IMF-World Bank Annual Meetings 2016

Washington DC, United States

Ministry of Finance
12/12/2016

Introduction[1]

The Boards of Governors of the IMF and the World Bank Group normally meet once a year to discuss the work of their respective institutions. This year's meeting took place from October 7 to 9 and was held in Washington DC, as is customary.

The Meetings included meetings of the International Monetary and Financial Committee, the Development Committee, the Group of Ten, the Group of Twenty-Four, and various other constituencies. The meetings also included plenary session, at which Governors took up matters of importance to their nations. At this year's meeting, focus was played particularly to the topics of de-risking, slow global growth and climate change. The Boards of Governors were then able to make decisions on how these issues should be addressed and approve corresponding resolutions.

As the Annual Meetings bring such a large number of member country officials together, they provided opportunities for consultations large and small, formal and informal. Numerous seminars are held in conjunction with the meetings, including seminars conducted by staff members for members of the press. These seminars are designed to foster creative dialogue among the private sector, government delegates, and senior IMF and Bank officials.

This report contains information on the various meetings attended by the Minister of Finance and other officials from Guyana at the IMF-WB Annual Meeting, 2016.

[1] Source IMF (2016), www.imf.org

October 6, 2016

(1) Caribbean Caucus Meeting

Start: 7.45 am

Chair:

This meeting was Chaired by Mrs. Donaldson, World Bank, who opened the meeting with greetings to all the Heads of States. She then reminded officials and their delegates that Hurricane Mathew is a reminder of the Caribbean's vulnerability to natural disasters. Mrs. Donaldson informed representatives that the aim of the meeting was to discuss the challenges faced by Caribbean nations in order to derive solutions. Greetings were then given by Mr. Haley, Mr. Canuto and Mr. Tombini, all of the IMF.

The Chair, Mrs. Donaldson then informed officials and their delegates that the strategic strategy for the World Bank were:

- financing for development
- concessional financing
- climate change

Mrs. Donaldson indicated that the Board of the World Bank along with its senior management team have been examining the issues, listed above, in order to see how fit the World Bank was in dealing with these issues. These included releases of the World Bank as well as an examination of its capital base.

In moving forward, Mrs. Donaldson informed representatives that the World Bank needed to strengthen corporation of the Bank, develop new ways of mobilizing finance, put knowledge at the centre and focus on development results.

Mrs. Donaldson then addressed the issue of small states as given their vulnerability. She indicated that the World Bank had prepared its Small State Stock Report which examines what the World Bank has been doing to small states.

Summary of the Small States Report

In recent years, small states (defined as countries that have a population of 1.5 million or less, or are members of the Small States Forum) have taken a collective stand in international fora to highlight the development challenges they face and urge more attention to their concerns. The Small States Stock Report by the World Bank Group (WBG) highlights activities, programmes, lending, and trust funds targeted at small states. It discusses the range of constraints that small states face and describes the WBG's work to address these constraints through its broad set of financing, analytic and convening instruments, tailored for small states through special arrangements, policy exemptions, and innovative financing tools. The report notes in particular the innovative ways in which the WBG has released additional resources, often in partnership with other development organisations. (Source: World Bank, 2016)

Mr. James Haley, IMF

After, the opening remarks and comments from the Chair, Mr. James Haley, IMF, outlined the functions of the IMF which included surveillance, lending and technical assistance. He indicated that a review of the quota for each country was scheduled to be completed by the end of 2017. However, this date may be impossible given the size of the agenda. Mr. Haley also indicated that the review of the IMF's quota system is necessary given the changes that have taken place in the world economy; rendering the current quota system unsuitable.

Mr. Haley noted that last year, at the meeting in Lima, Peru, the issue of de-risking was placed on the forefront by Caribbean nations and the IMF had issued a technical paper on the issue since the last meeting. Further, the Managing Director, IMF, discussed the issue at the July 2016 meeting with the Federal Reserve Board. Mr. Haley then indicated that there was need to avoid the consequence of de-risking as no one wanted to see transactions moving from the formal to the informal sector of the economy. He said that solutions needed to be identified at the IMF's meeting on Sunday, October 9, 2016.

Mr. Haley then updated officials and delegates on the issues facing small states and the steps which the IMF have taken to address these issues. Officials and delegates were told that a working group has been created and so the issues affecting small states are now at the forefront. The work of the working group will ensure that the issue of de-risking remains at the forefront. He informed representatives that there is need for fiscal buffers in small states but fiscal space is limited, excess demand exists for technical assistance from the IMF and human resource issues continue with high staff turnover making it impossible to achieve capacity development.

Chair

The Chair, Mrs. Donaldson, then informed representatives that the main item up for discussion at the Meeting with the Senior Vice President, World Bank Group, was the loss of corresponding banking relationship. Mrs. Donaldson indicated that a survey has been done on this issue which reveals that the Caribbean region was the worst hit. Further, technical assistance has been provided to the region to deal with the issue.

Mrs. Donaldson indicated that in moving forward three surveys will be conducted on the Caribbean region to see how the World Bank could put evidence to the "implications." She further stated that currently the World Bank is working on a concept team and hopes to chare an update next year.

Comments

At this point, Dr. Warren, Governor, Central Bank, Barbados interjected and stated that de-risking is a global issue and has implications for international finance and not just finance in the Caribbean. He further stated that there is need to coordinate data collection on this issue and that the Central Bank, Barbados, has conducted research on de-risking.

Round Table Discussions

At the round table discussions, the IMF representative indicated that there is need to focus on de-risking, fiscal debt sustainability, climate change and slow global growth. Dr. Warren interjected stating that there is need to look at growth in segments within a country rather than examining growth for the entire country, as tourists usually come from certain regions within the USA or UK, for example. Therefore it might be best to look at growth of the London region, for example, rather than the entire UK.

IMF Breakfast Meeting on Sunday, October 9, 2016

It was agreed that the following agenda would be set for this meeting:

- A seven minute opening remark by Minister Jordan, Guyana
- The issue of the loss of corresponding banking relations would be presented by Belize
- St. Lucia would do a presentation on slow growth and energy
- Jamaica would present macro stability and debt
- St. Vincent and the Grenadines would examine climate change and its impact on the region
- Trinidad and Tobago would present growth from the perspective on a commodity base economy

End: 9.30 am

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(2) Commonwealth Governors Meeting

Start: 9.00 am

Summary of Discussion

Members of the Commonwealth Secretariat met with Commonwealth Ministers of Finance in Washington DC. on October 6, 2016. The meeting was chaired by the Minister of Finance of India, the Honourable Shri Arun Jaitley. The meeting provided an informal platform for open and honest dialogue amongst a diverse group of countries on key international economic challenges.

The Economics of Climate Change and Financing Climate Adaptation and Mitigation

Ministers and their officials, along with representatives of the Commonwealth Secretariat, received an address by Professor Lord Stern, I. G. Patel Professor of Economics & Government of the London School of Economics and the Head of the Stern Review on the Economics of Climate Change commissioned by the UK Government. Professor Stern's presentation laid out a strategic vision for a greener global economy that would drive global growth and future development across the globe. He emphasized the urgency of action and the opportunities for countries to access finance to fund the necessary adaptation and mitigation activities. While advocating for a significant scaling up of resources to multilateral financial institutions to fund investment in sustainable infrastructure, he also posited the need to ensure that these institutions take a broader view in allocating finance calling for a move away from a system based on income criteria towards a system which considers vulnerability, sustainability and all the dimensions of development.

Commonwealth countries officials noted that whilst the world has committed to an ambitious climate action agenda, this will require significant investment in green infrastructure, investment that is far above the current levels of climate finance. There is a particular need to channel finance towards those developing countries, many in the Commonwealth, that are already suffering significant loss and damage associated with the adverse impacts of climate change.

An update was received on climate financing activities including the Commonwealth Finance Access Hub, the Commonwealth's debt swap for climate action initiative as well as research into countercyclical financial instruments to help countries manage climatic shocks. An update was also received from the Prince of Wales' International Sustainability Unit on the progress of the Commonwealth Green Financing Facility (CGFF) Initiative, an initiative that arose from the Commonwealth Heads of Government Meeting in 2015. The Secretariat was called upon to continue to support member states to access higher levels of climate finance.

International Taxation – A Commonwealth Conversation around the 'Panama Papers'

The range of issues raised by the reporting around the so called 'Panama Papers' such as tax avoidance and evasion, other illicit flows, its impact on developing countries and the role that IFCs play in the international tax and investment system were noted. Whilst these issues are not new they continue to be at the forefront of the international economic agenda.

