



2010
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 42

October 8, 2010

Statement by the Hon. **DEAN BARROW**,
Governor of the Fund and the Bank for **BELIZE**,
on Behalf of the Joint Caribbean Group

**Statement by the Hon. Dean Barrow,
Governor of the Fund and Bank for Belize,
on Behalf of the Joint Caribbean Group**

It is an honour, as Governor for Belize, to address this Joint Meeting on behalf of the Member States of the Caribbean Community, (CARICOM), namely Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Our delegations wish to express appreciation to the management and staff of the Fund and the Bank for the arrangements that have been made during these meetings.

At the outset, I would like to reiterate the gratitude of the CARICOM for the tremendous outpouring of international support for the people of Haiti, following the devastating earthquake in January 2010. We stand firmly behind our Haitian brothers and sisters, as they attempt to recover from this disaster. At the same time, this tragic event presents us with an opportunity to assist Haiti as it seeks to build more resilient institutions. We congratulate and thank those who have promptly delivered the financial assistance pledged at the donors' conference in New York this past March and strongly encourage other development partners to make good on their promises. Nine months after the earthquake, I feel that we all share a sense of responsibility for the plight and sufferings of those still living in precarious conditions under makeshift roofs, for the newly unemployed and for the professionals who are forced to seek livelihoods elsewhere.

Vulnerability

The countries of the Caribbean Community which are comprised of many small and open economies are among the most vulnerable in the world, especially to natural disasters as well as food and energy price shocks. Given the coastal nature of the islands

and continental countries in our region, significant sums of money are expended each year to safeguard the natural environment from severe degradation. These vulnerabilities present real threats to sustainable development.

Global Economic and Financial Crisis

Like many other countries in the world, the economies in the Caribbean were not immune to the negative consequences of the global economic and financial crisis. In fact, the nature of the economic structures of our small states made the negative impact even more pronounced. Many Caribbean economies have experienced sharp declines in output, following the depressed tourism market, weak commodity prices and reduced inflows from remittances.

While the process of economic recovery has restarted at the global level - led by some emerging market countries - the economic performance of the Caribbean region is trailing that of the more dynamic emerging economies. With a jobless recovery projected for the next few years, the Caribbean region is expected to experience only very modest growth in the short-to-medium-term. To provide a platform for renewed growth and development, the Caribbean authorities are committed to fiscal consolidation and debt reduction, while strengthening social safety nets and bolstering growth-enhancing public sector investments. Regional governments are also committed to fostering more business friendly environments to stimulate increased domestic and foreign investments, cognizant that the global supply of capital is likely to remain below pre-crisis levels.

The CARICOM region believes that a well regulated and stable global financial system is conducive to growth over the medium-term, and could have a favourable impact on the cost and supply of investment financing for developing countries. In this regard, our authorities support the work of the IFIs and multilateral organizations. We urge, however, that these initiatives be carried forward in a transparent and non-

discriminatory manner which invites inclusive participation in the design of incentives and remedial mechanisms. We expect, therefore that the IMF and the World Bank will responsibly exercise their memberships within the Financial Stability Board, voicing the interests of all their member countries, and being strong advocates of positive incentives and technical assistance to help countries address regulatory weaknesses.

Alternative energy

As a means of reducing the energy costs in the Region, many Caribbean countries have been exploring the feasibility of deploying solar, hydro, geo-thermal and wind energy for both household and industrial use. The overall intention is to reduce dependence on fossil fuels while simultaneously minimizing the cost of energy imports and the loss of foreign exchange. Increased tax concessions and incentives for the development of renewable energy can go a long way in promoting widespread deployment of these alternatives in the region, and we urge the international community including the IFIs led by the World Bank to partner with us to bring this process to fruition.

Access to resources

Against this background, the response from the Bretton Woods institutions to the CARICOM region has been mixed and uneven. The IMF has responded to some countries with programmes aimed at stabilization, and structural reforms to boost medium term growth potential. More generally, through its surveillance activity, and valuable technical assistance, the Fund has been assisting all of the CARICOM countries, in formulating policies to restore fiscal and debt sustainability, address financial sector vulnerabilities and increase growth. The medium-term adjustments will also require closer engagement by the World Bank. At a time when access to concessional financing is still important to address critical development needs, some of the countries within CARICOM are generally not permitted to borrow from the Bank. I urge the Bank to reexamine its policies on graduation at all levels, whether it be from IDA, IBRD or IFC

to encourage greater flexibility in the access to resources. Measuring development by per capita income alone, in the face of rising vulnerability, **must not be the sole criteria for determining eligibility to World Bank Group resources.**

