

**Address by the Temporary Alternate Governor for Jamaica,
On Behalf of the English-Speaking Member Countries of the Caribbean, at the
Second Plenary Session, in Belo Horizonte, Brazil, April 2006**

Gordon Shirley

I. Introduction

1. I have the honour today to address this joint Annual Meeting on behalf of the five Caribbean nations that are members of the Caribbean Constituency—The Bahamas, Barbados, Guyana, Trinidad and Tobago, and my own country, Jamaica. I am pleased to convey our delegations' appreciation to the Government and people of Brazil, the city of Belo Horizonte and the State of Minas Gerais for the hospitality extended to us. We look forward to enjoying some of this region's rich cultural life and its impressive landscapes. Our compliments are also extended to the Management and Staff of the Bank for the excellent arrangements they have made for this meeting.

2. Chair, we congratulate you on your election and your assumption of responsibility for the Bank over the next year—a year of transition, in which important new initiatives are to be taken, especially in regard to private sector lending, the financing of infrastructure and support for disaster risk management. Our Constituency also wishes to thank the Governor of Japan for his stewardship. The members of the Caribbean Constituency would like to take this opportunity to thank former President Iglesias for his support of and commitment to the development of our countries. He has indeed been a true friend to the Caribbean region. We should also like to reiterate our full confidence in President Moreno and look forward to the repositioning of the Bank to better facilitate its borrowing member countries in their development efforts.

II. Relevance of the IDB to the Caribbean Member States

3. In view of the limited time at our disposal, I would like to begin by elaborating on some of the main concerns of the constituency beginning with the apparent decline in relevance of the Bank to our member states. Chair, we seem to have reached a critical point in our relationship with the Bank. Lending to the Members of our Constituency has declined continuously from \$289 million in 1999 to \$44 million in 2005. Three of our five Members had no loan approvals during the year. Moreover, during the past five years, there has been a negative transfer in favor of the Bank of \$290 million. The reasons for this situation vary.

II a. Overcoming the constraints imposed by Fiscal Space

4. Among the most important of these is the issue of high public indebtedness coupled with the lack of fiscal space. Public indebtedness remains the single most critical constraint to direct public investment, and to the provision of sovereign guarantees for investments in critical economic and social infrastructure. Fiscal constraints in some countries restrict the extent to which the public sector can respond to fill the investment gap, negatively impacting on their capacity for further borrowing from the IDB. We feel that the Bank needs to be more cognizant of the special requirements of countries in this situation. In the case of Jamaica, we urge an acceleration of the discussions that have begun to identify effective solutions to this problem.

II b. Making use of the Banks Technical Assistance Products

5. This having been said, I would wish to underline the fact that the relevance of the Bank to the Caribbean Member States does not depend solely on lending activities. Chair, our Constituency regards the IDB, as “more than a Bank.” In fact, we regard the IDB as an institution that must also leverage its knowledge, through its non-financial products, to the benefit of our region in ways that generate the greatest impact. We intend to ensure that better use is made of the impressive reservoir of technical cooperation products and capabilities that reside in the Bank.

6. One area in which the Bank’s technical assistance would be most valuable is in helping our members to more effectively define, prepare and manage the implementation of projects. Lack of capacity and inadequate project management capability remain the main risk factors affecting the execution of projects and the principal challenge to sound results-based portfolio management in the region. Support from the Bank is needed in the development and maintenance of a critical mass of expertise in project management as well as the inculcation of an appropriate management culture.

7. Another area in which the Bank’s technical assistance could add real value to the Member States relates to Regional Integration, Mr. Chairman.

8. You are aware, I am sure, that the Caribbean Community recently concluded the implementation of the Single Market—which is viewed as the forerunner to the creation of the Single Economy. This poses enormous challenges for us, such as putting in place

Community sector policies for agriculture, tourism, services, air and maritime transport, as well as energy, among others. Another area in which the technical resources of the Bank could be of great value to the members of our Constituency would be in developing a program of technical cooperation for regional integration. Such an initiative executed jointly with the CDB could be the way forward in this area.

II c. Enhancing the Bank's relevance to HIPCs

9. In respect of one of our member states, Guyana, there are specific ways in which the Bank's relevance can be enhanced. We, therefore, strongly support and anticipate action on the replenishment of the FSO. However, we urge the Bank not to revise the formula in a manner that would significantly reduce Guyana's allocation. Authorization of the carry-over of resources from last year, as well as of the 2006 allocation, should be undertaken without further delay. It is no exaggeration to say that Guyana's development would have been stymied without access to FSO resources.

10. You will also recall, Chair, that the IDB was not included in the Multilateral Debt Relief Initiative being undertaken in the World Bank—IDA, the IMF, and the African Development Bank. The need for an equivalent Debt Relief Initiative in the IDB was raised with you and your predecessor, in cooperation with the other IDB HIPCs. It is especially important for Guyana, as much of its debt is actually with the IDB. We understand that work is proceeding in the Bank and we urge that it be completed, as a matter of priority.

II d. Enhancing the Bank's Relevance through Private Sector Lending Programs

11. Another area of opportunity for enhancing the Bank's relevance to the region is associated with lending to the Private Sector. Chair, our Members have so far been able to make little or no use of the Bank's private sector resources, primarily because of the relatively high transaction cost of doing business with the Bank, given the size of our indigenous firms. This is all the more regrettable as the private sector accounts for a

growing percentage of activity in the open market environment in our countries. We wish to acknowledge, nevertheless, that there have been developments since we last met that could be of positive benefit to the Caribbean. These are: a) the Business Climate Initiative; b) the local currency lending policy; and c) the commitment to support a suitable private sector coordinator based in the Caribbean.