Many of these issues are being taken forward in other forums and, in particular, G20 leaders have called on all relevant jurisdictions, regardless of size, to implement both the base erosion and profit shifting package and the new tax transparency standard.

The value of the Commonwealth was recognised as well as the fact that the meeting of Finance Ministers, provided a political level forum in which the perspectives of the Commonwealth's diverse membership on these issues could be shared, thereby ensuring better international action in response to these global problems comes from a position of understanding.

The Commonwealth Secretariat team along with Ministers of Finance and other officials were given the opportunity to reflect on the perspectives put forward by a range of Commonwealth members, including G20 countries, developing countries and small states that host IFCs.

Participants were informed about new and emerging transparency initiatives, such as that related to the automatic exchange of beneficial ownership information which a number of Commonwealth members have already committed to. Some members highlighted the potential opportunity for the broader Commonwealth membership to engage at an early stage with this emerging initiative, ensuring that a diversity of perspectives and experiences helps to shape its development.

Participants heard about the particular issues facing developing countries including the impact that illicit financial flows have on the ability of such countries to mobilise domestic resources. The importance of engaging a broad range of countries in new international initiatives was highlighted as was the need to support developing countries and resource constrained small states to meet new standards, particularly as new regulatory standards emerge.

Participants heard from small state members whose jurisdictions host international financial centres who noted that they faced a broad range of challenges in the current environment, including that posed by 'de-risking' which was impacting many small state members. The need for organisations like the Commonwealth to bring together key stakeholders to clearly outline global regulatory expectations and facilitate meaningful engagement by a broad range of countries was emphasized.

As well as welcoming the sharing of these perspectives, Commonwealth countries affirmed the importance of international action resulting in a level playing field and being undertaken through inclusive processes. Finally, and noting that many initiatives underway would continue to be progressed through other fora, Commonwealth countries called on the Secretariat to continue to identify ways to help build a better understanding within the membership of the diverse range of perspectives and the required actions on the 'Panama Papers'.

Commonwealth Small States Trade Financing Facility

Ministers warmly welcomed the signing of the Memorandum of Understanding between the Commonwealth Secretariat, Standard Chartered Bank and the Bank of Baroda who will manage the newly established Commonwealth Small States Trade Financing Facility, a credit enhancement facility that is expected to make available up to US$ 100 million of incremental trade finance to Commonwealth Small States over a three-year period. Ministers thanked the Governments of India, Sri Lanka and Mauritius for providing the initial capitalisation of the facility.

Other Issues and Conclusion

The Secretary-General's remarks were welcomed on the importance of adequately funding health and education programs, noting that this is a critical step in building national resilience and in promoting human development.

A report from the Senior Finance Officials meeting was also welcomed, in which officials were provided with an update of the IMF on the opportunities afforded by the increased international recognition of the importance of assisting developing countries to better mobilise domestic resources. Despite this increased support, senior officials also reflected on the challenges facing Finance Ministries in supporting Government to champion tax reform. Senior officials also discussed the considerable opportunities for mobilising additional resources for development through diaspora savings and investments. Senior Officials shared their experience of reforms to leverage diaspora finance for government and private investments and discussed further action that can be taken to attract this source of finance. Officials also welcomed the Commonwealth Secretariat's work to support member states in this area.

An update from the Commonwealth Central Bank Governors meeting was received, which discussed the Brexit and the challenges posed for monetary policy. This provided Governors a platform to discuss how jurisdictions are responding to the fallout from Brexit. Governor's also discussed the ongoing challenges posed by 'de-risking' noting in particular that the increased withdrawal and restriction of correspondent banking relationships presents particular challenges for many small states who are already reliant on a limited number of banking relationships to access the global financial system. Governor's had welcomed the increased international focus on the issue but called on more to be done to identify and give effect to practical solutions to this critical problem.

Finally, the IMF Secretariat was thanked for providing the necessary facilities for our various meetings in Washington DC.

End: 11.00 am

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(3) Inter-American Development Bank, Committee of Governors' Meeting

Start: 9:00 am

Chair: IDB Governor, The Bahamas

As directed at the April, 2016 Annual General Meeting in Nassau, the Inter- American Development Bank's (IDB) management is working on a strategy to extend the Multilateral Investment Fund (MIF) operations beyond 2018, when resources are expected to be exhausted. Management was directed to present a Status Report on this strategy for review by the Board of Donor Directors for presentation at the Committee of Governors.

The Multilateral Investment Fund is an innovation lab for the Inter-American Development Bank Group (IDBG). It conducts high-risk experiments to test new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. The MIF has been operating since 1992 and is currently in its second cycle. The Borrowing Members Countries (BMCs) contributed $143.47mn (8.4%) of the total overall $1.708bn in MIF II resources. The BMCs exercise 20.1% of the voting power in the Donors Committee. The Caribbean Constituency contributed $5.175mn (0.3%) of the overall resources. The Caribbean Constituency exercises 2.81% of the voting power in the Donors Committee. During the years 2006 to 2015, the Caribbean Constituency received $73mn (6%) of the $1.21bn in total approvals – almost 14 times the amount subscribed.

The Caribbean Countries at the Committee of Governors Meeting issued a Joint Statement that was made by the representative from Guyana. In the joint statement Caribbean Countries indicated that that they have been benefiting from the MIF and believe that with the proposed new approach and final replenishment they will continue to benefit significantly. The Caribbean also highlighted that their support was based on:

- Greater efficiency and effectiveness that MIF has started to implement.
- The new MIF benefiting the poor and vulnerable people in all LAC member countries.

- The MIF III reflecting a fund with new objectives, a new approach, greater efficiency, and reformed governance.

Finally, the Caribbean acknowledged the need for fresh capital and considered that the group of LAC countries make a proportionally larger contribution to the MIF III than those provided in the previous funds.

The MIF's new mandate is that of an IDBG innovation laboratory which will promote development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the LAC region. To fulfill its role, the MIF engages and inspires the private sector and works with the public sector when needed. The MIF's activities will follow six guiding principles: (i) scalability; (ii) mobilization of resources; (iii) replicability; (iv) development impact; (v) knowledge creation; and (vi) tight alignment with the IDBG's strategic and operational priorities.

The Joint Committee has agreed that the MIF is critical to private sector development in Latin America and the Caribbean, as such developments towards the new strategy of the Fund were agreed to in principal. The finalized strategy will be presented to the Board at the next Annual meeting which is slated for Paraguay in 2017.

End: 11:00 am

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(4) Small States Forum

Start: 2.00pm

Opening Remarks by Mr. Jean-Paul, Minister of Finance, Seychelles

This meeting was held in order to discuss the pertinent issues facing small states. Mr. Jean-Paul in his opening statement indicated that natural disasters bring a lot of damage, especially to small states. He further noted that the challenges facing small states are unique such as high debt, de-risking and other social and economic challenges. He indicated that in 2015 a solid foundation was laid for a strong economic foundation and that there is need to build on this foundation. Mr. Jean-Paul stated that "no state can make progress in isolation" and so there is need for countries to work together. He noted that enhanced capacity was needed especially in the areas of statistics and technology and that there is need for "political will" in order to have a positive change.

Panel 1 " Challenges and Opportunities for Equitable Growth"

(1) *Equitable Growth, Finance and Institutions by Jan Walliser, World Bank* - Mr. Walliser in his presentation noted that small states are vulnerable to trade shocks due to their size and dependence on few export commodities. This means that there is limited potential for domestic revenues, given the size of the domestic market. He highlighted the fact that tourism accounted for approximately 50 percent of the exports of Easter Caribbean countries, making them very vulnerable. He further noted that the great dependence on remittance flows, by these nations, creates even more vulnerability. He stated that the World Bank will continue to support small states to help them to address the drivers of high debt and de-risking. In the case of the latter, the World Bank is currently working to build capacity in order to promote financial inclusion.

(2) *Sili Epa Tuioti, Samoa* - Mr. Tuioti shared the SAMOA Pathway with the participants at this meeting. The SAMOA Pathway represents commitments made by 115 Small Island developing States (SIDS) leaders at the Third International Conference on SIDS held in Apia, Samoa from 1-4 September, 2014. Since the first SIDS Conference in Barbados in 1994, SIDS

have sought to use the UN conference platform to reinforce international recognition of SIDS as a special case for development. Small islands are on the frontline of global stress in experiencing the effects of climate change and in having limited financial resources and capacity to cope with these physical, social and economic impacts.

