TRADE AND INVESTMENT OPPORTUNITIES IN INFRASTRUCTURE AND UTILITIES IN THE CARIFORUM REGION UNDER THE ECONOMIC PARTNERSHIP AGREEMENT WITH THE EUROPEAN UNION

PROFITABLE VENTURES: INVESTING IN THE CARIFORUM INFRASTRUCTURE AND UTILITIES SECTORS

The Caribbean Forum (CARIFORUM) is a strategic region with diverse economies that present significant investment opportunities in the infrastructure and utilities sector. EU Investors can tap into opportunities estimated at USD 10 billion for new infrastructure and USD 9.5 billion for maintenance and asset replacement needed to meet the Sustainable Development Goals across the Caribbean region. Key sectors in need of investments are road infrastructure, water and sanitation and energy. These sectors are also fundamental for propelling economic growth and enhancing the region’s competitiveness.

EU Investors, traders and firms can take advantage of the CARIFORUM-EU Economic Partnership Agreement (EPA) signed in 2008. The EPA enhances market access through reduced tariffs and increased openness to EU commercial presence and investment. EU firms can also benefit from an improved regulatory environment, especially as the EPA promotes a transparent and competitive tendering process.

THE KEY SECTORS IN FIGURES

The table below shows the key statistics on the level of development of the three sub-sectors that offer interesting opportunities for EU companies.

<table>
<thead>
<tr>
<th>Country</th>
<th>Paved roads (%)</th>
<th>Population using basic water services (%)</th>
<th>Population using basic sanitation services (%)</th>
<th>Transmission and distribution losses (%)</th>
<th>Installed Capacity in MW (2020)</th>
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<tr>
<td>Antigua and Barbuda (2022)</td>
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<td>97.4</td>
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<td>Bahamas (2019)</td>
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<td>Belize (2022)</td>
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<td>Grenada (2017)</td>
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<td>95.0</td>
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<td>90.0</td>
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<td>Trinidad and Tobago (2022)</td>
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<td>93.9</td>
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*Year in brackets represents the year for which water and sanitation data was available

**ROAD INFRASTRUCTURE**

Barbados has the most developed road infrastructure within the region, with 100% paved roads across the country. Other countries with good road connectivity include Grenada, Jamaica, and St Lucia, with over 70% paved roads. On the other hand, Guyana is the country with the lowest percentage of paved roads, with only 20% of its roads being paved. Regarding the quality of the roads, only 22% of the inventoried country roads are in good condition, 44% are in fair condition, and 34% are in poor or very poor condition, reflecting opportunities for investment.

**WATER**

Water coverage at the country level is almost universal across CARIFORUM members, with all countries in the region serving at least basic water services to more than 98% of their respective populations. However, continuous access to water is rare. Piped water coverage in Belize, Guyana, Jamaica, and Suriname is below the Latin American and Caribbean (LAC) average of 89%.

**SANITATION**

The region’s wastewater system coverage through centralised pipes is relatively low, with an average coverage of only about 9%. The majority of state-owned water utilities recover less than 20% of wastewater produced. Most wastewater collection and treatment are limited outside of state-owned water utilities.

**ENERGY GRIDS**

Although CARIFORUM countries have, on average, over 90% electrification rates, the reliability of the power supply is a significant challenge in several countries. The use of expensive off-grid sources is common to avoid utility problems. To ensure universal access to power services by 2030, the LAC region will need to invest USD 25.4 billion in new infrastructure.

**BUSINESS PROSPECTS: KEY OPPORTUNITIES FOR EUROPEAN COUNTRIES**

**CLOSING THE INFRASTRUCTURE GAP**

European businesses can help to address the infrastructure gap in the region. In most CARIFORUM countries, the current state of roads, water and sanitation, and electricity provision require significant improvements to be at par with international standards and support economic development. Some of the specific opportunities across the different sectors are:

- **Regional**
  
  In 2017, Central America and the Caribbean region announced plans to invest USD 3.3 billion in smart grid infrastructure over the next ten years to solve issues including high electricity losses due to theft and difficulties integrating renewable energy into the grid.

