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Statement

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INTRODUCTION

Ladies and gentlemen of the media.

Good morning; and welcome to our Annual News Conference.

Each year, I look forward to this engagement with the regional media in our flagship news event. My fondness for this News Conference is simple. It gives me an opportunity to share with you and the wider public my reflections on CDB's recent performance, and our proposed responses to the new and growing challenges our Borrowing Member Countries (BMCs) face.

I thank each of you for coming here today. I extend a special welcome to all newcomers; and hope that this is just the beginning of a long-lasting partnership.

This morning's News Conference will consist of three presentations.

Mine will offer some very general observations about regional socio-economic performance within the context of global developments. I will also discuss CDB's performance and support for its BMCs during the past year. This will be followed by two presentations - the first by our Director of Economics, Dr. Justin Ram, and the second our Director of Projects, Mr. Daniel Best. Both will do a "deeper dive" and provide you with:

(a) a more comprehensive assessment of recent macro-economic developments in the BMCs;

(b) a snapshot of the prospects for 2018 as well as the key policy options for addressing these challenges; and

(c) an indication of how we, at CDB, have been helping our BMCs to cope with their myriad development challenges.

SOME OBSERVATIONS

So how would I characterise 2017?

Let me say, at the outset, that I am encouraged by the improvement in global economic conditions and expectations that this trend will continue into 2018. The projected expansion in global output in 2018 is shaped, in large part, by the stimulus created by recent tax reforms in the United States; rising commodity prices; and the strengthening of the pound sterling, among others.

These are developments which augur well for regional economies. Indeed, they expanded, on average, by 0.6%, with all but five BMCs reporting output growth in 2017. For the majority of our BMCs, this growth was driven by tourism and increases in commodity prices. The prognosis is even better for 2018, with all of these countries expected to grow by around 2%.

In a sense, and certainly in terms of economic growth, the Region is in the strongest position since the start of the 2008 global recession, which set in motion an extended downward spiral in economic performance.

At the same time, I am also mindful that our economic growth continues to lag behind that of our comparators; and that there are downside risks and uncertainties associated with our economic prospects. For example, relatively modest growth was reported by our BMCs, while comparable small economies grew in excess of 4% and the world economy grew by 3.1% in 2017.

The impact of the 2017 Atlantic Hurricane Season is still fresh in our minds, and is a painful reminder of our Region's inherent vulnerabilities. The stories we heard from colleagues, friends and family have suggested that the people of Anguilla, Antigua and Barbuda, the British Virgin Islands (BVI), Dominica and the Turks and Caicos Islands experienced great mental and physical trauma. This, combined with the loss of life and infrastructural destruction might best be described as a setback for our Region.

We live in a geographic zone which is ranked as the second highest in terms of climate vulnerability and faces a future that is characterised by more intense and destructive meteorological systems. Last year, for the first time in recent history, we witnessed two back-to-back hurricanes which wreaked untold damage across several Caribbean countries. Hurricanes Irma and Maria caused damage estimated at 225% of GDP in Dominica; more than 300% in BVI; and significant loss of life. In Antigua and Barbuda, the losses amounted to an estimated 10% of GDP, with 95% of buildings destroyed in Barbuda. The hurricanes claimed way too many lives, and caused untold damage to critical infrastructure in the UK Overseas Territories.

CDB'S OPERATIONS

What did any, if not all of these developments mean for CDB's operations in 2017? And how will it shape our medium-term prospects?

Disaster risk management and resilience building took centerstage, again, in CDB's strategic responses to the challenges facing our BMCs. Indeed, in recent times, we have been expanding our capacity to assist our BMCs in the area of disaster management. With the adoption in 2009 of the Disaster Management Strategy and Operational Guidelines, we have reorganised our operations and put in place the appropriate supporting policy framework. After a period of testing, in 2017, CDB initiated systematic screening for climate risks in all its investment projects and country strategy work. As a consequence, we are now financing infrastructure projects that are more climate resilient.

This approach has been paying some dividends, as evidenced by a CDB-financed sea defence project in Dominica which withstood the damaging effects of Hurricane Maria last year.

Our emphasis on disaster risk management and climate adaptation, therefore, continued to be very evident in our financing activities as well as our resource mobilisation efforts during 2017.

Daniel Best will speak to the details of our project financing and technical assistance (TA) in 2017; but I want to draw your attention to some key aspects of our interventions last year.

Strong growth was recorded in both total approvals and disbursements. We approved capital loans and TA interventions totaling US$364 million, up 18% over 2016. Disbursements, meanwhile, climbed by 13% to US$233 million.

A sizeable proportion of the financing, especially towards the end of the year was targeted at disaster recovery and rehabilitation. As a result, we are making US$700 – 800 million available over the next five years to help affected BMCs recover from the devastating effects of the recent hurricanes.