Mr. Tuioti He stated that the SAMOA Pathway seeks to capture outcomes, but like other pathways, multilateral financing has become an issue. He noted that there is need to focus on domestic financing, e.g. through taxes and there is need to a-line the Pathway with the Sustainable Development Goals (SDG's) as well as address the issue of inclusive growth.

(3) *Audley Shaw, Minister of Finance, Jamaica* - Mr. Shaw began his presentation by stating that the loss of corresponding banking relations has been costly to the Caribbean region with 66 of the regional banks reporting a halt in corresponding banking relations, according to the World Bank. He noted that remittance and tourism has been badly affected with many Cambios also being closed as a result of de-risking. Mr. Shaw highlighted the fact that remittance to GDP ratio for Jamaica was 16.1 percent while remittance to tourism ratio was 95.7 percent. He stated that Jamaica has a large diaspora dependent on corresponding banking and de-risking has been a major cost to the Jamaica economy. Further, Jamaica has been leading the way with the Anti-Money Laundering/Counter Financing Terrorism (AML/CFT) in order to put measures in place to be part of the formal global economy. However, while these matters were addressed to the US Secretary of Treasury, progress has been slow. He noted that the region cannot have a situation of more financial exclusion and so support was need for small states in financing financial inclusion. Mr. Shaw invited both the WB and IMF to join with small states to help to keep economies included.

(4) *Peter Allum, Assistant Director Strategy Policy Review, IMF* - The issue of de-risking was once again raised by Mr. Allum who indicated that maintaining corresponding banking relations was not profitable for many banks. Further, banks were concerned over sanctions as it related to AML/CFT requirements. He further informed officials and their delegates that the WB and IMF have identified steps forward, together with small states. He noted that many countries have adopted AML/CFT regulations but countries offering offshore banking are still at risk.

(5) *Tlohelang Aumane, Permanent Secretary, Ministry of Development and Planning, Lesotho* - Mr. Aumane during his presentation highlighted the fact that Lesotho between 1980 to 2014 achieved an average economic growth of 8.7 percent but this growth was not enough to eradicate poverty. He stated that small states needed to promote diversification and private sector development in order to achieve sustainable growth levels. However, the challenges facing small states, as noted by Mr. Aumane were: distance to main markets, sourcing of raw materials and high transport costs, all of which continue to hamper growth in these nations.

<u>Questions and Answers</u>

The Minister of Finance, Dominica stated that there is a lack of urgency on behalf of the World Bank. He noted that the Caribbean is being hit by Hurricane Mathew, presently, and if it is taking so long for the WB and IMF to deal with the current issues, then it makes no sense. He stated that the World Bank needed to have better financing mechanisms and needed to play a greater role in issues facing small states.

The Minister of Finance, Jamaica, also reiterated the fact that countries who are most vulnerable are the least likely to access financing; this is not a good indicator. He noted that the World Bank needed to re-examine debt swaps and other issues regarding climate change and that more research needed to be done in this regard.

The World Bank's representative responded by indicating that Caribbean countries needed to focus more on renewable energy in order to increase energy efficiency while utilising more private capital. They agreed that more work needed to be done with regard to small sates in finding solutions to the many problems that these nations faced.

<u>Panel 2 "Challenges and Opportunities for Resilience"</u>

(1) *Angus Friday, Ambassador, Grenada* - Mr. Friday noted that Hurricane Mathew reminds the region of its vulnerability. For small states, the impact of this hurricane are extremely damaging, but Bermuda, despite being small, is better able to regroup from its impact due to its high income levels. For small states access to concessional financing is limited and so is fiscal space; there is also concern over debt impact in the region. Working with the World Bank and

the Netherlands, Grenada has developed a master plan for resilience through increase private sector investments.

(2) *Axel Van Trotsenbury, Vice President, Development Finance, World Bank* - Mr. Trotsenbury indicated that the challenges of the IDA fund are enormous but so are the needs. He noted that a hybrid model is being proposed which will be donor driven. He also stated that the IDA fund will double from 2018 which will be helpful especially for fragile states. He however, noted that institutional and capacity constraints still existed.

(3) *Laura Tuck, Vice President Sustainable Development, World Bank* - Ms. Tuck indicated that the five most disaster prone countries are in the Pacific and the Caribbean regions with both regions suffering tremendous losses from natural disasters. She noted that the World Bank provides the greatest financing for natural disasters and that they are thinking of innovative financing instruments. She further stated that disaster risk insurance are market based but are subsidized through the World Bank. She indicated that the Stock Taking Report notes that there is need to scale up the financing offered to small states in the event of a disaster and that the World Bank needed to play an intermediary role in Public Private Partnerships (PPPs) in small states. She noted that the World Bank is working with the United Nations and Commonwealth to facilitate policies for climate change.

(4) *Caroline Heider, Director General and Senior Vice president, Evaluation, World Bank* - Ms. Heider indicated that the World Bank had just completed a report on the work being done by the World Bank in small states, a complimentary report to the Stock Taking Report. This report speaks to diversification and resilience. In terms for resilience, CRIF is an excellent solution for disasters. However, there are challenges as it relates to debt management policies and the building of human capacity and the World Bank is currently examining how these challenges can be overcome. In this regard, Ms. Heider suggested that one of the best ways in dealing with these challenges is to work with donors and small states collectively.

(6) *Aiyaz Sayed-Khaiyum, Attorney General and Minister of Finance, Fiji* - Mr. Sayed-Khaiyum noted that small states are heavily reliant on Tourism and lack diversification. They are very vulnerable to climate change as a simple storm could result in a loss of a third of their

GDP. There is therefore great need to access climate funding. He stressed the fact that issues pertaining to small states needed to be at the forefront, as these states have high cost of marketing goods. He also suggested that small states make more use of the private sector and coordinate more.

Questions and Answers

Small states once again used the opportunity to highlight the fact that middle income countries are not eligible for IDA given their per capita income and there is a need to have a debate on this issue. The World Bank representative responded by indicating that IDA fund will be tripled next year with the income cut off being US$1,200. He indicated that there is an urgent need to also reexamine the capital needs of IBRD countries.

Minister of Finance, Marshall Islands indicated that funding is too difficult to get as there continues to be too many restrictions.

Minister of Finance, Dominica stated that there is need to build more institutional and technical capacity in order to respond to natural disasters and more communication infrastructure also needs to be put in place.

The Fiji representative also noted that a single natural disaster could put a small state 30 years backward and that targeted areas need to be identified as capacity building without targets is a major issue.

The World Bank representative responded by indicating that the CRIF is currently undergoing further evaluation.

Panel 3 "Challenges and Opportunities for Financing and Partnerships"

(1) *Victoria Kwakwa, Vice president, East and pacific, World Bank* - Ms. Kwakwa indicated that climate funds still remain difficult for small states to access and this is a major issue.

(2) *John Roome, Senior Director, Climate Change Group, World Bank* - Mr. Roome noted that not all small states are the same and therefore solutions need to be tailored to individual

countries. He stated that there is high fragmentation of financing and this makes it difficult for small states to access funding. He also indicated that not all small states are eligible for IDA funding and that cooperation between donors was needed.

(3) *Aisake Valu Eke, Minister of Finance, Tonga* - Mr. Eke in his opening statement indicated that we needed to ask the following question: How can small states change policy tool to address our needs? He noted that this is the opportune time since the development of the SDG's. However, the availability of resources is important and we are currently seeing a divergence of resources. He also noted that small states should be thankful for the donor partnerships received thus far.

(4) *Naoko Ishil, Chief Executive Officer, Global Environment Facility* - Mr. Ishil suggested that small states make use of the blue bond. The blue bond proposal, published in May 2010 suggests that sovereign debt in Euro-Area countries be split into two parts. The first part, the senior "Blue" tranche of up to 60 percent of GDP, would be pooled among participating countries and jointly and severally guaranteed. The second part, the junior "Red" tranche, would keep debt in excess of 60 percent of GDP as purely national responsibility.

Questions and Answers

Minister of Finance, Maltese indicated that the country's move from Low Income Developing country has created some difficulties as the country remains vulnerable to external shocks. In fact, 90 percent of the country is dependent on Tourism and it is questionable why the Maltese is not given concessional financing based on this vulnerability. Consideration should be taken not only to income level classification but also to vulnerabilities.

Minister of Finance, Dominican used this platform to highlight the fact that partnerships are important to small states. He indicated that the World Bank needed to do more in this regard and called for greater engagement. He further indicated that small states needed programmes which would enable them to move from "dependency."

The World Bank's representatives responded by indicating that they agreed that there needs to be more focus on small states and that they believe in strong and meaningful partnerships.

