

The Role of the International Community and the IMF



Hunter Monroe
Senior Economist
Caribbean II Division
Western Hemisphere Department

Objective

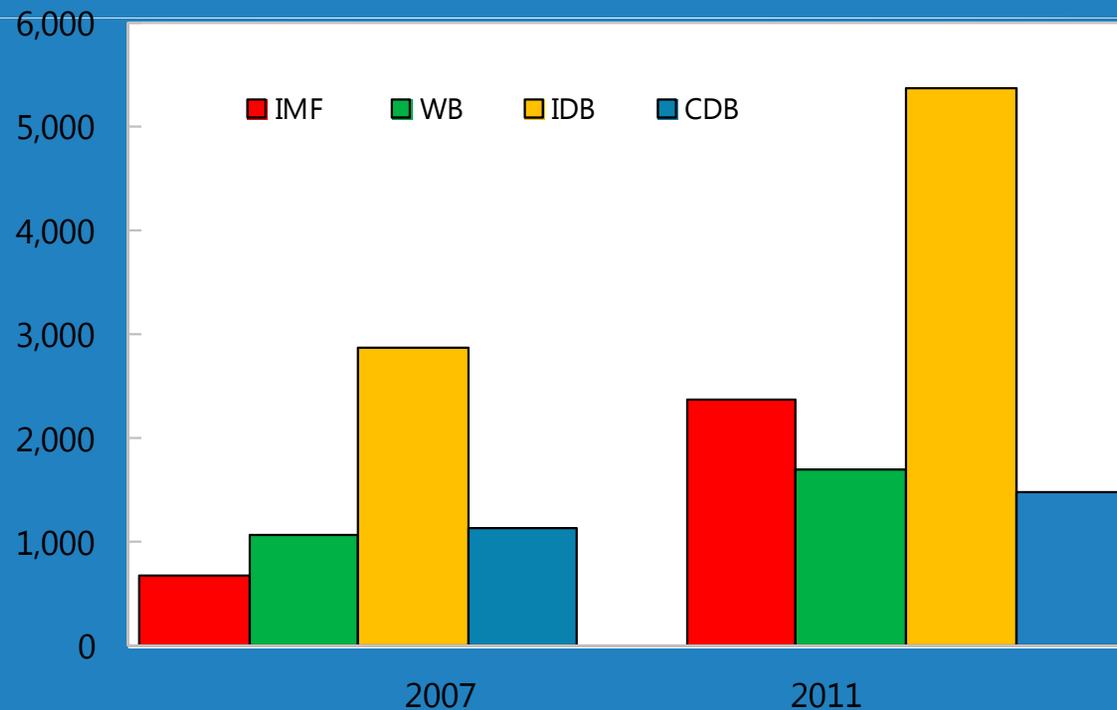
- The IMF and the broader international community have **stepped forward to cushion the regional impact** of the global financial crisis.¹ The presentation:
 - Examines **how IFI lending has evolved**
 - Discusses **other modalities deployed**: surveillance, TA, and the IMF's catalytic role
 - Considers the questions: Can **more** be done? Can it be done **differently**? Can it be more **effective**?

¹ For this presentation, the Caribbean is defined as: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Some non-Fund members are included in data on IMF missions and on technical assistance.

Engagement with the Region Has Intensified

- Large increase in **credit outstanding**
- Larger IFIs' **share in region's debt**

Multilateral Lending 1/
(US\$ millions)

