoriety with a vast number of young people internationally.

In addition to international platforms, two Jamaican platforms have been active with fundraising components that constitute crowdfunding. Direct engagement with Diaspora members on these platforms has been elusive, and local contributions have faced headwinds from low e-commerce adoption rates, relatively low personal computer usage, and a lack of awareness and trust in this new phenomenon. JN launched a peer-to-peer lending platform to support projects and companies in Jamaica; however, the effort was unsuccessful at generating significant contributions and the website was parked for restructuring. The effort built initially from JN’s significant remittances business, and there was some informal pooling of remittances monies for social causes, which bore the idea to launch a unique crowdfunding website (www.isupportjamaica.com). The first phase of the platform’s model sought to lever JN’s existing credit assessment personnel to identify projects, facilitate peer-to-peer lines of credit, and encourage repayment. The second phase of the project intended to broaden the potential offerings to include grants. Unfortunately, the platform generated extremely low contribution levels and was taken offline during its initial phase. Although the platform is inactive, JN is now reconsidering their model and offering to Diaspora members and

local communities, including the possibility that this platform could act as a presale marketplace, rather than simply listing projects, so that local and Diaspora communities engage to source tangible Jamaican goods and services.

A second Jamaica platform that has experienced moribund fundraising levels is the Jamaica Diaspora Connect portal, an initiative by a smattering of public and private institutions, including the Ministry of Foreign Affairs and Foreign Trade, Jamaica National, JAMRPO, and the Jamaica Tourism Board. The platform’s purpose is to communicate with the Diaspora and to serve as a connecting mechanism to pair the knowledge, networks, and financial resources of Diaspora with three cohorts: (1) projects, (2) institutions, and (3) Diasporic groups. Regarding projects, the portal indicates that it has raised J\$107,000 (about US\$924) from 15 donors for unspecified projects on the platform. The platform database includes 42 projects in various areas, including education, skills training, youth development, community development, and crime reduction and prevention. Where institutions are concerned, the portal has raised funds from one donor for a total of 17 institutions associated with education, skills training, community development, youth development, parenting, crime reduction/prevention, vocational training, and certification. The portal lists 117 Diasporic groups across Jamaica, the United Kingdom, and the United States without representation from Canada or other countries. The groups are a mix of private Diaspora support companies, interest groups, and associations. Again, it is unclear from the platform whether these entities may to solicit donations as well through the platform or indirectly, and how they have benefited from the networks and expertise of Diaspora. Last, the portal contains a repository of knowledge and resources regarding to Diaspora-related issues, including a Research Library, Catalogs of Case Studies and Best Practices, a Document Library, and Archives of the Human Interest Stories that have been featured on the Portal’s homepage.

Maybe the most promising platform for channeling Diaspora investment dollars into Jamaica is Homestrings, an internationally based platform that offers structured investment opportunities to qualified HNW Diaspora investors. The platform serves as a repository of impact-driven investment bond and fund offerings from governments, banks, corporates, project sponsors, and SMEs, targeted at qualified (e.g., “accredited” or “sophisticated”) individual Diaspora investors. Homestrings’ focus is international, listing projects from across the globe. Diaspora investors contribute via PayPal or wire/bank transfer, and—depending on the investment type and terms—are charged a 1 percent annual management fee on invested capital and 1 percent annually thereafter on capital balance outstanding, and a 10 percent annual performance fee on their individual annual yield for the duration of the particular investment. The platform has listed a Caribbean-based offering, the Fortress Caribbean Growth Fund, administered by Fortress Funds of Barbados. Homestrings was founded by Eric Vincent-Guichard in 2011. Mr. Guichard is also Chairman and CEO of the sovereign institutional asset advisory firm Gravitas Capital Advisors since 1996 and was formerly portfolio manager at the World Bank, where he also served as a technical advisor to sovereign and multilateral institutions worldwide.

Venture Capital

Venture capital activity in Jamaica has been extremely limited to date, despite periodic interventions by the government of Jamaica over a number of decades, including most recently the Jamaica Venture Capital Program led by the Development Bank of Jamaica. In the early 1990s, 22 corporate entities and financial institutions participated as Limited Partners in the Jamaica Venture Fund (JVF). During three years of operation, the JVF made commitments between J\$1 and J\$5 million to a total of 14 start-up or early-stage companies. The JVF had a successful track record, primarily because of its investment in Jamaica Money Market Brokers (JMMB), which returned more than J\$300 million to investors over a 10-year period. While this constituted 4.62 times

gross of fees, it has failed to attract more players to the industry.

SME Lending

Jamaican SMEs are an increasingly large contributor to the nation’s employment market and overall economy. What’s more, they represent one of the largest and most vibrant ecosystems of SMEs in the Caribbean region. With a dearth of official data, there are estimated to be roughly 200,000 SMEs and 200,000–400,000 micro-entrepreneurs in Jamaica. According to a 2014 World Bank Jamaica SMEs Finance Technical Note, these businesses are primarily concentrated in wholesale and retail sectors (more than 50 percent) as well as community, social, and personal services (23 percent). Regardless of the sector, however, SMEs across the board face the common obstacle of access to finance. Table 30 illustrates the relative difficulties in accessing credit Jamaican SMEs grapple with relative to the Latin American and Caribbean region and three Caribbean comparator countries.

As is common in developing economies, Jamaican banks shy away from lending to many SMEs, especially those companies that are new and untested businesses. Although SMEs may feel that they are shut out of the banking sector because of high interest rates, unwillingness to take risk on the part of financial institutions, or bureaucracy, banks have their own explanations for the lack of debt capital available to SMEs, including a lack of preparation on the part of borrowers due to the high level of informality in the economy. Banks are also unwilling to take risk on failure, especially when this failure is caused by poor management and informality.

Several private sector and public sector players have designed and launched programs that seek to better prepare entrepreneurs to raise capital, especially in the form of debt financing. For example, the DBJ seeks to stimulate and enhance the economic and social development of the country through credit

Table 30: Comparison of Firm Lending in Jamaica, Select Caribbean Nations, and the LAC Region

	Small Firms (employ 1-19)	Medium Firms (employ 20-99)	Large Firms (employ 100+)	All Firms
% firms with access to a bank loan or line of credit				
Jamaica	26%	28%	47%	27%
Latin America & the Caribbean	40%	56%	68%	48%
Trinidad & Tobago	47%	72%	74%	
Barbados	58%	54%	76%	
Dominican Republic	50%	65%	77%	
% firms identifying access to finance as a major constraint				
Jamaica	47%	29%	11%	41%
Latin America & the Caribbean	32%	29%	21%	31%

Source: World Bank Enterprise Survey 2010.

lines that are granted to 12 financial institutions (AFIs) approved to on-lend DBJ's funds to their clients. These AFIs include commercial and merchant banks, credit unions, and the National People's Co-operative Bank of Jamaica Limited, among others. DBJ funding is channeled to clients with viable developmental projects through AFIs that undertake both credit evaluation and the loan supervision. The funds are provided at attractive interest rates to clients involved in strategic growth sectors, such as the agriculture, agro-processing, manufacturing, tourism, mining, and the service sectors. Moreover, the DBJ launched a technical assistance program in 2014 that seeks to prepare companies to raise capital. The program allocates J\$2.7 million for the preparation of business documents for SMEs with an aim to reduce structural problems when trying to access funds from financial institutions. Specifically, the project provides SMEs with electronically generated grant vouchers that can be cashed in for services related to financial management, mentoring and coaching, business process improvement, preparation of business plans, financial statements, and strategic and marketing plans. Selected companies receive vouchers of up to J\$300,000, reducing the cost

of processing the related documents by up to 70 percent. Finally, the DBJ operates a loan guarantee program under its credit enhancement facility that serves as a backstop for companies with limited collateral. The facility provides guarantees of up to J\$10 million or 50 percent of the loan amount for general SME loans, and up to 80 percent for energy loans.

From the private sector, NCB has launched a television program to inspire and train business owners. NCB Capital Quest is a Jamaican reality TV series that premiered on TVJ in 2015. On the show, seven SMEs compete for an equity investment of up to J\$50 million. The program kicked off with a weeklong boot camp in October 2014, where contestants were trained in key subject areas, including leadership, corporate governance, and investor pitching. The boot camp was designed to help SMEs to better position their businesses to attract investors. Following the boot camp, the SMEs were put through a number of capacity-building activities and grueling entrepreneurial challenges, testing their determination and business acumen. This program provides an entertaining yet informative method of capacity building for SMEs

to understand how to get financing, in terms of either debt or equity.

Capital Markets

To provide SMEs with access to capital, the JSE launched its Junior Market (JM) in 2009. The listing requirements for the JM were designed to encourage and promote investment in entrepreneurship, thereby creating employment and furthering economic development. Specifically, the JM offers a simplified regulatory framework versus the main exchange. Moreover, a company may raise a relatively small amount of equity capital, with a requirement that the total capital raised via the exchange fall between J\$50 million and J\$500 million (US\$500,000 to US\$5 million). Finally, in an effort to set itself up as a regional exchange and a hub for SME financing, the JM extends listing opportunities to any company incorporated in either Jamaica or within another CARICOM country. Since its creation in 2009, more than 25 companies have listed on the JM, in the process accumulating J\$3.5 billion (\$30 million) in capital via their initial public offerings. This represents the first efforts in a project that aspires to one day include as many as 500 listed firms on the JM.

As a result of austerity measures adopted to comply with the IMF program, Jamaica has implemented tax reforms that will directly impact the relative attractiveness of the JM as a place to list an SME. At the time of the creation of the market, companies listed on the JM paid 0 percent income tax for the first five years and 25 percent per cent of regular tax rate for years 6 to 10. By design, this regulation served as a strong financial incentive to attract companies to the market. Under the revised tax scheme, companies still enjoy a full tax holiday for the first years after a listing, but there are no benefits in years 6 to 10. By December 2021, all special incentives to the JM will cease. Since the change in the tax regime, the number of IPOs has declined dramatically, with just three IPOs since January 1, 2014, versus 23 IPOs from the market's creation in mid-2009 through the end of 2013. JSE

management feel that the change in tax status has been a clear driver of the decrease in activity.

Despite these headwinds, the JSE seeks to offer an alternative path to SME finance and to offer a demonstration effect for the region by preparing more companies to list on the exchange. The MIF recently approved a technical cooperation program to improve the framework of the JM and to provide 25 SMEs with capacity building so that they can meet listing requirements, especially with respect to corporate governance. The project will also support activities to strengthen JM mentors and brokers so that they are better equipped to handle the various requirements for smaller enterprises. In the long term, this project endeavors to establish a benchmark model to address the lack of equity financing for SMEs by demonstrating the potential of an alternative stock exchange and providing a replicable example that is relevant to other stock exchanges in Latin America and the Caribbean. The total project budget is US\$1.4 million, of which the MIF will contribute US\$563,750 and JSE will contribute US\$574,800.

Large and Established Businesses: Capital Markets and Private Equity

The JSE is the largest stock exchange in the English-speaking Caribbean, with 73 securities listed on the main, Junior, and U.S. dollar market. There is also a bond market. As such, the JSE views itself as a one-stop shop for the capital market needs of companies along a broad continuum, ranging from SMEs up to regional champions. The JSE does its clearing through the Central Bank and is regulated by the government. The JSE itself also listed on its own exchange after demutualization took hold in 2008. Although the JSE represents the largest and most complex public exchange in the Caribbean, it remains plagued by low liquidity, versus both the Latin America and global benchmarks. An analysis of market turnover ratio provides an effective metric by which to compare the relative liquidity of stock exchanges. Specifically, turnover ratio is defined as the total value of shares traded during a period

Table 31: Comparative Turnover of the Jamaica Stock Exchange

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Caribbean (Ex-DR)	8.4%	4.4%	4.1%	3.2%	5.1%	3.0%	3.0%	1.6%	1.6%	1.6%	1.3%
Latin America & Caribbean	16.0%	19.9%	24.4%	27.8%	30.4%	40.7%	51.4%	48.9%	45.7%	46.1%	42.7%
High income: OECD	156.2%	111.8%	117.3%	123.0%	151.6%	185.8%	262.2%	219.1%	137.4%	141.0%	102.9%
Jamaica	2.7%	3.5%	4.2%	3.1%	2.3%	2.9%	3.6%	1.8%	3.3%	3.1%	3.0%

Source: World Bank.

divided by the average market capitalization for the period. Average market capitalization is calculated as the average of the end-of-period values for the current period and the previous period. Essentially, this serves as a proxy for how much of the exchange and its components are active in a given period. As shown in table 31, Jamaica shows very low levels of turnover versus the wider Latin America region and even relative to the Caribbean region as a whole in some years. Thus, the market lacks the dynamism seen both in its peer markets and in global markets generally.

To improve liquidity, the management of the JSE has undertaken a number of initiatives that seek to attract new investors and bring greater volume to the market. The JM, launched in 2009, sought to increase the number of listings and to attract investors who sought access to fast-growing entrepreneurial ventures. More recently, the JSE has tailored its new product offerings to the Diaspora and other international investors who would like exposure to the Jamaican capital markets. Specifically:

- In April 2015, the JSE launched its first online trading platform, with specific intentions of increasing trading volume from the Diaspora and also from other international investors. The new platform allows individual investors to buy and sell securities such as stocks, options, bonds, and mutual funds, as well as to manage and review portfolio transactions on the JSE. Until the debut of this new system, online trading was limited to stockbrokers. To use the platform, investors will first need an account with one of the four initial

stock brokers—NCB Capital Markets, Victoria Mutual Wealth Management, Barita, or Sagicor Investments, all of which are companies that have traditionally catered to local Jamaican citizens or to members of the Diaspora. Additional brokers are expected to sign up for this program in the future. Moreover, this platform could also allow investors access to an investment such as a Diaspora bond.

- In January 2015, the JSE also received authorization from the Canadian Ministry of Finance that allows investors located in Canada who buy stocks in Jamaica to access the same tax treatment as any other securities that are in their tax-sheltered savings accounts such as IRAs, etc. These policies only apply to stocks trade on the main board of the JSE. The JSE is also embarking on a plan to structure similar programs with the United Kingdom and the United States.
- Although data are limited, the management of the JSE estimates that members of the Diaspora own less than 10 percent of shares on the exchange. When seeking wider engagement, the management of the JSE faces significant challenges when trying to identify and size the market opportunity. Their current marketing efforts include a regional capital markets conference and marketing trips to Canada, the United Kingdom, and the United States. The JSE also works with other organizations such as JAMPRO and markets directly to pension funds and other potential overseas investors. They have found, however, that as a small and illiquid

market, there is little interest in Jamaica as a whole. As a result, Jamaica, along with the other Caribbean exchanges, is studying the prospects of a Caribbean Exchange Network that would give a wider regional footprint and could also become an integrated online trading network at some point in the future. At present, however, the need for local registration by brokers across markets creates a clear market impediment. That said, despite the modernization and internationalization of the market, local brokers are still required to broker deals. For example, if members of the Diaspora would like to invest in the local market, options to invest are limited to First Global, Scotia, Sagicor Bank, and National Commercial Bank, all of which are brokers who facilitate Diaspora investment back into the region. Similarly, Diaspora members can choose to invest by engaging a firm such as MayBerry that offers wealth management services.

- Efforts to increase investment by the Diaspora in either bonds or in publicly traded stocks must also overcome the combined effects of currency depreciation. The Jamaican dollar lost more than 30 percent of its value against the dollar in the last three years, which directly affects the returns for offshore investors who are investing hard currency. This same phenomenon also affects the bond market, which had been attractive, but was undermined by currency issues. Thus, in the absence of currency stability, investment in liquid assets will remain unattractive in terms of absolute returns and liquidity is likely to remain limited until foreign investors feel that their overall return will be attractive when they convert it back to hard currency.

Private Equity

Although the Caribbean is a small market for private equity, Jamaica is a hub for the industry, with several funds that provide private capital choosing to maintain a physical presence in the country. The regional or global players that operate in Jamaica include the following:

- **Portland Private Equity:** Through its first fund (also referred to as AIC Caribbean) and its current fund (Portland Private Equity Fund II), Portland has invested in companies throughout the Caribbean. The fund's sponsor, Michael Lee-Chin, who is the richest individual Jamaican, and part of the Diaspora as he lives in Canada. The AIC Caribbean fund totaled US\$225 million and the new fund is seeking to raise a total of US\$300 million. To date, most of the capital invested by Portland has been destined for markets other than Jamaica or for regional projects. For example, in its first fund, Portland invested approximately 30 percent of its capital in infrastructure and tourism opportunities in the Dominican Republic. Nearly all of the remaining capital in the fund was directed to three regional transactions in the telecom, food processing, and power sectors. Portland invested approximately 2 percent of the fund in a Jamaican insurance company. The first fund is currently reporting a net IRR of 17 percent and a 2.7 times cash return, both of which are strong results.
- **Norbrook Capital Management:** Norbrook is an investment holding company focused on leveraging strategic investments and operational expertise to build a global group of market leading companies. The firm has investments in Ghana, Jamaica, and the United States that operate in four main sectors: logistics, transaction processing, health care, and BPO. The company invests in SMEs and has built a portfolio of companies that are far smaller than those targeted by Portland.
- **Blue Equity:** Blue Equity is a United States-based lower end of the middle market private equity firm with investments that are primarily domiciled and focused on the United States. It has invested in two companies in Jamaica, but these were opportunistic investments and there is not a specific fund dedicated to the country. The investments include the following:
 - The Antilles Group, one of the largest corporations in Jamaica with revenues in

excess of US\$330 million. In 2011, Blue Equity invested in the company, the licensee of Shell brands in the energy segment in Jamaica, and sold its stake in 2012 to Rubis Group, a French downstream petroleum and chemicals company that already controlled the Chevron/Texaco distribution points on the island.

- **Island Ice & Beverage Company Ltd** manufactures and distributes packaged ice in the Caribbean. IIBC supplies over 750 locations in Jamaica. Blue Equity invested in 2008 in a deal that consolidated two of Jamaica's largest ice manufacturers. It exited the business in 2013, although the terms of the deal are not publicly available.
- **GK Capital:** Although it has not yet raised a fund, another likely candidate to raise capital is GK Capital, which is a subsidiary of the GraceKennedy Group, one of the Caribbean's largest and most dynamic corporate entities. Formed in 1922, it has expanded and diversified over the years into food manufacturing and distribution, banking, insurance, money remittance services, hardware, and building material retailing. It is listed on the JSE and TTSE and has assets in excess of US\$1 billion. The company is considering raising a private equity fund to complement other advisory and investment services it currently offers.

Presently the Development Bank of Jamaica (DBJ) is embarking on a process to deepen the private equity and venture capital industries in Jamaica. Specifically, the DBJ established a program through which it will become an investor in one or more funds, with each fund having at least US\$25 million under management. The Jamaica Venture Capital Programme is managed by the DBJ along with technical assistance and financial support from the MIF. Through this program, the DBJ plans to issue an annual call for proposals for the next five years, meaning that the DBJ intends to invest approximately US\$10 million over that period. The bank is currently conducting due diligence on

five of the eight funds that responded to the first call and is also sounding out the MFI community in search of limited partners for the first fund. The potential fund partners do not need to be country specific, but they must be willing to allocate capital to the Caribbean region. Moreover, they must allocate capital back to Jamaica on a 1:1 basis if that capital comes from the DBJ. Finally, they must open a local office in Jamaica. With respect to the nature of investments in the fund, the DBJ remains agnostic in terms of both sector focus and stage, which can range from venture capital up to pre-IPO investments. Although the program title refers to "venture capital," the design of the program is oriented to SME finance rather than venture capital as it's commonly defined in the United States (i.e., financing start-ups and technology businesses).

The DBJ sees the Jamaica Venture Capital Programme as an attractive investment product to offer to Diaspora investors. Although they have not spoken formally with Diaspora investors yet, they have shared their strategy publicly and are contemplating participation and interest from offshore sources of capital. That said, any investment opportunities related to these funds would be expressly restricted to accredited investors. The fund is domiciled in St. Lucia, which is a good jurisdiction because of favorable tax treaties within CARICOM. Although the DBJ plans to market to the Diaspora, it also recognizes that it will need to develop a clear marketing strategy for that constituency. This will include participation in Diaspora events, such as the semiannual Diaspora Conference. Still, the onus of the marketing strategy will fall within the purview of the funds that are selected for the program.

Infrastructure PPP Projects

Overall Landscape for Infrastructure PPPs in Jamaica

Together with Trinidad and Tobago, Jamaica is the only country in the region that has issued a PPP policy and defined the role of government ministries and agencies in developing PPP projects. Together

with the above countries and Haiti, Jamaica is the only country in the region that has established a PPP unit. However, like all other countries in the region, Jamaica does not have a PPP law.

The PPP unit is housed in the DBJ. The unit is competently run and staffed with highly experienced professionals. The unit has a strong track record of preparing, structuring, closing, and following up the implementation of major PPP transactions, including Sangster International Airport in Montego Bay, the Highway 2000 concession (Phase 1), and the North-South Link extension of Highway 2000.

The PPP unit is currently preparing seven transactions, including one in the transport sector (Norman Manley International Airport), three in the water sector, one in government IT infrastructure, and one in green government buildings, and has recently closed the Kingston Container Terminal Transaction (see above).

Key Challenges to the Development of Infrastructure PPPs in Jamaica

The development of PPPs in Jamaica is hampered by a number of fundamental constraints.

First, ***fiscal limitations under the Extended Fund Facility (EFF) with the IMF***. The EFF program imposes a number of tight constraints for the development of PPPs in the country. Specifically, availability payments made by the government in the framework of PPP projects are counted as contingent liabilities and therefore subject to the public debt ceiling under the program. Partial credit and partial risk guarantees issued by the government are counted at face value, not at options value. This severely constrains the fiscal space available for the government to support PPP transactions.

Second, ***limited PPP pipeline development compared to potential***. The FY 2015–16 Growth Agenda Policy Paper prepared by the government identifies several strategic growth projects to support the achievement of the agenda's overall objective of 3.0 percent GDP growth at the FY

2017–18 horizon, mainly driven by growth in the productive and transportation sectors. These strategic projects are articulated around a number of key programs, including the global logistics hub initiative, agro parks program, ICT/business process outsourcing program, energy generation program, and integrated resorts developments. A review of these programs shows that a significant share of the strategic projects could potentially be structured as PPPs, under both user payment and availability payment models (see technical annex I). This potential vastly exceeds the number of projects currently under preparation by the PPP unit at DBJ.

Third, ***narrow base for financing of PPP transactions to date***. As of to date, the vast majority of PPP transactions have relied on equity from project sponsors and on traditional bank project financing. There has been one example of a project bond sold to domestic pension funds as part of the financing of the Highway 2000 project.

Key Opportunities and Challenges for Mobilizing Diaspora Investments for Infrastructure PPP Project Finance in Jamaica

As of to date, the reliance on traditional sources of finance for infrastructure PPP transactions meant that practically no channels were open for investments by qualified Diaspora investors in infrastructure PPP projects in Jamaica. The need to broaden the equity and debt finance base beyond industrial sponsor/operators and bank project finance creates both opportunities and challenges for mobilizing both domestic and international investors, including Diaspora investors, in support of infrastructure PPP projects in the country.

As in other countries of the region, sources of finance for infrastructure PPP projects could be broadened through three main channels.

First, international infrastructure private equity and debt funds could be mobilized to invest in equity and/or debt (loans, bonds) in domestic

infrastructure PPP projects in Jamaica, as part of their international portfolio diversification strategy. The key challenge to mobilize these funds is to build on the track record of PPP transactions successfully structured and closed by DBJ to promote Jamaica as a viable investment destination for these funds.

Second, a regional private equity or debt fund could be encouraged to invest in equity and/or debt in infrastructure PPP projects in Jamaica. As in the previous case, the key challenge would be to promote Jamaica as a viable investment destination for the fund based on its track record of PPP transactions. In addition, given the regional geographical focus of the fund, the capacity of the PPP unit to generate a strong deal flow together with other participating governments in the region would become important to justify the business case for a regional fund.

Third, a regional SIF could be encouraged to invest in equity and/or debt in infrastructure PPP projects in Jamaica, in coinvestment with international and regional private equity and debt infrastructure funds, subject to the same challenges as above.

Investments by qualified Diaspora investors could be mobilized through the regional private equity/debt infrastructure fund and/or through the regional SIF to contribute to equity and/or debt finance of infrastructure PPP projects in Jamaica as part of the investments by the funds in the region.

Elements of an Action Plan

Based on the above, an action plan to develop Diaspora investment in infrastructure PPP projects in Jamaica could be articulated around three main pillars: (1) legal and regulatory reforms, (2) market catalytic actions, and (3) financial instruments.

Legal and regulatory reforms: The first priority is to design and implement a comprehensive program to strengthen the legal, regulatory, and institutional framework for PPPs in the country. This program would consist of the following components: (1) to prepare a revised framework for the valuation of

partial credit and partial risk guarantees at options value, and implement this revised framework following the completion of the EFF; (2) to prepare a revised framework for the accounting of availability payments as recurrent expenditures in the budget, and implement this revised framework following the completion of the EFF; (3) to prepare and adopt a comprehensive PPP law covering the design, negotiation, financial closure, and monitoring and evaluation of the various types of PPP contracts in all sectors, with the new law articulating the framework for investor protection as well as contract dispute resolution mechanisms; (4) to prepare and adopt a law on private equity/debt funds based on international best practice and enabling the registration of private equity/debt funds in Jamaica, to prepare and adopt a revision to the corporate legislation enabling the incorporation of limited partnerships by shares, and to prepare and adopt a revision of the fiscal code treating limited partnerships by shares as full pass-through entities for taxation purposes.

Market catalytic actions: The second priority is to scale up the generation of a PPP project pipeline and accelerate the closing of PPP transactions. To this end, the government would mandate the DBJ to take the lead in developing and implementing the regional infrastructure PPP project venture fund in partnership with interested governments and development finance institutions in the region, IFIs, regional FIs, and private investors.

Financing instruments: The third priority is to diversify the range of financing instruments for the financing of PPP transactions and to market these instruments to Diaspora investors.

First, building on its track record of successful PPP transactions, the government would take the lead together with interested governments to encourage the development of a regional private equity/debt infrastructure fund that would invest in equity and/or debt in infrastructure PPP projects in participating countries. It would market its shares to domestic and international investors, including

qualified investors in the Diaspora. The fund would be supported through equity/debt financing from international financial institutions on a nonguaranteed basis.

Second, further building on its track record, the government would take the lead together with interested governments in the region to develop and implement a regional SIF that would invest in equity and/or debt in infrastructure PPP projects

in participating countries (see above). The SIF would attract domestic and international investors as LPs. The fund would also be marketed to domestic and international qualified investors, in particular to qualified investors in the Diaspora from participating countries. The fund would be supported through equity/debt financing from international financial institutions and from multilateral and bilateral donors with the counter-guarantee of the participating governments.

Technical Annex I: Potential Strategic PPP Projects under the 2015–2016 Growth Agenda

Projects	Description / Timeline
Ministry of Transport, Workd and Housing	
North-South Link Highway 2000	Highway project is 67.2 km long, from Caymanas St. Catherine on the South Coast to Mammee Bay St. Ann on the North Coast, crossing the Rio Cobre River and bypassing Mount Rosser and Flat Bridge. Construction works for Section 1 and Section 3 to be completed by 4th quarter FY 2015/2016.
Expansion and privatization of the Kingston Container Terminal (KCT)	Contracting a suitable concessionaire to manage the KCT. Finalize negotiations with Preferred Bidder – March 2015.
Privatization and upgrading of the Norman Manley International Airport (NMIA)	The process of recruiting a suitable concessionaire to manage the NMIA. Announcement of Preferred Bidder – September 2015.
Major Infrastructure for Development Programme (MIDP)	Programme for rehabilitation of roadways, major bridge projects, major road projects and employment creation. Programme for FY 2014/2015: 1) JEEP Component - Undertaking of infrastructure works at cost of J\$1.6B 2) Road Rehabilitation - Commencement of the rehabilitation of approximately 60km of roadways across the network - \$1.5B - construction period of approximately 14 months 3) Bridges - Repair to six (6) bridges -J\$124M.
Portland Bight Development Project	A proposal for the establishment of a transshipment port and an industrial and commercial economic zone in the Portland Bight Protected Area/Goat Islands. Environmental Impact Assessment Studies and submission to NEPA for approval - to be determined. The project will be executed in phases based on the approvals for each stage.
Ministry of Industry, Investment and Commerce	
Caymanas Special Economic Zone (CSEZ)	The development of the Caymanas Special Economic Zone (CSEZ) is the first of several SEZs and an enterprise team is responsible for its development. Issue RFP for Feasibility Study and procurement of Feasibility Study – May 2015. Commence Feasibility Study – August 2015.
Factories Corporation of Jamaica	
Naggo Head Tech Park (JAMPRO)	Development of 750,000 square feet technology park in Naggo Head, Portmore. Assess the proposals and enter into final selection of entities – 1st quarter FY 2015/2016.

Jamaica Promotions Corporation	
Business Process Outsourcing (BPO) Projects (JAMPRO)	1) BTP Lot 3 Limited 2) Advanced Call Centre Technology 3) Xerox Commercial Services 4) New ICT Space Development – Creation of new BPO space across the country through the DBJ ICT Infrastructure Loan Facility. Number of new jobs: 7,880 BPO jobs (estimate). 2015-2016.
Hotel Projects	1) Moon Palace Resort (formerly Jamaica Grande) 2) Braco Resort (Melia Resorts) 3) Marriott 4) Hospiten Jamaica Ltd. The additional hotel expansions along the North Coast expected to add approximately 1300 rooms. 2015-2016.
Blue Mountain Renewables	The company has been recommended to supply 36.3MW of capacity from wind power at Munro, St. Elizabeth.
Ministry of Finance and Planning	
Harmony Cove Development	Harmony Cove is a 2,300-acre property on the north coast. It is being developed into a resort to include world class golf courses, spa, marina facilities, commercial developments, luxury hotels, residencies, casino, convention and entertainment centres, restaurants and retail assets. Issues related to the financing and loan risk coverage to be resolved – 1st quarter FY 2015/2016.
Celebration Jamaica Hotel & Resort	Celebration Jamaica Hotel & Resort is part of the wider Integrated Resort Development. Evaluation of Celebration Jamaica Development Limited's application for an order to declare the project an Integrated Resort Development – 1st quarter FY 2015/2016.
Development Bank of Jamaica	
School Energy PPP	NET is examining the possibility of a private sector investor to install, finance and maintain the PV systems to supply energy to 30 public schools (pilot project) with similar public procurement being pursued by the PCJ. Subject to NET's approval, DBJ to engage consultants by March 2015, through IDB technical assistance, to support the NET in developing Business Case.
LED Streetlights	MLGCD is seeking to replace the current streetlight bulbs with LED streetlights. Due diligence report - May 2015.
Expansion of Soapberry Wastewater Treatment Plant	NWC to circulate pre-feasibility to stakeholders for final comments in order to finalise the report by March 2015. NWC/CWTC to have internal discussions to decide on strategy – expected conclusion by April 2015.
Development Application Process (DAP)	The recommendations for improvement of the Development Applications Process (DAP) were approved Dec 2, 2014 by the Cabinet and are as follows: Establishment of a Joint Technical Team to review; assess and monitor specified applications; MOU between the LPAs and the NEPA to facilitate the Joint Technical Team; development of criteria and mechanisms for standardization of timelines for all categories of buildings, additions and renovations; full implementation of the AMANDA system; amendments to the Local Improvements Act and the Town and Country Planning Act to allow for electronic filing and parallel processing of applications and documents; Action Plan to be reviewed by Local Authorities – March 2015; Action Plan to be submitted to Cabinet for approval – April 2015.

