



## **INTERNATIONAL FORUM ON CARIBBEAN**

### **INVESTMENT & DEVELOPMENT (IFCID)**

**THURSDAY, JUNE 9, 2011**

#### **OPENING REMARKS AS PREPARED FOR DELIVERY**

**PRESIDENT LUIS ALBERTO MORENO**

#### ***Welcome***

- I am very pleased to welcome you today to the Inter-American Development Bank (IDB) for this first International Forum on Caribbean Investment and Development. Over the next two days we will have an impressive group of speakers from various governments, multilateral organizations, the media, the philanthropic community, and the private sector.
- The goal of this two day event is for the IDB to provide a platform for representatives of the Public and Private Sector and Non-Government Organizations to address issues of trade and access to finance, identify potential investment opportunities in the Caribbean and finally to

continue the dialogue between the IDB and the Caribbean countries on how we can continue to strengthen our partnership in development.

## ***Regional Operations***

- The IDB continues to be a reliable and responsive development partner in promoting private sector-led, market-driven, sustainable economic growth in the Caribbean. In addition to lending to the private sector the Bank is also a leader in lending to the governments of the region. In 2010, the Bank approved and disbursed a record amount to the English Caribbean speaking countries, amounting to \$914 million dollars.
- The Bank's lending has also recognised that an efficient private sector must be complemented by a facilitating and supportive government role. It has increased its contribution to strengthening the private sector, including small- and medium-sized enterprises.
- The Bank has ensured that the non-IDB member countries of the Organisation of Eastern Caribbean States (OECS) are able to access IDB financing through the Caribbean Development Bank.

## ***Haiti***

- Haiti merits particular attention because of the magnitude of its needs, but as neighbors and member states of CARICOM, the Caribbean countries must remain actively engaged in Haiti's reconstruction work.
- As President Martelly stated, in his inaugural speech, what it desperately requires to climb out of poverty is more jobs. At the Bank, we firmly believe that the private sector is the true engine of Haiti's economic development. Perhaps in no other moment in Haiti's history has the

private sector been called to play such a dominant and integrating role as in today's Haiti.

- In response to the earthquake, the Bank provided Haiti a ten-year financial support package of almost US\$2.5 billion, including US\$200 million annually in grants and the cancelation of Haiti's outstanding debt of US\$484 million. The Bank is one of the largest contributors to the reconstruction effort. We expect to increase these levels further in 2011, to US\$286 million in approvals and US\$200 million in disbursements.
- Our investments are concentrated on large programs designed to foster structural change and enable sustainable impact in six key sectors: education, water and sanitation, agriculture, transport and basic infrastructure, energy, and private sector development.
- Of the total estimated US\$7.8 billion of the damage and losses caused by the earthquake, 70 percent was sustained by the private sector. Most of the businesses in Haiti are informal, and almost 75 percent of small and micro firms were rendered non-operational after the earthquake. Therefore the main challenge for developing a sustainable private sector with a particular focus on Small and Medium Enterprises (SMEs) is to overcome the widespread market failures due to lack of governance, an inadequate business environment, limited access to finance, and an unskilled labour force.
- The Bank's private sector development strategy for Haiti aims to promote private investment in order to create jobs, achieve sustainable growth in the medium-term and reduce poverty beyond the reconstruction period. It is envisioned that, as long as enabling public

goods are provided; large-scale Foreign Direct Investment (FDI) would generate demand for local goods and services, which can in turn create new markets for the expansion of local SMEs and the creation of new start-ups. Specifically, the Bank's strategy aims to:

- Improve access to investment credit for small and medium firms.
  - Promote professional training to improve the skills of workers and management of Haitian enterprises.
  - Create business development services and carry out business climate reforms to make it easier, faster and cheaper to start a company in Haiti.
  - And to provide specific infrastructure services, such as through the creation of an industrial park in the north (NIP).
- I would like to take this opportunity to make a brief announcement; we will be holding the second round of the Haiti Investment Forum later in mid-November 2011. We surely hope to see you all in Port-au-Prince.

### ***Impact of Global Economic Crisis***

- The serious adverse impact of the financial economic crisis has exposed the acute vulnerability to external events of the small, highly open economies of the Caribbean. This is evident in sharp declines in output due to decreased export earnings, fluctuating commodity prices, reduced remittances and lower foreign direct investment.

- But crises can also present opportunities and in this context there is a vital role for the IDB. The Bank has responded with counter-cyclical programme lending and project financing, both supported by technical assistance. In many respects, the IDB is the most critical development financing partner for Caribbean countries and, today, we reiterate the Bank's continued support to the region as we chart a path in this turbulent economy.
- Despite the economic downturn, the governments of the region have taken important steps to reduce red tape hampering private enterprise as well as modernize tax regimes, promote credit bureaus and reduce the cost of borrowing. The regulatory regimes have also been streamlined thereby improving the context for investment and reducing risk. The all important tourism sector is showing welcome signs of strong recovery and initiatives are being made to strengthen links with the Diaspora that offers not just crucial remittances but also know how and entrepreneurial capacity.

