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Statement by the Hon. **ROSAMUND EDWARDS,**
Governor of the Bank and the Fund for **DOMINICA,**
on Behalf of the Joint Caribbean Group

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As Governor of the IMF and the World Bank for Dominica, I have the honour to speak on behalf of the countries of the Caribbean Community (CARICOM), that is 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 continue to be heavily impacted by the vulnerabilities in advanced countries and spillovers from the persistent uncertainty in global financial markets. We therefore support concerted multilateral efforts to nurture the recovery, though policies that bolster private sector confidence and enhance financial sector resilience.

The Economic Outlook and Policy Challenges

While there are a few bright spots where the recovery in the Caribbean is starting to take hold, it is expected that medium-term growth will remain subdued and at levels inferior to those projected before the global recession. Moderate prospects for tourism and remittances inflows, owing to weaknesses in the United States and our European trading partners explain largely this cautious optimism. Additionally, foreign direct investments are projected to increase only timidly. A good development for some countries is that commodities exports are expected to register a strong uplift due to recovering prices and global demand, yet this poses mounting inflation and external payments pressures for others in the region. On the whole, downside risks are persistent and rising, given the soft patch in global recovery.

Echoing a theme that is common to global policy makers, medium-term challenges in the Caribbean evolve around achieving more sustainable fiscal policy frameworks and more resilient financial sectors. A well defined strategy to boost economic growth and stimulate employment is also vital. As we renew our efforts to rebuild policy buffers and reduce debt, we are therefore seeking out space within our budgetary envelopes to sustain growth promoting investments. Further, we are committed to pursuing and strengthening initiatives to diversify our export markets, increase workforce productivity and enhance external competiveness. Indeed, in the absence of strong firming in growth prospects, our fiscal consolidation will only come at the cost of significant social dislocation and contraction in domestic demand.

In the financial sector, our task is still to ensure an orderly rehabilitation of banking sector balance sheets and to lay the foundation for more comprehensive oversight of both banking and non-banking activities. The Caribbean is building on the lessons from the regional cross-border crisis which originated in the insurance sector, and which illustrated the need to strengthen the cooperative regulatory mechanisms. For many of our countries the redress of the financial sector will impose costs. We are determined to keep the fiscal impact to a minimum, and to ensure that the resolution frameworks which emerge minimize future fiscal risks.

Technical Assistance and External Financing

As we confront these challenges, Caribbean governments expect the technical and financial engagement of the Bretton Woods institutions to become heightened. Outside of the formal policy consultations, the Caribbean Regional Technical Assistance Centre (CARTAC) has become the most important delivery channel for the IMF's services. At the moment though, we are deeply concerned that the scope for TA delivery through CARTAC is being constrained by the Fund's policy to impose charges on the centre for administrative and quality control services. Although we appreciate that the IMF incurs costs for these services, we encourage the institution to consider boosting the internal budgetary resources devoted to TA. Moreover, we urge the Fund to take more steps to strengthen CARTAC's own capacity to exercise quality controls. As to the World Bank Group, we welcome the IFC's renewed interest in tourism, and urge that the regional focus of the initiatives promote the development of linkages. In this regard, we also exhort the World Bank Group to scale up support for our policies to promote micro, small and medium-size enterprises. In the meantime, we are counting on the recently formed inter-agency growth commission of the World Bank, Inter-American Development Bank and Caribbean Development Bank to help us formulate pragmatic policy measures which the multilateral financial institutions will also support.

Access to concessional financing is critical for many of our regional countries, particularly those with high debt burdens. We are therefore pleased by the enhancements made to the IMF's lending facilities, both concessional and non-concessional, in recent years. Indeed, there has been a noteworthy effort to reform the concessional facilities for low-income countries. Nonetheless, a gap persists, as the needs of small highly vulnerable middle-income states are not adequately addressed. This an issue of importance for the Caribbean, where the limited quotas of our smallest states translate into insignificant access limits in nominal terms and in comparison with the amounts that would be necessary to make a difference in signaling and outcomes. We urge the membership to give immediate attention to this need.

International Policy Coordination and Cooperation

We remain supportive of the gains that the IMF is making to strengthen multilateral surveillance and the multilateral frameworks to promote global financial stability. Along these lines we endorse efforts to improve the traction in policy advice through the Fund's technical assistance to G20 Mutual Assessment Process (G20-MAP). Both the Fund and the World Bank are encouraged to maintain close relationship with the FSB and international standards setting bodies, developing more robust and cooperative approaches to regulating the global financial sector. We note though that these initiatives do impose added demands on the Fund's resources and justify greater prioritization of bilateral surveillance and TA activities. Even with this heightened focus on systemic issues, we urge that adequate attention and resources remain devoted to the needs of capacity constrained small states such as those in the Caribbean.