Legal and Regulatory Drivers and Impediments

Please see annex VII for detailed discussion.

The Diaspora: Networks, Distribution Channels, and Platforms

The Jamaica Diaspora is organized through a linked chain of long-standing associations, although these organizations tend to channel their energies into political, charitable, and cultural interactions, with some investment and economic activities as well. The JDI counts more than 187 Diaspora organizations, which make significant contributions to Jamaica in the areas of health care, education, sports, politics, business, investment, and trade. These organizations are most vital in terms of their connections to older Jamaicans or first Jamaican generations, but are less relevant to younger Jamaicans or descendants whose families have lived abroad for several decades. These organizations tend to fall in to three general categories:

- **Charities:** Organizations such as the American Friends of Jamaica connect Diaspora members to raise funds for social projects such as schools. They are the place where Jamaicans can direct their philanthropic efforts through an organized and credible distribution channel.
- **Old Boys and Old Girls networks:** There is tremendous affinity for secondary educational institutions, and many of the elite Jamaican schools have very strong ties abroad and can mobilize their alumni with great speed. This includes schools such as Champion, Immaculate, and Kingston College. UWI also has an international alumni effort.
- **Regional organizations:** Regional organizations bring together the Diaspora at the local level to engage in areas of shared interest, such as cultural and political events and engagement with the local consulate or High Commission. For example, Jamaican political parties maintain permanent representation in large Diaspora markets.

In addition to formal Diaspora organizations, the Diaspora also comes together for large, periodic Jamaican culture events. This includes large food festivals and Caribbean parades such as the Jambana festival in Canada that brings together more than 50,000 attendees. Moreover, athletic events such as the Penn Relays, an important track and field competition in Pennsylvania, counts upwards of 40,000 Jamaicans in attendance. As a result, private sector players such as GraceKennedy as well as government organizations such as JAMPRO actively attend and market to the Diaspora at these types of events.

Successful Jamaican companies that operate internationally and cater to both local and Diaspora Jamaicans also represent a vital and significant source of both cultural and commercial linkages. Several Jamaican titans in the corporate sector have grown and internationalized, both within the Caribbean and in markets like Canada, the United Kingdom, and the United States, by catering to the needs of the Jamaican and broader Caribbean Diasporas.

- **Jamaica National and Victoria Mutual:** Both of these companies cater to the older generation of Jamaicans who moved to the United Kingdom and sought to save their capital to buy a home back in Jamaica. They are both building societies in the European sense of the term, with a business model centered on taking deposits and then giving housing loans. Over the last decade, however, Jamaica National (JN) has expanded into small business lending, giving loans from US\$50,000 up to US\$3 million. JN has approximately 150,000 members in the United States, 60,000 in the United Kingdom, and 30,000 in Canada. Approximately 50 percent of the savings inflows to JN come from Jamaicans in the Diaspora, which equates to J\$2.5 billion. Although clients of the building societies have typically saved to buy homes for themselves in Jamaica, they also use the building society to invest in tourist-focused housing or in mixed-use properties that they can rent out or use for themselves. Moreover,

many small businesses are supported by relatives abroad, so JN facilitates this flow of capital.

- **GraceKennedy:** As noted, GraceKennedy is listed on the JSE and has assets in excess of US\$1 billion. The company is the exclusive franchisee of the Western Union brand, operating in nine markets across the Caribbean. It also operates a well-loved food business, Golden Krust, that followed the Diaspora to more than 60 countries, with particular strength in Canada, the United Kingdom, and the United States. The company operates a bank and is seeking to convert remittances into bank accounts. It operates civic forums to bring together members of the Diaspora in its principal markets.

As part of its overall Diaspora policy set, the MoFA is also seeking to create an online community—a Diaspora web portal—at jamicadiasporaconnect.com in an initiative funded by the EC-UN Joint Migration and Development Initiative (JMDI) for the Project: Knowledge Networks for connecting Jamaica and its Diaspora. This project also includes support from project partners, including the Mona School of Business and Management at UWI and KAJANS Women Enterprise in the United Kingdom. This portal aspires to be a major vehicle for communicating with Jamaicans in the Diaspora and allows the government of Jamaica to share information directly with the Diaspora. To date, 1,500 registered members are in the database, although the goal is to reach at least 100,000 to have some critical mass. One of the impediments to growing this web community, other than marketing and public relations, will be skepticism and distrust of the Diaspora, who may not understand the exact intention of the site and may have privacy concerns.

In an effort to stimulate direct political, cultural, and economic engagement in the homeland, the government of Jamaica, together with partners such as JAMPRO organizes a biennial Jamaica Diaspora Conference. The event includes sponsorship and participation from critical private sector players such as GraceKennedy, JN, and Victoria Mutual.

It focuses on political, cultural, and economic issues. The goal of the 2015 conference is 2,000 attendees, up from 1,500 in 2013. Organizers hope 50 percent of the attendees will come from the Diaspora, while the remainder would represent key local stakeholders. The conference includes a focus on economic issues, including promotion of the potential for investment in Jamaica, information regarding the investment environment, and informal networking.

The government promotes investment in the country—either from the Diaspora or from overseas investors in general, through JAMPRO, the investment promotion agency of Jamaica. It is an agency of the Ministry of Industry, Investment and Commerce that promotes business opportunities in terms of (1) trade and exports and (2) foreign investment into Jamaica. Traditionally, JAMPRO has not segmented their marketing efforts to foreign investors versus Diaspora investors, so there is usually a mix of Diaspora and foreign investors with no ties to Jamaica. In terms of trade, financial institutions such as Jamaica Money Market Brokers and building societies like Jamaica National and Victoria Mutual are the forerunners with respect to building deep outreach within the Diaspora communities. Similarly, Digicel, the regional telecom champion, has developed a number of electronic and telecom channels to drive remittances back to Jamaica. Thus, they represent exports in the financial services and telecom industries.

With regard to Diaspora investment in the country, most activity has been unstructured in nature, driven by individuals who tap into their personal networks to find investment opportunities. As a result, JAMPRO is trying to connect directly with the business Diaspora in hopes of creating a more institutional approach to generating these types of investments. This is especially important now that the Diaspora is entering its third and fourth generation in some markets, so the direct ties and networks are far looser and weaker than they were in the past. As noted, JAMPRO is hoping to tailor a solution to unstructured nature of Diaspora

interaction and engagement through a program called Global Business Connect, which is a business portal, launched in May 2015. The site, which can be accessed at www.jaglobalbusinessconnect.com will serve as a platform to facilitate interactive forums and blogs; webinars and live discussions among the business community of investors, exporters, buyers, distributors, the Jamaican Diaspora, the consular corps and foreign services, and the local and international media. Activity to date has been minimal.

This online presence seeks to build on a number of offline interactions that are sponsored by key actors in the government and economic establishment of Jamaica such as the MoFA, JAMPRO, and the JSE as well as consulates and High Commissions. These events include the Biennial Diaspora Conference, the JSE Conference, and the Jamaica Investment Forum, a forum for international investors that is organized every three years. The Investment Forum is focused on foreign rather than Diaspora investors and has specific focus strategic industry verticals for the Jamaican economy such as BPO and tourism.

JAMPRO focuses its investment promotion activities on strategic sectors that correspond to the planning and development priorities of the government of Jamaica. For example, the nation has identified a strategic opportunity in the BPO space, so JAMPRO is working to strengthen the national brand in this segment to create pull from potential clients. Other strategic focus sectors include manufacturing, agroprocessing, and tourism. These sectors are often of interest to the Diaspora but are likely to be owner-operated rather than VC-style investments. Thus, they are essentially MSMEs operated by Diaspora in conjunction with trusted local partners, family, or other people with whom they have long-standing ties. JAMPRO notes that a large component of the inbound interest is from Jamaicans who are offshore and looking for opportunities, so JAMPRO acts like a small-business broker in these cases. Given the lack of investable assets, however, very few smaller one-off transactions actually take place.

Country Analysis: St. Lucia

Sizing the Diaspora Population and Investment Potential

Although it is one of the smallest states in the Caribbean, St. Lucia is crafting a new Diaspora policy that is among the most comprehensive efforts of its kind in the region. St. Lucia's new Diaspora Policy attempts to engage members of its Diaspora to cultivate as many ties as possible between them and the island through an array of policy strategies. From proactive engagement to incentives, the policy framework does not only entail various strategies for attracting Diaspora investment into the St. Lucian economy, but also looks to provide them with the easiest path possible toward becoming full-fledged resident citizens once again. In fact, it expressly treats members of the Diaspora the same as citizens (minus the right to vote). Understanding the full scope of St. Lucia's Diaspora policy is important because it helps contextualize it, demonstrating that the policy's breadth is, ironically, partly a reflection of the country's small size. This is further punctuated by the fact that any policy toward the "Diaspora" also necessarily includes other OECS citizens, which are by nature of St. Lucia's membership in the organization, afforded almost all the same rights as citizens of St. Lucia. Therefore, although some of the strategies within the Diaspora policy may be worth considering for application elsewhere in the region, some parts would likely be impossible or disadvantageous for larger neighboring economies to emulate.

At the heart of the St. Lucian Diaspora policy are incentives for members of the Diaspora designed to incent individuals to acquire property and take up residence on the island, as well as to invest and build businesses there. For returning nationals, the policy framework offers importation free of customs duties for household and personal effects, motor vehicles, and tools of trade. For both national and non-nationals there are then an extensive series of incentives for enterprises and investment in the productive sectors of the economy. The level of incentives is based in part on the "local value

added” by the enterprise or investment, and the policy has an explicit bias toward manufacturing, but the fully array of potential incentive offerings include the following:

1. Tax holiday up to a maximum of 15 years
2. Waiver of import duty and consumption tax on imported plant, machinery, and equipment
3. Waiver of import duty and consumption tax on imported raw and packaging materials
4. Export allowance—tax relief on export earnings
5. Carry forward of losses
6. Unrestricted repatriation of all profits and capital.

To foster as hospitable of an environment as possible for Diaspora investors, the St. Lucian government’s new Diaspora policy attempts to provide viable investment opportunities as well as more generous incentives. One of the boldest stipulations of the Diaspora policy is the St. Lucian cabinet’s decision to restrict investment activity in many of the key sectors St. Lucian nationals allow assign first right of opportunity to local residents. That said, the policy also stipulates that a license can be obtained by a non-national to operate in these sectors if there is a determination of insufficient local investment.

Some of the sectors include real estate, construction, distribution, restaurants, and professional and domestic services. This type of policy would likely be ill advised in one of the larger economies under study here and is further testament to the uniqueness of St. Lucia as a OECS microstate. Clearly, the government believes this strategy will best address St. Lucia’s unique challenges. In addition to favorable regulation, Diaspora members are courted with more incentives when it comes to investing and establishing businesses on certain parts of island. The new Development Areas Act provides investors and developers incentives for establishing businesses in Vieux-Fort, Anse la Raye, Soufriere, Canaries, and Dennery. See table 32 for an overview of the concessions offered and the business qualifications for them. Although the Diaspora policy lacks specifics on this issue, mention is made of the government’s willingness to work with the Diaspora to develop financial instruments that would allow them to help fund projects from overseas. The policy makes explicit mention of the desire to rehabilitate the Diaspora from merely sending remittances to also pooling resources to make strategic investments.

Table 32: Concessions and Qualifications for Investors under St. Lucia’s Diaspora Policy

Concessions offered to individuals/companies
<ul style="list-style-type: none"> a) Import duty, stamp duty and consumption tax on inputs for the construction of new and refurbishment of existing buildings b) Land and house tax c) Stamp duty payable by vendors and purchasers on the initial purchase of property d) Lower corporate taxes e) Higher tax allowances/accelerated depreciation
Businesses that qualify for concessions
<ul style="list-style-type: none"> a) Conference Centers b) Residential Complexes c) Commercial or Industrial Buildings, including Office Complexes d) Other facilities directed toward the improvement or expansion of services to the tourism sector e) Water based activities f) Tourism projects highlighting the heritage and natural environment of St. Lucia g) Arts and cultural investments h) Agricultural-based activities i) Fisheries-based activities

Source: St. Lucia Diaspora Policy, Draft 4.

In addition to seeking to attract investors and businesses, St. Lucia's Diaspora policy also looks to create brain exchange by developing TA programs and information exchange. One of the highlighted initiatives of the policy is the plan to establish a Diaspora Volunteer Programme that facilitates members of the Diaspora to donate their time and expertise toward various causes on the island. The government also wants to register individuals and entities that could provide consultancy services and develop technical networks among experts in key industries such as education, health and tourism, as well as provide more channels for capacity building. When it comes to information exchange, the St. Lucian government hopes to funnel dialogue with the Diaspora through the executives of the Diaspora associations and other organizations to the country's missions and consular offices and the Office of Diaspora Affairs, which is located within the Prime Minister's Office.

Estimating the Size and Geographic Distribution of the St. Lucia Diaspora

Although exact figures remain elusive, the Ministry of Foreign Affairs estimates that total size of the Diaspora population at approximately 80,000 people (see table 33). The vast majority of St. Lucian migrants live in Canada, the United Kingdom, and the United States. In the United States, the community is largely located in the New York City area. The community in the United Kingdom consists mostly of older migrants who left for Europe in the 1960s and 1970s, while migrants to North America are younger. It is worth noting however, the MoFA believes that a large portion of North American migrants, perhaps as many as 50

percent, are undocumented or unauthorized citizens in their host countries. Very few HNW individuals live there, especially in New York. Instead, the more affluent migrants tend to live in the South, in areas like Texas and Atlanta. The Consulate of St. Lucia in New York is currently developing a database of migrants as part of the overall Diaspora initiatives of the central government. Moreover, the government is also embarking on a project with the IOM to map the Diaspora. This is part of a larger IOM project at the level of the OECS.

Investable Assets and Market Impediments

SMEs and Start-ups

The financial system consists of banks as well as credit unions and represents one of the few pathways to saving for the local population. The Ministry of Finance, Economic Affairs, Planning, and Social Security reports that about nine international banks, six commercial banks, and 16 credit unions are licensed in the country.⁶² International banks tend to lend to the middle class as well as affluent citizens. There are no unit trusts in St. Lucia, because savings are largely channeled into savings accounts. Wealthier individuals may choose to work with private banking units located in Barbados. Diaspora members may also choose to keep accounts in St. Lucia to maintain a base of local cash to cover expenses associated with their local real estate holdings, such as vacation homes. Many members of the Diaspora maintain credit union accounts, which are the banking entities that cater to the rural communities in the country.

Table 33: Total Size of the St. Lucia Diaspora

United States		United Kingdom		Canada		Total
Northeast	36,000		10,000		22,500	
Other	11,500					
Total	47,500	Total	10,000	Total	22,500	80,000

Source: Ministry of Foreign Affairs (estimate).

The St. Lucia Development Bank (SLDB) is 100 percent owned by the federal government and falls under the Ministry of Finance. The institution's mission is to grant loans that will contribute to economic development. It also works to support the operations of SMEs. Specifically, it seeks to support companies or individuals with the end goal of creating new employment in the private sector. It also seeks to support companies that have the capacity to export their goods abroad, thus generating foreign exchange. The strategic sectors targeted by the bank include agriculture, fishing, education, housing, services, and manufacturing. Approximately half of the EC\$40 million (US\$14.8 million) total loan book is currently oriented toward the education, specifically student loans, and housing sectors. The bank lends from a pool of funds that are provided by the National Insurance Company of St. Lucia, the CARICOM Development Fund, and the CDB. Business loans in the agriculture and services segments average EC\$40,000 (\$14,000) and are used to buy equipment and other goods. Educational loans average EC\$120,000, while housing loans are typically the largest loans. All loans must be secured, sometime by personal guarantees.

Since no banks are willing to fund start-up enterprises, the SLDB also operates the Youth Enterprise Equity Fund, an investment fund that supports entrepreneurs aged 18–35 who wish to build innovative companies that create employment. The bank may invest up to EC\$50,000 (US\$18,500) in a given enterprise and can own no more than 50 percent. Upon investing, the bank appoints a board director and bank staff or local business people lend technical assistance. The bank then holds on to this investment for as long as seven years before existing via a pre-negotiated put structure. This fund started five years ago with a commitment of EC\$5 million, but deployment has been slow, with just 10 percent of the total invested to date. The lack of investments reflects a paucity of innovative projects within the local ecosystem.

Because of a lack of critical mass of entrepreneurs on the island, St. Lucia lacks an organized

entrepreneurship ecosystem and, relatedly, any normative means by which entrepreneurs may access VC, angel investing, or crowdfunding. Numerous institutions are supporting the activities of the entrepreneurial class through training and networking support, including the St. Lucia Development Bank, St. Lucia Trade Export Agency, The Caribbean Regional Communications Infrastructure Program, and others, however, anecdotal evidence suggests that aspiring entrepreneurs see no competitive advantage to remaining in St. Lucia to grow their business and will matriculate to other larger islands in the Caribbean or emigrate further afield to access talent, networks, knowledge and growth finance. Initial research suggests that private funding for business ventures does occur on the island, but these events are closely related to longstanding personal and/or business relationships. To date, there is no standardized angel investor activity, although St. Lucia will be a geographic focus within the Caribbean Export Development Agency's future plans to develop a Caribbean regional angel network. Further, no St. Lucian businesses or projects have successfully raised any type of crowdfunding. With regard to VC, a single St. Lucian project received funding from the Jamaican-based Caribbean Investment Fund, which was established in 2000 and ultimately returned capital to Limited Partners because of a lack of investible projects.

Capital Markets and Private Equity

St. Lucia participates in the Eastern Caribbean Stock Exchange (ECSE), which is located in St. Kitts. The ECSE is a regional exchange that includes 13 listed stocks as well as eight debt issuances. The market does not have a junior or SME exchange. Two companies from St. Lucia trade on this market: East Caribbean Financial Holding Co. Ltd (Holding Company for Bank of St. Lucia) and St. Lucia Electricity Services Ltd. As with the other exchanges in the region, liquidity is low (table 34).

Apart from the ECSE, capital markets in St. Lucia are shallow, with few assets for investment outside

Table 34: Comparative Turnover of the OECS Stock Exchange

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Caribbean (Ex-DR)	8.4%	4.4%	4.1%	3.2%	5.1%	3.0%	3.0%	1.6%	1.6%	1.6%	1.3%
Latin America & Caribbean	16.0%	19.9%	24.4%	27.8%	30.4%	40.7%	51.4%	48.9%	45.7%	46.1%	42.7%
High income: OECD	156.2%	111.8%	117.3%	123.0%	151.6%	185.8%	262.2%	219.1%	137.4%	141.0%	102.9%
Jamaica	2.7%	3.5%	4.2%	3.1%	2.3%	2.9%	3.6%	1.8%	3.3%	3.1%	3.0%
Trinidad and Tobago	3.0%	4.7%	3.8%	3.7%	2.6%	2.3%	2.6%	2.0%	1.2%	1.2%	0.8%
Barbados	31.5%	5.7%	5.3%	1.7%	19.8%	5.5%	3.6%	0.3%	0.4%	0.4%	0.4%
ECSE				1.9%	0.3%	0.3%	0.4%	1.2%	1.5%	0.7%	0.9%

Source: World Bank.

of sovereign bonds. The Ministry of Finance is partnering with a brokerage firm called Eastern Caribbean Global Investment Brokers Ltd, which is a division of the Bank of St. Lucia, to study Diaspora bonds. This is in the early phases, however, and there are legal issues, such as registering with the SEC to raise capital in the United States, that will require further study. Moreover, there is no clear indication as to the actual demand for such a product in the Diaspora.

Public-Private Partnerships in Infrastructure

Together with Jamaica and Trinidad and Tobago, St. Lucia is the only country in the region that has issued a PPP policy and defined the role of government ministries and agencies in developing PPP projects.

The national PPP policy issued in March 2015 is comprehensive and in accordance with best international standards. It provides a clear definition of PPPs, clearly articulates the objective and scope of the PPP policy, sets out a coherent PPP process, and articulates an institutional PPP framework grouping various sectoral ministries and government agencies around a high-level steering committee under the Department of Finance, Economic Affairs and Social Security, to be supported by a core team and project teams responsible for the preparation of specific projects. The scope of the PPP policy covers PPPs in core

infrastructure, social infrastructure, and productive sectors that require the use of government assets, including land, and that are expected to contribute to economic growth and diversification.

To date, these institutional arrangements are not yet operational, and the pipeline for PPP projects in St. Lucia is small. It consists of five projects, of which three in transport (Hemanorra/GFL airport redevelopment, southern roads rehabilitation project, and a north-south link road), one in ICT (national and regional connectivity infrastructure), and a health PPP currently under discussion with IFC. Among these projects, two are at the concept stage (airport redevelopment and health PPP), and the three others are at the feasibility stage.

The development of PPPs in St. Lucia is hampered by a number of fundamental challenges: (1) although the adoption of the national PPP policy constitutes a great step forward, St. Lucia does not possess a legal and regulatory framework for PPPs; (2) the government has limited capacity in the area of PPP project preparation, structuring and management; and (3) the small size of the country entails that the deal flow of potential PPP projects will remain limited.

In light of these challenges, the government needs to implement an action plan focusing on key priority actions:

1. A PPP law will need to be formulated and implemented to provide the foundation for the PPP program. This law should cover all stages of the PPP process, including PPP project screening and preparation, implementation and procurement, and contract management. Critically, as set out in the PPP policy, the law should require that every project above a minimum threshold in the public investment program screened for PPP suitability and that only projects that are not suitable for PPP be integrated into the public investment program.
2. The PPP team set out in the PPP policy will need to be transformed into a PPP unit capable of meeting critical responsibilities under the expanded PPP program that will result from the implementation of the PPP law. In particular, the unit will need to deliver the critical functions of project identification and preparatory activities. This will include needs identification, project prioritization, option analysis and selection, project scoping, information collection, cost-benefit analysis, and screening for PPP potential.
3. The government will need to join the regional project venture fund that will be responsible for proceeding with project appraisal and structuring and preparation of tender and contract.
4. The government will need to join the regional SIF that will be responsible for negotiating and closing the transaction with private sponsors and investors, investing in the PPP alongside private investors, contract management, performance monitoring, and execution of exit.

Legal and Regulatory Drivers and Impediments

Please see annex VII for detailed discussion.

The Diaspora: Networks, Distribution Channels, and Platforms

The St. Lucian government interfaces with 24 different Diaspora groups in Canada, the United Kingdom, the United States, and the Caribbean.

Their largest and most active populations of Lucians outside of the Caribbean are in New York and London, followed by Toronto. Within the region, the Lucian Diaspora lives in Barbados, Guyana, and French Guiana. The ambassador to the Diaspora, Dr. June Soomer, characterizes the Diaspora as highly organized, with these groups participating in a group called the Union of St. Lucian Overseas Associations. At the same time, the government is keen to maintain ties with the older Diaspora while building a long-term relationship with young people before they migrate. Younger migrants tend to take a less interest in this associations, so the government wants to approach them while they are still in the homeland to develop the next generation of relationships.

More formal interactions with the Diaspora take the form of conferences or government missions abroad. Like the other countries in this study, St. Lucia also organizes a biannual conference in which the country invites the Diaspora, particularly the leadership and members of the associations, to return home to discuss Diaspora issues. Attendance at the most recent event topped 1,000 individuals. The conference focuses on political and social topics, including education, welfare, and charitable fundraising, but it does not have an economic or investment component. Additionally, the government uses this conference as a forum to develop its policies for the Diaspora. For example, issues of note include the desire of the Diaspora community to vote in elections, which is an ongoing conversation. In the past, the government, in partnership with Invest St. Lucia, has conducted missions to Canada, the United Kingdom, and the United States, to promote government bonds. The mission also sought to tap into expertise with regard to risk capital, although there was limited follow-up upon return.

The government promotes investment in the country, either from the Diaspora or from overseas investors in general, through Invest St. Lucia, the investment promotion agency of St. Lucia. Generally, Invest St. Lucia does not target the Diaspora specifically when seeking foreign investment. The average person in

the Diaspora does not make personal investments and tends to travel to St. Lucia for social reasons. Given that these individuals are not investors in their countries of residence, it's not likely that they will make an investment in St. Lucia either. The most significant driver of investment in St. Lucia is market access, to either the local or regional market, or a third market such as the United States because of preferential trade agreements. Thus, Invest St. Lucia sees opportunity in offering Diaspora an opportunity to target regional markets or develop products locally that can serve external markets. With respect to strategic areas for investment, Invest St. Lucia focuses on ancillary services for tourism, manufacturing with export potential, and infrastructure, both hard and soft. There is also strong interest in alternative energy, such as wind and solar projects. Invest St. Lucia reports that, while historically there has been some Diaspora investment, it has been sporadic. Investment of note has been in the tourist sector, especially accommodations, from small to large. This includes LeSport, a high-end health and wellness center, which is one of two hotels owned by the Barnard family of the United Kingdom, which is part of the St. Lucian Diaspora.

Country Analysis: Trinidad and Tobago

Sizing the Diaspora Population and Investment Potential

Unlike Jamaica and St. Lucia, both of which have created policies and political units dedicated to deeper political and economic engagement of the Diaspora, Trinidad and Tobago has taken a less active approach toward creating these types of ties. This phenomenon reflects the relative wealth and high liquidity in the local economy vis-à-vis other countries in the Caribbean. As a result of its considerable natural resource wealth, Trinidad and Tobago does not need to look to the Diaspora to source capital for the local economy. In fact, there is significant liquidity in the local banking system

as well as demand for government debt at both home and abroad. According to the IMF, excess reserves at Central Bank averaged TT\$8.4 billion per day in May 2014 compared with just over TT\$6 billion in April 2014.⁶³ There is also a shortage of investable assets in the local economy. The US\$550 million Eurobond issue undertaken in December 2013 is an example of this phenomenon. This issue was 9.9 times oversubscribed and generated some US\$50 million in local interest. Trinidad can raise money easily at very good rates. Because of strong demand the interest rate was adjusted from 4.75 percent to 4.375 during the offering. External debt remains at less than 20 percent GDP by the end of the projection period, while the share of short-term debt versus overall indebtedness is exceptionally low. In sum, access to capital is not an issue in Trinidad and Tobago.

Given Trinidad and Tobago's macroeconomic context, unlike other economies in this study, remittances are not a factor in the local economy, totaling just 0.5 percent of GDP in 2012. Moreover, although no official statistics are available, several sources spoke of a phenomenon of "reverse remittances" whereby workers that migrate to Trinidad and Tobago from other areas of the Caribbean or the world send remittances back to their families and their homelands. Unlike many of the other countries in the Caribbean, remittances don't represent a critical ongoing component of the economy, and no driving need has been seen to craft a comprehensive Diaspora strategy along the lines of those of Jamaica or St. Lucia. There has been discussion regarding the creation of a Diaspora unit at the Ministry of Foreign Affairs, but this project did not come to fruition.

Absent a need for capital, the ongoing strategic need of the economy is one of diversification rather than foreign direct investment. The main external risk over the medium term would be a sustained decline in energy prices since energy makes up approximately 50 percent of government revenues. Over time, Trinidad and Tobago has chosen to diversify the nature of the end markets for its

exports of liquefied natural gas (LNG) and has shifted its exports from the United States to Asia, Europe, and Latin America.⁶⁴ Still, technological changes along with the development of a significant LNG export capacity from the United States could pose a long-term threat if it significantly expanded global natural gas supplies. The ongoing reliance on energy resources for a vast majority of the country's prosperity remains a fundamental challenge.

There is also a need to enact structural reforms and achieve diversification with regard to the labor market. Despite the low recorded unemployment rate at less than 4 percent, evidence indicates significant underemployment, suggesting that official data may underestimate the degree of slack in the labor market. According to the IMF, temporary make work programs reduce measured unemployment but contribute little value added. Moreover, Trinidad and Tobago's public service employees represent 25 percent of total employment, including permanent, contract, and daily paid workers in 48 ministries, agencies, and departments. This large and expensive bureaucracy remains an important hindrance to structural reform.

Within the context of its local labor market, Trinidad and Tobago faces an enormous challenge in limiting the brain drain phenomenon. A 1998 study (Carrington and Detragiache) placed Trinidad's share of total tertiary-educated migrants at 46.7 percent and overall migration rates of the tertiary-educated at 57.2 percent, the third highest brain drain level in the world (Financial Times, March 23, 2005).⁶⁵ The loss of intellectual capital is particularly acute among doctors and nurses (medical brain drain) and teachers. Stemming brain drain is a colossal task because of massive outward migration of university graduates to North America and Europe. Moreover, the high levels of employment, even if there is acute underemployment, further compounds the challenge of reattracting and/or retaining skill labor.

Activated in 2012, the Economic Development Board is charged with diversifying the economy and the labor market by deemphasizing the dependence

on energy by developing new geographic areas and industries within the country. This department has undertaken a number of mapping studies, in Northeast Tobago (focusing on ecotourism and small niche agriculture), the North Coast of Trinidad (focusing on ecotourism and small niche agriculture), East Port of Spain, the Central Area of Trinidad (which is an industrial cluster and offers business services as well), and the Southwest Peninsula (for a methanol plant). Given the large size of the public sector, part of the mission is to move employees from the public to the private sector.

As part of these efforts, Trinidad and Tobago is working to position itself as a regional financial center given that the country is home to a number of the region's leading indigenous financial institutions, including Guardian Holdings, Republic Bank, and First Citizens Bank. Moreover, the country has solid ratings from the global rating agencies, high GDP per capital, excellent infrastructure, and English-speaking human capital. Moreover, free tertiary education in Trinidad and Tobago produces from 12,000 to 14,000 graduates per year. This includes the local campus of UWI and the University of Trinidad and Tobago.

In support of these efforts, the government has created an initiative called the Trinidad and Tobago International Financial Center (TTIFC), which is a Special Economic Zone that will have its own courts and financial services authority. The creation of a dedicated financial center is not meant to cannibalize the local market, but instead will seek to cater to international players. So it still would need a domestic PE law. At the same time, TTIFC aspires to raise the standards of the local environment by creating a world-class set of institutions that serve an ecosystem of leading financial players. TTIFC was first conceived in 2006 and operationalized in 2012, although the requisite laws to create the special economic zone remain in draft form. In addition to creating a regulatory framework to attract global financial firms, TTIFC is also building local BPO industry that can service these clients. At present, two firms, Scotia Bank and RBC, have

established captive units to service their clients in North American and the region. TTIFC seeks to create some 3,000 jobs in the next three years and as many as 7,000 to 10,000 jobs over the medium to long term.

