



First item on the agenda: economic growth

Themes and best-in-class approaches to generating economic growth across island jurisdictions.



June 2022

The impact of the COVID-19 pandemic has left its indelible mark. Combined with recent geopolitical turmoil, it's expected that large scale reverberations will continue to transform the future.



Island governments bore the full impact of the COVID-19 storm and now face the task of regenerating economies that were some of the hardest hit by the pandemic, while facing inflationary pressures caused by continuing supply chain disruptions.

Roadmap for the new reality

Economies are transforming to align with the new reality. Island governments will be at the forefront of navigating the reinvigoration of their economies. It comes as no surprise that many governments are starting by developing new or refreshed national economic strategies. Change was essential during the pandemic. Now, we're seeing governments and communities open up to new ways of doing business, by seizing opportunities created by remote working and growing pressures on sustainability.

The Big Picture: Development of an Economic Strategy for the Isle of Man involves undertaking a comprehensive assessment of the economy as part of its Economic Recovery Program. "Our Big Picture', will be constructed across five key phases; the Economic Vision, Macro Economic Research and Review, Development of Policy Levers, formulate a Strategic Framework and Establish a Monitoring Program." Isle of Man Government

Remote working

The impact on island jurisdictions whose economies significantly depend on tourism has been particularly devastating. Barbados' launch of its Welcome Stamp Program to attract digital nomads demonstrated a level of nimbleness to re-invent island stays to the new workcation market.

There are now a proliferation of similar programs: Global Citizen Concierge Program (GCCP) – Cayman Islands, Digital Nomad – Bermuda and Remote Work Stamp program – Monserrat are a few examples. Jurisdictions are already growing their remote worker programs to position them to capture what has become a competitive market.

In Venice, the nonprofit project Venywhere aims to attract young, skilled professionals with remote careers to move to the island, paying a one-time concierge service fee to help them adjust to life in the historic city. Newcomers are connected to apartments, assisted in accessing the healthcare system, and given language lessons.

WeWork and similar companies have expanded their co-working office products. KPMG anticipates that co-working companies will partner with jurisdictions and/or hotels to deliver seamless work-vacation and corporate-sponsored experiences.

The 'Great Resignation' has inspired multi-nationals to find innovative ways to retain and recruit employees thus contributing to corporate sponsorship of the digital nomad market. Island jurisdictions which are able to partner with corporations and create a seamless process stand to generate the greatest benefits.

Remote workers have a unique ability to stimulate economic growth because they bring their job with them.



The popularity of remote working has become a competitive advantage in a hardening labor market. LinkedIn reported that in February 2022, 50% of applications were directed at the 20% of job openings that offered remote working.

While the remote worker trend unlocks new opportunities to increase visitor and residential populations with guests who are essentially bringing their jobs with them, anecdotal evidence suggests the trend is already presenting challenges to international financial centers (IFCs) confronted with the need for international companies to have economic substance in the jurisdiction. To avoid being trapped on an island or unable to be close to loved ones during the pandemic some IFC employees returned 'home'. Not all of the employees who relocated 'home' during the pandemic have returned, opting to continue to work remotely. The economic benefits of having IFC employees resident on island helped to offset multiple challenges such as: aging populations and economic substance pressures. What remains to be seen is how tax authorities will respond and whether this trend will trigger IFC corporations to follow their employees.

KPMG in Canada has launched its "KPMG Roam" program to allow employees to combine their personal and professional ambitions. Employees can work from any Canadian province, as well as The Bahamas, Brazil, Croatia, Mexico, Cayman Islands, Bermuda, and France (if they are EU citizens). KPMG in Canada employees who are US citizens are also eligible to work in Florida.

Barbados PM Mia Mottley among Time's 100 influential people

Time editor-in-chief and CEO Edward Felsenthal said, "In a speech heard round the world, Mia Mottley, Prime Minister of Barbados and a voice for countries on the front lines of climate change, made clear the intersection between environmental action and equity."

