Region still suffering from COVID impact, says OECD, IDB report

Economist Dr Jamelia Harris

Caribbean Development Dynamics 2026

Investing in Sustainable and Resilient Development

Below-average labour productivity, increasing debt ratios following the COVID-19 pandemic and limited foreign direct investment have severely impacted growth in the Caribbean.

These were just some of the key findings in the report Caribbean

Development Dynamics 2026: Investing in Sustainable and Resilient Development, published under the responsibility of the Secretary-General of the Organisation for Economic Co-operation and Development (OECD) and the Inter-American Development Bank (IDB).

The report focuses its analysis on key development trends in the Caribbean and looks at 16 countries: Antigua and Barbuda, Barbados, The Bahamas, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, and Trinidad and Tobago. The report notes the countries had different levels of data availability.

The report noted that apart from specific periods in certain countries, the Caribbean's average labour productivity during the last three decades stagnated at less than half of OECD levels (42.5 per cent) but above the Latin American average (36.4 per cent of OECD levels). T&T was among the countries that stood out in this group.

The report said, "The region's performance varied widely across countries compared to the OECD level. While Haiti was the least productive economy throughout the period, the most productive economies alternated between The Bahamas (1991-2007 and 2009), T&T (2008 and 2010-2020), and Guyana (since 2021)."

These developments, however, faced the hurdle of high public debt levels in many Caribbean economies, with Trinidad and Tobago among the countries where the debt-to-GDP ratio skyrocketed during the COVID-19 pandemic.

The report said, "The limited fiscal space in the Caribbean is directly related to elevated public debt levels. In 2024, central government debt averaged 68.6 per cent of GDP – up from 64.7 per cent in 2014 (Figure 1.3). Public debt stood at 14.5 percentage points above the average in Latin America in 2024, at 54.1 per cent. The lowest debt-to-GDP ratios were observed in the Dominican Republic (35.3 per cent), Guyana (24.3 per cent) and Haiti (14.9 per cent)."

The report continued, "The COVID-19 pandemic sharply increased debt ratios across most Caribbean economies. Between 2012 and 2019, the region's average debt-to-GDP ratio stood at around 68 per cent. Before the pandemic, The Bahamas, Guyana and St Lucia maintained ratios below 70 per cent, while Jamaica, Barbados and Grenada exceeded 100 per cent.

The regional average surged from 69 per cent in 2019 to 96 per cent in 2020, reflecting the severe fiscal impact of the crisis.

Suriname and T&T, for example, saw their public debt increase importantly between 2014 and 2024."

However, the publication noted that Jamaica, Grenada, Barbados and Guyana achieved notable fiscal consolidation, with Jamaica's approach being particularly instructive.

It said with regard to that, "Through persistent primary budget surpluses and coordinated burden-sharing agreements with creditors, the country reduced its debt-to- GDP ratio from 140.3 per cent to 69.9 per cent in a single decade."

When contacted about the report's findings, University of Warwick economist Dr Jamelia Harris noted that labour productivity and the debt-to-GDP ratios are both directly linked to or measured by GDP.

She explained, "Labour productivity = GDP/employed persons and debt to GD- P=total public debt/GDP. So if GDP grows at a slower rate than the other variables, the ratio will change. And this is what we have seen. According to the report, growth is still positive, but trending downwards on average. If debt stocks grow faster than GDP does, the debt-to-GDP ratio will increase, which is what has been happening."

She said the assessment concerning the measurement of labour was a bit "more complex".

"The labour productivity measure is a bit more complex because it also takes into account persons employed, and employment is affected by many factors. The employment to population declined during Covid and recovered after. It is relatively low (57 per cent), but job creation is often limited by our small size/small economies.

This is one of the reasons why we see skilled workers emigrate; they cannot find jobs locally," said Harris.