It is important to note that the development needs and financial needs differ between the islands of Trinidad and Tobago. Trinidad claims the vast majority of the country's combined population of 1.3 million, as Tobago has a population of only 60,000. Moreover, its economy is more akin to those of other small Caribbean nations, with a dependence on industries such as tourism. Tobago has its own House of Assembly (THA), and this local government employs the majority of local residents. The THA—Tobago's local government—has achieved an independent Moody's rating. In May 2015, Moody's Investors Service downgraded THA's issuer rating to Baa2 from Baa1. The outlook on the rating is negative. That rating is driven by its strong linkages with Trinidad and Tobago given that 98.7 percent of THA's revenues come from the central government.⁶⁶ Furthermore, THA requires approval from the central government to contract financial long-term debt, which ensures a strong level of oversight. Although THA relies on the central government for almost all of its revenue, it has considerable flexibility over its expenditures. This allows THA to react to revenue pressures and maintain positive results.

It is also critical to note that most market actors in Trinidad and Tobago expressed concern in regard to both foreign exchange volatility as well as a general difficulty when trying to access foreign exchange.⁶⁷ Although Trinidad and Tobago has had a nominally floating currency since 1993, it has maintained a "dirty" float, one in which the government intervenes from time to time to keep the country's currency at a particular value and address complaints of foreign exchange shortages. The seasonal nature of Trinidad and Tobago's dominant foreign exchange inflow, taxes on the energy sector, means there is a natural inconsistency in

the supply of foreign exchange in the market. This, along with the motivation of preventing currency depreciation, has prompted the Central Bank to tap into its sizable foreign reserves—about US\$11 billion—and inject hundreds of millions of U.S. dollars into the economy. However, interviews with some market actors indicated linkages between the government's interventions and the shortages themselves. Critics of the Central Bank's policies say the injections encourage dollars to be hoarded because the value is set artificially, instead of by the market. In truth, a great deal of private Trinidadian foreign exchange wealth is held offshore. Based on figures provided by the Central Bank in mid-2014, the money injected into the market was gobbled up by a few sectors: 30 percent (US\$1 billion) was used by the retail and distribution sector, 22.4 percent (US\$752 million) by credit card centers and 14.1 percent (US\$474 million), by manufacturing. Meanwhile, just 2 percent (US\$67 million) of the injections have been distributed via over-the-counter purchases by the general public. Although the government has recently adjusted access to the stimulus to increase flows to smaller banks and nonfinancial institutions, systemic risks remain within its foreign exchange market.

Estimating the Size and Geographic Distribution of the Trinidad and Tobago Diaspora

Although sporadic efforts have been made to size the Trinidad and Tobago Diaspora, no comprehensive or credible studies has been undertaken by the country's government. The United Nations estimates a total migrant stock in mid-year 2013 of 374,092. Trinidad and Tobago's emigrant population predominately lives in the United States (249,001), followed by Canada (76,310), and Europe (25,012), which is almost exclusively limited to the United Kingdom. Although these estimations give a sense of the quantum of the individuals in the Diaspora, some complicating factors exist with regard to counting the actual population. First, this number underestimates the total population because of the difficulty of

counting undocumented migrants. This figure could be considerable given that a 2014 study by the Migration Policy Institute finds that some 16 percent of Black Caribbean migrants to the United States are unauthorized.⁶⁸ It also bears noting that there is a notable Trinidad and Tobago population in the Middle East as well because of the country's strong capabilities in the oil and gas sector. This population is often disregarded because it falls outside of the usual focus countries and is more transient in nature.

Sources indicated that the Diaspora tends to choose to migrate and settle around similar hubs as other Caribbean Diaspora groups. This includes the eastern United States (New York, Washington, Miami, and Atlanta), as well as Toronto and London. Moreover, these Diaspora members tend to be connected back to the homeland, often keeping passport and owning property. For example, migrants often choose to invest in real estate, which they can rent out to expatriate oil workers based on U.S. dollar prices and one day use as a retirement home. Although they may maintain dual citizenship and own local property, there is a residency requirement with regard to voting in local Trinidad and Tobago elections. To participate in the democratic process, a citizen must also be a resident for at least six months before the date of the election.

Multiple sources note that the central government's statistics gathering and reporting capabilities are notoriously weak. The IMF reports that the Central Statistical Office has yet to move into suitable quarters and remains woefully understaffed and under-resourced. The production of critical data (including GDP, trade, and labor, as well as tourism statistics) continues to fall further behind, grinding to a halt in critical areas and rendering the conduct of surveillance ever harder.⁶⁹ This lack of capacity is clearly seen in the paucity of data as regard to the Diaspora. Unless this office's capacity strengthens, greater clarity regarding the size and location of the Diaspora will remain elusive.

Investable Assets and Market Impediments

Startups and SMEs

Angel Investors

No formal angel networks exist in Trinidad, and the funding of enterprises by private individual investors is largely tied to personal and professional networks. The Enterprise Hub, a private business support and training agency, boasts Trinidad's first program to connect entrepreneurs with HNWI individuals who are successful entrepreneurs and retired executives. According to the Ministry of Planning Council for Competitiveness and Innovation website, the Enterprise Hub's program is the first of its kind; however, none of the publicly available records indicate the successful matching of entrepreneurs with investors.

The Trinidad Ministry of Labor and Small and Micro Enterprise Development is considering how best to create collaborative funding mechanisms between angels and crowdfunding whether in sequence or in parallel. There is also an innovative proposal being considered by the ministry that for every TT\$80 an angel invests, they would receive a TT\$20 tax credit, and in addition the government would provide a further TT\$20 in capital investment in the deal. Implementing such an incentive could encourage investment activity and mitigate a portion of risk and would help to channel public funding that is already allocated for SMEs directly into their hands.

Crowdfunding

There are no operating crowdfunding websites based in Trinidad, although there is a wide interest in supporting crowdfunding by business support institutions in Trinidad including Startup Weekend, and the largest incubator networks in Caribbean such as NEDCO.

As in Barbados, Jamaica, and St. Lucia, the utilization of international presale or donation-based crowdfunding websites, such as Kickstarter

or Indiegogo, is not restricted in any way by Trinidad and Tobago's regulatory regime. Because of the regulatory and cultural issues, there have not been a large number of successful campaigns that have originated in Trinidad. Kickstarter research indicates that there has been one successful campaign that raised US\$10,300 from 48 backers for a documentary film project.⁷¹ Six other campaigns were unsuccessful in reaching their campaign goals and therefore did not receive any funds. The combined goal of these six campaigns was US\$125,000, and the total pledged toward those campaigns was US\$3,212, with approximately 45 percent of that total coming from one campaign. This would indicate that the majority of the campaigns were launched with no marketing/promotion plan and execution. All but one of these campaigns were arts-related projects. Globally on Kickstarter, as of the writing of this report, the success rate for campaigns is 37.5 percent.⁷¹ In looking at Indiegogo, a total of 14 campaigns were done, and two were successful in reaching their fundraising goals (a total of USD\$7,200). The remaining campaigns received pledges of USD\$56,720 on a combined goal of USD\$740,000. All but one of those campaigns were "flexible funding" campaigns, meaning that the campaign owner was able to keep whatever money they received. The data from these campaigns demonstrate similar characteristics as the Kickstarter campaigns. Fundraisers were not able to find an audience for their campaigns because of a lack of marketing/promotion and/or mismatch in interests in the campaign itself. It also indicates that on average these Indiegogo campaigns were attempting to raise USD\$36,000. Global success rates on Indiegogo are estimated to be 20 percent.⁷²

The Trinidad and Tobago Securities and Exchange Commission has yet to establish a regulatory framework to allow for the normative offering of debt and/or equity funding products via the internet. However, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) has begun to study crowdfunding through World Bank, IOSCO, and other research materials. Currently no TTSEC schedule is set up for formally considering

crowdfunding regulation. The TTSEC would need to determine the changes to current regulations needed and the new regulations that would be required, and build a supervisory framework as well consider how cross-border transactions would be enabled and monitored and how anti-money-laundering regimes would be followed.

SME Lending

SMEs represent a significant segment of Trinidad and Tobago's economy, comprising over 85 percent of registered businesses and generating 28 percent of the country's GDP, according to a report produced for the World Bank by Term Finance Limited in April 2015. According to Trinidad and Tobago's Chamber of Industry and Commerce, SMEs are defined as companies that employ between six and 50 people, have assets valued in somewhere between US\$42,000 and US\$833,000, and generate annual sales between US\$42,000 and US\$1.7 million. About 18,000 companies fit this profile, and they employ 20 percent of Trinidad and Tobago's population. They occupy the country's manufacturing, distribution, retail, entertainment, and services industries. Despite their large stake in the economy, however, SMEs in Trinidad and Tobago, like elsewhere in the region, struggle to find credit (table 35). A staggering 70 percent of SME funding comes from personal savings.

Based on Term Finance's survey results, a large majority of SMEs in Trinidad and Tobago find it difficult to access funds when they need it, and based on estimates, a major gap exists between lending supply and demand. A troubling 55 percent of SMEs say they have missed an "attractive opportunity" in the past on account of their lack of access to credit. With 78 percent of SMEs saying they need funds, and 67 percent saying they find it difficult to access funds, there are thought to be 9,407 potential borrowers in Trinidad and Tobago's SMEs lending market. Sizing this demand for credit is difficult, but the task is aided by the Term Finance survey, which asked SMEs how much credit they would borrow if credit were made available to them. Table 36 breaks down some of the results of the survey question's

Table 35: Comparison of Firm Lending in Trinidad and Tobago, Select Caribbean Nations, and the LAC Region

	Small Firms (employ 1-19)	Medium Firms (employ 20-99)	Large Firms (employ 100+)	All Firms
% firms with access to a bank loan or line of credit				
Jamaica	26%	28%	47%	27%
Latin America & the Caribbean	40%	56%	68%	48%
Trinidad & Tobago	47%	72%	74%	
Barbados	58%	54%	76%	
Dominican Republic	50%	65%	77%	
% firms identifying access to finance as a major constraint				
Jamaica	47%	29%	11%	41%
Latin America & the Caribbean	32%	29%	21%	31%

Source: World Bank Enterprise Survey 2010.

Table 36: Breakdown of SMEs' Self-Reported Credit Needs

	Share of SMEs that need more than US\$1,600	Share of SMEs that needs more than US\$7,800	Share of SMEs that needs more than US\$16,000	Share of SMEs that needs more than US\$31,000	Share of SMEs that needs more than US\$40,000	All potential borrowers
	13%	25%	13%	13%	31%	
Estimated value (US\$MM)	1.95	18.34	19.56	37.91	116.64	194.42

Source: Term Finance Limited, "SMEs & Start Ups in Trinidad & Tobago."

responses, as well as calculations regarding the size of the credit market based on them.

Despite recognizing the potential in the SME lending market, the banking sector in Trinidad and Tobago generally lacks the ability to price the credit risk of SMEs, and thus is, for the most part, discouraged from working with them. As is the case in most developing economies, Trinidad and Tobago's SMEs have a hard time communicating with banks, pitching their business models and growth plans without the acumen they need to adhere to the formalized procedures and standards the banks demand. Nevertheless, the banking sector also falls short in the range of expertise and resources that it needs to properly evaluate the

creditworthiness of SMEs, which requires both qualitative and quantitative assessments. Having said that, there are some big banks in Trinidad and Tobago, such as RBC, that have delved into the SMEs lending market. RBC reports that approximately 33 percent of its lending is destined to companies with assets between US\$100,000 to US\$1 million. Yet the bank makes demands of its own, particularly when it comes to companies on the smaller end of the spectrum, such as those with US\$20,000 to US\$100,000, which represent less than 20 percent of its lending. These companies are expected to provide guarantees and collateral, such as real estate.

To better address the financing needs of SMEs, the TTIFC is designing and structuring a vehicle that will service companies that cannot access financing from the traditional banking sector. This will serve as an intermediate policy that will eventually create a pipeline for both the SME exchange and the broader Trinidad and Tobago stock market. To provide financing to SMEs, the TTIFC is considering a risk capital model to fund growth, expansion, and exports at these companies. This strategic initiative will entail raising and managing a TT\$100 million fund whereby 66 percent of the capital would be provided by the federal government with the remainder contributed by private investors. The government would determine the investment policy, the board of the fund would be selected from the private sector, and a private fund manager would run the day-to-day operations of the effort. This fund projects returns of 13–17 percent per annum over a 10-year fund life, and the model calls for at least 47 investments. It would be invested in five years but repaid over the following five years through a combination of interest payments, revenue royalties, and equity. In addition, the fund would benefit from a TT\$10 million technical assistance funds to prepare the companies to raise capital. The TTIFC is in the process of finalizing the request for proposal (RFP) for a fund manager and for a TA provider. The fund manager is expected to receive compensation in line with traditional private equity economics (2 percent management fee and 20 percent carried interest). The fund manager will raise capital from local investors such as pension funds and institutional investors, but may also choose to target Diaspora as well. The timing for the issue of the RFP is 2015, but some small

changes to existing legislation will require approval from the Trinidad and Tobago legislative body.

Capital Markets and Private Equity

The Trinidad and Tobago Stock Exchange is the second largest stock exchange in the English-speaking Caribbean, with 31 securities (table 37).

As noted with Jamaica, an analysis of market turnover ratio provides an effective metric by which to compare the relative liquidity of stock exchanges. Similar to Jamaica, Trinidad and Tobago shows very low levels of turnover versus the wider Latin America region. Thus, the Trinidad and Tobago market also lacks the dynamism seen both in its peer markets and in global markets generally. Table 38 compares turnover at the Trinidad and Tobago exchange with that of other regional exchanges.

Table 37: Snapshot of TTSE Market in 2013 and 2014

	Dec. 31, 2013	Dec. 31, 2014
Market Capitalization (\$MM)	118,756.93	114,678.70
Total Listed Companies	33	31
Member Organizations	7	7
Cross Listed Index	49.43	41.72
All T&T Index	1,993.72	1,983.18
Composite Index	1,185.05	1,150.91

Source: TTSE Annual Report 2014.

Table 38: Comparative Turnover of the TTSE

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Caribbean (Ex-DR)	8.4%	4.4%	4.1%	3.2%	5.1%	3.0%	3.0%	1.6%	1.6%	1.6%	1.3%
Latin America & Caribbean	16.0%	19.9%	24.4%	27.8%	30.4%	40.7%	51.4%	48.9%	45.7%	46.1%	42.7%
High income: OECD	156.2%	111.8%	117.3%	123.0%	151.6%	185.8%	262.2%	219.1%	137.4%	141.0%	102.9%
Jamaica	2.7%	3.5%	4.2%	3.1%	2.3%	2.9%	3.6%	1.8%	3.3%	3.1%	3.0%
Trinidad and Tobago	3.0%	4.7%	3.8%	3.7%	2.6%	2.3%	2.6%	2.0%	1.2%	1.2%	0.8%

Source: World Bank.

Although the market turnover is low both on an absolute and a relative basis, as seen in table 39, trades averaged below 50 per days over the last five years. Moreover, trading metrics deteriorated in 2014.

In an effort to increase trading volume and the number of listed companies, the Trinidad and Tobago Stock Market has also created a Junior Exchange called the SME Market that is modeled on the JSE. This initiative, which was announced in 2011, also sought to reduce SME reliance on bank financing by providing an alternative source of capital for growing businesses. The market is available to companies that with capital bases between TT\$5,000,000.00 and TT\$50,000,000.00 (US\$800,000 to US\$8,000,000). Moreover, SMEs would be required to raise capital on the stock exchange through an IPO with a minimum of 25 shareholders holding at least 30 percent of the company's share capital. Companies that list will enjoy a 10 percent corporate tax rate for a total of five years. To date, no companies have listed on the SME Exchange.

Engaging the Diaspora in Trinidad and Tobago is not simply a question of attracting capital and then directing that capital into one of the existing investment vehicles or opportunities that exists today. As Royal Bank of Canada's local representatives note, there is a dearth of investment available for local investors, so attracting capital from overseas makes little sense given the existing

disequilibrium due to the scarcity of supply. For that reason, RBC doesn't target the Diaspora, and it knows of few notable examples of other financial institutions pursuing such a strategy.

Republic, which is the biggest pension fund manager in the Caribbean and one of the leading institutional investors in the region, also affirms that it has no Diaspora strategy nor does it seek to target offshore investors. Unlike Jamaica where there is an active stock market and junior stock market, Trinidad capital markets are far smaller. Even if the SME market develops in Trinidad and Tobago, the required capital will be sourced in the local market rather than from international investors. Republic invests in government debt, highly rated corporates bonds, and some public equities, but it makes no investments in private equity because of a regulatory environment that limits foreign currency investment to no more than 20 percent of the entire portfolio in foreign currency assets. This policy, in conjunction with other regulations, dramatically limits the scope of investments available to the pension funds. As such, Trinidad and Tobago is a conservative investment culture, and this culture has only been strengthened by the implosion of CL Financial.

Unit Trust, the largest mutual fund in the Caribbean, offers U.S. equities and fixed income as well as local fixed income funds, Trinidad and Tobago income funds, and a US\$1.7 billion domestic income fund. The firm has 589,000 unit holders, or 80 percent

Table 39: General trends in TTSE Trading (2010-2014)

	2010	2011	2012	2013	2014
Total Trades	8,615	9,278	8,838	14,060	13,747
Average Daily Trades	35	38	37	37	56
Total Volume (MM)	77.96	564.18	50.86	122.42	104.96
Average Daily Volume (MM)	0.31	2.29	0.21	0.49	0.42
Total Value (\$MM)	870.07	1030.69	750.24	1637.12	1406.85
Average Daily Value (\$MM)	3.52	4.19	3.11	6.6	5.71

Source: TTSE Annual Report 2014.

of the workforce in Trinidad and Tobago, and the typical account has a balance of less than US\$5,000. These individuals buy a diverse basket of shares whereby the Unit Trust's investment offerings serve to mobilize savings of the ordinary men and women of Trinidad. As such, these mutual funds don't offer an opportunity to diversify into riskier assets, but instead tend to hold fixed income and large public shares.

Efforts to create listed equity vehicles for the Diaspora have met limited demand and have been designed to focus their portfolios outside of Trinidad and Tobago. Unit Trust has developed a product specifically for the United States market that manages a stock fund consisting of U.S. stocks. It has chosen to offer a U.S.-centric product for U.S. investors rather than a Trinidad and Tobago-focused product because return on the local market are hampered by low liquidity and currency risk. This makes such a product unattractive to global investors who can invest across multiple geographies unlike local investors who must invest their capital within Trinidad and Tobago. The U.S.-based fund has not been successful, despite efforts to market to the Diaspora, and manages less than US\$50 million. Maintaining this fund has also required Unit Trust to register in the United States and to contend with onerous SEC and U.S. regulations. When considering the Diaspora, Unit Trust notes that although Trinidad and Tobago's market are deep vis-à-vis most of the Caribbean, they remain far too shallow to create specialized products for offshore investors.

Interestingly, although local financial institutions do not target Diaspora investors for the local market, some local investment management firms focus exclusively on helping local investors to diversify client risk away from concentration in Trinidad and Tobago. Local firm Sheppard Securities manages US\$400 million, of which approximately 60–70 percent of these assets are held in hard currency. There is significant demand for hard currency investments, although the firm struggles with the limited access to foreign exchange that is typical

in the market. Investors who seek foreign currency assets do so because they perceive a complete mispricing of the assets locally when compared to equivalents in the developed world. With so much local liquidity chasing a limited set of opportunities, they feel that assets are mispriced relative to global markets. These pricing issues only exacerbate the difficulty in marketing local Trinidad and Tobago investments to the Diaspora or to other foreign investors.

Private Equity

Given the excess liquidity in the market and high asset prices, Trinidad and Tobago presents a difficult environment for PE, outside of infrastructure opportunities or investments that are executed as part of a pan-regional company. As noted, Guardian Holdings sought to create a PE platform in Trinidad and Tobago in the form of Prometheus Energy Partners, a private equity fund focused on energy opportunities in Trinidad and Tobago and the greater Caribbean region. Despite these attempts, the fund never was able to raise sufficient capital to become a self-sustaining entity. Moreover, one of its investments in Trinidad and Tobago, Carisal, ended poorly after years of efforts to build a plant that would make it a leading supplier of caustic soda, calcium chloride, and other related products through a base in Trinidad and Tobago. No other PE firms of note have entered the market since that time.

Infrastructure PPP Projects

Overall Landscape for Infrastructure PPP Projects

Together with Jamaica, Trinidad and Tobago is the only country in the region that has issued a PPP policy and defined the role of government ministries and agencies in developing PPP projects. Together with the above countries and Haiti, Trinidad and Tobago is the only country in the region that has established a PPP unit. However, like all other countries in the region, Trinidad and Tobago does not have a PPP law.

The PPP unit is housed in the Ministry of Finance. The unit is at an incipient stage and severely understaffed. As of to date, out of the eight projects identified in the regional roadmap, the PPP unit appears to be working on one project only, the specialist clinical centers.

Key Challenges to the Development of Infrastructure

The development of PPPs in Trinidad and Tobago is hampered by two fundamental challenges.

First, Trinidad and Tobago has considerable fiscal space to finance public investments on budget. Following the establishment of a SWF that mitigates the impact of fluctuations in energy prices on fiscal revenues, the government is expected to maintain fiscal balance over the medium term. Within this medium-term framework, public investment is projected to remain at about 5.5 percent of GDP, representing about 17 percent of government overall revenue or 42 percent of government energy revenue, and public sector debt is projected to remain below 30 percent of GDP (see IMF Article IV, 2014). In this macrofiscal environment, the government has little financial incentive to rely on PPP transactions to finance public investment projects through the private sector. Therefore, the rationale for reliance on PPP projects needs to articulated primarily on increased efficiency in project management.

Second, the limited capacity of the PPP unit translates into slow processing of PPP projects from concept phase to appraisal to closing of transactions with the private sector. This situation constitutes a further disincentive to rely on PPPs for public investment projects, as the potential efficiency gain to be derived from private management of public investment projects may be largely offset by the inefficiency of the PPP project preparation and negotiation phase.

Key Elements of Action Plan

In light of these challenges, a fundamental reform of the PPP framework is required as a sine qua non to develop this asset class in Trinidad and Tobago. This reform will need to be based on the following key components:

1. A PPP law will need to be formulated and implemented to provide the foundation for the PPP program. This law will cover all stages of the PPP process, including PPP project screening and preparation, implementation and procurement, and contract management. Critically, the law will need to require that every project in the public investment program be screened for PPP suitability and that only projects that are not suitable for PPP be integrated into the public investment program.
2. The PPP unit at the Ministry of Finance will need to be strengthened to be able to meet its responsibilities under the expanded PPP program that will result from the implementation of the PPP law. In particular, the unit will need to deliver the critical functions of project identification and preparation. This will include needs identification, project prioritization, option analysis and selection, project scoping, information collection, cost-benefit analysis, and screening for PPP potential.
3. The government will need to join the regional infrastructure project VF that will be responsible for proceeding with infrastructure PPP project appraisal and structuring and the preparation of the tender and contract.
4. The government will need to join the regional SIF that will be responsible for negotiating and closing infrastructure PPP project transactions with private sponsors and investors, investing in the PPP, contract management, performance monitoring, and execution of exit.

Legal and Regulatory Drivers and Impediments

Please see annex VII for detailed discussion.

The Diaspora: Networks, Distribution Channels, and Platforms

The Trinidad and Tobago Diaspora is clustered at the consular level and through regional organizations in population hubs, but the formal or informal ties with the government appear to be far weaker than in countries that have established Diaspora policies and/or units. Although there was talk of creating a Diaspora bureau at the central government level, this never took hold. Moreover, the Ministry of Science and Technology sought to create a database of Trinidad and Tobago Diaspora STEM expertise and intended to include Diaspora in the database, but this project did not come to fruition. In addition to formal Diaspora organizations, the Diaspora also comes together in large shows of cultural affinity. This includes the world-famous Trinidadian Carnival and West Indian Parade that attracts over one million people in New York City. A similarly important event, the Notting Hill Carnival in London, is billed as the largest transnational festival in the world. As a result, government organizations such as InvesTT actively attend and market to the Diaspora at these types of events.

Leveraging these communities and the consular network, the Trinidad and Tobago government promotes investment in the country—either from the Diaspora or from overseas investors in

general, through InvesTT, the country's investment promotion agency. The agency focuses specifically on investment opportunities of US\$1 million or more in value and targets eight strategic sectors that align with the overall economic diversification goals of the federal government: agribusiness, cleantech, manufacturing, tourism, creative industries, downstream energy, IT, financial services, and maritime industries. InvesTT does not segmented its marketing efforts to foreign investors versus Diaspora investors, so there is usually a mix of Diaspora and foreign investors with no ties to Trinidad and Tobago.

InvesTT seeks out and presents projects looking to raise capital to potential investors, but given the lack of an angel investment culture, there is very limited demand. Although the agency seeks to help Diaspora investors back home, they note that Trinidadians, having come from an oil and gas economy, prefer to structure an “off-take agreement,” meaning that they with regard to Diaspora investment in the country, most activity has been unstructured in nature, driven by individuals who tap into their personal networks to find investment opportunities. Most Diaspora investment comes in the form of small owner-operated projects. In 2014 InvesTT, in partnership with several cabinet ministries sponsored an investment conference in New York, but this approach proved challenging as InvesTT found that investors preferred tailored solutions rather than a “herd” approach. A similar conference held in Trinidad and Tobago had limited success in terms of investment activity.



Annex II.

Country Macroeconomic Profiles

The following are individual macroeconomic profiles of the 14 Caribbean countries under consideration in this prefeasibility study. They can broadly be divided into three regional geographic groups (economies sorted by size).

Non-OECS Caribbean

Dominican Republic

GDP (2013)	GDP (2013) Per Capital	Population (2013)	Debt/GDP (2013)
\$61.1b or 4.6 percent	\$9,911	10.4m	51.7 percent

The Dominican Republic is the largest economy in the Caribbean. It is historically known as an exporter of sugar, coffee, and tobacco, though recently the service sector has become the dominant GDP contributor and employer, because of growth in tourism, telecommunications, and free trade zones, leaving agriculture and manufacturing trailing behind. These are the sectors that would likely provide both the path of least resistance and most

profitable returns for Diaspora investors mobilized by a World Bank initiative. With further growth on the horizon, the country's GDP was US\$61 billion in 2013, representing 4.6 percent growth, an improvement on the last two years, which each hovered around 3 percent growth. Since the signing of the Central American–Dominican Republic Free Trade Agreement in 2007, investment and exports have increased and facilitated FDI growth. Total FDI in 2012 was 6.53 percent of GDP, or US\$3.1 billion. Although 2014 saw FDI drop to around US\$2 billion, the Dominican Republic bumped up in the 2014–15 Global Competitiveness Index, rising to rank 101st out of 144 countries. Still, although the Dominican Republic's economy has done well in the wake of the financial crisis, systemic and structural issues remain that must be addressed. The economy is highly dependent on the United States, which is where around half all its exports go and where the bulk of remittances (5 percent of GDP) come from. In addition, economic inequality has become a major problem (poverty rate spiked from 32 percent in 2000 to almost 50 percent in 2004). The GNI per capita in 2013 was just US\$5,770. Unemployment remains high as well (15 percent in 2013). However, the fiscal situation in the country

is generally improving. The government's budget deficit was brought down to 3 percent of GDP in 2013 after sitting at almost 7 percent in 2012, in large part because of a government bond placement. The national current account balance has dropped dramatically from where it was in 2011 (7.5 percent of GDP) to just 4 percent GDP in 2013, though it was projected to climb in 2014 and 2015.

Jamaica

GDP (2013)	GDP (2013) Per Capital	Population (2013)	Debt/GDP (2013)
\$14.3b or 1.3 percent	\$9,048	2.7m	123.6 percent

Jamaica's real per capita GDP has increased at an average rate of 1 percent a year over the past 30 years, making it one of the slowest growing developing countries in the world. It is highly vulnerable to external shocks, such as downturns in the United States or fluctuating international commodity prices, although the commodity and industrial sectors (e.g., mining and textile manufacturing) have contributed a smaller share of GDP in recent years, and the services sectors, particularly hotels and restaurants, have had markedly higher rates of growth. After going through a recession from 2008 to 2010, Jamaica returned to slight growth in 2011, only to contract in again 2012. Growth in 2013 was a meager 0.2 percent, and unemployment stood at 15.2 percent. Meanwhile, a high inflation rate, averaging over 9 percent annually between 2009 and 2013, after years of real appreciation in the value of the Jamaican dollar, has stunted export competitiveness and diversification. Nevertheless, Jamaica's greatest challenge is not in economic diversification, but rather its exceptionally high public debt, estimated at 141.6 percent of GDP as of spring 2014. This has limited domestic demand and forced GDP growth dependence on the external sector, including large remittances from the United States and the United Kingdom. However, the

government's financial woes, combined with the expansion of the country's services industry, has opened a window of need and potential for private finance to encourage continued growth by injecting capital into important areas such as infrastructure development, which normally be backed by public funding. This is an important area for a Diaspora investment initiative to consider. The Jamaican government has had recent success in lowering inflation rates, though that success has been predicated on monetary policies that cause interest rates to rise, further worsening the business environment. In 2012 FDI in Jamaica represented just over 2 percent of GDP. In cooperation with and funded by the IMF, World Bank, and IDB, since 2013 Jamaica has set out on a plan for reform and stabilization, debt reduction, and enhancement of the conditions for business and growth. To that end, it received a significant improvement in ranking in the 2014–15 Global Competitiveness Survey, moving from 94th in 2013–14 (out of 148) to 86th (out of 144). And in the 2015 Ease of Doing Business Index, it ranked 58th out of 189 economies, placing highest in the Caribbean.