[Watch PM Mia Mottley's Speech](#)



Sustainability

It's good news for islands that climate change and sustainability have become priorities for many multilaterals and corporations. Islands are at the literal edge of rising sea levels. Financing for renewable energy and conservation can help to reduce the divide between 'haves' and 'have-nots'.

Sustainability has soared to the top of corporate, consumer, and investor agendas, so those islands that have a strong vision of how they will reinvent more sustainable eco-systems are better positioned to attract foreign direct and impact investment as financing, businesses, and tourists factor such considerations into their decision-making

Renewable energy

Island jurisdictions are wisely looking to make gains in diversifying and reinvigorating their economies through renewable technologies.

Retaining economic activity and improving the balance of accounts was the initial trigger. In 2020, Barbados released their National Energy Policy (BNEP) to 2030, with the ultimate goal of reaching 100% renewable, fossil-fuel free and carbon neutral energy production by the end of the decade. In 2018, two-thirds of Barbados' energy was imported from abroad, exposing the island to external market volatility.

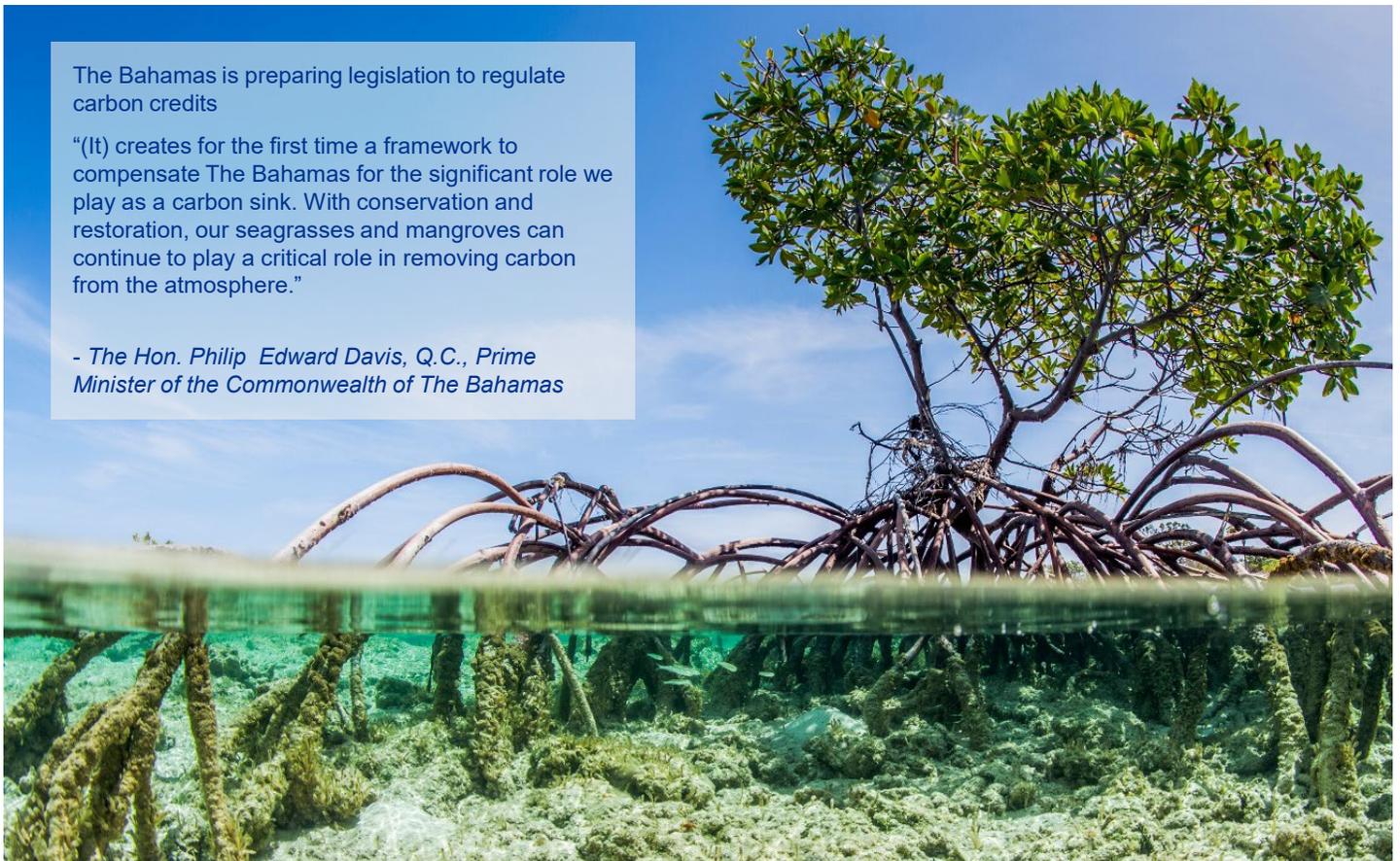
The BNEP aims to re-shore significant portions of this investment through adopting green technologies which will also improve population health and capitalize on the island's prime latitudinal exposure to solar energy. Prioritization of local economic growth and job creation is at the forefront of this agenda.

