

Jwala Rambarran: Examining the performance of Caribbean economies

Remarks by Mr Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the CARTAC Steering Committee Meeting, Port of Spain, 29 May 2013.

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Good morning, colleagues from the region and further abroad.

It is with very great pleasure that I welcome you to Trinidad and Tobago.

We at the Central Bank of Trinidad and Tobago are very pleased to host the first CARTAC Steering Committee Meeting for 2013, which takes place against the backdrop of what the IMF Managing Director has described as a “three-speed” global economy.

Countries are either doing well (mainly the emerging markets and developing countries), or they are on the mend (such as the United States), or they still have some distance to travel (such as the Euro area and Japan).

It is no secret that the small island states in the Caribbean are among those countries with some economic distance to travel. Several reasons account for the region’s relatively weaker economic performance. Perhaps the most critical reason stems from the lack of sufficient capacity, whether it is to stimulate and sustain potential growth, to confront unsustainably high public debt burdens, or to manage risks arising from financial integration in the Caribbean.

From its inception, CARTAC has been playing an important role in helping the Caribbean region to strengthen its capability in macroeconomic and financial management and in developing the statistical infrastructure. One of the distinguishing characteristics of CARTAC has been its flexibility, sensitivity and responsiveness to the specific needs of countries in the region. We commend CARTAC’s management and staff, the donor community, the Steering Committee, and the member countries for such a collaborative approach.

Of the many areas in which the Centre has been involved is the fiscal arena. Here CARTAC has stepped up to the plate and has quietly and consistently been providing much needed training, guidance, handholding and expertise on issues such as budget planning and execution, revenue management, debt sustainability analyses, customs reform, and introduction of Value Added Taxes.

Clearly, there remains a lot of work to be done in this area. While a few Caribbean economies have engaged in ad hoc sovereign debt restructuring operations, sometimes more than once, these have not yielded lasting gains.

Much work is also underway towards improving the regulatory and supervisory architecture across the region. This is most welcome given that financial systems in the Caribbean are becoming increasingly integrated with the emergence of major cross-border financial groups. The collapse of the insurance subsidiaries of the CL Financial Group is perhaps the most widely cited example of the systemic importance of these cross-border financial groups.

CARTAC has already done some good work in assisting in the drafting of financial sector legislation by bringing a wider international perspective. The Centre’s assistance to the Central Banks in producing a regional financial stability report is anticipated to be of great benefit in assisting the region to diagnose financial vulnerabilities and develop corrective strategies *ex ante* to forestall potential future crises.

One aspect that is often unheralded is CARTAC’s work on macroeconomic statistics. Indeed, many countries have severe institutional problems that inhibit the gathering, accurate processing and timely dissemination of data, creating a weak base for policy design. In a difficult and sometimes frustrating environment, CARTAC has been able to help in providing

consultants and training local staff to improve statistics on consumer prices, the balance of payments and national accounts.

Trinidad and Tobago considers itself a strong collaborator of the Institution and wholeheartedly supports its work and vision. For our part, we have benefitted from technical assistance/consultancy support in the financial sector as well as fiscal and debt management.

We continue to receive support to strengthen the price and balance of payments statistics and just last week we hosted a consultant who is assisting us to develop and implement a plan to rebase our quarterly gross domestic product estimates.

Our semi-annual bank stress testing exercises, which we have done over the past two and a half years, was developed with a CARTAC consultant, who earlier this year revisited our shores and worked with us on upgrading the test parameters and methodology.

Staff at the Central Bank and at government ministries gained valuable training on macroeconomic issues and policy design. This is a CARTAC contribution which we consider extremely important in helping to develop the capacity of our future policy makers.

We also commend CARTAC for organizing the summer internship program – we have had the good fortune of having some excellent interns and we will continue to participate in this initiative.

As with any technical assistance program, we recognize that sustainability must be a major objective. As we discuss the recent activities of the Centre and the way forward during today's proceedings, we should keep constantly in mind the need to develop programs in a way that would progressively transfer the knowledge and expertise to recipient countries. In this way CARTAC's contribution would be all the more durable.

Moreover, we should utilize as far as possible the avenues for greater collaboration with others. In this regard, I would like to see greater collaboration between CARTAC and other like-minded regional institutions such as the University of the West Indies, CEMLA and the CCMF.

In closing, I wish to remind you all that this meeting is taking place the day before two successive national holidays, Corpus Christi and Indian Arrival Day. The timing is therefore opportune for you to experience some of our country's religious and cultural heritage and to partake in our delicious indigenous cuisine.

I thank you and wish you all a very productive meeting.