### ***Multiple Dimensions of Vulnerability***

- The vulnerability of the Caribbean countries has economic and physical dimensions. Given the concentration of population, infrastructure and economic activity on the narrow coastline of both island and continental countries, the region is uniquely exposed to natural disasters. The susceptibility to natural disasters has very significantly affected the pace and scope of development of the Caribbean island countries.

- A significant share of GDP is lost regularly hence the urgent need to minimise this dislocation by proactive mitigation and better preparation to manage natural disasters. The Bank is currently collaborating in the formulation of such policies by providing relevant technical expertise and comparative experience.

### ***Climate Change***

- Climate change is a clear and present danger to the economic progress of the region. The Caribbean situation requires a more proactive and comprehensive stance in natural disaster risk management.
- The IDB has recognised the implications of climate change and is committed to integrating it into the mainstream of its lending activities. The incorporation of unique views of Caribbean states into our Climate Change Strategy (CCS) will ensure that IDB resources will be effectively applied in this region.
- The Bank has supported the resilience of coastal and marine protected areas of the Region through climate change adaptation and disaster risk management such as in the case of the Barbados Coastal Conservation Program aimed at understanding and developing mitigation measures for the potential impacts of sea level rise for example on its coastal tourism economy.

### ***Alternative energy***

- With the intention of reducing dependence on fossil fuels and minimising the cost of energy imports, Caribbean countries have been exploring the commercial feasibility of deploying solar, hydro, geo-thermal and wind energy for both household and industrial use. This is a priority for the Bank and we look forward to collaboration to bring this process to fruition.

### ***Food Prices***

- The unprecedented level and forecasted escalation in food prices pose both an import challenge, and an export and import substitution opportunity for a region whose dependence on food imports has increased steadily. The Bank can have a multifaceted involvement in increasing domestic food production and improving the international competitiveness of food exports.

### ***Private Sector***

- The Bank plays a unique role in partnering with the private sector in the region. We are pleased with the increased activity by the IIC in the Caribbean, and note the launch of the technical assistance phase for FINPYME for small- and medium-size enterprises in Jamaica, and the launching of the FINPYME Export Plus in Barbados, Guyana, and The Bahamas.



- The deployment of the Compete Caribbean Programme (CCP) is a timely initiative which will support governments in the establishment of business environment to stimulate investment, innovation and diversification of exports.
  - We acknowledge the generous grant contribution to the CCP from our longstanding partners, Canada and the U.K. This innovative program provides grant funds for competitiveness projects throughout the Caribbean region.
  - The Caribbean Development Bank (CDB) will be our strategic partner in making sure the OECS countries are able to participate in the program.

## ***Integration***

- Despite current challenges to the regionalization process, a common Caribbean market offers small economies the opportunity to pool their resources and provide local firms with access to larger markets—a key foundation for boosting efficiency and sustaining dynamic growth. Experience elsewhere shows that regional integration also strengthens the ability of participating countries to cope with negative shocks.
- The Caribbean region is already making highly welcome efforts on many fronts to work together more closely, coordinate policies, and present itself globally as a united group. Particularly noteworthy are the needs to harmonize regulations, coordinate on issues of cross-border supervision and guard against destabilizing flow reversals. But the

recent meeting in Guyana also demonstrates the policy challenges to advancing the integration agenda.

- Looking ahead, an important area for collaboration is for the Caribbean countries to coordinate a common approach to tax incentives. The aim here would be to maintain the region's attractiveness to foreign investment while avoiding a "race to the bottom" that erodes domestic tax bases, especially given the high fiscal deficits being experienced in the region.
- We also need to keep on working on a common approach to build closer ties between the Caribbean and North America. The recent experience with the Haiti Hope Act -giving access to the biggest market in the world- is directly relevant to a reinvigorated regional trade strategy.
- At the same time, I strongly encourage Caribbean countries to be bold and, to simultaneously, look south. The private sector is already responding to the process by anticipating agreements with new trade and investments, and reorganizing its strategies to exploit the new regional markets. Over the last two decades, the Caribbean exports quadrupled to South American booming economies -from US\$ 679 million in 1990 to US\$2,528 in 2009- .

## ***Conclusion***

- The Bank's support to the region needs to be innovative and empathetic, leaving no doubt about our confidence in the future of the Caribbean countries and our commitment to their quest to modernise and grow their economies.
- At the IDB Group we look forward to partnering with you and to working together to build a more prosperous and equitable Caribbean region.

Thank you,