



Caribbean Corner

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EDITORIAL TEAM

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IMF
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Department

[2014 Caribbean Forum](#)

Caribbean Matters at the IMF.

The International Monetary Fund maintains a strong partnership with the Caribbean region, with dedicated country teams in its Western Hemisphere Department's Caribbean I and II, and Latin Caribbean Divisions.

With a total population of 40 million and a cumulative land area of just over 1 million sq miles, the region consists of multiple island nations in the Caribbean Sea and the surrounding coasts. Its people are a macrocosm of ethnic groups from four continents. Mostly tourism- and natural resources-based, the Caribbean economies were hard-hit by the unwinding global financial crisis, and most experience low growth, high public debt and vulnerability to natural disasters. These island states are very diverse in income levels. In 2013, GDP per capita (PPP) ranged from US\$32,037 in The Bahamas to US\$1,315 in Haiti.

For audiences within and outside of the IMF, the **Caribbean Corner** will provide a communication platform three times a year for the institution's work on the region.

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The forum gathered 130 participants from eleven countries to discuss pro-growth policies. There was a broad agreement that high energy costs are a central problem to economic growth in the Caribbean. *Wendell Samuel and Saji Thomas* report.

11 The Santiago Conference: Challenges for Securing Growth and Shared Prosperity in Latin America

The conference gathered over 500 participants from 30 countries to discuss policies to secure stronger growth and achieve further progress at reducing inequality. *Nicole Laframboise* reports.

12 Women, Work and the Jamaican Economy

Last September, the Jamaican authorities and the IMF organized a seminar that looked into female labor market participation in Jamaica. *Bert van Selm* reports.

INTERVIEW

Dr. the Honourable Peter Phillips, Jamaica's Minister of Finance and Planning



Peter Phillips, Minister of Finance of Jamaica, interviewed by Bert van Selm (IMF Resident Representative in Jamaica)

On a sunny morning in mid-December 2014, IMF Resident Representative Bert van Selm interviewed Jamaica's Minister of Finance and Planning Dr. the Honourable Peter Phillips in his office on Heroes Circle in Kingston, and inquired about his views on the economic challenges facing the Caribbean, Jamaica's economic reform program, and his expectations for 2015.

What is your perspective on the economic outlook for the Caribbean?

The key is for the Caribbean to secure higher levels of economic growth. The region needs to escape from the clutches of the great recession of 2008. The Caribbean region was severely affected, and among the hardest hit—and it is still suffering. There is no doubt that to support growth, the region needs fiscal consolidation and structural reform are absolutely necessary. But at the same time, the international community can and should do more to address the region's debt overhang, so that more

resources can be directed toward capital and social spending.

What were your takeaways of the recent Montego Bay Forum on Caribbean Growth?

I thought it was very useful. Over the years, the IMF has shifted its perspective, from focusing mainly on fiscal consolidation to paying much more attention to economic growth. For small countries in the Caribbean, growth is a particular challenge, with historical and structural impediments to overcome, and it is great that the Fund is now putting its full weight and resources towards trying to find solutions. Of course there is no panacea, and there are no easy solutions. The discussion on energy was particularly interesting—this is one of the areas where regional solutions could play an important role. The Forum is a great opportunity for countries in the region to come together, share experiences, and deepen the dialogue with our international partners and I believe an agenda for action is emerging.

Two years into Jamaica's Economic Reform Program, have the results been in line with your expectations?

In short: so far, so good. The fiscal consolidation has been strenuous, and significant sacrifices have been made by public sector workers, creditors, and the general population. But prudent macroeconomic policy has been supported by a broad consensus. The Economic Program Oversight Committee (EPOC)—set up at the start of the program, with representation from government, private sector, and the unions — has played a key role in building and maintaining that consensus. Economic indicators are trending in the right direction—growth is back, public debt is coming down, inflation has been contained. The program has

performed as expected—but the public expects more! To maintain broad public support, it is critical to further increase economic growth. More can be done in Jamaica to improve the business climate, by better facilitation of private sector growth by the public sector, and public-private partnerships (PPPs) can be used to boost growth. But we also need more support from the international community to finance our economic reform program. Small countries can very easily slip off the agenda of global policy makers. But our problems and needs, if not addressed, can lead to problems that extend far beyond their shores. The international community needs to be more responsive to the Caribbean.

In your distinguished career, you have held several high offices. How does your current job compare to previous positions?

Early on in my career, I had the great fortune to work at the Office of the Prime Minister—at that time, with Michael Manley. That experience provided me with a broad overview of how government works, and that perspective has helped me later on, in several ministerial positions—Health, Transport and Works, National Security, and now Finance and Planning. One problem I don't have is boredom. My current job is definitely challenging but there is satisfaction as challenges are surmounted.

What are your hopes and expectations for 2015?

The prospects are good—I expect an upturn in the Jamaican economy. With higher growth in the US and lower oil prices, the global environment in which we operate is improving. And the economic reform program that we have implemented over the past two years has put Jamaica in an excellent position to take full advantage.

Effect of Lower Oil Prices on the Caribbean

By Robert Rennhack and Fabian Valencia

The world price of oil has plummeted since mid-2014, reflecting a weaker outlook for global demand as well as additional supply. The Western Hemisphere Department of the International Monetary Fund conducted a preliminary exercise to estimate the first round impact on real GDP, external current account, and fiscal balances on countries in the Caribbean resulting from a one-off, permanent fall in oil prices by say 10 percent. On average, each 10 percent drop in oil prices could bring about a modest increase in the Caribbean region's real GDP of about 0.2 percent after five years (on average for all countries), and improve the external current account by 0.2 percentage point of GDP on average. Fiscal balances would deteriorate by 0.1 percentage points of GDP. These regional averages mask some important differences among countries, which include tourism-based economies and commodity exporters.

Lower world oil prices would tend to drive down domestic costs of transportation and electricity, especially in countries that rely mainly on fuel oil for electric power generation, as is the case of tourism-based economies, and where the pass through of world market oil prices into domestic fuel prices is virtually complete. Lower energy costs, in turn, stimulate private consumption and investment. For the tourism-based Caribbean economies, a reduction in oil prices of 10 percent could raise real GDP by about 0.3 percent, on average over five years.

