



**CARIBBEAN LEADERSHIP - CONFRONTING THE
ANXIETIES OF OUR PEOPLE**

STATEMENT

by

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Caribbean Development Bank

at the

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OF THE BOARD OF GOVERNORS

PORT OF SPAIN, TRINIDAD AND TOBAGO

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I. INTRODUCTION

Mr. Chairman, Senator Dr. the Honourable Bhoendradatt Tewarie
Prime Minister, Dr. the Honourable Ralph Gonsalves, St. Vincent and the Grenadines
Chief Minister, The Honourable Hubert Hughes of Anguilla
Chief Minister, Mr. Reuben Meade of Montserrat
Premier Mr. McKeeva Bush of Cayman Islands
Honourable Minister of Finance of Trinidad and Tobago
Honourable Chief Justice
Distinguished Governors
Members of the Board of Directors
Permanent Secretaries of the various Ministries of Trinidad and Tobago
Members of the Diplomatic Corps
Observers
Guests
Vice-Presidents and other Members of Staff of the Caribbean Development Bank
Representatives of the Media
Ladies and Gentlemen:

I am extremely delighted by the warm welcome, generosity and hospitality that have been extended to all of us who are attending the Forty-First Annual Meeting of the Board of Governors of the Caribbean Development Bank (CDB), here in Trinidad and Tobago. This enthusiastic welcome comes as no surprise from this twin-island Republic, renowned for inviting the rest of the world, every year, to imbibe the intoxicating cacophony of sound from the steel pan and calypso music, and to gaze in awe at the magnificent display of movement, colour and costume, which is the carnival parade.

We have gathered here on three previous occasions - 1977, 1989, and 2004 –for Annual Meetings of CDB’s Board of Governors; and there are many heart-warming stories about your exceptional hospitality. But the relationship between CDB and this richly diverse country over the last 40 years has definitely not only been about having a good time.

The Government and people of Trinidad and Tobago have always contributed generously to financing the Bank’s work. As the largest shareholder of CDB along with Jamaica, Trinidad and Tobago has not only met its obligations to the recapitalisation of the Bank’s ordinary capital; but it has consistently contributed to the various replenishments of the Special Development Fund. Trinidad and Tobago has also channeled, through CDB, additional resources to the smaller and less developed

borrowing member countries (BMCs) via such special initiatives as a Counterpart Fund in 1974; the subscription by the Central Bank of Trinidad and Tobago to CDB's notes and bonds; and assistance to Grenada after hurricane Ivan.

In addition to the sheer pleasure of gathering in Trinidad and Tobago, this annual meeting holds a special and personal significance for me, for it is my inaugural meeting as President of this esteemed institution. I wish to seize this opportunity to express my profound gratitude to the Board of Governors for appointing me as the fifth President of CDB.

As I assumed my new role on May 1, 2011, the weight of that responsibility was not lost on me. I am, nevertheless, encouraged by the Bank's long and outstanding record of achievements spearheaded by four previous Presidents – Sir Arthur Lewis, Mr. William Demas, Sir Neville Nicholls, and Dr. Compton Bourne – all of whom have left behind solid legacies of accomplishment.

I wish to thank, especially, my immediate predecessor, Dr. Compton Bourne, for his stewardship over the past ten years and for ensuring that, in the tradition of his predecessors, CDB remains a stalwart of Caribbean development, cooperation and regional integration. I also wish to express my profound appreciation to the Management and Staff of CDB, without whose dedication and commitment none of this would have been possible.

Against this impressive backdrop, I feel compelled to borrow from Sir Isaac Newton and with humility say, that today, *“If I can see further, it is because I stand on the shoulders of giants.”*

II. ANNUAL REPORT AND CDB'S PERFORMANCE DURING 2010

My presidency comes at a time of profound changes in the global economy; and these are creating new anxieties for our people and leaders at all levels across this Region. I want, therefore, to use today's Statement to share with you my perspective on what this means for Caribbean leaders at the regional and national levels and here at CDB.