October 7, 2016

(1) Bilateral Meeting with Sophie Sertaine (World Bank)

Start: 2pm

The Bank commenced discussions by highlighting that the IDA 18 envelope is set to be significantly larger, 3 times more, than IDA 17. The Bank also indicated that Guyana's allocation should be in the region of US$63 mil.

The Bank also advised that discussions surrounding projects for the next cycle should commence early.

The Bank provided updates on IDA 17 projects. It was mentioned that the National Payment Systems Project and the Guyana Education Sector Improvement Project were both being prepared for approval at the Board of Directors Meeting which is scheduled for March, 2017. The Bank also highlighted the progress made in quasi- support given to the Government of Guyana:

- Support to build system to respond to pandemics: It was mentioned that the assessment on the readiness of Guyana to respond to pandemics was completed and gaps identified. However, Guyana is required to declare a state of Emergency that is related to Zika in order to access funds from the World Bank's crisis window. It was agreed that this was not the best approach to accessing the emergency fund. The Bank indicated that they are lobbying for IDA to accept a health alert as a trigger to releasing funds. The Minister indicated that declaring a health emergency would have an adverse impact on Guyana's economy.
- Support for the Ministry of Agriculture: The World Bank, on the behalf of the Government of Guyana is seeking to access an International agricultural trust fund that focuses on food security. The application to the trust fund will be made in November and can make US$7-10 mil available to the GoG. The Bank will be mounting a mission to Guyana to finalise the submission to the trust fund.

- Pension System: The support for the review of the system was said to be moving along smoothly.
- Extractive Industries Transparency Initiative: Support for Guyana to accede to the Membership of EITI is on-going.
- Industrial Climate reforms- Support is ongoing.
- EPIC Entrepreneurship Programme - The **Entrepreneurship Program for Innovation in the Caribbean (EPIC)** seeks to build a supportive ecosystem for high-growth and sustainable enterprises throughout the Caribbean. The seven-year $20 million program is funded by the government of Canada and implemented by the World Bank Group in the Caribbean. Guyana is poised to benefit from the initiative.
- Women Entrepreneurship Facilitation Acceleration Project: The project seeks to accelerate women- led SMEs and identify women entrepreneurs as role models via a community- based approach. The Programme which makes grant resources available to countries is administered by the Bank. The Bank has pledged to share further details on this programme.
- LINK Caribbean: The Caribbean Export Development Agency (Caribbean Export) is partnering with the World Bank Group to bring greater access to finance for Caribbean entrepreneurs and develop the region's angel investment ecosystem.The new programme, LINK-Caribbean, aims to stimulate private investment into early-stage enterprises by providing funding products that help entrepreneurs raise capital. The program will also develop a Regional Angel Investor Network (RAIN Caribbean) which will support the development of an early-stage investment community in the Caribbean. Guyana can access support for its entrepreneurs through this initiative.
- Caribbean Growth Forum: The World Bank indicated that they are working on the launch of the Guyana's factor. It was also mentioned that the Bank is engaging the Caribbean Development Bank and the Inter- American Development Bank to give support to Guyana in this undertaking.

The Bank stated that on the matter of Anti- money laundering they were looking into simplifying alternatives to raising capital for investments, with the intent of developing private sector.

The Minister of Finance mentioned that Guyana is motivated to have reforms in place that will allow for an economy that can absorb the impending massive flows from oil activity.

He also mentioned that since the ERP, Guyana has not gone into the next generation of reforms. He highlighted that the Government is committed to pushing the agenda of new reforms.

However, the Minister also noted that Guyana lacks the capacity to implement modern legislation that it seeks to enact.

In relation to the IFC, the Bank revealed that the IFC has financed 2 investment projects and 4 advisory projects in Guyana as well as 3 Regional Projects from which Guyana benefitted.

In closing, the Bank proposed that IDA 18 focuses on private sector development, trade and local and regional value chains.

(2) Bilateral Meeting with Export Import Bank of India

Start: 5pm

The Minister opened up the bilateral meeting by stating that aside from some officials who visited Guyana earlier this year to sign documents for the road project, the Government has not had face to face contact with the Exim Bank.

The Minister further mentioned that the Exim Bank has funded major infrastructural works in the past and outlined the projects that Exim Bank is currently financing in Guyana.

The Minister spoke about Guyana moving from Post HIPC to an upper middle income country. He indicated that the newly graduated status have had negative implications on Guyana's access to financing. He also stated that the Exim Bank now has a 1.5% management fee.

The Minister posited that Guyana's projects under the Bank needed to move as delays are being experienced under all Exim Bank funded projects.

The Minister highlighted that the Government of Guyana is being asked to identify Indian Contractors to carry-out works. However, the Government is not able to identify contractors without knowing the quality of their works. This, he opined, has intensified the delays. The Minister sought the assistance of Exim Bank in accelerating rate of implementation of Indian funded projects and sought the Bank's partnership in exploring ways to enhance cooperation between the Bank and Government of Guyana.

The representative of the Bank opened by highlighting the unfortunate experiences that the Government of Guyana has had with an Indian Company that has disappointed the Government on the Specialty Hospital Project and the Pumps Project.

The Bank, congratulated the Government on its decision to cancel problematic loans.

The representative of the Bank stated the following:

- Lines of credit is one of the many services offered by the Bank
- The Bank can only act on orders coming out of the Government of India
- The Bank only has a commenting role. The Bank is a disbursing agent
- The Bank acts as an agent for the Government of India

The representative further indicated that the road is an issue that is pending with the Government of India. The company selected as PM for the road has contacted the Government of India to say that they do not have the expertise to manage the road project.

The Minister stated that the Government of India should select the consultant and make a recommendation to the Government of Guyana.

The Bank responded by stating that the Exim Bank has done a bit of work on the pre-qualification process of consultants for services. Government of Guyana was requested to check Exim Bank's website. The Exim Bank also highlighted that they are in the process of pre-qualifying contractors; this should be on their website in a few months.

The Minister stressed the anxiety of the Minister of Public Infrastructure in moving the Exim Bank of India's road project in Guyana and underlined the importance of the east bank/ east coast road linkage and the purchase of ferries to the people of Guyana. Further the Minister professed that for the assistance of the Government of India to mean well it needs to be compressed within the stipulated timeframe.

In relation to the line of credit for the purchase of ferry vessels, the Minister queried the 15% Management Fee and highlighted this as the main reason for the Government of Guyana not signing the line of credit agreement.

The Exim Bank stated that this is a new fee imposed by the Government of India. It was also mentioned that the terms have been relaxed. Therefore, the Government of Guyana is set to benefit.

The Minister stated that the Bank should proceed with the contract for signing and thanked the team for a useful meeting.

(3) Constituency Meeting with Mr. Tombini (IMF)

Start: 6pm

This constituency comprised of Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor Leste and Trinidad and Tobago.

Mr. Tombini opened by expressing condolences to the Governor of Haiti for the loss of lives due to Hurricane Mathew. He highlighted the fact that these natural disasters show the need for continued support from the IMF to countries who are vulnerable to natural disasters. He stated that five languages are spoken within this constituent, the constituent has the largest emergining economy and also consist of low income countries.

A statement was then made By Mr. Henrique de Campos Meirelles, Minister of Finance, Brazil, see below:

Statement by Mr. Henrique de Campos Meirelles, Minister of Finance, Brazil.

Global Economic Outlook

1. The global economic recovery continues to advance at a measured and uneven pace. Eight years after the beginning of the global financial crisis, it is hard not to feel disappointed with such performance. Nonetheless, the overall outlook has stabilized since our last meeting in April. Indeed, the consensus that loose monetary policy in systemic advanced economies would be maintained for longer than expected and the fiscal and credit stimuli taken by the Chinese authorities have helped to lessen market tensions, which had peaked in the first months of the year. Commodity prices have also recovered from their trough in January-February, while financial conditions have improved overall, especially for emerging market and developing countries (EMDCs).

2. The continuing less adverse macroeconomic and financial environment offers a window of opportunity for EMDCs to strengthen their policy frameworks in order to cope with a world of lower commodity prices and slower growth, as well as to rebuild their fiscal and external buffers. The short-term outlook, though, is expected to remain subject to bouts of volatility, as markets worldwide continue to try to anticipate the moves from systemic central banks, especially the Federal Reserve. In parallel, the prevailing conditions of low growth and low profitability pose risks for financial institutions, particularly in Europe.

