

**CLOSING REMARKS BY THE PRESIDENT
OF THE CARIBBEAN DEVELOPMENT BANK**

DR. W^m WARREN SMITH

Governors

Directors

Observers

Guests

Ladies and Gentlemen

The past few days have provided a useful opportunity for the Bank's Management and staff to engage in open and frank discussions with our Board of Governors as well as the Board of Directors and Contributors to the Special Development Fund (SDF).

These discussions centred around the current economic environment and key challenges facing our borrowing member countries (BMCs); the operations of CDB and the Bank's ability and preparedness to respond to the pressing needs of its BMCs.

I welcome this opportunity to respond to the comments, observations and suggestions made. The statements presented by Governors were frank, but constructive and reflective of their strong support for our institution.

These statements of general support are welcomed and have served to deepen my resolve and that of my management to stand strong and resolute in the face of some of the most difficult challenges facing our institution and our BMCs.

We have listened carefully and we know what needs to be done to overcome the immediate difficulties, whilst not losing sight of the goals set out in the Strategic Plan 2010 -2014 and the priorities which I outlined yesterday.

The statements have served as a useful barometer of the areas in which the Governors believe that the Bank's performance can be improved.

I will focus in the few remaining minutes of this Annual Meeting on the main initiatives which we are and will be undertaking to address the concerns raised by Governors.

Economic Sustainability and Resilience

Without exception, Governors pointed to the difficult economic circumstances that prevailed during the year, and given the uncertain circumstances and risks facing the global economy, the even weaker prospects for improvements being reported by the BMCs in 2012.

Despite the significant challenges that the current environment poses, our BMCs remain strongly committed to implementing the reforms necessary to restore fiscal and debt sustainability. They appreciate the strategic necessity of building economic resilience over the medium term.

As it has done in the past, CDB too remains committed to working alongside BMCs to find a credible resolution to their debt problem, which remains, perhaps, one of the biggest constraints to the resumption of growth.

CDB recently commissioned a major study on the debt situation in our BMCs. That study, which is now undergoing in-house review, is intended to improve our understanding of the imperatives and the required institutional support structures for debt sustainability.

Given the size of the problem, however, the resolution, in most cases, demands a collaborative approach by key development partners in the Region. CDB stands ready to participate in similar efforts that are underpinned by a sound and credible reform programme.

Declining Approvals and Disbursement

Several Governors expressed concern about the declining levels of approvals and disbursements by CDB in 2011. We understand their concern. Although we are not anticipating that this is the beginning of a downward trend, we regard these as important indicators of CDB's ability to deliver critical development assistance to its BMCs.

We are monitoring the situation carefully and working closely with BMCs to remove obstacles to their timely drawdown of financial assistance which has been approved by our Board of Directors.

In the context of the limited fiscal space in most BMCs, nevertheless, we share the view of one Governor that the 2011 approval and disbursement results speak well of CDB's efforts to remain a firm development partner to our BMCs in times of serious challenges.

CDB's Credit Rating

We appreciate the concern expressed by Governors regarding the recent downgrade of CDB's credit rating by Moody's Investors Service.

Let me assure you, Governors, that our Management started work long before this meeting to address the issues that are within our control. We are working closely with an arranger to restructure the maturities of our borrowing portfolio and will undertake an investor roadshow to that end shortly.

We are also fully engaged in taking the necessary steps to strengthen our risk management framework, to render it more resilient in this unpredictable international financial environment.

Lending Products

There was considerable discussion of a recent review of the Bank's lending products during the SDF Negotiation Meeting. Several Governors made reference to this review and offered valuable comments.

They emphasised the need for the Bank to offer its BMCs products that are flexible, cost-effective, and with high development impact.

Additional analytical work still needs to be undertaken. We will continue to consult with our stakeholders throughout this process. Our focus will be to ensure that we design a suite of products that reflects our comparative advantage and meets the needs of BMCs, without compromising the Bank's risk profile.

Human Resource Strategy

We note Governors' reference to the impending far-reaching renewal of our professional staffing complement. We appreciate that this presents an opportunity to engage the appropriate mix of skills required to deal with the demands of the new environment. We assure Governors that steps are already in train to recruit the talent needed to satisfy our human resource requirements.

Results Management

Governors commended the Bank on the steps taken to embed a results culture and encouraged us to deepen the process. We will continue the use of the comprehensive results framework to track the effectiveness of our work and, ultimately, to measure its development impact.

An area of high priority will be that of addressing the issues of management for development results including gender equality as part of the broader results agenda. In this regard, we alert Governors to the imminent completion of the review of the management for development results approach in the Bank, the results of which will be discussed by Contributors to the seventh replenishment in July 2012.

Climate Change

Governors complimented CDB on initiatives to strengthen operational capacity in the area of climate change, including the Bank's new Climate Resilience Strategy, which was considered during a recent SDF negotiations meeting. To strengthen our capacity in the areas of climate change and renewable energy, we will pursue a dialogue with our development partners, including Germany, on possible areas of assistance.

SDF

We welcome Governors support for the ongoing SDF negotiations. The SDF has been making a real difference in the quality of life of our people by contributing to the reduction of poverty and increasing economic opportunities.

Contributors are being urged to provide adequate resources so that the Fund can have the desired impact on the most vulnerable in our societies.

We are looking forward to the successful replenishment of the SDF by year end.

Annual Meeting Format

Governors proposed a change in the format of the Annual Meeting to provide a forum within which Governors, management and staff can discuss critical issues affecting the region.

We accept that we should continue to pursue initiatives to improve the outcomes of the Annual Meeting. We are undertaking to have wider consultation with Governors with a view to introducing a revised format from 2013.

Conclusion

We have come to the end of the 42nd Annual Meeting of the Board of Governors of the Caribbean Development Bank.

As I reflect on the events of the past day and a half, I, and my colleagues in management, feel a sense of deep responsibility. We know that the tasks ahead are formidable, but we are not daunted.

With the continued support of our colleagues on the Boards of Governors and Directors, we will get the job done.

On behalf of the members of the Board of Governors, I wish to express our heartfelt gratitude and sincere appreciation to the Premier of the Cayman Islands and his staff, especially those working quietly and feverishly behind the scenes. Without their dedication and hard work, the meeting could not have been the resounding success it has been.

As we bid you adieu, we wish for you all a safe homeward journey and look forward to seeing you, next year, in St. Lucia.