Before I do so, let me briefly review the major developments in the Bank's operations during 2010. A comprehensive progress report forms part of CDB's Annual Report for 2010, a copy of which has been shared with you and which will also be available on the Bank's website. I wish only to highlight a few critical aspects of that performance.

Economic conditions in the Region remained depressed, with only seven of CDB's BMCs - The Bahamas, Barbados, Belize, British Virgin Islands, Guyana, St. Lucia and the Turks and Caicos Islands - reporting growth in 2010. Nevertheless, demand for CDB financing was sustained, with approvals of loans and grants reaching approximately USD300 mn compared with USD167 mn in 2009.

Net transfer of resources (that is, disbursements of grants and loans less repayments of principal, interest and charges) between CDB and its BMCs amounted to USD180 mn in 2010, considerably in excess of net resource transfers of USD70 mn in 2009.

CDB continued to use policy-based lending to support macroeconomic policy reform in its BMCs. In general, the policy-based loans (PBLs) sought to promote fiscal and debt sustainability while strengthening the framework for macroeconomic management, advancing the impact of the Bank's poverty-reduction efforts, and promoting social partnerships. A PBL to St. Vincent and the Grenadines also facilitated financial sector restructuring through divestment of a government-owned commercial bank.

The year was marked by a catastrophic earthquake in Haiti; drought conditions in the southeastern Caribbean and an extremely active hurricane season, with significant flooding in several countries.

Given the devastation last year, considerable resources were deployed to affected BMCs under CDB's recently revised Disaster Management Strategy and Operational Guidelines. Additional support was provided to Haiti to rebuild lost physical and human capacity.

CDB continued to participate in and support the Regional Coordination and Harmonisation Council that oversees the governance of the CARICOM Comprehensive Disaster Management Strategy. The Bank is also represented on the Board of Caribbean Catastrophe Risk Insurance Facility (CCRIF), the world's first multi-country risk pool, providing vital short-term liquidity in the aftermath of a catastrophe. Also, and in collaboration with the Inter-American Development Bank (IDB), CDB supported the Organisation of Eastern Caribbean States (OECS) Secretariat with mainstreaming disaster risk management through technical assistance to strengthen institutional capacity in member states and to enhance community resilience to disasters.

CDB's approval of USD23.7 mn in new loans to facilitate student loan financing demonstrated clearly that human capital development remains a high priority for the Bank. This included its first line of credit for student loans to Jamaica for the upgrading of tertiary level skills in professional, technical and vocational programmes, targeted at persons from poor and vulnerable households.

The Basic Needs Trust Fund Programme (better known as BNTF) remained in the forefront of the Bank's efforts with respect to direct poverty reduction, providing access to basic infrastructure and services in rural and urban communities. Under the Sixth Programme, resources are more strategically focused on the achievement of the millennium development goals (MDGs), with key initiatives including the design of a programme-wide system for gathering information on implementation and results.

Through the Caribbean Technological Consultancy Services (CTCS), CDB provided direct assistance to micro and small enterprises. These interventions sought to address key operational and managerial deficiencies aimed at enhancing the competitiveness of micro and small enterprises through improvements in technical know-how.

In 2011, we expect a return to economic growth in most of the BMCs. However, the weak fiscal position will continue to be challenging and will require sustained emphasis on fiscal consolidation and careful debt management. Additionally, many of the gains made in the past decade in poverty reduction have been undermined or reversed. There will be increased emphasis on restoring these gains.

III. CARIBBEAN LEADERSHIP – CONFRONTING THE ANXIETIES OF OUR PEOPLE

(a) Overview

I now turn to the main theme of my Statement “Caribbean Leadership – Confronting the Anxieties of our People.”

Over the past 50 years, Caribbean countries have witnessed impressive improvements in socioeconomic performance. There have been dramatic increases in living standards; life expectancy at birth; adult literacy and school enrolment, to name a few. Many of our BMCs have already reached the MDG goal of 100% primary school enrolment; have embraced the more ambitious target of 100% secondary school enrolment; and are set to achieve or exceed the MDG health goals by 2015.

