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Statement

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1. INTRODUCTION

Welcome to CDB's Annual Media Briefing!

My presentation will focus on:

(a) My characterisation of the current state of Caribbean economies and the uncertainties in the external environment; and

(b) CDB's role in helping Borrowing Member Countries (BMCs) to build resilience against external shocks.

2. CHARACTERISATION OF CARIBBEAN ECONOMIES

How would I characterise the state of Caribbean economies today?

If we use the metric of economic growth, 13 of the 19 BMCs should grow faster in 2016 than they did in 2015, but two of our stronger credits, Trinidad and Tobago and Suriname, will experience negative growth in twenty-sixteen. Interestingly, all the services-dependent economies should grow, even if very marginally. This is a rebound from earlier years after the Great Recession. The two BMCs whose economies are expected to contract are heavily commodity dependent and also represent a reversal of a trend which had emerged a few years ago.

So one could conclude that Caribbean economies are in recovery mode and that would be a fair comment, except that it is occurring at a time of great uncertainty in what is emerging as a somewhat topsy-turvy external environment. These external threats include the possibility of economic weakening in Europe and North America at the same time that China's growth rate is slowing as it addresses internal structural weaknesses. The threats also loom ominously in the shape of the correspondent bank de-risking crisis, which portends challenges for the movement of money into and out of Caribbean economies. In addition to these is the ever present threat to economic and social infrastructure posed by natural hazards and climate change.

In the face of a surfeit of threats to economic stability and growth, it is not surprising, therefore, that the term "sustainable" is almost *de rigeur* in describing the menu of actions which need to be taken in managing Caribbean economies.

3. CDB'S OPERATIONS IN 2015

So how has CDB been assisting its BMCs to withstand or build resilience to the myriad of threats?

An examination of our operations provides a glimpse into the menu of our interventions in 2015. It illustrates the wide range of products which an institution like ours can deploy in support of a country's efforts to build a more resilient and sustainable economic and social system. The judicious use of technical assistance, grants, capital and policy-based loans blended with our staff's many years of experience working in Small Island Developing States (SIDS) enables CDB to partner with its BMCs to build resilience against a raft of different risks.

In 2015, we approved 12 capital loans, three policy-based loans (PBLs) and 62 technical assistance (TA) interventions. Total approvals reached US$292 million (mn), up from US$270 mn in 2014 and total disbursements amounted to US$160 million.

Loans totaling US$262 mn were made to 10 countries, the largest beneficiaries being Antigua and Barbuda, Belize and Grenada. CDB's operations in 2015 were directed towards long-term inclusive and sustainable growth; good governance and resilience building. The bulk of the financing was targeted at investments to strengthen and modernise social and economic infrastructure; to improve environmental management and disaster risk management (DRM); to build climate resilience while promoting energy efficiency (EE), and renewable energy (RE); and to encourage private sector development and improvements in governance.

Infrastructure development plays an important role in enhancing the business environment, increasing access to employment opportunities and reducing poverty. In the area of economic infrastructure, we approved seven loans totaling US$121 mn or 46% of total approvals. These approvals included improving water supply in the Bahamas and Barbados; upgrading the John Compton Dam in St. Lucia; flood mitigation in Barbados; and rehabilitation and reconstruction of roads and sea defenses after damage from floods and Tropical Storm Erika in Dominica.

Four major interventions totaling US$65mn were made to upgrade social infrastructure, and included TechVoc Education and Training in St. Kitts and Nevis; two basic education projects in Belize and Grenada; and one project to enhance the effectiveness and sustainability of the Student Revolving Loan Fund in Barbados. Note that Haiti also received a grant of almost US$13 mn from CDB for TechVoc Education and Training.

The approved projects included components that provided for gender assessments; gender training and improvements in other support systems for at-risk and vulnerable groups; social and gender monitoring and evaluation; climate risk and vulnerability assessments; and photovoltaic potential assessments. These recurring themes are consistent with ongoing efforts to mainstream gender; climate resilience and disaster risk management; and energy considerations in project design. The water upgrade project in Barbados, for example, makes provision for an assessment of the gender-related impacts of frequent water outages in the most affected areas of Barbados. Also, renewable energy capacity will be expanded via the installation of a 550 kW solar photovoltaic plant under the Bahamas' water project. This initiative, together with the 1-MW solar PV pilot project in Anguilla is also indicative of the success CDB has had with reorienting our energy focus towards sustainable energy usage.

Policy development was another thematic area for CDB assistance in 2015. The Board of Directors approved policy-based loans (PBLs) amounting to US$65 mn for three countries. Embedded in the PBLs are, *inter alia*, policy and institutional reforms to stabilise the financial sector; achieve fiscal sustainability; increase country competitiveness; boost growth and build economic resilience.

In order to encourage BMCs to adopt new technologies in areas such as renewable energy, CDB must be able to source financial resources which are appropriately priced. This is especially evident in ventures such as geo-thermal energy where there is high up-front risk. Three initiatives in 2015 are worthy of special mention.

First, the €21.4 mn Sustainable Energy for the Eastern Caribbean (SEEC) Programme is being funded jointly by the UK's Department for International Development; the European Union's Caribbean Investment Facility and CDB.

Second, the Sustainable Energy Facility (SEF) for the Eastern Caribbean is a US$71.5 mn loan and grant package funded by the Inter-American Development Bank and CDB and will benefit six member countries of the Organisation of Eastern Caribbean States (OECS) – Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Both programmes will allow CDB to employ innovative financing methods to advance sustainable energy solutions in beneficiary countries. We will be able to expand the range of funding and technical assistance available to the public and private sectors, placing special emphasis on solar, wind and geothermal energy projects.

The third initiative is the £300 million UK-Caribbean Infrastructure Fund (UK-CIF). Beneficiary countries will be able to access grant financing for new infrastructure such as roads, bridges and port development – critical drivers of economic growth and employment creation. Countries eligible to access this Fund are Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Lucia, and St. Vincent and the Grenadines.

4. CONCLUSION

Let me conclude my presentation by simply saying that I am guardedly optimistic about 2016. Economic recovery remains fragile; but we expect that the countries will continue on an upward trajectory.

I look forward to your feedback, comments and suggestions later this morning following the presentation by Dr. Ram.

Thank you.