



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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*Statement by the Governor for The Bahamas,
on behalf of The Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago*

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1. *Saludos:* On the occasion of this, the Fifty-fourth Annual Meeting of the IDB Group, I have the honour and privilege to speak on behalf of The Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago.
2. *Context:* The Caribbean countries are in various stages of recovery from a complex of adverse circumstances that are inclusive of economic, environment, and financial challenges. All told, the impact of these events is even more pronounced on us as Small Middle-income developing states, with narrow economic bases and hence vulnerable to a raft of exogenous variables. In this, we have good reason to be grateful for our membership of this august financial institution, and for the support received that has aided in no small measure, the recovery and in some instances the growth of the economies.
3. *Growth Performance:* The Latin American and Caribbean region as a whole showed strong growth, continuing from 2011. This was due to external factors including high commodity prices which supported a high level of activity in many of the region's commodity exporters. Internally, tightening of fiscal, monetary and prudential policies helped moderate expansion and overheating of the economies. Thus we see inflation rates in the single digits. But these aggregates hide some serious disparities and asymmetries. In the Caribbean Constituency Member Countries, economic activity was still fairly restrained, and except for the exporters of commodities—with rising prices, GDP growth was stagnant or insubstantial—with estimates ranging from 3.7% at the highest (Guyana), followed by The Bahamas with 2.5%, Jamaica with 0.9% and Barbados and Trinidad both at 0.7%.
4. *Challenges:* While inflation remained in single digits, ranging from 1.5% in The Bahamas to 7.2% in Jamaica, we are justly reminded of the need to adopt prudent fiscal and monetary policies to mitigate the fallout from the economic uncertainties in

Europe and the Americas, which are constraining capital inflows and tourism performance. Concurrently, our populations continue to demand better services, higher standards of living, and greater participation in decision making. In this regard, our policy priorities remain focused on the 2015 Millennium Development Goals, improving the ease of doing business, and boosting external competitiveness. We are also committed to strengthening our health education systems and to alleviating the social ills facing our youths. The reality though is that our fiscal space continues to be constrained, even as countercyclical policies still have merit for our economies.

5. *Bank Results:* We recognize these dualities in the challenges we face, and have sought to address them in partnership with the IDB. And we do recognize the valuable support that this partnership has brought us, including financial resources to the tune of US\$1.156 billion over the last 10 years, technical cooperation and (although at a much lower level) some private sector support. We note the progress the Bank has made with implementing the GCI-9 reforms and with this expansion in resources, the greater impact the Bank is making in the region with increasing flows to C and D countries. However, as we look behind the aggregate numbers we cannot but notice the opposite trend in lending to the Caribbean countries and the issues surrounding the sustainability of the Fund for Special Operations that is so important to at least one of our members. Nonetheless, we congratulate you, President Moreno, on maintaining the AAA rating of the institution, and the overall performance of the Bank. We note in particular, the expanded numbers and value of project approvals, the improved efficiency and productivity of staff and moreover the improvements in instruments of accountability.

6. *Bank Support:* Within the region, and more specifically, the Caribbean, the IDB is the largest multilateral source of sovereign guaranteed resources. In the current uncertain and changing global environment, the strategic importance and value of non-sovereign guaranteed lending becomes greater. Yet, these are the resources that we have not been able to access. This is the area for dialogue and for strategizing that we need to emphasise. We remain very cognizant of the many ways in which systems have worked less to our advantage and more to the preservation of a status quo that needs to be contested. Moreover, our private sectors continue to be undersupported by the Bank's resources. Using the simplistic metric of GDP per capita, we are classified as middle-income countries, and so are treated differently by the international financial institutions. This categorization does not take account of the structural vulnerabilities of our economies, including the absence of scale economies that inflates public spending on a per capita basis and masks the kind of assistance that we really need.