As regards, the international standards setting bodies, CARICOM believes that the Fund and Bank adopted the right stance in choosing not to endorse coercive approaches to regulatory cooperation and information sharing. In our view, positive incentives and appropriate technical assistance are the right methods to ensuring that the operating legal frameworks in the Fund's member countries evolve in tandem with best international practices.

IMF Surveillance

The findings in the IMF's Triennial Surveillance Review indicate that there is no room for complacency, as important gaps in the Fund's surveillance remain to be addressed. We urge that the excessive rotation of mission chiefs and teams working on our countries be more effectively managed and that macro-social issues be adequately reflected in Article IV consultations. We also join other like-minded countries in urging Management and the Executive Board to accelerate the move towards increased diversity among the staff. It is only through improved governance and diversity in human resources that the Fund will be able to benefit from novel and good inputs which may complement the mainstream orthodox thinking. We also support the call for more tailored advice to countries' peculiar circumstances and increase utilization of cross-country analysis.

IMF Reforms

Since the 2010 Annual Meetings the IMF has reached two important milestones in governance reform and the CARICOM countries are pleased to have supported these processes. The 2008 reform transferred increased voting shares to developing countries, including the Caribbean. The 2008 proposal also paved the way for implementation of a new income model, financed by profits from gold sales, which entrusts the Fund with greater independence to sustain its surveillance and non-lending operations over the longer-term. As the IMF turns its attention to how best to utilize the windfall profits from the gold sales we welcome recommendations that would increase support for concessional lending facilities of the Poverty and Reduction and Growth Trust (PRGT) fund. We also see this as an opportunity to boost resources for technical assistance to low-income countries as well as the highly vulnerable middle-income states.

As to the second milestone, we are pleased that agreement was reached on the latest package of proposals to double the quota base of the IMF and undertake reforms to the executive board, both with the intention of further enhancing the voice of the emerging market countries. While we are grateful that the voting shares of the two lowest income states in our region (Haiti and Guyana) were protected, we regret that this benefit was not extended to more of our vulnerable states. Quotas continue to frame both the cost and access to IMF resources at a juncture when the external financing needs of many Caribbean States, particularly in the OECS are heightened. With this in mind, we encourage the IMF to explore more flexible approaches to accommodating these needs, even as the new round of the quota formula review has started.

The World Bank

We commend the Board of Directors and Management of the World Bank Group for their hard work. We are pleased to acknowledge the positive changes that are occurring and the dynamism with which the Bank has responded to global challenges. The adoption of a corporate score card will help keep the Bank focused on it objectives and goals without losing sight of its mandate. At the same time it will enhance the institution's efforts to promote transparency.

We also acknowledge the tremendous efforts of the Bank to tackle climate change. Our countries are particularly vulnerable to the adverse fallouts from these trends. We have a long way to go however, before the initiatives can be considered mainstreamed in the Bank's work. Progress will only be achieved when mitigating actions are more multiplied throughout the globe. We call on the Bank to accelerate the implementation of operations in the countries of the Caribbean, particularly those pending in Dominica and Guyana.

The 2012 World Development Report is remarkable in underscoring the importance of government leadership and the interventions of development partners to ensure that economic growth contributes to greater gender equality. Furthermore, the report highlights that gender equality is vital to both economic development and achieving the Millennium Development Goals--making households more resilient to shocks and to the mounting challenges of climate change and food security. The promotion of gender equality is to be prioritized and strengthened and, as the Bank stresses, uplift both sexes.

The World Bank Group also continues to deliver on its mandate of development and poverty alleviation. We are pleased that the International Finance Corporation (IFC), the private sector arm of the group, has increased its presence to become largest sponsor of private foreign investment in the Caribbean. This stepped up presence is welcomed and will be further exploited by regional governments given our limited space for public sector investments.

Continuing the Work in Haiti

Finally, we would like to call your attention to Haiti. Progress in the reconstruction has been beneath expectations since the earthquake over one and a half years ago. More sizable and effective interventions are needed to achieve visible near-term improvements in the population's living conditions and set off sustained medium-term growth in per capita incomes. Despite the challenging domestic and external environment the Haitian authorities have managed to maintain macroeconomic stability. There is an urgent need though for job creation through investments in economic and social infrastructure as well as through productive private sector initiatives. We call on the international donor community to speed up the delivery of their pledges so that reconstruction and poverty reduction progress at a faster pace. In this regard, we continue to place high value on the multi-faceted contribution of the Bretton Woods institutions and other multilateral institutions.

Conclusion

In conclusion, the Caribbean countries continue to believe that the challenges facing the global economy justify a heightened multilateral approach to surveillance; and coordinated policy responses to reignite private sector confidence and shore up the stability of the international financial system. Indeed, the fragile conditions in our major trading partners underscore the subdued medium-term outlook for the region. While our regional commitment to fiscal discipline is undeterred, achieving faster growth is critical to our debt consolidation objectives. As we face these challenges and work to enhance regional financial stability, we expect to maintain a heightened policy dialogue and engagement with the Bretton Woods institutions and our development partners over the medium-term.