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Statement by the Hon. **V. NAZIM BURKE,**
Governor of the Fund and the Bank for **GRENADA,**
on behalf of the Joint Caribbean Group

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Introduction

As Governor of the IMF and the World Bank for Grenada, I am honoured to speak on behalf of the countries of the Caribbean Community (CARICOM), that is 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. We are grateful to our host country and the government of Japan for the hospitality shown during these Annual Meetings. The small, mostly island states of the Caribbean are exposed to frequent shocks, particularly from weather-related natural disasters which are expected to intensify as adverse effects from climate change further accumulate. As Haiti's experience in 2010 underscore, devastating seismic events are also possible within our region. Haiti's rebuilding is ongoing, with generous support from IFIs and the international donor community. We therefore identify closely with the people of Japan as their recovery continues from the earthquake of 2011 and the tragic aftermath of the tsunami and nuclear accident. It is fitting that during these meetings we have engaged in the Sendai Dialogue on disaster risk management in at risk-countries around the world.

Economic and Policy Setting

Our regional economies face modest to weak growth prospects over the medium term. While some recovery in tourism is underway, the sector remains highly dependent on demand from North America and Europe, where significant downside risks to economic activities linger. Reliance on exports of commodities will however provide a stronger support to growth in some of our countries. Meanwhile, our economies should experience moderate inflation that tracks trends in our advanced country trading partners. Nevertheless, we are still concerned about the impact of high food and energy prices, which place a disproportionate burden on the most vulnerable persons in our societies, and a strain on our social safety nets. Even as we commit to targeting more sustainable fiscal policy frameworks and rebuilding external buffers, we are challenged to increase the fiscal space for productive investments that accelerate private sector-led growth and reduce poverty and unemployment.

In this regard, Caribbean policy makers also fully embrace the importance of structural reforms to make our economies more resilient, including through more diversifed trade linkages and intensified human capital development. Stimulating increased foreign exchange earnings is vital for our economies and underscores the strategic importance of investments and productivity growth in tourism, high value-added international services; and in export oriented agriculture, mining and manufacturing.

Stable and deepened financial systems which further support productive private enterprises are vital to our efforts. We therefore remain very attentive to strengthening our domestic and regional financial stability frameworks. Caribbean countries' participation in FSAP exercises and the review processes of the FATF and the OECD's Global Forum are geared towards achieving and maintaining best international standards and practices in regulation. Given its multilateral dimensions, the ongoing diagnosis of the financial sector of the OECS by the consortium of stakeholders including the IMF, World Bank and Caribbean Development Bank (CDB) has been particularly welcomed. We hope that this can progress to a template for a broader assessment of regional financial stability issues, and reinforce ongoing efforts to strengthen intra-regional cooperation on supervisory and regulatory mechanisms.

As Caribbean policy makers focus on medium-term challenges the engagement with the Bretton Woods Institutions and multilateral development institutions is critical and needs to be strengthened. Our countries require innovative changes in the existing policy frameworks and instruments that respond more to our needs, particularly as small and vulnerable middle-income states.

Tailoring Policies to the Needs of Small States

We therefore welcome the IMF's commitment to review its policies, with small states in mind, and the regional focus recently brought to these issues during the high-level forum in Trinidad and Tobago in September 2012. Our gratitude goes out to our Executive Directors (EDs) at the Fund for pushing the agenda of small, middle-income economies and spearheading the formation of a working group of EDs to look intensely at the issues affecting us. We also thank the Fund's Management for directing resources into the study of small states issues and raising the IMF staff's contribution closer to the efforts of the Bank's. We hope that as this work is refined it will document the multifaceted nature of vulnerabilities in our region, notwithstanding the middle or high-income status of many countries. This work must also advance how small states can continue to build resilience against vulnerabilities. As it stands, this is a costly process that may help to explain deficit and debt dynamics. We look forward to follow up on these and other issues, such as the undertaking of economic surveillance in small states, technical assistance and enhancements to the IMF's lending framework.

In singling out the Fund's lending framework, it must be noted that these instruments are important for many of the region's governments currently in the midst of IMF sponsored adjustment programs. We call on the Fund to adapt these instruments more to the needs of such vulnerable states. In particular, more innovative approaches need to be fashioned to reduce the cost of non-concessional resources for highly at risk, small middle-income states. Expanded access to subsidized financing under the Poverty Reduction and Growth Trust (PRGT) fund also deserves consideration. Moreover, the duration of eligibility needs to be preserved with greater certainty in cases where heightened vulnerabilities have already justified access to the PRGT for some Caribbean countries.

