Jwala Rambarran: From diagnosis to action – advancing the Caribbean reform agenda

Statement by Mr Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the 2013 Caribbean Breakfast with the IMF Managing Director, Ms Christine Lagarde, Port of Spain, 13 October 2013.

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Salutations:

The Honorable Denzil Douglas, Prime Minister of St. Kitts & Nevis

The Honorable Keith Mitchell, Prime Minister of Grenada

Madame Christine Lagarde, Managing Director, IMF

On behalf of the Caribbean group of countries at the IMF, Trinidad and Tobago is deeply privileged and honored to have the opportunity to deliver the opening remarks at the 2013 Breakfast Meeting with the IMF Managing Director.

Madame Lagarde, we thank you for taking the time to continue the dialogue on matters of interest to Caribbean nations – a small but very important segment of the Fund's membership.

I assure you that we highly value this forum. It is indeed a unique opportunity for the Caribbean to have open, frank and sincere dialogue with the leadership of the Fund.

Heightened engagement

We are encouraged by the increasing level of engagement taking place between the Fund and Caribbean small states, especially over the past year.

The Fund has organized two High-Level Caribbean Forums – the first in Trinidad and Tobago in September 2012 and the second, more recently, last month in the Bahamas. A seminal paper entitled "***Caribbean Small States: Challenges of High Debt and Low Growth***" were among the papers on small states prepared by IMF staff and presented to the Executive Board in March of this year.

These were useful starting points for analysis, research and discussion on the challenges facing small states, particularly those in the Caribbean. We stress the importance of not losing traction on these issues by following through with the directives of the Board.

We look forward to the promised consultation with Caribbean authorities on the small states paper and to the presentation of the guidance note on conducting surveillance in small states, which is scheduled for December 2013.

Technical assistance

We continue to be well-served by high-quality technical assistance, mainly through CARTAC, in the areas of macroeconomic analysis, debt management and public financial management.

In particular, we appreciate the Fund's willingness and flexibility to conduct the study on regional financial interconnectedness, which is almost similar to conducting a Caribbean-wide Financial Sector Assessment Program (FSAP). The policy recommendations from such a study would be very useful to strengthening financial stability across the region and enhancing crisis management frameworks.

Small states: debt and financing challenges

Madame Lagarde, in the coming year, we need to move from diagnosis to action. We need to advance on some of the most pressing financing and debt challenges facing the Caribbean region. And we need to identify areas in which the Fund could possibly be of assistance.

As you are aware, most of the Caribbean small states are considered middle and high income countries, according to the World Bank's income classification, which is based on a GDP per capita criterion. While Caribbean small states have managed to attain relatively high income levels, their GDP growth performance has been worsening since 2009, registering the deepest contraction in output among all small states.

At the same time, despite generally successful debt restructuring operations in a few countries, most Caribbean small states continue to face debt burdens that are high or near distress levels.

We must confront head on this high debt-low growth vicious circle.

We are, therefore, encouraged that the Fund is willing to consider additional ways to strengthen institutional capacity in small states and to better tailor some of its analytical tools to meet their needs.

In this context, we welcome the recent announcement by IMF Deputy Managing Director Shafik that the Fund will seek to include an explicit growth agenda in Fund-supported programs in small states.

Madame Lagarde, we wish to draw your attention to a recent Commonwealth Secretariat study entitled "***A Time to Act: Addressing Commonwealth Small States' Financing and Debt Challenges***" which makes four insightful proposals. In summary, these four proposals are as follows:

1. ***Introduce debt swaps for climate change and adaptation and mitigation.*** For Caribbean countries and other small island states, climate change is a real and escalating threat. The provision of significant debt relief would help them to unlock pledged climate funding to finance much needed adaptation and mitigation efforts.
2. ***Explicitly add vulnerability to the criteria for eligibility to access concession resources of the Fund and other international financial institutions.*** Small states vulnerability to shocks has been the basis for the IMF's inclusion of a small economy exception for access to concessional funding through the Poverty Reduction and Growth Trust (PRGT). And it has been included as a criterion to safeguard against premature graduation from PRGT resources.
3. ***Develop counter cyclical loan instruments to help countries better cope with external shocks, without interrupting their growth prospects.*** Such a counter-cyclical lending instrument would allow debt servicing to automatically fall to or become zero in periods when external shocks hit a country.
4. ***Introduce resilience building as the main conditionality for Fund and Bank lending to small states.*** Small states are vulnerable because of their exposure to shocks and lack of resilience. This vulnerability is structural. It is not solely the outcome of poor policy choices.

The Prime Minister of St. Kitts and Nevis chaired a Commonwealth High Level Advocacy Mission over the past week to discuss these proposals with the international financial institutions. The Mission included the Finance Ministers of Jamaica, Seychelles, Samoa and Tonga.

We, therefore, encourage the Fund to work together with the World Bank and the Commonwealth Secretariat to refine these proposals into concrete and specific policy measures that can be applied to all small states.

Diversity at the fund

To switch gears, we want to address a somewhat softer but nonetheless important issue, that is, diversity at the Fund. We are aware that you have taken a keen interest in this matter. So we feel confident that our concerns will receive attention.

As you may be aware, the number of Caribbean nationals employed at the Fund is dwindling, mainly on account of natural attrition. This declining trend also reflects other factors. Perhaps the most noteworthy is the perceived weak effort on the part of the Fund to actively recruit in the Caribbean region.

At the same time, there are supply side considerations. The “brain drain”, where our best and brightest migrate to advanced countries, has reduced the pool of available and talented economic and finance professionals. While addressing the brain drain is a long term endeavor that requires a holistic approach, we encourage the Fund to re-engage the Caribbean as it did decades ago and to actively recruit economists from the region and to further efforts to strengthen their career progression and promotion at the Fund. The region has a history of producing economic luminaries such as Sir Arthur Lewis and Lloyd Best.

Conclusion

In closing, we encourage you to continue with the changes you have instituted that makes the Fund more receptive and responsive to the needs of its members, especially the small states. It is regrettable that the deadline for entry into force of the 2010 quota and governance reforms, which sought to enhance the voice and representation of emerging and developing countries was missed, but this should not prevent the Fund from operating according to the new paradigm which an overwhelming majority of members have already endorsed as the way forward.

We in the Caribbean remain resolute in our support for initiatives that help improve the Fund’s governance. There is no other path if the Fund wishes to safeguard its reputation as a credible, even-handed and trusted global economic policy advisor to its members. Madame Lagarde, I understand that you are yet to visit the Caribbean in your official capacity as Managing Director. Given the Fund’s heightened engagement with the region, we think it is an opportune time for you to visit and obtain a first-hand perspective of our strides towards economic development and to experience the warmth and hospitality of the Caribbean islands.