Tourism-based economies would also see an improvement in their external current account balance of about 0.3 percentage points of GDP, on average, as a result of a 10 percent decline in oil prices. This improvement is the net result of a lower oil import

bill that is partly offset by higher imports of other items associated with higher consumption and investment.

Fiscal balances in tourism-based economies would remain broadly unchanged, on average. The effect of lower world oil prices on the fiscal balance of the public sector varies considerably by country, in line with differences in the structure of energy-

related taxation and spending. In some countries, fuel subsidies would decline, strengthening the fiscal position. Other countries provide no subsidies on oil products but earn part of their fiscal revenues through import tariffs and other domestic fuel taxes. If these taxes are ad valorem, lower world oil prices would weaken the fiscal position. In many countries, these fiscal effects are small, on a net basis.

A one-off fall in oil prices would have a positive impact on purchasing power and economic welfare in oil importing countries for several years. However, the above-mentioned effects on the current account and economic growth are likely to be temporary. Assuming complete pass-through of lower oil prices to consumers, non-oil imports would be expected to rise, offsetting most of the windfall from the lower oil import bill. At the same time, the positive impulse on domestic economic production would be expected to taper off as over time economies adjust to the new relative price of oil.

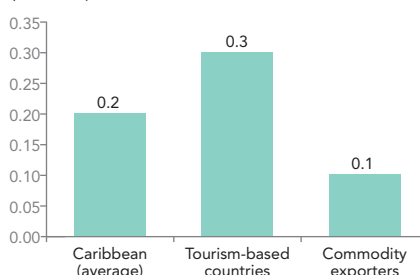
The story is very different for the commodity exporters in the Caribbean, and especially for those that are net oil exporters (which would see their external demand fall). For the group of commodity exporters as a whole, the net impact over five years on economic activity would be a decline of 0.1 percent, while the external current account balances would improve by 0.1 percentage points of GDP, on average, as most commodity exporters are still net importers of oil. Commodity exporters' fiscal balance would deteriorate by about 0.1 percentage points of GDP, on average, as the net oil exporters rely heavily on direct oil-related revenues, although combined with sizable domestic fuel subsidies.

An important question for oil-producing countries around the world is how the decline in oil prices will

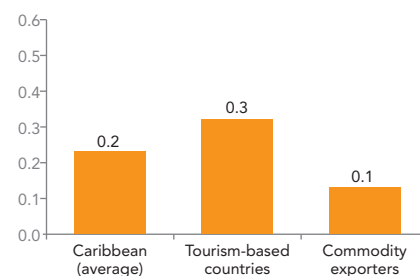
Effect of lower oil prices, continued on p. 8

Effect of one-off 10 percent drop in oil prices on Caribbean countries (Average 2015-19)

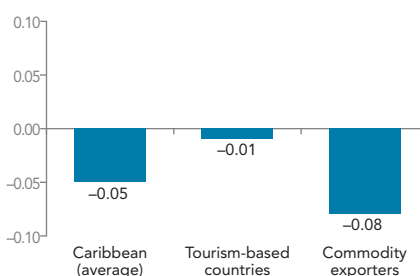
2015-19 Impact on Real GDP (Percent)



Current Account Balance (Percent of GDP)



Fiscal balance (Percent of GDP)



Sources: Fund staff estimates and projections.

¹Tourism-based economies include Antigua and Barbuda, The Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

²Commodity exporters include Belize, Guyana, Suriname, and Trinidad and Tobago.

COUNTRY BRIEFS

Managing in Good and Bad Times

St. Vincent and the Grenadines

First Blend of Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) in Fund History¹

By Julien Reynaud



St. Vincent and the Grenadines was hit by massive floods on December 24, 2013, causing severe economic damages and losses, estimated at US\$ 108.4 million (15 percent of GDP), according to a Rapid Damage and Loss Assessment (DaLA) report of the World Bank and the Vincentian authorities. The damages were mostly concentrated on infrastructure. About 21 percent of all bridges and 4 percent of roads were damaged, and all hydroelectric facilities were forced off-line for the first quarter of 2014. Overall 13 people lost their lives, 662 houses were affected, 18 percent of which had to be evacuated, resulting in 225 people having to be temporarily relocated to shelters.²

An IMF mission visited Kingstown, St. Vincent and the Grenadines, and

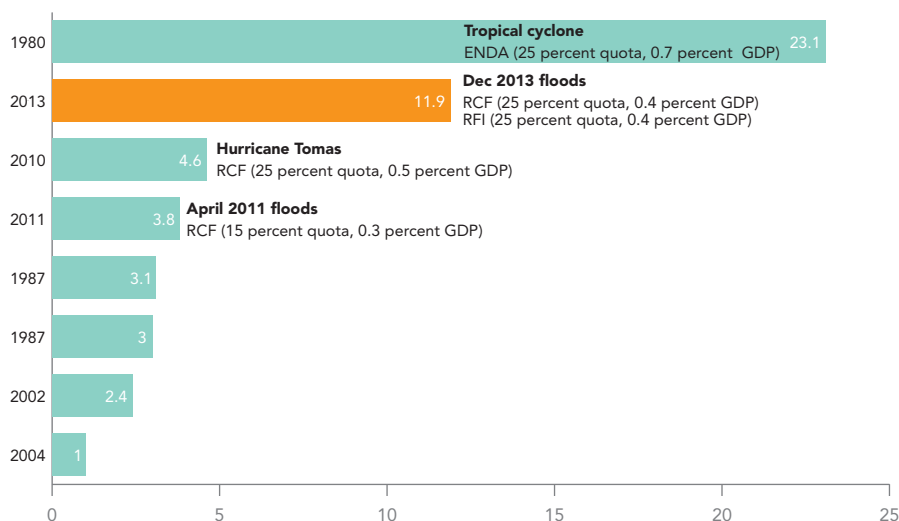
1. Factsheets on the RCF and RFI are available here: <http://www.imf.org/external/np/exr/facts/rcf.htm> and <http://www.imf.org/external/np/exr/facts/rfi.htm>.

2. Link to the report: https://www.gfdr.org/sites/gfdr.org/files/publication/SVG_Rapid_DaLA_Report_0.pdf



Leeward Highway near Richmond destroyed.