The dual impact of lower cost renewable technology and higher oil and gas prices is creating the impetus to move projects forward aggressively.

The Bahamas is preparing legislation to regulate carbon credits

"(It) creates for the first time a framework to compensate The Bahamas for the significant role we play as a carbon sink. With conservation and restoration, our seagrasses and mangroves can continue to play a critical role in removing carbon from the atmosphere."

- The Hon. Philip Edward Davis, Q.C., Prime Minister of the Commonwealth of The Bahamas



Diversification

Food production

Supply chain disruptions forced businesses and governments that import goods to diversify their supply chains to mitigate bottlenecks and over-reliance on single sources. The war in Ukraine is exacerbating these supply chain issues particularly in relation to food and fuel.

The COVID-19 pandemic spot-lighted the vulnerability of island jurisdictions in particular, who have historically relied heavily on offshore suppliers and food imports. To improve food security islands are adopting new modes of agriculture production.

The benefits of expanding local food production span:



Creating new jobs



Diversifying the economy



Reducing the cost of fresh produce



Improving the quality of produce



Enhancing the tourism experience



Improving the balance of payments



Increasing GDP



Mitigating the importation of food inflation

In January 2022, a new partnership between Eeden Farms (Bahamas) and 80 Acres (Ohio, US) was announced to grow produce indoors enabled with robotics and artificial intelligence.

Eeden Farms plans to establish an 80,000 square-foot, world-class, robotics-enabled and hurricane resilient hydroponic farm by the end of 2023. The farm is projected to produce over 300 times more food than a traditional outdoor farm with 100% renewable energy and 97% less water. In addition, the proprietary technology is not dependent on weather or water supply.

Bermuda has also announced its intention to progress plans for vertical farming on a large scale and Isle of Man has announced they are exploring vertical farming.

Caricom Secretary General, Dr. Carla Barnett, has stated that Caribbean countries are aiming to achieve a 25% reduction in food imports by 2025, led by the development of new investment models and financial instruments to fund initiatives like hydroponics, aquaponics, intensive farming and smart greenhouses.



