



Institute of Chartered
Accountants of the
Caribbean (ICAC)

**29th Annual Caribbean
Conference**

Pioneering the Future amidst Economic Crisis

Third to First – Going the Distance

R. William Phelps, CPA, CFE
CARANA Corporation

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My presentation will focus on:

- ✓ **Economic development**
- ✓ **Caribbean Nations' "Balance Sheet"**
- ✓ **Global competitiveness – Opportunities**
- ✓ **Role of human capital – the way forward**

* With a bit of accountancy thrown in



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Development Through the Eyes of Accounting

Development is building net worth!

Increase in net worth

=

Increase in Standard of Living



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Macro View of Development

Last 60 yrs – a world view

- ✓ Average real incomes rose by at least 50% in all regions of the world
- ✓ Extreme poverty fell dramatically
- ✓ Life expectancy rose by 50%
- ✓ Measures of quality of life showed dramatic increase –literacy, nutrition, access to water and electricity



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Last 10 years of global *economic* development focused on:

- ✓ Improved enterprise growth & competitiveness
- ✓ Better governed financial systems
- ✓ Enhanced business enabling environments
- ✓ Increased trade capacity



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Next 5 years for global *economic* growth initiatives

- ✓ Strengthening entrepreneurship
- ✓ Accelerate innovation (technology)
- ✓ Mitigate harmful effects of climate change
- ✓ Improve food security – greater investment in agriculture technology
- ✓ Improved public financial management



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“Management Discussion and Analysis”

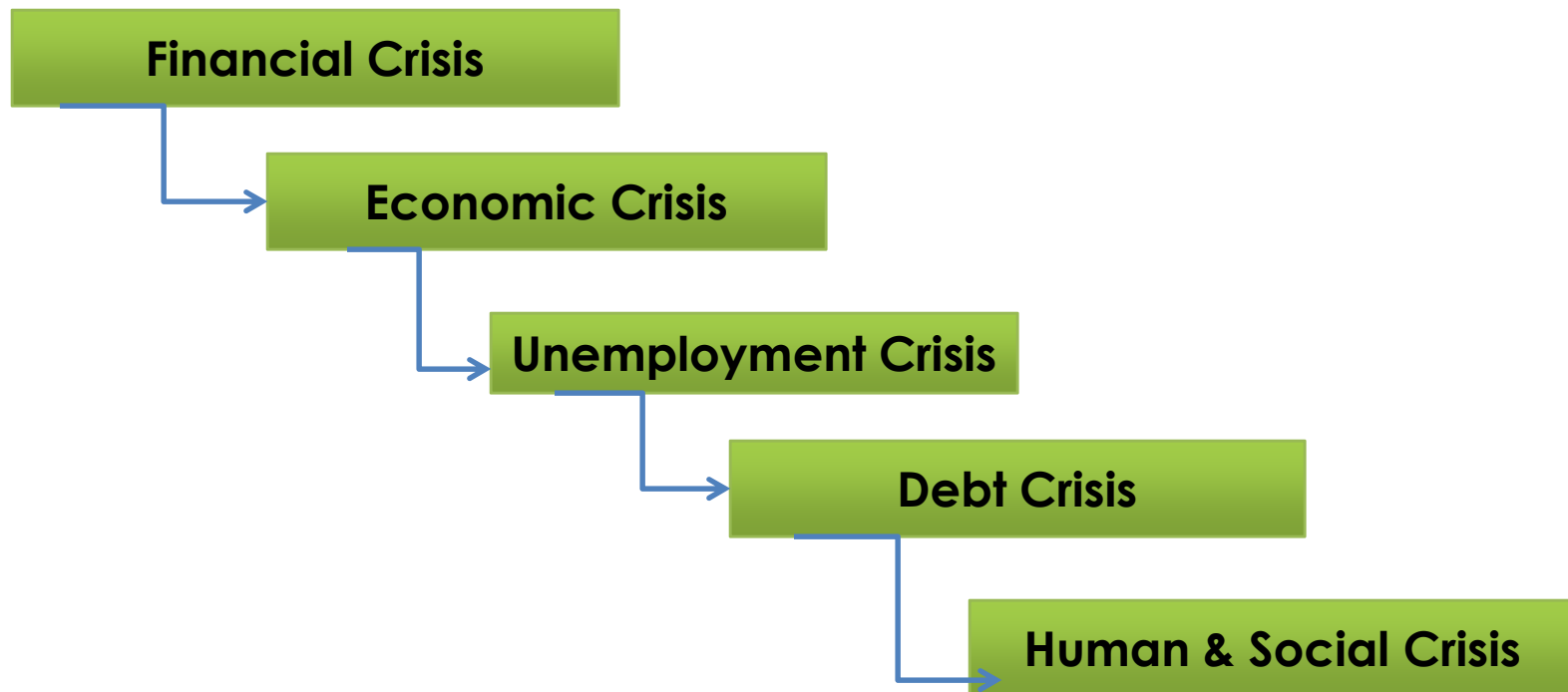
“The Caribbean region is at a development crossroads and its member nations must take significant and concrete steps to improve productivity and competitiveness and face up to more global competition if they are to accelerate or even maintain past growth”