Worst Natural Disaster Damages (Percent of GDP)



Sources: St. Vincent and the Grenadines authorities, EM-DAT; and IMF staff calculations.

some of the affected areas in May 2014 to gauge the economic and fiscal impact of the floods. It estimated that

Damages from the December 2013 floods exceeded those inflicted by Hurricane Tomas in October 2010 and the floods of April 2011 combined.

the damages opened a temporary balance of payments gap of about 3 percent of GDP for 2014.

The Fund had previously provided emergency assistance to St. Vincent and the Grenadines with the Rapid Credit Facility (RCF) on two occasions after Hurricane Tomas in October 2010 and floods in April 2011, so additional access to such concessional resources was constrained.³ Moreover, the size of the shocks caused by the December 2013 floods exceeded those inflicted by the two latest natural disasters combined (in October 2010 and April 2011).

To meet this pressing need, St. Vincent and the Grenadines was able

3. The country's outstanding loans under the PRGT reached 85 percent of quota by end-2013.

to draw on the Fund's new Rapid Financing Instrument (RFI), which was introduced in 2012 to provide additional financing support to IMF members suffering natural disasters, in replacement of the previous Emergency Natural Disaster Assistance and Emergency Post-Conflict Assistance facilities. St. Vincent and the Grenadines was then able to blend RCF and RFI resources to achieve adequate funding for the balance of payments needs following the December 2013 floods, while protecting the country's access to its remaining quota of concessional financing.

St. Vincent and the Grenadines was able to blend RCF and RFI resources to meet balance of payments needs following the December 2013 floods.

In the first RCF/RFI blend in Fund history, the IMF's Executive Board approved a disbursement of about US\$6.4 million for St. Vincent and the Grenadines on August 1, 2014, to be drawn equally from the RCF and the RFI. IMF financial support helped ease the government's external financing constraint for 2014 given the need for additional imports and lower-than-expected revenues, and provided much-needed resources to mitigate the impact on the poor, who were disproportionately impacted by the floods. The Fund's involvement has also catalyzed additional donor financing to support the authorities' programs to improve emergency responses and to strengthen physical infrastructure against future natural disasters.

The Fund's ability to respond to St. Vincent and the Grenadines illustrated the importance of the increasing flexibility in IMF lending instruments. These are available to all IMF members that implement sound macroeconomic policies.

Trinidad and Tobago Saving in Good Times

By Joel Okwuokei



Trinidad and Tobago is one of the few commodity-dependent economies in the Caribbean. The energy sector has been the pillar of the economy since the 1950s, although commercial oil production began in 1908. While this has helped enrich the country, its high dependence on the sector leaves it exposed to fluctuations in energy prices (See [Trinidad and Tobago 2012 Selected Issues Paper](#)).

High energy prices since 2000 boosted real GDP in 2000–08, and also helped build up substantial financial

“Energy revenue savings and sizable fiscal surpluses that accumulated during good times helped to reduce public debt to 22 percent of GDP in 2007 from around 59 percent in 2001, and thus have provided scope for the countercyclical fiscal policy pursued since 2008/09.”

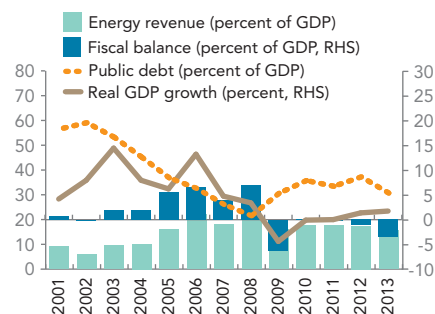
buffers. Official reserves grew seven-fold from US\$1.4billion in 2000 to US\$10 billion by August 2014. Savings in the country's sovereign wealth fund⁴—the Heritage and Stabilization Fund (HSF)—totaled US\$5.5 billion by June 2014 (18.5 percent of GDP), almost all of it built up since 2000. Sizable fiscal surpluses which accumulated early during the period

4. For a background, see [IMF Board Paper on Macroeconomic Policy Frameworks for Resource Rich Developing Countries](#), and [IMF Discussion Note on Fiscal Frameworks for Resource Rich Developing Countries](#).

helped to reduce public debt to 22 percent of GDP in 2007 from around 59 percent in 2001, and thus have provided scope for the countercyclical fiscal policy pursued since 2008/09.

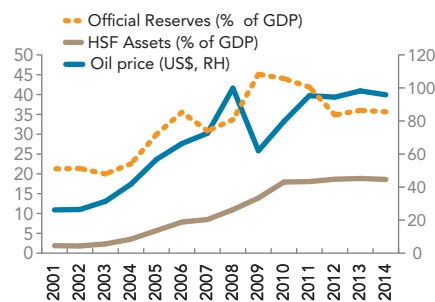
The HSF, [which was created in 2007](#), has dual objectives: save excess energy revenue and stabilize the energy sector's contribution to the budget. It is mandatory to allocate excess energy revenues into the HSF, but optional to draw them down when there are energy revenue shortfalls. The dual nature of the HSF objectives became apparent when energy revenue fell sharply in 2008/09 during the global financial crisis, following a drop in energy prices. At that time, the government chose to draw down its deposits at the central bank rather than draw on the HSF⁵, although according to the rules, a withdrawal equivalent to 2.5 percent of GDP

Trinidad and Tobago: Economic Performance, 2001-13



Sources: The Trinidad and Tobago Authorities, WEO, Fund staff estimates.

Trinidad and Tobago: External Indicators



Sources: The Trinidad and Tobago Authorities, WEO, Fund staff estimates.

5. However, the net effect on public savings of drawing down deposits is the same as if the HSF was drawn down.

would have been allowed. Indeed, savings have been accumulated in the Fund even when the overall fiscal position was in deficit (See [IMF Guidance Note on Sovereign Asset-Liability Management for Resource Rich Economies](#)), which according to the authorities is meant to maintain a habit of saving. A proposed amendment to the HSF legislation this year raised the HSF's minimum balance

“The buildup of financial buffers, in the form of high reserves and low debt, allowed the government to appropriately support economic recovery and respond to the CLICO crisis.”

by US\$3 billion to US\$4 billion, further affirming the emphasis on savings.