Despite these achievements, issues about the quality of the education system remain a major concern; sustained growth and development continue to elude many countries; and poverty remains unacceptably high.

Our BMCs are displaying a distinct lack of agility in side-stepping the confluence of development challenges that give rise to anxiety amongst our people, that is, a generalised sense of losing control of their destiny in a number of critical areas of social and economic life. We can further classify this anxiety under the broad rubric of “insecurity” – insecurity about their economic situation; insecurity due to the impact of climate change on their lives; and personal insecurity due to rising crime and violence.

(b) Insecurities

Let us examine these insecurities more closely.

The principal **economic insecurities** which the Region currently faces have been exacerbated by structural weaknesses and extreme vulnerability linked especially to small size, openness, narrowness of the production base and proneness to potentially devastating natural hazards.

The economic structure has been further undermined and industry competitiveness challenged by volatile oil prices since the 1970s and the deeper integration of Caribbean economies into the international financial and economic systems through globalisation. The signing of the 2008 Economic Partnership Agreement signalled the end of unreciprocated preferential access by Caribbean exports into the European Union (EU) market. New insecurities were created as agriculture production, farm incomes and employment declined; small farmers, especially in banana and sugar producing countries were displaced; and poverty levels rose, and dramatically so, in rural communities.

As the 2008 global economic and financial recession unfolded, and the Caribbean experienced its impact, vulnerability increased. The recent collapse of the Trinidadian conglomerate, CLICO and its subsidiary BAICO reverberated through the Region, and resulted in major losses to both institutional and private investors despite rescue efforts of regional governments.

The impact of climate change is another contributor to insecurity for many BMCs. It is perhaps our single most important environmental and developmental challenge, with worry-some implications for economic growth, development sustainability and our poverty reduction goals. Its economic impact is already visible, with damaged and destroyed infrastructure being only one of the casualties. We do not have the luxury of ignoring climate change, for the consequences of inaction are projected to far exceed our income-generating capacity by the start of the next century.

The third contributor to anxiety in Caribbean society that should be given high priority on the development agenda is **crime and violence**, a growing and seemingly intractable problem. The incidence of violent criminality has reached almost epidemic proportions in too many Caribbean countries. Last evening, the Managing Director of the World Bank cited a 2007 World Bank report¹ concluded that murder rates in the Caribbean, at 30 per 100,000 population annually, are higher than for any other region in the world.

The international trade in narcotics seems to be at the root of the upsurge in violent crimes. Also, the economic and social consequences are enormous as rising crime levels generally demand an increase in public expenditures to strengthen the security forces; have a dampening effect on tourism as visitors begin to fear for their safety; stifle business development as new investment and access to financing become constrained; and decimate established communities abandoned by families escaping the effects of gangs, drugs and illegal arms.

(c) **The Imperatives – Overcoming Anxiety/Conquering Insecurities**

Of course, the insecurities which I have outlined do not represent the full universe of issues requiring the immediate attention of Caribbean leaders. However, their urgent redress in the near-term will lay the foundation for achieving the quality of life to which most of our people aspire in the medium-term.

Consistent Growth and Development Strategies

Let us now focus on what needs to be done.

A continuing imperative for Caribbean leadership is the consistent implementation of a development strategy to shift regional economic activity onto a new growth trajectory. This would generate the resources needed for a dramatic reduction in the unacceptably high levels of poverty.

The Asian economies have demonstrated so well that a *sine qua non* for drastic and permanent reductions in poverty is rapid and sustained economic growth. That strategy, no doubt, must speak to, *inter alia*, the importance of remaining vigilant and being committed to the pursuit of sound, prudent and predictable macroeconomic policies which will provide the platform upon which robust economic growth can be built.

¹ Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean. The report was prepared jointly with the United Nations' Office.

Governments must be generating, on a consistent basis, healthy fiscal savings, prudently setting aside funds to create the fiscal space needed when financial crises, natural hazards or other unexpected events occur.