The report noted that Hurricane Melissa did significant damage to the good workdone by Jamaica, as it stated, "The impact of Hurricane Melissa (October 2025) was estimated at US$12.2 billion in Jamaica, representing 56.7 per cent of the country's GDP."

The report also noted that the Caribbean faces complex environmental and socio-economic challenges as the region is increasingly exposed to climate hazards despite contributing minimally to global greenhouse gas emissions.

It was noted that many countries in the Caribbean are advancing climate-resilient infrastructure across key sectors.' The report said, "National adaptation plans (NAPs) can play a central role in prioritising and guiding investments in resilient infrastructure across the Caribbean.

Several Caribbean countries have submitted NAPs under the United Nations Framework Convention on Climate Change, including Antigua and Barbuda (2024 and 2025), Grenada (2019 and 2025), Haiti (2023), St Lucia (2018), St Vincent and the Grenadines (2019), Suriname (2020), and T&T (2023 and 2024). St Lucia and Grenada have developed sectoral adaptation plans."

FDI still key

However, the report stressed that foreign direct investment is a key source of finance for these plans as well as sustainable development in the Caribbean.

The report said, "Building resilient and sustainable development is a strategic imperative for the Caribbean, a region where infrastructure gaps remain large, and vulnerability to climate hazards is high. Advancing in this direction will require large investments, not only as a defensive measure, but also for protecting livelihoods, preserving natural assets and sustaining long-term development. Aligning investments with the Caribbean's comparative advantages and its natural capital, embedding sustainability at the core of economictransformation, is equally important."

The publication stated, however, that the Caribbean was in need of new investment to achieve modern goals within the region.

"Greenfield FDI can play a particularly relevant role in advancing digital transformation, supporting manufacturing activities and promoting renewable energy in the Caribbean. Between 2014 and 2024, greenfield FDI in digital services in the region reached US$3 billion. This accounted for a significant share of total greenfield FDI in several Caribbean countries, notably Dominica (61 per cent), T&T (53 per cent) and Suriname (44 per cent). Over the same period, the region attracted US$5 billion in renewable energy projects, accounting for a significant share of FDI in Suriname (50 per cent), Barbados (45 per cent) and the Dominican Republic (24 per cent)," the report

read.

“Greenfield FDI in renewable energy in LAC is positively associated with both the expansion of clean energy supply and the transformation of energy matrices in recipient countries. While services are central to most Caribbean economies, niche manufacturing has emerged in some countries to drive diversification and attract foreign investment. This includes pharmaceuticals, chemicals, and light manufacturing such as food products and textiles.”

Dr Harris said the statistics in the report showed that T&T had seen less foreign direct investment.

She said, “An interesting thing to note is that T&T had negative net FDI as a percentage of GDP (-4 per cent) in 2024. This means that on balance, more investment left T&T than came in.”

She said the need for greater foreign direct investment was also reflective of the limited and dwindling revenues seen by Caricom nations recently.

“On FDI, investment can come from the government, local private sector or foreign (FDI). With increasing public debt and some countries seeing falling government revenues, fiscal space for public sector investment is constrained. Our domestic markets are small, and because of this, local private sector investment is constrained too. This is why FDI becomes important,” said the economist.

“The OECD report therefore encourages FDI as a key source of finance for sustainable development. This, of course, needs to be balanced. Tax concessions are usually used to attract FDI, but this needs to be balanced with ensuring a fair deal is achieved for the country.”

While successive T&T governments have been criticised for their tax policies and extensive reliance on tax, the report stated, “Tax revenues are a crucial source of development finance in the Caribbean, yet collection levels remain comparatively low, with strong cross-country heterogeneity and a persistent reliance on indirect taxes.”

The economist stated the data presented on tax structure was “interesting.”

Dr Harris said, “Tax as a share of GDP varies significantly across the region, but, on average, is much lower than the OECD average. It’s also slightly

below Latin America and other SIDS. Personal income tax as a share of GDP is relatively low, which distinguishes the region from more developed countries."