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Latino-Americano e do Caribe
Système Economique
Latinoaméricain et Caribéen

Presentation on the Monterrey Consensus

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*Regional Dialogue on Financing for Development and Foreign Debt ahead of the UN High-Level Meeting
to review the implementation of the Monterrey Consensus; Doha, 2008*

Caracas, Venezuela

20 June 2008

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PRESENTATION ON THE MONTERREY CONSENSUS

LATINAMERICAN ECONOMIC
SOCIETY

CARACAS, VENEZUELA

JUNE 20, 2008

MONTERRY CONSENSUS ISSUES

- (i) Mobilisation of domestic financial resources;
- (ii) Increased access to international finance;
- (iii) Promotion of international trade;
- (iv) Increase in official development assistance (ODA);
- (v) Debt relief;
- (vi) International governance.

Areas of focus in the Presentation

- Development financing in the Caribbean;
- Debt and debt servicing;
- Agriculture and Energy

DEVELOPMENT FINANCING

- Inadequate development financing a significant constraint to growth and development in the Caribbean;
- Distribution of resources inflows very skewed;
- 70% to 80% of net foreign direct investment between 1997 and 2006 – Trinidad and Tobago, Jamaica and the Bahamas

DEVELOPMENT FINANCING (CONT'D)

- Concessionary resources – 65% of net inflows to Haiti, Jamaica, Trinidad and Tobago (1996-2005)
- Sectoral distribution of resource inflows similarly skewed (extractive industries/oil, bauxite, tourism)
- Manufacturing and agriculture largely neglected
- Majority of the Caribbean poor in rural areas
- Food security currently re-emerging as major issue

DEVELOPMENT FINANCING (CONT'D)

- (i) Most discussion on development financing tends to focus on the quantum, not the distribution;
- (ii) Need for donor support to help access FDI (development of a pipeline of marketable projects, marketing of projects, insertion of infrastructure etc.)

CDB AND DEVELOPMENT FINANCING

- US\$2.9bn – loans, grants and equity financing (1970-2007);
- o/w US\$0.25 bn (grants)/8.6% of disbursements;
- o/w US\$0.15bn (SDF)/5.2% of disbursements;
- SDF also used to blend with hard resources (OCR) to make funding accessible;
- SDF funding approximately 30% of loans

CDB AND DEVELOPMENT FINANCING (CONT'D)

- SDF - main source of funding for BNTF (Basic Needs Trust Fund);
- BNTF – Flagship poverty reduction programme;
- Funding of approximately US\$200mn so far (micro projects)/6.9% of disbursements

DEBT AND DEBT SERVICING

- Significant number of Caribbean countries in fiscal and debt difficulties;
- Six Countries average fiscal deficits on more than 5% of GDP (2002-07);
- Five had public sector debt to GDP ratios of more than 100%(end of 2007);
- Five had ratios of more than 60% of GDP

	Ang.	Ant.	Bah.	Bar.	Bel.	BVI	C.Is.	Dom.	Gren.	Guy.	Jam.	SKN.	STL	SVG	T&T
2001	17.0	137.7	46.6	72.3	51.9	4.3	9.7	100.1	77.1	209.1	130.3	132.3	47.2	71.2	37.0
2002	20.2	137.7	51.3	79.8	62.4	4.4	8.5	115.9	102.6	211.5	137.3	152.3	53.5	72.3	56.8
2003	20.2	138.9	54.6	75.4	81.7	5.2	9.0	112.5	100.5	188.9	140.0	193.6	59.4	75.4	49.9
2004	23.6	158.4	54.0	75.1	100.2	12.9	9.3	94.7	118.2	179.0	140.9	178.8	65.9	79.4	44.6
2005	25.4	123.9	53.9	80.2	98.4	3.8	9.6	99.9	109.7	173.8	135.0	178.3	64.1	84.3	37.6
2006	21.9	109.7	37.3	n.a.	92.1	4.4	8.5	98.5	113.6	125.8	132.4	178.7	65.8	89.2	30.5
2007	21.8	101.4	38.1	90.0	90.2	n.a	n.a.	95.0	113.2	125.8	128.1	n.a.	68.2	77.0	28.3