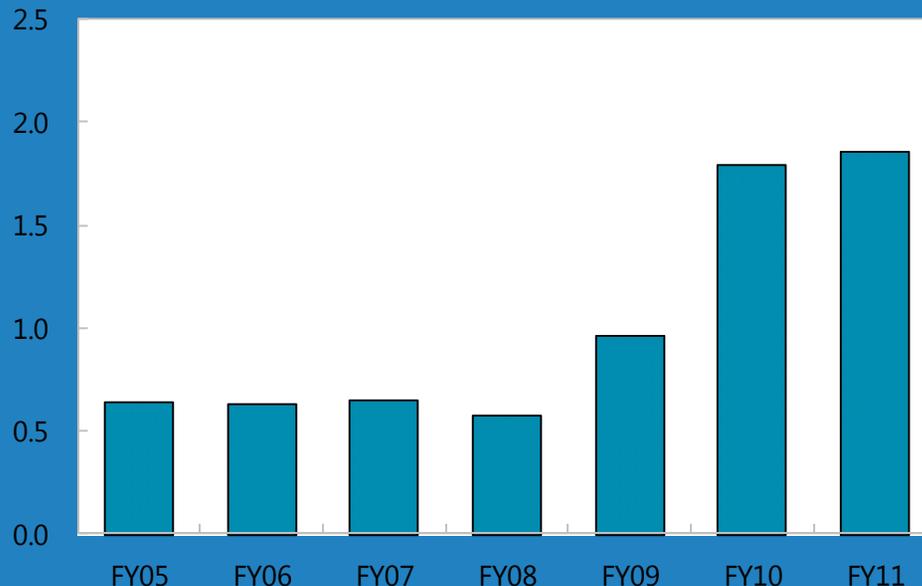


Sources: Annual reports from each institution.
1/ Outstanding credit to the Caribbean.

The Fund Rapidly Responded to Global Crisis

- **The Fund comprehensively reformed its lending facilities** to strengthen capacity to prevent and resolve crises
- **Programs have been approved for nearly half of the countries in the region** under the revamped facilities, with natural disaster relief for several others, leading to a significant increase in Fund credit outstanding

Fund Credit Outstanding to the Caribbean
(percent of GDP)

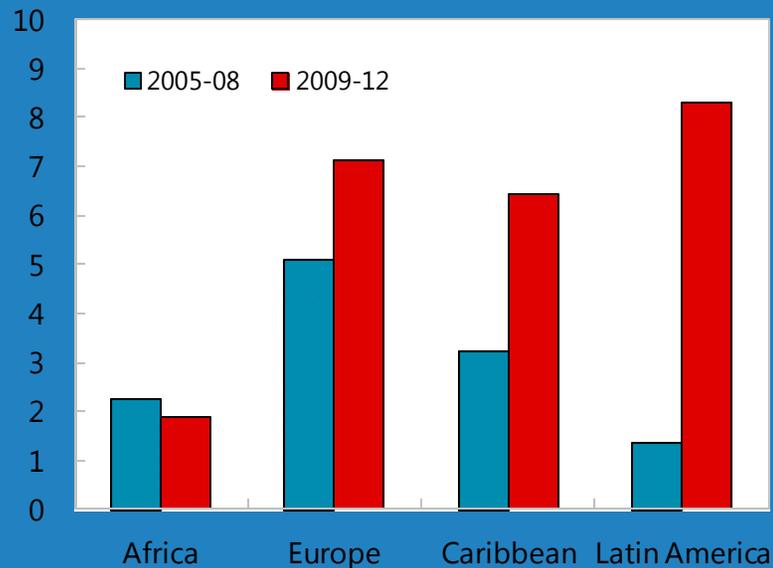


Source: IMF.

Fund Lending by Region

- The average size of the loans to the Caribbean was similar in relation to GDP to those approved for Latin America and for Europe, and substantially greater than for Africa
- End-2011 credit outstanding/GDP of borrowing countries was smaller than in Europe but higher than in Africa and Latin America

