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## Remarks

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## 2020 Annual News Conference

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Thank you for coming to the Annual News Conference of the Caribbean Development Bank (CDB).

Today, we will follow the same format we have used in the recent past.

I will lead off with some general observations about regional socio-economic performance and the support provided by CDB to our Borrowing Member Countries (BMCs) in 2019.

I will also share our view of the Region's economic prospects for 2020.

Director of Economics, Dr. Justin Ram, and Director of Projects, Mr. Daniel Best will follow with a closer examination of specific interventions and other ongoing initiatives to support our BMCs' response to their key development challenges.

Today's Conference is set against the backdrop of CDB celebrating its golden anniversary.

We are proud of our contribution to the Region's development and the transformation of peoples' lives. Earlier this week, we held a thanksgiving service for our member governments, our partners, and the people of this Region who have been on this journey with us.

That journey continues. There are key milestones to be reached in this decade if our BMCs are to meet their obligations to Agenda 2030 – the global blueprint for ending poverty and reducing inequality.

Our BMCs recorded another year of low growth, averaging just about 1.0% in 2019, compared with 1.6% in 2018.

This slowdown was consistent with relatively sluggish global growth of 2.9%. The international economic environment continued to give mixed signals, especially concerning USA-China trade relations.

Geopolitical anxieties in the Middle East presented major downside risks, whilst protests against corruption, inequality, climate change, and lack of political freedom mounted.

The slowdown also reflected the effects of prolonged drought in Belize, Haiti and Jamaica as well as social unrest in Haiti.

Hurricane reconstruction efforts continued, bolstering economic growth in affected BMCs. Unsurprisingly, the fastest growing economies were Anguilla (10.9%) and Dominica (5.7%).

Tourism performance improved in nearly every BMC, with visitor arrivals growing by double digits in St. Kitts and Nevis and the Cayman Islands. Arrivals also rose sharply to pre-hurricane levels in Anguilla.

Abaco and Grand Bahama islands suffered substantial damage as a result of the passage of Hurricane Dorian in September. Nonetheless, The Bahamas recorded the highest ever number of visitor arrivals, reflecting pre-hurricane performance and increased airlift from North America.

Guyana reported strong performance in the timber and gold industries; and activity rose as preparation for the commencement of oil production in 2020 heightened.

However, economic growth remained flat in Trinidad and Tobago, pointing

to subdued activity in energy, manufacturing and construction. And real GDP contracted by 0.3% in Haiti where social unrest and political instability undermined economic confidence.

Despite gains in tourism, the Barbados economy also contracted slightly following delays in the commencement of major private sector projects.

Nonetheless, Barbados made notable progress in implementing its Economic Recovery and Transformation Plan. And a strengthened fiscal framework led to a primary surplus of 6% in 2019 compared with 3.5% of GDP in 2018.

The debt ratio dropped to under 120% of GDP from around 127% of GDP in 2018; and Barbados' credit rating improved following the successful restructuring of the Government's external commercial debt.

In Grenada, tax revenues increased; and the fiscal surplus rose following implementation of a new tax administration act. Commendably, the debt ratio fell below the international benchmark of 60% of GDP.

St. Kitts and Nevis also recorded a debt ratio below 60% of GDP, reflecting the benefits of a healthy fiscal surplus associated with revenues from its Citizenship by Investment programme.

Encouragingly, the debt ratio fell in ten BMCs, with the declines being steepest in Barbados, Grenada, Jamaica and St. Kitts and Nevis. These BMCs are at various stages of implementing home-grown fiscal reform programmes.

Prior to Hurricane Dorian, the Bahamas' fiscal deficit was narrowing. Debt rose slightly to 66.3% of GDP to meet the initial post-hurricane financing requirements, but remained manageable.

In this environment, what was CDB doing for its BMCs?

In 2019, we remained resolute in our own commitment to assist the BMCs to meet the Sustainable Development Goals by 2030.

Approvals for capital projects, policy-based operations and technical assistance totaled US\$347 million and disbursements rose by 8% to US\$305 million in 2019. The Board of Directors approved funding for several sizeable projects:

- a US\$110 million loan from CDB; and a £25.6 million grant from the CDB-administered United Kingdom Infrastructure Fund to modernise the Kingstown Port in St. Vincent and the Grenadines;
- a second policy-based loan of US\$75 million to support Barbados' ongoing economic stabilisation and recovery programme; and
- a US\$50 million exogenous shock policy-based loan for The Bahamas following the passage of Hurricane Dorian.

Let us now take a look at some of the strategic initiatives. We leveraged our partnerships in search of new and additional sources of concessionary funds; while operationally, our interventions were underpinned by the imperatives of adaptation, resilience-building, innovation and inclusion.

Early in 2019, three international rating agencies re-affirmed CDB's credit rating. This paved the way for our inaugural borrowing on the German capital market, and the issuance of a EUR250 million 20-year registered bond.

With our entry into this market, we diversified our investor base and

increased our BMCs' access to resources at attractive terms.

We signed an agreement for a new Procurement Procedural Framework with the European Investment Bank. This Framework is intended to harmonise our procurement procedures and promote more efficient financing, implementation and monitoring for a range of climate-focused investments in the Caribbean.

The agreement came on the eve of the rollout of our new procurement policy and procedures in November.

Last year, we successfully concluded the Accreditation Master Agreement with the Green Climate Fund, paving the way for the mobilisation of additional climate financing.

We also partnered with the German development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to provide almost EUR250,000 to help Eastern Caribbean countries prepare projects for funding consideration by the Green Climate Fund, the Adaptation Fund and CDB.

Proposals have already been prepared for Dominica, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines.

We secured a US\$8.5 million grant from the Adaptation Fund to build resilience in Saint Lucia's agriculture sector.

St. Vincent and the Grenadines became the first beneficiary of concessional financing under our US\$27 million GeoSmart initiative. I am proud to announce that in July 2019, our Sustainable Energy Facility for the Eastern Caribbean (SEF) programme was named "Best Financing Programme" at the Geothermal Congress for Latin America and the Caribbean (GEOLAC) at its GEOLAC Industry awards ceremony.

Let me now turn briefly to our prognosis for 2020.

We are projecting regional GDP growth of 4.1%, consistent with expectations of accelerated global economic activity. With estimated daily production of about 100,000 barrels of oil, Guyana should dominate regional growth performance. Other growth drivers in the region should be the construction, tourism and agriculture sectors.

But economic growth will remain lopsided and below the sustainable rates needed for long-term resilience. BMCs like Barbados, Grenada, Jamaica and St. Kitts and Nevis must stay on course with their home grown socio-economic reform programmes. Others should join the bandwagon and commence, with alacrity, implementation of their own adjustment programmes.

In CDB, we will be pressing on with our internal transformation programme, which started last year.

We must become better equipped to be a more effective partner with our BMCs. Some immediate tasks call for deepening our customer relationships and becoming more responsive to BMC needs; supporting capacity and institution building; and ramping up the pace of disbursements so that the projects can deliver, even faster, the promised development impacts.

Thank you.