We also call on the World Bank Group to expand the envelope of development financing available to the region. In the context of fiscal austerity measures and more constrained spending on social and economic infrastructure, years of hard-earned progress towards achieving the Millennium Development Goals (MDGs) are being eroded. Accelerated growth, which is vital to reversing this trend, requires ample financing alongside our efforts at structural reforms. While we look forward receiving input through the Bank's Caribbean Growth Forum (CGF) initiative on pro-growth policies and new growth opportunities, the complement of stronger financing support will also be critical. In a similar context, we encourage the Bank to earmark budgetary resources for technical assistance, as the current fee-based system limits the region's access to the valuable expertise of the Bank. Consideration should also be given to how fees for the Bank's services can be waived or applied as grants. That said, we already value the IFC's expanding involvement in the region, which we anticipate will attract increase private capital and spur public private partnerships (PPP) particularly in areas such as infrastructure, alternative energy, transportation and utilities.

For its part, the IMF can also play a leading role in bringing development partners to the table. The Fund is already very effective in providing TA and advice on the design and implementation of macro-stabilization and growth policies. Moreover the Fund's surveillance output exerts a disproportionate influence on smaller members' relationship with multilateral development institutions (MDIs), private investors and external donors. We believe that these roles need to be leveraged more to help our countries secure ample access to less costly financing.

Some of our Caribbean countries also require direct external intervention to tackle high debt burdens through mechanisms that supplement our efforts at fiscal consolidation. However, others have credible strategies for fiscal adjustment. A more insightful approach to debt reduction has to take account of the risk of social displacement and political instability from overly aggressive fiscal consolidation in economies where social strains are already high. The interventions must also help to preserve the stability of our exchange rate regimes.

IMF Governance and Reforms

While the 2010 reforms to the IMF's Executive Board and the 14th General Review of Quota increases have not come into force at the deadline of this meeting in Tokyo, the Caribbean community is still supportive of these initiatives. Most of our countries have ratified the reforms, while others are close to completion.

We are deeply concerned though that as the reforms are about to trigger an increase in the Fund's capital base for lending under the General Resources Account (GRA), the medium-term sustainability of the PRGT is being called into question. The membership has a responsibility to ensure that this pool of resources is augmented in tandem with increases in the GRA. We implore the Fund's management and the Executive Board to resist proposals for uniform reductions in access to the PRGT. It would be highly punitive on PRGT-eligible Caribbean countries whose quota shares were not protected during the 14th Review. Caribbean authorities expected that our quota increases would provide greater access to the PRGT. We believe that access to the PRGT should be based on the needs of members and their capacity to repay the trust fund. As such, we call on the IMF to undertake the necessary fund raising to preserve the Trust's lending capacity and to institutionalize this process going forward. As a step in this we support efforts to use the rest of the windfall profits from the gold sales to augment the trust fund.

As the IMF prepares for the 15th Round of the Quota Review we call on the membership to be attentive to the protecting the voice and representation of vulnerable small members. We agree that GDP should take prominence in the quota allocation formula, and we support the continued use of compression to smooth out abrupt shifts in quota shares. Caribbean authorities also believe that economic openness and variability should be retained after more anlysis on how the measurement of these variables could be improved. In a riskier international economic environment, small economies are inclined to build buffers to guard against exogenous shocks. While we may not be able to contribute significantly to the resource pool of the Fund, we do not believe that countries should be penalized for holding extra reserves. As such we also support the retention of the reserves in the quota formula.

World Bank Group

At the World Bank Group, we welcome President Jim Kim to his new post and look forward to working with him, the Board and management to address the needs of developing countries and small states in particular. We thank the Bank for its ongoing work to confront the effects of climate change and the attendant impact on small island economies. Our region also welcomes the continued improvements in the area of disaster risk management and new initiatives on climate resilience and climate adaptation. We are equally pleased about the Oceans Initiative which promotes the seas as an integral way of life for Caribbean states. Caribbean countries depend heavily on oceans particularly for food and transport. We encourage the Bank to make climate change an integral part of its work as it engages with both the developed and developing world.

The 2012 World Development Report (WDR) has an insightful focus on the role of jobs in alleviating poverty and fostering growth and development. The challenge will be to transform these findings into actionable policies. As Caribbean policy makers we stand ready to play our part in advancing the agenda of jobs creation to afford our citizens an improved way of life. Again, we are relying on support from the Bank and other development partners to sustain our efforts.

Conclusions

Caribbean policy makers remain firm in their commitment to reforms to achieve faster and more resilient growth, strengthen financial stability mechanisms, and enhance fiscal and debt sustainability. The weak external environment is however a constraint on policy options. Heightened engagement of the Bretton Woods institutions is critical at this juncture to assist with technical underpinnings of policy formulations, as well as to provide support through more suitably tailored lending frameworks and surveillance. We therefore look forward to their support in further catalyzing the involvement of other external stakeholders.