12. The decision to expand the scope of the Bank's finances without sovereign guarantees under the 10 percent authority is most welcome. The broadening of the eligible sectors that would permit lending to industries important to us, such as hotel and tourism-related projects, agriculture and forestry-based activities and the rum industry would be of positive benefit to our members.

13. Whether these measures will actually lead to greater private sector financing in our region will also critically depend on several factors. These include the re-alignment of Bank operations toward a more entrepreneurial culture, expeditious negotiation of the Integrated Business Plan, and the adoption of the Operational Guidelines, in terms that represent the interest of the Caribbean.

14. Another very pertinent initiative that would be very beneficial to our Member States is the program to support the financing of Small- and Medium-Sized Enterprises. Additionally, we anticipate the extension of this initiative to Microenterprise financing and would recommend that the experiences of other institutions in financing Micro- and Small- and Medium-Sized Enterprises be taken into account. We, therefore, look forward to accelerated action on this program.

III. Supporting our Response to External Shocks

15. Chair, let me now turn to examine the opportunities that exist for the Bank to work with our member states in responding to external shocks which pose a great risk to the stability of our economies.

16. While there are encouraging signs of growth in some of our countries, by virtue of our small size, we remain highly vulnerable to external shocks, such as those associated with natural disasters, movements in energy prices and the withdrawal of preferential arrangements for some of our traditional exports.

III a. Responding to Natural Disasters

17. With respect to natural disasters, recent events have made us all too aware of the destructive impact of hurricanes and flooding on human life and property. These events can instantly erode the social and economic gains made, and retard by years, progress towards the attainment of our development goals.

18. We are encouraged by actions and policy developments in the Bank on this front. Last year, the Board approved an Action Plan, partly funded by the Government of Japan, for improving disaster risk management in country programming and portfolio management. This will facilitate Bank policies, procedures and financial products adopting an organizational approach that focuses on ex-ante risk reduction. We look forward to the draft Disaster Risk Management Policy following public consultation.

19. Our Member States would like to move quickly towards a more proactive and comprehensive stance in natural disaster risk management. We urge the Bank to continue working with us, individually and collectively, to formulate such a system. The decision to set up a Fund for the Financing of Disaster Prevention is a most welcome initiative and a positive step towards this objective.

III b. Responding to Energy Shocks

20. In the case of energy shocks, most of the Member States have been hard hit by soaring oil prices. This has placed an additional burden on already strained resources, which have to be reallocated from other priority areas. We feel it would be timely for the Bank to examine ways in which the negative impact of high oil prices on countries such as ours could be mitigated. Certainly, with specific reference to Trinidad and Tobago, which has an oil-based economy, a fund has been established through the Caribbean Development Bank by the Government of Trinidad and Tobago, with the sole purpose of mitigating the effects of oil prices and ensuring that the negative socioeconomic effects are not as great. Perhaps, Chair, the Bank may wish to examine this instrument and use it as one of the approaches to assist Member States in this regard.

21. Equally important is the need to proceed vigorously with the proposal for renewable energy and energy efficiencies endorsed by the Board, utilizing resources from the Governments of Germany and Canada. Developing and utilizing renewable energy would be critical to our development efforts in the medium and long term. We feel the

Science and Technology Fund endowed by the Government of Korea will play an important role in this respect.

III c. Responding to loss of Markets

22. Chair, there are countries in the region (like The Bahamas, Barbados, Jamaica and Trinidad and Tobago) which, by virtue of the loss of trade preferences, are now at risk of losing ground, both in their capacity for growth, and in protecting the social gains from which our people have benefited. The negative consequences occasioned from the process of trade liberalization, threaten the overall stability of these countries through the dislocation of key productive sectors, like agriculture and manufacturing. There are dire human costs associated with these shocks that cannot be denied. And small countries have a far more limited ability to recover from this kind of human adjustment than larger countries. To this end, we are happy that there has been a preliminary agreement for the Bank to work with us to find the most appropriate modality to address the special financing and technical needs of these countries if we are to avoid a reversal of our development.

IV. Access of Smaller States to Non-Financial Products of the Bank

23. I turn now to a matter of importance to the non-member states of the region. As you know, Chair, the Eastern Caribbean states, which are comprised of the smallest Caribbean countries, have decided for the time being, not to take up membership in the IDB. Currently, they are supported by a line of credit from the IDB to the Caribbean Development Bank. Given the dislocation cost of globalization and the need to fully prepare them for participation in the Caribbean Single Market, the time has come to put in place more substantial support for them. This may come in the form of loan and grant contributions to the recently established CARICOM Development Fund. The Fund is aimed at assisting their structural adjustment and a program of aid for trade to promote their exports. It is expected that the OECS States and Guyana, Belize and Suriname will initially be the prime beneficiaries of this Fund. We also believe that the time has come to expand the assistance to the OECS countries by extending their access to all the non-financial products of the Bank.

V. Support for the Bank's Diversity and Inclusion Policies

24. Finally Chair, we are pleased to see the efforts being made to promote diversity and inclusion in all its forms in the Bank. This can only redound to the greater good of this Institution. We urge continued efforts in this direction, including a reorientation of the Bank to ensure the widest possible representation of the peoples of the region.

VI. Conclusion

25. Chair, in closing, I would like, on behalf of all Members States of our Constituency, to reiterate confidence in the leadership of the Bank. We remain committed to supporting efforts to reposition the Bank and look forward to continued partnership as we move forward in our development efforts.

I thank you.

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