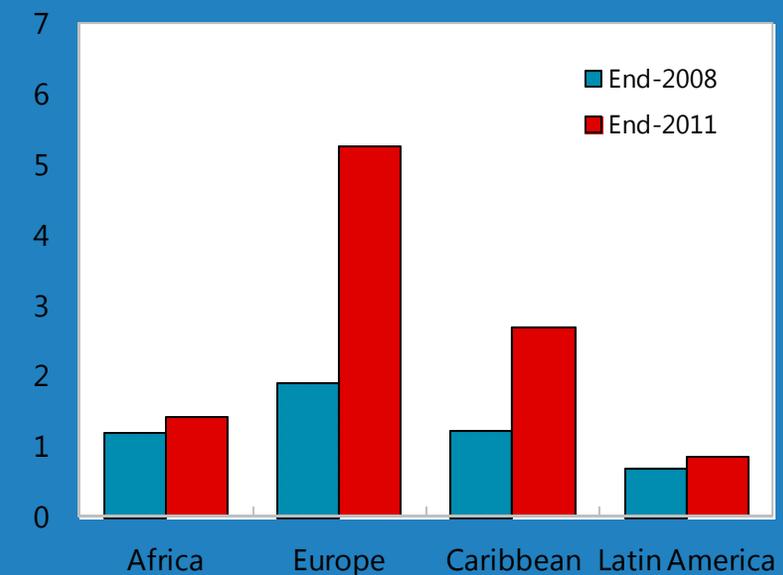
Fund Arrangements Approved 1/
(percent of GDP)



Source: IMF.

1/ Simple average over countries with arrangements.
Excludes one-off disbursements of emergency assistance including natural disaster relief.

Fund Credit Outstanding 1/
(percent of GDP)



Source: IMF.

1/ Simple average over countries with credit outstanding.
Includes one-off disbursements of emergency assistance.

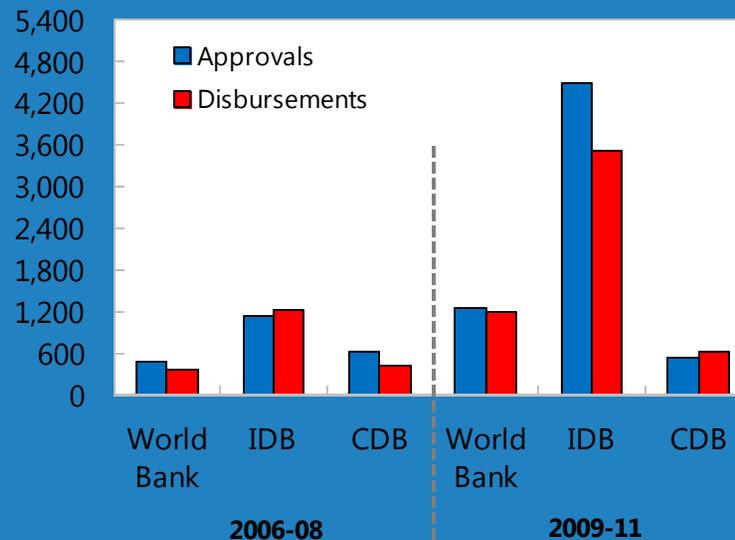
How to Enhance Lending?

- The Fund's **new lending facilities** provide greater flexibility for rapid response
- There is only a small gap between **concessional and market rates** in the current low interest rate environment, but this may not last
- Middle income countries with structural challenges can access the **Extended Fund Facility (EFF)** with maturity of 4½ to 10 years, similar to the ECF available to low-income countries
- More **precautionary arrangements** could help enhance confidence

Engagement with the MDBs

- **MDBs have played a key role** in crisis response
- **World Bank** shifted from sector loans to budget support and social protection
- **IDB** did as well, and established a Caribbean Country Department with focus on broad reforms to support better macroeconomic policies
- **CDB's** sharp regional focus brings benefits but portfolio risks

Disbursements and Approvals
(US\$ millions)