Trinidad and Tobago

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$24.6b or 1.6 percent	\$20,438	1.3m	37.1 percent

One of the wealthiest countries in the Caribbean, Trinidad and Tobago has experienced almost continuous economic growth since 1960 largely through the exploitation of the country's rich oil and natural gas reserves. The country suffered major contractions in 2009–11 because of the global financial crisis, seeing the construction, restaurant, and financial sectors hit the hardest. But the economy grew by an estimated 2.1 percent in 2013 and registered real income per capital

of US\$14,370. Despite the downturn earlier in the decade, the economic structure of Trinidad and Tobago has remained relatively stable, with roughly 40 percent of GDP generated by the energy sector and 60 percent by the nonenergy sector. The country's strong institutional environment has helped attract multinational companies to invest into oil and gas extraction, LNG refinement, and related industrial projects. Extractive industries got more than 70 percent of total FDI inflows between 2001 and 2011. Although net FDI decreased by 30 percent between 2012 and 2013, going from US\$2.45 billion to US\$1.7 billion, most of the activity remains in the hydrocarbon industries. Investments are growing in the chemicals industry as well. Domestic private sector investors are in part to thank for the energy sector's growth, demonstrating the kind of conditions needed for sustainable growth unseen in much of the region. On the other hand, the country's dependence on gas and oil exports has led to "Dutch disease," where there is a tendency for the exchange rate to appreciate, in turn negatively impacting the competitiveness of the nonenergy sector. Between 2006 and 2012, the real exchange rate increased by over 30 percent. Although Trinidad and Tobago's seemingly endless energy reserves are able to protect it from international energy price volatility, it is still vulnerable to fluctuations in food prices. The recent decline of food prices has allowed inflation rates to stay low (3.3 percent in mid-2014) in comparison to the double-digit rates of 2012. To account for the revenue volatility from the energy sector, the government has created a savings fund called the Heritage and Stabilization Fund. This fund has allowed Trinidad and Tobago's public debt to remain relatively low for the region (52.7 percent of GDP in 2013), which has earned the country "A" investment-grade credit ratings. It was ranked 89th out of 144 in the 2014–15 Global Competitiveness Index.

The Bahamas

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$8.4b or 0.7 percent	\$32,036	377,274	66.2 percent

An open economy is dominated by two service sectors—tourism (plus related construction) and financial services—that account for roughly two-thirds of GDP and are the largest employers. Industrial production, manufacturing, and agriculture are all limited by the country's geographical area and factor endowment. Altogether, the private sector made up 80 percent of GDP and 78 percent of total employment in 2011. Although tourism continues to overwhelmingly dominate investment flows and public policymaking in the Bahamas, there are new plans to increase private sector involvement in the country's electricity industry and reverse the long-held moratorium on offshore oil drilling. Overall growth averaged slightly over 1 percent from 2010 to 2013, after contracting by an average of over 3 percent annually from 2008 to 2009. Unemployment peaked at 15.9 percent in 2011 and has begun to slowly decline since; greater foreign investment in tourism-related construction and infrastructure projects, which would likely come from the United States, is expected to help further address unemployment. FDI inflows reached US\$594 billion in 2011. The annual inflation rate averaged just over 2 percent from 2000 to 2013. Like elsewhere in the region, economic recovery, increased employment, and tourism-related construction activity have grown import demand and therefore present obstacles to narrowing the Bahamas' sizable current account deficit in the near future. Although the deficit is expected to decrease from 2014's 20 percent of GDP figure in 2015, on account of new tourism and slight growth in remittances, in both cases the trends are largely contingent on growth patterns in the United States.

Barbados

GDP (2012)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$4.2b or 0.0 percent	\$25,181	284,644	90.5 percent

A small, open economy with relatively high levels of development, Barbados' growth has been virtually stagnant for two decades and has been slower to rebound from the global financial crisis than its peers. Growth averaged just 1.4 percent annually between 2009 and 2013, while during the same period the average was 3.2 percent for comparator countries. Nevertheless, GDP per capita in 2013 stood at US\$15,373, one of the highest among comparator countries. Tourism and associated service sectors such as wholesale, retail, real estate, and construction dominate the private sector and are the primary contributors to GDP, followed by the business and financial sectors. Unemployment reached 11.7 percent in 2013, and though general economic recovery in the region has helped, structural unemployment remains an issue. The country's limited export profile and import dependency have contributed to the deterioration of its current account balance (10.4 percent of GDP in 2013). The overall fiscal deficit grew to 12.3 percent of GDP in 2013–14, three times its 2011–12 size. National debt reached nearly 98 percent of GDP in 2013. The country's deficit has traditionally been financed through strong FDI inflows and remittances. FDI was just under 8 percent of GDP in 2011 and 2012, then dipped in 2013, and rebounded in 2014. Political stability, lack of corruption, and relatively good infrastructure are key for its historic success in attracting FDI. Barbados ranked 55th out of 144 countries in the 2014–2015 Global Competitiveness Index. It has maintained a fixed exchange rate since 1972, pegging its dollar to the U.S. dollar at a 2:1 rate. Over the past 25 years, the average annual rate of inflation has been just 3.6 percent.

OECS Caribbean Economies

Antigua and Barbuda

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$1.2b or -0.1 percent	\$13,342	89,985	92.2 percent

An OECS member, during the global financial crisis in 2009, this twin-island nation's real GDP contracted by 10.3 percent, and then in 2010 by another 8.9 percent. It wasn't until 2012 that growth returned, but that reversed the following year. A boom in the tourism industry, particularly private investment in construction, helped the country's growth improve slightly in 2014. The overall downturn of recent years has resulted in the by-product of narrowed current-account deficits, caused by the drop in FDI inflows, which were previously used to pay for budget deficits. Antigua and Barbuda's FDI inflows peaked in 2006 at 31.4 percent of GDP and last registered at 11.1 percent of GDP in 2011. Although the fiscal deficit reached 19 percent of GDP in 2009, it was estimated at around 2 percent over 2010–13. From 2007 through 2013, the average rate of annual inflation was around 2.5 percent, which is relatively low for the region. The economy's dominant sector is services, particularly tourism, and subsectors such as hotels, restaurants, wholesale, retail, real estate, renting, business activities, transport, storage, communications, and financial intermediation, which altogether account for 65 percent of GDP. Manufacturing and agriculture account for just 3.4 percent. In addition to continued public debt issues, with its the economy as open as it is, Antigua and Bermuda—like many of its neighbors in the region—is at risk of being destabilized by weak growth in developed countries, volatile commodity prices, and decreased FDI.

Dominica

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$516m or -0.9 percent	\$7,127	72,003	73.5 percent

A member of the OECS, Dominica saw economic activity contract by 1.4 percent and 0.9 percent in 2012 and 2013, respectively, despite steady growth over the past two decades. These contractions were mostly the result of a decline in construction output (down 21 percent in 2012–13), banana production (cut in half in 2012–13), and tourism (total number of visitors halved since 2010). Although construction and tourism started to rebound in 2014, sustained growth remains heavily threatened by external shocks, such as natural disasters and global economic trends. Dominica's economy is dominated by the services sector. In 2013, services (primarily tourism-related) accounted for 68 percent of GDP. The other large sector as a proportion of GDP is agriculture, livestock, and forestry (14.3 percent). Despite the rising level of dependence on tourism, investment in the sector has been the lowest in the OECS (along with Grenada), the country's lack of infrastructure serving as both a cause and consequence. Although the electricity and water subsectors make up just over 5 percent of GDP, the Dominican government has signaled plans to invest in geothermal electricity to meet domestic demand and export to neighboring countries. FDI inflows were just US\$17.9 million in 2013, but the potential is high for an increase in the coming years if opportunities in the geothermal sphere emerge. Dominica's current account deficit decreased from 17.9 percent of GDP in 2012 to 14 percent in 2013 as a result of increased exports, import stagnation, income payments, portfolio investment, and higher transfers received by the government. Despite improving in 2013, the fiscal balance got worse in 2014, making for an overall deficit during 2011–14 that has held around an average 4.4 percent of GDP. Capital expenditures have increased while nontax

revenues decreased and budgetary support from the European Union Development Fund ended in 2013. From 2012 to 2013, public debt increased from 73.3 percent of GDP to 74.9 percent GDP. Inflation on the island has remained relatively low, averaging 1.7 percent for 2010–13.

Grenada

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$835m or 2.4 percent	\$7,890	105,897	115.0 percent

A member of the OECS, Grenada's economy grown modestly over the past couple decades, and despite suffering major economic contractions in the wake of the global financial crisis, it recovered to grow 1.5 percent in 2013, the largest amount since 2007. Grenada has evolved from a largely agricultural commodity-exporting and services economy into a predominately services (i.e., tourism and related construction) and manufacturing (electronics and rum) economy. Although spice and banana exports have gone down because of the loss of trade preferences with Europe and numerous natural disasters, tourism has increased dramatically (services accounted for 83 percent of GDP in 2012), but especially after the construction of a large "Sandals" resort in 2013. The manufacturing sector accounted for just 3.2 percent of GDP in 2013. In 2012 FDI inflows were around 4 percent of GDP. Although the new Sandals resort saw FDI inflows surge temporarily in 2013, they have since receded. Overall declines in construction and tourism in Grenada since the financial crisis have weighed on the country's employment profile; the unemployment rates sat at 33.5 percent in 2013. In 2011 Grenada had one of the lowest levels of GDP per capita in the Caribbean region and internationally, at just less than US\$10,000. The financial crisis and the ensuing downturn helped make Grenada one of the most indebted small-island developing nations in the world. The

country's current account deficit widened to 27.1 percent GDP in 2013 from 19.2 percent in 2012 in result of the surge in FDI-related imports and weak services sector growth. In lieu of new FDI flows, debt-related inflows and external arrears have been used to finance the deficit. Grenada's public debt became the highest in the region in 2013, with a 115 percent debt to GDP ratio, prompting the government to pursue fiscal consolidation policies that began to yield gains in 2014. Yet, from 2010 to the end of 2013, the public debt-to-GDP went from 97.5 percent GDP to 110 percent GDP.

St. Kitts and Nevis

One of the economic success stories of the OECS

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$709m or 4.2 percent	\$20,263	54,191	104.9 percent

microstates, St. Kitts and Nevis accounted for 13 percent of the nominal GDP of the organization in 2013, with its own real growth rate of 3.8 percent. The islands' GDP per capita of US\$15,570 ranked third among comparator countries in 2013. Overall, the macroeconomic environment is stable: Inflation is relatively low, there are no restrictions on capital flows, and there is little uncertainty surrounding the exchange rate. After contracting in 2009 and 2010, growth in the tourism and other services, as well as FDI-related construction, continued to overtake manufacturing and agriculture as the primary engines of the economy. In 2013 the four largest sectors of the economy were real estate, renting, and business activities; construction, transport, and storage; communications; and manufacturing. Meanwhile, tourism growth has offset imports brought on by increased domestic demand; investment in the sector has led to rising FDI inflows (18.2 percent of GDP in 2012 to 20.2 percent in 2013), giving St. Kitts and Nevis one of the highest proportions among small-island states in the world. International reserves have increased as well. St. Kitts and Nevis is the home of the ECCB

and Eastern Caribbean Stock Exchange. The current account debt declined from 20.9 percent of GDP in 2010 to around 9 percent in 2013. Although it was saddled with debt after the global financial crisis, and recent hikes in commodity prices added further pressure, fiscal consolidation measures pursued by the government were successful in turning an overall fiscal deficit in 2010 of 7.6 percent GDP into a surplus of 5 percent GDP in 2013. Furthermore, the fiscal consolidation, paired with domestic debt restructuring in 2013 through debt for land swaps, has allowed public debt to decline. Nevertheless, the islands continue to have the highest debt-to-GDP ratio in the OECS, with public debt rounding out to 103 percent of GDP in 2013.

St. Lucia

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$1.3b or -0.4 percent	\$7,328	182,273	79.8 percent

Among OECS countries, St. Lucia absorbed the shock of the global financial crisis relatively well, accounting for the second-largest share of nominal GDP in the organization at 21 percent (just behind Antigua and Barbuda at 27 percent). And over the past three decades as a whole, St. Lucia's economy has grown modestly, averaging 3.5 percent annually from 1981 through 2013. However, being heavily reliant on tourism and banana exports for growth, and after facing the global economic downturn and the devastation caused by several natural disasters, St. Lucia's economy has begun to contract recently. Estimates put the total damage caused by Hurricane Tomas in 2010 at 34 percent of GDP, which at once hurt tourism and necessitated new government expenditures. Real GDP growth declined in 2013 by 2.3 percent after dropping 1.3 percent in 2012. Unemployment jumped from 21.4 percent in 2012 to 23.3 percent in 2013. Although inflation remains low (2.7 percent in 2013), and the current account deficit narrowed from 14 percent GDP in 2012 to 8.8 percent GDP in 2013, the external balance has

gotten worse as FDI levels remain low and there has been a decline in foreign assets held in St. Lucia. FDI increased in 2013 but remained at the same level it was in 2011: 6.3 percent of GDP. Because more than half of all imports are energy related, changes in international oil prices have had a major effect on the current account balance. On the other hand, because of fiscal consolidation efforts including revenue and expenditure measures introduced in 2013, the overall public deficit has been reduced from 9.3 percent of GDP to 5.9 percent of GDP. Nevertheless, flat FDI growth and government borrowing caused the public debt-to-GDP ratio to hit 80 percent of GDP in 2013, up from 74 percent in 2012. For St. Lucia to turn its growth trends around, FDI inflows and the tourism sector must make a recovery. Although the education sector has done well recently, with increased activities by offshore medical universities, the five main service sectors still account for around 60 percent of GDP, and the demand for new construction and infrastructural development is high. St. Lucia has no restrictions on capital flows and only limited exchange rate uncertainty.

St. Vincent and the Grenadines

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$709m or 1.7 percent	\$7,328	109,373	76.4 percent

A member of the OECS, St. Vincent and the Grenadines emerged in 2012 from economic contraction after the global financial crisis, expanding by 3.3 percent, and then by another 1.8 percent in 2013, in large part because of new public investments in construction. However, as was the case with Hurricane Tomas in 2010, natural disasters (this time floods and landslides) struck in late 2013, destroying infrastructure, halting tourism and putting the country on track for contraction the following year. In 2013 real estate, renting, and business activities; wholesale and retail trade; and transport, storage, and communications accounted for 48.1 percent of GDP. Without growth in those

subsectors, since the country has shifted away from the commodity exports (e.g., bananas) it once relied on, overall growth is impossible. But higher FDI inflows are required. In 2013 FDI reached 17.6 percent of GDP, and construction on a new international airport as well as a number of other projects began. The drawback of public spending on those new construction projects, in combination with emergency expenditures needed to mitigate the natural disaster at the end of the year, was ultimately the current account deficit increasing from 27.8 percent of GDP in 2012 to 29.2 percent in 2013. And the overall fiscal deficit widened from 2.1 percent of GDP in 2012 to 6.2 percent in 2013. Although it is still one of the lowest among the OECS, the debt-to-GDP ratio increased from 72.2 percent in 2012 to 74 percent in 2013 and is likely to increase because of capital expenditures to address the fallout of the floods and landslides. The vulnerability of the economy to international commodity price fluctuations also puts the current account at high risk; imports of petroleum-related products account for more than one-third of imports total value. One advantage St. Vincent and the Grenadines has is a low inflation rate for the region, which has averaged 2.5 percent annually since 1995.

Central and South American Economies

Belize

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$1.6b or 1.5 percent	\$7,328	331,900	75.5 percent

The economy has seen steady, but recently slowed, growth since the global financial crisis: 2.1 percent in 2011, 4 percent in 2012, and 0.7 percent in 2013. As a commodity-exporting and service-based economy, Belize's growth depends on agricultural exports (citrus, sugar, seafood, and bananas) as well as tourism and financial services. Although it

has been an oil producer and trader in the past, the sector is in decline on account of well depletion and lack of new discoveries. The largest portion of FDI inflow (30 percent) on average from 2001–11 has gone into hotels and restaurants. The next-largest share has been invested into the financial services sector. New areas for FDI emerging are real estate and mining. Total FDI inflow for 2013 was US\$89.3 million. Belize has a high structural unemployment rate and a shortage of skilled labor across all sectors. As one of the most open economies in the region, vulnerability to fluctuations in international demand for its commodity exports, as well as its relatively narrow economic base and reoccurring damages caused by natural disasters, have stymied Belize's growth over the past decade and added to national deficits. The island's current account deficit in 2013 was 4.5 percent of GDP. That same year, Belize's US\$547 million "superbond" went through debt restructuring that led to the extension of the bond's term and a lower interest rate that will reduce debt-service costs and ease pressure on fiscal accounts. Although the restructuring will help, total public debt, as a proportion of GDP, is still around 75 percent. Any widening of the country's current account deficit would further stunt overall economic growth, but also put pressure on the Belize dollar, which has been pegged at 2:1 with the U.S. dollar since 1987.

Suriname

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$5.2b or 2.9 percent	\$9,825	539,276	29.2 percent

Although it is technically the smallest country in South America, Suriname has emerged over the past decade as one of the best performing economies in the Caribbean region. It saw its real GDP expand by 4.4 percent in 2013, up from 3.9 percent in 2012. This sustained success is largely attributable to Suriname's natural resource wealth, particularly

gold, and increases in international mineral prices. Between 2000 and 2010, exports quadrupled, going from US\$490 million to US\$2.3 billion. Gold, alumina, and oil represented more than 80 percent of total exports in 2013 and 30 percent of GDP. Agriculture and manufacturing are relatively small sectors in comparison, but remain important producers as domestic demand for goods increases with rising per capita income. Inflation stood at 1.9 percent in 2013, and although it is expected to rise, it should remain far below the 2011 high. Monetary policy is consistently geared toward maintaining the real exchange rate in equilibrium. DFI has increased along with general investment in construction related to the resource extraction sector in recent years. Suriname ranked 110th out of 144th in the 2014–2015 Global Competitiveness Index. In addition to large investments from U.S. and Canada-based mining firms, the Surinamese state-owned company, Staatsolie, oversaw the construction of a new oil refinery, an investment equivalent to 15 percent of GDP. The refinery could help ease demand for imported refined oil. However, currently, the Surinamese economy is still highly vulnerable to international commodity price fluctuations, as both an exporter and importer. Largely on account of increased expenditures, declining gold prices and debt servicing costs, the country's fiscal balance suffered in 2013, with an estimated fiscal deficit of 6 percent of GDP, representing a 100 percent increase over 2012. Still, Suriname's total public debt was equivalent to only 31 percent of GDP in 2013, which is significantly lower than most of the Caribbean. The government is expected to scale back its plans for investment until consolidation measures are taken and the fiscal deficit is reigned in.

Guyana

GDP (2013)	GDP (2013) per capita	Population (2013)	Debt/GDP (2013)
\$2.9b or 5.2 percent	\$3,739	799,613	59.9 percent

A commodity-exporting country, Guyana has seen positive growth and increased investment from both the public and private sector since 2010, largely on the back of the agricultural and mining industries. From 2008 to 2013, GDP per capita rose from US\$4,888 to US\$6,400 (31 percent increase). In 2012 FDI inflows made up around 11 percent of GDP. Critical to this growth was Guyana's valuable commodity exports, particularly gold. Rice is the other main export. Despite the risks the economy faces when it comes to changes in commodity prices and environmental shocks, growth was projected around 4 percent for 2014 and 2015, respectively. The Guyanese market is unique in that much of the private investment in mining and agriculture comes from domestic sources and rises based on commodity prices, in turn spurring production and distributing benefits to the rest of the economy, resulting in increased demand.

Those fluctuations in aggregate demand impact the manufacturing and services industries. Recently offshore energy projects have attracted foreign investment interest, which could help boost growth. The Guyanese government, having improved its fiscal and monetary policies recently, has been able to stabilize total public debt. Although it remains extraordinarily high, at about 60 percent of GDP, the more conservative fiscal policies being practiced, coordinated with monetary policies, have led to a single digit inflation of around 2 percent, a major decline from the levels seen during the financial crisis and what is needed to provide a hospitable environment for private sector investment. It has also allowed the Guyanese to accumulate foreign exchange reserves. Guyana was ranked 117th out of 144 countries in the 2014–2015 Global Competitiveness Index.

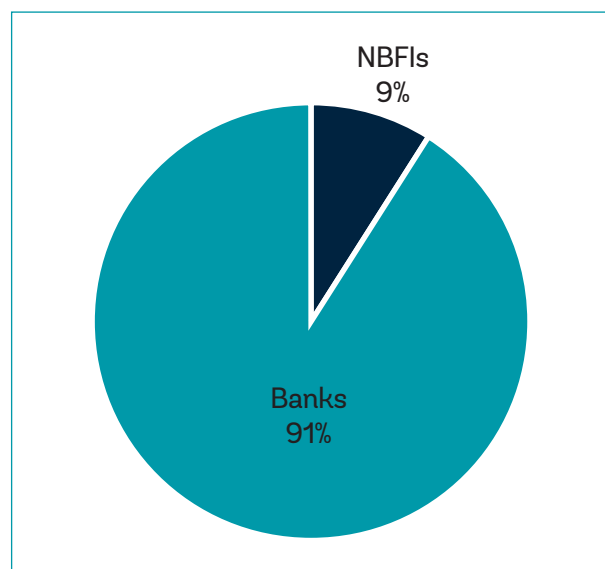
Annex III.

Country Regional Investment Landscape

Financial Services: Banking and Insurance

The Caribbean's financial sector is notably large given the small size of most of the countries in the region and of the region as a whole. Banking is the largest area of activity and the region's banks fund the majority of institutional investments.⁷³ The total assets of the Caribbean financial sector, excluding offshore banks (banks that are domiciled in the United States, Europe, and other regions), amounted to 124 percent of regional GDP in 2013, 91 percent of which correspond to banks, with the rest attributable to NBFIs (figure 6). The Bahamas has the largest overall banking economy, with an onshore sector equivalent to 150 percent of GDP and an offshore sector equivalent to 72 times the size of the overall economy in 2013. Meanwhile, Jamaica's onshore banking sector, the smallest in terms of total assets as share of GDP, was still equivalent to almost 50 percent. Altogether, the ECCU's banking economy was valued at 176 percent of its GDP in 2013, despite the subregion's financial sector having been especially hard hit by

Figure 6: Share of Caribbean Domestic Financial Sector Assets (2013)



Source: IMF Working Paper, "Financial Interconnectedness and Financial Sector Reforms in the Caribbean."

the global financial crisis. In total, 2013 investment in the subregion's financial sector amounted to about 30 percent of its GDP.

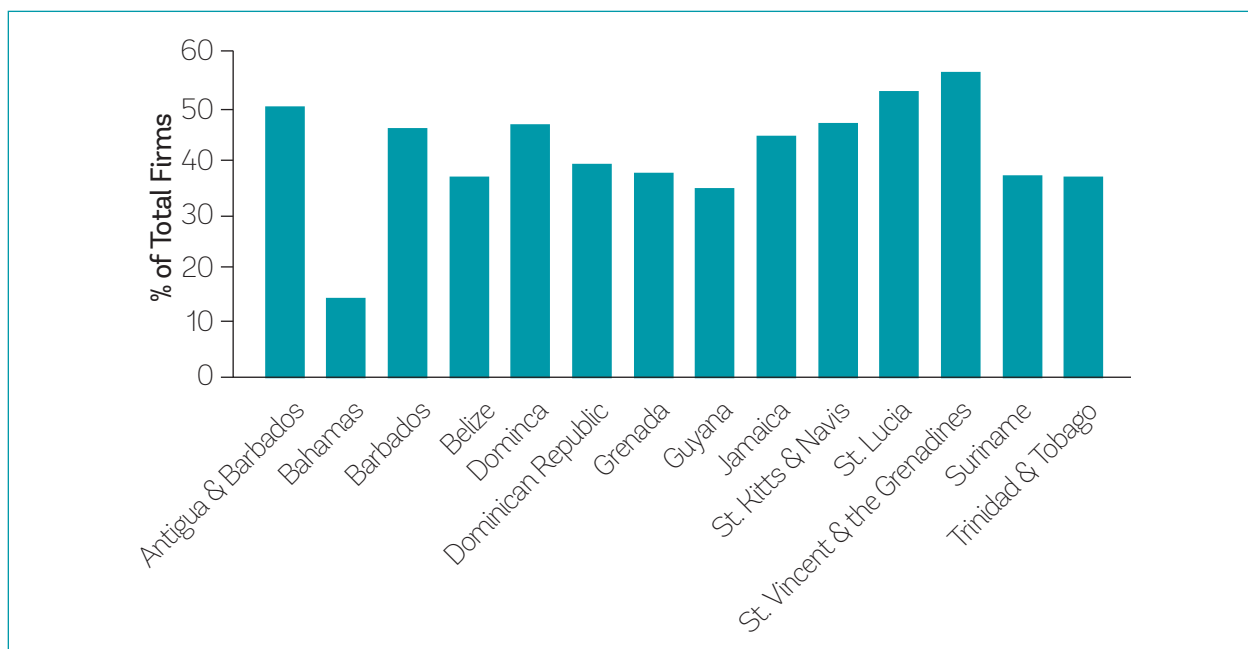
Firms use banks to finance the working capital and growth capital needs much more in ECCU and other smaller regional nations than in larger economies such as the Bahamas, Jamaica, the Dominican Republic, and Trinidad and Tobago. This trend reflects the outsized importance of the banking sector in countries where few other options are available for financing relative to the larger and more sophisticated financial sectors in larger economies in the region (figure 7).

In addition to domestic banks, foreign banks have become a large player in the Caribbean, making up roughly 60 percent of the total assets of the region's banking sector. Although U.S. and European banks are present, their activities are primarily limited to the offshore centers of the Bahamas and Barbados. The Bahamas is the biggest sovereign Offshore Financial Center (OFC) in the region, and the fourth largest in the world, accounting for 98 percent of the US\$598 billion financial sector, or 7,220 percent of the Bahamas' GDP. Barbados is the other major sovereign OFC in the Caribbean, with 87 percent of its financial system in offshore bank assets (US\$47

billion), or 1,082 percent of GDP. Some ECCU countries also have offshore banking sectors, but at a far smaller scale (45 percent of subregional GDP). The offshore and onshore sectors are entirely insulated from one another, with formal prohibitions in place to prevent interaction between the two.

The biggest onshore Caribbean institutional investors (which includes commercial banks) are members of four different banking groups, three of which are Canadian. In 2010 these four all together controlled around 75 percent of the sector's total assets in the region. Canada's Scotia Bank dominates the market in Jamaica (32 percent), the Bahamas (28 percent), Antigua and Barbuda (23 percent), and Grenada (23 percent), but operates in a total of 21 Caribbean countries. Scotia Bank's total assets in the region amounted to more than US\$10 billion in 2010. Two more Canadian banks, the Royal Bank of Canada (RBC) Financial and the First Caribbean International Bank, a subsidiary of the CIBC, are also dominant in several countries around the region, with a total asset valuation of US\$11.6 billion and US\$9.7 billion in 2010, respectively. The only indigenous Caribbean

Figure 7: Share of Firms Using Banks to Finance Investment (2010)



Source: World Bank Enterprise Survey.

bank operating on a large regional scale is Trinidad and Tobago's Republic Bank, which controls almost half of all the assets in its own market as well as much of the market in neighboring Guyana. Overall financial interconnectivity has increased throughout the region due to the emergence of cross-border capital flows and financial conglomerates. The presence of foreign banks, foreign participation in insurance markets and pension funds, along with securities trading abroad and direct borrowing of domestic firms in international markets have accelerated the integration.

Within ECCU countries, specifically, the indigenous banking sector is heavily integrated through cross-shareholdings, the interbank market, and public sector exposure. For example, the Eastern Caribbean Financial Holding Company, the parent company of Bank of St. Lucia, is also a majority shareholder of Bank of St. Vincent and the Grenadines. Along with the National Bank of Dominica, Antigua Commercial Bank and St. Kitts-Nevis-Anguilla National Bank, they are the largest shareholders of the Eastern Caribbean Amalgamated Bank. Many of the governments and national insurance companies are also shareholders in the banks. Public sector exposure for the banking sector in ECCU countries is an ongoing concern. In 2011, while it was just 5 percent for foreign banks in OECS countries, public sector exposure of indigenous banks reached over 20 percent of their total assets (on aggregate).

The ECCU subregion and its indigenous banks, in particular, fared badly the wake of the financial crisis, and have seen asset quality deteriorate. From 2007 through 2012, the ratio of NPLs reportedly doubled in ECCU countries. By the end of September in 2012, ROE for the subregion stood at 7.4 percent, a full 15 percentage points lower than it was in 2007. In both cases, high credit risk and low liquidity are to blame. Although the subregion's bank, the ECCB, has set a prudential threshold of 8 percent for capital-to-risk-weighted-assets ratio, indigenous banks saw the capital-to-risk-weighted-assets ratio rate reach 18.4 percent in 2012. In addition to fueling credit deterioration and growth

in NPLs, the global crisis showed how vulnerable the ECCU banking sector was to high-risk foreign assets and the cross-border exposures that market integration had cultivated. The ECCB took over the Antigua and Barbuda Investment Bank in 2011 when it collapsed, after it had intervened previously in 2009 with the Bank of Antigua. Already limited access to finance throughout the subregion has become worse, with both credit and equity investment rates having not yet recovered from the contractions caused by the financial crisis.

Although banks in non-ECCU countries fared better than those in the subregion after the financial crisis, their portfolios remain weak and credit growth is lackluster. Banks in non-ECCU countries were most resilient in the period after the crisis, largely because they were stronger than their ECCU counterparts before the crisis took hold. Dependency on deposits and equity limited the funding risks taken by the banks, and adequate pools of liquid assets helped them to weather this challenging period. Although their capital adequacy ratios remain strong, banks in countries outside the ECCU like the Bahamas and Trinidad and Tobago have been impacted by increasing NPLs. This has, in turn, hampered profitability. Nonperforming loans have led to a contraction in credit, with banks exercising caution and increasing capital provisions in recent years. In the Dominican Republic, which fared relatively well in the wake of the financial crisis, structural issues serve as the fundamental barriers to greater credit access. Specifically, the lack of formalization, a predominance of high interest rates, a lack of collateral, and a paucity of large multiservice lenders, have all come together to limit the banking sector's utility in providing access to finance for SMEs. This is evidenced in the relatively low percentage of firms accessing bank finance for investments (40 percent or less in half of the 14 countries) as well as the relatively low levels of domestic credit provided to the private sector (below 35 percent in the Dominican Republic, Jamaica, and Trinidad and Tobago) and by the financial sector (below 55 percent in the same three countries) (table 40).

Table 40: Financial Sector Overview

	Lending interest rate (%)	Domestic credit to private sector (% of GDP)	Domestic Credit Provided by Financial Sector (% of GDP)	Number of Regulated Commercial Banks (Onshore)	Number of Regulated Non-Bank Financial Institutions	Bank Capital to Assets Ratio (%)	Bank Non-performing Loans to Gross Loans (%)
Bahamas	4.8	77.4	104.9	n/a	n/a	n/a	n/a
Barbados	8.7			7	12	n/a	n/a
Belize	11.6	56.2	58.3	6	n/a	n/a	n/a
Dominica	9.1	55.6	61	4	1	n/a	n/a
Dominican Republic	13.6	24	47.8	n/a	n/a	n/a	n/a
Grenada	9.3	74.9	80	5	2	n/a	n/a
Guyana	13.5	43.4	53.7	n/a	n/a	n/a	n/a
Jamaica	17.7	29.6	51.4	6		n/a	n/a
St. Kitts & Nevis	8.8	63.2	65.9	7	1	n/a	n/a
St. Lucia	9.1	111.1	123.1	6	7	n/a	n/a
St. Vincent & the Grenadines	9.4	53.6	58.4	4	2	n/a	n/a
Suriname	12	24	31.5	8	5	n/a	n/a
Trinidad & Tobago	7.5	31.1	33.7	8	17	n/a	n/a

Sources: World Bank Databank; individual country central bank and finance ministry listings.

