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

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1. On the occasion of this, the 56th Annual Meeting of the IDB and 30th Meeting of the IIC, I have the honour and privilege to speak on behalf of The Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago. First, let me state that the Caribbean extends its thanks and warm greetings to the Government and people of South Korea and to the Mayor and citizens of Busan in particular. We also wish to use this opportunity to express our appreciation for the continued support that we receive from the IDB and the IIC. And we are appreciative of the display of professionalism and dedication from management to the Caribbean, which is so essential in our ongoing struggle to attain higher levels of human development and to meet the expectations of our people.

Context, Performance and Outlook

2. As overall economic growth in Latin America and the Caribbean continued, although at a slower rate, the resilience of the region continues to be tested. In the largest economies in the region, domestic factors, exacerbated by economic slowdown in major trading partners and declining global commodity prices, took their toll. For us, higher economic activity in North America has offset the slow-down in China, which, with falling oil and commodity prices, has produced a net benefit that has helped to maintain some growth—an average of about 1.5 percent—ranging from 3.3 percent for Guyana to -0.55 percent for Barbados. The outlook for 2015 is somewhat strengthened, averaging 2.1 percent, with better export expectations due to the continued recovery among high-income countries—producing flows of capital that could drive growth in the near term.

3. Improving conditions in the economies of the U.S. and U.K. have boosted visitor arrivals in some countries. But there may be room to address issues related to improving competitiveness and policy frameworks to achieve a robust recovery. As you are well aware, the Tourism sector is dominant in the region, contributing as much as 10-17 percent to GDP in some countries. However, a recent study found that growth in

tourist arrivals has stalled and global market share is declining—down to 2 percent in 2013, compared to 2.5 percent in 2000. Prospects for the commodity exporters (Guyana, and Trinidad and Tobago) are somewhat more favourable, with growth projected to rise from about 2.7 percent in 2014 to 3 percent in 2015. However, these projections are also lower than previously envisaged, reflecting the softer commodity prices and lasting growth challenges in the non-commodity sector.

4. Although a few countries—including Jamaica, which implemented tough reform programs supported by both the Bank and the IMF—have recently made progress toward reducing vulnerabilities, fiscal risks have generally risen further. The tourism-based economies face average public sector debt levels in excess of 90 percent of GDP along with increasing financing needs. Market access by Governments has deteriorated and budgetary buffers have narrowed in most countries. External imbalances have also widened, prompting reserve losses in some countries. This challenging backdrop suggests the need for stepped-up efforts to strengthen fiscal positions. Notable recent progress in Jamaica provides an encouraging example. Specifically, the country's fiscal and external current account deficits have declined sharply since 2012, enabling Jamaica to regain market access, with the issuance of an external bond in July 2014. Meanwhile, Barbados has started a programme of fiscal adjustment that has already begun to bear fruit.

5. Among the commodity exporters, near-term fiscal risks are thought to be generally lower, but faster improvements in revenue management and the quality of public expenditure would be critical for mitigating medium-term fiscal vulnerabilities. Financial sector risks also remain elevated in a number of Caribbean economies, underscoring the urgency of decisive reform efforts, notably through regional initiatives that lessen systemic risks.

Bank Assistance

6. In 2014 assistance flowed from the Bank via sovereign guaranteed investment and policy loans as well as Technical Cooperation, and the Constituency's active Sovereign Guaranteed portfolio grew 29 percent to $1.83 billion. These loans have helped to increase constituency investment expenditures, as a percent of GDP for 2014, to a range estimated between 14 percent (Trinidad and Tobago) and 32 percent (The Bahamas and Guyana), but averaging 22 percent for the Constituency as a whole.

7. The IMF concedes that increased public infrastructure investment raises output in both the short and long term, particularly during periods of economic slack and when investment efficiency is high. The time is right for an infrastructure push, with low borrowing costs and weak demand in advanced economies, given that there are infrastructure bottlenecks in some Caribbean economies. Public infrastructure is an essential factor of production, and increasing public infrastructure investment raises output in the short and long term, and we look forward to getting more support from the Bank to pursue this and other agendas going forward.

Mutual Support

8. But the Bank itself has to surmount numerous challenges. Included in which, are issues such as the rating methodologies consequent to the Basel III initiatives, maintaining the institutional agility to advance the economic and financial health of its

members, and to embrace demands of the borrowing members. We therefore welcome the Bank's targeted interventions as we strive to place more emphasis on the infrastructure for inclusive growth, procure more affordable energy, improve citizen security, and reduce poverty.

9. Our commitment to the Bank and its development principles is not diluted by our limited resources. We accept that we have to shoulder the responsibility for, and make the necessary decisions—no matter how tough—to build a strong cooperative that is capable of satisfying our requirements.

Private Sector

10. As the Bank draws closer to making the new and improved private sector support arm a reality, the demand for more creative and country specific support grows, and in the Caribbean becomes even more urgent. More and more, the Region has been looking closely at instruments such as PPP debt-financed infrastructure projects, which could have large output effects without increasing our debt-to-GDP ratio. With the support of NewCo, we expect to be able to access credible equity participants in our infrastructure projects and to structure financial products that would be attractive to investors. Reforming our regulatory and policy systems will become more of an imperative as we go forward, and we are assured that NewCo will help in this regard.

11. In generating greater dialogue and involving the abilities of academia and civil society in development, Compete Caribbean has been groundbreaking. We are hopeful that this facility will continue to be a feature in NewCo; along with the preservation of the particular characteristics of the MIF which makes its relevance and utility in the Caribbean so high. In short, Mr. President, we challenge NewCo to deliver on the potential and prospects that we can see and have been expecting.

Policy Reforms

12. As we noted last year, the Bank's income management model is under review, as is the long term financial planning methodology, consequent to the imperatives of the third Basel Accord and changes in policies such as capital adequacy, increasing the Bank's liquidity, reducing leverage, and new instruments including the IAMC and country limits, inter alia. We again reaffirm our commitment to support the necessary reforms—recognizing that a healthy institution is essential to our being able to access the support we require, and that a relevant Bank has to adjust policies, regulations and even its mandate to keep pace with new developments.

Energy

13. Recognising that energy is critical for the competitiveness of the region and the well-being of its citizens, we look forward to greater support from the Bank to mitigate the challenges the Caribbean faces in accessing affordable, reliable and renewable energy. We are also aware of and thank other developmental partners that have committed to support the Caribbean in this quest and pledged resources through institutions like the IDB to effectively diagnose our challenges and prescribe the interventions that are needed. One of our constituency members—Trinidad and Tobago—has stepped up to play a lead in creating an energy fund to support the

diversification of the energy matrix of Caribbean states, which will offer benefits not only to members of our constituency but also to the OECS through the CDB.

In Conclusion

14. We wish to again commend the Bank for providing support for us to build more robust economies, based on access to markets, investment capital, technology, information, knowledge and skills. We also urge the Bank to maintain the special provision for small and vulnerable countries. We expect that in the roll out of NewCo, every effort will be made to intensify private sector interventions in all our member countries and that we will see an increase in such operations. Indeed, we are well aware of the importance of the support we receive from the IDB, not simply through investment and policy loans, but also through other types of development assistance including support for the Private Sector, that helps to provide insights and access that we need for survival in this global climate of rapid change. We therefore look forward to the Bank's continued support as we strive to attain the Region's growth and development goals.