Technology

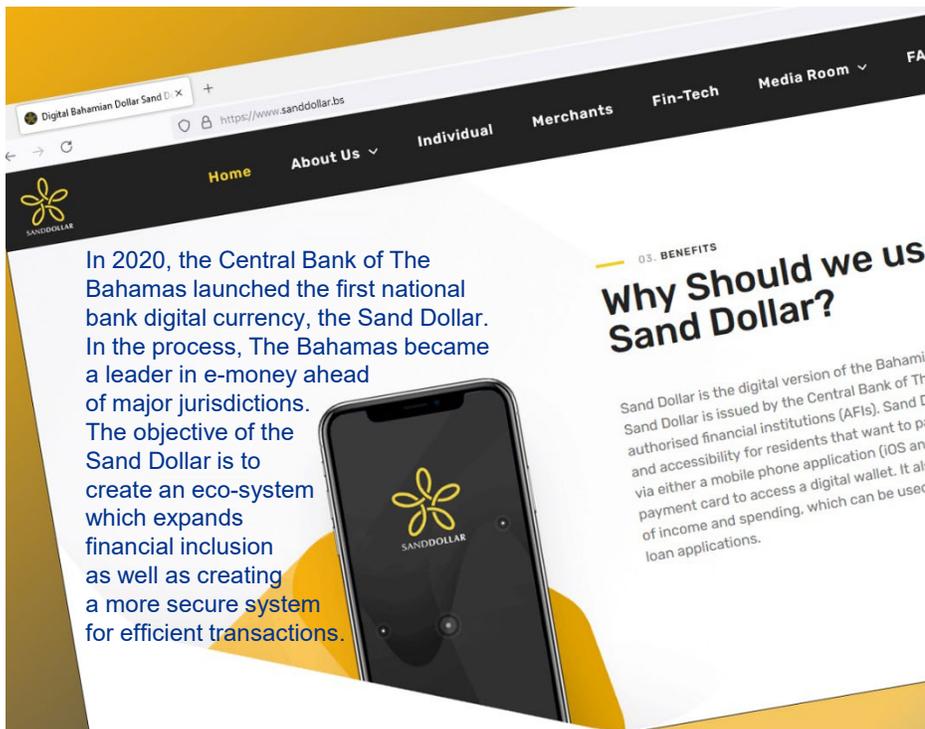
The Isle of Man has long focused on Fintech as an avenue for attracting foreign investment, a position which has been strengthened following the COVID-19 pandemic. The Isle of Man Financial Services Authority (IOMFSA) has tendered a request to the public regarding broadening the regulatory perimeter for crypto-assets, and has **launched an innovation hub to support Fintech companies using innovative technologies who are seeking registration on the island. The IOMFSA is also hosting an Innovation Challenge** to invite businesses to develop technology-based solutions to issues facing the financial services industry. Having long been involved in the e-gaming industry, the Isle of Man is leveraging their workforce's technological skillset to attract developing industries.

Guernsey and Jersey with their strong ties to UK businesses have been prominent in attracting a portion of the rapidly growing fintech market. The Cayman Islands established a virtual asset service provider regulatory framework. BVI is expected to introduce similar legislation. Bermuda has created the policy framework for digital banking as well as digital assets. In June, the Bermuda Monetary Authority licensed the first digital bank, Jewel Bank.” The Premier the Hon. David Burt, JP, MP of Bermuda announced that Jewel Bank had been attracted by the digital asset regulatory framework. And, the Government expects to see more interest from banks in the digital asset sector.

The Government of Barbados, being cognizant of [the digital currency trend], is moving the country's public service towards a paperless, digital platform, via its national digitization program.



Jamaica launched, as part of its education reform plans, a Coding in Schools program to prepare students for future tech jobs. Amber Innovations Group Limited and Digicel Group are partnering with the educational institutions.



Digital Assets

The Eastern Caribbean has created its own form of digital currency meant to help speed transactions and serve people without bank accounts.

The Eastern Caribbean Central Bank said its "DCash" is the first such blockchain-based currency introduced by any of the world's currency unions, though some individual nations have similar existing systems. DCash is available in St. Lucia, Grenada, Antigua and Barbuda, and St. Kitts and Nevis.

The explosion of tech and crypto interest amongst island nations included the recent FTX and SALT Crypto Bahamas event in The Bahamas. The star-studded conference attracted luminaries from the new blockchain, tech, and digital asset businesses and investors.

Islands are investing heavily in tech and digital and it's inevitable that jurisdictions will increasingly be in competition with other small and large nations.

Cryptocurrency exchange FTX moved from Hong Kong to Nassau in 2021 as it deemed the regulatory environment to be more conducive to its business*.

Lessons learned by international financial centers (IFCs) suggests that future success depends on robust development of regulatory frameworks and a willingness to understand and improve competitiveness.

