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Statement

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Good morning; and welcome to our Annual News Conference.

I am pleased to see this sizeable and diverse representation from the regional journalism community here today.

In recent years, we have been stepping up our engagement with the media. Our aim is to increase public awareness and understanding of the work of the Caribbean Development Bank (CDB), and its role in helping Caribbean countries to respond appropriately to key development challenges and opportunities.

This morning, I will share with you what we consider to be some of the highlights of CDB's performance in 2016.

I will also make some very general comments about the Region's socio-economic situation, setting the stage, for Dr. Justine Ram, our Director of Economics, to give a more in-depth assessment of the challenges which we face as a region and CDB's prognosis of the economic performance of Caribbean countries for the medium to long term.

Let's now turn to the highlights of CDB's operations last year.

First, we reached noteworthy milestones in deepening our strategic partnerships and successfully mobilising financial resources that our Borrowing

Member Countries (BMCs) can use to craft appropriate responses to their development challenges.

Financial resource mobilisation on terms more favourable than those which our countries could achieve on their own is a key mandate for CDB!

I am very pleased with the progress of the United Kingdom Caribbean Infrastructure Partnership Fund (UK CIF), which became fully operational in 2016. Last year, we approved £16.4 mn, including a road rehabilitation project in Antigua and Barbuda.

Technical assistance grants were also approved for the preparation of the road rehabilitation project in Antigua and Barbuda and one in Dominica. Funding was approved as well for a feasibility study for coastal highway upgrading in Belize; bridge rehabilitation in Dominica; and water supply improvement in Grenada.

Let me also mention the £35 mn Essex Valley Agriculture Development project, which is currently being considered for funding under the UK CIF programme.

This innovative project will increase irrigable land under production; and will include the use of solar energy to ensure that water flowing from the irrigation wells will be affordable for the small farmer beneficiaries.

Indeed, consistent with the overarching objective of the UK CIF, this project can catalyse the transformation of agriculture in Jamaica from subsistence farming into an internationally-competitive sector, capable of improving the lives of farmers in Essex Valley, South, St. Elizabeth.

As we told you last year, we are giving high priority to redressing the fall-out from climate change. This is an inescapable reality; and we have made it our business to put in place the financial resources necessary to redress the effects of sea-level rise and more dangerous hurricanes. We have also tapped new funding for renewable energy and for energy efficiency.

For example, and for the first time, CDB accessed a US$33 million (mn) credit facility from Agence Française de Développement (AFD) to support sustainable infrastructure projects in select Caribbean countries and a EUR3 mn grant to finance feasibility studies for projects eligible for financing under the credit facility. At least 50% of those funds will be used for climate adaptation and mitigation projects.

We persuaded the Government of Canada to provide financing for a CAD5 million Canadian Support to the Energy Sector in the Caribbean Fund, which will be administered by CDB. This money will help to build capacity in the energy sector over the period 2016 to 2019.

No less significantly, Ladies and Gentlemen, in February we also became an accredited partner institution of the Adaptation Fund; and in October 2016, we achieved the distinction of accreditation to the Green Climate Fund (GCF).

Why is this such a big deal?

The Caribbean is facing a climate crisis, which we need to tackle now - with urgency.

The Adaptation Fund and the Green Climate Fund have opened new gateways to much-needed grant and or low-cost financing to address climate change vulnerabilities in all of our BMCs.

We closed last year with the successful completion of negotiations for the replenishment of the Special Development Fund (SDF), the Bank's largest pool of concessionary funds.

Contributors agreed to a US$355 mn programme for the period 2017-2020. Notably, the SDF interest rate was lowered from 2% - 2.5% and unified at 1% in an effort to strengthen the Fund's overall competitiveness.

With this 9th replenishment, CDB now has an additional US$45 mn to continue our work in Haiti and US$40 mn for the highly poverty-focused Basic Needs Trust Fund (BNTF) programme.

In 2016, we approved 134 sub-projects totaling around US$21 mn under the BNTF programme. Through this vehicle, we continue to make a big impact on community development and poverty reduction in our Region, mainly through the increased emphasis on human resource development.

The second highlight of 2016 is the Bank's continuing enjoyment of a high credit rating in the capital markets, with both Standard and Poor's and Moody's confirming the ratings of AA and aa+, respectively.

Our strong business profile and very strong financial profile (according to Standard and Poor's rating methodology) paved the way for CDB to secure a borrowing of US$150 mn on the Swiss capital market during the year.

This was part of a broader strategy to diversify the Bank's investor base; and we were pleased with the reception and the outcome.

Third, 2016 was a successful year for the Bank's financing activities as we surpassed our approval targets for loans and grants. Total approvals (including US$45 mn in grants but excluding UK CIF approvals) reached US$306 mn compared with US $292 mn in 2015 and US$270 mn in 2014.

Sixteen capital loans, two policy-based loans and 84 technical assistance interventions were approved in 2016. Belize, St. Lucia and Suriname were the three main beneficiaries of those new loans.

The improved performance reflects, in part, the relatively strong demand coming from Suriname, and is consistent with our diversification strategy to reduce portfolio concentration risk.