The importance of building financial buffers when times are good was brought into sharp relief by the so-called “Clico crisis”. In 2008/9, the overall fiscal balance turned sharply negative as the government responded to the global financial crisis and the collapse of a Trinidad and Tobago-based regional financial conglomerate, the CL Financial Group. The collapse of the group, especially the insurance subsidiary Clico, was a major financial shock to the whole region, leading to costly government interventions. In Trinidad and Tobago, the financial bailout is estimated to have cost the authorities around US\$3.4 billion or 14.5 percent of GDP, although much of that cost is expected eventually to be recouped. Although the rest of the region was also hit hard by the Clico crisis, arguably the impact would have been worse without the bailout of the CL Financial Group by the Trinidad and Tobago authorities. More generally, the buildup of financial buffers, in the form of high reserves and low debt, allowed the government to gear the budget appropriately towards supporting economic recovery in the years following the global financial crisis.

The recent sharp fall in oil prices has again raised the trade-off between stabilization and saving for the future. In recent [reports](#), IMF staff advised that the fiscal position return to surpluses over the medium term to resume net savings as the economy regains its footing, with a recovery in the non-energy sector and a very low unemployment rate. The need to build up buffers is reinforced by the expectation of rising pension obligations from an aging population, as actuarial reports suggest. In order to achieve more savings, IMF staff emphasized the desirability of reining in the costly fuel subsidy and rationalizing social programs, as well as considering ways to raise non-energy sector revenues. If the current oil price slump and its large fiscal impact persist, there may be a case for more rapid revenue and expenditure adjustments. However, in light of the potentially large income shock, the speed of returning to fiscal surpluses may have to be slower. Conceivably, the authorities could call on the HSF to play more of a stabilization role in that adjustment process.

Haiti More than Meets the Eye

By Wayne Camard
and Larry Norton



On January 12, 2010, Haiti's capital, Port-au-Prince, was struck by one of the most destructive earthquakes on record. The toll was sobering: a catastrophic loss of life, damages estimated at US\$8 billion (120 percent of GDP), large swaths of downtown in ruins, and 1.5 million Haitians left homeless.

The earthquake also touched off a massive humanitarian response. A donor conference soon after the

earthquake generated almost US\$10 billion in pledges, including US\$268 million by the IMF in the form of debt relief. As Haiti vowed to “build back better,” contributions came from 90 countries, as well as from individuals. For example, an estimated one in four U.S. households made a contribution to earthquake relief. Now, five years later, it is natural to look back to see

“Many key social indicators have shown slow but steady improvement over time.”

what has been accomplished and what remains to be done.

It is clear that the challenge was greater than originally thought. Reconstruction in an already-fragile environment further battered by the quake has been more difficult and time consuming than originally imagined. Coordination among the many diverse donors was always a challenge, and differing ideas about spending priorities made relief efforts less effective. Nonetheless, more than 90 percent of the displaced have been resettled from the temporary tent cities familiar from news broadcasts, and many new buildings are under construction.

Haiti's economy is growing again, albeit at rates not yet sufficient to significantly reduce poverty. Moreover, Haiti recently completed a multi-

“Most of the displaced have been resettled... many new buildings are under construction...and Haiti's economy is growing again.”

year IMF-supported program that maintained macroeconomic stability, including by helping to boost domestic revenue (much of the capacity to collect taxes was also destroyed in the earthquake) and by bringing inflation down to the mid-single digits. Nevertheless, the fiscal deficit remains high, and the electricity sector is both

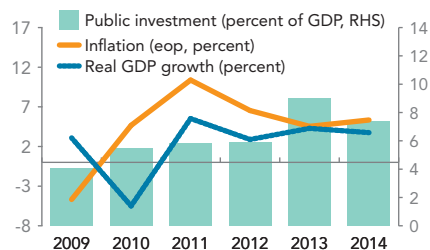


Haiti after the January 2010 earthquake: The mountains of southeast, north of La Visite National Park. Half of the population lives in rural areas in this largely-mountainous country.

a key obstacle to faster development and a significant fiscal drain.

Nonetheless, it is also worth taking a broader view beyond the impact of the earthquake itself and look at the

Haiti: Economic Developments



Sources: Authorities, WEO, Fund staff estimates.

context of the economic development of a country long known as “the poorest in the Western Hemisphere.”

Over the past two generations, Haiti has endured a series of other severe challenges, from devastating hurricanes to cholera, as well as bouts of political upheaval. Yet, there is some good news.

The poverty rate is still very high at 58.5 percent, the worst rate in the Western Hemisphere. However, many key social indicators have shown slow but steady improvement over time. The literacy rate has flipped since 1970, from 80 percent illiterate to 80 percent who can read, with more than half of women under 50 (the motors of social development) having attended at least some secondary school. Infant

and child mortality has fallen from more than 13 to a still too-high 9 per 100 births. The rate of new HIV infections has slowed significantly, and most people living with HIV can now access therapy. Other indicators also show some improvement.

How is it that, in the face of a regular crisis, the Haitian people have managed to make such progress? The resilience of the Haitian people in the face of adversity is one factor. The government of Haiti’s own efforts to improve the lives of its citizens has also increased through its Public Investment Program, including the construction and staffing of schools and hospitals—basic services that the government has not traditionally provided. Foreign development assistance, which has been particularly



Thank You Mbuyamu and Goodbye...

The Caribbean Corner team expresses its gratitude to Mbuyamu Matungulu, IMF Mission Chief to the Bahamas and the very first coordinator of the Caribbean Corner editorial team. After many years of outstanding service, Mbuyamu retired from the Fund on January 1, 2015.

high in recent years, has also played a role. Another key factor has been the contribution of the Haitian diaspora, estimated at 1 million people. Haitians living abroad sent back almost \$2 billion in 2014, reaching over half of all households. This support, because it is sent by family members, can be targeted precisely: for the school fees that won’t otherwise be paid, for the relative who needs medical treatment. And a large share of these transfers go for basic nutrition, as Haiti still imports a large share of its food from overseas.

