



The CARILED Program is:

- Stimulating local economic development (LED) through the growth of the MSME sector
- Strengthening competencies/capacities of local governments or local agencies of central government in several Caribbean counties
- Supporting 50 local governments/agencies to implement LED initiatives with up to 500 MSMEs in seven countries

- Focusing on three OECS countries: Dominica, Grenada and Saint Lucia
- Replicating/sharing lessons, approaches and practices learnt for LED to inform & improve existing country-based policies, regulations and programs in the field

- Creating new tools and management models that will be disseminated throughout the entire Commonwealth Caribbean region

Key Features of MSME Sector in the OECS

- 75% of MSMEs in OECS unincorporated — can be considered small relative to all indicators, remaining mainly traditional family-owned businesses
- Concessionary financing relatively high, as well as production costs caused by imported inputs, energy, and uncompetitive wages
- Extremely small domestic markets — limited demand, compounded by the openness of markets to cheap imports, especially from China
- Absence of creativity — tends to be “copy-cattin”, with emphasis on vending for subsistence rather than investment, growth and employment creation

CONTEXT FOR LED IN OECS

OECS was established in 1981 under the Treaty of Basseterre — it counts 7 full members: Antigua/Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Christopher (St Kitts)/Nevis, Saint Lucia and St. Vincent and the Grenadines, and 2 associate members — Anguilla and British Virgin Islands.

The **Treaty of Basseterre**, establishing the OECS Economic Union, provides for:

- Free movement of capital, labour, goods and services, and
- Development of a number of common policies/areas for joint action including tourism and several linked sectors, e.g., transport and civil aviation, environmental sustainability, agriculture and education

Antigua — Barbuda: no local government, limited autonomy for ward island — Barbuda Council

Commonwealth of Dominica: history of elected local town/village councils

Grenada, Carriacou & Petite Martinique: constitutional provision for local government but never implemented. Fresh attempt beginning with autonomy for Carriacou/Petite Martinique

Montserrat: small size and migration of 50% of population makes LG not feasible. Strong civil/community spirit exists

St. Christopher/Nevis: Federal system of government with full autonomy for junior partner Nevis — fully elected Nevis Island Assembly

Saint Lucia: elected local government system abolished in 1979, though nominated system continued to this day. New legislation to re-introduce elections for LG

St. Vincent & The Grenadines: various status of ward islands, including private ownership, semi-autonomous; as well as strong local community councils

Anguilla and British Virgin Islands (Associate members): no local government in the small British overseas territories

Main Sources of Revenues for Local Governments

Generally Local Governments (LG) have no independent sources of revenue. They rely almost exclusively on annual budgetary allocations from central government which themselves have serious financial limitations. The situation in the three demonstration countries is somewhat similar:

- **Dominica:** local town and village councils receive funds from, a) central government subvention for administration and road maintenance, b) a proportion of the house tax collected within their towns/villages (this however very small given the rural and dispersed nature of the population), and c) fund raising.
- **Grenada:** the ministry of Carriacou/Petite Martinique is full-fledged ministry responsible for running the affairs of the ward islands and as such it is adequately staffed and receives an annual allocation from the budget approved by central government.
- **Saint Lucia:** Local Government authorities are completely dependent on annual subventions from central government. There is however a new proposal in the April 2012 budget to allocate an agreed proportion of the property tax collected by councils to be retained for their own use. This policy has not been implemented to date.



LED is not currently part of Local Governments' role in countries of the OECS. The idea of local economic development being championed and supported by local authorities is a novel one. The role of local governments has hitherto been confined to sanitation, basic road maintenance and community mobilisation as part of the disaster mitigation effort. The CARILED approach offers a welcome departure and it is expected that the success and lessons of the demonstration projects will lead to mainstreaming of the LED policy throughout the system.

KEY CHALLENGES FOR LOCAL GOVERNMENTS IN DOING LED

■ **CHALLENGE 1: Vulnerable to external shocks such as natural disasters**



■ **CHALLENGE 2: Limited opportunities for diversification**

■ **CHALLENGE 3: High cost of public service due to diseconomies of scale**

■ **CHALLENGE 4: Limited capacity in public and private sectors**

A GOOD PRACTICE / SUCCESS STORY TO LEARN FROM

(1) SUPPORTING FUNCTIONS OF LOCAL AUTHORITIES IN DEVELOPING LED:

Stimulate the growth and expansion of local MSMEs by:

- Building awareness and understanding of LED as a development strategy
- Enhancing the collaborative planning capacity, resulting in cross-sectoral planning for LED
- Providing LED-related services supportive of MSMEs
- Increasing recognition of the role of local authorities by central government in promoting and supporting development
- Advocate/lobby for changes to local policies, regulations and practices leading to:
 - Define specific mandates and authority for local authorities
 - Expanded revenue generation authority with financial accountability

(2) DEFINING THE ROLE OF THE TECHNICAL ADVISORY COMMITTEE (TAC):

The CARILED Project will be guided in its progress by a multi-stakeholder National Technical Advisory Committee (TAC):

- Provide oversight & guidelines for the management and implementation of the project.
- Facilitate the participation and solicit the input of relevant agencies (private/public sectors, as well as local communities) in project implementation.
- Assist with reviewing project documents such as TORs for project design consultants' CV and reports
- Assist in identifying additional resources, both financial and human, to augment the existing sources
- Review progress and work plans and evaluate the impact of the project.
- Assist with the dissemination of project findings and lessons learnt.