

**BOARDS OF GOVERNORS • 2009 ANNUAL MEETINGS • ISTANBUL, TURKEY**

**WORLD BANK GROUP**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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**INTERNATIONAL MONETARY FUND**

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Statement by the Hon. **DAVID J.H. THOMPSON**,  
Governor of the Bank for **BARBADOS**,  
on Behalf of the Joint Caribbean Group,  
at the Joint Annual Discussion



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**Mr. Chairman**

It is an honour, as Governor for Barbados, to address this Joint Meeting on behalf of the Member States of the Caribbean Community, (CARICOM), namely Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Kitts and Nevis, Montserrat, St. Vincent and the Grenadines, Trinidad and Tobago, and Suriname.

Our delegations wish to express gratitude to the management and staff of the Fund and the Bank and to our host, the Government and people of the Republic of Turkey, for the exceptional arrangements and outstanding hospitality during these meetings.

**Global Economic and Financial Crisis**

**Mr. Chairman**

Last year when we met, our small states were being challenged by exorbitant rises in food and fuel prices. These challenges were further compounded by the global economic and financial crisis, which gave rise precipitous falls in tourism earnings, remittances and foreign direct investment, along with contracting credit markets.

This confluence of circumstances contributed to severe job losses, failure of businesses and declines in government revenues. These conditions have reversed many of the recent gains of our countries in removing a significant percentage of our populations from the threat of poverty. If these conditions continue, the economic and social environment in our countries will deteriorate significantly.

With limited fiscal space, and high debt to GDP ratios, countries in our region have, nonetheless had to make significant borrowings to provide critical productive and social infrastructure to ensure productive capacity to grow and to provide basic services required by our people. In recent times, we have had to borrow to implement some limited counter-cyclical measures to shore up domestic demand and preserve macro-economic stability.

We are therefore very happy when we hear that the recession is ending in some countries but we know that it will take some time before its ends in the Caribbean. We therefore urge developed countries not to exit from their fiscal stimulus programs too rapidly but to give their economies this necessary assistance for some time more to make sure that recovery is consolidated globally. Only then do we know that the developed countries will turn their attention fully to the increased capitalization of the multilateral development banks. Neglect of developing countries and their critical needs in terms of capital to increase our national output would be fatal to a genuine global response.

**Mr. Chairman**

The views expressed by developed and developing partners that a resolution to the financial crisis must be coordinated and comprehensive accords with our view as vulnerable small states. Our policies alone can never allow us to prevail. The Task Force of CARICOM Heads agreed to several proposals that complement the strategies emanating from recent fora of world leaders and we are developing a coordinated response in response to this crisis including mobilization of resources through the CARICOM Development Fund.

**Access to Resources**

**Mr. Chairman**

With external credit markets effectively closed to developing countries, the role of the international financial institutions and other development partners in assisting us with implementing short and long-term financial and macroeconomic policy is vital.

It is in this context that we raise the issue of access to the resources of the Bretton Wood institutions. Limited access to World Bank funding by middle income Caribbean countries has forced many of us to make borrowings in the private capital markets of the world at substantially higher rates and on repayment terms that are painfully shorter. We have therefore had to increase our debt service much above what it would otherwise be were we able to access more funds from the multilateral institutions. Small middle income countries of the Caribbean now need your assistance in designing, establishing and executing debt sustainability programmes.

A recent study by the Commonwealth Secretariat found that the impact of the current world economic crisis has been especially severe on Caribbean states which are among the world's most vulnerable – using vulnerability factors such as economic openness, diversification possibilities, transport costs among others - to external shocks.

It also found that Caribbean countries are also quite resilient based on their macroeconomic stability, micro-market efficiency, political governance, social development and environmental management. This resilience is seriously threatened with the fall in export and tourism revenue, remittances, foreign capital flows and government revenues.

We therefore recommend that further consideration be given to this issue of access by middle income countries to financing from the multilateral financial institutions. Ironically, many of the financing facilities created by the international financial institutions to help countries deal with the current crisis exclude many Caribbean nations because we are classed as middle-income without regard to our vulnerabilities.