*World Bank, “A Time to Choose Caribbean Development in the 21th Century” 2005



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A Look at the “economic” crisis





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What then is the current statement of condition of the Caribbean Nations? Post Economic Crisis

The Balance Sheet

*Unaudited



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Assets	Liabilities
Tourism	Global competition
Universal Primary Education	Unemployment/Youth
Natural Resources/Agriculture	Government Debt
Democratic tradition/political stability	
Foreign Direct Investment	
Athletics	Net Worth



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Tourism

✓ *Current Balance*

- Strong
- Some decline (market share of international arrivals decreasing -.91% in 1990 to .69% in 2005)

✓ *Medium Term*

(*Buy-Hold-Sell*)

Threats

- Increase demand for adventure, ecotourism, cultural tourism, spa and wellness
- Crime
- World competition

Opportunities

- Strong tradition and infrastructure
- Trained Workforce



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Universal Primary Education

- ✓ **Current balance**
 - Strong (on average, spend almost 6.5% of GDP on education)
 - High levels of English language

✓ Medium Term

(Buy-*Hold*-Sell)

Threats

- High country debt service costs
- Not “universal” coverage at higher education levels
- Accelerate workforce development
- High level of spending is not commensurate with education outcomes

Opportunities

- Offshore higher education services
- ICT
- Health services



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Nature Resources- Agriculture

- ✓ **Current Balance**
 - Weak
 - Agriculture declining-
over last 10 years

- ✓ **Medium Term**

Buy -Hold –**Sell**

Threats

- Free trade and elimination
(reduction) in preferences
for bananas and sugar

Opportunities

- Feed the future- world
demand for food
- Fish, fishery products,
processed food



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Democratic Tradition & Political Stability

- ✓ **Current Balance**
 - **Generally Strong**

- ✓ **Medium Term**

Buy- *Hold*- Sell

Threats

- **Entrenched interests & barriers to change status quo**
- **High debt**
- **Poverty**
- **Lower infrastructure spending**

Opportunities

- **Regional integration**
- **Enlightened leadership**



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Foreign Direct Investment

✓ Current Balance

- Declining

✓ Medium Term

Buy *Hold?* Sell

Threats

- Accelerated global flow of capital to high productivity countries/regions
- Significant competition
 - Trade preferences eroding
 - Tourism reaching mature stage
 - Challenges of crime, etc
 - (FDI to GDP was 3.7 times the world average in 1990-94, 1.9 times 2000-2005)

Opportunities

- Logistics hub with Panama Canal expansion



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Athletics – Track and Field

✓ **Current Balance**
➤ **Very Strong**

✓ **Medium Term**

Buy-Hold-Sell

Threats

➤ **Chinese ascendancy**

Opportunities

➤ **Diversify within track & field beyond runners/sprinters**



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Treats

- Slow regional integration (labor mobility, open trade, joint investment promotion, regulatory cooperation, etc)
- Slow in building skills for knowledge-driven growth
- Infrastructure requires greater investment

Opportunities

Public/Private Investment

Global competition

✓ Current Balance

- Losing competitive positions
- According to World Economic Forum's "The Competitiveness Report 2007-2008" 4 Caribbean countries listed and all declined in 07-08 from 06-07
- 9 of Caribbean countries ranked in top 50% in WBs Doing Business index in 2008

✓ Medium Term

(Buy, *Hold*,? Sell)



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Threats

- Relatively high wages hurt competitiveness
- Intra region migration
- Average education level lower
- Sector shift- agriculture to service (differing skills)
- 75% to 90% of jobs are in mid-low level occupations
- Extensive labor regulations

