

President's Statement

Dr. Hyginus 'Gene' Leon, President

Roadmap to the Best Future

Introduction

Good morning to all our guests, especially the media, joining us today, both virtually and in-person.

After two years of the COVID-19 Pandemic, 2022 brought a return to some semblance of normalcy. Collectively, Caribbean countries experienced an improvement in economic performance, but the combined impact of several years of consecutive shocks as well as the prospect of a slowdown in the global economy, and continued price pressures in 2023, threaten to derail our development trajectory. In this context, CDB continues to emphasise resilience as the primary ingredient for sustainable economies and societies. Key to achieving resilience is reducing our vulnerability to factors outside of our control while employing the elements within our power to achieve our development objectives.

Guided by this premise, I will outline several high-level recommendations for sparking growth, building resilience, and driving transformation. These propositions emanate from anchors that can be utilized to chart the course to our desired future, specifically:

- Access to Finance;
- Regional Cooperation and Integration;
- Regional Connectivity and Transportation Solutions;
- Food Sovereignty;
- Climate Action;
- Energy Security; and
- Private Sector Engagement.

I will start with the most essential element, Finance.

The onset of COVID amplified structural weaknesses in our economies and highlighted the extent of our financing need. We estimate that the Region faced close to USD10 billion (bn) in Gross Financing Needs (GFN) in 2020, which is the measure of a country's overall fiscal position, plus any funds needed to repay existing debt. Moreover, the expenditures needed to address vulnerabilities exposed by the pandemic and the resources required to achieve the Sustainable Development Goals (SDGs) suggest the resource needs of the Region are much larger.

Compared to GFN above, the Bank provided an average of USD300 million for our borrowing Member Countries (BMCs) during 2018-22. With gross financing needs likely remaining elevated through 2030, the mobilisation of financing inflows will continue to be critical.

To meet the Region's financing needs and address mounting fiscal pressures CDB recommends:

- Broadening regional financial systems to create financial markets that will facilitate intra- and inter-Caribbean flows of capital, geared towards mobilizing regional savings and driving a partnership with the private sector for financing our development.
- Strengthening public financial management and expenditure ecosystems to ensure transparency and accountability in government spending, and improve linkages between governments' strategic plans and their allocation of resources. In this regard, CDB strongly supports increased results-based budgeting (tied to the SDGs) with emphasis on the reform of the public sector chart of accounts, medium-term integrated fiscal frameworks, and the implementation of an integrated financial management information system. Through these investments, countries can engage in more proactive budgeting processes and benefit from improved efficiency of spending.
- Advocating for a more equitable deployment of existing concessional resources, as well as providing rationale for increasing financial resources at more concessional terms.

- Supporting the rechanneling of excess Special Drawing Rights (SDRs) of Advanced Economies to enable the transforming and repositioning of the region's economies.

Regional Cooperation and Integration

Regional cooperation and integration are urgent and crucial for the Region's post-pandemic recovery and overcoming our development challenges. The pandemic and the ongoing global energy and food crises have underscored the limitations of countries working alone to effectively combat the impacts of these shocks.

CDB is committed to enhancing regional cooperation and deepening regional integration and accordingly has determined that a core priority in promoting regional cooperation and integration will be the support for regional public goods. In 2022, the Bank supported several regional priorities in transport, intra-regional trade, food security, agriculture, private sector development, climate action, and renewable energy. While we have made strides, there is more work to be done in these areas, as well as leapfrogging in other areas such as digitalisation and innovation.

Given the Region's experience over the 2020-2022 period, now is the time for us to re-imagine regional cooperation and integration and what this could mean for us as Caribbean Citizens. I call for a renewed commitment to advance the implementation of the CARICOM and Single Market Economy (CSME), thereby improving the lives of the Region's citizens through:

- increasing market access for goods, services, and people;
- providing economies of scale;
- offering greater employment and business opportunities; and
- providing a platform for increased innovation and digitalisation.

Regional Connectivity and Transportation Solutions

If connectivity is the lifeblood for the development of modern economies, then transportation is a critical valve. Yet, intra-regional transport declined by as much as 50% between 2008-2018¹. The situation is now at crisis level in the Eastern Caribbean, where the demise of LIAT in 2020, meant a loss of airlift from an average of 500 weekly flights in 2019 to 50 flights in 2022.

CDB views dependable and cost-effective air transportation services as essential for the transformation of several of the region's economies. Consequently, to safeguard the Region's future, governments need to take decisive and integrated action to reform the air transportation operating environment. These measures should include:

- rationalising the regulatory environment and addressing factors that contribute to the high cost of travel, as well as elements that hinder the seamless movement of people within the Region;
- promoting cooperation amongst regional airlines, to reduce wasteful competition and improve inter-airline connectivity; and
- forging a critical mass of collective will at the policy level.