To shift our economies onto a growth trajectory consistent with rapid improvements in living standards, we will also need to address the vulnerability and uncertainty inherent in our economies. This will require the systematic reduction in the impediments to the creation of new, more resilient industries and the re-engineering of traditional ones to make them internationally competitive.

We should not allow negative, first-round consequences to overshadow the potential benefits that globalisation and trade liberalisation offer the Region. Instead, a more focused examination will allow for strategic exploitation of opportunities created by a more diversified access to the large European market and structural shifts in other parts of what is now a multi-polar global economy.

Private Sector Development

Countries that pursue consistent stabilisation policies and undertake needed structural reforms are also likely to witness the emergence of a dynamic private sector. The private sector can be Government's main ally because it can help to unlock those opportunities for poverty reduction; and therefore, conditions must be made suitable for the private sector to flourish. Reforms should improve, not hinder, the conditions for "doing business." Modern business legislation must be in place. The State apparatus should discourage corruption and inefficiency. And the labour force must be suitably trained to meet the skills requirements of the emerging economic structure.

Efficacy of Regional Approaches in Solving National Problems

Addressing the imperatives at the national level is vitally important but offers only a partial solution to the insecurities that Caribbean people now face. In many respects, the removal of national constraints to economic diversification can be most effectively and efficiently pursued through regional solutions. As our BMCs struggle with some of our new realities, the evidence increasingly shows that regional approaches are most appropriate for addressing the Region's most pressing problems.

Regional Cooperation in Energy Transformation

Let us start with the issue of energy costs. The high cost of electricity represents a major competitive disadvantage for most Caribbean countries. To date, the BMCs have been responding to high oil prices, environmental degradation and climate change concerns by seeking to develop renewable energy sources and to encourage the use of clean energy technologies. But this has been on an individual basis.

A recently completed World Bank-funded Study² determined that the exploitation of the Caribbean's considerable renewable resources offers tremendous scope for economies of scale and

² "Caribbean Regional Electricity Generation, Interconnection, and Fuels Supply Strategy" – March 2010.

significant reduction in electricity costs. However, the realisation of these benefits requires, in many instances, multi-country responses and the co-ordination of energy policies across participating countries. The goal of transforming Caribbean economies through the introduction of new industries and the renewal of legacy ones is also likely to necessitate a regional or sub-regional approach to energy policy.

It is difficult to imagine a realistic road to a transformed Caribbean economy unless this issue of energy is addressed. Therefore, the need to vigorously pursue the recommendation to bring the preliminary studies to full feasibility stage seems impatient of further debate.

Leveraging ICTs through Regional Co-operation

The area of information and communication technology (ICT) also offers interesting possibilities for regional cooperation, while expanding the scope for an economic growth strategy that is supported by human capital development across a wide range of skill areas. This strategy has already found appeal in the Caribbean; but the prohibitive cost of developing and maintaining a modern, state-of-the-art education system puts it outside the reach of many BMCs.

In this regard, the ongoing initiative by the University of the West Indies to leverage the capacity of modern ICTs to develop a single virtual university space is just another demonstration of how cooperation can get the Region past another development hurdle. The single virtual university space will facilitate the sharing of the best teaching resources on individual campuses across the entire UWI system. It will also serve as a vehicle for improving the delivery of university education to the non-campus territories, as well as to remote areas of campus territories.

The use of ICTs in education, especially those technologies which enable the sharing of the best teaching resources over long distances, across many countries simultaneously, and in real time, needs to be rapidly extended to its logical conclusion to all levels of the education spectrum including primary and secondary levels. Every Caribbean child could then have access to the best educators available across the Region, at the same time, all the time, thereby bringing new meaning to the slogan *“no child left behind.”* With the benefit of focussed, persistent leadership in this area, the Caribbean can lift education and training to world-class levels, whilst producing the quantity and quality of trained personnel best suited and tailored to the development of more knowledge-based industries.