- **Dominican Republic**
  
  It is estimated that an investment of approximately USD 400 million will be required for the construction of the Ambar Highway, which will connect the provinces of Santiago and Puerto Plata. Further details can be obtained from the [General Directorate of Public-Private Partnerships’ website](https://dgapp.gob.do/banco-de-proyectos/en/proyecto/ambar-highway/).

- **Guyana**
  
  To further access to treated pipe-borne water to its citizens, [Guyana Water Incorporated](https://guyanawaterinc.com/) has been contracting international suppliers through bidding to implement its Coastal Water Treatment Infrastructure Programme 2021-2025, which endeavours, among others, to provide 90% treated water access to its coastal region.

- **Jamaica**
  
  The $40 billion Shared Prosperity through Accelerated Improvement to our Road Network (SPARK) project aims at modernising more than 2000 roads across the island. There are several opportunities to submit bids for road rehabilitation works. These opportunities can be accessed on the [National Works Agency website](https://www.nwa.gov.jm/tenders-archive).
Given the region’s vulnerability to climate change, there are significant opportunities for European businesses to contribute to the mainstreaming of climate resilience in road, water and sanitation, and energy infrastructure in the CARIFORUM. Every year, the region is faced with extreme climate events that lead to substantial damage to the road transport infrastructure and shorten the life expectancy of essential infrastructure assets. Some of the specific opportunities across the different sectors are:

**BUILDING CLIMATE RESILIENT INFRASTRUCTURE**

In 2022, the Government of St. Kitts and Nevis announced that over the next ten years, the Federation would invest close to USD 75 million to improve water services, including drilling wells, desalination plants, upgrading pipelines, improving reservoirs and the adoption of modern technology to improve efficiency.

**Regional**

In 2021, the Caribbean Community Climate Change Centre (CCCCC) launched a stakeholders-driven initiative, executed by the French Sofreco, to develop regional standard operating procedures to guide and coordinate national water utilities to improve the resilience to climate change and natural disasters. This initiative is expected to lead to business opportunities.

**Barbados**

In 2022, the Ministry of Transport, Works and Water Resources of Barbados announced a series of road infrastructure resilience projects valued at USD 430 million. These projects include road rehabilitation, enhanced drainage systems, bridges and culverts, and improved road connectivity across the island as well as the integration of digital transport planning and asset management systems and improved road maintenance methodologies for better financial and technical efficiency.

**Bahamas**

The country has an active Water Supply Improvement Project valued at USD 42 million with the Caribbean Development Bank. The project seeks to improve the climate-resilient water supply systems and operational performance of the Water and Sewerage Corporation and enhance the capacity for climate change adaptation and mitigation.

**Suriname**

A USD 30 million loan arrangement, signed by the Inter-American Development Bank and the Surinamese Ministry of Finance and Planning in 2020, will be used to improve the institutional and regulatory framework related to energy, digitalise and modernise the electric grid, upgrade vital infrastructure, diversify the energy matrix, and increase energy access in rural areas.

**Jamaica**

Over USD 1.06 billion investment is foreseen in the water and sanitation sector in Jamaica with several projects aimed at climate change mitigation and adaptation as well as building climate resilience. Examples include the Negril Water Supply Improvement Project, the Island-wide Non-Revenue Water Reduction Programme, the Sopaberry Wastewater Treatment Plant as well as the rehabilitation of several wastewater plants throughout the country.

**INFRASTRUCTURAL DEVELOPMENT IS CRUCIAL TO TOURISM AND AGRICULTURE**

In relation to the tourism and agriculture industries, the CARIFORUM region holds significant opportunities for private sector involvement in the water and sanitation and energy sectors. The tourism sector, which contributes about 13.7% to the GDP of the region, has increasing prospects for private infrastructure development projects whose value will only positively appreciate over time. Similarly, the agriculture sector, which is heavily infrastructure reliant, also holds development potential, which can encourage agri-business firms to use the region as an innovation ground for developing new technologies. Specific examples include (but are not limited to):
Increased Market Access:
Through the EPA, CARIFORUM countries have agreed to open between 65% to 75% of their service sectors. EU firms are given access to CARIFORUM states through the establishment of commercial presence or investment. EU firms are accorded national treatment, implying that there is no discrimination between domestic and foreign firms.

The CARIFORUM-EU Economic Partnership Agreement (EPA) provides additional opportunities and easier access to EU firms to pursue business opportunities in the Caribbean region.

