



**ANNUAL MEETING OF THE BOARDS OF GOVERNORS**

**MILAN, ITALY**

AB-2242  
CII/AB-863  
24 March 2003  
Original: English

**ADDRESS BY THE GOVERNOR FOR THE BAHAMAS, ON BEHALF OF THE  
ENGLISH-SPEAKING MEMBER COUNTRIES OF THE CARIBBEAN  
AT THE SECOND PLENARY SESSION**

*James H. Smith*

1. It is a privilege for me to address this joint Annual Meeting on behalf of the five Caribbean nations that are members of the Caribbean Constituency, that is, Barbados, Guyana, Jamaica, Trinidad and Tobago and my own country The Bahamas. And a pleasure it is to convey our delegations' appreciation to the Government of Italy and the city of Milan for hosting this year's meeting, and for the hospitality extended to us in this historic city. As usual the Management and Staff of the Bank have spared no effort to facilitate this event.
2. We congratulate you, Mr. Chairman, on your election and on your assumption of responsibility for the Bank over the next year – one that could prove to be especially difficult. Our Constituency also thanks the Governor for Brazil for solid accomplishments during his chairmanship, and in particular for the innovations put in place over the past year, and the emphasis placed on the issue of development effectiveness.
3. The Caribbean Constituency welcomes these annual events as they provide us with an opportunity to evaluate the options we face in tackling the challenges ahead of us as a region and as individual countries. The Bank's contribution to this process is invaluable. In particular, the year ahead could bring new, and immense, problems for all of us, especially those heavily dependent on tourism and imports of petroleum. These circumstances now threaten to undo all the progress made over the past decade, and to create an environment hostile to growth and development, perhaps for a long time into the future.
4. The countries of the Caribbean have, like others in this region, been victims of these circumstances, even as there was a glimmer of hope that the impact of the 9/11 events might eventually be overcome. The year ended with stagnation in real income growth in The Bahamas and Barbados, while in Guyana and Trinidad and Tobago real growth – though positive – decelerated. In the case of Jamaica, while registering positive trends, the fiscal situation remains a cause for concern.

5. In these circumstances, policy responses have been mainly a mixture of defensive strategies, such as restrictive monetary and budgetary policies, and the concentration of investments on export earning activity, like tourism and energy, and on poverty reduction. Caribbean governments will continue to strive in the period ahead to protect and advance the gains made in the traditional sectors, to institute transitional and emergency adjustment mechanisms, and to embark on ambitious programs of structural diversification. However, the near-term future is also one of unprecedented uncertainty for the Caribbean, therefore continued access to the Bank's facilities is important at this time. This uncertainty also presents a major challenge to the Bank, in cooperation with our stronger member States, to work out timely contingency measures.

6. Barbados was successful last year in securing funding for a coastal infrastructure program. The objective of this project is to ensure a healthy environment and continued sustainable economic development of Barbados through improved management and conservation of the coastal zone.

7. Guyana continued to utilize FSO resources, and during 2002 three new projects were added to its portfolio. These projects are the Unserved Areas Electrification Program which is aimed at improving the quality of life of the rural population; the Basic Education, Access and Management Support Program which is geared to attaining improved quality in literacy and numeracy in the basic education cycle; and the Basic Nutrition Program which is intended to reduce malnutrition among women and young children in poor communities.

8. Jamaica, which was hit hard by the May and June floods and tropical storms Isidore and Lily, secured an emergency loan in the amount of \$16 million to support rehabilitation of basic infrastructure in five parishes. There was also a loan of \$17 million for information and communications technology that will contribute to that country's E-readiness.

9. After having no loan approvals since 1999, Trinidad and Tobago secured funding for the eagerly anticipated Second Stage Settlements Program. This project's main objective is to improve housing conditions for lower-income groups and to make public expenditure for housing more efficient and equitable.

10. In the case of my own country, The Bahamas, which had no loan approvals in 2002, we look forward to the completion of the new country strategy, which will pave the way for a new round of investments.

11. The Bank has been affected by the economic downturn in the region. In 2002 the volume of lending to its borrowing members decreased significantly. While approvals to the Caribbean Constituency also decreased in 2002, there is some satisfaction in the fact that there was an increase in disbursements that allowed the negative net flow position of the previous year to be reversed. We believe that this was due primarily to the closer monitoring of the portfolio and the increased effort by the Bank to remedy implementation difficulties being experienced.

12. The sluggish economic performance of the region and the corresponding decrease in international trade has especially affected the private sector's ability to access traditional sources of trade finance. To cope with this situation our Board recently approved an International Trade Finance Reactivation Program. This will blend traditional tools with new

instruments to allow for a number of options that may be used to alleviate the export credit shortage, including the use of guarantees and multi-sectoral credits. We encourage the Bank to vigorously implement these innovations, and in these difficult times, to continue to seek new ways to improve the Bank's responsiveness to its borrowing member countries.

13. Last year, our Board approved a number of measures that should have a positive effect on this responsiveness, such as modification to the financing matrix for investment loans, a new framework for policy-based lending and the reintroduction of an Emergency Lending Program. In approving this package of measures, however, the Board was very clear that the Bank must also be accountable to its shareholders regarding the efficient use of the resources provided.

14. We are encouraged that new lending instruments are being developed and that action is being taken to implement the measures approved. We support the direction in which the Bank is currently moving in terms of ensuring that its products are developmentally effective. We assure you that the governments of the Caribbean Constituency are fully committed to the concept of development effectiveness for we too are accountable to our populations for the productive use of our countries' resources. Member countries must ensure that they can demonstrate that the funds that have been entrusted to them have been used in the best possible way for the benefits of all their citizens.

15. We are pleased that progress has been made in accessing resources from the Private Sector Department by C&D countries, as the majority of PRI projects approved in 2002 were for this group of countries. This indicates that some effort is being made to overcome the perceived constraints of doing business in the smaller economies, and is a cause for some optimism on our part that some time, in the near future, our Constituency will at last be able to benefit from the operations of the Bank's Private Sector Department.

16. Similarly, we remain keenly interested in accessing finance from the Inter-American Investment Corporation for small and medium sized enterprises in our sub-region. We recognize the difficulties faced in recent years by the Corporation and urge it to pursue more actively diversification into the smaller economies, which in many cases offer good opportunities. In this connection, the External Review Group is expected to provide some strategic direction for the future of the Corporation, and we look forward to their recommendations in this respect.

17. Again we express our appreciation for the continuing efforts being made by the Multilateral Investment Fund to assist our Constituency. Of all the windows available within the IDB Group, the MIF has been the most responsive to members of our Constituency. It has, since its establishment in 1993, been involved in promoting macro-economic reforms and, more generally, strengthening the environment for business in a variety of ways in all of our countries. It has been an effective private sector development tool. We strongly urge its replenishment and look forward to the forthcoming deliberations of the Review Committee.

18. The member countries of the Caribbean Constituency, while alert to the setbacks that may lie ahead in these trying times, are positive in their outlook for the future. We are prepared to meet the challenges in cooperation with the IDB Group and to go forward together in advancing the region's development agenda.