



**ANNUAL MEETING OF THE BOARDS OF GOVERNORS**

**COSTA DO SAUÍPE, BAHIA, BRAZIL**

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

*Christopher P. Sinckler*

1. On the occasion of this, the Fifty-Fifth Annual Meeting of the IADB Group, I have the honor and pleasure to speak on behalf of The Bahamas, Guyana, Jamaica, Trinidad and Tobago and my own country, Barbados.
2. I offer warm greetings to you on behalf of the Caribbean Constituency and extend our thanks and congratulations for the work and achievements of the Bank in 2013. Moreover, we are most grateful to the Government and people of Brazil and to our host state Bahia, for their hospitality and warm welcome.

*Context*

3. The Caribbean countries have proven to be resilient surviving through the tough economic times, financial crises and natural disasters. The last seven (7) years have been very challenging for the economies in our region, stemming from high debt and low growth, high inflation, and high unemployment rates. The aftermath of the global economic and financial crisis of 2008 – 2009 and the euro-zone crisis called into question many of the policies and even the targets and metrics of our macroeconomic management. These crises demonstrated to us the dangers posed by the financial system, and the limitation of monetary and fiscal policies.
4. The expectations of our people in the region are high, and our ability to deliver on their demands is becoming increasingly constrained by our capacity to borrow to fund economic and social investments thereby limiting our control of the social fall out. Without growth, increase in wealth and its redistribution, welfare and security are affected. This situation could fuel migration from the region for social mobility. In this regard, we are appreciative of the Inter-American Development Bank's support and funding which have led to improvements in some sectors of our economies.

### *Performance*

5. The year 2013 was characterized by international financial market volatility, with a slowdown in many of the advanced economies and a drop in commodity prices. The Latin American and Caribbean economic performance was affected by this less than favorable external environment. Average growth in the region dropped to 2.7% from 2.9% in 2012. Several countries in the region were affected by the economic slowdown, including not only the South American Countries but also the Central American and Caribbean Countries, which were particularly exposed to the growth dynamics of the United States.

6. The Caribbean Constituency member countries continued to experience mixed fortunes. Generally, the economies of these countries expanded by an average of 1.7% which represented a marginal improvement of 0.43% compared to 2012—with those economies that are heavily dependent on tourism contracting whilst the two commodity and energy-based economies remained relatively buoyant. Although overall output performance had been lackluster since the post crisis rebound in 2010, end of period inflation has remained low at 4% not withstanding higher energy and food prices. Unemployment rates have remained steady and some of the countries have succeeded in broadening their tax base with the introduction of VAT and have increased central government current revenue levels. Exports continued on the upward trend from 2011 increasing by 4.71 percent in 2013 while imports followed the same pattern increasing by 4.15 percent in 2013. Investment for the constituency improved during the period to 21.32 percent while savings fell slightly by 1.1 percent to 12.43 percent. While there have been a few bright sparks in the recovery of Caribbean economies, there exists the necessity for the further stimulation of growth and public sector revenues.

### *Support*

7. In addition to the support required by borrowing member countries, we acknowledge that the Bank faces new challenges in managing its loan portfolio and capital adequacy, when confronted by the new rating system of MDBs by Standard & Poor's. In this regard, we in the Caribbean appreciate that the time is coming when the Bank's portfolio with respect to country concentration must be systematically addressed. Additionally, we anticipate that the Bank's income management model may well have to be reviewed and a full discussion on capital utilization is a necessary prerequisite to capital adequacy. Nonetheless, we have great confidence in the team of professionals that manages the Bank's finances and are prepared to provide the support needed for the necessary reforms.

### *Regional Operations*

8. For the countries of the Caribbean Constituency, the IDB continued to solidify its position as the premier source of development finance. For the Constituency, loan approvals stood at US\$198.4 million while disbursements totaled US\$222.2 million.

### *Haiti*

9. We applaud the Bank for following through on its commitment to Haiti with the annual transfer of US\$200 million from Ordinary Capital (OC) to the IDB Grant Facility. Complementing its direct financial support, the Bank continued to provide technical

support in excess of US\$8.56 million. As neighbors and member states of the Caribbean Community (CARICOM) we continue to offer our unswerving support to being engaged on a collaborative basis with the Bank and other international institutions in Haiti's reconstruction and developmental work.

*Assistance to Countries of the Organisation of Eastern Caribbean States*

10. We are particularly pleased that the Bank approved the Caribbean Development Bank (CDB) Global Loan Program for International Development Agency (IDA)-Eligible Organisation of Eastern Caribbean States (OECS) Member Countries for a total of US\$20 million. The objective of the operation was to enhance the access of these countries (Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines) to long-term and lower cost external financing with which they could finance projects to address their social and economic challenges. Currently, two projects have been approved by the CDB for financing under this operation.

*Compete Caribbean*

11. The Constituency continues to support the work of the Compete Caribbean Initiative in the region. To date 76 operations for a total of US\$28 million have been approved, comprising a blend of technical assistance grants, and investment funding to support productive development projects, business climate reforms, clustering initiatives and Small and Medium Sized Enterprises (SME) development. We continue to be grateful to the Governments of Canada and the United Kingdom and the Caribbean Development Bank for their collaboration with the IDB in the execution of this programme.