Public-Private Partnerships (PPPs) and Performance Based Contracts (PBCs)
EU firms can boost the effectiveness and efficiency of infrastructure projects through Public-private partnerships (PPPs) and Performance-Based Contracts (PBCs). In 2019, 31 PPP initiatives were underway in the Caribbean region, focusing on renewable energy, transportation, and water and sanitation. Although, the utilisation of PPPs remains concentrated in three CARIFORUM countries: the Dominican Republic, Jamaica and Trinidad and Tobago. Renewed activity in PPPs holds opportunities for EU private sector participation in infrastructure projects in the region.

Some CARIFORUM countries are now considering performance-based contracts (PBCs) as these allow the public sector to maintain greater control over day-to-day operations while still benefiting from private sector expertise and experience. For example, Suriname and St. Lucia have successfully used PBCs to ensure road performance over a three-year period.

KEY TOOLS SUPPORTING EU BUSINESS UNDER THE CARIFORUM-EU ECONOMIC PARTNERSHIP AGREEMENT
The CARIFORUM-EU Economic Partnership Agreement (EPA) provides additional opportunities and easier access to EU firms to pursue business opportunities in the Caribbean region.

- **Increased Market Access**: Through the EPA, CARIFORUM countries have agreed to open between 65% to 75% of their service sectors. EU firms are given access to CARIFORUM states through the establishment of commercial presence or investment. EU firms are accorded national treatment, implying that there is no discrimination between domestic and foreign firms.
Public Procurement Provisions: Through the EPA, EU businesses benefit from a transparent and competitive tendering process that promotes economic development while considering the special situation of the CARIFORUM countries. The Public Procurement Chapter of the EPA establishes a set of rules on transparency and wider accountability to be applicable during the tendering process for contracts of more than EUR 200,000 tendered by public authorities.

The key elements offered to EU operators under Public Procurement are:

1. **Enhanced transparency:** The EPA requires public entities involved in the procuring process to publish procurement-related laws, regulations, decisions, and procedures in a timely manner. By ensuring effective dissemination of tendering opportunities and relevant documentation to eligible suppliers, the EPA creates a level playing field for EU businesses.

2. **Clear technical specifications:** For the procurement of goods or services, the EPA requires that technical specifications be clearly stipulated in notices of intended procurement and/or tender documents, based on performance and functional requirements, or refer to international standards. **Performance and function-based requirements are favoured over design or descriptive standards, providing EU businesses with clear guidelines for participation in tenders.**

3. **Qualification of suppliers:** By requiring that conditions and criteria for participating in procurement must be communicated in advance in either the notice or tender documents, the EPA promotes fair competition for EU businesses. Additionally, European suppliers cannot be excluded from bidding simply because they have not previously been awarded contracts or have no prior work experience with that particular entity or country. With specific reference to the utilities sector, it should be noted that procuring agencies can streamline their procurement processes by using a multi-use list.
It is important for EU investors and companies to understand and navigate the local business environment.

**TACKLING HIGH TRANSACTION COSTS**

Small economies and complexities of developing infrastructure in Small Island Developing States can present a challenge to private investment. However, EU firms can consider interesting investment prospects in Jamaica, the Dominican Republic, Trinidad and Tobago, and Guyana as these countries tend to have larger project sizes and larger opportunities for investment, given their ambitions to upgrade their infrastructure. EU firms can also offer innovative solutions tailored to the requirements and specificities of the smaller CARIFORUM markets, enabling European companies to establish a strong foothold in the region and develop mutually beneficial partnerships. Greater regional collaboration and bundling of investments can also help to overcome high transaction costs.

**NAVIGATING THE INVESTMENT AND TRADE ENVIRONMENT**

EU businesses may find it challenging to navigate permitting processes, customs procedures and investment requirements. Delays in these processes often disrupt implementation timelines and may increase the costs of doing business. However, the EPA includes provisions on trade facilitation aimed at simplifying procedures for EU businesses. EU firms should consider reaching out to “one-stop shops” which exist in some countries such as Barbados, Dominica and Trinidad and Tobago. Further establishment of such “one-stop shops” in the region will simplify permitting processes for EU investors.

