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INTERNATIONAL DEVELOPMENT ASSOCIATION  
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MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **WILLIAM C. ALLEN**,  
Governor of the Fund for **THE BAHAMAS**,  
on behalf of the CARICOM Countries,  
at the Joint Annual Discussion

**ADDRESS BY THE HON. WILLIAM C. ALLEN  
GOVERNOR FOR THE BAHAMAS  
ON BEHALF OF THE CARICOM COUNTRIES**

Mr. Chairman,

I have the honour to speak on behalf of the Caribbean Community and Common Market (CARICOM) namely: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago, and my own country The Bahamas.

I join colleagues expressing appreciation of the excellent arrangements made for these meetings by the Chinese Government and especially to the people of the Special Administrative Region of Hong Kong. This beautiful city reflects the dedication and commitment of its people whose achievements we admire.

We are pleased with the progress made on the HIPC Debt Initiative and fully endorse the proposals by the UK as spelt out in the Mauritius Mandate. Since March this year the Executive Boards of the Bank and the Fund have reviewed the eligibility of seven countries for relief and decisions have been made in three cases. The Boards have also discussed preliminary HIPC documents for three other countries and we are especially pleased to note that Guyana was included. We fully anticipate a favourable decision on our sister CARICOM State when this matter is formally considered.

We in the CARICOM are conscious of the responsibility of burden sharing. Almost all CARICOM countries have therefore indicated that they will contribute financing to the HIPC Debt Initiative and the enlarged enhanced structural adjustment facility (ESAF). We hope, however, that developing countries that have provided debt relief under the Paris Club will not be called upon again to bear a disproportionate share of the burden especially in situations where further concessions will be through a reduction in the foreign reserves of their central banks.

On ***Quotas and SDR Allocation***, my fellow Governors from CARICOM welcome the agreement and hope that the formula for its distribution will not reduce the voting power of small states. We also welcome the agreement reached to provide all members with an equitable share of cumulative SDR allocations through a one-time special allocation of SDR 21.4 billion.

As regards ***Amendment of the Articles*** we are taking careful note of the ongoing upheaval in the economies and currency markets of Southeast Asian countries. There are valuable lessons for us in the Caribbean to learn from these events.

As you are aware most of the CARICOM countries have fixed exchange rate regimes. We have argued that, given the openness and small size of our economies, and given that we are price takers for most exports, exchange rate stability is key to maintaining low inflation and investor confidence. We are aware that this stability requires prudent

fiscal and monetary policies, and sound incomes policies. As a result of our adherence to such policies most of the countries in CARICOM are enjoying relative exchange rate stability, without an erosion of external competitiveness. But, as experience in Southeast Asia shows, even with the most careful adherence to appropriate policies few economies can withstand highly volatile capital flows.

The globalization of capital markets has been a reality for some time and it is appropriate that the Fund should recognise and respond to this in a fundamental way. We are therefore prepared to support an amendment of the Articles of the IMF to make the promotion of capital account liberalisation a “specific purpose” of the Fund once such an amendment contains adequate safeguards that recognise the vulnerability of small open economies and that allow countries to take measures to protect themselves against destabilising capital movements. In moving ahead, we also wish to stress that close and special attention be paid to the need for technical assistance for developing countries. We would not wish to move to capital account convertibility without paying due regard to the soundness of the banking system and to financial sector reforms in general. We should learn from experiences in South East Asia and from experience much closer to home. In this regard we look forward to the Fund’s review of financial liberalisation in program countries.

We in CARICOM have, for a long time been aware of the positive effect of good governance on economic growth, development and the improvement of the quality of

life for our citizens. We therefore welcome the guidelines of the Bank and the Fund on governance and corruption which are consistent with our commitment to good governance. Following them will help us protect and enhance our image for probity in business. This image is extremely valuable, given the importance of international business and financial services in a number of our economies.

The definition of governance is broad and includes transparency in government operations; promotion of an enabling environment for private sector activity which requires a proper and adequate judicial system; and easily accessible, current, and high quality economic information. Countries in our region intend to participate in the Fund's General Data Dissemination System (GDDS) but will continue for some time to require technical assistance with our data systems to reach the GDDS guidelines on quality, timeliness and periodicity of our statistics. In addition, we welcome the publication of Press Information Notices (PINs) and note that since their introduction earlier this year, PINs have already been issued for Belize, Dominica and St. Kitts and Nevis.

Mr. President, we fully support your effort to refocus the Bank's development agenda as set out in the Strategic Compact and we are pleased with the success recorded so far. We are also aware that there could be some unexpected and undesirable outcomes as a result of the drive for savings on the budget. We hope, however, that the Bank will not be forced to curtail its activities in support of the Caribbean Group for

Co-operation in Economic Development (CGCED); after the efforts both by the Bank and the region to expand the membership and improve the functioning of the CGCED, such action would be a set back.

As regards ***Disbursement***, the countries on whose behalf I speak have for some time now been making net repayments to the international financial institutions. This situation has its roots in the sometimes cumbersome and often time-consuming approval and disbursement procedures for investment lending and in the concentration on lending for adjustment in the previous decade.

We need to change this if we are to reverse the net flow of resources out of the region. We are prepared to work within the procurement guidelines which have been modified from time to time to take account of special circumstances, but apparently this is not enough. Assistance with institution building to improve performance at all points of the project cycle from identification through to appraisal and on to implementation will, in our view, become one of the most important aspects of our partnership with the Bank over the next five or so years. Perhaps the new investment instruments such as the Learning and Innovation Loan (LIL) and the Adaptable Program Loan (APL) developed by the Bank, and which we heartily welcome, together with resources from the Institutional Development Fund (IDF), and participation in the human resource development effort by the Bank can be combined to identify and solve the problems that prevent speedy and effective implementation of projects.

We congratulate the IFC on its program to become more active in the region. We will work together to ensure the success of your efforts.

As regards *WTO and the Caribbean*, in the Caribbean, the pursuit of stable macroeconomic conditions remains paramount, despite an increasingly difficult external environment, as protected markets for bananas and other traditional commodities are under challenge. This has been exacerbated in recent times with the adverse WTO ruling concerning bananas. The implementation of the WTO ruling will lead to the collapse of the banana industry with resulting disastrous economic and social consequences for the region, particularly the Windward Islands. The ruling also provides a shorter transition period than that which had been envisaged under Lome. The industry has been implementing a restructuring program aimed at reduced costs and improved productivity which will require both time and assistance in combatting the attendant external shocks.

To conclude, the challenge of expanding output, while diversifying and liberalising our economies from monocrop industries, mainly agriculture or tourism, combined with a fast-growing labour force, is key to long-run economic potential in the region. In this vein, efforts to restructure public sector management, state-owned enterprises, labour markets and financial systems are being vigorously promoted, and deserve the full support of the international community.

Thank you for your attention.