Opportunities

- Universal higher education

Unemployment (Youth)

- ✓ **Current Balance**
 - Too High
 - Future global competition will require sustainable increases in labor productivity
- ✓ **Medium Term**
Buy *Hold?* Sell



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Threats

- Negative international media on debt
- High government debt is difficult to reduce since it is self-reinforcing because of higher interest cost
- Informal economic and lost tax revenue

Opportunities

- Tax reform
- Increased GDP

Government Debt

- ✓ **Current Balance**
 - Too High
 - Almost 100% of GDP
- ✓ **Medium Term**
 - Buy Hold **Sell**



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Regional Income Statement – A vision of the region post economic crisis

How does the Caribbean Region build on its assets, reduce the liabilities and build net worth?

What would a strategic “business plan” look like?



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- ✓ **What is the market?**
- ✓ **What is the size of the market?**
- ✓ **Is the market attractive?**
- ✓ **What is the competition?**



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What is the market?

- ✓ **Entrepreneurship—Small/medium enterprises**
- ✓ **Innovation (technology)**
- ✓ **Environment- climate change/sustainable planet**
- ✓ **Improving food security – more food/better food**
- ✓ **Health services**



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What is the size of the Market?

- ✓ Annual world wide growth in GDP is expected at 2-5% over the next 10 years
- ✓ Innovation (technology), services, and food is expected to increase greater than 5%

The market is very large



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Is the Market Attractive?

- ✓ The market is attractive because it is the path to achieve “first world status”—
 - Technology drives productivity
 - Sustainable planet/climate change etc. is an imperative
 - World growth driving the consummation of food

Not to be in the market is not a real choice



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What is the competition?

Global business

- ✓ Measure it against the “Doing Business” indicators:
 - Starting a business
 - Dealing with licenses
 - Employing workers
 - Registering property
 - Getting credit
 - Protecting investors
 - Paying taxes
 - Trading across borders
 - Enforcing contracts
 - Closing a business



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What resources are needed?

What reforms are needed?

**Look at our Balance Sheet—how do we
reduce our liabilities?**

- ✓ **Increase productivity/competitiveness**
- ✓ **More jobs**
- ✓ **Reduce government debt**



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The Critical Input to :

- ✓ **Increase productivity /competitiveness**
- ✓ **More jobs**
- ✓ **Reduce government debt**

Enhancing the skill base of the workforce

How do we get there?



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Invest in Human Capital

One definition is the average years of schooling of the labor force

Technological progress (productivity) is related to the level of education or human capital



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Put another way:

- ✓ **An *educated* labor force is better at:**
 - **creating, implementing and adopting new technologies**
 - **increasing the capacity to innovate**
- ✓ **Higher productivity follows**

Note that a country/region needs both physical and human capital as factors of production



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**Now to the bottom line- the transformation
of the Region**

Invest in people!

- ✓ **Secondary and higher education**
- ✓ **Continuing professional development**
- ✓ **Work force retraining**



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Investing in people (increasing human capital) requires:

- ✓ **Public/ private cooperation**
 - **Government together with business**
 - **Schools together with parents**
 - **Parents and government together with NGOs**
 - **Leverage the private sector role**

- ✓ **Realignment of priorities**
 - **Government spending**
 - **Increased tax revenue**
 - **Regional cooperation on migration**
 - **Align with emerging opportunities**



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Emerging Opportunities

✓ Services

- Caribbean can leverage its geographic location, largely English speaking population, natural beauty and rich culture
- ICT services and ICT-enabled products and services
- Higher-end tourism
- Offshore education
- Health services
- Logistics hub

(note that relatively small countries like Singapore, Cyprus even Ireland are dramatic illustrations of service competitiveness)



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Let me make a pitch for strong support for the private sector:

A vibrant private sector is key to economic growth and job creation.

- ✓ **Support it with appropriate enabling environment**
 - **Provide access to affordable capital**
 - **Improved infrastructure**
 - **Quality business regulation**



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Last but not least-

**The role of accountancy in economic
development**

*Integral to sustained economic growth is a
trusted, reliable financial architecture
and integral to this architecture is an
accountancy infrastructure that serves
the public interest.*

Enough said!



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Thank you!

The best of luck in the 2012 London Olympics!

Side note in the 2008 Olympics for the 100 meter final all participants were either Caribbean or USA

R. William Phelps, CPA, CFE bphelps@carana.com