**ENHANCING FINANCIAL VIABILITY**

EU firms should consider ways to enhance financial viability of projects as the higher cost of providing services, including human resources, shipping, and logistic increases operational costs. Through partnerships with the CARIFORUM governments and other local stakeholders, EU firms can negotiate cost and risk-sharing approaches and mitigate some of the risks anticipated. Currency risks should also be considered if the project is denominated in local currency.

**ACCESS TO GOVERNMENT PROCUREMENT**

While manual tendering processes frequently represent a barrier to EU operators, partnership on the ground can be used to facilitate participation in the bidding process. For instance, in Trinidad and Tobago, the EuroChamber of Commerce is prepared to assist EU bidders in delivering submissions by performing activities such as printing and delivering tender documents. Greater use of online platforms should be supported for better access to government procurement by CARIFORUM countries. Examples of such online platforms that already include exist in the CARIFORUM region include the: Government of Jamaica Electronic Procurement Platform, Government of Bahamas eProcurement & Supplies Registry System, St. Vincent and the Grenadines eProcurement Portal and Central Procurement Unit of Grenada.
THE CARIFORUM REGION PRESENTS A MYRIAD OF OPPORTUNITIES FOR EUROPEAN FIRMS IN THE ROAD, WATER, SANITATION, AND ELECTRICITY INFRASTRUCTURE SECTORS.

The confluence of necessity, policy alignment, and international partnership has poised the CARIFORUM region as an attractive prospect for EU investors and service providers. EU operators can tap into numerous opportunities including:

1. **Construction of new highways and rehabilitation of existing road networks in several CARIFORUM Member States** including Dominican Republic, Suriname, Antigua and Barbuda, Barbados, Belize, Jamaica and Trinidad and Tobago;

2. **Mainstreaming climate resilience in the road infrastructure sector across all CARIFORUM Member States** through the provision of consultancy services, innovative road surfacing and repair technologies and digital systems to enhance road planning and management;

3. **Water supply and sanitation improvement projects across various CARIFORUM countries** including The Bahamas, Barbados, Belize, Dominican Republic, Guyana, Jamaica, Saint Kitts and Nevis and Trinidad and Tobago;

4. **Grid modernisation and smart grid technologies across all CARIFORUM Member States.**

With careful navigation and strategic engagement, the region can be a fertile ground for sustainable development, leveraging European expertise and the CARIFORUM-EU Economic Partnership Agreement to enhance the quality of life across the Caribbean.

**USEFUL LINKS**

Use [My Trade Assistant](https://trade.ec.europa.eu/access-to-markets/en/content) to locate information on EU tariffs and market access requirements for virtually all tradeable products.

[Caribbean Export](https://caribbean-export.com) promotes trade and investment in the region by providing export development, export promotion and investment promotion services. Caribbean Export is an EU implementing partner for the [CARIFORUM-EU Economic Partnership Agreement](https://trade.ec.europa.eu/access-to-markets/en/content/eu-cariforum-economic-partnership-agreement).

Get to know more about the [CARIFORUM-EU EPA](https://trade.ec.europa.eu/access-to-markets/en/content/eu-cariforum-economic-partnership-agreement) or browse through the [text of the Agreement](https://eur-lex.europa.eu/lexuriserv/LEXURISERV.DO?URI=OJ:L:2008:289:0003:1955:EN:PDF) to find out more about the provisions that would be relevant to your business.
**ADDITIONAL RESOURCES AND CONTACTS**

- Eurocamara of the Dominican Republic
- European Business Chamber in Trinidad and Tobago
- Eurochambres Members
- Caribbean Community Climate Change Centre
- Caribbean Community Public Procurement Notice Board
- Caribbean Association of Investment Promotion Agencies
- Caribbean Development Bank
- Caribbean Water and Wastewater Association
- Caribbean Electric Utility Services Corporation
- CARICOM Private Sector Organization
- European Union Caribbean Investment Facility
- Inter-American Development Bank Group
- Invest-in-ACP Portal

Follow below social media pages for more updates on the CARIFORUM-EU Economic Partnership Agreement.

[Facebook](https://www.facebook.com/EUinBarbadosandtheEasternCaribbean)
[Twitter](https://twitter.com/TradeEconomics)
[LinkedIn](https://www.linkedin.com/company/cariforumeuepa/)