Although the share of total assets held by NBFIs remains small in comparison to that of the banks, NBFIs, particularly credit unions, pension funds and insurance conglomerates, are gradually becoming more significant in the region. With tightened lending practices at banks across the region since the global crisis, credit unions have become more prominent. They cater to local communities that are out of the reach of the larger national banks and provide savings and credit for individuals and small businesses in rural areas. Still, their combined assets total just 7 percent of regional GDP in 2012. The countries with the most credit union activity are Dominica (39 percent of GDP), Belize (21 percent of GDP). Barbados, Grenada, St. Vincent and the Grenadines, and St. Lucia, all of which now have credit union industries that range from

13 to 19 percent of GDP. Like the banks, credit unions around the Caribbean are facing credit issues because of NPLs. The lack of regulation over the sector has allowed for rapid asset growth and weak risk management, with many problem loan portfolios exceeding prudential norms, especially among the smaller credit unions. Although the Bahamas, Barbados, and the ECCU have sought to implement greater supervision in the credit union sector, the lack of information available and the sheer array of active institutions poses a serious challenge for regulators.

Mandatory national social security programs, called national insurance schemes, dominate the pension fund industry in the Caribbean. But there is also an abundance of public service pension funds

and other voluntary occupation pension schemes. Contributory social security programs are offered and required for nearly all employed workers in the Caribbean, and the self-employed are also required to contribute in most countries. Most of the public pension schemes are earnings-related and have defined benefits. Although the Dominican Republic is the only country with mandatory defined-contribution retirement accounts, Jamaica is the only nation with a required program with benefits that do not depend on earnings. Public service pension schemes are common around the region for national and local government employees as well as members of the military and police. They are mostly unfunded and have defined benefits, some being contributory and others not. Again, the Dominican Republic is the only country with a defined-contribution program for civil servants. Inclusion of employees of state-owned enterprises varies by country. In terms of occupation-based pension schemes, only Bermuda requires employers to provide a program. Looking at the region as a whole, occupation pension programs have both defined benefits and defined contributions.

Although data on the size and asset composition of the pension schemes in the Caribbean are limited, sources at Sagicor, the largest insurance company in the region and the operator of the largest pension fund program in Jamaica, provided some data on the firm's investment strategy. Sagicor's Jamaican operation is a joint venture, with slightly more than 50 percent held in local hands, and the remainder held by a regional holding company based in Barbados. All investment strategy is set at the country rather than regional level, though its individual funds often include mixed packages of domestic, regional, and international investments. According to Sagicor officials, its pension fund is heavily invested in Jamaican government bonds and is the largest equities holder on the JSE. Recently, especially since the introduction of the new IMF debt restructuring, there has been a move in the pension market to buy up large quantities of U.S. securities. But based on Jamaican regulation, just 10 percent of total assets may be invested offshore. Sagicor also has exposure

to Jamaican property investments, such as hotels. It has not yet invested in PE or VC because of the due-diligence demands that such a strategy would entail. Finally, Sagicor operates mutual funds in Jamaica (including the Select Growth Fund, one of the largest on the island) and Barbados (the Global Balance Fund). There is a Sagicor unit in the United States, but it does not have a Caribbean Diaspora-specific business strategy.

The region's insurance sector is dominated by conglomerates that operate transnationally, with a total asset value of around 17 percent of regional GDP in 2012. The largest players in the region are Sagicor, which is based in Barbados and Jamaica and has an estimated US\$5.3 billion in total assets under management, and Guardian Life, which is based in Trinidad and Tobago and has US\$3.4 billion in assets in its portfolio. Sagicor also operates extensively in Latin America, the United Kingdom, and the United States. Overall, the largest insurance industries are in the Bahamas, Barbados, Jamaica, and Trinidad and Tobago.

The insurance sector in the Caribbean has grown, but continues to suffer from the fallout of the CL Financial Group (holdings company of the Colonial Life Insurance Company—CLICO) collapse in 2009. When the CL Financial Group faced a liquidity crisis, it was the largest insurance company in the Caribbean, with total assets estimated around US\$16 billion (30 percent of regional GDP) and with operations in 28 different countries. In the end, weak corporate governance, high interest rate annuity products, and risky investments as well as high leverage caused the downfall of the Group. The reverberations of the collapse have been immense, particularly because the CL Financial Group was so integrated into markets around the region, especially in ECCU states through its subsidiary, the British American Insurance Company (BAICO). The IMF estimates the cost of the collapse at 3.5 percent of GDP on average for the Caribbean, and as much as 10 percent for Trinidad and Tobago. Now, with less demand for insurance and payment problems on account of lower economic growth, insurance

companies region-wide have reported lower premiums and reduced investment.

In sum, the Caribbean's institutional investor environment is dominated by banks but has begun opening up to NBFIs more recently. Both of these types of institutions, which are highly integrated among Caribbean states and are heavily exposed to foreign financial systems, were hit hard by the global financial crisis at the end of the last decade. The downturn led to contractions in credit and equity investments, especially in the ECCU subregion. The OECS saw total investment dropped to just 29.6 percent of GDP in 2010, and while that figure climbed to 30.4 percent of GDP by 2013, it contracted in 2014 and is projected to do so once again in 2015.

Although financial interconnectivity in the Caribbean has helped enable flows of funds and financial services, mitigating disadvantages of the small economic scale of most countries in the region, these linkages with foreign banks and among indigenous financial institutions have also increased systemic risk. Much of the integration remains *sui generis*, but the ECCU represents an obvious contrast, with its common central bank and stock and bond securities markets. It is in part because of this interconnectivity and interdependence that the group of microstates was so much more devastated by the global financial crisis than the larger, more independent financial sectors of non-ECCU nations like the Bahamas, Barbados, Belize, the Dominican Republic, Guyana, Jamaica, Suriname, and Trinidad and Tobago. ECCU banks, in particular, have fared poorly in recent years, because of capital shortfalls on account of weak risk management and poor oversight. That said, Barbados, Jamaica, Trinidad and Tobago, and the OECS maintain an agreement to cross-list securities in their respective markets. Moreover, the largest insurance player in the region, Sagicor, concentrates its investment securities and lending portfolio in the Caribbean, and is heavily exposed to sovereign credit risks. The second biggest insurance player, Trinidad and Tobago's Guardian Life, holds 17 percent of its total assets in Jamaican dollars, reflecting its own exposure risks.

Asset Management and Investments: Private Equity

Early Attempts at Pan-Regional Structures: The Caribbean Investment Fund and Tiona Fund

Although the PE industry in the Caribbean remains shallow, several attempts have been made to create large-scale (at least in the context of the region) PE funds for the last 15 years. One of the more ambitious attempts to kick-start the industry took place in 2000 with the establishment of the Caribbean Investment Fund (CIF). This fund, which was managed by the Caribbean Equity Partners, received support and incentives from the 16-member CARICOM states and targeted total funds to raise of about US\$150 million. Although the fund had a target average investment of US\$10 million per company, the MIF investment stipulated that 20 percent of the fund be reserved for small businesses with less than US\$3 million in sales and fewer than 100 employees. These investments were to be in the range of US\$250,000 to US\$2 million. In line with industry practice, the CIF was structured as a standard PE fund with a 10-year fund life and a regional investment mandate. Investors included the European Investment Bank (EIB), the Inter-American Investment Corporation (IIC), the Multilateral Investment Fund (MIF), AIC Limited, and the Caribbean Development Bank (CDB).

Despite this strong backing and a broad regional mandate, the fund was a clear commercial failure, and it's not clear how the investments performed. Despite raising approximately US\$50 million in the fund, less than one-third of that capital was ever invested. It was, however, successful in creating a pan-regional portfolio, with investments in Antigua, the Bahamas, Guyana, St. Lucia, Jamaica, and Trinidad and Tobago. Given the inability of the fund to successfully deploy the capital raised for its first fund, no additional follow-on funds were possible.

Another early attempt (and failure) in the sector was the Tiona Fund. Sponsored by the Commonwealth Development Corp. (CDC), Tiona was a US\$20.5 million closed-end PE fund, created to invest in SMEs in the English-speaking Caribbean. The fund, which had offices in Barbados, Jamaica, and Trinidad, targeted long-term equity or quasi-equity investments of between US\$250,000 and US\$2.5 million. The fund, which was launched in the late 1990s was backed by investors including Bishop. Republic Bank Ltd., CIBC Caribbean Ltd., Barclays Bank PLC, the CDC, MIF, CDB, and European Investment Bank. This fund was a commercial failure, largely because of poor product market fit. Specifically, PE oriented toward SMEs in the region was incompatible with the realities of a market where family-owned businesses are reluctant to partner with outsiders. Moreover, the market lacked opportunities for exit, which further constrained the fund in terms of returning capital to its investors.

A Corporate-Led Industry-Focused Approach: Prometheus Energy Partners

The next notable attempt at a large PE platform came in the form of Prometheus Energy Partners, a PE fund focused on energy opportunities in Trinidad and Tobago and the greater Caribbean region. The Fund began in 2005 as an initiative of Guardian Holdings Limited (GHL), one of the largest pan-Caribbean financial services companies. GHL's core businesses are life, health, property and casualty insurance, pensions, and asset management. GHL it was traded on the Trinidad and Tobago, Jamaican, and Barbados stock exchanges with a market capitalization in excess of US\$650 million at that time. GHL started the fund to invest in the development of Trinidad's extensive hydrocarbon resources and to enhance returns on shareholder capital. At the time of the fund's creation, GHL allocated up to US\$25 million of cash from its balance sheet toward investments.

Rather than taking a generalist approach, Prometheus Holdings sought to capitalize on one of the inherent strengths of the region—its energy industry. The fund's investment thesis was based on the changing nature of the energy industry in the Caribbean basin, with Trinidad's economy shifting from being based primarily on oil to one that was based much more on natural gas. In the 10 years prior to establishing the fund, GDP grew at a compound annual rate of 7 percent in Trinidad and Tobago. Given the importance of the energy industry to the Trinidad and Tobago economy, the nation's government adopted policies to encourage a diversity of downstream projects producing value-added products and requiring skilled labor. As such, it was estimated that approximately US\$20 billion of capital could be invested in the Trinidad and Tobago energy sector alone in the following 10 years. At the time of its fundraising exercise, Prometheus had invested or committed to opportunities in the upstream, midstream, downstream, and service sectors. As of late 2006, GHL had made five investments or commitments in Trinidad for a total of just under US\$24 million. These investments were all centered around Trinidad, with at least one investment involving pipelines to supply natural gas to neighboring islands in the eastern Caribbean.

The Fund was set up in accordance with international best practices and the management team counted with the strong institutional support from Guardian Holdings, one of the larger and more reputable financial services businesses in the region. Still, despite the strong support from Guardian, which financed an initial team and well as an initial "proof of concept" group of portfolio companies, the team struggled to raise capital. Put simply, despite the fact that it benefited from a highly credible founding partner in the form of Guardian, investors were not attracted to the PE assets class in the Caribbean. As a result, Guardian decided to exit the business and sold the entire operation, including the fund management team, to Denham Capital in November 2008, shortly after the impact of the 2008 global financial crisis took hold. Denham is a global PE firm that focuses its investments activities in the oil

and gas, mining, and power sectors throughout the world. It raised its most recent US\$3 billion fund in 2012.

Since purchasing the Prometheus portfolio, Denham made one significant investment in the Caribbean, but has otherwise been inactive, despite having a large fund from which to invest in other regions throughout the world. Within months of purchasing Prometheus, Denham invested US\$50 million in a Trinidad and Tobago-based business called Carisal that was one of the investments in the Prometheus portfolio. Carisal aimed to be a leading supplier of caustic soda, calcium chloride, and other related products to Trinidad, the Caribbean, Latin America and North America, and West Africa, for the oil field services, road construction, ice-melt, and other markets. In the end, the project was unable to raise the required capital to construct its US\$2.7 billion chemical plant. The objections of local environmentalists may have played a role in the project's demise and difficulty in finding capital.

Other Private Equity Players: Global Funds with Transaction Experience in the Caribbean

In addition to these funds, and Portland Private Equity, which are considered to have been the most “active” players in the region, a small number of additional players have also invested in the Caribbean or have expressed a desire to become more active in the future. None of these funds are focused entirely on the Caribbean, but rather take an opportunistic approach to the region because of fund investment themes that focus on sectors such as infrastructure or tourism for which the Caribbean has relevance. Firms of this nature include infrastructure-focused firms such as Conduit Capital and Real Infrastructure Partners as well as Blue Equity, a U.S.-based lower-end of the middle market PE firm with investments that are primarily domiciled and focused on the United States. It has invested in two companies in Jamaica.

In addition to its energy businesses, foreign investors have long been attracted to the opportunities in the tourism segment. While there are no Caribbean-specific real estate PE funds, various foreign players have chosen to make investments in the sector from their global operations. Often these investments come in the form of a global hospitality company that has one or more resort properties in the region. U.S.-based private equity companies from Bain Capital Partners LLC to billionaire Sam Zell's Equity International are boosting investments in Caribbean resorts as the region's traditional lenders scaled back operations. Specifically, in 2014 U.S.-based private equity firms have spent US\$329 million on hotel developments, the most in a decade.⁷⁴ A number of these investments are in global hotel operators with hotels located in vacation destinations across the world. For example, Equity International invested approximately US\$500 million purchase of Decameron Hotels and Resorts, which operates more than 30 hotels in 11 countries worldwide, including two hotels in Jamaica. There are also numerous greenfield hotels developments in the Dominican Republic, such as the US\$2 billion Tropicalia resort that is being developed and financed by the Cisneros family, one of the wealthiest families in Latin America.

Early Stage Capital

The market for early stage finance is made up of investors who provide capital to growing firms and the firms themselves. In many markets, these firms are supported in their earliest stages by incubators and accelerators (both terms are often used interchangeably). Unlike VC firms, these incubators and accelerators are not funds per se and generally provide only small amounts of financing. Often the capital invested by such intermediaries is start-up capital and is less than US\$25,000–50,000. Rather than providing significant cash, these intermediaries “invest” largely through in-kind contributions such as workspace, basic infrastructure, advice, technical resources, mentorship, sector expertise, and other types of capacity building. These resources serve

as a type of TA that represents important catalyst to address deficiencies in the business and funding ecosystems. By providing such TA, their ultimate goal is to prepare companies for growth and eventual investment from angel investors and VC firms.

Much of the initial potential deal flow for early stage capital comes from a series of accelerators and incubators that already exist in the region. As noted, these accelerators are a critical element of the ecosystem for early stage companies as they select, nurture, and facilitate funding for promising early stage ventures. The accelerators that exist to date range from programs that provide capital (such as Start-Up Jamaica) to programs that focus on providing technical assistance to early stage entrepreneurs.

In 2014 the Caribbean Development Bank launched Start-Up Jamaica (SUJ), a Jamaica-based start-up accelerator. SUJ is a public-private partnership between the government of Jamaica through the Ministry of Science, Technology, Energy and Mining and the DBJ on the one hand, and local and overseas private investor partners on the other, including the World Bank. SUJ serves as an accelerator (a physical facility that takes equity in start-up technology companies that go through an intensive selection process, in return for US\$30,000 of seed capital, training, and mentorship). The accelerator houses start-up companies and provides them with the key skills and technology, business, management, legal, and accounting support that will prepare them to pitch to equity investors, such as angel investors, in hopes of receiving investments to grow their businesses.

The first class of SUJ companies entered the “bootcamp” training program in September 2014. About 215 applications were received for the approximately 60 spots available. In many ways, SUJ, the program is modeled on Start-Up Chile, which was a pioneer in building a local community for innovation in Latin America. Thus, it is not just open to companies from the Caribbean, but from

any member of a World Bank or OECS nation. In doing so, the idea is to bring talented or aspiring entrepreneurs from anywhere in the world who can help to build an ecosystem that will reside within the region. Still, in the first program, 92 percent of applications were from Jamaica, while there were also applications from nine other countries: Antigua and Barbuda, Barbados, Botswana, Canada, Dominican Republic, St. Kitts and Nevis, St. Vincent and the Grenadines, Trinidad and Tobago, and the United States. The hub is located in Jamaica, but the CDB is providing a US\$500,000 facility that will fly teams in from other areas of the Caribbean to provide training. Start-Up Jamaica is run by Oasis 500, a Jordan-based partner.

As noted, beyond Start-Up Jamaica and to foster the environment for early stage capital, initially via angel investment and eventually via venture capital, infoDev is also working to provide TA to entrepreneurs to prepare them for investment. Apart from the examples discussed above, this includes the following initiatives, all hosted in Jamaica:

- The Mona Business Support Services (MBSS) at the University of the West Indies (UWI) works in partnership with the Jamaica Business Development Center (JBDC) with the objective to commercialize the best projects from UWI faculties and to provide business incubator services to entrepreneurs. Currently MBSS offers fee-based business support services to 11 clients in IT, business process outsourcing, biotech, education, accounting, and loan services. MBSS plans to establish a fund to finance student entrepreneurs once it becomes profitable. There has been no investment by angel or other investors in MBSS clients to date.
- UWI is also heading the consortium for the Caribbean Mobile Innovation Project (CMIP) supported by EPIC with a US\$1.5 million grant extending from 2014 to 2017. Under the program, the UWI Consortium has invited qualified partners to become mobile application hubs (Mhubs) to support mobile technology start-

ups in up to six Caribbean countries, including Jamaica. It is projected that 120 start-ups will receive services under the program. The program provides investment readiness courses, with a first course launched in Kingston in November 2014. In addition, the program provides in-depth mobile support to eight Jamaican entrepreneurs (as of October 2014). In March 2015, the CMIP partnered with Developing the Caribbean, a regional technology conference, to host events that would include some 500 attendees across multiple sites in Jamaica, the Dominican Republic, Trinidad and Tobago, Cuba, and Guyana. These types of conferences are important to kick-starting the entrepreneurial ecosystem, although are unlikely to produce a large-scale set of investible companies in the short to medium term.

- The Jamaican Scientific Research Council, in consortium with the Caribbean Industrial Research Institute, manages the Caribbean Climate Change Innovation Center with the support of a US\$1.5 million grant from EPIC in partnership with infoDev's Climate Technology Program. To date, the program has funded four innovative Jamaican entrepreneurs with grants ranging from US\$32,000 to US\$50,000 to develop innovative renewable/clean energy projects.
- The JBDC offers a broad range of advisory services to MSMEs including business advisory, technical services, marketing assistance, and financial services (small business development loans). JBDC also runs an incubator and resource center (IRC) for start-ups and for existing businesses. The incubator focuses on fashion, craft and food agro-processing and is currently serving 35 clients. There has been no investment by angel or other investors in IRC clients to date.
- The Technical Innovation Center at the University of Technology provides fee-based services and a shared space to about 40 entrepreneurs in IT and IT-enabled services.
- Another program to spur early stage entrepreneurship, the Caribbean Idea Marketplace (CIM), was launched and financed by the U.S. State Department. CIM sought to partner local entrepreneurs with Diaspora financiers and partners through a business plan competition. Initiated by the International Diaspora Engagement Alliance, CIM was funded by the Inter-American Development Bank, the United Kingdom Department of International Development, and the Canadian International Development Agency. Additional sponsors were the United States Overseas Private Investment Corporation, Digicel, Scotiabank, and Compete Caribbean. Compete Caribbean managed the 2012–13 initiative. On its face, CIM attempted a somewhat innovative approach to catalyzing Diaspora talent and financing by focusing on harnessing the Diaspora for productive financing and involvement in projects. Specifically, the program required cosponsorship (and investment of US\$25,000 from both a Caribbean and a Diaspora partner) for a business plan that, if selected, would receive US\$100,000 in funding. Over 160 applications were received from across the region (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago). Ultimately, the program did not achieve in its goal to award up to US\$1,000,000 in matching grants to 10 companies because of a lack of qualified business plans. Specifically, after a review process, 12 entrepreneurs were selected as finalists. Of these companies, there were six from Jamaica, one from Trinidad, one from St. Lucia, one from the Dominican Republic, and one from Barbados. The additional finalists were from Guyana and Haiti. Of those 10 projects, the business plans within this subset focused on the following industries: industrial (1), agriculture (2), technology (2), film and entertainment (3), and recycling (3). In the end, only two of these finalists received grants, largely because

the business plans were deficient. One was a children's entertainment program from Barbados and the other was an industrial company from Jamaica. The other two winners were from Guyana and Haiti.

Billionaire entrepreneur Richard Branson has created a 12-week acceleration program funded by the Branson Centre for Entrepreneurship in Montego Bay. The Branson program is open to any entrepreneur in the Caribbean although it is physically hosted in Jamaica. The fragmented geography of the Caribbean, atomized populations of potential entrepreneurs, and poor transport links have required most initiatives to take a regional hub-and-spoke approach, hence the decision to house these initiatives in Jamaica, a large regional economy and population center.



Annex IV.

Related World Bank Group Initiatives in the Caribbean Region

The World Bank–managed program infoDev, supported by DFATD/EPIC, is currently involved in the seed and early stage ecosystem across the Caribbean. infoDev completed the analytical study referred to earlier, “Diaspora Investing: The Business and Investment Interests of the Caribbean Diaspora.” Following up on the Diaspora study, through DFATD/EPIC funding, infoDev has been working on a pilot program in 14 countries to stimulate early stage capital for entrepreneurs. The countries are Barbados, Jamaica, Trinidad and Tobago, and the OECS. The program has focused on (1) building local angel networks; (2) building incubators to support early stage investing; (3) creating a recipient-executed US\$1.7 million platform to connect entrepreneurs and investors (this is a sector-agnostic, stage-agnostic platform); and (4) including a US\$1 million TA facility to support the preparation of investment transactions (Phase 2).

The World Bank is designing a Caribbean PPP initiative to strengthen policy, capacity building, and project pipeline related to PPP projects in the region. As part of the preparation of the proposal, the team mapped government infrastructure financing

proposals versus actual needs for both regional and country-focused projects. Such an identification of potential financeable projects could be useful to this proposal. The PPP Roadmap identified a potential PPP “pipeline” of 33 projects that are being actively developed as PPPs across 11 Caribbean countries, with a total estimated investment value of US\$2–3 billion. These are projects that are actively under development, albeit in some cases at an early stage, and that appear potentially viable as PPPs from a prima facie assessment—from technical, economic, commercial, legal and regulatory, and political perspectives—although detailed appraisal is needed in most cases.

An earlier World Bank intervention on Diaspora bonds in Jamaica did not take off. Given the high sovereign indebtedness of the region, a Diaspora bond may not be attractive to investors. There may be incentives for such an idea, given tax incentives and if exchange rate risk is reduced. The government of Jamaica is understood to have withdrawn from the idea to develop a Diaspora bond in Jamaica because the value-added of specifically targeting Diaspora investors and bifurcating the market was unclear, given limited expected volumes.

The World Bank current and pipeline portfolio projects also include those that seek to address the need for investment in the Caribbean. For instance, a current US\$50 million Jamaica Growth and Competitiveness Project seeks to strengthen the business environment in Jamaica for private sector investment and productivity upgrading. A proposed loan to Jamaica for SME Access to Finance that focuses on revamping the credit guarantee scheme, factoring and leasing, and collateral registries will also focus on the legal and regulatory environment for venture capital. In addition, the Bank is undertaking project preparation for a Grenada Development Policy Credit (DPC) series (DPC1 under implementation, DPC2&3 forthcoming), and the bank currently has a Development Policy Loan (DPL) in Jamaica and is conducting advisory services work in LC3.

The IFC Asset Management Company has made two investments in the Caribbean region. Through the US\$1 billion, growth-focused, Africa Latin America and Caribbean Fund (ALAC), IFC AMC has made two PE investments in the region: Guardian Holdings in Trinidad and Tobago and InterEnergy⁷⁵ in the Dominican Republic.⁷⁶ An earlier proposed financial sponsor deal in Trinidad and Tobago fell through because of issues with government land allocation and local opposition to the use of the concerned investment site. In addition, IFC PE Fund of Funds has invested in the pan-Caribbean PE fund, Portland Private Equity Fund II (see earlier discussion on PE).



Annex V.

Estimating the Size and Geographic Distribution of the Jamaican Diaspora

A variety of estimates have been made for the size and geographic distribution of the Diaspora. These estimates relate to the major Diaspora locations: Canada, the United Kingdom, and the United States, and estimates are needed for other Diaspora locations worldwide. In seeking to find an estimate of the size of the Jamaican Diaspora for the National Diaspora Policy these multiple sources are considered together with factors that point to the need for adjustments to the variety of figures provided. Four of these factors are the following:

1. Currency of data source
2. Some estimates do not account for descendants of Jamaicans: second and third generations and others
3. Sampling margin of errors where indicated
4. Some Jamaicans registered as black, Caribbean, or West Indian in surveys and census.

Working estimates for this policy document were developed using figures from the various sources with adjustments using the factors above.

Jamaicans in the United States

The American Community Survey 2010 shows 965,355 Jamaicans living in the United States. This does not include descendants of Jamaicans. The American Community Survey 2012 shows an estimate of 1,037,216 but makes the point that it is the census population estimates program that produces and disseminates estimates of population. Another estimate shows 740,000 Jamaican Americans (http://Wikipedia/wiki/Jamaican_Diaspora#units). Concentrations of expatriate Jamaicans:

1. Are largest in the Northeast, mainly in New York, Hartford, Boston, Baltimore
2. Show the next largest in the South, mainly Miami Metro, Atlanta, Orlando, and Tampa, and
3. Show the least concentration in the West and Midwest with the most persons in Los Angeles.

A working estimate is 1,700,000 (the base figure of 1,037,216, with adjustment for descendants of Jamaicans, Jamaicans classified as black, West Indian, and Caribbean, and sample margin of error).

Jamaicans in the United Kingdom

Estimates of Jamaicans in London retrieved February 12, 2014, from www.jamaicans.com/jamaicanoverseas/lon:

1. 800,000 Jamaicans and descendants of Jamaicans live in the United Kingdom
2. Of these 144,000 are Jamaican born (Office of National Statistics 2010)
3. The 2011 U.K. census estimated the number of Jamaicans living in the country as 143,000 with a margin of error of $\pm 17,000$.

The data showed the majority of Jamaicans living in London (75,000 with a margin of error $\pm 14,000$), West Midlands (27,000 with a margin of error $\pm 8,000$), East Midlands (8,000 with a margin of error $\pm 5,000$), Northwest (7,000 with a margin of error $\pm 3,000$) East (7,000 with a margin of error $\pm 4,000$), Yorkshire and the Humber (4,000 with a margin of error $\pm 3,000$), and the Southeast (4,000 with a margin of error $\pm 3,000$).

The IOM Jamaica Mapping Exercise July 27, 2007, shows an estimate of 800,000 of those born in Jamaica and those of Jamaican descent in the United Kingdom. The following observations are also made based on this mapping exercise:

1. Jamaicans are ethnically classified as black Caribbean
2. A more recent study estimates that 340,000 Jamaicans are born in the United Kingdom
3. There is agreement that the largest number live in London (about 61 percent) with the next largest concentration in the West Midlands with Birmingham having the largest
4. Jamaicans are the predominant black Caribbean group.

A working estimate is 800,000 (estimate from IOM's survey, which includes Jamaican born and descendants of Jamaicans).

Jamaicans in Canada

The 2006 Census produced by Statistics Canada estimated 231,110 Jamaicans are living in Canada. Based on this report, most Jamaicans live in Ontario (197,545), the majority of whom live in the Toronto area (160,210). In the other major regions, the population of Jamaicans was significantly less: Nova Scotia (1,010), Quebec 11,940, Manitoba (3,275), Alberta (8,720), and British Columbia (6,915). Canada's 2011 census estimates that 256,915 Jamaica born live in Canada. This includes Jamaicans that have Canadian citizenship and Canadians of Jamaican decent. This source notes that (1) the actual number of Jamaican Canadians could be larger given that many people identified themselves as black, West Indians, or Caribbean and (2) the estimate for 2011 Census shows an 11.2 percent increase above the Census for 2006.

A working estimate is 300,000 (base figure of 256,915 with adjustment for Jamaicans registered as black, Caribbean, or West Indian, sample margin of error and Canadians of Jamaican descent).

Jamaicans in Other Regions of the World

No available estimates were located, so a "guesstimate" of 200,000 was used.

Total Size of Jamaican Diaspora

A working estimate for the total Jamaican Diaspora is 3,000,000 = (800,000 + 1,700,000 + 300,000 + 200,000).

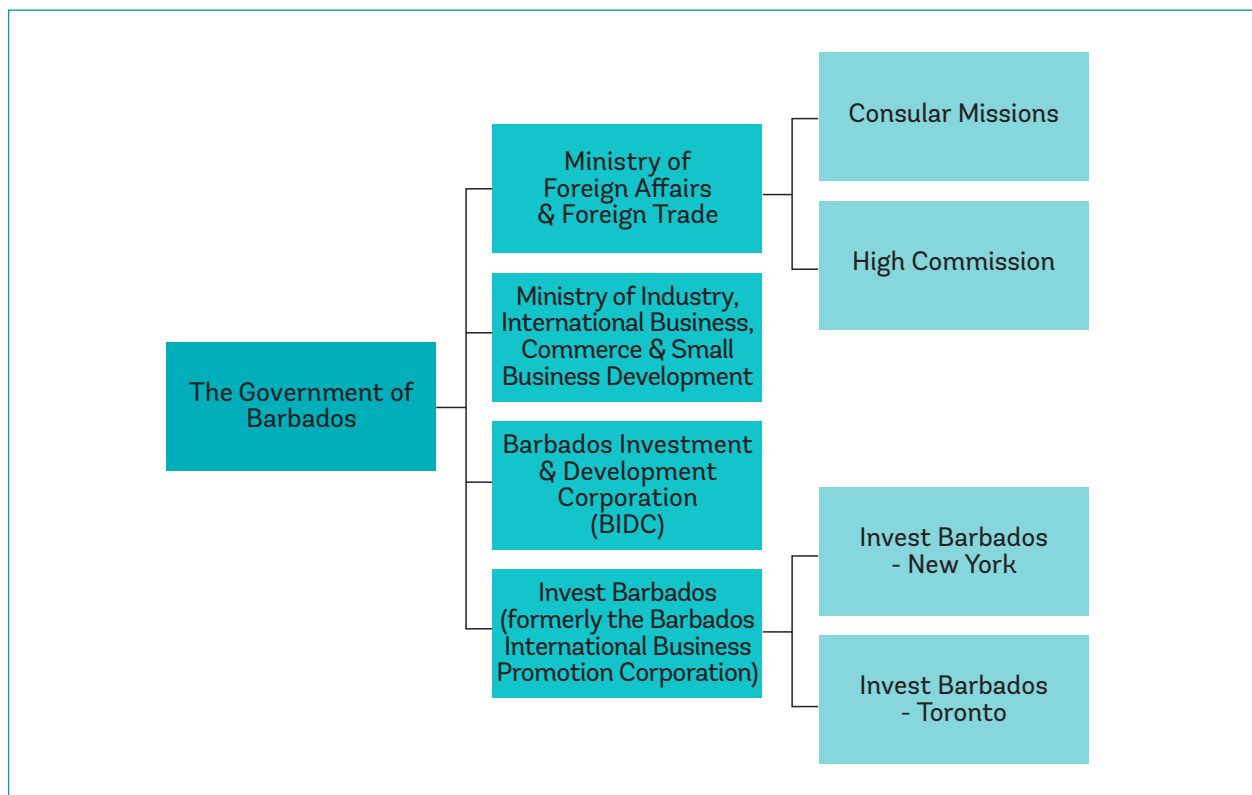
United States		United Kingdom		Canada		Other	Total
Northeast	1,100,000	London	480,000	Toronto and greater metropolitan area	210,000		
South	450,000	West Midlands	200,000	Other regions	90,000		
Other areas	150,000	Other regions	120,000				
Total	1,700,000	Total	800,000	Total	300,000	200,000	3,000,000

Source: N. Ying, JDI, 2014.