The arguments in favour of transforming the regional education system through the use of ICTs apply generally to the development of a knowledge-based economy. A Caribbean regional information and communication technologies for development (ICT4D) strategy, already presented to CARICOM Heads of Government, outlines the requirements for successful transformation, including the important nexus between local and regional activities. The ICT4D document points to the problem of fragmentation at the regional level and the need to rationalise the structure of institutions involved in implementation of different aspects of the project. These constraints need to be addressed through focussed and determined leadership to ensure that the Region is not left behind in this critical area of economic and social modernisation.

Regional Cooperation in Financial Sector Restructuring

The recent collapse of large financial institutions in the Region following the 2008 financial crisis serves as yet another reminder that failure to secure our financial systems reduces the ability of our institutions to avert impending crises and creates a domino effect in our regional economic space. Closer supervision and regulation of the financial sector from a regional perspective are imperatives that must be pursued with alacrity to safeguard the soundness and integrity of the regional financial system as well as to facilitate the expansion of economic activity.

This becomes an even bigger imperative as we move swiftly to integrate regional markets.

Regional Action in Support of Climate Finance

In the area of climate change, we need to be proactive and to undertake suitable adaptation measures whilst simultaneously escalating the transfer of risks through appropriate insurance cover. Leadership, in this area, will require a combination of educating our people about this threat; mobilising finance available for mitigation and adaptation; and making the investments necessary to secure livelihoods.

At the United Nations' climate change conference in Copenhagen in December 2009, developed nations pledged USD30 billion of fast-track funding through 2012 and committed to raise jointly USD100 billion annually by 2020 for climate change mitigation and adaptation in developing countries. Whilst this might sound like a lot of money, the needs far exceed the resources available for this important activity.

If climate change is not to become a serious impediment to the medium and long-term growth prospects, it is going to require tireless and effective champions to ensure that the Caribbean gets its fair share of these resources. A concerted joint approach by the entire Region to identify viable mitigation and adaptation projects and to package them for technical and economic appraisal by development partners would greatly enhance our access to such resources.

Rebuilding Crime-ridden Communities

Crime and violence, I have argued, is now endemic in many Caribbean countries. It is one of **the** most difficult challenges to overcome because of the power and wealth of the international crime syndicates with which domestic organised crime is now in partnership. Its resolution, therefore, has a coercive as well as a social interventionist dimension. The latter represents the greatest test of leadership, demanding that consensus be secured across the political divide and that power be devolved to civil society organisations which are closest to the people, enjoy their trust and have a good appreciation for the modalities which can work.

Once again, a regional approach recommends itself not only because of the regional and international dimension of modern criminality and the need to share intelligence, but also because of the opportunity to share lessons learnt with regard to both coercive and social interventions.

IV. CDB'S ROLE AND RELEVANCE

In all of the areas identified earlier, CDB intends not only to be a leader, but also a partner. In assisting the countries to confront the anxieties of their people, we propose to do a number of things:

- CDB will increase its involvement in helping them to design their macro-economic reform programmes geared to achieving macroeconomic stability and creating the environment for private sector-led growth.
- CDB will complete the work of developing an energy policy for its engagement with BMCs. This will better inform our dialogue with partners like the World Bank, the other Multi-lateral Development Banks and with our BMCs in achieving the transformation necessary for removing the obstacle of uncompetitive energy pricing from their economies.
- CDB interventions in the area of energy could range from direct investment in energy projects to influencing and assisting BMCs with capacity building, strengthening the enabling environment, and working with our leaders to persuade them of the benefits of cooperation over isolation.
- CDB will strengthen its internal capacity so that it can engage the BMCs in more meaningful dialogue about appropriate responses to the challenge of climate change. CDB will position itself to access the increasingly large international pool of funds for climate mitigation and adaptation.
- CDB will leverage its expertise in project preparation to assist the BMCs in assembling a portfolio of projects which will be eligible for funding from the growing international pool of climate finance. The objective is for CDB to become an intermediary for the effective transmission of these resources to our BMCs for climate mitigation and adaptation projects;
- CDB will focus on the use of ICTs in the area of education to improve access, delivery and quality to transform the human resource pool in the Caribbean at all levels. As we are currently doing with the UWI, we will be reaching out to all stakeholders in the education sector across the Caribbean to exchange ideas and to coordinate our programmes in this area; and
- CDB will work very closely with governments, community-based organisations and other stakeholders to begin to address the infrastructure deficiencies and social interventions needed to engage and transform communities adversely affected by crime and violence. For meaningful impact, this will require access to additional soft resources.

