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

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1. I bring greetings and expressions of the highest regard to you gathered here for the 57th Meeting of the Inter-American Development Bank and the 31st Meeting of the Inter-American Investment Corporation. I have the great honour of speaking on behalf of the member countries of the Caribbean Constituency of the Bank—The Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago. I see this as both a privilege and a challenge. Our countries face complex and sometimes diverse challenges in our efforts to navigate the rough waters of the global economy and to improve the welfare and well-being of our peoples. And in such august company and beautiful surroundings, too often the risk is to replace substance with ceremony. But let me first convey warm felicitations and congratulations and thanks to the government and people of The Bahamas for ably organizing and hosting these important proceedings, in particular because the Annual Meeting of the IDB has returned to the Caribbean for the first time in almost 40 years.

Introduction

2. Structurally, the Caribbean economies are acutely vulnerable to developments in the global economy. This was evident, during 2015, when global growth slowed in China and the emerging markets while the more developed countries continued to experience anaemic recovery. As expected, these negative developments affected growth in the Caribbean, though the tourism based economies (The Bahamas, Barbados and Jamaica) and the commodity-based economies (Guyana and Trinidad and Tobago) experienced different fortunes and have different outlooks.

3. In 2015, Caribbean tourism grew by an estimated 7 percent to 28.7 million visits. This performance was above the 4.4 percent global rate of growth, reported by the World Tourism Organization. In that period, too, visitors spent over US$1 billion more than they did in 2014, contributing approximately US$30 billion to Caribbean economies. This performance made 2015 the second year in a row that the region has outperformed the

rest of the world, and the sixth consecutive year of growth for the Caribbean. The continued growth of tourism is indicative of the international competitiveness of the sector and its ability to satisfy the sustained demand from major source markets: North America and Europe. On the other hand, the commodity producers have been adversely affected by the continued decline in prices and demand. The Caribbean Constituency's only oil exporter, Trinidad and Tobago, has been severely affected by the sharp decline in the price of oil, necessitating fiscal restraint. Other countries, such as Jamaica and Guyana, have had to curtail expenditure in the face of declines in the export earnings of bauxite, sugar and rice. Nevertheless, all of the oil-importing countries have benefitted from the reduced pressure on imports and inflation. All told, real GDP grew only marginally by about 1 percent, from 2014 to 2015, compared with 2.6 percent in the previous year. Prospects for 2016 remain quite uncertain.

Challenges

4. A combination of challenges emanating from unfavourable external trends—evident in the forecast for continued sluggish and uneven recovery of the global economy; exogenous factors, such as the emergence and spread of the Zika virus; and internal structural rigidities, such as the narrow range of foreign exchange earning sources, has dampened the region's economic outlook. The World Bank estimates that the Zika virus outbreak could reduce economic output in our members by US$60 million or 1 percent of GDP, particularly in the tourism-based economies, reversing all of last year's growth. What is ominous is that these challenges are occurring at a time when our countries are still grappling with residual problems, notably the high debt burden. Two of our member countries—Jamaica and Barbados—are among the 20 most indebted countries in the world, with debt-to-GDP ratios above 100 percent. Several countries in the sub group Organisation of Eastern Caribbean States (OECS) are similarly indebted.

5. Perhaps, the single most worrying threat for all of us is that of de-risking. If not attenuated, de risking can result in the disconnection of our economies from international financial intermediation, with dire consequences for international settlements, trade financing and remittances. In Jamaica and Guyana, where remittances constitute up to 30% of GDP, and in Barbados, Trinidad and Tobago and The Bahamas, where financial services are a significant contributor to employment and GDP, de-risking is like the sword of Damocles hanging over our heads. The potential dislocation caused by de-risking will severely constrain government capacity to address low productivity, low investment levels, inadequate infrastructure and alternative energy. We look to the Bank group to increase and expand its support to us, in our efforts to systematically and innovatively address these vulnerabilities at the policy, financial and institutional levels, and to assist in maintaining our progress towards greater equity and sustainability. To this end, we urge urgent and continuous dialogue with the Bank group, so that these issues can be properly ventilated, practical and workable solutions developed and adequate resources provided and disbursed with an ease and timeliness that allows maximum benefits to be derived.

6. These and other challenges demand as much of our urgent financial, institutional and technical attention as they necessitate an enhanced role for the Bank.