3. The way global conditions have evolved this year after a very turbulent start shows the importance of taking timely decisive actions to support growth in a consistent and globally coordinated manner. Available policy space to sustain growth in the short run should be used in tandem with the implementation of the longer term agenda to foster productivity and potential growth. Balancing short-term pressures and long-term challenges is key for the success in promoting a stronger and sustained global economic recovery. In this regard, we look forward to the Fund’s work on enhancing our understanding of the productivity drivers and the causes of the productivity slowdown.

4. We share the concerns with possible backlashes to the global integration agenda. It is worrisome that middle-income segments of the population, especially in advanced economies, feel that they have been hurt by international trade and globalization. In fact, deeper global 2 economic integration has been a major force behind the improvement in living standards of hundreds of millions of people from the lower income strata in EMDCs in the past few decades. In this regard, the IMF and other relevant international organizations should communicate more clearly the overall benefits, including in distributive terms, of greater trade and financial integration. At the same time, better knowledge of how the globalization process has ensued and the corresponding policy advice to ensure that the overwhelming majority of the population in every country feels its benefits will help build the domestic political support for further integration.

Brazilian Economy

5. In the past two years, Brazil has witnessed the deepest economic recession ever recorded. At present, however, there are signs that activity has bottomed out. As political uncertainty has dissipated, encouraging signs of increasing confidence suggest that growth is likely to resume by the end of the year. Our baseline scenario is still one of a modest recovery, but the private investment response may surprise on the upside.

6. The new administration, which was confirmed only one month ago, has shown strong commitment to a fiscal consolidation agenda and is determinedly pursuing structural reforms that will ensure a sustainable public debt trajectory over time. A constitutional amendment establishing a ceiling for fiscal expenditures at all levels of government is currently being considered by Congress, while a proposal for social security reform is being finalized and will be sent to Congress soon. At the same time, a multibillion dollar plan for infrastructure concessions and privatizations, which has been very well received by investors, is expected to continue attracting foreign direct investment.

7. The progress of the fiscal consolidation strategy, with the structural measures anchoring expectations and boosting confidence, while inflation and inflation expectations continue to converge to the target, may create the conditions for rebalancing the policy mix. Such an evolution of the macroeconomic scenario will facilitate a stronger than currently expected response in private investment, possibly unleashing a more vigorous recovery of the Brazilian economy.

IMF Resources, Lending and Governance Reform

8. The IMF remains the cornerstone of the international monetary system and a well-resourced institution is fundamental to safeguard its stability. Nevertheless, since the global financial crisis, the Fund has been relying continuously and disproportionally on borrowed resources. Brazil has recently committed to continue contributing, through the NAB and a bilateral borrowing agreement, to maintain the IMF’s current lending capacity. However, the Fund is and should remain a quota-based institution, and therefore it is crucial to reestablish the appropriate mix between quota and borrowed resources, without jeopardizing the current 3 financial envelope. For that purpose, the Fund and its members must reaffirm their commitment to meet certain goals within the scope of the 15th General Review of Quotas (GRQ), including a new quota formula that better reflects the weight of members in the global economy.

9. In order to enhance the Fund’s credibility and legitimacy, any realignment in quotas is expected to result in increases in the shares of EMDCs as a whole, in line with their increasing relative positions in the world economy, which the current quota formula fails to properly capture. Consequently, any increase in Fund quotas should be preceded by a substantial improvement in the quota formula, or otherwise it could cause even more distortions in members’ representation.

10. We welcome the initial discussions on proposals to enhance the Fund's lending toolkit to address gaps in the global financial safety net and to help members adjust to ever-growing external shocks amid a more interconnected global economy. We also welcome the Fund's work with small middle-income countries vulnerable to natural disasters and climate change, aimed at enhancing their preparedness, mitigation and adaptation and improve their debt sustainability, including through access to IMF concessional financing.

De-Risking and Correspondent Banking

11. We appreciate the specific attention to the issue of the loss of Correspondent Banking Relationships (CBRs) in the Fund's flagship reports and the Managing Director's plea for a concerted international effort to avoid the marginalization of small and fragile states. More importantly, it is encouraging that the Fund is developing a more comprehensive understanding of the causes behind the loss of CBRs, which goes well beyond the perceived deficiencies in a country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework.

12. The Fund's acknowledgement and prioritization of this issue, given the social and economic ramifications to the countries affected, should be commended. Given the possible adverse implications to the countries in our constituency, our chair has been supporting swifter action to find a solution to this critical issue. Through combined efforts with other chairs, tangible progress has been made in bringing the loss of CBRs to the forefront of many agendas and allocating resources to conduct research and analysis on the topic.

Policy Agenda

13. We continue to support the engagement of the IMF on policy topics that, although may not appear directly linked to its mandate, are important to ensure economic and financial stability, and to generate employment, such as financial inclusion, climate change, inequality, migration, gender issues and technological progress. Needless to say, this agenda must not come at the expense of other long-established work streams of the Fund. We also welcome the work of the Fund on governance and corruption issues, with a focus on better understanding how corruption affects economic and fiscal performances and on designing effective anticorruption strategies. To maximize synergies and better understand these problems, the Fund should seek to continue to collaborate with other multilateral institutions, adjusting its policy advice when and where warranted.

After Henrique de Campos Meirelles, Minister of Finance, Brazil, completed his statement, the Governor of Haiti provided remarks on the loss of corresponding banking. The Governor of Haiti, thanked everyone for their support on the hurricane issue. He noted that Haiti is facing the new challenge of de-risking. Further, financial institutions have made efforts with AML/CFT rules, however, this is not sufficient to stop the loss of corresponding banking relations. Many banks in Haiti have lost relations with international banks and de-risking continues to have a negative impact on Haiti. The Governor further highlighted the fact that remittance in Haiti represents 20 percent of the country's GDP and helps with the purchasing of food as well as education expenses. As such, he stated that the phenomenon of de-risking will have a great impact on the poor as the cost of sending remittance will increase. Further, de-risking is causing transactions to move from the formal to the informal sector and FDI are now even more difficult to attract, the Governor noted.

Technical Assistance from the IMF, Minister of Finance, Cabo Verde - The Minister noted that more needs to be done, presently, in a shorter time and with fewer resources. He informed official that his country has had to use more internal resources and operate with greater efficiency. He further stated that his country has a small public sector but have had to respond to many issues. It is therefore important for technical assistance to continue, especially in fiscal areas, in order to improve efficiency. There is also need for the correct legislation to be put in place in order to avoid evasion. The Minister called on the IMF to help in coordinating monetary policy with public expenditure and help with budget transparency. Moving forward, the Minister of Cabo Verde, called on the IMF to provide more information technology solutions and human resource training.

New Development Bank - The President of the New Development Bank, informed officials that the bank, which was recently formed, composed of 5 founding members, namely Brazil, Russia, India, China and South African (BRICS) and is currently dealing in projects related to renewable energy. He noted further informed officials that the bank issued its first Green Bond worth US$450 million, recently, and will focus on the needs of countries, especially developing countries. He noted that ,the next steps of the bank will be to open lending of the bank to all countries in the United Nations (UN) and to engage in country level discussions, especially with developing countries.

End: 7.20 pm

October 8, 2016

(1) Caribbean Caucus Meeting with the World Bank

Chair

This meeting was chaired by Mr. Kyle Peters, World Bank, who opened the meeting with greetings to all officials represented and then proceeded to extend his sympathy to Haiti on the lives lost as a result of Hurricane Mathew. Mr. Peters informed officials that some of the main issues that would be discussed at the forum included de-risking and energy. He noted that there is need to build more resilient economies in the Caribbean and that the World Bank was currently working with Jamaica on the issue of debt-swaps. Other support being provided to Caribbean nations from the World Bank included macroeconomic management, Mr. Peters stated. Mr. Peters also alluded to the fact that the World Bank had written several books on topics such as the "Blue Economy" which the Bank hoped to launch soon.

On the issue of de-risking, Mr. Peters noted that the World Bank is currently working on the issue, as Caribbean nations have been the ones most negatively impacted by this crisis. He stated that work was ongoing with the CDB and IDB on energy security and the World Bank was examining the use of concessional financing on geo-thermal technology. On the issue of climate change, Mr. Peters stated that the World Bank is supporting Caribbean countries, in this regard, by providing financing etc.

After the opening remarks by Mr. Kyle Peters, several presentations were done by Caribbean nations, see below.