We, at the Bank, understand very clearly that the world today is a much different place from the one which faced our founding fathers more than 40 years ago; and the challenges of our BMCs are different and, in many respects, far more complex. CDB's biggest challenge, then, is to re-invent itself so that it can be sufficiently nimble to cope with the new and different realities of its BMCs and to respond quickly to their changing needs and priorities.

However, there are certain principles which will remain immutable. We have no desire to contribute to the immiseration of our BMCs; so we will not be associating ourselves with projects and interventions whose viability cannot be established. CDB has committed to managing for development effectiveness and we continue to build our capacity in results monitoring and evaluation.

We will continue to require of our staff adherence to the highest standards of professionalism and integrity in their interface with internal **and** external clients. And, for those who might harbour any doubts, we will remain true to the mandate of our founding fathers to pay special attention to the needs of the lesser developed borrowing members.

Last year, CDB's Board of Governors approved our results-based Strategic Plan 2010-2014 and underwrote its strong support with a General Capital Increase of 150%. The Plan encapsulates CDB's strategic vision for the Region and the focal areas for intervention. As the CDB Executive charged then with direct responsibility for its development, I share its broad strategic thrust; the vision around which it was developed; and its commitment to a results culture.

It has been said, however, and I concur, that ***"vision without implementation is hallucination."*** The challenge that I and the Management and Staff of CDB now face is, having outlined the vision and secured the financial commitment from our shareholders, how do we deliver the results?

On October 29, 2010, I expressed the view to the CDB Governors that the quality of the leadership we provide at the CDB makes a big difference to the results we achieve. My conviction, in that regard, remains true today. We need to create the conditions in the Bank whereby the creative talents of all our staff are galvanised and released so that the enthusiasm and promise of today is not transformed into the disappointment and disillusionment of tomorrow.

To be able to realise the internal transformation that will create the basis for the achievement of our results, we will need to adhere to two critical core values of successful institutions - passion and teamwork.

In relation to the matter of leadership and passion, John C. Maxwell says it eloquently - ***"...If passion is not a quality in your life, you're in trouble as a leader. The truth is that you can never lead something you don't care passionately about. You can't start a fire in your organisation unless one is first burning in you."***³ We need to ensure that the leadership of CDB, at all levels, passionately shares the Bank's objectives, its principles and, most of all, its determination to work towards the reduction of

³John C. Maxwell "The 21 Indispensable Qualities of a Leader," Nelson, 1999

poverty in our BMCs. Unless that fire can be lit and kept aflame in our leaders, the enthusiasm in our general staff will be difficult to sustain.

Recently, we have been discussing with our staff, the importance of teams and teamwork as a critical success factor in realising our objectives. Most of CDB's work is carried out through the instrumentality of teams - teams representing different departments, different disciplines, and different experiences. The quality and effectiveness of their output are critically dependent on their cohesion, their focus on the achievement of the same results and their vigilance in overcoming team dysfunctionality. A cornerstone of the ongoing internal transformation of CDB will, therefore, be getting our teamwork right because, like Patrick Lencioni, we are convinced that "*... it is teamwork that remains the ultimate competitive advantage, both because it is so powerful and so rare.*"⁴

V. CONCLUSION

In closing, I wish to reaffirm my commitment to the ideals of this noble institution.

My pledge, today, is to honour the confidence you have vested in me. With the guidance of a committed Board of Directors and the help and support of the Management and Staff, I will strive to keep this institution faithful to its mission "*..... to be the leading catalyst for development resources into the Region towards the systematic reduction of poverty.*"

⁴Patrick Lencioni "The Five Dysfunctions of a Team" Wiley, 2002