We cannot underscore enough the urgent need for liquidity in the aftermath of natural disasters. This is one of the reasons that CDB augmented the capital of CCRIF SPC through a grant of US$14 million to provide enhanced and more affordable insurance coverage to BMCs which insure with this Facility. The grant was made possible through resources provided to CDB by the Government of Mexico, which is a shareholder of our institution.

We also made noteworthy contributions to advancing the Region's sustainable and clean energy agenda by approving funding for:

- electricity grid modernisation and energy storage;
- a geothermal energy exploratory test-drilling project; and
- street lighting projects to replace existing incandescent bulbs with high-efficiency LED lamps.

These projects will also contribute to reduced greenhouse gas emissions and cost savings to governments, consumers and the business community.

We, at CDB place high value on the role that infrastructure can play in promoting sustainable economic growth rates. Not surprising then, road rehabilitation; water supply improvement; and the strengthening and modernisation of other economic and social infrastructure were also prominent in the list of projects approved in 2017.

The financial cost of responding to natural disasters has been increasing as the frequency and intensity of these events continue to rise. CDB's objective, therefore, is not simply to enable BMCs to rehabilitate damaged infrastructure but to also improve their resilience to such disasters by building back better and stronger!

To incentivise BMCs to invest in climate-resilient infrastructure, CDB must be able to also offer grant and other attractively-priced financial resources. But the challenges our Region faces are bigger than what CDB can handle on its own. We have, therefore, been drawing on a combination of our own resources as well as funds intermediated through CDB by other development partners to meet this challenge. I am pleased to report that in 2017 we stepped up our resource mobilisation efforts, which led to additional financing in the form of:

1. A Second Climate Action Line of Credit for around US$144 mn from the European Investment Bank, including an estimated US$24 mn for emergency post-disaster rehabilitation;

2. A grant of approximately US$14.0 million from the European Union for geothermal energy development in up to five countries in the Eastern Caribbean (Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines);

3. A new US$70 million Mexico Infrastructure Fund, which will provide grants to boost regional infrastructure development. The Fund will provide grant resources of up to US$ 5 million for eligible infrastructure projects in any of the Bank's BMCs; and

4. The expansion of the United Kingdom Caribbean Infrastructure Partnership Fund (UKCIF) to include an additional £28 million, which will assist in the recovery efforts in Antigua and Barbuda, and Dominica. A reconstruction window to administer these funds is being developed; and all arrangements to formalise this commitment will be in place by the end of the first quarter of 2018.

I am also pleased to report that implementation of UKCIF is progressing well. Allow me to highlight the Essex Valley Agriculture Development Project in St. Elizabeth, Jamaica which has been approved under this programme. This is an integrated project to boost agriculture production through improved irrigation systems; enhanced production and marketing facilities; the design and construction of a photovoltaic plant to power the irrigation system; and the completion of a climate vulnerability assessment study. Through its linkages to tourism and agro-industry, this novel project can be both import substituting and export creating. If successfully implemented, the Essex Valley project can serve as a model for designing similar interventions across Jamaica as well as in other BMCs.

Let me make two final points about CDB's operations in 2017.

First, we established the new Cultural and Creative Industries Innovation Fund which will support the development of the creative industries in our Region by providing grants and TA to governments, business support organisations and academia that operate in this space. We have made an initial contribution of US$2.6 million to launch the Fund as a pilot intervention.

Second, the discussion about the Bank's products and its various resource mobilisation efforts would be incomplete without a statement about governance and other initiatives being undertaken internally to safeguard the efficiency and financial stability of the our operations.

Recently, we received a rating upgrade from Standard & Poor's and an excellent capital market rating from Fitch Ratings. Therefore, we now have a unified rating across the three major agencies, including Moody's Investors Service. This unification serves as testament to the confidence these agencies have in the measures and reforms, undertaken over the past 4-5 years, to buttress and strengthen CDB's own operations, in the wake of the increasing vulnerability of its BMCs.

These measures have vindicated the need for sustained improvements in internal governance systems and continuous oversight and management of critical financial indicators, such as capital adequacy and liquidity.

CONCLUSION

Despite the setbacks caused by the natural disasters in late 2017, our Region must get back on track as quickly as possible so that we can meet our commitments to the 2030 sustainable development agenda. The Caribbean has had a long history of bouncing back from natural disasters and other external shocks.

So, in the events of 2017, we at the CDB see immense opportunity for our BMCs to come back stronger and more resilient. We remain resolute in our commitment to work with every single BMC and to continue to play a leading role in realising this objective.

I look forward to your comments and questions following the presentations by Dr. Ram and Mr. Best.

I thank you!