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Remarks

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INTRODUCTION

Good morning everyone.

As always, I consider it a great honour to be a part of this annual discourse on major challenges to economic growth in the Caribbean.

Let me extend a special "thank you" to the Government of St. Kitts and Nevis for hosting this event.

Our gathering to look at the issue of financing growth in the Caribbean could not have been better timed. This year, three major summits hold out the promise of a better future for the poorest in the world community by reaching agreement on a common set of goals for sustainable and inclusive development. The three events to which I refer are:

(a) the July Financing for Development Conference which sought to agree on a new financing framework to ensure that financial resources are invested in and aligned with sustainable development.

(b) the September meeting at which the UN General Assembly will adopt the transformative post-2015 development agenda; and

(c) the December Climate Conference, COP21, which aims to achieve a legally-binding and universal agreement on climate, with the aim of keeping global warming below 2°C.

Financing development is a central theme of the post-2015-development agenda, and, therefore, also a central theme for the Caribbean.

SOME INITIAL THOUGHTS

As we begin our deliberations, I am pleased to share with you some initial thoughts on this issue.

In 2014, CDB financed a major study on ***Public Private Partnerships in the Caribbean: Building on Early Lessons***. That study estimated that about USD21 billion is needed over the next decade to bring electricity, transport and water and sanitation services to acceptable international standards across the Caribbean.

The sheer magnitude of these requirements might appear daunting but not insurmountable. With the correct policy posture and co-operation between all of the key players – public sector, private sector, and development partners - these requirements can be met; and this critical component of a sustainable growth path for the Caribbean can be put in place.

We can expect that the public sector will continue to play a major role in financing this growth. However, fiscal accounts have been under significant pressure.

In that case, governments need to devise credible plans for eliminating fiscal deficits; reducing debt to sustainable levels; restoring health and stability to public finances; and creating conditions for entrepreneurial dynamism. Achieving these objectives could involve expenditure cutbacks; and a greater effort to redirect available financial resources towards the private sector.

Healthy public finances and the maintenance of fiscal discipline will send the right signal to potential private investors and help to renew their confidence in our Region. I applaud those countries that are promoting sound fiscal policy and are putting appropriate enforcement mechanisms in place. Such efforts augur well for enhanced fiscal stability; and the creation of an environment that is conducive to private investment.

But an improvement in the health of the public finances will not by itself stimulate needed private investment and bring about the transformation needed for sustained economic growth.

The dynamism of our small business sector, in particular, is being stymied. According to the results of the World Bank's Doing Business surveys, the arrangements for businesses to operate in the Caribbean are less than satisfactory. Much work remains to be done to strengthen legislative and regulatory frameworks, improve business support and training services, lower interest rates, and increase access to credit. Public policy must, therefore, give due consideration to creating the enabling environment and supporting regulatory framework that will foster entrepreneurship and the emergence of a vibrant business sector.

Protracted weaknesses in segments of the indigenous banking system have undermined the soundness of the region's financial sector. We are, therefore, encouraged by the progress now being made to rationalise and strengthen these important components of the region's financing architecture so that they can deepen their contribution to the growth of the local private sector. The acceleration of initiatives to strengthen bank regulatory and supervisory frameworks also demonstrate a recognition of the indispensable role which the local financial institutions will have to play in financing growth and poverty reduction.

We are pleased to see the inclusion of a discussion around the issue of the loss of correspondent banking relationships on tomorrow's agenda. This threat to the region's ability to participate in international banking transactions through this mechanism is ominous and will need to be resolved with a sense of real urgency

I have talked about the role of the public sector and the private investment in fueling economic growth in our Region as well as the challenges they face.

ROLE OF CDB

Before I conclude let me also speak briefly about CDB's own role in financing growth.

Economic growth is the centerpiece of the Bank's mandate. It also underpins our quest to reduce poverty through the inclusive and sustainable development of our BMCs.

The international community, including all of CDB's member countries, is shortly expected to agree on a new sustainable development agenda (the Post - 2015 Agenda) and the means for implementing it. As a committed partner in this effort, we have framed our Strategic Plan 2015-19 within this global vision.

There are several areas in which the Bank has accelerated its activities in support of creating conditions for sustained and inclusive economic growth in our Region.

First, CDB has been engaged, on an ongoing basis, in discussions to strengthen the indigenous banking sector in the OECS countries. In collaboration with other multilateral financial institutions, we will be financing the modernisation and rationalisation of these entities so that they can play an even greater role in the expansion of the domestic private sector.

Second, CDB has been preparing to become the "intermediary of choice" for climate financing to the Region. We have been seeking accreditation to the Adaptation Fund and to the Green Climate Fund, which will unlock considerable dedicated climate financing. We have already accessed a USD64 million Climate Action Line of Credit from the European Investment Bank to improve climate resilience in our BMCs. The intention is that resources from the Green Climate Fund and the Adaptation Fund will complement existing resources, including the Climate Action Line of Credit.

Third , one of the Bank's goals is to significantly increase energy security and sustainability, and to enable economic growth by assisting BMCs with the timely provision of adequate, affordable, reliable, and clean energy services to all; establishing the energy sector as a dynamic economic sub-sector; and being a key development financier for the sector.

In that regard, we have been working with other development partners, including UK AID, Inter-American Development Bank (IDB), and the European Union to develop appropriate financing structures and modalities for investments in renewable energy and energy efficiency projects. Most recently, we signed an Agreement with the European Union-Caribbean Investment Facility (EU-CIF), to support a new Sustainable Energy for the Eastern Caribbean Programme. This programme will provide highly concessionary financing to OECS governments for investments in RE/EE projects to reduce the cost of electricity in government buildings, for street lighting and to build the sub-region's capacity to expand the adoption of sustainable energy solutions.

Fourth, CDB has also signed a Memorandum of Cooperation with the Inter-American Development Bank (IDB) and Japan International Cooperation Agency to make available appropriately-priced financing for the development of the geothermal industry in the OECS countries. This is an initiative with truly transformative potential. Its great promise, however, will not materialise if the risks inherent in its development are not mitigated by the availability of sound advice and appropriately-priced financing in the very early stages. Inappropriate financing, in particular, will lead to uncompetitive pricing of electricity from this source with adverse consequences for the development of the local economy and undermining the ability to export electricity to neighboring countries.

Fifth, CDB, the Inter-American Development Bank, and the World Bank recently established a new Unit, at CDB, to build public private partnerships (PPPs) capacity across the region. In the context of high indebtedness, borrowing member governments are increasingly showing interest in PPPs for financing renewables.

CONCLUSION

Colleagues, as we approach the crucial decision point for the full adoption and start of implementation of the post-2015 development agenda, I welcome this opportunity to reflect on the requirements for financing growth in our own region and the contributions that we can all make to the transformation process. We at the CDB are committed to play our part and to help make the achievement of sustainable rates of growth a reality.

Thank you very much for your attention.