

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Press Release No. 44

October 3, 2004

Statement by the Hon. **OMAR LLOYD DAVIES**,
Governor of the Fund and the Bank for **JAMAICA**,
on behalf of the Joint Caribbean Group,
at the Joint Annual Discussion

**Statement by the Hon. Omar Lloyd Davies
Governor of the Fund and the Bank for Jamaica
on behalf of the Joint Caribbean Group,
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It is a great honor for me to speak on behalf of the Member States of the Caribbean Community (CARICOM). Our delegations would like to express appreciation to the management and staff of the Fund and Bank as well as the Government of the United States of America, for the arrangements made for these meetings.

I wish to focus on an issue which is of greatest importance to the members of the Caribbean Constituency at this time that is the role of our institutions in responding to external shocks to our small island economies. In particular, I refer to the devastation caused by natural disasters.

Economic globalization has brought challenges and opportunities to the small states of the Caribbean. Within recent weeks, the challenges facing the small states in the Caribbean have taken on new proportions in the wake of the recent spate of hurricanes which have passed through the Caribbean. In the Bahamas, Barbados, Grenada, Haiti, St. Vincent and the Grenadines and my own country Jamaica, the loss of life and the scale of destruction and damage to infrastructure and property have been catastrophic. Trinidad and Tobago and St. Lucia were also affected, but to a lesser the extent.

In the case of Grenada, the economy was completely ravaged, with estimates of damage being approximately 150% of Gross Domestic Product (GDP). The agricultural sector was completely wiped out. Approximately, eighty percent (80%) of the housing stock was virtually demolished. Hurricane Jeanne has further aggravated the tremendous problems in Haiti, where over 1300 persons died from the onslaught. Due to the severity of the damage sustained, these

two countries, in particular, need urgent and sustained assistance, and I urge the international community to respond generously.

External shocks such as natural disasters are, of course, not unique to the region, but their impact on small island states is exceptional. Given the size of these islands, and less diversified economies, a hurricane, can within the space of a few hours obliterate the entire economic base. In the past, losses from hurricanes in the Caribbean have exceeded the annual GDP of some countries. Even where the devastation is not as widespread, as in the case of Jamaica, the impact is felt throughout the entire economy, particularly through the effect on government revenues, as well as damage to infrastructure, and major economic sectors. The capacity of the State to respond is constrained as the resources required for rebuilding cannot be accommodated through the usual expenditure budget. Therefore ways to address the immediate and long term needs must be developed.

In the aftermath of recent hurricane, regional members have banded together to provide assistance in cash and kind and technical assistance. Assistance has also been provided even by countries which themselves have been affected. But the requirements for rebuilding are well beyond the region's capacity to deliver.

The logical question which arises is the appropriateness of the present means of response by the international financial community to these disasters. It is quite obvious that the response has to be multifaceted with an immediate, medium term and long term reconstruction objective. In this regard, what is the appropriate role for the Bank and the Fund in these situations?

The immediate response of the IFI's is usually constrained by the nature of their Emergency Reconstruction Facilities which focus on the medium to long term. This is the major area of weakness at present. There is need for a facility which would enable the

institutions to respond quickly to meet the immediate needs in a post-disaster situation. We suggest the creation of a facility which would give the Bank the flexibility to respond swiftly, particularly in mitigating the impact on the poor, with few bureaucratic constraints.

Concessional financing must be part of the resource mix available to finance recovery. The region continues to view with disbelief, the decision to exclude IDA -blend borrowers from access to the grant facility for disaster recovery which was created during the 13th replenishment negotiations of the International Development Agency (IDA). This situation needs to be corrected, given the vulnerability of these countries to natural disasters.

The normal approach to a post-disaster scenario by the Bank is the diversion of financing from ongoing projects in order to finance recovery and the reconstruction efforts. While this is an option which might be appropriate in the short run, where time is of the essence, additional resources must be provided for the medium to long term reconstruction. Therefore, the usual lending ceilings must be removed in order to respond to the devastation in a meaningful way.

Furthermore, members of the Constituency, who might not normally borrow from the Bank, should be granted access to resources to finance the rebuilding of physical infrastructure, hospitals and schools.

Quick disbursing loan funds are needed, with several years moratorium to ease fiscal and balance of payments pressures. Quick disbursing loans in this context imply a maximum of say two months from a formal application to disbursement. We also suggest the creation of a funding mechanism to provide grant funding to ensure debt sustainability, as for some time revenues to the government will be adversely affected by a downturn in economic activity.

Where loans already exist there needs to be a moratorium on both principal and interest payments. Disaster management is a long term development issue, and there is need to focus on

mitigation, prevention and the reduction of vulnerability of the poor to these occurrences. There is also a clear need to develop some sort of insurance mechanism to deal with the problem.

When one considers the damage sustained by our economies through natural disasters, it clearly implies that:

1. greater urgency is needed to implement the recommendations of the Barbados Program of Action on the Sustainable Development of Small Island Developing States
2. achieving the Millennium Development Goals (MDGs) will be adversely affected in several countries of the region;
3. and there should be a speedy implementation of the Monterrey Consensus to release additional resources to developing countries.

We also urge the Bank and fund to continue to support CARTAC as it has been a key player in providing technical assistance to countries of our region

The region, as usual, is prepared to work with our international financial institutions to improve the welfare of their people and would urge the IFIs and in particular the Fund to have closer policy dialogue with countries outside of the traditional lending relationship and within the Fund's surveillance activity. Within this context, we wish to commend the Fund for its flexibility in agreeing with an "intensified surveillance program" with Jamaica. This paves the way for other countries wishing to have a non borrowing relationship with the Fund, but with the Fund oversight of its macro-economic programme.