St. Kitts & Nevis

The Minister of Finance, St. Kitts & Nevis greeted officials and thanked them for coordinating the meeting. He noted that the Caribbean region has for far too long suffered from low growth and high debt levels. He stated that there was a need to overcome the situation. The Minister further highlighted that fact that St. Kitts and Nevis' debt to GDP ratio once stood at 155 percent of GDP but has been reduced to 61 percent of GDP but that this success came with great hardship, on behalf of his citizens. As an example, he highlighted the fact that his citizens have had to endure wage freezes along with the introduction of Value Added Tax (VAT). He noted that small states require different treatment in dealing with issues such as de-risking etc. He further stated that the issue of de-risking is causing Caribbean nations to transfer monies, from dealing with issues such as poverty, towards the issue of de-risking. The Minister also highlighted the fact that Caribbean nations face severe resource constraint and therefore need more help from international organisations. He noted that the vulnerability argument needs to be featured more, especially for Caribbean nations.

Belize

The representative from Belize spoke on the issue of de-risking. She noted that a lot of research has been done on the area. Further, she highlighted the fact that Caribbean nations have been revising their legal framework, in relation to the financial sector, with a significant amount of resources being used to strengthen the financial systems. However, the per capita cost of de-risking is driving more businesses into the informal sector which could undermine macroeconomic stability and has implications for economic growth, the representative noted. She urged officials to work together in order to address this issue, as it is a global issue and indicated that a regional approach is critical. She noted that various options have been identified to deal with the issue of de-risking but feasibility of these options needs to be examined. Further, officials were urged to focus on solutions and to build and strengthen partnerships.

St. Lucia

The Minister of Finance, St. Lucia, noted that the Caribbean nations find themselves reacting to disasters rather than preventing them. He stated that there is need for sustainable infrastructure across the region which will result in a culture of prevention rather than reaction. He also noted that the Caribbean region needed proper drainage and irrigation systems and other renewable energy solutions such as wind. The Minster noted that the region needed to examine energy security, climate change emissions and the cost of operations. He stated that one solution may be the use of lpg. However, he highlighted the fact that, in St. Lucia, a monopoly producer exists in the energy market. He also noted that that rum distillers produce a lot of heat and this energy could be used to generate revenues. He further eluded to the fact that Belize was making use of smart metering and it's a model for other Caribbean countries to follow.

Jamaica

The Minister of Finance, Jamaica, spoke on the issue of debt sustainability. He indicated that the continuity of policies is critical for all nations. He noted that Jamaica's debt to GDP ratio has reduced significantly but there is still room for improvement, with the nation hoping to reduce this ratio to 96 percent by 2020, from 129 percent. The Minister further noted that policy makers need to give back to PAYE workers by taxing the informal sector more. He stated that Jamaica will continue to undergo significant transformation of the public sector with 81 agencies scheduled to be closed or privatized. He noted that these measures have to be undertaken. Further, energy diversification will occur with 50 percent of the energy in the country set to come from liquid natural gas or a combination of wind and solar power, the Minister noted. He also urged officials to continue to fund small businesses and address issues of vulnerability such as climate change.

Grenada

The Minister of Finance, Grenada, addressed the issue of private sector mobilization. He indicated that more support is needed from the World Bank and the IFC in order to have more capital venture businesses in the Caribbean. He noted that while liquidity exist in the Caribbean banking system, little was going towards these ventures. He further noted that the stock markets in the Caribbean are highly fragmented and that the IFC needed to take more risks in the region. The Minister also informed officials that more needed to be done in order to promote medical tourism in the region. He also urged the World Bank to launch the "Blue Economy" Report in Grenada.

St. Vincent and the Grenadines

The Minister of Finance, St. Vincent and the Grenadines, indicated that officials were discussing a lot of issues but no meaningful changes have occurred. He noted that Hurricane Mathew caused a loss of US$1 billion to the Caribbean region; an average that exceeds the average budgetary allocation in many Caribbean countries. Recovery from Hurricane Mathew could take decades, he stated. Further, in the last three years, climate related incidents has caused the region a lot of damage, he noted. The Minister also noted that the impact of climate change is beyond hurricanes and funding is not enough within the region. The Minister stated that the World Bank needs to do more in order to enable the Caribbean region to resist natural disasters. As an example, the Minister highlighted the fact that the Caribbean region borrows to build bridges, these same bridges are washed away by a natural disasters, and then the region borrows again to rebuild the same bridge. He noted that infrastructural development in the region is costly and a conversation needs to start on this issue. He further noted that the SDG's was not included on the Agenda and none of the above could be achieved without the achievement of the SDG's.

Haiti

The Governor of Haiti, in his remarks to officials, indicated that the quota for IDA was too small and the increase in the quota, by the Bank, is welcomed. However, given the region's vulnerability, the Governor stated that there is need for sustainable infrastructure. He noted that CRIF is a good step forward but the region needs to invest more.

Response by the World Bank

In their response, World Bank's representatives indicated that the IDA will be tripled in 2018 with a private sector window in place. They indicated that they are supporting Jamaica greatly and are happy with the progress made thus far. They also noted that this support will continue in the future.

On the issue of de-risking, representatives stated that they are committed to dealing with the issue. In this regard, they stated that a survey was being conducted to deal with the issue along with other analytical work. They also noted that dialogue on the issue has began along with additional studies.

The Bank's representatives then informed officials that to date, three Caribbean countries had implemented AML, while ten were presently conducting AML, and requests were received from three other Caribbean nations for AML to be conducted in their countries. They further highlighted the fact that technical assistance will increase in the region in order to build capacity.

The Bank's representatives acknowledge the need, in the region, for more knowledge in the area of energy security and also noted that there is need for greater climate resilience. In this regard, they indicated that work has begun in Dominica and St. Lucia. They also stated that more emphasis needs to be placed on private sector development with a special focus on entrepreneurship in the region. Finally, the representatives informed officials that the Bank is committed to small states and will continue to listen to their opinions.

(2) Bilateral Meeting with New Development Bank (BRICS)

The President of the Bank in his opening remarks stated that:

The Governments of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa, collectively the BRICS countries, have agreed on the establishment of the New Development Bank (NDB).

The idea for creation of the New Development Bank was first mooted in the Fourth BRICS Summit at New Delhi on March 29, 2012 to meet the development funding requirements of the five founding countries namely Brazil, Russia, India, China & South Africa (BRICS) and other emerging economies and developing countries as well.

On July 15, 2014 at the sixth summit in Fortaleza, Brazil the member countries signed the Articles for the New Development Bank with an Authorized Capital of USD 100 billion.

The founders established the Bank with a purpose of mobilizing resources for infrastructure and sustainable development projects, complementing the existing efforts of multilateral and regional financial institutions for global growth and development.

To fulfil its purpose, the Bank was envisaged to support public or private projects through loans, guarantees, equity participation and other financial instruments. The Bank also cooperates with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank.

The Minister of Finance, Guyana responded by stating that the BRICS Bank was a brilliant initiative. The Minister however asked the President of the Bank, "What sets the NDB apart from other Multilateral Banks?"

The President of the Bank responded by stating that:

- The Management of NDB intended to do things differently
- The NDB will always be controlled by BMCs. BMCs will always have 80% of voting power
- The Bank will work with existing country systems
- The Bank will be guided by countries in developing projects
- BMCs can have projects significantly higher than capital contributions. Projects can be implemented in partnerships with other MDBs.
- CAFT is agile with quick turnaround. This is the same methodology the NDB wishes to utilize
- GDP will be an important factor in determining allocation shares to Member Countries.

The Minister of Finance asserted that the NDB needs to redefine parameters that could be used in developing methodologies in determining shares, as GDP as the sole parameter, is quite limited. The Minister gave the example of Guyana being moved from HIPC to upper middle income. However, Guyana is required to borrow within a 35% grant element. Therefore, the graduation does not do well for Guyana as accessing concessional resources becomes more difficult.

He posited that China and India under bilateral offers highly concessional loans. Therefore, it was thought that other factors would have been considered in ascertaining allocations.

The President of the Bank responded by stating that the Bank is still in its embryonic stages. Therefore, the suggestions made by the Minister will still be looked into.

The Minister asked the Bank, "When would non-BRIC members be able to access Bank resources?"

The President posited that formal engagements are currently being executed to facilitate the inclusion of other Member States. He states that if countries show interest in the Bank, the Bank will mount missions to these countries and come up with a roadmap on having the first group of new members.

The President further stated that this will be done in stages but the bank will ultimately have as much members as IMF and WB. The first group of countries will be 20.

The Finance Minister further questions, "How will the first set of countries be selected?"

The President replied "This has not been thought out, but, the Bank is seeking to have a diverse group of first countries representing different regions of the world as the first group."