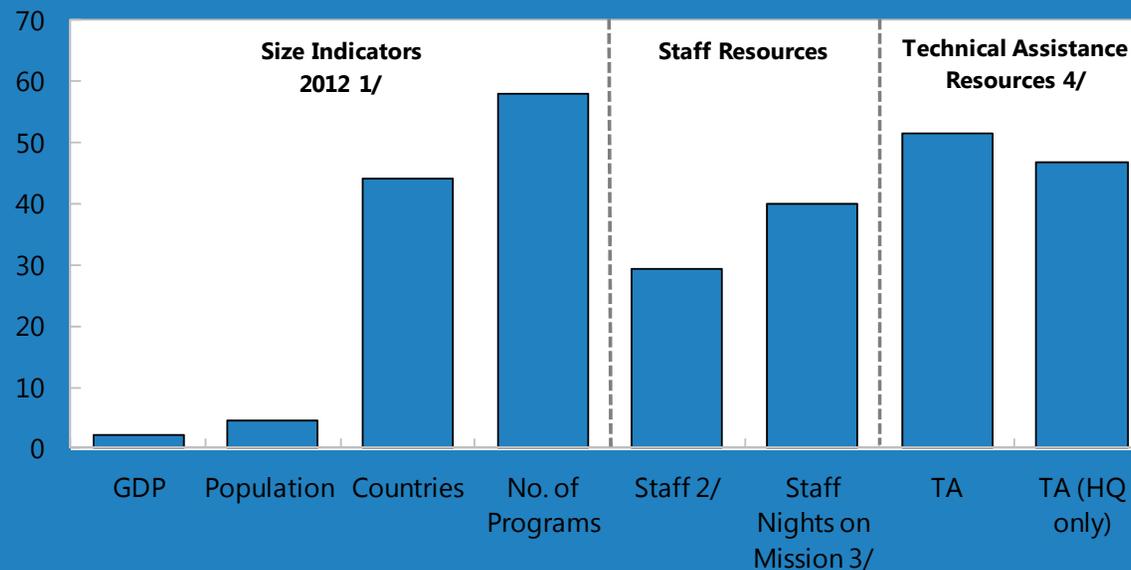


Sources: Annual reports from each institution.

Other Fund Engagement

- The Fund devotes considerable effort and resources to furthering its relationship with the region through **surveillance and TA**
- Staff have created a **Small Island Club** and seven Directors a **Working Group on Small Vulnerable Middle Income Countries**

Caribbean Share in Resources for Latin America and the Caribbean
(percent)



Source: IMF.

1/ Share of Caribbean Fund member countries in LAC Fund member countries.

2/ Share of WHD staff working full time on Caribbean countries in the number of WHD staff working on LAC. Denominator includes front office staff and the regional studies division.

3/ Share of WHD mission nights in Caribbean countries in total WHD mission nights to WHD countries; includes mission members from front office.

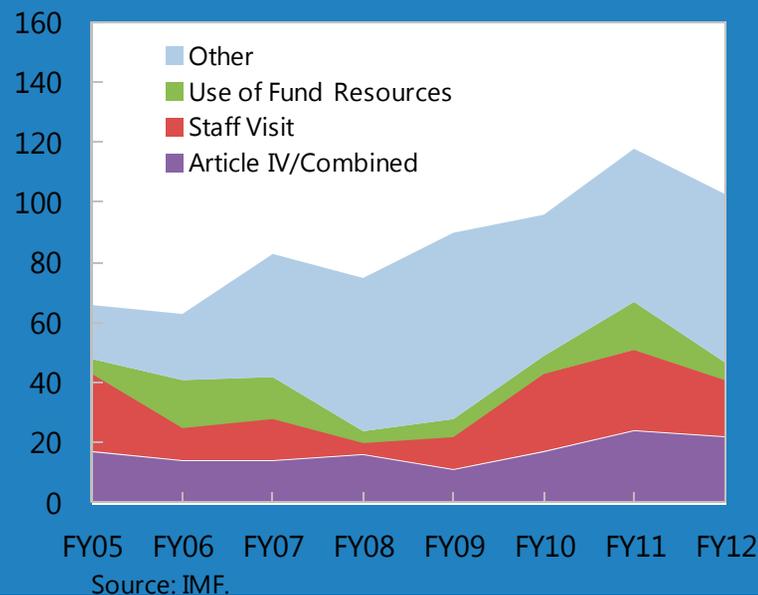
4/ Share of Caribbean countries in TA to LAC countries measured in person years during FY10-12.