Food Sovereignty

Another matter requiring urgent attention is how we meet food and nutrition needs. Recent global data from the United Nations indicates that the cost of a healthy diet is highest in Latin America and the Caribbean. With the Caribbean currently importing more than 80% of the food we consume, food sovereignty must be a key collective objective. The major challenges facing the Region's agriculture sector include low productivity, inconsistent output, high vulnerability to natural hazards, and the impacts of climate change. The result is low competitiveness, limited ability to respond to regional and international market demands, and heavy dependence on imports to meet food and nutrition needs.

¹ 'Aviation in the Eastern Caribbean Sub-Region: Report of the Technical Committee', a 2018 CDB-financed Study.

To address this, we recommend:

- investing in air and maritime transport infrastructure and services, to facilitate improved intra-regional trade and integration into global food markets;
- designing and supporting the implementation of internationally recognised food safety standards to strengthen market linkages; and
- increasing investment in appropriate and location-specific climate smart agriculture approaches and promoting agricultural insurance to reduce risks posed by climate change and natural hazard events.

Climate Action

It is well known that the Caribbean is among the most climate-vulnerable regions on the planet and projections suggest our risks are likely to intensify in the coming decades. Climate-related hazards pose an ongoing threat to physical infrastructure, current and future economic activity, and the capacity to deliver social services. Regrettably, the United Nations Convention on Climate Change (or COP27), held last November in Egypt, yielded no firm commitments from major carbon emitters to accelerate their decarbonisation efforts. This has major implications for the survival of Caribbean economies. Similarly, little progress was made with the goal of the Glasgow Climate Pact (adopted at COP26) to double adaptation finance (from 2019 levels) by 2025. Nevertheless, CDB welcomes the significant additional pledges that were made to the Adaptation Fund, and we acknowledge the progress made by developed countries toward the USD100 bn annual climate finance goal although this – originally targeted for 2020 – is not likely to be met until 2023 or 2024. The Bank also applauds the significant progress in relation to the establishment of a new dedicated loss and damage fund for developing countries – early implementation will be important for supporting efforts to achieve the SDGs.

Since most regional economies face common climate related threats, we need to act collectively in:

- urging developed countries to meet the existing USD100 bn per year climate finance commitment;
- pressing for a New Collective Quantified Goal on climate finance to address constraints such as difficulties accessing available funding, uncertainty and timing of funds, and insufficient levels of concessionality; and
- ensuring that climate change vulnerability is considered in determining how to deliver international financial assistance and debt relief to developing economies.

CDB understands that these major changes will not happen overnight, therefore we must also utilise effectively the existing climate finance architecture. There are already resources available which Caribbean countries are still not fully exploiting. Since a key reason for this is scale, the Region must work together under multi-country programmatic approaches to achieve economies of scale and mobilise larger sums of climate finance. Additionally, available financing should be utilised for transformational changes.

Energy Security

Despite efforts over the past two decades, CDB BMCs still face a lack of energy security that is firmly rooted in an over-dependence on imported fossil fuels, which accounts for almost 80% of electricity generation. Electricity prices across most BMCs remain among the highest in the world, averaging about three times the average prices in the United States. In 2022 when oil prices increased by an average of 50% compared to 2019, the impact was felt by everyone, underscoring our collective need for a sustainable energy transition.

In December 2022, we finalised an updated Energy Sector Policy and Strategy devised to expedite the energy transition within the Region. To enable this shift, CDB devised the Accelerated Sustainable Energy and Resilience Transition framework, better known as “ASERT”, through which we will partner with the governments of our BMCs to :

- support the establishment of Legal and Regulatory Frameworks, policies, and programmes that support renewable energy and energy efficiency;

- explore fiscal regimes and other measures that will expand the engagement of the local and regional private sector; and
- focus research and development initiatives on renewable energy technologies more suited to the Caribbean environment.

Private Sector Engagement

Significantly, most of the anchors that I have highlighted as pivotal for growth and sustainability require the Region's Private Sector to **transition from bystanders to partners in the development space**.

This transition requires a change in mindset to reimagine traditional Public-Private Partnerships (PPPs) to Partnerships for Prosperity and Profits. As such, the Region's governments will need to create an enabling environment and invest in innovation such that public value propositions offer viable investment opportunities. We accept the expectation of private sector led growth but now we must move to private sector led development. In fact, pursuing growth, resilience, and transformation without a definitive role for the private sector is like playing football with some of our best strikers on the bench.

Now even as we lay plans to move the Region's development agenda forward, we can anticipate that 2023 will bring its own challenges and surprises. However, I believe the best way to predict the future is to create it. While there is no silver bullet, the areas I have outlined can serve to advance our progress to a better future. CDB stands ready to accelerate collaboration with its BMCs and other stakeholders to propel the region forward.

Thank you for your attention. I will now turn the podium over to Isaac Solomon, Vice-President (Operations).

Thank you.