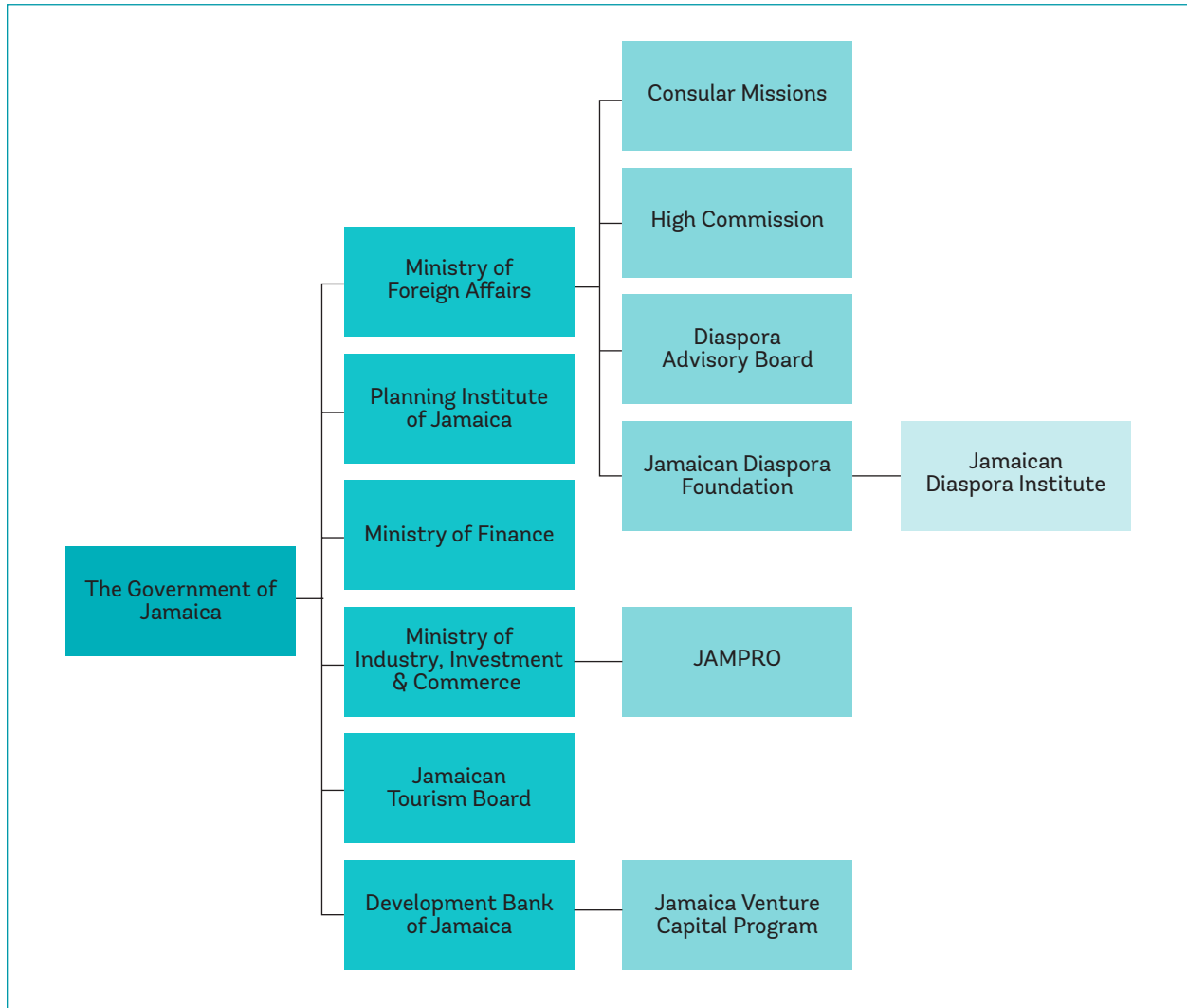
Annex VI.

Diagrams of Relevant Government Institutions in Case Study Countries

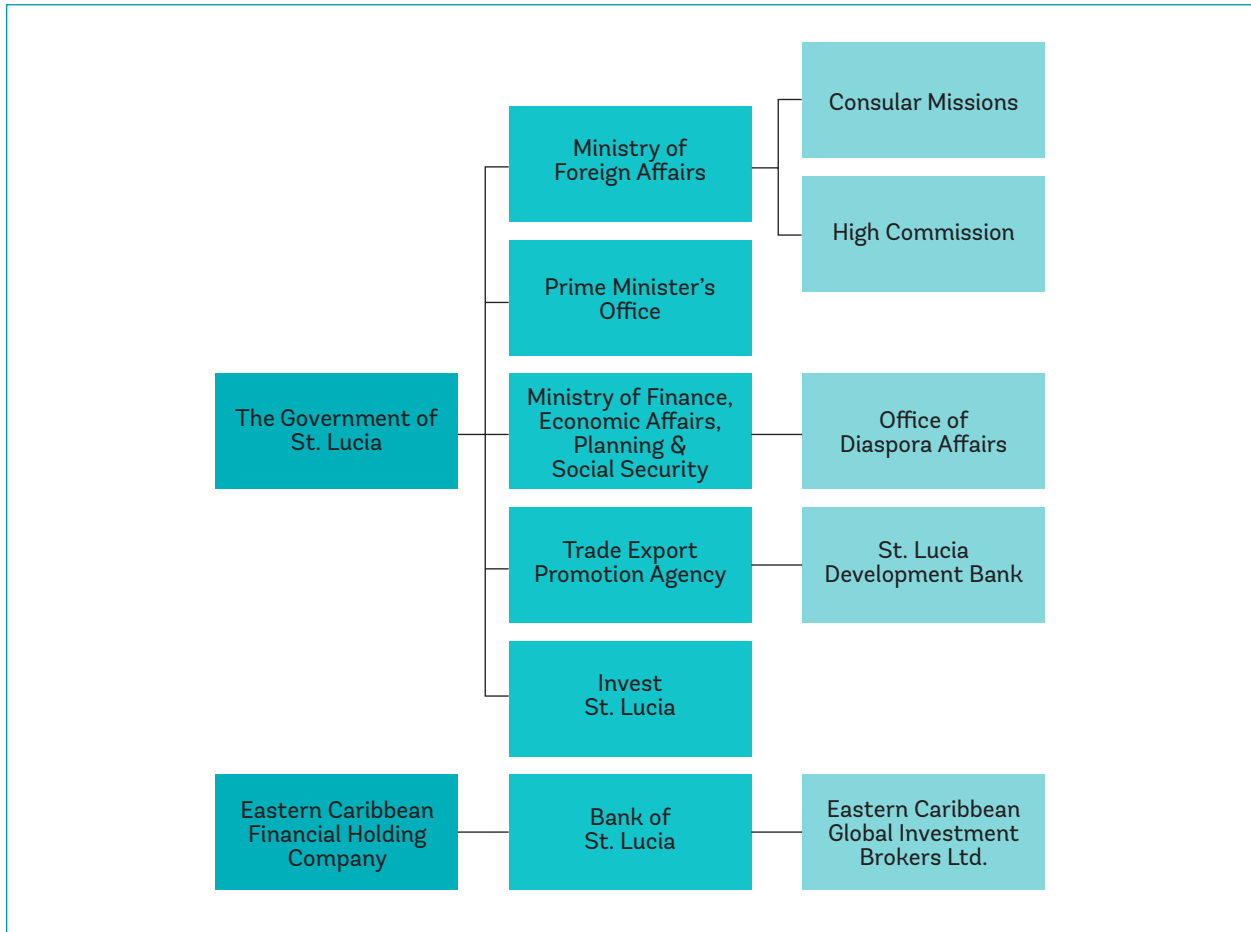
1. Barbados



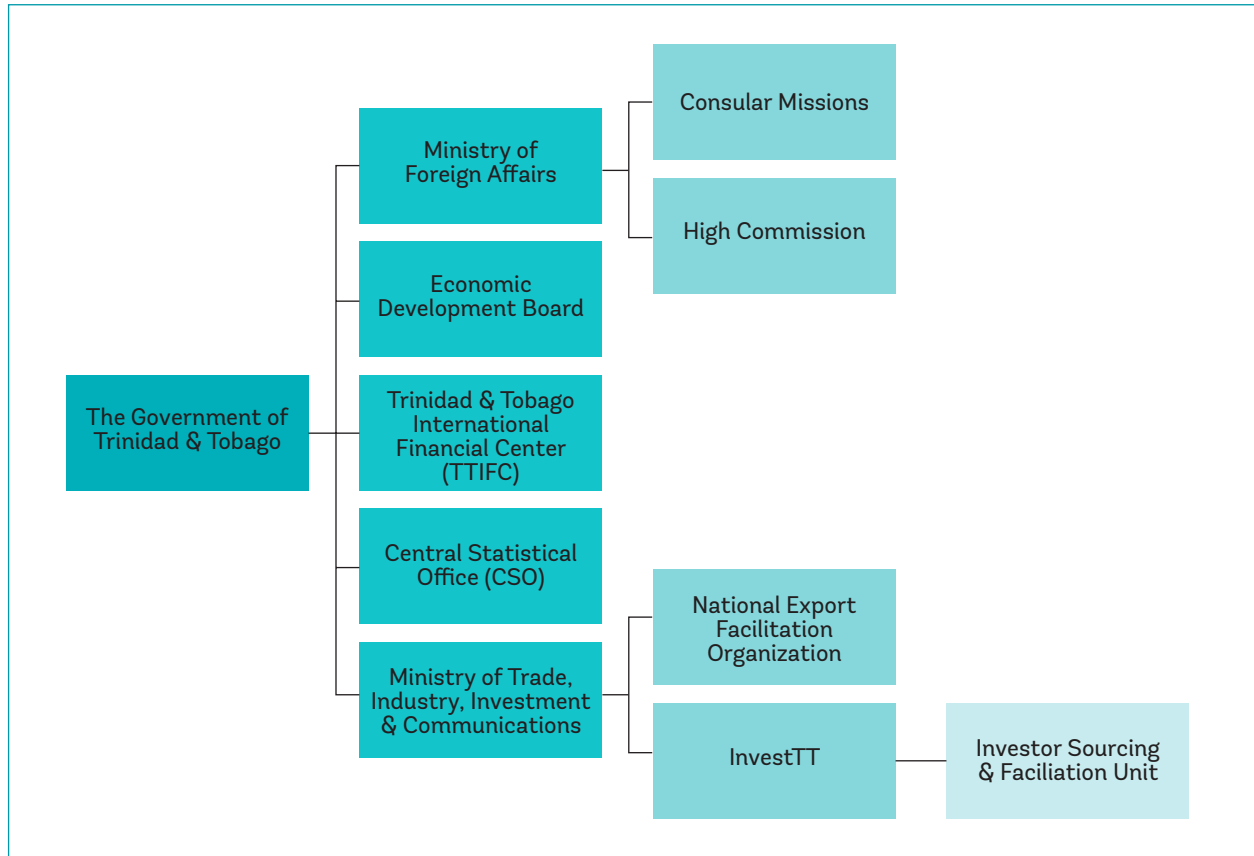
2. Jamaica



3. St. Lucia



4. Trinidad and Tobago





Annex VII.

Legal and Regulatory Drivers and Impediments

This annex gives a legal and regulatory analysis that includes the taxation legislation of the legal framework that governs investments made by foreign investors in Barbados, Jamaica, St. Lucia, and Trinidad and Tobago.

Investing in Barbados—Executive Summary

Ease of Entering, Doing Business, and Exiting

A. Incentives and Restrictions on Nonresident Investment and Ownership

The government of Barbados has striven to cultivate an environment hospitable to foreign direct investment through tax incentives, free-market policies, and the affording of full legal rights to foreign nationals looking to do business in Barbados. Invest Barbados encourages foreign direct investment, with the stated goals of creating jobs and earn foreign currency, and offers special incentive packages for foreign investments in the hotel industry, manufacturing, and offshore business services. International business companies

(IBCs), for example, have a maximum tax rate of 2.5 percent on income and exemption from foreign exchange controls. No industries are closed officially to private enterprise, although the government reserves the right not to allow certain investments. Some activities, such as telecommunications, utilities, broadcasting, banking, and insurance, require a license from the government. There is no percentage, or other restrictions, on foreign ownership of a local enterprise, participation in a joint venture, or investment. Foreign nationals receive the same legal protections as citizens, and the government has improved the legal regime for property rights; Barbados is ranked 142 in the Doing Business report for ease of “registering property.”

Most incentives relevant for foreign investors and nonresident ownership in Barbados are tax incentives, though there are other policies that make entry a less formidable process. Barbados has entered into double taxation treaties with the Canada, the United Kingdom, and the United States. Offshore businesses may operate either free of income tax (e.g., captive insurance) or with a tax rate from 0.25 percent to 2.5 percent. An IBC must by the terms of its license export 100 percent of its

services or products to enjoy those rates. The rate for income over US\$15 million was reduced to 0.25 percent effective income in 2013. No withholding taxes are taken out of dividends, interest, royalties, or management fees paid to nonresidents. International financial service companies also enjoy several tax incentives; under the Exempt Insurance Act, a company incorporating with a minimum capital of US\$125,000 and at least one Barbadian director is eligible for taxation on profits at 0 percent for the first 15 years, and thereafter at 8 percent on the first US\$125,000 of taxable income, as well as an exemption from a withholding tax on royalties and exchange control restrictions. The International Trust Act allows nonresidents to create trusts for the benefit of nonresidents, with no minimum capital requirements and no withholding taxes, but subject to 35 percent tax on profits earned in or remitted to Barbados. Foreign investors must finance their investments from external sources or from income that the investment generates. When a foreign investment generates significant employment or other tangible benefits for the country, the authorities may allow the company to borrow locally for working capital. There is no requirement that locals own shares of a foreign investor's enterprise, but some restrictions may apply to share transfers.

Many policies and facilities make manufacturing and export-oriented enterprises especially advantageous for investment. The Barbados Investment and Development Corporation has established 10 well-equipped industrial parks. But companies must meet export performance requirements to take advantage of certain tax incentives. For example, "enclave enterprises" must produce goods exclusively for export outside the CARICOM region. To further help manufacturers, the Central Bank of Barbados has established an export credit guarantee scheme, covering preshipment financing requirements and postshipment credit risks for manufacturing companies. The Fiscal Incentives (Amendment) Act (2001) provides a maximum 15-year tax holiday to any manufacturer of an approved product, provided that it meets the definition of an enclave enterprise.

Dividends and other distributions to shareholders during the tax holiday are also exempt from the payment of income tax. Nonresident shareholders liable to tax in their country of residence are subject to Barbados withholding tax at a lower rate.⁷⁷ Enterprises not obtaining benefits under the Fiscal Incentives (Amendment) Act (2007) and generating export profits outside CARICOM may receive an export allowance expressed as a rebate of corporation tax (between 35–93 percent) on those profits. The Export Development Allowance permits a company to deduct from taxable income an additional 50 percent of what the company spends in developing export markets outside CARICOM.

Last, the tourism sector is also an area in which the government of Barbados has sought to incentive investment. A Market Development Allowance allows a company to deduct an additional 50 percent of what it spends encouraging tourists to visit Barbados. Under the Tourism Development Act of 2002, businesses and individuals that invest in the tourism sector can write off capital expenditure and 150 percent of interest. They are also exempt from import duties, the value added tax, and environmental levies on furniture, fixtures and equipment, building materials, supplies, and equity financing. The Ministry of Tourism must first be engaged on projects under this legislation.

B. Ease of Doing Business

Capital Markets and Portfolio Investment

Barbados' policies largely seek to facilitate the free flow of financial resources, although the government has intervened in the local credit market to control interest rates, limit the volume of funds available for borrowing, and borrow on the local market. The government has implemented a continuous review process for legislation in the financial sector in an effort to strengthen and improve the regulatory regime, ultimately hoping to attract and facilitate retention of foreign portfolio investments. Specifically, the 1982 Securities Exchange Act that founded the Securities Exchange of Barbados was replaced by the Securities Act, Cap 318A,

which reestablished the exchange as the Barbados Stock Exchange (BSE) and removed regulatory responsibility for the securities market activity from the BSE, ultimately helping strengthen the market's regulatory framework and development. A self-assessment undertaken by the Bank Supervision Department of the Central Bank found their on-shore and offshore sectors in general compliance with the Basel Core Principles of Effective Banking Supervision, utilizing the Basel Committee's Core Principles Methodology.

The BSE is relatively open to foreign investment, although the intensity of requirements for listing on it varies between the Regular Market and the Junior Market. Companies looking to list on the Regular Market must have assets of no less than US\$500,000 and adequate working capital based on the last three years of their financial performance, as well as their three-year projected performance. Companies must also demonstrate competent management and be incorporated under the laws of Barbados or another regulated jurisdiction approved by the Financial Services Commission. The Financial Services Commission supervises the nonbanking financial sector, including domestic and offshore insurance industries, the securities industry, credit unions, and pension plan funds. Applications for listing on the Junior Market are less onerous, requiring minimum equity of one million shares at a stated minimum value of US\$100,000. Reporting and disclosure requirements for all listed companies include interim financial statements and an annual report. Non-nationals must obtain exchange control approval from the Central Bank of Barbados to trade securities on the BSE.

The BSE is also relatively friendly to investors and has enacted new rules geared toward supporting and protecting investors. The BSE has stated its intent to fully immobilize traditional share certificates where clearance and settlement is computerized through the Barbados Central Securities Depository Inc., which is a wholly owned subsidiary of the Barbados Stock Exchange Inc. In January 2014, the BSE introduced new rules in accordance

with International Organization of Securities Commission designed to protect investors, ensure a fair, efficient, and transparent market and reduce systemic risk. Public companies now have only 90 days from the close of their financial year to file audited financial statements with the BSE, 30 days fewer than before. Additionally, a fine not exceeding US\$5,000 has been added to the list of possible penalties for any person under the jurisdiction of the BSE who contravenes or is not in compliance with any of the requirements.

The BSE has shown a particular interest in international investors with a new initiative to establish an international securities market to raise capital on the Barbados market. This move would offer greater support to the international business community and complement existing bilateral trade agreements. The BSE has already submitted the rules for review by the Financial Services Commission. If approved by regulators, the international trading facility could attract four types of listings: companies that would have their primary listing in Barbados, companies that would use Barbados as a dual or secondary listing, fixed income securities, and mutual funds.

Competition from State-Owned Enterprises

Although there are state-owned enterprises in Barbados, they do not pose a threat to investors. Statutory corporations or state owned enterprises in Barbados include National Insurance Scheme and the recently established National Revenue Authority. These companies are not designed for competition, but rather support government programs such as the national pension plan and the collection of government revenue.

Dispute Settlement

Barbados bases its legal system on the British common law system, and is party to—or compliant with—most international dispute settlement regimes. The Attorney General, the Chief Justice, Puisne Judges, and Magistrates administer justice in Barbados; the Caribbean Court of Justice is the highest court of appeal. Barbados is a party to

the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolves disputes over WTO agreements, and courts of appropriate jurisdiction in relevant countries resolve private disputes. The Barbados Arbitration Act (1976) and the Foreign Arbitral Awards Act (1980), which recognizes the 1958 New York Convention on the Negotiation and Enforcement of Foreign Arbitral Awards, contain provisions for arbitration of investment disputes. Barbados is also a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention. Additionally, individual agreements between Barbados and multilateral lending agencies have provisions calling on Barbados officials to accept recourse to binding international arbitration to resolve investment disputes between foreign investors and the state. Barbados is ranked number 28 for ease of “resolving insolvency” in the World Bank’s Doing Business Report.

Corruption

Corruption is not a major problem in Barbados, but some U.S. companies have reported issues. Specifically, some U.S. companies have reported unfair treatment by Barbados’ Customs and Excise Department and efforts by political actors to trade political support for payment or partial project ownership. In 2012 Barbados enacted the Prevention of Corruption Act (2010). Barbados has not yet signed and ratified the Inter-American Convention on Mutual Assistance in Criminal Matters and has signed but not ratified the UN Convention on Corruption and the Inter-American Convention against Corruption. Barbados has also signed the CARICOM Mutual Legal Assistance Treaty on Serious Criminal Matters.

Labor

Barbados is friendly to organized labor and trade unions, and the leaders of the trade union movement enjoy a strong voice in the labor and economic affairs of the country. Although approximately 25 to 30 percent of the labor force belongs to

trade unions, all key sectors are unionized, with all private and public employees in agriculture, tourism, and at the airport and seaport belonging to a single union confederation. The major unions recognize the advantages accruing to Barbados from foreign investment and foreign expertise, and they are generally flexible and accommodating in their dealings with employers. However, local labor leadership is sensitive when it perceives a lack of respect for Barbadian laws and customs by large, visible foreign employers. Early contact and rapport with Labor Ministry officials and union leaders by foreign investors may be helpful in terms of fostering labor harmony.

C. Ease of Exit and Repatriating

The Ministry of Finance regulates the Exchange Control Authority of the Central Bank of Barbados, including inward investment, registration of foreign capital, currency accounts, and repatriation of capital and earnings. Although local on-shore companies must meet stringent exchange control requirements, government also welcomes investment by nonresidents with external sources of financing. Companies can freely repatriate profits and capital from foreign direct investment if they registered with the Central Bank of Barbados at the time of investment. The Central Bank may limit or delay conversions depending on the level of international reserves under the bank’s control. The Ministry of Finance and Economic Affairs controls the flow of foreign exchange, and the Exchange Control Division of the Central Bank executes fiscal policy under the Exchange Control Act. Individuals may apply through a local bank to convert the equivalent of US\$3,750 per year for personal travel and up to a maximum of US\$25,000 for business travel. To convert any amount over these limits, one must apply to the Central Bank. International businesses, including Exempt Insurance and Qualifying Insurance Companies, are exempt from these exchange regulations.

Investing in Jamaica—Executive Summary

Ease of Entering, Doing Business, and Exiting

A. Incentives and Restrictions on Nonresident Investment and Ownership

The government of Jamaica has committed itself to attracting foreign direct investment to drive economic growth. Jamaica signed a US\$932 million Extended Fund Facility with the International Monetary Fund in May 2013 to, in part, affect significant structural reforms to encourage investment. For example, the government eliminated discretionary tax exemptions that were noncompliant with the WTO Agreement on Subsidies and Countervailing Measures. The WTO granted Jamaica an extension to revise its incentives by the end of 2013. To satisfy this obligation, the government passed the Omnibus legislation, which took effect on January 1, 2014, codifying tax benefits for all investors, simplifying the income tax code, and broadening the tax base. The new omnibus fiscal incentives framework includes the following:

- **The Fiscal Incentives Act:** Targets SMEs and reduces the effective corporate income tax rate by applying (1) an employment tax credit at a maximum value of 30 percent and (2) a capital allowance applicable to a broadened definition of industrial buildings.
- **The Income Tax Relief (Large-Scale Projects and Pioneer Industries) Act:** Targets large-scale projects and/or pioneering projects and provides for an improved and more attractive rate for the ETC. Projects will be designated either as large-scale or pioneer, based on a decision by Parliament and subject to an Economic Impact Assessment.
- **Revised Customs Tariff:** Provides for the duty-free importation of capital equipment and raw material for the productive sectors.
- **Revised Stamp Duty Act:** Provides exemption from additional stamp duty on raw materials and nonconsumer goods for the manufacturing sectors.
- **Jamaica Free Zone Act:** Under this revised Act, companies granted free zone status are permitted to import items free of customs duty, value-added tax, and other port-related taxes and charges for an unspecified period. Profits earned are also free from income tax for an unspecified period. Eligible firms are required to export at least 85 percent of the goods and services produced within the free zone. Slated to be repealed in 2015, at which time a new fiscal incentive arrangement will be put in place.
- **Urban Renewal Act:** Companies that undertake development within Special Development Areas can benefit from Urban Renewal Bonds, a 33.3 percent investment tax credit, tax free rental income, and the exemption from transfer tax and stamp duties on the “improved” value of the property.
- **Income Tax Act (Junior Stock Exchange):** As of January 1, 2014, companies listed on the JM will not be required to pay income tax in the first five years, reduced from 10 years. This benefit will expire altogether on December 31, 2016.
- **Bauxite and Alumina Act:** Under this act, bauxite/alumina producers are allowed to import all productive inputs free of import duties, VAT, and other port-related taxes and charges.
- **The Foreign Sales Corporation Act:** This act provides exemption from income tax for five years for qualified income arising from foreign trade. U.S. law through the Tax Information Exchange Agreement reinforces this incentive.

Foreign are treated well, generally granted national or Most Favored Nation treatment, subject to the rules of their bilateral investment treaties. No screening mechanisms are in place for foreign investments, but if investors apply for government

incentives, they could be required to meet some basic prerequisites, and due diligence may be carried out by the approving agency. This process is not discriminatory and is not intended to impede investment. Jamaica is a signatory to the WTO Agreement and is in compliance with most Uruguay Round obligations, including the Agreement on Trade-Related Investment Measures Obligations. No performance requirements are imposed as a condition for investing in Jamaica, although companies with Free Zone status must export at least 85 percent of their output. Based on the Jamaican Companies Act, foreign investors are required either to establish a local company or to register a branch office of a foreign-owned enterprise. Branches of companies incorporated abroad must also register with the Registrar of Companies if they intend to operate in Jamaica. Since 2005, foreign nationals who conduct business on a short-term basis do not require a business visa if they will be in Jamaica for a period not exceeding 30 days.

Jamaica has also undertaken a comprehensive program of trade and financial liberalization, and no sector remains closed to foreign investment. Although projects that affect national security, have a negative impact on the environment, or involve sectors such as life insurance, media, or mining are subject to regulation and certain restrictions, foreign investors have full access to Jamaica's privatization program.⁷⁸ The National Investment Bank, which administers privatization, is mandated to ensure that the process is fair and transparent. However, in some privatization transactions, the participation of local investors may lead to advantages in the scoring of proposals. When large entities are being privatized, advertisements are placed in international newspapers such as the Financial Times, New York Times, and Wall Street Journal to attract foreign investors, providing information on requirements and evaluation criteria. Foreign investors have won most of the privatization bids in the last five years. The government is currently reviewing some of the remaining partly owned state companies, with an eye to liquidating state holdings in firms such as Clarendon Alumina Partners,

Kingston Container Terminal, and Norman Manley International Airport in Kingston.

Jamaica's property rights laws and regulations are extensive and compliant with most international standards, though issues with cumbersome bureaucratic processes persist. The Jamaican constitution guarantees property rights. The country has a system of registered titles set out in the Registration of Titles Act, which recognizes and provides for the enforcement of secured interests in property by way of mortgage. It also facilitates and protects the acquisition and disposition of all property rights, though working through Jamaica's bureaucracy can result in significant delays. Jamaica is a member of the World Intellectual Property Organization and is a signatory of the Bern Convention. Jamaica and the United States have an Intellectual Property Rights Agreement and a Bilateral Investment Treaty, which provide assurances to protect intellectual property. However, Jamaica has remained on the special 301 "Watch List" for more than 10 years, largely because the patent and design law is not compliant with the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The following are descriptions of Jamaica's key property rights-related legislation and treaties:

A new Patent and Designs Bill: has been drafted—including new rules and fee structures—and is currently under review by the Chief Parliamentary Council of Jamaica. General law provides protection for trade secrets.

The Copyright Act of 1993: as amended, complies with the TRIPS Agreement and adheres to the principles of the Bern Convention.

The Trademark Act of 1999: is also compliant with the TRIPS Agreement and provides the owner of registered trademarks exclusive rights for up to 10 years, renewable. It provides for the protection of "well-known" marks under the Paris Convention on Industrial Property Rights of which Jamaica is a signatory.

The Export Free Zones Act: allows investors to operate solely with foreign exchange in activities such as warehousing, refining, manufacturing, redistribution, processing, assembling, packaging, and services such as insurance and banking. Incentives offered include a 100 percent tax holiday in perpetuity, no import licensing requirements, and exemption from customs duties on construction and raw materials, capital goods, and office equipment. Amendments have also been made to the Export Free Zones Act to allow for the establishment of Single Entity Free Zones, with individual companies now designated as free zones.

Jamaica has investment treaties with the United States (signed February 1994) and the United Kingdom (1994), as well as double taxation agreements with Canada, the United Kingdom, the United States, and CARICOM, among others.

B. Ease of Doing Business

Capital Markets and Portfolio Investment

Since the 1980s, Jamaica has initiated reforms aimed at fostering private sector activity and increasing the role of market forces in resource allocation. These reforms intensified in the 1990s, resulting in trade, financial, and capital account liberalization. This has led to the availability of credit on market terms, and foreigners are allowed to borrow freely on the local market at market-determined rates of interest. Although some major financial products are still lacking, the private sector still has access to a variety of credit instruments. Jamaica has an effective regulatory system established to encourage and facilitate portfolio investment. The Financial Services Commission and the Bank of Jamaica jointly regulate portfolio investment. Since 1998 there has been consolidation and increased output performance in the sector. Significant strides have also been made in terms of the regulatory framework, which are now in line with international standards. The government is currently drafting omnibus banking legislation, which should facilitate more effective supervision of financial entities as well as streamline the standards and applicable legislation

that apply to commercial banks, merchant banks, and building societies.