More needs to be done to accelerate job creation and economic growth more generally, so the dependence on foreign transfers can be reduced over time (see [recent IMF staff report](#)). Haiti benefits from highly preferential access to the U.S. market under the HOPE/HELP Acts (see [U.S. Commerce Department](#) for details). These preferences, if sustained over time, could drive job creation in Haiti.

“More needs to be done to accelerate job creation and economic growth.”

The island also has enormous, and largely untapped, tourism potential. While Haiti still needs to cement a broad social consensus on the future of the country, Haitians are doing better, and their country is changing for the better. Whatever the headlines may say, Haiti is making real progress despite enormous challenges.

What is Driving Tourism Arrivals in the Caribbean?

By Nicole Laframboise, Nkunde Mwase, Joonkyu Park, and Yingke Zhou

Tourism is the main driver of growth and employment in many countries in the Caribbean.

In recent years, however, the rate of growth of arrivals has stalled and the region’s share of the global market has been shrinking. This paper examines what attracts tourists to the Caribbean, and whether this has changed since the global financial crisis. It also looks at the nominal cost of a visit to the Caribbean compared with a beach holiday in other parts of the world.

Using a dynamic panel regression covering 16 Caribbean countries, the study explores the effects of price, income, supply, and other factors on tourist arrivals. The sample is also divided into “higher-end” and “lower-cost” destinations. Both price and income factors are found to have a significant impact on tourism arrivals and expenditure, except in the higher-end destinations, where price elasticity is found to be statistically insignificant. In other words, arrivals in higher-end destinations did not exhibit any sensitivity to changes in prices (as measured by the real effective exchange rate). The global financial crisis also appears to have had an impact on arrivals and tourist behavior: price elasticity becomes marginally insignificant and income elasticity smaller after 2008.

The paper also borrows from the ‘Big Mac Index’ and develops a simple cost comparison ‘Week at the Beach’ index based on a basket of expenditures typically encountered during a beach holiday. The index finds the nominal cost of an average one week beach holiday in the Caribbean to be markedly higher than in other parts of the world.

These empirical results have different implications for each country group. At the higher end, countries should ensure that the tourism “plant” (hotels, restaurants) and services remain of a quality commensurate with the “high-end brand”. This highlights the importance of ensuring that the supporting infrastructure and institutions provide quality public services and the security desired by higher-end tourists. Lower-cost destinations, where arrivals exhibit more sensitivity to price, may wish to focus more on ways to reduce costs, for example the costs of energy and labor. The exchange rate could also be used, but consideration should be given to other factors such as the share of tourism in the economy and impact on the balance of payments.

Lower income and price sensitivity after the Great Recession suggests a structural change in the behavior of tourism demand. This argues

for structural reforms to increase productivity and for prudent fiscal policies to adjust domestic demand in the near term to match potentially lower GDP.

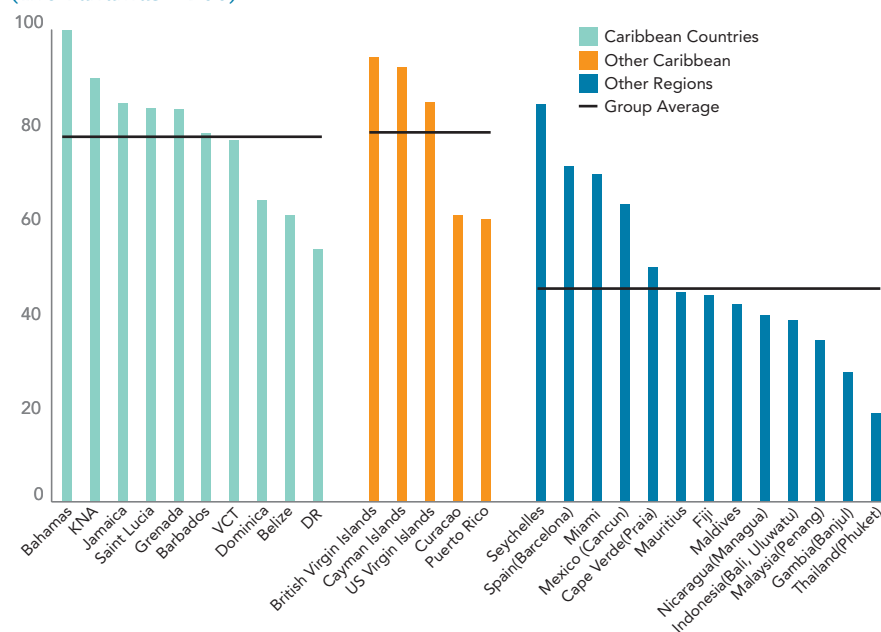
Finally, consumers’ perception of “relative cost” could be important in driving demand for Caribbean tourism products. This may be particularly relevant given today’s modern methods of online booking. Higher costs in the Caribbean suggest that the quality of the products and services is critical when competing with lower cost destinations.

“Revisiting Tourism Flows to the Caribbean: What is driving arrivals?”

IMF WORKING PAPER (WP/14/229)

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=42541.0>

‘Week at the Beach’ Index (The Bahamas = 100)



Sources: Travelocity, www.worldcabfares.com, NUMBEO, and Fund staff calculations.

Selected IMF Country Reports on Caribbean Economies

1. The Bahamas

2013 Article IV Consultation-Staff Report; Press Release (IMF Country Report No. 14/75) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41411.0>

2. Barbados

Staff Report for 2013 Article IV Consultation (IMF Country Report No. 14/52) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41335.0>

3. Grenada

2014 Article IV Consultation and Request for an Extended Credit Facility Arrangement-Staff Report; and Press Release (IMF Country Report No. 14/196) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41739.0>

First Review Under the Extended Credit Facility Arrangement and Financing Assurances Review—Staff Report; Press Release (IMF Country Report No. 14/363) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42565.0>

4. Guyana

2013 Article IV Consultation—Staff Report; Press Release (IMF Country Report No. 14/294) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42364.0>

5. Haiti

Eighth Review Under the Extended Credit Facility, Requests for Waiver of Nonobservance

of Performance Criterion, and Modification of Performance Criteria-Staff Report; Press Release; and Statement by the Executive Director for Haiti (IMF Country Report No. 15/3) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42580.0>

Ex Post Assessment of Longer-Term Engagement (IMF Country Report No. 15/4) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42581.0>