7. The Bank must expand its support for countries in the Caribbean's circumstances. It must help us to reduce uncertainties and build resilience through development financing and timely and relevant technical support. The engagement must be further targeted at fostering macro-economic stability and stronger and more sustainable growth.

8. *Caribbean Presence:* As we grapple with building capacity to access the support available from the Bank, we also face with seriousness, the conflicting issues related to implementing the Bank's Charter. Particularly as we seek countercyclical support, and look for greater collaboration and understanding of our needs as borrowers, we are very aware of our fiduciary responsibility as shareholders of the Bank to safeguard the wellbeing of this cooperative. We in the Caribbean are very engaged as shareholders yet

our influence in crafting policies and processes that respond positively to our situation is limited because of the underrepresentation of Caribbean voices within senior levels of management. We therefore call on Management to commit to improving this outcome. Indeed, Mr. President, we note that you have not neglected to familiarize yourself with our small economies, having visited several of our countries during 2012.

9. *Macroeconomic Sustainability Analysis:* We ask that every effort be made to reform the lending instruments such as the MSA process. In revisiting the MSA, we would wish to see it restructured to exclude non-sovereign guaranteed lending; to be more consistent with policies for sustainable growth; and to take into account the big picture rather than be used as a policing devise. As our economies seek to implement policies to address globalization, it is important that reports circulating within MFIs are not recognized as documents that restrict the ability of countries to access resources from development institutions. Moreover, we believe, from the perspective of one year's experience, that the MSA process may not be adequately implementing either the Governors' GCI-9 mandate or the Bank's Charter to support the development of member countries.

10. *Private Sector Support:* In any discussion and dialogue on sustainable development and development financing, we recognize the importance of the private sector in achieving growth. In this regard, while the IDB, through the mandate of the 9th General Capital Increase, continues to expand its lending to the private sector, increasing the share of more financial resources available for non-sovereign guaranteed lending, the Bank remains challenged to engage with the private sector in the Caribbean region. While we recognize the cost of scaling down the size of loans, we encourage the Bank to be innovative in structuring private sector financing and interventions that are leveraged to our benefit. We would welcome the opportunity to partner with the Bank in nuancing its approach to private sector financing and in fostering private sector led growth in the Caribbean.

11. The Bank must ensure that the support given to the private sector takes a developmental focus that does not compete with the provider of other services to the private sector. For our region, it is also necessary to take scale into consideration and to define firm size more relevantly in the context of our very small domestic economies.

12. Further, we must not think of country strategies and programs as leading only to SG lending, but must use these instrumentalities to integrate SG and NSG into programme design and project funding. By successfully addressing the challenges to non-sovereign (private sector) financing, we will then be able to open new spaces for the IDB's participation to foster and finance, Public/Private Partnership led growth. I therefore encourage the programming agendas to scope opportunities so that NSG funding where possible can complement the limited resources and governance constraints to sovereign guaranteed lending. Despite the apparent disconnect in private sector financing, we applaud the efforts of the Bank to build private sector capacity in the region through the MIF, Compete Caribbean and the Finpyme Governance programs. These are steps in the right direction.

13. *In Conclusion:* As we continue to experience fallout from the economic uncertainties in our major trading partners, Caribbean governments recognize the unique

opportunities of being members of the IDB, with the Bank playing a facilitating role in fostering and developing South-South cooperation. We encourage the Bank to intensify its engagement with the Region in deepening this relationship. Country programming decisions must strike the right balance between limiting the Bank's credit risk and promoting development effectiveness. The Bank must also remain relevant and responsive to lending for natural disasters so as to maintain its position as the leading source of timely and relevant multilateral financing. That said, we recognize and commend the Bank for the role it has already played in the development of our individual countries and the Caribbean Region as a whole.

14. Overall, we think there is much to celebrate in the achievements of this institution. We therefore extend our congratulations to the staff, the Management and its leaders, President Moreno and his executive team. Your friendship is much valued, and your stewardship is much appreciated.