Of special note is the approval of US$15.3 mn for the Bank's first geothermal project under the new CDB GeoSmart Initiative. If exploratory and production-well drilling results are favourable and feasibility is demonstrated, this could be a game-changer for St. Vincent and the Grenadines, and significantly reduce that country's fossil fuel imports; increase its energy security; and create opportunities for exporting electric energy.

We are excited by what this portends since many countries in the OECS are similarly endowed with geothermal energy.

We know that by making smart investments in sustainable energy sources, we can secure a better and more predictable future for the people of the Caribbean.

Other notable projects financed in 2016 include:

- bank resolution in Anguilla;
- street lighting retrofitting in Antigua and Barbuda; St. Kitts and Nevis and St. Lucia;
- improved access to education services and skills development in St. Lucia and Guyana;
- youth empowerment in Grenada;
- water supply improvement in Dominica and St. Lucia;
- a line of credit for small and medium-sized businesses in Belize; and
- climate resilient infrastructure and basic social services for poor and vulnerable communities in Belize.

On the disbursement side, the Bank also performed well. Total loan disbursements stood at US$154.8 mn. We monitor disbursement performance closely. Until project beneficiaries are in receipt of such resources, CDB financing cannot have the desired development impact.

The performance in 2016 reflected, then, CDB's focused efforts to strengthen project supervision and overall project portfolio performance.

So we made good progress in 2016!

At the core of our operations is the desire to better the lives of Caribbean people. That is the context within which we help to design, appraise and evaluate every project we finance.

Turning quickly now from projects to macro-economic outcomes, how did our region do in this critical area? I am encouraged by the knowledge that a few BMCs achieved economic growth rates in excess of 3% last year.

My sense, though, is that overall, economic growth across the Region remained somewhat uneven; and that fragile recovery, especially in the larger BMCs, will continue into 2017.

The big challenge for each and every one of us, then, is to reverse this pattern and place the BMCs firmly onto a path of sustained and inclusive income growth with discernible improvements in living standards.

But in order to realise this goal, all of our BMCs must be earning sufficient foreign exchange to pay for the goods we import for consumption and for production.

Once we all can make that direct connection between our living standards, our imports, and our foreign exchange earnings, then we can better understand what I regard as the two most pressing policy imperatives for our Region.

First, our Governments must offer services that promote efficiency and cost-competitiveness whilst fostering inclusive growth and protecting vulnerable groups in our society.

For much of our history, Caribbean countries have depended on a very narrow source of foreign exchange earnings largely because we find it difficult to compete in global markets in areas where comparative advantage is not defined by natural endowments. The fastest growing Caribbean countries are those which offer services, like tourism, that have been expanding in line with global recovery.

On the other hand, commodity producers have been set back by the headwinds of falling prices.

Unlike more diversified small states such as Mauritius and Singapore which have weathered recent global shocks well, Caribbean economies continue to exhibit the volatility that has kept average growth rates low; unemployment and poverty high; and living standards stagnant.

The second imperative is that Government activities must be financed by revenue systems that meet the sufficiency criterion while promoting equity and economic efficiency.

Regional fiscal performance is, however, caught in a vicious cycle.

Because economic growth rates are so low, many Governments are unable to generate the primary balances needed to correct adverse debt dynamics, so public debt remains unsustainably high.

Emergency revenue measures implemented to stem fiscal deterioration following the global recession have had a perverse impact on competitiveness, further constraining growth.

Government services are not being delivered cost-effectively; social safety nets are still not being adequately targeted; institutional and regulatory reforms for improved private sector competitiveness are lagging behind the rest of the world; and state-owned enterprises are not adhering to universally-accepted financial management practices.

So, how do we turn this around?

Dr. Justine Ram will examine the key policy options for addressing these challenges when he makes his assessment of the current situation in our Region.

So, let me just end with three final points.

First, regional Governments which have begun to take corrective measures and implement adjustment programmes are to be applauded for their efforts. But, there is still a lot of work to be done; and the risk of policy reversal or abandonment is very high.

Now more than ever, regional Governments cannot become distracted and relax their resolve to stay what might appear to be a painful course.

Instead, they must become even more vigilant. Their commitment to "*do the right thing*" will help to build confidence; and ultimately stimulate private interest in growth-enhancing investments.

Second, CDB is sensitive to difficulties that policymakers face when introducing major reforms, especially because of the social fallout that could result if the process is improperly managed.

This is why there is growing acceptance that adequate social safety nets must be an indispensable part of fiscal and debt adjustment programmes in order to minimise the negative public backlash and the risk of waning commitment.

I encourage policy-makers to work with the development partners, including CDB, to facilitate the implementation of their adjustment programmes.

My final point is that, at CDB, we will also continue to work on improving our portfolio performance.

We have been doing a reasonably good job mobilising attractively-priced resources that can assist with the economic transformation and the sustainable development of our Region.

We will be stepping up our engagement to improve the ability of every BMC to access and utilise these resources effectively.

Madame Chairperson, Thank you.