Enhanced Dialogue with IMF

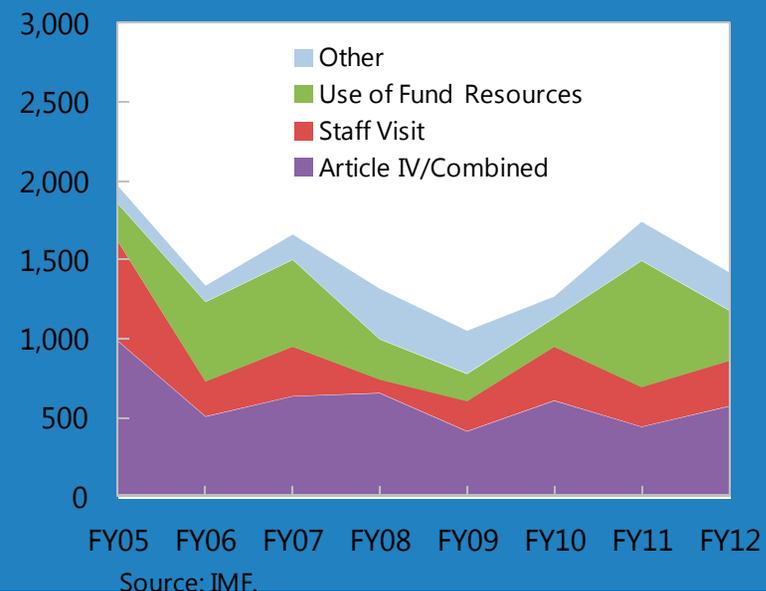
Fund has sought deeper dialogue with the region:

- **Annual Article IVs** for all countries; more staff visits
- **ECCU/OECS-IMF Roundtable** in 2010 and first Article IV missions to **Anguilla and Montserrat** in 2011
- Increase in Fund research presented at **regional conferences and seminars**

Caribbean: Number of Missions



Caribbean: Staff Nights on Mission



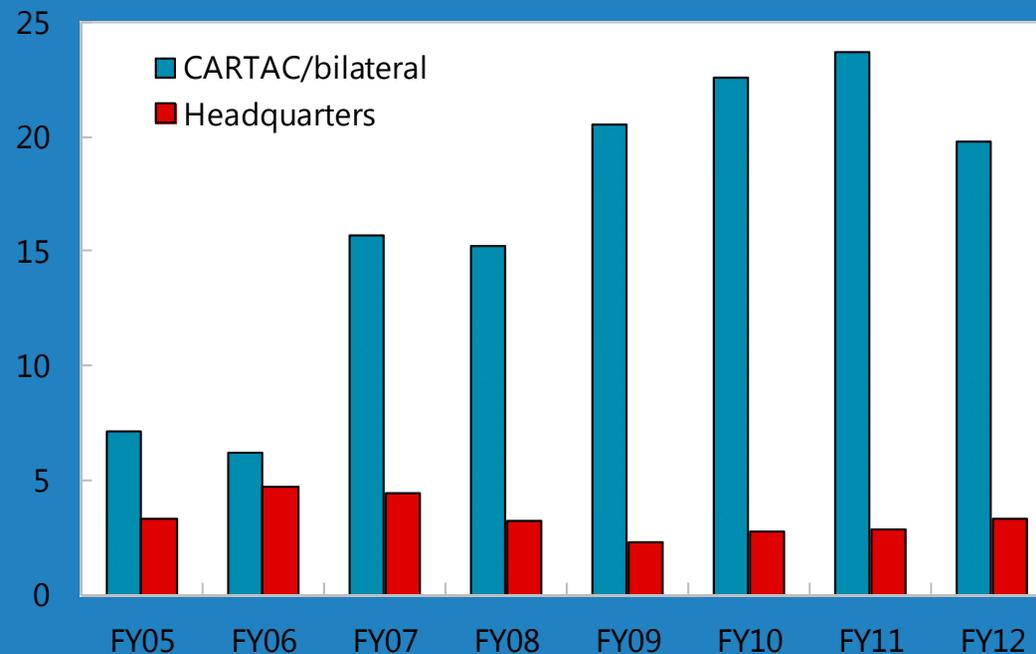
How to Deepen Policy Dialogue?