He however mentioned that in the first phase, countries that may cause controversy to founding members will not be approached.

The President extended an invitation to Guyana's delegates to visit the Bank, once in Shanghai.

The Manager promised to share further information on the Bank with technical officers of Guyana.

The Minister signaled the interest of the Government of Guyana in acceding to the Membership of the Bank to access concessional resources which would fund Governments development agenda.

The Minister, spoke to the country's need to diversify the economy and integrate the hinterland to the coastland. Development of the hinterland, he opined, will encourage inward movement of population. The Minister also mentioned the need for greater ties between Guyana and Brazil and the importance of PPP's to financing the Government's agenda.

The Delegates questioned the Bank on their lending terms.

The Bank stated that the rate for the first sovereign guarantee lending was 1 ½ over liburd, maturity period 18 years.

In closing, the Minister of Finance indicated that it would be a great success story if the World Power Banks came knocking on the door of the NDB and wished the President every success in developing the Bank.

The President closed the meeting by reiterating that the vision of the NDB is a Bank for the developing countries developed by developing countries.

(3) Meeting with Mr. Tombini and Team, IMF

The Minister of Finance stated that:

- The new administration has been in power for approximately 16 months and that the Government represents a change after 23 years of the same Government.
- Guyana has suffered as a result of non- change in Government as the previous administration had become complacent and did not feel driven to performance.
- Guyana even though being resource blessed ranks next to Haiti.
- Despite Guyana's graduation to upper- middle income poverty is still pervasive and institutions are still broken

- It is still unclear as to how Guyana has moved from HIPC to upper middle income in an insignificant amount of time
- That Government reserves are currently at US$600 mln
- Guyana has not exploited its potential
- The previous administration wasn't pushed to govern in an accountable manner
- Guyana has found oil. Exxon Mobile has indicated that oil can become profitable in one year.
- A foreign wealth fund is now being developed even though there was previous need for such a fund given Guyana's other activities in the extractive sector.
- Guyana's sugar industry is currently in crisis and the industry faces difficulties in meeting wage obligations. However, efforts are on-going to diversify the Sector.
- The sugar industry has been consuming most inflows from the extractive industries.
- Rice depended on the Venezuelan Market. But, given the border issue, the rice for oil deal has been annulled.
- The economy is growing, but the mining sector, principally gold, has been driving growth.
- Two foreign-owned gold mines commenced operations in Guyana last year.
- Altogether, it has been bad news on the sugar, rice and forestry fronts.

The Minister further noted that Guyana has enjoyed a beneficial relationship with the fund. He indicated that Guyana first entered a fund monitored programme in 1989 and has since exited and has on-going efforts to keep out of fund monitored programmes.

It was stated that the IMF Article IV Mission is scheduled to visit Guyana in January. However, the Minister expressed that there should be no visit from the fund before the budget is read, as a visit from the fund can obstruct budget preparation activities. The Minister also highlighted that it is the first time in 40 years that the budget will be read in December.

It was also noted that FSAP and Article IV will be at the Board by March, 2017.

The Minister further stated that there is a general feeling at the meetings that the Caribbean Constituency is being taken for granted. He supported the statement by indicating that the

Managing Director, IMF and the President, World Bank visit one- hour meetings for 15 minutes then run out. He further posited that this shows that the Bank and Fund do not hold the Caribbean in high esteem.

The Minister then spoke on the issue of the fracturing of correspondent banking relationships. He stated the following:

- The situation in Haiti brought on by Hurricane Matthew calls for a rethink of the way in which correspondent banking relationships are being approached in the Region
- The Caribbean Constituency was a part of a disappointing meeting with the US Secretary where it was indicated that the US Government cannot intervene in the affairs of the Bank.
- The loss of Correspondent Banking Relationships is driving legitimate businesses underground

Mr. Tombini stated that the IMF will keep fighting for the Region as it relates to the de-risking of regional banks. Mr. Tombini also stated that the Treasury will be convening a meeting on de-risking and if the fund is invited, an invitation will be extended to Guyana.

The Minister then spoke to the Region's difficulties in tapping into Climate Financing. In closing, the Minister opined that the focus of the SDG's at the meetings was non- existent and that the development agenda may have taken a back seat in the IMF/ WB discussions.

October 9, 2016

(1) Caribbean Breakfast Meeting with Ms. Christine Lagarde, Managing Director, IMF and Team

Start: 7.45 am

Mr. Tombini, IMF, opened the meeting with greetings to all officials and stated that Hurricane Mathew was a reminder of the Caribbean region's vulnerability. He noted that some of the major challenges currently faced by the region, included diseconomies, limited exports, lack of capacity and de-risking. Greeting were also shared y Mr. Haley, IMF.

The above was followed by opening remarks from Madame Lagarde, Managing Director, IMF. Madame Lagarde, firstly, expressed sympathy to Haiti for the lives lost during the recent Hurricane. She stated that rapid credit facilities are available and the IMF is willing to help, in this regard. The Deputy Director for the Caribbean region, Tao John, was then introduced by Madame Lagarde.

Madam Lagarde noted that several global challenges currently exist and that global growth has been too slow for far too long. She noted that risks are not small but global demand remains low. Further, stimulus had to be given to the Chinese market, geo political risks exist and changes have occurred in monetary policy. Madame Lagarde also noted the adverse impact of Zika on tourism in the region and stated that the opening up of Cuba has created new opportunities. She also highlighted the fact that both Trinidad and Suriname's economies have been badly hit by low oils prices while tourism dependent economies have benefited. Madam Lagarde indicated to officials that all levers should be used and in the case of Caribbean countries such as Jamaica, Grenada and St. Kitts, external vulnerabilities should be reduced. She noted that there is need to strengthen fiscal policy in the region through fiscal reforms.

As it relates to de-risking, Madam Lagarde noted that awareness has improved but solutions are yet to be found. She indicated that more technical assistance will be given to the region and that the IMF will continue to assist through the facilitation of international dialogue. She emphasized that the IMF is ready to assist and to provide a voice to the region on this issue.

Madame Lagarde's remarks were followed by opening remarks from Minister of Finance, Guyana, see below.

Opening Remarks Delivered by Hon. Winston Jordan

Madame Christine Lagarde, Managing Director, IMF; Distinguished Governors, Delegates, Ladies and Gentlemen:

It is my distinct pleasure this morning, on behalf of the Caribbean Group, to give the opening remarks at this Caribbean Breakfast Meeting. After my first experience in Lima, Peru, last year, when I was asked to perform a similar task, I have come to consider these meetings to be extremely valuable to our region, as it provides an important, yet infrequent, opportunity for us to voice our concerns on matters affecting us at the highest level in the Fund. It is my fervent hope that this opportunity will be grasped on both sides in our quest to find appropriate workable solutions to our problems.

This year's meeting, in particular, is very timely as it occurs at a time when Caribbean economies are facing a number of challenges, challenges that are neither being grasped nor addressed in a timely and effective manner. Among the most pressing of these matters are the downturn in Caribbean economies, occasioned by external shocks; high and rising levels of public debt; correspondent banking relationships; and climate change and recurring weather-related challenges. The consequences of this failure to deal definitively with these issues are self evident: Our economies continue to be buffeted by strong headwinds and tossed by dangerous crosswinds; our people continue to suffer immensely while valuable resources and time are devoted to what we regard as sub optimal solutions.

Eight years after the Global Financial Crisis, in 2008, the slow pace of growth in the world economy has placed a strain on many Caribbean economies. Given our small and open nature, we remain vulnerable to the external forces in the world economy. For 2016, the IMF predicts that the world economy will grow by 3.1 percent, the same level achieved in 2015, with considerable downside risks. Slow world growth negatively affects our regions through two major channels: reduced tourism, and reduced demand for our commodity exports. Despite tourism-dependent Caribbean countries experiencing a steady inflow of tourists from the United States in 2014, with arrivals increasing through 2015, with growth in the United States expected to decline in 2016, these countries may face more challenges in the years ahead.

While low commodity prices, especially oil prices, have been favourable for tourism-dependent countries, commodity-based Caribbean countries such as Suriname and Trinidad and Tobago have been devastated by falling prices for their key exports, including oil. Trinidad and Tobago's economy has contracted each year since 2014 and this situation has continued into 2016, while growth in Suriname declined significantly in 2015 and is expected to be negative in 2016. In my homeland Guyana, as well as Belize, the end of the commodity boom years has put pressure on some of our traditional agricultural sectors, and resulted in lower export values. For both tourism-dependent economies and commodity exporters, lower growth has resulted in reduced tax revenues, causing a deterioration in the fiscal position of many Caribbean nations.

