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Remarks

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Caribbean in a Post-Covid World

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Good Morning or Good Afternoon, wherever you are.

Let me place on record my appreciation to the UK government for providing this platform in which we can examine matters of common interest and explore opportunities for cementing, even further, a partnership that has long historical and economic ties.

The past 12 months have been a challenging period for all of us. The COVID-19 pandemic added a new dimension to the acute vulnerabilities of our small open economies.

Warren Buffet, the American businessman, perhaps best describes our stark realities when he said, “Only when the tide goes out do you discover who's been swimming naked”.

What began as a health emergency quickly evolved into an economic crisis as countries across the globe took unprecedented measures, including complete lockdowns and border closures.

In the Caribbean, economic activity came to a virtual halt and real GDP declined by an average 12.8% in 2020.

Social outcomes were compromised by declines in capital works; soaring unemployment, falloffs in remittances, disruptions in food supply chains, and significant pressure on already overburdened social services.

We at the CDB commend Caribbean Governments for the speed with which they enforced measures to control the spread of COVID-19. But the hard-won gains from macroeconomic reforms devised to build sustainability were quickly undermined.

Fiscal deficits widened; savings were eroded; and debt dynamics worsened amidst rapid declines in revenue and soaring expenditures to cover the increased demand for health services, social protection and stimulus packages.

CDB provided over \$140 million in multidimensional support to mitigate the adverse macroeconomic and social fallouts and recently mobilised an additional \$50 million from IDB for seven eligible countries in the OECS.

We are beginning to feel a small sense of optimism as an aggressive vaccination programme, across the globe, has raised hopes that the worst of the crisis is almost behind us.

However, a word of caution. The road to full recovery will be arduous and daunting. We must deal with COVID-19 and the existential threat of climate change as they occur.

From 2000 to 2019, the Region experienced 190 natural disaster events, directly affecting 14.5 million persons. The start of the 2021 hurricane season is less than three months away, a stark reminder that none of these challenges can be put on hold.

But it is not impossible to navigate.

So, what can we do?

In the limited time available today, I will touch briefly on just three priority actions for charting economic recovery and securing resiliency.

First, we need to build buffers to achieve environmental, economic and social resilience.

Regional Governments have been aiming to improve fiscal responsibility and debt sustainability through the adoption of Fiscal Rules and setting targets for primary balance, overall balance, and debt.

Additionally, Governments can use ex-ante financial and risk transfer arrangements to deal with disasters when they occur. In this regard, CCRIF SPC stands out as our Region's most innovative risk transfer instrument, utilising parametric insurance.

CDB and the UK contributed to the capital when it was established in 2007. Subsequently, with funding from Mexico, we approved a grant in 2017 to provide enhanced insurance coverage to Member Countries that insure through CCRIF against tropical cyclone, earthquake and excess rainfall risks.

Of course, other instruments like catastrophe bonds (CAT Bonds) also seek to secure risk transfer and disaster insurance protection. Jamaica recently announced the reactivation of its plans to become the first Caribbean country to issue such instruments.

I might add that CDB has been responding to country needs following a disaster by using its Emergency Response loan, immediate response loan, rehabilitation and reconstruction loan, and exogenous shock windows.

I should also highlight that, as part of our own broader effort to support disaster risk reduction, and energy security CDB recently set an aggressive target of 25-30% of own resources to go towards climate adaptation and mitigation activities by 2024.

My second point is the urgent need for economic diversification to reduce our susceptibility to external shocks.

On several occasions I have said that small economies with no reserve currencies must export in order for their people to enjoy sustainable advances in their standards of living.

Our Region's economic growth, over the last two decades, has been volatile and is well below the average for small states. Research shows that small economies worldwide can reduce income volatility by fostering export diversification.

A diversified production structure helps to build economic resilience by reducing susceptibility to price and output fluctuations and increasing competitiveness.

This brings to my final point on the priority actions. Our bias should be towards a larger role for the private sector in stimulating economic growth, providing jobs, and earning foreign exchange through exports.

This requires our Governments to scale up efforts to create an appropriate and facilitative ecosystem that responds, especially to the needs of MSMEs.

Small businesses account for over 70% of all enterprises; 60%-70% of GDP; and 50% of employment, including poor and marginalised groups. Small businesses that thrive will be instrumental in creating greater economic and social inclusion.

Of 190 countries involved in the most recent World Bank Doing Business surveys, the highest ranked countries in our Region were Jamaica at 71, Saint Lucia at 93 and Trinidad and Tobago at 105.

Therefore, much work remains to be done to create a business-friendly environment that includes climate-resilient infrastructure, a healthy and skilled labour force, and enabling legislative and regulatory frameworks.

High energy and other production costs, poor product quality and standards, and limited access to loan and equity financing are among the limiting factors which add to the cost and pace of doing business.

Government policy and regulatory frameworks must foster agility, innovation and value creation and incentivise CARICOM businesses to improve their competitiveness in order to successfully penetrate regional and international markets.

Ladies and Gentlemen, CDB is determined to play a bigger role in unleashing the potential of MSMEs.

In that regard, we have centralised our private sector functions to create a more coherent approach to private sector interventions; to optimise resource use and to signal the strategic shift towards greater focus on MSMEs.

We launched the multi-donor Cultural and Creative Industries Innovation Fund (CIIF) in 2018 to provide grants and technical assistance to MSMEs that support the creative industries. Other recent COVID-related initiatives include:

- refining the focus of our concessionary window to allow for a COVID-19 response that rests on the pillars of debt service support, policy-based lending, initiatives to strengthen social protection systems and assistance to the education sector and micro, small and medium-sized enterprises; and
- allowing MSMEs to utilise resources from existing lines of credit to for working capital purposes in order to continue operations during the downturn.

In the remaining moments let me just add that CDB is determined to play its part in our Borrowing Member Countries' commitment to the Sustainable Development Goals.

I wish to underscore the importance of undertaking this journey alongside the UK, which has been a partner since inception. And here I must make special mention of the UK

Infrastructure Fund, UKCIF, which has been in operation since 2015.

The Fund provides substantial grant resources for new, resilient infrastructure projects that have the potential to transform economies for sustained growth and development. UKCIF was a defining moment for the eight beneficiaries.

CDB likewise regards the initiative as a vote of confidence in the Bank's capacity to intermediate large sources of funding in a range of different Caribbean countries.

I take this opportunity to once again publicly express gratitude to the Government and People of the United Kingdom. I assure you that CDB will continue to ensure successful implementation.

Thank you.