Statement by the Hon. WILSON LALEAU,
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on Behalf of the Joint Caribbean Group
Towards a Concerted Approach to building Sustainable and Inclusive Growth

The Republic of Haiti is honored to have the opportunity to deliver the 2013 Annual Meetings message on behalf of the Caribbean Group of countries at the World Bank and International Monetary Fund. Our Caribbean nations share a similar set of values, growth potential, vulnerabilities and concerns. Our countries’ high vulnerability to natural disasters and other external shocks and, our relentless efforts to achieve sustainable growth and shared prosperity are among the factors that solidify our regional quest.

The outlook for our region as a whole remains uncertain despite Europe’s emergence out of the protracted financial crisis. Any impact on US economic growth following the federal government’s shutdown and possible debt defaults will certainly affect our economies given the strong trade and financial ties of our countries with North America and, to a lesser extent with Europe. We also remain wary of the impact of possible tapering of asset purchases by the US Federal Reserve on financing conditions particularly for our “frontier economies” relying on the international capital markets for their financing needs. At the same time, stable commodity prices are a requisite for positive outcomes and, the maintenance of a robust pace of growth by emerging markets like Brazil and China is important for the continued expansion of trade opportunities for our economies and, the strengthening of our development cooperation. The region’s strong financial interconnectedness is a source of opportunities but can also amplify systemic risks. We look forward to the conclusions from the Caribbean Regional Financial Project conducted by the Fund to help map out financial interconnectedness and to test the region’s resilience to financial shocks.

The projected shrinking of official development assistance (ODA) adds to the challenges the region faces. This is particularly an issue for Haiti that still faces enormous post-earthquake challenges and financing needs. The reduction of development funds is also a concern for countries of the region that have achieved middle-income status which precludes them from accessing concessional resources. However, we welcome the retention of a few countries in OECS whose smallness and/or short term vulnerabilities led to their continued access to concessional funding at the IMF through the Poverty Reduction and Growth Trust Fund (PRGT). We hope that the ongoing IDA17 replenishment exercise at the World Bank will be successful in providing sufficient resources to effectively support transformational change in Haiti and, to our smallest OECS states. The IMF also needs to stand ready to provide support to the small
economies of the region that is commensurate with their BOP needs in case of a shock notwithstanding the negligible size of their quota share.

Renewed focus on growth and productivity

The pace of economic recovery in the region is uneven. With growth in commodity producer countries outpacing that of tourism-dependent economies. In many of our countries growth is stifled by the weight of the debt burden and the lack of a sustained productivity effort. In general, growth is below potential and lagging behind Latin America. Income disparities remain high and despite the middle income status of almost all of our countries, economic and social infrastructures are in dire need of renewal and the quality and quantity of public services need scaling up.

Many Governments in our region have, like Haiti, made commendable efforts to improve the business environment and to attract external capital. In our view, Public Private Partnerships (PPPs) can be an excellent means to mobilize funding for infrastructure investments and acquire new technology, particularly in light of the debt and fiscal positions of many of our economies. We welcome the World Bank Group’s and the IMF technical support which is needed to build sound units in which the PPP modality can thrive. In this way PPPs will take into account local specificities required for sound implementation.

For sound improvement in our workforces skills are essential. The future of our economies depends on our capacity to effectively adopt new technologies which will improve our workers’ productivity. Employment opportunities can also be generated formalizing the entrepreneurial skills of those who are already undertaking productive activities on a small scale. This is particularly important for countries like Haiti, Jamaica and some OECS members whose informal sector is significant. The International Finance Cooperation could help us put together programs to promote small and medium size enterprises.

The requirements of countries in the region may differ as each of our countries are at different points in the spectrum of energy access and demand. The cost and price volatility of energy have been for many of our economies a strong impediment to growth particularly through their impact on their competitiveness and public finances. Additionally, as we adopt modern energy strategies to support growth and development, it is imperative that we focus on issues of environmental impact, affordability and reliability, management of supply where applicable and demand including conservation techniques, the role and feasibility of renewable, incentives for investment in the sector as well as taxation and other public policies. Our capacity to address these challenges is constrained. The World Bank Group can be instrumental in helping us tap into the international knowledge base and best practices as we try to tackle this comment set of challenges. It is our desire to pursue the dialogue and enhance the partnership with the international community including the IFC in a coordinated manner as we chart our various courses in this critical area.
Building our resilience

A number of our Governments have embarked on structural reform and fiscal adjustment programs - in some cases with assistance by the IMF and other development partners. This a clear indication that our members as a whole remain committed to achieve fiscal and debt sustainability in the medium term to long term. This challenge is enormous in the current global environment which has left most of our countries with weaker fiscal buffers. Further, given most of our countries’ high dependence on imports and limited export diversification, we are shouldering large current account deficits. Hence, as the IMF’s recent publication (September 2013) on LICs risks and vulnerabilities underscores, our countries with access to the IMF’s concessional resources through eligibility in Poverty Reduction and Growth Trust Fund (PRGT) have become even more vulnerable to external shocks. In order to address these challenges, we remain deeply convinced that new and innovative solutions can be found.