6. Jamaica

Sixth Review Under the Extended Fund Facility and Request for Modification of Performance Criteria—Staff Report (IMF Country Report No. 14/359) <https://www.imf.org/external/pubs/cat/longres.aspx?sk=42557.0>

7. Suriname

2014 Article IV Consultation-Staff Report; Press Release; and Statement by the Authorities for Suriname IMF (Country Report No. 14/316) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42435.0>

8. Trinidad and Tobago

2014 Article IV Consultation-Staff Report; Press Release; and Statement by the Executive Director for Trinidad and Tobago (IMF Country Report No. 14/271) <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41887.0>

Oil prices, *continued from p. 2*

affect production and investment in new oil projects. A sharp fall in world oil prices would affect oil exploration and production in these countries, although the initial effects may be relatively small. In the short to medium run, oil production in the region may not be affected as it relies mostly on

fields where some of the costs have been paid off already. A prolonged period of low oil prices, however, would force firms to rethink their investment plans and could discourage investment in new fields.

Summing up, a one-off, permanent fall in the world oil price would provide a temporary windfall for the region as a whole. However, to the

extent that the windfall could be used to support pro-growth policies and raise investment, Caribbean countries could enjoy more lasting gains in GDP. Lower oil prices will deter oil-related investments in the region, but not necessarily over the short term as this will depend on how long prices stay low and on project-specific breakeven prices.

IMF TA and Training in the Caribbean

Keeping the Momentum

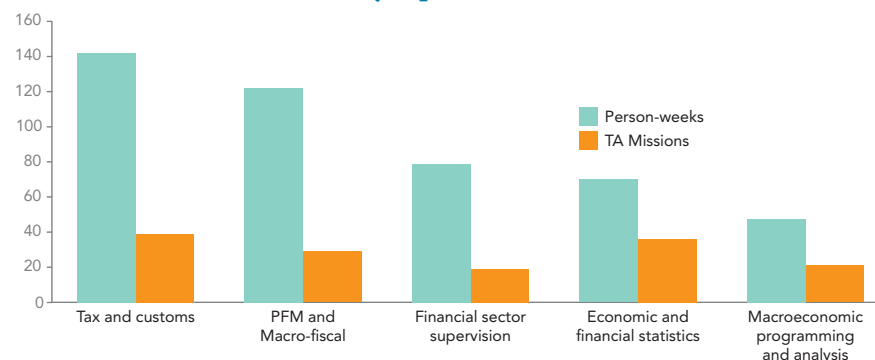
By Rushawn Engleton and Issouf Samake

The Caribbean Regional Technical Assistance Centre (CARTAC) held its semi-annual steering committee meeting on December 9, 2014 in The Bahamas. David Kloeden, the new coordinator who succeeded Arnold McIntyre, presented CARTAC’s work program. CARTAC will continue to focus its service delivery on the five core areas that reflect the Caribbean countries’ needs (namely, tax and customs administration, public financial management–PFM, financial sector supervision, economic and financial statistics, and macroeconomic programming and analysis). As in the past and given the urgent need to improve the public finances in the Caribbean, greater focus will be on tax and customs administration and PFM. For the rest of the fiscal year 2014/15 (January–April 2015), almost half of the 144 planned technical assistance (TA) missions will be in these areas.

The region’s TA needs remain enormous. For example, in customs administration, one challenge facing officials is the need to enhance risk management programs to strike a better balance between trade facilitation and tax compliance. The volume of imports selected for physical inspection in the region is disproportionately high (about 60 percent in excess of the regulatory level), and does not yield a proportionate increase in revenue and only has a limited impact on improving trader compliance.

On PFM, while supporting individual countries’ efforts on PFM to improve fiscal positions and efficiencies, the regional PFM TA activities will generally emphasize the framework to measure performance, including the introduction of new indicators (indicators to improve the credibility

CARTAC’s Planned TA, January–April 2015¹



¹Cumulative number of TA missions held over the specified time period. Source: CARTAC.

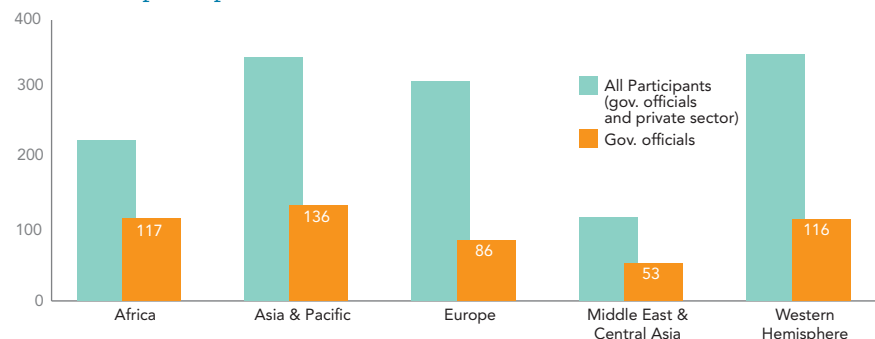
of fiscal strategy, the management of public investment, and public sector asset management), a review of existing indicators such as those related to revenue, and a restructuring or removal of some indicators.

On training, the Fund’s capacity-building is gaining strength. In addition to its face-to-face and long-distance learning, including the Small Private Online Course (SPOC), the Fund recently introduced the Massive Open Online Course (MOOC) in June 2014. The MOOC is open to any person wishing to register and is offered free of charge. The online courses have attracted a lot of interest from public and private sector participants alike. With the MOOC, the number of participants from the Caribbean in online courses has increased as more and more people have become aware

of this unique training opportunity. For instance, of 197 Caribbean participants that attended the online courses (through June 2014), 97 completed the MOOC. So far the highest concentration of participants in online courses has been in the Dominican Republic and Trinidad and Tobago.

In order to further expand the reach of its training and make it more accessible to individuals globally (free of charge), the IMF’s (Institute for Capacity Development) will launch three additional online courses in 2015, including on Financial Policies and Programming, which will cover the preparation of a baseline macroeconomic forecast and the design of an economic adjustment program (for more detail please see: imf.org or click on [ICD’s 2015 Training Catalog](#)).