Jamaica's Stock Exchange (JSE) is the biggest in the region, and largely hospitable to foreign investors. Based on the Rule 404 of the JSE, fully paid shares shall be free from any restriction on the right of transfer. Although two listed companies have clauses within their memoranda and articles of association that restrict foreign investors, these predate the JSE. JSE listing arrangements allow for 20 percent of issued share capital to be listed, but no requirement stipulates that this threshold must be maintained after listing. The rules of the JSE and the Security Acts also have specific provisions relating to the process of takeover and mergers, but these are general and, given that there are no specific provisions (except in the cases mentioned above) regarding restrictions to foreign participation, it follows that no specific measures are designed to protect against hostile foreign takeovers. The Companies Act and the Securities Act govern acquisitions, mergers, and takeovers for publicly traded companies. In 1996 the Securities Act was revised to bring it in line with international regulations. The takeover code was redesigned to ensure the integrity of the securities market while protecting minority shareholders. There are laws and policies covering taxation, labor, health, and other issues to avoid distortions or impediments to the efficient mobilization and allocation of investment. But investors argue that the Redundancy Act, which deals with severance payment, is a disincentive to investment funds. In 2001 the mandate of the Anti-Dumping and Subsidies Commission was expanded through the implementation of a Safeguards Act, which protects producers from import surges.

Jamaica's Junior Market (JM) emerged in 2009 and quickly became the leading capital market for SMEs in the Caribbean with capitalization of less than US\$5 million. The JM has provided a way to create equity investing opportunities for smaller businesses by offering tax incentives for list companies. This incentive, initially a 10-year tax holiday, was reduced to a five-year tax holiday

in 2014 to conform to the new incentives regime. Companies listed on the JM pay no income tax for the first five years, 25 percent of regular tax rate for years 6 to 10, and receive exemptions on transfer tax on shares, as well as stamp duty on such transfers. Since the revision of the tax incentive reducing the tax holiday to five years the number of companies seeking listing have declined. Although 21 companies were listed on the JM at the end of 2013, very few new companies have been added since then, and the JM has now 23 listed companies.

Competition from State-Owned Enterprises

Private firms compete with SOEs on fair terms in Jamaica. Yet Jamaican SOEs generally lack the same profitability motives as private enterprises, because the government often finances loss-making activities. Jamaica's IMF program prioritizes divestment from some of the government's most inefficient investments. Jamaica does not have a sovereign wealth fund or an asset management bureau.

Dispute Settlement

Jamaica's justice system is overburdened, which impacts the court's ability to review business disputes in a timely manner and should be a major factor for businesspeople to consider when doing business in the country. Although a credit reporting agency did officially open in late 2012, comprehensive information about potential local partners or borrowers remains lacking. Disputes between enterprises are handled in the local courts, but foreign investors can refer cases to the International Center for Settlement of Investment Disputes. Cases have been reported of trademark infringements in which U.S. firms took action and were granted restitution in the local courts. The Jamaican constitution provides for an independent judiciary with a three-tier court structure. Claims may be brought before the magistrates or Supreme Court. Appeals on decisions made in these courts can be taken before the Court of Appeal and then to the Judicial Committee of the Privy Council in the United Kingdom.

Jamaica has a number of reciprocal enforcement agreements with other countries, and the formal means for enforcing property and contractual rights through the following:

1. The Judgment and Awards (Reciprocal Enforcement) Act
2. The Judgment (Foreign) (Reciprocal Enforcement) Act
3. The Arbitration (Recognition and Enforcement of Foreign Awards) Act
4. The Maintenance Orders (Facilities for Enforcement) Act. Under these acts, judgments of foreign courts are accepted where there is a reciprocal enforcement of judgment with the foreign state.

Jamaica, a signatory to the International Center for Settlement of Disputes since 1965, accepts international arbitration of investment disputes between Jamaicans and foreign investors. Local courts recognize foreign arbitral awards. International arbitration is also accepted as a means for settling investment disputes between private parties.

Corruption

Jamaica has a Corruption Prevention Act, which established a Corruption Prevention Commission in 2003, but questions remain surrounding enforcement. The Commission was founded to (1) receive, examine, and document the statutory declarations of public sector workers; (2) receive and investigate any complaint regarding an act of corruption; and (3) conduct investigation into acts of corruption, if satisfied there are reasonable grounds to do so. To date there has been no enforcement, as the commission lacks the capacity to enforce the filing of declarations. Reports suggest that noncompliance is running at over 30 percent. However, the commission will be working with the Director of Public Prosecution to have enforcement measures implemented.

Labor

Jamaica has a number of labor pro-labor laws and regulations, including ones that favor Jamaican labor over foreign labor. Under the Employment (Termination and Redundancy Payments) Act, 1974 (as amended) employees no less than two years of continuous employment who are dismissed on the grounds of “redundancy” are entitled to redundancy payment. As a general rule, workers with up to 10 years of continuous employment are entitled to two weeks’ payment for every year as well the requisite notice pay, while workers with more than 10 years’ continuous employment are entitled to three weeks’ payment plus notice pay. That said, there are no unemployment benefits in Jamaica. Regarding foreign nationals, according to the Work Permit Act, a foreign national who wishes to work in Jamaica must first apply for a permit issued by the Ministry of Labor. The law, which seeks to give first preference to Jamaicans, requires organizations planning to employ foreign nationals to prove that attempts were made to employ a Jamaican national.

C. Ease of Exit and Repatriating

Jamaica has no restrictions on holding funds or transferring funds associated with an investment. However, foreign exchange transactions must be conducted through authorized foreign exchange dealers, cambios, and bureaux de change at market-determined rates. Foreign exchange is generally available, but companies tend to acquire large amounts of foreign exchange over a three- to four-day period, so as not to disturb currency markets. There are currently no plans to change the policies affecting investment remittances, and there is no delay period for repatriating investment returns. No legal parallel market (tiered system) is in place for foreign exchange, and no limitations are put on the inflow or outflow of funds for any transaction. U.S. companies indicate no problems or delays in repatriating investments.

Investing in St. Lucia—Executive Summary

Ease of Entering, Doing Business, and Exiting

A. Incentives and Restrictions on Nonresident Investment and Ownership

Despite its small size, St. Lucia has recently been able to attract substantial foreign business and investment, especially in its offshore banking and tourism industries, because of market openness and investment incentives orchestrated by Invest St. Lucia. The government of St. Lucia strongly encourages foreign direct investment, particularly tourism and hotel development, information and communication technology, manufacturing, international financial services, agro business, and creative industries. Various incentive programs are in place to attract foreign investment through Invest St. Lucia. Such policies include liberal tax holidays (up to 15 years, waivers of import duties and consumption taxes on imported plant machinery and equipment, imported raw and packaging materials, and export allowances or tax reliefs on export earnings). All proposals for government concessions and investment incentives are reviewed by Invest St. Lucia to ensure that the project is consistent with national interest and provides economic benefits to the country. Export-oriented businesses are viewed particularly favorably. Invest St. Lucia provides “one-stop shop” facilitation services to investors to guide them through the various stages of the investment process. No industries are officially closed to private enterprise, although some activities, such as telecommunications, utilities, broadcasting, banking, and insurance, require a license from the government. The only restriction is the requirement to obtain an Alien Landholding License for foreign investors seeking to purchase property for residential or commercial purposes. No formal performance requirements or requirements for participation are in place either by nationals or by the government in

foreign investment projects. Companies registered in St. Lucia have the right to repatriate all capital, royalties, dividends, and profits free of all taxes or any other charges on foreign exchange transactions. St. Lucia does not have exchange controls, and the invoicing of foreign trade transactions may be made in any currency.

A number of key treaties and pieces of legislation provide the legal and regulatory framework that allows St. Lucia to grant as many freedoms and incentives to foreign investors. St. Lucia has no bilateral investment treaty with Canada or the United States, but it does with the United Kingdom. St. Lucia is a member of the WTO and has a multilateral economic association agreement with the European Union. In addition to the National Development Corporation (Invest St. Lucia) Act, which addresses government policy to attract investment, the Trade License Act, Aliens Licensing Act, Development Incentives Act, Special Development Areas Act, Income Tax Act, Free Zones Act, Tourism Development Act, and Fiscal Incentives Act, all have some impact on foreign investment. Below are explanations of the most relevant treaties and legislation for foreign investors:

- ***The Special Development Areas Act:*** seeks to encourage investment in designated areas, such as Vieux-Fort, Anse la Raye, Soufriere, Canaries, and Dennery. Special concessions offered under this law include exemption on import duty, stamp duty, and consumption tax on inputs for the construction of new buildings and the renovation of existing buildings; land and house tax; stamp duty payable by vendors and purchasers on the initial purchase of property; higher tax allowances; and accelerated depreciation. The types of businesses that can qualify for these concessions are residential complexes; commercial or industrial buildings; facilities related to expanding the tourism sector; water-based activities; tourism projects highlighting the heritage and natural environment of St. Lucia; arts and cultural investments; and agricultural and fisheries-related activities.
- ***The Tourism Incentives Act:*** provides for earnings to be exempt from income tax, as a tourism project managed by or on behalf of a company is entitled to distribute profits to shareholders or debenture holders as capital monies free of tax during the two-year period following the end of the tax holiday. The Act also allows for customs duty exemptions, and permits the importation into St. Lucia free of customs duty and consumption tax of materials and equipment used exclusively in connection with the construction and equipping of the tourism project.
- ***The Freezone Act:*** is designed to promote export development and foreign investment projects in a “bureaucracy-free, duty-free, and tax-free” environment for prescribed activities. Incentives include exemption for customs duties, taxes and related charges on all classes of goods entering the Freezone for commercial or operating purposes; no restrictions or taxes on foreign exchange transactions; no taxes on dividends for the first 20 years of operation; no work permit fees for management personnel of Freezone businesses; no import or export licenses and no price control; and no company income tax for the first five years, and thereafter a very limited tax range.
- ***The Treaty of Chaguaramas:*** established CARICOM in 1973 with the purpose of promoting economic integration among its 15 member states. Investors operating in St. Lucia are given preferential access to the entire CARICOM market. The Revised Treaty of Chaguaramas goes further to establish the CARICOM Single Market and Economy, by permitting the free movement of goods, capital, and labor within CARICOM States.
- ***The CARICOM Competition Commission:*** is established to apply the rules of competition in respect of anti-competitive cross-border business conduct. The CARICOM competition policy

addresses anticompetitive business conduct, such as agreements between enterprises, decisions by associations of enterprises, and concerted practices by enterprises that have as their object or effect the prevention, restriction, or distortion of competition within the Community and actions by which an enterprise abuses its dominant position within the Community. No legislation is yet in operation to regulate competition in St. Lucia. The OECS has agreed to establish a regional competition body to handle competition matters within its single market.

- ***The Revised Treaty of Basseterre:*** establishes the OECS. The OECS consists of the nine member states of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines with associate members being Anguilla and the British Virgin Islands. The purpose of the treaty is to promote harmonization among member states in areas concerning foreign policy, defense and security, and economic affairs. The six independent countries of the OECS ratified the Revised Treaty of Basseterre establishing the OECS Economic Union on January 21, 2011. The Economic Union established a single financial and economic space within which all factors of production, including goods, services, and people, move without hindrance.
- ***The Economic Partnership Agreement (EPA):*** was concluded between the CARIFORUM states and the European Community and its member states. The EPA is designed to replace the now expired transitional trade regime of the Cotonou Agreement. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM, to promote regional integration and economic cooperation and to foster the gradual integration of the CARIFORUM states into the world economy by improving their trade capacity and creating an investment-conducive environment. The agreement promotes trade related developments in areas such as competition,

intellectual property, and public procurement, the environment, and protection of personal data.

- ***CARIBCAN:*** an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free access to its national market for the majority of products that originate in Commonwealth Caribbean countries.

Regarding legal protections, foreign nationals receive the same treatment as local citizens, and property rights laws and enforcement are generally effective and hospitable for nonresidents. The police and court systems are efficient and unbiased in commercial matters, and the government operates in a generally transparent manner. Civil law protects physical property and mortgage claims. The administration of intellectual property laws is the responsibility of the Attorney General through the Registry of Companies and Intellectual Property. Enforcement of intellectual property rights in St. Lucia does remain somewhat weak, in part because of resource constraints, but infringement in most areas is small-scale. Under the Land Acquisition Act, the government may by declaration initiate the acquisition of land required for a public purpose. St. Lucia employs a system of eminent domain to pay compensation when property needs to be acquired in the public interest. Some special license requirements apply to the acquisition of land, development of buildings and expansion of existing construction, and special standards for various aspects of the tourism industry. Individuals or corporate bodies who are not citizens and who are seeking to acquire land may require a license prior to the execution of the transactions, depending upon the amount of land in question.

B. Ease of Doing Business

Capital Markets and Portfolio Investment

St. Lucia's monetary and exchange rate policies are determined by the Eastern Caribbean Central Bank (ECCB). The ECCB regulates domestic

banks. Exchange controls restrictions on capital and nontrade current transactions have been suspended under the Exchange Control Act. As a member of the OECS, St. Lucia is a member of the ECSE and the Regional Government Securities Market. The ECSE is a regional securities market established by the ECCB and licensed under the Securities Act of 2001, a uniform regional body of legislation governing securities market activities to facilitate the buying and selling of financial products for the eight member territories. St. Lucia is a member of this stock exchange, and it is open to portfolio investment. According to the most recent data available from the government, assets of commercial banks totaled US\$2.15 billion in November 2012 and remained relatively consistent throughout the year. The reserve requirement for commercial banks was 6 percent of deposit liabilities

Competition from State-Owned Enterprises

Statutory corporations or state-owned enterprises in St. Lucia are not a threat to investors, because they are not designed for competition. State-owned enterprises include the National Insurance Corporation and the Water and Sewage Company Inc. They support government programs such as the national pension plan and the management of pipe-borne water, sewage, and solid waste management services.

Dispute Settlement

St. Lucia's legal system is based on British common law, and the judiciary is independent and trials are generally fair, as well as more efficient than is the case in larger neighbors such as Jamaica. The judicial system consists of lower courts, called Magistrates' Courts, as well as a Family Court. The Eastern Caribbean Supreme Court (St. Lucia) Act establishes the Supreme Court of Judicature, which consists of the High Court and the Eastern Caribbean Court of Appeal. The High Court hears criminal and civil matters and makes determinations on the interpretation of the constitution. Appeals are made in the first instance to the Eastern

Caribbean Supreme Court, an itinerant court that hears appeals from all Eastern Caribbean States. The Eastern Caribbean Supreme Court sits in the St. Lucian capital of Castries. Final appeal is to the Judicial Committee of the Privy Council. All laws must conform to the provisions of the Constitution and are void to the extent of any inconsistency. The Caribbean Court of Justice is the regional judicial tribunal, established in 2001 by the Agreement Establishing the Caribbean Court of Justice. The CCJ has original jurisdiction to interpret and apply the Revised Treaty of Chaguaramas. St. Lucia is subject to the original jurisdiction of the court.

St. Lucia is signatory to a number of agreements that endorse the authority of international arbitration procedures. A party to the WTO, St. Lucia is subject to the WTO Dispute Settlement Panel and Appellate Body, which resolve disputes over WTO agreements. St. Lucia is a member of the International Center for Settlements of Investment Disputes. St. Lucia is also a member of the World Intellectual Property Organization. Article 45 of the Protocol Amending the Treaty that established CARICOM commits all 15 members to implement stronger intellectual property protection and enforcement.

Corruption

Although corruption related to foreign business and investment is not generally believed to be a major problem in St. Lucia, some widely publicized allegations have been made against government officials. St. Lucia has laws, regulations, and penalties to combat corruption. However, although the law provides criminal penalties for official corruption, enforcement is not always effective. Government agencies involved in enforcement of anticorruption laws include the Royal St. Lucia Police Force, the Director of Public Prosecutions, and the Financial Intelligence Unit. The country is a party to the Inter-American Convention against Corruption and acceded to the United Nations Convention against Corruption on November 18, 2011.

Labor

Minimum wage regulations in effect since 1985 set wages for a limited number of occupations. The minimum monthly wage for office clerks was EC\$300 (\$111), for shop assistants EC\$200 (US\$74), and for messengers EC\$160 (US\$59). A new labor code went into effect on August 1, 2012. St. Lucia has a labor force of about 90,600 persons, with a literacy rate of 94.8 percent. The country's technical and training needs are met largely by the local state college, which offers courses in skilled labor, including plumbing, electrical engineering, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, typing, and basic hotel skills. There is also a pool of professionals to draw from, in fields such as law, medicine, business information technology, and accounting. Many of the professionals in St. Lucia trained in the Caribbean, Canada, the United Kingdom, and the United States, where many of them gained work experience before returning to St. Lucia. Investors in St. Lucia are responsible for maintaining workers' rights and safeguarding the environment. The Labor Commissioner settles disputes over safety conditions. Workers have the right to report unsafe work environments without jeopardy to continued employment; inspectors then investigate such claims, and workers may leave such locations without jeopardy to their continued employment.

C. Ease of Exit and Repatriating

St. Lucia has some of the most liberal and unimposing policies toward foreign investors looking to exit the market and repatriate funds. Companies registered in St. Lucia have the right to repatriate all capital, royalties, dividends, and profits free of all taxes or any other charges on foreign exchange transactions. There are no exchange controls in St. Lucia, and the invoicing of foreign trade transactions may be made in any currency. Importers are not required to make prior deposits in local funds, and export proceeds do not have to be surrendered to government authorities or to authorized banks. There are no controls on transfers of funds. The government of

St. Lucia guarantees the free transfers of profits and repatriation of capital.

Investing in Trinidad and Tobago—Executive Summary

Ease of Entering, Doing Business, and Exiting

A. Incentives and Restrictions on Nonresident Investment and Ownership

Trinidad and Tobago has a favorable and open investment climate, and most investment barriers have been eliminated in recent years. With the government looking to encourage diversification away from dependence on the oil and gas sector, new focus has been given to attracting investment toward tourism, information and communications technology, creative industries, maritime industries, manufacturing, and agriculture. Generally, no restrictions or disincentives are put on investment. Foreign ownership of companies is permitted and welcomed under the Foreign Investment Act, which specifies that an investment proposal can be denied only if it is illegal, contrary to public morals, or environmentally unsound. Foreign equity participation in local companies is limited to the extent that a foreign investor is permitted to own 100 percent of the share capital in a private company, but a license is required to own more than 30 percent of the share capital of a public company. The Foreign Investment Act also limits foreign ownership of land to one acre for residential purposes and five acres for trade purposes without a license. In the past, the government has freely granted waivers on corporate equity and land ownership restrictions.

A major part of Trinidad and Tobago's openness to foreign investors is tied to recent privatizations and efforts by the government to provide a favorable environment for private enterprise. The nation is increasing the number of PPPs as a model for privatizing key sectors, aiming to ensure control while opening economic growth opportunities. The

government has encouraged foreign investment in several state enterprises; in nearly every case, foreign investors have purchased large minority holdings in privatized firms. Generally, the government will involve itself in foreign investments only when the investor is seeking government incentives or concessions, the investor wishes to lease land in one of the government-owned industrial parks, or a planned activity requires a license, such as mining or drilling. Based on the Companies Act, private foreign and domestic entities have the right to establish and own business enterprises and engage in remunerative activity. Under the Companies Ordinance and the Foreign Investment Act, a foreign investor may purchase shares in a local corporation, incorporate or set up a branch office in Trinidad and Tobago, or form a joint venture or partnership with a local entity. Businesses may be freely purchased or disposed of. Private enterprises and public enterprises are treated equally with respect to access to markets, credit, and other business operations.

The nation's legal, regulatory, and accounting systems are consistent with international norms. Proposed laws and regulations are published in draft form for public comment, and the government solicits private sector and business community comments on proposed legislation. Trinidad and Tobago has bilateral investment agreements with the Canada, the United Kingdom, and the United States. There is no bilateral taxation treaty between Trinidad and Tobago and the United States. All of the country's laws and regulations abide by the WTO's Trade-Related Investment Measures. The Companies Ordinance and the Foreign Investment Act, in general, govern foreign investments. In addition, the Free Zones Act and rules for environmental clearance are relevant to foreign investors:

- **The Free Zones Act of 1988:** established the Trinidad and Tobago Free Zones Company (TTFZ) to promote export development and encourage both foreign and local investment projects in a relatively bureaucracy-free, duty-

free, and tax-free environment. Currently 15 approved enterprises are located in eight Free Zones. The majority are located within a multiple-user site in D'Abadie, Trinidad, but any suitable area in Trinidad and Tobago can be designated as a Free Zone by the Minister of Trade and Industry.

- Free Zone enterprises are exempt from customs duties on capital goods, parts, and raw materials for use in the construction and equipping of premises and in connection with the approved activity; import and export licensing requirements; land and building taxes; work permit fees; foreign currency and property ownership restrictions; capital gains and taxes; withholding taxes on distribution of profits and corporation taxes or levies on sales or profits; VAT on goods supplied to a Free Zone; and duty on vehicles for use only within the Free Zone.
- Application to carry out an approved activity in an existing free zone area is required. If a given project requires designation of a new free zone area, a separate application is made to the TTFZ. Activities that qualify for approval include manufacturing for export, international trading in products, services for export, and development and management of free zones. Activities that may be carried on in a Free Zone but do not qualify as approved activities include exploration and production activities involving petroleum, natural gas, or petrochemicals.
- **Certificate of Environmental Clearance rules:** adopted in 2001, they have helped clear up uncertainty over environmental impact assessments by placing the environmental approval authority for most projects under the jurisdiction of the Environmental Management Authority. The Authority has legal recourse against persons or companies it believes are in violation of environmental requirements.

Despite some unnecessary complexities involving land ownership, policies in Trinidad and Tobago are favorable for property rights from a foreign investor's perspective. Property rights are protected under the constitution and common-law practice. Secured interests in property are recognized and enforced; however, Trinidad and Tobago has a dual system of land titles, the old Common Law title system, and the registered land title system governed by the Real Property Act of 1946. Approximately 75 to 80 percent of land in Trinidad and Tobago remains under the more complicated Common Law System, which is not a reliable system for recording secured interests. The country ranks 178 out of 189 countries in the World Bank's rankings for ease of registering property. It is engaged and supportive of intellectual property rights issues internationally and is a member of the World Intellectual Property Organization and a signatory to several international agreements on intellectual property rights. Trinidad and Tobago drafted its IPR laws in consideration of the standards of TRIPS and is TRIPS Plus compliant. The nation has specific legislation that protects trademarks, patents, industrial designs, trade secrets and unfair competition, geographical indications, layout designs of integrated circuits, plant varieties, and copyrights. No expropriation actions have been taken since the 1980s.

B. Ease of Doing Business

Capital Markets and Portfolio Investment

The government of Trinidad and Tobago welcomes foreign portfolio investment and has an established regulatory framework to encourage investment in the country's well-developed capital markets. A full range of credit instruments is available to the private sector, including a small but well-developed stock market. No restrictions are placed on borrowing by foreign investors. There are no restrictions on a foreigner's ability to establish a bank account. The legal, regulatory, and accounting systems governing credit markets are, on the whole, effective and transparent. The country's stock exchange operates a takeover and merger code for companies listed

on the local stock exchange. The government has established a Securities and Exchange Commission for the purpose of supervising and regulating the securities market and market actors. Foreign investors must obtain a license from the Ministry of Finance before they can legally acquire more than 30 percent of a publicly held company. Below are brief explanations of the pieces of legislation most relevant to the country's capital markets:

- ***The Securities Act (amended in 2011)***: seeks to provide protection to investors from unfair, improper, or fraudulent practices, to foster fair and efficient capital markets, to engender confidence in the capital markets in Trinidad and Tobago, to reduce systemic risk, and to cooperate with other jurisdictions in the development of fair and efficient capital markets.
- ***The Financial Institutions Act (2008)***: modernizes regulation of banks, insurance companies, and other financial institutions, and provides penalties up to US\$800,000 and five years in jail for operating without a license from the Central Bank. Directors and officers of a company violating the Act can be held liable.
- ***The Fair Trading Act of 2006***: adopted antitrust legislation that regulates mergers, anti-competitive agreements, and monopolies and provides for the establishment of a Fair Trade Commission. Under the Act, merging enterprises are required to apply to the Commission for permission to merge if their assets exceed TT\$50 million (approximately US\$8 million). The Act requires the Commission to make a determination within one month.

Trinidad and Tobago established the Heritage and Stabilization Fund in 2007 as the country's sole sovereign wealth fund. Its stated purpose is to save and invest surplus petroleum revenues (in excess of 10 percent of estimated revenues) to sustain public expenditure capacity during periods of revenue downturn. The Fund's day-to-day operations are managed by the Central Bank and governed by a

five-member board. The 2007 legislation mandates that the Fund be maintained in U.S. dollars and prohibits domestic investment or petroleum-related investments.

Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are active in most sectors and industries in Trinidad and Tobago. The Investments Division of the Ministry of Finance is responsible for conducting management and performance audits of SOEs, which includes 42 wholly owned companies, five majority-owned companies, five minority-owned (i.e., less than 50 percent holdings), and 32 companies held indirectly as subsidiaries of wholly owned companies. The Investments Division also has the responsibility to appoint directors to the Board of Directors for SOEs. The division submits the annual audited accounts of SOEs to the Public Accounts Committee, and the audited annual reports are available to the public. SOEs are required to disclose the financial interests and decision-making processes of their executives. SOEs are often informally or explicitly obligated to consult with government officials before making major business decisions, and they frequently undertake commercial activities as well as their public function mandates. Some prominent SOEs include the Urban Development Company of Trinidad and Tobago and the National Infrastructure Development Company, both of which are responsible for large-scale construction projects. In the energy sector, the nation has three fully state-owned companies: the Petroleum Company of Trinidad and Tobago, the National Gas Company, and the National Petroleum Marketing Company; it also holds an interest in several joint ventures. Nevertheless, foreign companies continue to dominate natural gas exploration and production.

Dispute Settlement

Trinidad and Tobago has an independent judicial system that is competent, procedurally reliable, and substantively fair. Civil cases are heard through the High Court of Justice, which can grant equitable relief, such as acclamation injunctions and public law remedies. Decisions may be appealed to the

nation's Court of Appeal. The United Kingdom Privy Council Judicial Committee remains the final court of appeal for Trinidad and Tobago. Criminal acts are first heard by the Magistrates' Court and may also be appealed as high as the Privy Council.

Trinidad and Tobago is signatory to major international arbitration agreements, which make it a less risky environment for foreign investors. It is a member of the International Center for the Settlement of Investment Disputes, which facilitates conciliation and arbitration of investment disputes between contracting states and nationals of contracting states. The nation has also ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which facilitates the registration and enforcement of foreign arbitral awards between contracting states. A Mediation Board was created in 2004 with responsibility for certifying mediators and accrediting training programs. In 2010, through a joint initiative with the Judiciary, the Dispute Resolution Centre became an innovator of Court-Annexed Mediation. The Dispute Resolution Centre administers disputes with claims ranging from several thousand to many millions of dollars.

Corruption

Trinidad and Tobago is party to most major international anticorruption agreements and initiatives and does not face any major corruption issues. It has signed and ratified the UN Anticorruption Convention and the Inter-American Convention Against Corruption. In 2000 the government established an Integrity Commission to make new provisions for the prevention of corruption of persons in public life by providing for public disclosure of assets and to promote the integrity of public officials and institutions. The nation has well-established procurement processes, and many foreign companies have secured government service contracts in recent years. That said, Trinidad and Tobago is not party to the WTO Government Procurement Agreement or the OECD Convention on Combating Bribery.

Labor

The nation's labor laws, governed by the Industrial Relations Act, are generally friendly to organized labor. The IRA provides for dispute resolution through an industrial court in instances where the issue cannot be resolved at the collective bargaining table or through conciliation efforts by the Ministry of Labor. The law provides for the right of most workers, including those in state-owned enterprises, to form and join independent unions of their choosing without prior authorization. Local labor laws generally protect foreign laborers. The law sets occupational health and safety standards, which the Occupational Safety and Health Agency enforced. The government's occupational health and safety regulations apply to all workers, regardless of citizenship. Local labor laws generally protected foreign laborers brought into the country, a stipulation usually contained in their labor contract. No formal restrictions are placed on the numbers and/or duration of employment of foreign managers brought in to supervise foreign investment projects, an issue that is specifically addressed in the Bilateral Investment Treaty between the United States and Trinidad and Tobago. Several foreign firms have alleged, however, that there are inconsistencies in the issuance of long-term work permits. These generally fall into two categories: (1) a permit is not granted to an official of a company that is competing with a local firm or (2) the authorities threaten not to renew a permit because a foreign firm has not done enough to train and promote a national into the position. Some executives of smaller companies have found that their work permits are approved only if they form joint ventures with local firms or set up formal training programs.

on investment may be freely transacted without limits. No requirement applies to withholding on interest paid to resident individuals with respect to loans secured by bonds or other similar investment instruments. When the individual is a nonresident, the withholding tax is 20 percent, except in cases where treaty relief is available. Where the remittance is in the form of dividends paid to a U.S. individual, the tax rate is 15 percent of the gross dividend. In the case of a U.S. company owning more than 10 percent of the voting control of a local company, the rate is 10 percent of the gross dividend. For dividends paid to a U.S. company with less than 10 percent ownership, the tax rate is 15 percent. In the case of a U.S. resident company having a branch or permanent establishment in the country, the rate of branch profit tax is 10 percent, levied on after-tax profits, minus any reinvestment of such profits.

C. Ease of Exit and Repatriating

Trinidad and Tobago is relatively liberal when it comes to foreign investors exiting markets and repatriating capital, though there are a number of specific regulations regarding U.S. companies. There are no exchange controls on foreign currency and securities. The repatriation of capital, dividends, interest and other distributions, and gains



Annex VIII.

Typology of Diaspora Initiatives

Investment Initiatives

The Indian Diaspora Investment Initiative (IDII) (2014 to Present)

Sponsor/Implementer: United States Agency for International Development; Calvert Foundation

Target Diaspora: Indian-Americans

Objectives: Channel Diaspora investments in a focused and sustainable way that addresses the SME financing gap in India, capitalizing on a moment of efflorescence in bilateral relations between the United States and India. Enable Indian-Americans to help support financing for enterprises in India in sectors like education, financial inclusion, agriculture, health care, water and sanitation, renewable energy, and energy efficiency.

Policy framework/methodology: U.S.-based retail investors can purchase Community Investment Notes offered by the Calvert Foundation. In turn, USAID has pledged to provide US\$50 million for a Development Credit Guarantee to support Indian financial institutions lending to social enterprises,

enabling them to raise investments from both Indian and U.S. investors. Investors can expect annual interest payments, and can select investment tenors from one, three, five, seven, and even 10 years. Investors can purchase the note either through their investment adviser or through the Calvert Foundation's online platform vested.org, where one can invest in a note for as little as US\$20.

Results: The notes program was launched in 2015.