*Emerging and Sustainable Cities Initiative*

12. The Emerging and Sustainable Cities Initiative (ESCI), now in its third year of operations, has proven to be an ideal mechanism for the streamlining efforts and the efficient use and allocation of resources towards development. As a Constituency we are pleased with the Bank for launching this Initiative and for including one of our member countries, Trinidad and Tobago as one of the five pilot countries. Trinidad and Tobago is experiencing success with the execution of the ESCI and more Caribbean countries are engaging the Bank to implement parallel initiatives. A similar initiative has been launched in Jamaica, and Barbados is currently in discussions with the Bank for approval of its program.

*Citizens Security Initiative*

13. Under this initiative the Bank has active programs in most of the member countries of the Constituency. In view of this, we are grateful to the Bank for providing grant funding under this instrument in the form of technical assistance from which the members of the Constituency could benefit. In Trinidad and Tobago, the Citizen Security Programme is operational in the target area for the Emerging and Sustainable Cities Initiative, Port of Spain, but it is also fully engaged in 21 other high risk communities with over 35,000 residents being exposed to violence prevention and community building projects.

### *Macroeconomic Sustainability Analysis*

14. It is important for the Constituency that the Bank has agreed to review the implementation of the Governors' mandate with regards to the Macroeconomic Sustainability Assessment (MSA). This is a marginal improvement which is an expedient compromise but does not satisfy the members of our Constituency. It is envisaged that the recommended reform proposal would allow the Bank to pursue a more countercyclical role with the intention of providing much needed resources in times of crisis. The Constituency looks forward to the final outcome of the discussion on the revised procedures.

### *Private Sector*

15. While private sector development is crucial to economic growth and for fostering economic development, it is also a key vehicle for reducing poverty and for creating opportunities for individuals. Following the Governors' mandate the Bank continued to forge ahead with defining a Renewed Vision for the activities of the IDB Group with the private sector and analyzing the organizational and financial alternatives to make implementation of that vision viable. At their meeting on October 10, 2013 the Bank focused on the "Merge Out" modality for non-sovereign guarantee activities.

16. We applaud this new direction for the Bank and reiterate the need for the Bank to ensure that the Countries in the Constituency are not in any way disadvantaged but benefit from this new undertaking. We therefore urge the Bank to be innovative and engage effectively to increase the level of relevant support to the private sector in our member countries. Moreover, a Compete Caribbean 2 in a context of a private sector merge out would be significantly beneficial to the IDB, being catalytic and transformational in the Caribbean Constituency.

17. We laud the Bank for its effort in providing funding through its other private sector windows including the Multilateral Investment Fund (MIF), the Inter-American Investment Corporation (IIC), the Structured and Corporate Financing Department (SCF) and the FINPYME program.

### *Energy*

18. For most of the Caribbean economies high energy rates have long been their "Achilles Heel" as many countries allocate a significant portion of their foreign exchange earnings to importing fossil fuels. At the same time, they are vulnerable to the environmental impacts associated with fossil-fuel consumption, such as air pollution, rising sea levels, and coral bleaching. Energy reform is therefore critical to the economic future and environmental sustainability of the Caribbean economies. The Bank has been at the forefront of promoting sustainable energy initiatives in the Caribbean economies and this was enhanced by the launching of the Caribbean Energy Initiative. The Constituency is grateful for the Bank's assistance with the introduction of its energy initiatives that seek to assist countries in reducing energy cost; improving energy efficiency; and with renewable energy programs which will lead to environmental improvements.

### *Climate Change*

19. Over the last few years, the Bank has continued to support countries in the Caribbean to enable them to address the issue of climate change. Given the region's high vulnerability to the impacts of climate change, the primary focus for the Caribbean is building resilience or adapting to these impacts. The Bank has utilized its instruments of technical assistance, investment and policy-based loans to advance the agenda of adaptation. Programs have been implemented in Barbados, Trinidad and Tobago, Jamaica, and Guyana and at the regional level. We look forward to the continuation of this most important work.

### *Caribbean Presence*

20. As our economies in the region continue to struggle with the negative economic issues confronting them, it is important to continue building institutional capacity in order to access the resources of the Bank. While we want to be involved in fashioning policies and programs that would redound to our benefit and our unique situation, this presents a challenge due to our limited representation at senior management levels in the Bank. There is therefore, the distinct need to correct this imbalance. It is expected that the Bank will move with alacrity to address this situation.

### *Conclusion*

21. The Caribbean Constituency looks forward to the Bank continuing to be a dependable, responsible and responsive development partner. However, it is our opinion that the support of the Bank to the countries in the Constituency must be scaled up, especially with regard to private sector lending. Efforts by the Bank must continue unabated to address the matters of most importance to the countries of the Constituency, as our economies continue to require immediate attention. We are very much aware that the Bank's assistance is a major factor and a part of the catalyst needed to help improve our economies.

22. President Moreno, we look forward to working with you and your staff, through our Constituency Office in 2014, maintaining the positive relationship that we have enjoyed in the past as we move towards a better future for our people in the region.