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Statement by the Hon. **PETER PHILLIPS,**
Governor of the Fund and the Bank for **JAMAICA,**
on Behalf of the Joint Caribbean Group

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Introduction

As Governor of the IMF and the World Bank for Jamaica, I am honored to deliver this statement at the 2014 IMF/WBG Annual Meetings, on behalf of the Caribbean Community (CARICOM), which is comprised of the countries of 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.

Caribbean economies are highly interconnected to the global economy and the region's economic outlook remains highly susceptible to the uneven and fragile economic recovery in advanced economies. Since the onset of the crisis, regional governments have begun to take the appropriate steps to address areas of vulnerability in their countries' macroeconomic framework. While there has been progress in some countries on this front, a number of these vulnerabilities persist, and they are undermining the region's economic recovery. However, there are promising signs that stability and growth are returning to the region. Continued progress along this path will largely hinge on a more robust recovery in advanced economies, and our ability as policymakers to implement comprehensive reforms to support our growth and development agenda. We therefore support the IMF's call to strengthen the global recovery effort, through "decisive structural reforms and growth-friendly policies to bolster today's actual and tomorrow's potential growth".

The Economic Outlook and Policy Challenges

Growth outlook

Growth in our regional economies is expected to increase in 2014, but real GDP remains far below potential and the levels achieved before the crisis. In the commodity-exporting countries (Guyana, Suriname, and Trinidad and Tobago), growth for 2014 is projected to remain broadly stable in the range of 2-5 percent. Growth in the tourism industry is expected to support economic recovery in tourism-dependent countries, but the effect on the overall growth rate will be mitigated by country specific factors including weak financial sectors, large debt overhangs, and structural weaknesses. These country specific factors, along with a forecast for lower global commodity prices, and the uneven recovery in North America and Europe remain significant downside risks to the region's growth outlook.

Fiscal and Debt Sustainability

CARICOM governments accept that strong fiscal adjustments are required in some member countries to reduce fiscal imbalances and place debt on a more sustainability path. Some countries, (Antigua and Barbuda, St Kitts and Nevis, Jamaica, and Grenada) have already taken tough decisions to undertake fiscal consolidations and to improve the fiscal policy framework with support from the IMF, the WBG, and other multilateral and bilateral development partners. In other countries, governments are pursuing fiscal reforms in the context of homegrown programs. These reforms are beginning to take hold in some countries. Stronger revenue yields, expenditure restraint, and improved public financial management have placed the fiscal accounts on a firmer footing. Additionally, improved fiscal outturn along with debt restructuring has stabilized the debt in some countries and placed it on a downward trajectory.

However, there are growing concerns among regional governments that, given our current high levels of debt and weak growth performances, that high debt will persist and fiscal pressures will remain, even after strong fiscal adjustments and debt restructuring. At present, the current income classification of most CARCOM countries does not allow them to benefit from any of the existing global initiatives. We therefore renew our call for the IMF and the broader international community to consider a framework for the treatment of the stock of debt for developing countries. In this regard, we commend the IMF for their work on strengthening the framework governing the contractual terms of sovereign debt including collective action clauses. We believe that the IFIs should be at the forefront of designing workable solution for countries faced with sovereign debt distress.

Structural reforms

In the area of structural reforms, countries are working to design and implement far reaching reforms to reduce bottlenecks, strengthen the business climate, and improve competitiveness. Stable and more resilient financial systems throughout the region are also critical to further support productive private enterprises and to strengthen the recovery. We therefore remain cognizant of the current weaknesses plaguing the financial sector in some countries and continue to work assiduously to strengthen the domestic and regional financial stability frameworks. We are grateful for the continued technical assistance and financial support received from the IMF, WBG, IADB, CDB, the Government of Canada, and other development partners. The ongoing work in the context of the “Caribbean Growth Forum”, “The High Level Caribbean Forum”, and the work on financial sector reform in the ECCU are notable initiatives in this regard.