At the same time, we wish to express our appreciation for the discussions which the World Bank and the International Finance Corporation have been holding this year with those Caribbean countries that had been unable to access these multilateral resources; and we look forward to positive results from these talks. In particular at this time, we want publicly to give our support to the IFC's Caribbean Crisis Management Facility for the tourism sector. We fully support this initiative and a number of our major companies in tourism are actively working with the IFC to prepare projects for IFC consideration. The IFC will need the support of the major donor countries, donor agencies and financial institutions to provide the level of funding required for what is a creative, commercially oriented and absolutely needed facility in our region. I urge you to give this initiative your full support.

**Mr Chairman,**

Even as we look to international partners to assist us through this crisis, we have taken steps in the CARICOM Region to address the needs of the smaller and more disadvantaged Member States of our Community. At great national sacrifice, we have all contributed financially to the operations of our CARICOM Development Fund. In its first phase of operations, this new institution will only deal with the concerns of the less well-endowed countries in our region. We look forward to partnering with the international development community to strengthen this institution into a viable and successful mechanism which is supportive of the development of our CARICOM Region.

### **Tax Information Exchange Agreements**

**Mr. Chairman**

In April of this year, the London Summit of the Group of Twenty (G20) countries noted the OECD report in respect of exchange of tax information. This report pointed out that

Barbados, made the OECD “white” list for having more than sufficient signed and operational double taxation treaties and tax information exchange agreements.

Further, another nine (9) countries in the Caribbean were categorized as “gray”, or jurisdictions that have introduced the required tax information exchange legislation but have not negotiated a sufficient number of related treaties. The overwhelming majority of Caribbean countries were therefore either more than fully compliant with OECD standards in this matter, or were on the verge of being fully compliant. As sovereign nations, we wish to emphatically state that our regulated financial services sectors promote transparency and financial integrity. We will not encourage clients from other jurisdictions to evade tax policies promulgated in sovereign nations.

We would like to stress, that the approach to addressing guidelines governing cross border financial transactions should be inclusive of small states and not relegated to a clique of developed and emerging countries as international cooperation and knowledge dissemination are critical to eradicating international illicit activities in the financial services sector. Our region stands ready to provide any assistance deemed necessary to protect the international financial system.

## **Climate Change**

### **Mr. Chairman**

Our region remains steadfast in our efforts to implement comprehensive measures to sustain economic development and protect our environment from the effects of Climate Change. As small developing island states, we are especially vulnerable to the effects of climate change, particularly sea level rises, which erode our beaches and cause structural damage to our beach-front tourism plant. Recent World Bank Reports estimated that the potential impact of Climate Change to our region would approximate 11% of GDP.

Our interventions to mitigate the emissions of Green House Gases (GHG), and adaptation to Climate Change can only achieve success if our international partners remain committed to the principles of the United Nations Framework Conventions for Climate Change (UNFCCC). We are optimistic that the appropriate actions on Climate Change will be undertaken and additional financing to complement the Global Environment Fund (GEF) and other grant facilities will be forthcoming. When these funds become available, we hope and fully expect that all countries in the Caribbean, irrespective of per capita incomes, will be granted access to the concessionary funding available.

Mr. Chairman, we continue to encourage an inclusive dialogue in the international community towards a Green Global Economy to mitigate the effects of Climate Change on our region.

### **Bretton Woods Institution Activities**

#### **Mr. Chairman**

We are aware of various issues unfolding in the Bank and IMF to ensure that these institutions maintain their relevance, legitimacy and effectiveness. We commend progress and actions taken to advance Voice and Participation and welcome the opportunity to increase the voice of developing countries in these institutions which should ultimately lead to finding a way to provide a seat at the table for each of the major island groupings.

As for the Fund, we call for completion of the quota review to increase voice and representation of emerging markets and developing countries, to ensure that the institution adequately reflects the changing economic weighting in the global economy.

Finally, Mr. Chairman, we wish both the Bank and Fund every success in executing their respective roles in addressing the financial and development challenges that we are currently encountering.