



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

FORTALEZA, BRAZIL

AB-2175
CII/AB-812
11 March 2002
Original: English

ADDRESS BY THE GOVERNOR FOR TRINIDAD AND TOBAGO, ON BEHALF OF
THE BAHAMAS, BARBADOS, GUYANA, JAMAICA, AND TRINIDAD AND TOBAGO,
AT THE SECOND PLENARY SESSION

Keith Rowley

1. I have the honor to address this joint Annual Meeting on behalf of the five Caribbean nations that form the Caribbean Constituency, that is, The Bahamas, Barbados, Guyana, Jamaica and my own country Trinidad and Tobago.
2. Our delegations wish to convey our appreciation to the Government of Brazil and the city of Fortaleza for hosting this year's meeting and for the generous hospitality extended to us in this very pleasant city. We also commend the Management and staff of the Bank for their role in facilitating this occasion.
3. Mr. Chairman, we congratulate you on your election, and on your assumption of the important responsibility of piloting the course of the Bank over the next year. Our Constituency also expresses its appreciation to the Governor for Chile for his valuable work as Chairman during the past year, in the course of which he skillfully enabled us to reach agreement on a lending framework and on operating guidelines that are of strategic importance to the borrowing members.
4. The Caribbean Constituency attaches a great deal of importance to these annual gatherings. They provide us with the opportunity to deliberate on the challenges facing us as a region and as individual countries, and to devise solutions through our partnership in this institution. Over the past 42 years, the IDB has become the premier multilateral lending institution operating in our countries and, as such, it is primarily to this institution that we look for assistance, both financial and technical, to address the development aspirations and genuine concerns of our people.
5. In 2001, an already weakening world economy faced a most unexpected and deadly adversary. The horrific events of September 11th worsened the problems of our global economic system in no small way. Indeed, since the last Annual Meeting in Santiago, we have witnessed a significant potential threat to our hard-won economic progress become a reality.

6. Suffice it to say, the Caribbean Region has not been spared. Once more, vulnerabilities of our small economies have been starkly exposed. Like much of Latin America, we have had to contend with deteriorating terms of trade, and the effects of recessionary conditions in the United States.
7. As a result, aggregate output in the Constituency expanded by less than 2 percent, reflecting a relatively strong outturn in Trinidad and Tobago, negative growth in Barbados and modest results in The Bahamas, Guyana and Jamaica. The Bahamas, Barbados and Jamaica have been hardest hit by the decline in tourism, especially after the September 11th terrorist attack. Additionally, Jamaica and Guyana have had to grapple with commodity price shocks and poor weather conditions. My own country, Trinidad and Tobago, which recorded the strongest growth of about 4 percent, has had to significantly scale down public investment in the face of declining oil prices.
8. Faced with difficult circumstances, our Governments have vigorously pursued prudent fiscal, monetary and exchange rate management. Not surprisingly then for most of our countries, the key macroeconomic indicators have been satisfactory.
9. The results bear testimony to the resolute stance of Caribbean Governments to protect the hard-won gains of our structural reform efforts. In this regard, we remain committed to market-expansion policies, freer trade, and democratic systems of governance, modernized state systems and regional integration. Moreover, we strive continuously to achieve growth that is sustainable, socially responsive and intrinsically inclusive both in terms of its generation and the equitable distribution of its benefits.
10. The Guyana authorities are gratified that they were able to work effectively with the Bank to get full commitment of all of Guyana's FSO allocation for the 2000-2001 biennium. It is, of course, our hope that by achieving equally full commitment of Guyana's allocation of FSO resources in the future, the Bank will reinforce its role in further strengthening the development effort in the country.
11. The Bahamian authorities were pleased that the Bank was able last year to advance a major road infrastructure project for New Providence Island to the point of approval. They anticipate that when this project is fully implemented, it will improve the flow of traffic on the Island, and significantly enhance the efficiency of the tourism sector, the dominant industry in the country's economy, and thereby generate significant economic and social benefits for Bahamians.
12. In the case of Barbados, two operations to support the justice system and to strengthen management of the coastal environment were approved in 2001, which will help reinforce the already high quality of the Barbadian social system, and consolidate the foundation of the national economy.
13. Jamaica is especially appreciative of the flexible response of the Bank in providing assistance to protect and strengthen its reform program, following the impact of the September 11th terrorist attacks, and the flood rains of November.
14. With respect to my own country, Trinidad and Tobago, which has had no loan approvals since 1999, we are satisfied with the progress made on a housing project which will

improve conditions mainly for low-income groups. We look forward to early approval of this loan. Also, of highest priority is highway expansion and agricultural reform on which the Government anticipates a partnership with the Bank. It is our intention to make optimal use of Bank resources and reverse recent declines in our portfolio performance.

15. Going forward, the Bank and our Constituency together face the challenge to address a matter of particular concern to us. Our group has been experiencing a net resource flow to the Bank at a time when objective conditions suggest that the opposite should be occurring. We fully understand that no borrowing country, or group of borrowing countries, can expect to have net resource flows from the Bank uninterruptedly and indefinitely. But we believe that there is considerable room for effective joint programming and for expeditious project development and execution which will impact net resource flows in the right way at the right times.