Commodity prices have shown some recovery in 2016. However, even as this occurred, the global economy experienced another shock—the United Kingdom's vote to exit the European Union ("Brexit"). The results of the vote shook global financial markets: volatility spiked, and the British pound fell against major world currencies. Financial markets stabilized in the weeks following the vote, but economists believe Brexit could have longer-term negative impacts on growth of the British, and global, economy. To date, the impact of Brexit on the Caribbean has been muted. However, slower growth in the United Kingdom and Europe could have negative impacts on tourism and reduce demand for our exports.

To help Caribbean economies successfully navigate these external shocks, the IMF needs to provide more appropriate policy options and support; including support for expanding fiscal space to enable countercyclical policies, and developing more diversified economies through better business environments, enhancement of human capital, and greater economic integration within our region.

On the financial front, the latest challenge to the Caribbean is the withdrawal by international banks of correspondent banking relationships, a process known as "de-risking". It comes at a time when, more than any other time, our financial system is deeply integrated with, or substantially connected to, those of other countries across the world through correspondent banking. While this trend has affected countries around the globe, the small economies of the Caribbean have been hit especially hard. In the first half of 2016 alone, at least sixteen banks, across five countries in the region, have lost all or some of their correspondent banking relationships.

Correspondent banking is the life blood of global commerce. Healthy correspondent banking relationships are essential because they facilitate trade, foster economic growth, create legitimate avenues for growing remittances and provide access to financial services. The adverse effects of de-risking on international trade, financial stability and growth, and money transfers and remittances have already been felt in many of our countries. If de-risking continues unchecked, all Caribbean states can expect to experience some level of macroeconomic instability, financial exclusion and, ultimately, economic collapse. The recommendations that have been posited, such as bundling of services, taking out insurance, and collectively approaching correspondent banks appear to be unrealistic.

The issue is further complicated by the fact that banks in the Caribbean do not have a long list of international banks with which they can form correspondent banking relationships. The progressive loss of correspondent banking relationships will increase, therefore, the already disproportionately high level of operational risk.

Over the last three years, the region has been addressing this issue not only through the implementation of FATF recommendations on AML/CFT, but, also, through numerous studies, reports and high level meetings with organizations such as the IMF, World Bank, United Nations and the Commonwealth Secretariat. In spite of numerous promises to address the problem, however, there has been virtually no progress to staunch the hemorrhaging by these banks. This non action, in light of the substantial work that has already been done, is worrisome. We, therefore, call upon the Fund to play a more realistic and proactive role in dealing with this phenomenon.

We applaud the efforts of the IMF and other multilateral institutions as well as Secretary of the Treasury of United States, Lew, whom we met a few days ago, for recognizing the importance of this issue to the Caribbean and the need to have it resolved. But it is to the IMF to whom we look to aggressively support Caribbean nations in taking a multi-faceted approach to fighting de-risking, consistent with the Financial Stability Board's four-point plan. This plan includes a further examination of the issue, clarification of regulatory expectations, capacity-building jurisdictions where respondent banks are affected, and the strengthening of tools for correspondent banks to perform due diligence checks. Implementing this plan will require cooperation with both international banks and regulators in the United States, Europe, and other regions where international banks are domiciled. We must ensure that rather than being cut off from international banks, our local financial institutions and supervisors can learn from their best practices for AML/CFT risk management. The IMF can play a critical role by facilitating engagement and collaboration among international banking institutions, global supervisors, and the nations suffering from this wave of de-risking, by pressuring these institutions to take immediate action.

Ladies and Gentlemen, we cannot overlook the impact that climate change has been having on the economies and livelihood of the people of the Caribbean. Climate change is upon us and is wreaking havoc on vital sectors and infrastructure of the Caribbean, including fishing, tourism and agriculture sectors. Only a few days ago, Tropical Storm Matthew, with less than hurricane winds, wreaked havoc on the economy of St Lucia. A few days later, the tropical storm morphed into a hurricane, in the process leaving a trail of death and destruction to property and infrastructure in Haiti and The Bahamas. According to a recently released report by the United Nations Food and Agriculture Organization, climate change will lead to more frequent and severe drought in the Caribbean region which, in turn, will affect agriculture with the attendant risk of food shortages.

Extreme weather conditions, whether they vary from hurricanes to floods to droughts, will devastate the economies of the region, in the process threatening the livelihoods of millions of people. Frighteningly, a World Bank study has concluded that a one meter rise in the sea level could destroy sixty percent of the coastal wetlands in the Caribbean and the developing world. Many of our islands are threatened by rising sea levels. The increasing number and severity of extreme weather patterns and their changing weather cycles, with all that they entail for loss of lives and damage to property and infrastructure, can easily cripple small economies like ours.

Paradoxically, even though Caribbean nations have contributed very little to the release of harmful greenhouse gases that drive climate change, they are paying a heavy price for global inaction in reducing emissions. Scarce financial resources have had to be diverted to deal with this phenomenon, including building climate resilient infrastructure and encouraging the movement of people to highland and more secured areas. This has resulted in an increase in the financial debt burden that Caribbean countries can ill afford at this time. It is, therefore, imperative that there be provision of accessible climate finance at concessional rates, as well as greater use of market mechanisms to compensate low carbon emitters and economies most severely affected by climate change. Again, the Fund's leadership would be crucial to making this a reality.

While the Caribbean region has been grappling with these challenges, a health crisis broke out, with the emergence of the Zika virus in the region. The World Bank's estimates have indicated that this virus could cost US$3.5 billion to the Latin America and Caribbean region, or 0.06 percent of its GDP. For Caribbean economies such as Belize, Bahamas, Antigua and Barbuda and Barbados, the cost of Zika is estimated at over 1 percent of their GDP. As many Caribbean countries are already operating under constrained fiscal space, this health crisis could lead to further erosion of fiscal positions.

Presently, many Caribbean economies are aggressively pursuing policies to address these formidable challenges. However, if we are to build a strong and resilient regional economies, the IMF must play a stronger role as well. We welcome the IMF's views on additional steps that would enable the region to deal with its challenges, in the face of global uncertainty. We especially welcome solutions to dealing with the corresponding banking crisis which has recently blighted our region and has threatened our financial stability. We also welcome new solutions for promoting inclusive growth within our region, in order to end poverty. We look forward to a broader perspective on these and other issues, in order to build economies within the Caribbean region which are resilient to global shocks and can provide "the good life" for all of our people.

Thank you ladies and gentlemen!

The opening remarks from the Minister of Finance, Guyana, was followed by a presentation from Belize on de-risking. This presentation once again noted that de-risking has increased financial exclusion and is a global issue. It was noted that a regional approach is critical and that technical assistance is greatly needed in order to derive solutions.

Madame Lagarde then interjected with a few questions, see below.

<u>Question and Answers</u>

Madame Lagarde: Has any country re-opened relations with international banks?

Answer: No. In fact, some banks are paying a higher fee.

Madame Lagarde: Are issues around the Panama paper putting pressure on the region? You indicated that there has been an increase in the informal sector, would this not make things worse in the region?

Answer: This is the fear as an increase in informality will bring greater challenges to the region.

Madame Lagarde: We will bring together participants from the US Treasury directly to deal with this issue as we need to think outside the box. As a proposal, we can put together a team to find some solutions to the issue of de-risking.

Answer: Suggestions are welcomed as banks are downsizing and shifting into other regions. As a region, we need to focus on regulation and remittances within the region and how de-risking is affecting tourism and FDI in the region. However, de-risking seems to be more about profitability.

This session was followed by further presentations by officials from the Caribbean region, see below.

<u>Trinidad and Tobago</u>

Minister of Finance, Trinidad and Tobago, noted that Suriname and Trinidad's economies rely heavily on energy and have been badly hit by low oil price. He noted that assistance is needed, from the IMF, in areas such as programme financing and surveillance and that technical assistance in capacity building is also required. He noted that the latter has been provided by Cartac, however, more needed to be done. He also noted that a stabilization fund is needed for countries so that they could save in the "good times" and withdraw funds during the "bad times."

Jamaica

Minister of Finance, Jamaica, once again, informed officials that Jamaica was currently part of an IMF programme in order to address its debt sustainability issues. He noted that since being in the programme, Jamaica's debt to GDP ratio has reduced significantly, its import cover has increased and both inflation and interest rate has reduced. Further, real growth has increased and primary surplus has been maintained. The Minister noted that Jamaica is approaching the end of its programme with the IMF but hopes to continue correspondence.