We think that we need to build stronger, socially inclusive programs aimed not only at fiscal and debt sustainability but also incorporates measures that support growth. This calls for our ability to improve our long term productivity through programs that address the training gap of our workforce. We also think that our private sector capacity deserves to be strengthened and we rely on their understanding and consciousness of the level of efficiency required to face international trade market challenges. A stronger private sector is, in our view, key to achieving sustainable growth levels for all of our economies.

We welcome the work on Small States as presented in the papers to the IMF Board in March 2013. We are very mindful that this work is multifaceted and are recognized that the IMF is working closely with the World Bank, Commonwealth Secretariat as well as the Regional Development Banks to operationalize many aspects of the agenda that falls outside of its narrow remit. That said, we strongly believe that solving the issue of debt overhang in some of our smallest states is one that merits immediate attention. We are thankful for the IMF’s and World Bank’s disposition to participate in a concerted effort in collaboration with the CDB and other IFI’s to put together an action plan.

Again in the September 2013, some of our member countries raised concerns about the fact that natural disasters have caused yearly infrastructure losses of 4 to 6 percent of GDP. This remains a significant challenge for us. Since its inception, the Caribbean Catastrophic Risk Insurance Facility (CCRIF) has been instrumental in helping us manage the aftermath of several natural disasters, but not to the extent nor in the desired form. We believe that the CCRIF needs reinforcement. We welcome the launching of the new product which will allow for the compensation of countries that experience excessive rainfall and consequent flooding and, we invite the World Bank to explore, in collaboration with the Caribbean Development Bank and other cooperation partners, ways to continue fine tuning the existing disaster-risk coverage mechanism.

We welcome the Bank group’s initiative to spread a culture of risk management for development in opposition to risk avoidance and a better financing coverage mechanism.
for disaster-prone countries like ours. In this regard, we look forward to the accompaniment of the World Bank Group particularly the IFC in helping us design programs that help the region mitigate different types of risks.

*Regional Integration and more efficient use of our Diaspora*

Enhanced regional cooperation and integration is also a way to overcome the constraints inherent to the small size of our economies and harness our energies to take advantage of increasing trade opportunities soon to come with the expansion of the Panama Canal. We welcome CARTAC’s continuous role in strengthening our capacity in macoeconomic analysis, debt management and public financial management. We are thankful for Europe’s renewed commitment to the RTACs.

The contribution of our Diaspora to our respective economies is significant with two of our economies receiving some of the largest amounts of remittances in terms of GDP. We are convinced that with the appropriate support, our Diaspora can play a bigger role in the development of our nations. We count on our international partners to help us better mobilize and catalyze their funding potential.

*Strengthening the Partnership with the IMF and the World Bank*

We commend the Bank’s President for progress made in the change agenda. We encourage the World Bank Group to work collaboratively with our local private sector and governments to develop innovative approaches, such as PPP mechanisms, capable of mobilizing funding for infrastructure investments associated with increased and integrated regional trade. We understand that the new Country Partnership Framework (CPF) seeks to improve the efficiency and quality of the Bank’s cooperation with its membership. The transition towards this new way of working must be handled with great caution so as not to disrupt the implementation of ongoing programs nor delay operations. This is particularly true as the Bank devises its new structures to implement the delivery scheme based on Global practices (GP).

Another important issue for our Caribbean region is that of adapting procurement rules to the needs and capacities of small states and of countries grouped at the World Bank under the appellation of FCS. The flexibility awarded in procurement rules in FCS and small states this past March/May 2013 is a step in the right direction. However, the objective as we see it should be toward one of harmonization of bidding rules and the use of country systems. For that to be achieved, systematic assessments of national frameworks and technical assistance would be warranted.

We also welcome the progress made on the gender equality front including in ensuring that most of its operations are gender informed. We also appreciate the IFC’s success in promoting women entrepreneurship. However, more traction with Authorities at the level of implementation is needed. Hence, while the scale on average tilts against “females”,
we reiterate our call to the Bank to be careful not to overlook the problem of young men at risks particularly in our region.

At the IMF our hope is that management’s engagement and increased awareness of the particularities of small states and of countries in fragile situations will lead to the adaptation and fine tuning of surveillance frameworks and of financial access tools. Both the Bank and the IMF can gain from diversifying its staff and welcoming more professionals from the Caribbean region. We seize this opportunity to urge the Bank and the Fund to improve their score on the diversity front.

To conclude we wish to express our appreciation for the enhanced dialogue that is being initiated with Caribbean countries. The September 2013 High Level Forum in the Bahamas was the second such event which we hope will become an annual commitment to promote a high level exchange between our Governments and the representatives from all the active IFIs in our region. We look forward to an improved partnership as a result of the productive enhanced dialogue.