Homestrings (2011 to Present)

Sponsor/implementer: Homestrings; Gravitas Capital Advisors

Target Diaspora: Global Diaspora communities

Objectives: Provides a platform for a repository of impact-driven investment bond and fund offerings from governments, banks, corporates, project sponsors, and SMEs, targeted at qualified (e.g. "accredited" or "sophisticated") individual Diaspora investors.

Policy framework/methodology: Homestrings lists projects from across the globe. Diaspora investors contribute via PayPal or wire/bank transfer and—depending on the investment type and terms—are charged 1 percent annual management fee on invested capital and 1 percent annually thereafter on capital balance outstanding, and a 10 percent annual performance fee on their individual annual yield for the duration of the particular investment. The platform has listed a Caribbean-based offering, the Fortress Caribbean Growth Fund, administered by Fortress Funds of Barbados.

Results: Under the leadership of Desmond Brunton, Homestrings has facilitated Diaspora investment in Caribbean projects requiring a minimum of US\$5 million in fundraising, ranging from SMEs and commercial real estate to commercial banks and exclusive mutual funds. In the Caribbean, the platform has listed the Fortress Caribbean Growth Fund, administered by Fortress Funds of Barbados.

India Development Bonds (1991); Resurgent India Bonds (RIBs) (1998); India Millennium Deposits (2009)

Sponsor/implementer: State Bank of India

Target Diaspora(s): Indian-Americans; Indian-Europeans

Objectives: IDBs were used to provide a vehicle for the Diaspora to return funds to India following its balance of payments crisis in 1991. At other times, bonds were issued for the Diaspora because of limited access to international capital markets.

Policy framework/methodology: All three bond offerings provided a higher return for retail investors than similar financial instruments in their countries of residence. They were provided at a fixed rate and five-year maturity in U.S. dollars, British pound, and the Euro. The State Bank of India distributed the bonds in conjunction with international banks and bypassed SEC registration. The Indian Diaspora

provided no patriotic discount on Resurgent India Bonds and only a small one on IMDs; when RIBs were sold in August 1998 to yield 7.75 percent on U.S. dollar-denominated bonds, the yield on BB-rated U.S. corporate bonds was 7.2 percent. There was thus no discount on the RIBs. As for the IMDs, the coupon was 8.5 percent, while the yield on the comparably rated U.S. corporate bonds was 8.9 percent for a 40 basis points discount.

Results: Diaspora bonds issued by the government-owned State Bank of India have raised more than US\$11 billion to date: IDBs US\$1.6 billion; RIBs US\$4.2 billion; IMDs US\$5.5 billion.

State of Israel Bonds (1951 to Present)

Sponsor/implementer: Development Corporation of Israel (DCI); the government of Israel

Target Diaspora: Jewish-Americans; Jewish-Canadians

Objectives: Develop a stable source of overseas borrowing and a mechanism for maintaining ties with the Jewish Diaspora. Harness the capital capacities of the Jewish Diaspora to contribute toward infrastructure development in Israel.

Policy framework/methodology: Offering both fixed-rate and floating rate bonds since 1980s. Investors have options, such as multiple maturities and minimum subscriptions. They sell for between US\$100 and US\$100,000. The Ministry of Finance defines DCI's annual borrowing policy in accordance with foreign exchange requirements. The ministry periodically sets interest rates and other parameters on DCI bonds to meet the annual borrowing target. But the government doesn't seek credit ratings from agencies such as S&P and Moody's. The bonds are sold directly by DCI with Bank of New York acting as the fiscal agent. Currently, about 200 DCI employees work in the United States who maintain close contacts with Jewish Diaspora. They host investor events with the express purpose of selling bonds.

Results: With capital inflow generated through the issuance of these bonds, the government has spent more than US\$26 billion for transportation, energy, telecommunications, water resources, and other essential infrastructure projects. Nearly all the bonds have been redeemed at maturity, and about US\$200 million were unclaimed as of 2005. That same year, the bond made up roughly 32 percent of the government's external debt (US\$31.4 billion).

Israeli Ministry of Immigration Absorption (Unknown to Present)

Sponsor/implementer: Ministry of Immigration Absorption; Ministry of Trade, Industry and Labor; the government of Israel

Target Diaspora: Returning citizens as well as immigrants (most of whom are seen as members of the Jewish Diaspora) and, under some circumstances, children of immigrants, are eligible.

Objectives: Assist former residents of Israel who wish to start a business in Israel or transfer one to the country.

Policy framework/methodology: The Ministry's Business Entrepreneurship Department provides training and guidance for entrepreneurs, as well as feasibility checks, tax counseling, and financial assistance for business investments through its 12 business counseling centers. Two types of loans are available for opening businesses: the State-Guaranteed Small Business Assistance Fund and the Fund for the Self-Employed Immigrant. One can only apply to the Fund for the Self-Employed Immigrant once. The maximum loan is NIS 100,000, and the minimum equity capital is 25 percent of the loan. There is also a conditional grant worth 17.5 percent of the total sum of the loan and no more than NIS 5,000 (with standing loan becomes a grant after three years). There is a 2 percent index-linked loan or 4 percent dollar-linked loan. The payment period is six years.

Skills and Tech Transfer Initiatives

Migration for Development in Africa (MIDA) (Cape Verde, Guinea) (2008–2010)

Sponsor/implementer: International Organization for Migration; European Commission; the Portuguese government; the Instituto das Comunidades de Cabo Verde

Target Diaspora: Cape Verdeans in Portugal, the Netherlands, and Italy; Guineans in West Africa

Objectives: *Diaspora for Development of Cape Verde (DIAS DE Cabo Verde)*—Encouraged and enabled Cape Verdeans residing in Portugal, Italy and the Netherlands to help develop key sectors of the Cape Verdean economy and improve its all-around investment climate through knowledge transfer, capacity building and entrepreneurship. *MIDA Women Guinea Project*—Encouraged the creation of microenterprises among poor rural women in Guinea by tapping into the professional Guinean Diaspora residing in West African countries such as Senegal.

Policy framework/methodology: *DIAS DE Cabo Verde*—Promoted participation of Cape Verdean public agencies in business creation and investment promotion through consultations with the Diaspora. Cape Verdean Diaspora professionals executed 29 training missions. Diaspora entrepreneurs also carried out nine network missions to explore investment opportunities in Cape Verde. *MIDA Women Guinea Project*— Provided an eight-day training course in creating and managing a microenterprise for 60 Guinean women. In partnership with RCG, small lines of credit (300,000–650,000 GF) were given under friendly terms to women trained in the program. IOM covered all expenses related to the grants; three Guinean Diaspora members and RCG staff provided support and advice.

Results: Thirty-three Cape Verdeans living in the Netherlands, Portugal, and Italy and their business partners were counseled on investment opportunities in strategic sectors, creating SMEs and business management under the support of the Agency for Entrepreneurial Development and Innovation (Agência para o Desenvolvimento Empresarial e Inovação).

ChileGlobal—The Talent Network for Innovation (2005 to Present)

Sponsor/implementer: Fundacion Chile; Fundacion Imagen de Chile; ProChile; Chilean Economic Development Agency (CORFO)

Target Diaspora: Chileans in the Argentina, Australia, Brazil, China, Mexico, Spain, Sweden, the United Kingdom, and the United States

Objectives: Develop strategic innovation sectors in Chile by building links with the Chilean Diaspora. Utilize transfer of knowledge, skills, contacts, and technology to cultivate high human capital and business creation in Chile.

Policy framework/methodology: Network of 400 registered HNWs and other influential members of the Chilean Diaspora help design and finance business projects that introduce innovation to the production and services sectors, boost human capital to augment productivity, and promote technology and knowledge transfers to and from Chile under the oversight of the public-private Fundacion Imagen de Chile. Daily operations run by a Technical Secretariat, which focuses on facilitating connections between its Diaspora networks and academic, private and public sector figures in Chile. Partnering with ProChile and CORFO to identify potential members of the Diaspora for the network. These partners also help support member activities, seminars and workshops.

Results: Helped create 76 companies with more than 50 domestic and international partners with ChileGlobal holding shares in 23 of the companies



Annex IX.

Interviews Conducted

Pre-Mission Interviews and Meetings

Mr. Aaron **Arnoldy**, *Founder, Encite Social Impact Fund for the Caribbean*

Mr. Jeremy **Bauman**, *Access to Finance Consultant, infoDev*

Mr. Sujoy **Bose**, *former head of IFC AMC ALAC Fund*

Mr. Matt **Bull**, *Senior Infrastructure Specialist, PPIAF, World Bank*

Ms. Caron **Chung**, *Executive Director, American Friends of Jamaica Organization*

Mr. Doug **Hewson**, *Partner, Portland Private Equity*

Ms. Retu **Jalhan**, *Nexus Impact Investment Conference*

Mr. Ralph **Keitel**, *former lead for LAC region, IFC PE Fund of Funds*

Ms. Helen Mary **Martin**, *Senior PPP Specialist, Global Infrastructure Facility*

Mr. Ben **Moody**, *CEO, Pan American Finance*

Ms. Catilin **Murphy**, *Head of Communications, Latin American Venture Capital Assoc.*

Ms. Abigail **Noble**, *Associate Director, Head of Impact Investing Initiatives, World Economic Forum*

Ms. Michelle **Ottey**, *IFC's Advisory Services in Public Private Partnerships*

Mr. Fabio **Pittaluga**, *Senior Social Development Specialist, World Bank*

Mr. Aun Ali **Rahman**, *InfoDev*

Mr. Samuel **Raymond**, *InfoDev*

Mr. Julian **Robinson**, *Minister of State, Ministry of Science, Technology, Energy and Mining*

Mr. Eduardo **Roman**, *Head of Research, Latin American Venture Capital Assoc.*

Mr. Oliver **Sagba**, *Sagba Consulting*

Mr. Brian **Samuel**, *Administrator, IFC PPP Initiative*

Ms. Sona **Varma**, *Senior Country Economist, Jamaica, World Bank*

Mr. Jun **Zhang**, *IFC Senior Manager for the Caribbean*

Jamaica Mission: April 20–23, 2015

Ms. Tanya **Bedward**, *Ministry of Transport, Works and Housing*
 Min. Arnaldo **Brown**, *Diaspora Counselor Affairs Department, Ministry of Foreign Affairs and Trade*
 Mr. Richard **Byles**, *President and CEO Sagicor Investments Ja. Ltd.*
 Ms. Stacey **Clarke Callum**, *The Planning Institute of Jamaica*
 Ms. Courtney **Campbell**, *President and Chief Executive Officer, First Global Bank and GKFG*
 Mr. Dennis **Chung**, *CEO, Private Sector Organizations of Jamaica*
 Ms. Yvonne **Clarke**, *Interim Managing Director, Ministry of Education's National Education Trust*
 Mr. Dennis **Cohen**, *Deputy Managing Director, National Commercial Bank Jamaica Ltd.*
 Dr. Minto **Coy**, *Mona School of Business and Management (UWI)*
 Mr. Claude **Duncan**, *Vice President, Jamaica Promotions Corporation Limited*
 Mr. Trevor **Fearon**, *CEO, Jamaica Chamber of Commerce*
 Ms. Toni-Shae **Freckleton**, *The Planning Institute of Jamaica*
 Mr. Ivan **Gonzalez**, *Consultant, Youth Employment in Digital and Animation Industries Project*
 Mr. Rajeev **Gopal**, *Resident Representative, International Finance Corporation*
 Mr. Noel **Greenland**, *Senior Vice President, GraceKennedy Remittance Services*
 Mr. Earl **Jarret**, *General Manager Jamaica National Business Society*
 Ms. Mariam **McIntosh Robinson**, *Portland Private Equity*
 Mr. Frank **James**, *Group Chief Financial Officer, GraceKennedy Limited*
 Mr. Julian **Mair**, *Group Chief Investment Strategist, Jamaica Money Market Brokers*
 Mr. Joseph **Matalon**, *Director, PSOJ; Chairman, DBJ*
 Mr. Milverton **Reynolds**, *Managing Director, Development Bank of Jamaica*
 Ms. Audrey **Richards**, *Project Consultant, Jamaica Venture Capital Programme*
 Mr. Devon **Rowe**, *Financial Secretary, Ministry of Finance and Planning*
 Ambassador Sharon **Saunders**, *Diaspora Counselor Affairs Department, MoFAFT*
 Ms. Marlene J. **Street Forrest**, *General Manager, Jamaica Stock Exchange*
 Professor Densil **Williams**, *Mona School of Business and Management (UWI)*
 Mr. Easton **Williams**, *The Planning Institute of Jamaica*
 Steven **Whittingham**, *Managing Director, GK Capital Management Limited*
 Professor Neville **Ying**, *Jamaica Diaspora Institute; Executive Director of the Mona School of Business*

Trinidad and Tobago Mission: April 24–28, 2015

Mr. Euric **Bobb**, *Chariman, Commercial Bank in Belize*
 Mr. Shyamal **Chandradathsingh**, *Vice President, Investor Sourcing, InvesTT*
 Mr. John P. **Clarke**, *Investment Manager, Republic Bank Ltd.*
 Mr. Glenn **Hamel-Smith**, *Hamel-Smith and Co*
 Mr. Gregory **Hill**, *CEO, ANSA Merchant Bank; Head, Securities Dealers Association*
 Mr. Joel **Jack**, *Tobago House of Assembly*
 Mr. Sekou **Mark**, *Vice President, T&T Unit Trust*
 Ms. Racquel **Moses**, *President, InvesTT*
 Mr. Osborne **Nurse**, *Private Consultant; former head of SEC*

Ms. Michelle **Ottey**, *Investment Officer, PPP Infrastructure, IFC*
 Mr. Rikhi **Permanand**, *Chairman, Economic Development Board*
 Mr. Ram **Ramesh**, *Private Consultant*
 Ms. Michele **Reis**, *Researcher and consultant on migration and Diaspora issues*
 Ms. Michelle **Rolingson-Pierre**, *Vice President Financial and Capital Markets Development*
 Mr. Oilver **Sabga**, *Sabga Consulting; My Term Finance*
 Mr. George **Sheppard**, *CEO, Sheppard Securities Ltd*
 Mr. Darryl **White**, *Managing Director, RBC Bank; Chairman, Bankers Association*
 Governor Ewart **Williams**, *former governor of the TT Central Bank.*
 PPP team, *Debt Management Unit, Economic Management Division of the Ministry of Finance and the Economy*

Barbados Mission: April 29–30, 2015

Ms. Jannette **Babb**, *Invest Barbados*
 Mr. Peter **Blackman**, *Caribbean Development Bank*
 Dr. Keith **Nurse**, *Executive Director, UWI Consulting Inc.*
 Ms. Sandra **Payne**, *Invest Barbados*
 Mr. Kip **Thompson**, *Managing Partner, AIC Caribbean Fund*
 Dr. DeLisle **Worrell**, *Governor, Central Bank*
 Mr. Marlon **Yarde**, *CEO and General Manager, Barbados Stock Exchange Inc.*

St. Lucia Mission: May 4–5, 2015

Mr. McHale **Andrew**, *CEO, Invest St. Lucia*
 Mr. Phillip **Cross**, *Country Head and General Manager, Bank of Nova Scotia*
 Mr. Hubert **Emmanuel**, *Permanent Secretary, Ministry of External Affairs*
 Mr. Francis **Fontenelle**, *Director of Finance, Ministry of Finance*
 Mr. Philbert **Francis**, *Manager St. Lucia Development Bank*
 Ambassador June **Sommer**, *Ambassador to the Diaspora, Office of the Prime Minister*
 Mr. J. Calixte **Leon**, *Executive Director, Financial Services Regulatory Authority*

London, UK Mission: August 17–18, 2015

Ms. Penny **Carballo-Smith**, *Adviser, CADSTI-UK; Managing Director, Future Think*
 Mr. Julian **Hall**, *Founder, Ultrakids Club Ltd*
 Ms. Marion **Herbert**, *Acting High Commissioner, Guyana High Commission*
 Ms. Catherine **Hickery**, *Associate Director Programmes and Research, The Caribbean Council*
 H.E. Kevin **Isaac**, *The High Commission of St. Kitts and Nevis*
 Mr. George **Ruddock**, *Managing Director, GV Media Group LTD/The Voice Newspaper*
 Mr. Samuel **Sandy**, *Consular Officer, High Commission for Grenada*
 Ms. Paulette **Simpson**, *Senior Manager, Corporate Affairs and Public Policy, Jamaica National UK Office*

Toronto, Canada Mission: August 19–20, 2015

Mr. Len **Carby**, *Paul A Barnett and Associates Inc.*

Ms. Karen **Cunningham**, *Cunningham Law Professional Corporation*

Ms. Kamala Jean **Gopice**, *Jamaican Canadian Assoc.*

Mr. Norman **Nelson**, *President, Hummingbird Financial Corp.*

Ms. Paulette **Senior**, *YWCA Canada*

Councilor Michael **Thompson**, *City Councillor; City Council of Toronto*

Mr. Anthony **Warner**, *Consulting Engineer, Virtual Engineers*



Annex X.

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Endnotes

1. Doing Business ranking is out of 189 Economies, Global Competitiveness Index (out of 144)/2015 Economic Freedom Index (out of 178): “The stock of emigrants as percentage of population is defined as the ratio of emigrants of a country to the population.”
2. The findings of the online survey were based on the responses of 636 respondents affiliated with each country in the Caribbean as well as inputs from face-to-face focus groups and individual interviews with more than 200 participants.
3. Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago.
4. The Bahamas, Barbados, and the Dominican Republic.
5. The Eastern Caribbean Currency Union is the common-currency framework for the OECS. The Eastern Caribbean dollar (EC\$) is issued by the Eastern Caribbean Central Bank (ECCB), which is the monetary authority of the OECS. It includes Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
6. World Bank, Youth Unemployment in the Caribbean, April 2014.
7. In addition to Jamaica, the IMF has guided Antigua and Barbuda, Belize, Grenada, and St. Kitts and Nevis in restructuring public debt.
8. <http://smefinanceforum.org/post/closing-the-sme-finance-gap>.
9. <http://caribbean.eclac.org/content/foreign-direct-investment-latin-america-and-caribbean-2013>.
10. We define the Caribbean Diaspora broadly as being the body of emigrants over the last few decades from the Caribbean region as well as their descendants who continue to nurture a cultural affinity with their “home” region.

11. Diaspora Investing: The Business and Investment Interests of the Caribbean Diaspora, infoDev, December 2013. The Caribbean region, in fact, is thought to have one of the largest net migration rates globally according to Hosein et al., *The Caribbean Diaspora—An Untapped Resource for Impacting Economic Development through Investments in the Caribbean*.
12. Migrants are persons who move to a country other than that of their usual residence for a period of at least one year, so that the country of destination effectively becomes their new country of usual residence (UNPD). The World Bank's 2011 Migration and Remittances Factbook indicates that 10 Caribbean countries were among the top source countries of migrants.
13. infoDev is a global trust fund program in the Financial and Private Sector Development Network of the World Bank Group. In 2013 it conducted a study to assess the business and investment interests of the Caribbean Diaspora as part of the Entrepreneurship Program for Innovation in the Caribbean (EPIC)—funded by the government of Canada—and in line with the World Bank's respective Caribbean Country Partnership Strategies, which emphasize the importance of igniting private-sector led growth. The study includes data gathered from a survey of 636 respondents affiliated with every country in the Caribbean. While respondents came from around the world, the Diaspora members were concentrated in four major cities: London, New York, Miami, and Toronto. The study, and its corresponding survey, sought to answer four key questions: (1) Who are the members of the Caribbean Diaspora? (2) How willing are they to engage with the Caribbean? (3) What is their financial ability to invest back home? and (4) What models could work to increase Diaspora investment?
14. The St. Lucia Diaspora Policy.
15. The proposals have reached shortlist stage, and at the time of interview were being evaluated. DBJ, partnering with roughly 10 institutional investors, is currently seeking to play anchor investor for three or four PE funds, with capital amounting up to 20 percent of each fund.
16. Figures in this section represent estimates from international sources. It must be noted that several of the four countries studied in the present document maintain their own estimates, which may differ significantly from external sources. Those estimates are provided in Section VI.
17. Includes first-generation immigrants, second-generation immigrants, and citizens who claim Caribbean heritage.
18. <http://www.statcan.gc.ca/pub/89-621-x/89-621-x2007007-eng.htm>.
19. infoDev, 5.
20. For reference purposes, approximately 7–8 percent of the total U.S. population classifies as accredited investors.
21. Citizenship by Investment (also known as economic citizenship) is the granting of citizenship status to an individual (and immediate family members) contingent upon a specified and quantifiable investment in the country. The normal grounds for the granting of citizenship is birth within a certain territory, descent from a parent who is a citizen, marriage to a citizen, and naturalization. Although residence is granted to investors and wealthy individuals in most countries, only a very few countries now have laws to grant citizenship by way of investment for economic considerations and without any lengthy residence requirements.

22. IOM, *A Study on Remittances and Investment Opportunities for Egyptian Migrants* (2010).
23. <http://www.caribbean360.com/business/fall-off-in-overseas-remittances-to-suriname>.
24. A total of 67 firms participated in the survey (a 32 percent response rate). The results show that most of the potential investors in Diasporic activity are from Guyana, Haiti, and Jamaica. Almost half of the respondents' firms are registered in the Caribbean, and most of them are young (less than five years) and micro (1–5) employees. Out of the 66 respondents who provided their country of birth, 43.3 percent listed Jamaica, and 9 percent listed each of Haiti, Trinidad and Tobago, and the United States. Then Canada and the United Kingdom were listed by 6 percent each. Just 3 percent said they were born in Barbados, and none listed St. Lucia. About 29 percent of respondents said their base of operations was in the Caribbean region exclusively, 31 percent said they were exclusively based outside the region, and 30 percent said they had operations based both inside and outside the region.
25. The operating definition of “qualified investors” used by Homestrings is the same as the “accredited investor” definition used by the SEC.
26. Investments by organizations with large cash reserves set aside for investment purposes (e.g., banks, finance companies, insurance companies, labor union funds, mutual funds, unit trusts, pension funds).
27. Banks that cater to investors based in the United States, Europe, and other regions.
28. Availability of data varies from country to country, year to year: Antigua and Barbuda (2012); Belize (2010); Dominica (2012); the Dominican Republic (2011 and 2013); Grenada (2009); Guyana (2012); Jamaica (2010, 2012, and 2013); St. Kitts and Nevis (2011); St. Lucia (2009 and 2012); St. Vincent and the Grenadines (2012); and Suriname (2012).
29. This entails allocating responsibilities for the various stages of preparation of PPP projects among government ministries and agencies. This includes project identification and PPP screening, appraisal and preparation, contract structuring and drafting, contract tender and signature, and contract management.
30. IADB, *Rethinking Reforms* (2013).
31. OECD, *Trends in Large Pension Fund Investment in Infrastructure* (2012).
32. *How Latin America Pension Funds Invest Their Assets* (2013).
33. infoDev.
34. HKS, *Where, How, and for Whom? Focusing Managerial and Financial Capital Support for SMEs* (May 2013).
35. As of July 2015 this includes HS Diaspora Bond—SEAF Macedonia II, Homestrings-Ovamba SME Lending Fund (Cameroon), SEAF Macedonia II Fund, Central Africa SME Fund, SEAF Caucasus Growth Fund LP, IL&FS Nucleus India Fund LLC, MCAP India Fund (MCIF), Fondo Investimento Privado Angola (FIPA), and Tara India Fund IV.
36. World Bank, *Vulnerability to Food Price Increases in LAC, 2011: A Preliminary Assessment* (Jan. 13, 2011), http://siteresources.worldbank.org/INTLAC/Resources/LAC_FoodCrisis.pdf.
37. infoDev.
38. Although the infoDev survey provides many insights in an otherwise limited field of research regarding the Caribbean Diaspora investment

environment, there is a reoccurring problem throughout it, to no fault of its architects, which is the large stratification of question response rates. For example, while 445 out of a possible 647 total participants responded to the question “Have you ever invested in a start-up or early stage company?” In the same study, 73 percent of respondents did not state whether they had funded a start-up in the Caribbean, which means these data leave some doubt as to the quantum of actual activity in these sectors. Additionally, the vast majority of the total respondents to the survey (65 percent) self-identified as members of the Jamaican Diaspora.

39. More information on the cost can be found in a 2012 report prepared by PricewaterhouseCoopers, http://www.pwc.com/en_us/us/transaction-services/publications/assets/pwc-cost-of-ipo.pdf.
40. An “accredited investor” is defined by the SEC as an individual whose net worth, or joint net worth with the person’s spouse, exceeds US\$1 million at the time of the purchase, or has assets under management of US\$1 million or above, excluding the value of their primary residence. An individual with income exceeding US\$200,000 in each of the two most recent years or joint income with a spouse exceeding US\$300,000 for those years and a reasonable expectation of the same income level in the current year.
41. PFICs are “pooled investments” registered outside of the United States. This most typically encompasses mutual funds but can include all kinds of financial products including hedge funds, insurance products and non-U.S. pension plans. It might even encompass a bank account if that account is a money market fund rather than just a straight deposit account because money market accounts are essentially short-maturity fixed-income mutual funds.
42. Canada does not have a securities regulatory authority at the federal government level, but instead regulates capital markets through laws and agencies established in the country’s 13 provinces and territories. The 13 regulators work together through the Canadian Securities Administrators to harmonize regulation through rules known as “national instruments.” Issuers can also rely on a “passport” system that allows them to deal directly with just one or two regulators. The majority of provincial securities commissions operate under the passport system, so the processes for registration, prospectus review, and exempted relief applications are generally harmonized. The federal government and the provinces of British Columbia, Ontario, New Brunswick, Saskatchewan, and Prince Edward Island are currently pursuing a cooperative capital markets regulatory system.
43. This report is prepared off-site, and an estimate of performing a public offering and maintaining the status has not been found.
44. An individual “accredited investor” is an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds US\$1,000,000, or an individual whose net income before taxes exceeded US\$200,000 in each of the two most recent calendar years, or whose net income before taxes combined with that of a spouse exceeded US\$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year, or an individual who, either alone or with a spouse, has net assets of at least US\$5,000,000.
45. An “eligible investor” is either certain companies or an individual whose (1) net assets, alone or with a spouse, in the case of an individual exceed US\$400,000, (2) net income before taxes exceeded US\$75,000 in each of the two most recent calendar years and who

- reasonably expects to exceed that income level in the current calendar year, or (3) net income before taxes, alone or with a spouse, in the case of an individual, exceeded US\$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year.
46. Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading.
 47. It could not be conducted when writing this report because it was prepared off-site.
 48. The European Union does not use the term “accredited investors” but rather “qualified investors” in the Prospectus Directive and “Professional Client” in the MiFID directive (Directive 2004/39/EC). Qualified investors and professional clients include (1) a client that has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters; (2) a client whose financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds €500,000; and (3) a client that works or has worked in the financial sector for at least one year in a professional position that requires knowledge of the transactions or services envisaged.
 49. The United Kingdom’s interest deduction rules have been amended to introduce a “worldwide debt cap” for international groups of companies. This is designed to restrict the tax relief available to U.K. members of a worldwide group on their finance expense by reference to the external consolidated finance costs incurred by the group as a whole. There is, however, an important exemption for the financial services sector. The debt cap rules do not apply to a group that is a “qualifying financial services group.” This exception is designed for banks, insurance companies, and other financial institutions.
 50. That is, Rule of Law (i.e., property rights, freedom from corruption); Limited Government (i.e., fiscal freedom, government spending); Regulatory Efficiency (i.e., business freedom, labor freedom, monetary freedom); and Open Markets (i.e., trade freedom, investment freedom, financial freedom).
 51. <http://barbadosnetwork.foreign.gov.bb>.
 52. For example, the precedent for success through online Diaspora bond offerings has already been set by Homestrings, which has successfully facilitated funding for a number of bond issuers in Africa, such as the Dakar Municipal Bond, the Federal Republic of Nigeria Finance Bonds (Naira), and the SPP Chad Petroleum Finance Bond. Homestrings continues to offer a bevy of public and private Diaspora bonds in domestic and foreign currencies, including bonds set to fund everything from general public debt to hospital and hotel construction and renewable energy development.
 53. World Bank, Development Finance via Diaspora Bonds: Track Record and Potential.
 54. <http://blogs.worldbank.org/peoplemove/ethiopia's-new-Diaspora-bond-will-it-be-successful-this-time>.
 55. CARIFORUM is a subgroup of the African, Caribbean, and Pacific group of states established in 1992 to serve as the basis of economic cooperation with the European Union. It includes all 15 Caribbean nations, as well as the Dominican Republic.
 56. Bitcoin is a cryptocurrency hosted on a decentralized and open public ledger and powered by a community of “miners” that process mathematical encryption algorithms to generate new currency units, verify all transactions, and update the ledger. Miners are incentivized to process new snapshots of the public ledger, known as blocks, through the award of new

- bitcoin or the provision of fees. The systematic and repeated capturing of blocks is known as a “blockchain.” In addition to accounting for cryptocurrency units, blocks can also contain embedded information such as a bill of sale.
57. Barbados Stock Exchange, <http://www.bse.com.bb/about-market/registered-brokers>.
 58. <http://www.jnbs.com/jamaican-Diaspora-foundation-and-jamaica-Diaspora-institute>.
 59. Migration Policy Institute.
 60. Ibid.
 61. More information on accredited investor standards is located in the Legal and Regulatory Drivers and Impediments section.
 62. <https://www.finance.gov.lc/departments/view/62>.
 63. IMF.
 64. Ibid.
 65. Reis.
 66. Moody’s Investor Services.
 67. Dr. Michele Reis interview.
 68. Migration Policy Institute.
 69. IMF.
 70. https://www.kickstarter.com/projects/258315988/doubles-with-slight-pepper?ref=nav_search.
 71. www.kickstarter.com/help/stats.
 72. <http://www.forbes.com/sites/chancebarnett/2013/09/09/donation-based-crowdfunding-sites-kickstarter-vs-indiegogo/>.
 73. Investments by organizations with large cash reserves set aside for investment purposes (e.g., banks, finance companies, insurance companies, labor union funds, mutual funds, unit trusts, pension funds).
 74. <http://washpost.bloomberg.com/Story?docId=1376-NFKEC46TTDSL01-526H7DM6GPHIDOPPIOES7GSM80>.
 75. With Portland Investment Fund.
 76. IRRs on these investments are currently not known.
 77. The Fiscal Incentives may be discontinued in 2015 based on WTO rules.
 78. Although Jamaica ranks well among its regional peers in areas such as starting a business and registering property, in the World Bank Doing Business Report, Jamaica slid from 91st in 2013 to 94th in 2014. Jamaica ranks lower than regional countries such as St. Lucia (64) and Trinidad and Tobago (66), but ahead of St. Kitts and Nevis (101) and the Dominican Republic (117). Jamaica also underperformed in the areas of paying taxes, enforcing contracts, and getting electricity.
 79. IOM, Developing a Road Map for Engaging Diasporas in Development; World Bank, Development Finance via Diaspora Bonds: Track Record and Potential.