We now need to accelerate the implementing phase of these growth-critical structural reforms, and the region will require continued technical and financial support from IFIs and development partners. We are aware that, given the high-income and middle-income status assigned to a number of our countries, the level of financial assistance available from IFIs to undertake these reforms is extremely limited. In this regard, we again call for innovative changes to the existing policy frameworks and instruments available from IFIs to respond to the needs of developing countries and, by extension, the Caribbean region. We believe that the management and staff of the IMF and the WBG should play a leading role in advancing this dialogue. We look forward to beginning this discussion in earnest during our next engagement at the “The High Level Caribbean Forum” in Jamaica.

The Small States Agenda

We welcome the continued inclusion of small states in the Managing Director's Global Policy Agenda. We are pleased to note the progress on the Fund's work on small states with the recently approved "*Staff Guidance Note on the Fund's Engagement with Small Developing States"*. We endorse the five thematic areas of **G**rowth and job creation, **R**esilience to shocks, **O**verall competitiveness, **W**orkable fiscal and debt sustainability options, and **Th**in financial sectors (**GROWTh**). These thematic areas are critical for improving the macroeconomic performance and medium-term growth prospects in small developing states. We are particularly pleased to see the explicit focus on inclusive growth and job creation as a key area in the IMF surveillance and program-related work with small states.

We are grateful to the Executive Directors that comprise the "Small States Working Group" for their efforts in advancing the work on small states. We join them in urging IMF staff to undertake further analytical work to better understand the structural characteristics and transmission dynamics in small economies. This will allow them to explore a wider range of workable options with regional governments in policy discussions. Going forward, we hope to see stronger coordination between the IMF and the WBG for the ongoing work on small states with each institution specializing in its area of comparative advantage. Other development partners should also be engaged to fill policy gaps that may be outside the core mandate of the Fund.

IMF Governance and Reforms

CARICOM governments remain supportive of the 2010 reforms to the IMF's Executive Board and the 14th General Review of Quota increases. A new quota formula - one that protects the voice of the poorest and most vulnerable members - is a key pillar in a strengthened governance structure. We are hopeful that these reforms will be ratified and implemented in the near future.

The World Bank Group Reforms

CARICOM Governors commend the Bank for its work and commitment to the Caribbean region. We recognize that the Bank is in the process of transforming itself to be more responsive to clients' needs and to improve its service delivery. We strongly support these actions, which should ensure that the Bank remains an important partner in the region's development. We also recognize the need for greater efficiency and flexibility within the Bank. As such, we welcome the fact that the Bank is increasing its margins for maneuver, which will strengthen the ability of the Bank to lend and provide technical and financial support.

We see these internal changes as necessary and expect a renewed focus and approach to how the Bank does business with developing countries, particularly small island states. While we would have wished for a specific Cross Cutting Solutions Area to deal with small states issues, we believe that the new Global Practices allow for an amalgamation of these issues from various regions. We trust that this achievement of greater collaboration of technical experts from around the globe will facilitate more thematic dialogue and research that should enhance the Bank's engagement within CARICOM.

We urge the Bank to continue working towards building stronger partnerships for prosperity within the region. Part of this can be a more expanded role for IFC and MIGA to help mobilize greater private sector investment in key growth areas such as energy and infrastructure. The Bank's convening power as well as the catalytic impact of its resources will attract other development institution and private entities to the region. We, in the region, acknowledge that governments' actions along with a strong and vibrant private sector are required to create good jobs and achieve high sustainable growth rates. As such, building better public-private sector partnerships will help to unlock resources and deliver the development results required.

IDA 17 Replenishment

We wish to commend the Bank on the successful IDA 17 replenishment process and the strong focus on maximizing development impact. Along with increased support to Caribbean IDA eligible countries, IDA 17 has placed emphasis on climate change. As small states, we fully support this and the new approach that will be taken to begin integrating climate change and disaster risk management into country partnership frameworks and lending. We see this as building on existing initiatives such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which the Bank is helping to expand to make it more affordable for member countries to purchase weather and disaster-related products.

Conclusion

CARICOM governments remain committed to achieving their growth and development objectives by implementing sound macroeconomic policies and critical structural reforms. However, the uneven recovery in advanced economies and the weak external environment are risks to a stronger recovery in regional economies. The region's stronger engagement with the Bretton Woods institutions is therefore critical to assist with designing suitable and effective policies. Support through analytical work, reforms to the lending frameworks, and enhanced surveillance will also be necessary to better address the unique challenges in our diverse economies.