Bank Support

7. The support from the Bank continues to be dominated by infrastructure and public sector modernization operations. In 2015, there was an increase in approvals for only one of our constituency members, Jamaica. This was largely responsible for overall approvals of Sovereign Guaranteed (SG) loans growing by 24 percent. If Jamaica is excluded, then cumulative approvals for the other 4 countries of the Constituency would decline by 45 percent, a most untenable situation in light of the pressing problems highlighted earlier. Another unflattering statistic is that of disbursements, which declined by 5 percent or US$290 million, even though the regional portfolio of projects increased from 52 in 2014 to 56 in 2015. Not surprisingly, net flows to the region were negative $83 million. As if that were not bad enough, Guyana, the only D2 category member that qualifies for FSO blended resources, suffered a negative net flow of US$3 million. In 2016, with the current portfolio of approval balances, we expect that debt service payments to the Bank by the Constituency will total at least $247 million.

8. In Jamaica, we have seen what a difference a well-coordinated multi-dimensional focus by the World Bank, the International Monetary Fund and the Inter-American Development Bank can make. In Barbados and The Bahamas, fiscal adjustment measures have been introduced as well. We are told that strong policies are required in some countries to increase revenues, following the adverse effects of lower commodity prices, to create the fiscal space necessary for undertaking growth-inducing and climate-resilient investments. But austerity measures, by themselves, are not usually helpful in getting out of crises. Support for our policy reforms, and our investment in social and other programmes is needed for us to transition from adjustment to sustainable growth and development. In this, we believe that the financing lines that the Bank has developed and the reforms it has introduced should position it to meet our existing and emerging needs.

9. We welcome the start-up of the recapitalized Inter-American Investment Corporation and have great expectations of its strategic priority areas of support, including Infrastructure, improving Medium, Small and Micro Enterprises' (MSMEs) access to finance, and, I will add, partnering with the Multilateral Investment Fund's technical-cooperation operations to support these MSEs for greater job creation and scalability, as well as building capabilities and expertise. We look forward to a sharp turnaround in lending to the private sector in our region in 2016.

10. The Multilateral Investment Fund (MIF) has served us well. It has been a valuable means of supporting small and medium-sized enterprises and grassroots organizations, promoting inclusive economic development and benefitting the base of the pyramid. We would not want to see the MIF downsize its support level or quality or its capability.

11. Affordable and sustainable energy is key to the competitiveness of our industries and the well-being of our people. Several creative solutions for a sustainable and affordable energy sector have been posited, none of which is cheap, and choices of energy options have major macroeconomic implications for our small economies. We are greatly encouraged by the IDB's leadership and creativity in the recently approved geothermal energy project, which the Bank developed in partnership with the Caribbean Development Bank for the Eastern Caribbean Islands. We look forward to more of these ideas being brought into reality and will be drawing on the Bank for its technical and

financial leadership, particularly for large energy projects involving Public Private Partnerships (PPPs).

In Conclusion

12. The Caribbean member states of the IDB are looking forward to the following in 2016/17:

(i) An expanded role of the IIC in both the quantum of financing and the spread of projects across sectors (including tourism) and countries. We are looking forward to engaging with the new IIC in creative ways, in order to remove the bottlenecks that have constrained private lending in most of our region.

(ii) That the MIF will continue to provide innovative and scalable support to our small and medium-sized institutions. We strongly support the continuation of the MIF in its current form, and we look forward to scalability of its projects and complementarity with the new IIC.

(iii) The provision of counter-cyclical finance, when and if needed, in adequate amounts and without excessively intrusive conditionality. We expect that some of our countries that are undergoing tough macroeconomic reforms will benefit from policy-based loans from the IDB, in conjunction with resources from other international financial institutions.

(iv) In the financial adjustments which the Bank may have to make, the burden-sharing should be based on the ability of all member states and not only on the borrowing countries. Our small economies are already contributing to these efforts by paying increased loan charges and commitment fees, and we expect that staff would find some creative ways to share the financial burden with non-borrowing members.

(v) Small vulnerable developing countries must be given special attention, especially in meeting the thresholds established in the GCI-9—in particular those relating to climate change. While we are fully committed to meeting our COP 21 goals, we understand that every effort will be made to provide concessional resources to many of our small countries that are already devoting a disproportionate share of revenues to protect their coastal communities.

13. This list is not meant to be an exhaustive chronicling of our challenges or expectations; it is merely indication of the magnitude and severity of the problems faced, our efforts to find innovative solutions and our aspirations of the Bank as a long-standing partner in our countries' development. As always, we take this opportunity to thank the President and his staff, as well as the members of the Board of Executive Directors for their dedicated service to our region. We know you are appreciative of our concerns, and we are grateful for the time and energy you expend in building this partnership for progress. This genuine relationship has made a difference to our economies and our peoples over the years, and we look forward to a strengthened partnership in the future.