Bretton Woods Institutions' Activities

During the past few years, both of the Bretton Woods Institutions have been engaged in far-reaching discussions on reforms. The World Bank Group completed a significant package of reforms which increased voice and participation for emerging and developing countries, sharpened the institutions focus on post-crisis policies, augmented the Bank's capital and ushered in internal changes within the institutions. We commend the Bank for taking these bold steps to reform its operations and look forward to more tangible results for the CARICOM region.

Voice and Participation

In the recently concluded Voice and Participation reforms at the World Bank, the shareholdings of most Caribbean countries remained largely unchanged while Trinidad and Tobago and Jamaica emerged with reduced shareholdings. In our opinion, any future adjustment of the shareholding must be undertaken with a view to not only protecting low income countries but also small middle income countries that share similar vulnerabilities.

Internal Reforms

With respect to the on-going internal reforms at the World Bank, we recognize the commitment to improve organizational efficiency, capacity and development effectiveness. We welcome the work on Investment Lending reforms, specifically the risk-based approach to lending, enhanced board oversight on areas of greatest risk and improved management accountability.

Capital Adequacy

Over the past months, the World Bank Group has agreed to a general increase in IBRD's capital as part of a package of measures aimed at enhancing IBRD's financial capacity. We welcome this recapitalization and look forward to increased resources from the World Bank Group.

IDA

We remain supportive of efforts to increase the financial resources in the concessional lending window and note that IDA Deputies have been in discussions on the 16th Replenishment. We welcome progress made on IDA I6's special themes: fragile and conflict-affected countries, gender and climate change and broadly support Management's proposals for IDA 16.

IMF Reforms

We welcome the reforms being made to the IMF's lending and surveillance mandates and note the increased range and flexibility of instruments for both concessional and non-concessional borrowing. The introduction of the Post-Catastrophe Debt Relief Trust Fund, (which Haiti has already accessed) along with the new Precautionary Credit Line are steps in the right direction. The decision by the Fund to improve its surveillance of the global financial system through regular and mandatory financial sector assessment of countries with systemically important financial sectors should help to enhance global financial stability.

At a time in which access to global capital market is relatively limited, we also welcome the tripling of the IMF's lending capacity through the New Arrangements to Borrow (NAB). We urge that the NAB remains a backstop for quota resources. In an environment in which many Caribbean countries have begun to experience balance of payments difficulties because of declining trade in goods and services these enhanced facilities can provide additional resources especially during periods of critical needs.

One critical concern that we wish to underscore is the slow pace of reforms on quota and governance. We urge the Fund to accelerate the process of increasing quota and voice of dynamic emerging market and developing countries (EMDCs). In the process, we support preserving the voice of the poorest members, which includes some members in CARCOM that are eligible under the PRGT facility. We also emphasize that the increase in quota shares and voting power of dynamic EMDCs should not be at the expense of other EMDCs. In addition, the size of the quota increase must be so adjusted to ensure effective balance between the resource needs of the IMF and the overall goal of quota realignment.

CARTAC

We thank the IMF for its continued support through CARTAC which support development of our region in myriad forms through its excellent model of short term support to our governments. We are also grateful to Canada, which through CIDA continues to be the largest financial donor to CARTAC. The assistance of other development partners is acknowledged including, the United Kingdom (DFID) the European Union, IDB and the UNDP. However, the overhead costs of IMF oversight of CARTAC are out of proportion and need to be reduced, to make efficient use of funding available. For their part, CARICOM countries also commit to augmenting regional financing support for CARTAC. However, for some of our authorities budgetary constraints could delay the onset of such increases.

Conclusion

In closing, I wish to thank the IMF and the World Bank Group for their continued engagement with the Caribbean, and for their enhanced surveillance of the region's economies. We would like to see this relationship strengthened over the medium-term, especially whilst our technical assistance and financing needs remain elevated. The Caribbean has a vested interest in the reforms of the Bretton Woods institutions, and we

encourage accelerated progress on these agendas. Rest assured, that we take our responsibilities for fiscal consolidation, financial stability and growth-enhancing structural reforms seriously, and look forward to advancing these initiatives in close dialogue, and the with support of our development partners.