- **Triennial surveillance review** recommended: greater attention to interconnectedness, risk assessment, financial and external stability, traction of recommendations
- **Commitment to annual high level conferences** focused on specific high-priority issues
- Increase **coordination of research** with counterparts and broaden efforts to **coauthor papers**
- Develop a **more fluid, ongoing dialogue** through more staff visits and videoconferences

Substantial TA

- Compared to other regions, the Caribbean is a **large user of TA** both from IMF headquarters and through CARTAC
- The region accounts for **half of TA to Latin America and the Caribbean** and 11 percent of all TA worldwide

Caribbean: Technical Assistance
(person years)



Source: IMF.

How to Sharpen TA?

- IMF/CARTAC TA is very **large and increasing**, with successes such as **VAT introduction**
- Improve TA effectiveness by emphasizing **country ownership** and enhancing **absorptive capacity**, including by addressing staff turnover and aligning training
- Ensure **priority areas** get attention
- Achieve right balance between **policy and operational TA**

The Fund's Catalytic Role

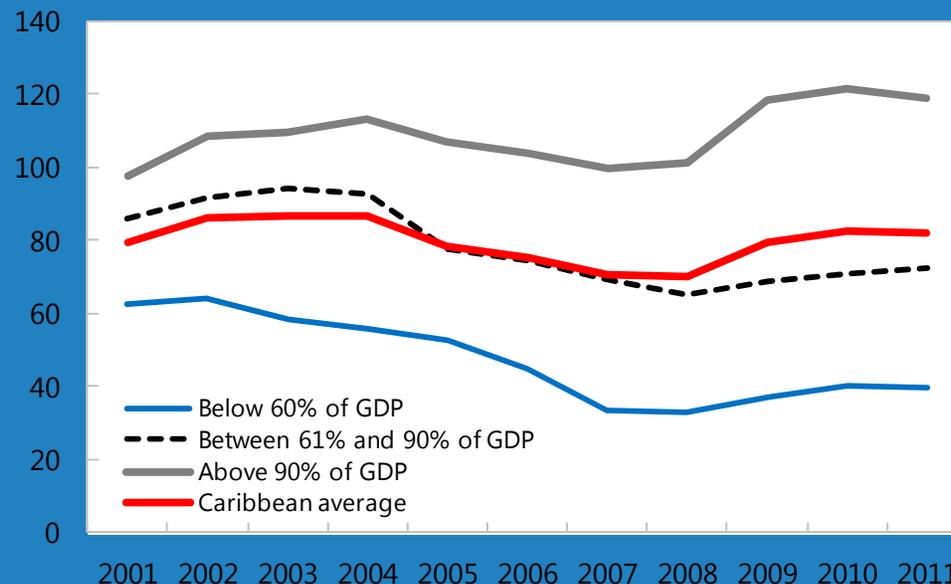
The Fund plays critical role in mobilizing resources:

- Fund-supported programs **are designed to provide a framework** ensuring that the adjustment efforts undertaken together with the financing available will close residual financing needs and achieve debt sustainability
- Fund programs play a **catalytic role in mobilizing resources** from foreign donors and multilateral creditors and ensuring a **viable medium-term macroeconomic strategy**
- In some cases, they have provided a **framework for debt restructuring**

The Challenges in the Caribbean

- Debt ratios are **back to 2001 levels** despite earlier declines and restructuring in several countries
- Heavy debt burdens necessitate **strong policy frameworks** to put debt on a steady downward trend
- Consolidation may be **complemented by market-friendly restructuring**: Antigua & Barbuda, Jamaica, St. Kitts & Nevis

Caribbean: Public Debt 1/
(percent of GDP)