16. The borrowing members of the Bank continue to face challenges to adjust to dynamic change, both internally generated, and externally imposed by the forces of globalization. It is clear that the resources at the disposal of the IDB Group are modest in relation to the total needs of the region. Nevertheless, the strategic role of the Bank in helping regional countries adjust to change has increased with the passage of time.

17. It was, therefore, timely on our part a year ago in Santiago to mandate the Committee of the Board of Governors to prepare proposals for enhancing the Bank's responsiveness to the changing needs of its borrowing members. It is very gratifying that as a result of the discharge of that mandate, the Board of Governors has now approved a package of measures to move the Bank forward in its relationship with its borrowing members.

18. But we must continue to further the process. In implementing the package of measures, we expect that the modification of the financing matrix for investment loans, and the new framework for policy-based lending can be put into effect forthwith. It will be important at the same time, however, to maintain the momentum of implementation of the other elements of the package.

19. Also, the challenge of increasing the Bank's responsiveness will continue after implementation of the agreed package. We have no doubt that there will be a need for further action because the recently agreed measures do not exhaust the scope for sound initiatives to increase the Bank's responsiveness. We therefore welcome the report from the President's External Advisory Group which points to possible additional lines of action for enhancing the Bank's response capacity.

20. While the Bank has already done a great deal in helping Caribbean Countries prepare for integration in new trading arrangements and for natural disaster mitigation, we would welcome a broader focus on the much larger issues. As part of this overall effort, we urge the Bank to continue to recognize the special circumstances of its smallest members, not prejudiced by per capita income considerations, but on the basis of systemic features which make our economies inherently vulnerable to external risks and greater income volatility. We must recognize that overcoming this problem will require not only the right domestic policy efforts but also the strong support of multilateral development institutions.

21. Despite voicing strong concerns over the years, we have yet to welcome the first Private Sector Department operation in our Constituency. Today we stress our position again especially since we have approved, in the last year, a resolution raising the cap on private sector lending from 5 percent to 10 percent of the Bank's outstanding portfolio. We are gratified that the resolution we recently approved contains a clause calling on Management to develop and implement a private sector action plan for the C and D countries. Let me say that we accept that the Management must, of necessity, be thorough and exacting in its due diligence for establishing eligibility for private sector lending. At the same time, however, we encourage the Management to pursue its due diligence with a sense of practicality and realism, in order to avoid unnecessary roadblocks and delays that will prevent our members from accessing this important window in the Bank.

22. In a similar vein, we encourage the Inter-American Investment Corporation to intensify its effort to find viable financing opportunities in our Constituency. In particular, we urge the Management to deepen its understanding of the market in the Caribbean for IIC financing, so that this could inform the customization of the IIC products for the subregion. The IIC must reinforce its outreach efforts in our Constituency with a view to delivering an appropriate mix of its products to our group, from direct corporate financing, to financing through credit lines and agency lines with local intermediaries, and participation in equity funds.

23. More broadly, as we look to further development of IIC operations, we welcome the attention the Board of Executive Directors has been giving to the question of IIC financing for enterprises with non-regional majority shareholding. We share the sentiment that in today's world the current restrictions should be relaxed, though care should be taken to ensure that IIC financing is additional to, and does not substitute for, meaningful value that the non-regional majority shareholder would be expected to bring to the enterprise. Our Constituency therefore strongly supports the resolution that will come before us amending the IIC Charter to give effect to this objective.

24. Finally, we cannot help noting that the call for "development effectiveness" promises to become a veritable mantra in the fora of the IDB Group; and indeed so it should be. We, in the Caribbean Constituency, want to give the assurance that we are acutely aware that we cannot afford the luxury of being careless about the development effectiveness of all our undertakings, including the operations we pursue with the Bank. The margins of tolerance within which our small countries operate are too tight. And in this, nothing concentrates the mind better than the realisation that it is our countries which must in the end repay development loans.

25. In this connection, we are encouraged by the initiative started last year to evaluate country programs, and to rationalize the Bank's policies, strategies, and instruments. Trinidad and Tobago was one of five countries on which a comprehensive evaluation was undertaken. This exercise exposed very pervasive weaknesses. The Trinidad and Tobago authorities look forward to this exercise helping to refine the strategic interventions that will form the Bank's country program in the period ahead, and sharpen the development impact of all Bank projects.

26. In this we must address the need for better programming of resources, through closer collaboration among the various arms of the Bank Group, more rigorous project design and

more creative and flexible management of the project execution process. This must be supported by greater policy dialogue with country authorities that facilitates a full understanding of the individual country context. After all, we must never lose sight of the purpose of the Bank, that is, not to be doctrinaire but to help participating members achieve the goals and objectives set by the people of the respective countries.

27. Therefore, when the Bank comes to speak to us about development effectiveness, it will be preaching to the converted. The critical challenge will be to bring the Bank's experience and perspective together with those of the borrowing country authorities in order to shape projects that will deliver "development effectiveness" in practical operational terms.

28. It is with this vision of creative dynamism for the future that we want to forge ahead in our relations with the Bank. We are greatly encouraged by the fact that those relations have been predominantly positive, and we once more place on record our appreciation for the contribution that the Bank has made, and continues to make, to the development of our societies. Our Constituency looks forward with confidence to building on those foundations in our future partnership with the Bank.