Competitiveness analysis supports governments in determining how they compare as a location for business and the factors which can be enhanced or adjusted to generate economic growth. The analysis involves:



Identifying the business sector or subsector (e.g., digital technology, food production, back office operations, etc).



Jurisdictional analysis of macro indicators, economic landscape, adjacencies, etc. are determined and benchmarked with targeted competitors.



Competitive factors are assessed such as labor, taxes, incentives, transportation, utilities to determine relative strengths and weaknesses.



Intangible considerations, including ease of doing business, regulation, are ranked.

The outcome identifies where a jurisdiction is well placed to expand or diversify into a business sector and the levers that can be used to produce greater economic impact.

Tourism

By October 2020, the COVID-19 pandemic had cost the global tourism industry close to \$935 billion in revenue. The pandemic has dealt a significant blow to island economies. There are many predictions on the glidepath to recovery for leisure and business tourism. In 2022, it's expected that those jurisdictions that can quickly reopen and have strong partnerships with the hospitality industry will rebound the fastest.

Jamaica is investing in tourism marketing to bring back tourists.

In March 2022, Jamaica set a new record for visitor arrivals since reopening its international borders post-COVID, with 27,000 tourists arriving on the island

The Minister of Tourism, Hon Edmund Bartlett, noted that "the tourism industry is now poised for full recovery". The Jamaica Tourist Board is also raising the country's profile on the world stage through their continued support of Jamaican figures in entertainment and sports. The Board sponsored Jamaica-born artist Shaggy's 2020 'Christmas in the Islands' album and TV special, and sponsored the famed Jamaican bobsleigh team during their time at the 2022 Beijing Winter Olympics.

In 2021, the real estate market for second homes in the Caribbean experienced a strong year for transactions and the consequent taxes generated helped to fill a gap in governments' coffers. Islands such as St. Kitts and St. Lucia have also experienced growth in their citizenship though investment programs which typically involve investments in real estate.

Arguably, the most significant growth was seen by brokers for private islands and yachts from very high net worth persons who already had considerable flexibility in where they work and live. For this market sector, adding seclusion to exclusivity has the added benefit of being a safeguard against contagion.

Business Tourism

The outlook for business tourism is more uncertain. There is broad consensus that business travel will remain below pre-pandemic levels as remote meetings and zero-carbon corporate targets place downward pressure of corporate travel.

Infrastructure

The Cayman Islands Airport Authority (“CIAA”) has invested over \$120 million since 2015 in the redevelopment of the island’s international airport and airfield. In February 2022, the CIAA issued a tender to upgrade facilities for private jets, a strategy in line with the government’s stated focus on attracting high-net-worth individuals to boost the tourism industry. In The Bahamas, tourism infrastructure is also a focus for government investment, with nearly \$130 million being spent to date on upgrades for the Nassau Cruise Port, expected to be finished in late 2022. National airline Bahamasair is reviewing their strategic plan to improve tourist air travel numbers, and the Bahamas Government is seeking to enter into Public Private Partnerships for a number of Family Island airports.

Guyana is on a different trajectory than many other small countries in the island regions. As a result of the discovery of offshore oil reserves in 2015, the economy is booming. The IMF forecasts economic growth of 47% in 2022.

Conclusion

To meet the new reality, economies are transforming. The regeneration and optimism of islands is astounding. Governments are re-conceptualizing their role as market stewards, while industries are pursuing new partnership and growth models. Jurisdictions should consider the right mix of incentives, infrastructure, and regulatory structures to attract business and investors. Governments and businesses working with investors are looking for sustainable value, have the potential to generate significant economic growth in the island regions.

President Irfaan Ali of Guyana, as quoted in the Financial Times:

Wisely, infrastructure plans are focused on creating long-term social and economic benefits for citizens. The President’s approach is [... to build infrastructure that the country needs . . . and not investment in infrastructure that looks good.]

The importance of sustainability is also a consideration for the Guyanese including protecting rainforests and developing ecotourism



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