STATEMENT BY
THE GOVERNOR FOR GRENADA
HON. V. NAZIM BURKE

Mr. Chairman, Prime Ministers, Premiers, Chief Ministers, Fellow Governors, President of the Caribbean Development Bank (CDB), Directors and Senior Officers of the Bank, Observers, Distinguished Guests, ladies and gentlemen.

I join my fellow Governors in thanking the Government and people of Cayman Islands for hosting this year’s Annual Meetings and for their splendid arrangements and warm hospitality.

Mr. Chairman, on this occasion, I wish to address two issues:
• enhanced risk management by the Bank; and
• the resumption of sustained economic growth.

Enhanced Risk Management

Mr. Chairman, the recent downgrade of the Bank by Moody’s is unfortunate and untimely. This rating action comes at a time when many Borrowing Member Countries (BMCs) are fighting to nurture a very fragile economic recovery. To that end, BMCs are looking to the Bank for resources for key infrastructural and social development projects. The possibility of higher borrowing costs is a major concern. Indeed, for countries like Grenada whose borrowing is constrained to very concessionary financing, this is a very worrying development.

Furthermore, we are deeply concerned about the prospect of CDB cutting its planned lending in half from the levels contemplated in the Bank’s Strategic Plan. We urge that this issue be revisited and the original levels contemplated be maintained.

Lest we forget, CDB is the premier development finance institution for BMCs, such as those in the Organisation of Eastern Caribbean States. It must be recalled that these countries are not members of the Inter-American Development Bank and, therefore, have no direct access; while others have been “graduated” due to their levels of per capita income resulting in limited access to World Bank financing.

In sum, our BMCs have always looked to CDB as a critical source of development finance and needs CDB now more than ever to help navigate the turbulent economic times.

Mr. Chairman, regrettable as the recent rating action is, it also provides an opportunity for introspection. In this regard, we welcome the Bank’s management commitment to undertake a comprehensive review of its risk management framework. As a consequence of this review, we expect
the Bank to take appropriate and immediate steps to strengthen its capacity in risk management, including internal mechanisms to ensure effective monitoring of key performance criteria and compliance with Bank policy. As far as it is within the control of the Bank, a repeat of this situation must be avoided at all costs.

**Resumption of Sustained Economic Growth**

Mr. Chairman, the most pressing economic policy challenge confronting BMCs is the resumption of sustained growth.

I have said it before and reiterate today, we have not been elected to manage poverty. On the contrary, we have been elected to make a decisive difference in the quality of life of our people by reducing poverty and increasing opportunity.

The resumption of sustained economic growth remains paramount in our collective efforts at poverty reduction, job creation, and the rekindling of hope especially among our youth.

Without sustained economic growth, fiscal and debt sustainability will remain a distant dream for this Region. Without growth, our countries run the risk of becoming failed states.

After three years of little or no economic activity, our region is slowly recovering from the Great Recession. That said, events in Europe and elsewhere pose significant risks and present considerable uncertainty about the growth prospects of the global economy and our region’s nascent recovery.

In the case of Grenada, after two years of contraction, our economy recorded growth of 1.1 per cent (%) in 2011. This performance was fueled by expansion in agriculture (8.1%); tourism (4.1%) and education services (1.8%).

Regrettably, construction, an important barometer for job creation, declined yet again (8%). This is a source of great concern to Grenada. Moreover, industrial action at the major cement supplier has dealt a body blow to an industry already reeling in the wake of the recession.

This year, the Grenadian economy is projected to grow by 1.5 - 2%. The fiscal situation remains challenging as we work with key sectors, especially tourism and manufacturing to preserve jobs. Furthermore, in the face of high and sustained food and fuel prices, our Government is obliged to continue to provide safety nets to cushion the effects on the most vulnerable families. In both instances, we are implementing reforms aimed at maximising the effectiveness of tax incentives and safety nets.

As we seek to spur the resumption of sustained growth, accompanied by key fiscal and structural reforms, the replenishment of the Eighth Cycle of the Special Development Fund (SDF) is critical. We encourage a strong replenishment. Grenada has already committed all of its resources under the Sixth Cycle and has a large pipeline awaiting consideration under the Seventh Cycle. Furthermore, we urge SDF contributors to give the Bank maximum flexibility to be responsive to the needs of member countries.

Mr. Chairman, Grenada has consistently championed the cause of small island states and sought to raise awareness of the existential threats posed by climate change.

Furthermore, the cost of energy, especially electricity, is a binding constraint to our competitiveness and development. As we search for a new model of development, the green economy
and green growth present an opportunity for a more resilient, socially equitable and environmentally responsible approach to sustainable development. This is an approach that must be vigorously pursued.

In this regard, we urge the Bank to position itself to be an influential voice on the challenges of green growth for small states and a channel for resources to promote green economies in the Caribbean.

Of necessity, the Bank must strengthen its capacity to become an implementing agency for the various global climate finance trust funds, including the Climate Investment Fund, thereby providing greater and faster access to BMCs.

Mr. Chairman, before I conclude, it is incumbent on me to remind us that our region continues to pay a heavy price for the losses associated with the CL Financial debacle. This price includes erosion of public confidence, weakening of some of our financial institutions and a drag on the nascent economic recovery.

We note the progress made by the Government of Trinidad and Tobago on this issue with its domestic policyholders.

We in the Eastern Caribbean Currency Union have maintained from the outset, that this is a regional problem that requires a regional solution. Every day this issue remains unresolved hurts the economic recovery that we so desperately crave.

We again appeal for a sense of urgency by all concerned to bring this matter to resolution. We remained convinced that CDB is well positioned to be part of this regional solution and call on the Bank to so do.

**Conclusion**

In conclusion, we thank management and staff for their continued hard work and for the excellent cooperation and support for Grenada.

We remain very positive about the role of the Bank in our region and are committed to doing our part as the Bank rises to meet new and emerging challenges.

Mr. Chairman, the foregoing challenges to which I have spoken require the Bank to complete a fundamental review of its products and services. They demand new and different lending instruments and sound policy advice. They also necessitate retooling in areas such as risk management and green energy and green development to ensure the Bank can effectively serve member countries in these areas.

We are confident that CDB can rise to these challenges.

I thank you.