(Number of participants)



Source: Institute for Capacity Building, International Monetary Fund, MOOC, June 2014.

REGIONAL ACTIVITY

The 2014 Caribbean Forum Unlocking Economic Growth

By Wendell Samuel
and Saji Thomas

The 2014 Caribbean Forum was organized by the Jamaican authorities and the IMF during October 23-24 in Montego Bay, Jamaica. This year's theme was "Unlocking Economic Growth."¹ This third annual forum brought together policymakers from eleven countries (about 130 participants), including finance ministers and central bank

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governors, senior representatives from the World Bank, IDB, CDB, Canada, China, the EU, and UK. The IMF delegation was led by Deputy Managing Director Min Zhu. The aim of this year's forum was to discuss Caribbean policy challenges in three key levers for growth: energy, tax incentives for investment, and financial sector resilience.

There was broad agreement that high energy costs are a central problem to economic growth in the Caribbean, and that investment to improve efficiency should be a key priority. Discussions centered on alternative sources of energy: namely, natural gas, geothermal and even coal. It was recognized that, although gas prices are favorable, there are problems of scale in switching to gas,

1. The first two conferences in 2012 and 2013 focused on fiscal and debt issues, and growth respectively.



Photo: Raphael Anspach/IMF

Front row, left to right: Caribbean Development Bank President William Warren Smith, World Bank Vice President for Latin America and Caribbean Jorge Familiar, Jamaica Prime Minister Portia Simpson Miller, IMF Deputy Managing Director Mr. Min Zhu, Jamaica Finance and Planning Minister Peter Phillips, and IMF Director Alejandro Werner.

Back row, left to right: Governor of Central Bank of Barbados Delisle Worrell, Governor of the Central Bank of The Bahamas Wendy Craigg, The Bahamas Financial Secretary John A. Rolle, Dominica Financial Secretary Rosamund Edwards, Antigua and Barbuda Financial Secretary Whitfield Harris Jr., ECCB Governor K. Dwight Venner, Antigua and Barbuda Senator Lennox Weston, Finance Minister of The Bahamas Michael Halkitis, Finance Minister of Guyana Ashni Kumar Singh, Minister of Economic Development of Grenada Oliver Joseph, Governor of the Central Bank of Belize Glenford Ysaguirre, Financial Secretary of Belize Joseph Waight, IDB Caribbean Country Director Gerard Johnson, Ministry of Finance Permanent Secretary of St. Lucia. Reginald Darius, Director of Research at the Bank of Suriname Karel Eckhorst, Governor of the Central Bank of Guyana Gobind Ganga, Deputy Governor of the Central Bank of Trinidad and Tobago Alvin Hilaire.

because it requires new infrastructure. There is clearly a need in many countries to invest in infrastructure for growth; however, given the limited fiscal space, the authorities wanted to make these investments in a fiscally responsible manner and explore non-traditional options that involved private sector participation. On Petrocaribe financing, there were concerns about how recent developments in Venezuela and declining oil prices may affect the Petrocaribe arrangement with the Caribbean.

There were divergent views on the role of tax incentives for investment. The International Financial Institutions (IFIs) argued that such incentives are costly, and the region cannot afford them. The fiscal costs associated with such incentives have risen to around 7 percent of GDP for some countries. Still, many policymakers see them as a way of compensating for

other weaknesses in attracting FDI. Moreover, previous failed initiatives to mobilize regional cooperation to limit tax competition dim prospects for success of any new region-level effort. In that respect, a code of conduct would be a good start.

Participants noted that the region's financial sector remains fragile. Non-performing loans (NPLs) have generally continued to increase since the financial crisis. Strengthening banking supervision and regulation would help contain NPLs and help ensure higher quality credit. There were differing views on whether banks should take on a more active role in providing credit for small and medium sized enterprises to jump start growth. However, the banks argued that they cannot do so right now because of their responsibilities to their depositors. Nonetheless, the Caribbean authorities expressed their interest in a more

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REGIONAL ACTIVITY

The Santiago Conference Challenges for Securing Growth and Shared Prosperity in Latin America

By Nicole Laframboise

On December 5-6 in Santiago, Chile, the Government of Chile and the IMF held a [high level conference](#) on growth and social progress in Latin America. The conference brought together over 500 participants from 30 countries, including Canada, the U.S., Europe, Asia, the Caribbean and Central America. They included leaders, policymakers, academics, opinion-makers, financial sector

“After 15 years of success, many economies in Latin America have recently been experiencing growing pains, pushing up against capacity constraints in production and human capital that cast a shadow on future growth prospects.”

experts, and representatives from the business community and civil society. Participants gathered to discuss policies to secure stronger growth and achieve progress at reducing inequality



Opening ceremony reception: Left—Peter Phillips, Minister of Finance of Jamaica, greeting students from the Universite de Chile; and Right—Dr. Damien King, Chair of the Department of Economics from the University of the West Indies (Jamaica), chatting with IMF Managing Director Christine Lagarde.

in the region. Prof. Nicholas Barr from the London School of Economics gave a presentation on the economic impact of education reform and Prof. Jeffrey Sachs from Columbia University gave a rousing keynote closing speech.

The conference was part of ongoing efforts to strengthen our understanding of the key economic and social issues facing Latin America and deepen our engagement with the region. It will also inform the IMF policy work and analysis in advance of the 2015 Annual Meetings in Lima, Peru.

Over the past 15 years, economies in Latin America performed extremely well. Having built sound policy frameworks and macro buffers, they weathered the global financial crisis when other regions floundered. Most countries also made major progress at reducing poverty and inequality. For the first time, there are now more people in the middle class in Latin America than there are poor.

Against this backdrop, the [conference](#) was organized around sessions dealing with global macro risks, normalization of global monetary conditions, productivity and growth, inequality and social progress, and financial inclusion. Under these themes, panelists were invited to share views and ideas about how to raise potential growth and meet the demands of a growing middle class, impatient for better and more public services.

A [key message](#) that emerged was the need to prioritize raising productivity by upgrading infrastructure, strengthening integration in trade and institutional networks, including in areas like

The Santiago Conference, *continued on p. 13*



Minister of Finance of Chile Alberto Arenas de Mesa and International Monetary Fund Managing Director Christine Lagarde wrap up the two day conference.