Source:CDB

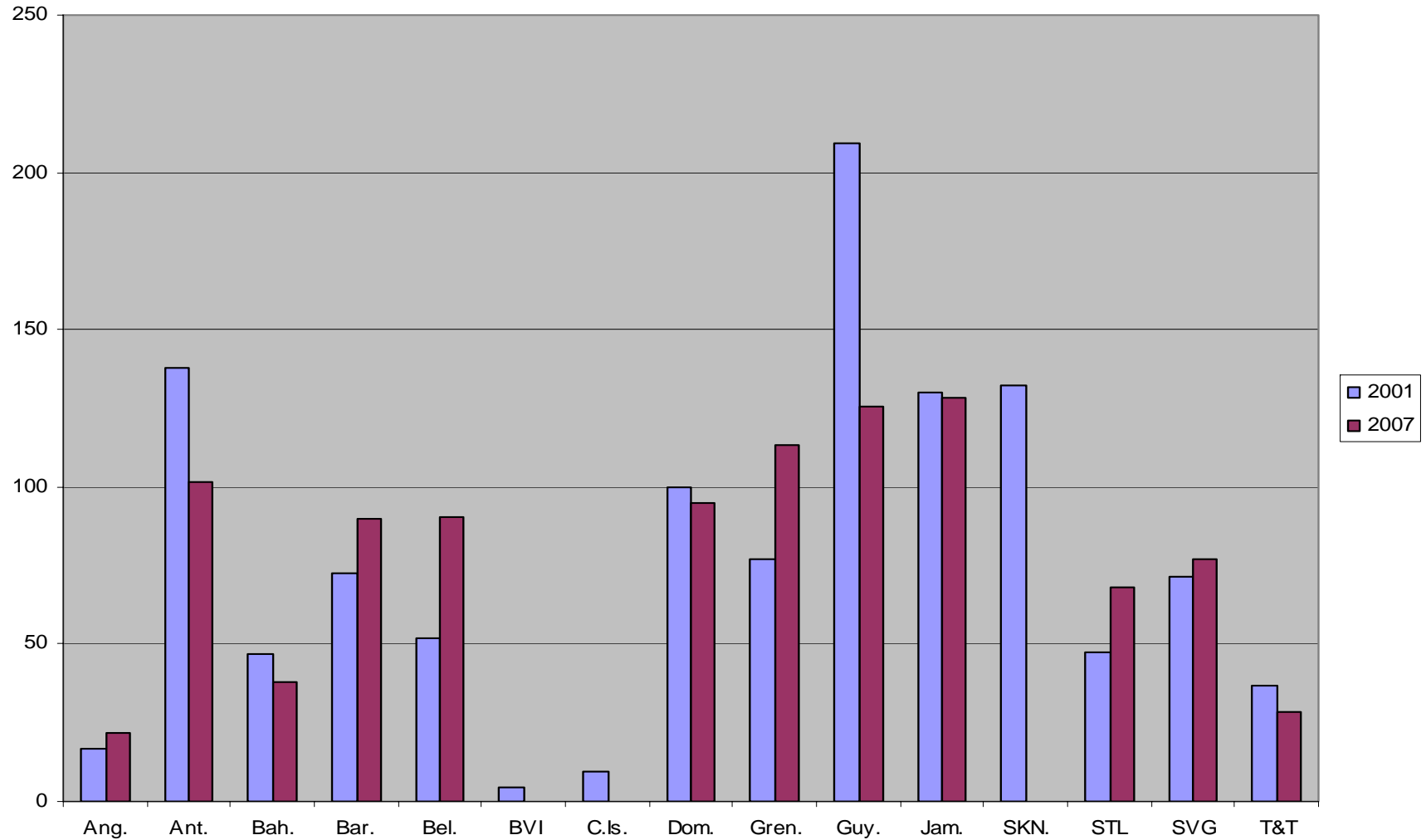
	Ang.	Ant.	Bah.*	Bar.	Bel.	BVI	C.Is.	Dom.	Gren.	Guy.	Jam.	SKN	STL	SVG	T&T
2001	2.9	14.0	11.6	22.6	42.0	n.a.	7.3	n.a.	17.8	24.2	145.2	39.6	n.a	17.5	8.2
2002	5.0	43.3	16.2	24.3	80.8	n.a.	8.0	20.4	31.9	18.4	138.9	45.2	n.a.	16.3	28.9
2003	7.9	32.2	37.5	22.4	60.0	n.a.	39.7	22.1	34.7	25.4	131.1	50.3	16.4	14.5	10.0
2004	7.3	41.7	9.9	22.0	81.8	1.6	5.2	20.9	61.4	20.2	140.5	50.2	18.4	16.0	14.9
2005	4.0	111.4	8.0	20.6	82.1	2.0	4.5	15.4	19.5	8.7	128.6	47.8	23.2	19.9	29.9
2006	14.8	40.7	n.a.	n.a.	n.a.	2.5	4.9	15.6	18.8	n.a.	105.3	41.6	25.4	26.6	7.5
2007	4.0	27.5	n.a.	27.7	n.a.	2.8	n.a.	15.5	20.2	n.a.	86.9	39.5	24.6	25.0	9.8