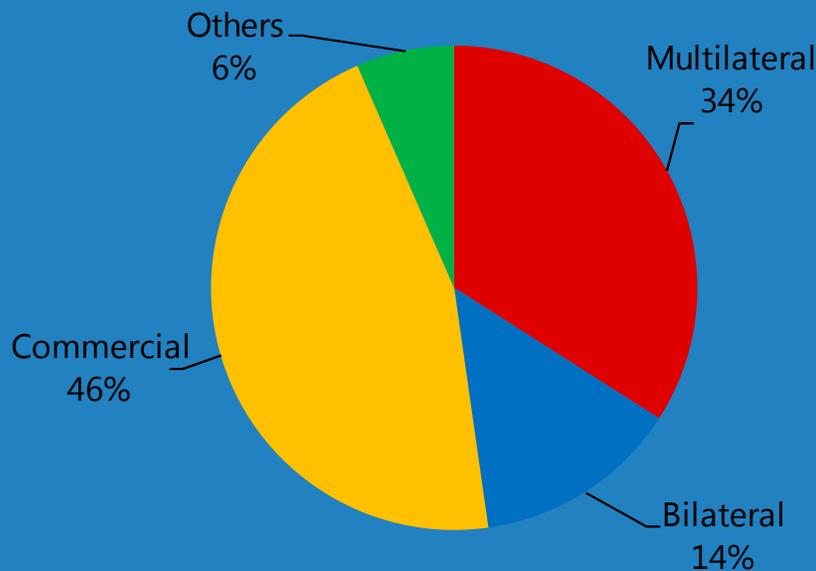
Source: IMF

For the remainder of the presentation, the Dominican Republic and Haiti are not included.

Debt Composition Limits Options

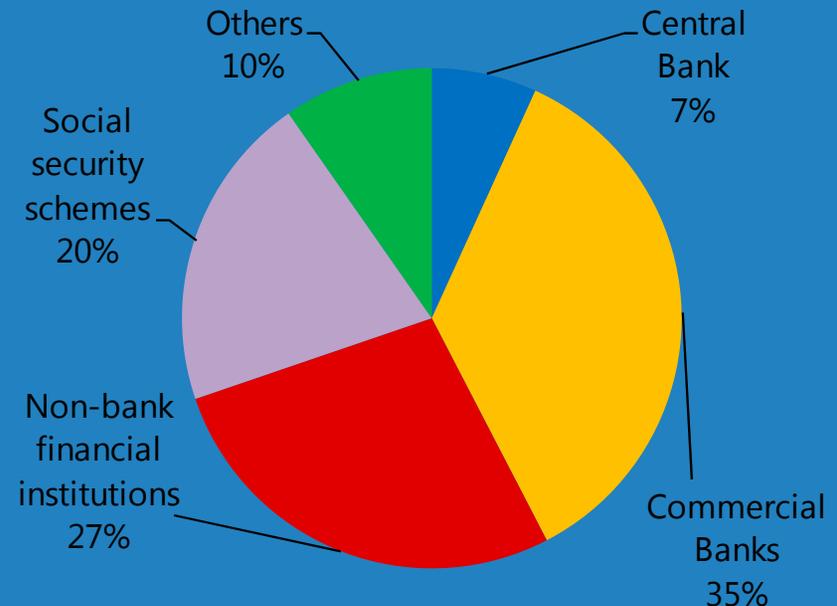
- **Domestic debt** represents about 60 percent of the region's public debt stock; **financial institutions** hold about 60 percent of that
- **Multilateral debt** represents about 34 percent of the region's total external debt, but over 60 percent in Dominica, St. Lucia, and St. Vincent and the Grenadines

Composition of External Debt
(percent)



Source: IMF.

Composition of Domestic Debt
(percent)



Source: IMF.

Conclusions

- The Fund is now better equipped to provide **rapid, flexible financial assistance**; explore **scope for EFFs and precautionary arrangements**
- Pursue **more fluid and continuous dialogue**, for instance through **annual conferences**, enhanced **ongoing contacts**, and greater **collaboration**
- Make TA **more focused and effective** and assess whether **priorities are right**
- Take advantage of the Fund's **role in catalyzing financial support** and ensure that policies are in place to **achieve sustainability**
- Coordinate effectively with **MDBs and donors**

Thank You