Photo: Stephen Jaffe/IMF

REGIONAL ACTIVITY

Women, Work and the Jamaican Economy

by Bert van Selm
(IMF Resident Representative
in Jamaica)

On September 30, 2014, the Jamaican authorities and the IMF jointly organized a seminar on “Women, Work and the Jamaican Economy.” Building on a recent [IMF Staff Discussion Note on the macroeconomic aspects of gender equity](#), the seminar looked into female labor market participation in Jamaica. Jamaica’s Prime Minister, Portia Simpson Miller, opened the conference with an impassioned speech emphasizing her government’s commitment to gender equity and the policies that her government has put in place to foster greater participation of women in the country’s economic life.

“Worldwide, the contribution of women to measured economic activity and economic growth remains far below its potential, with serious macroeconomic consequences... In order to unleash the economic power and potential of women, policies, laws, institutions, and attitudes need to change.”

Kalpana Kochhar, Deputy Director at the IMF Asia and Pacific Department, made a presentation on the Fund’s work on gender. Worldwide, the contribution of women to measured economic activity and economic growth remains far below its potential, with serious macroeconomic consequences. Despite progress in



IMF Resident Representative Bert van Selm introduces Prime Minister Portia Simpson Miller to Kalpana Kochhar, who leads the Fund’s work on gender.

recent decades, labor markets across the world remain divided along gender lines, and female labor market participation has remained lower than male participation. Women account for most unpaid work, and they face significant wage differentials relative to their male counterparts. There are obvious benefits from greater inclusion—not just for women, but for everyone. In rapidly aging economies, higher female participation can boost growth by mitigating the impact of a shrinking workforce. Better opportunities for women, for instance through higher levels of school enrollment for girls, can also contribute to broader economic development in developing countries.

In order to unleash the economic power and potential of women, policies, laws, institutions, and attitudes need to change. Implementing policies that remove labor market distortions and create a level playing field for all will give women the opportunity to develop their potential and to participate in economic life more visibly.

In her presentation, Dr. Leith Dunn from the University of the West Indies provided an overview of the gender profile of the Jamaican economy. Female labor force participation is much lower, and unemployment much higher than for their male counterparts. This contrasts with educational achievements, with women outnumbering men more than 2:1 now in enrolment in tertiary education



Left to right: Senator Imani Duncan-Price, Kalpana Kochhar, Leith Dunn, seminar moderator Therese Turner-Jones, and Mariama Williams.

in Jamaica. Dr. Dunn focused on the need for more disaggregated data on gender and for more research on the impact of economic policies on women. Dr. Mariama Williams, Senior fellow at the South Center in Geneva, noted that the IMF’s involvement in this issue is very welcome, and she commended IMF Managing Director Christine Lagarde for highlighting the importance of gender equality in several speeches and events. However, she criticized what she saw as the “instrumentalizing of gender,” where women’s role in economic life is seen narrowly through the lens of economic growth and development rather than as being a human right in and of itself.

The event was very well attended, with over 100 participants from Jamaica (including various women’s groups, lawmakers from the ruling and opposition parties, Finance Minister Dr. Peter Philips, and Central Bank Governor Brian Wynter), the EU, the diplomatic community, and international financial organizations. Coverage of the event in the Jamaican media was very good (see for example [this publication by The Gleaner](#)).

Following up on the seminar, the Fund will continue the dialogue with women’s organizations in Jamaica, as well as discussion with the authorities on specific policies to strengthen the position of women in the labor market. Such policies could be considered for incorporation into Jamaica’s Fund-supported economic reform program.

proactive role of banks.

The conclusion is that a substantial work agenda remains, in each of the three topics of the Forum. IMF Deputy Managing Director Zhu committed to continued collaboration with the region in each area—with particular focus in the coming year on the energy sector, as a ‘flagship policy

challenge’. IMF teams will seek to add value to ongoing regional work by assessing the macro-impact of countries’ specified energy strategies, including financing needs and options. Consultations with other IFIs will facilitate the development of a shared regional perspective on Caribbean-wide energy needs and possibilities. On tax incentives, a pragmatic way to begin to reduce revenue losses would

be to cap discretionary exemptions and limit discretionary powers. For the financial sector, the Fund’s attention will continue to concentrate on achieving a successful ECCU banking resolution. And work on regional interconnectedness will continue, in order to establish a foundation for improving resilience in larger Caribbean countries as well.



Left to right: Caribbean Development Bank President Warren Smith, World Bank Vice President for Latin America and Caribbean Jorge Familiar, Prime Minister of Jamaica Portia Simpson Miller, Finance Minister of Jamaica Peter Phillips, IMF Director Alejandro Werner, and IMF Deputy Managing Director Min Zhu.



The forum organizers, left to right: Saji Thomas, Joy Villacorte, Irina Sirbu, and Wendell Samuel.

transportation, energy and security, and strengthening education and training—the “essence of development”. On social progress and

“To raise potential output and secure sustained growth, it will be crucial to fix infrastructure gaps, invest in education, training, and technology, and strengthen integration in trade and areas like labor, environment and security.”

inequality, discussions centered on how social protection and inclusion are intricately linked to growth, and how economic diversification is in turn



Jeffrey Sachs, Director of the Earth Institute, Columbia University speaks at the plenary session of the conference.

Photo: Stephen Jaffe/IMF

crucially linked to inclusive education and other broader public services—a virtuous circle. Participants generally agreed that, in Latin America, the revenue base will need to be broadened to break the cycle of low taxation and limited public services, and that priority should be placed on investing in education and reducing informality.

Participants also agreed that making financial services more accessible could play a critical role in

promoting broad-based growth and reducing income inequality. Officials from different countries talked about several successful initiatives, including in Colombia, which have significantly increased the number of people with access to banking services.

Finally, during his keynote address, Professor Sachs presented an upbeat, sweeping vision for the region. He encouraged Latin America to let sustainable development be its guiding principle while embracing technology and natural sciences. He said “redistribution policies are working and education is spreading—these are the most fundamental drivers of equality”. He concluded that, with its vast natural and human resources, and with more investment in people and infrastructure, the region will be well placed to navigate challenges ahead.