Source: CDB, IMF

* External debt service only

Debt and Debt Servicing

Total Public Debt to GDP Ratio

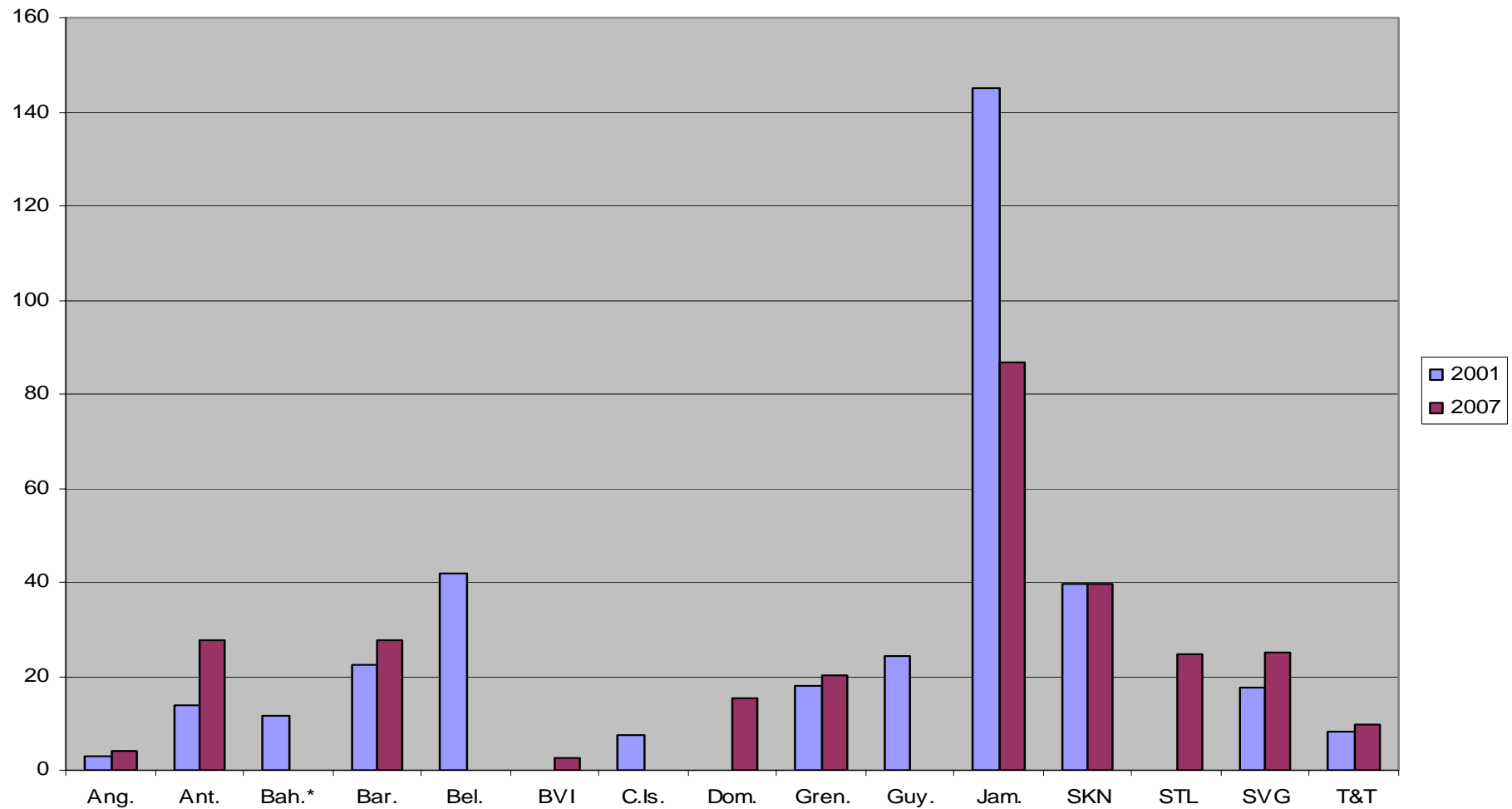


DEBT AND DEBT SERVICING (CONT'D)

- Several countries with very high ratios of debt service to recurrent revenue (Jamaica; Belize; St. Kitts and Nevis);

Debt and Debt Servicing

Total Debt Service to Recurrent Revenue Ratio



CAUSES OF HIGH DEBT AND DEBT SERVICING

- Limited access to concessionary financing;
- Increased access to commercial resources
- Increased interest and amortisation payments;
- Inexperience of newcomers to the market;
- Caribbean debt situation has worsened since 2002;
- The need for debt relief has increased

DEBT AND DEBT SERVICING (CONT'D)

- In contrast, in Africa, debt and debt servicing has declined;
- Substantial support to Africa from the international community;
- Average Debt to GDP ratio declined from 62.0% (1998-2001) to 47% of GDP (2002-2005);
- Average debt service declined from 5.9% of GDP(1998-2001) to 4.4%(2002-2005)

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DEBT AND DEBT SERVICING (CONT'D)

- In contrast, in the Caribbean, very little support internationally for debt reduction and relief;
- Exceptions – Haiti and Guyana (HIPC);
- Argument - Middle income countries do not qualify for this type of support;
- Need for similar or new mechanisms to bring debt relief to these countries

DEBT AND DEBT SERVICING (CONT'D)

- Need also for support towards improved fiscal and debt management;
- Need for support for strengthened public investment capability;
- Need for more concessional resources;
- Small countries cannot borrow much from the markets;

Agriculture and Energy

- Agriculture and Energy – new and pressing development concerns;
- Rising food and oil prices - serious threats to growth, poverty reduction, political, economic and social stability;
- Need to refocus development efforts on agriculture/food security and energy issues – conservation, diversification and oil exploration

Summary of Recommendations

- Increased guarantees and interest subsidies from the donor community, including IFIs, for development financing as a means of lowering the cost of borrowing and increasing access to external finance through risk reduction. A special fund can be established for this purpose.
- Establishment of special mechanisms to bring more effective debt relief to middle income countries;
- Technical and financial support for the development of debt management units;
- Support for the enhancement of public sector investment capacity to improve efficiency and effectiveness (project planning, implementation, monitoring, evaluation);
- Assistance in the formulation and implementation of policies to attract FDI;

Summary of Recommendations

- Development of domestic private sector capacity;
- Adherence by the donor community of its commitments to increase ODA with due regard to equity in the distribution of development financing at the national and sectoral levels;
- Support for technology transfers to accelerate growth;
- Assistance for human resource development as a key ingredient in growth and poverty reduction;
- Addition to the post-Monterey international development agenda discussion of strategies for addressing the food and energy crises.