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## CARICOM'S RESPONSE TO THE THREATS TO CORRESPONDENT BANKING AND BREXIT

Prolonged weak global economic conditions continue to be a major challenge for most CARICOM members who have had to endure relatively low rates of economic growth in the years following the recent international financial crisis. In 2015 the service-based economies of CARICOM experienced some improvements in their overall economic performance while most commodity-based economies experienced a deterioration in their economic growth due in large part to lower commodity prices. The IMF's updated Western Hemisphere regional outlook (July 2016) stated that the economic performance in the Caribbean for the first six months of 2016 has been relatively modest, with the serviced-based economies in the Caribbean benefiting from the U.S. recovery, although risks are increasing from the zika virus, the challenges posed by de-risking and Brexit. Against this background, the IMF revised its growth outlook for the Caribbean region for 2016 from 3.5 per cent (April 2016) to 3.4 per cent (July 2016). The key policy objectives for most Caribbean economies have been addressing their fiscal vulnerabilities and strengthening the financial sector while boosting long-run growth.

The uncertainty of how Brexit will unfold and the de-risking by international banks were factors that contributed to the 0.1 percentage decline in the projected growth rate in 2016 for the Caribbean. These issues were discussed at the recently concluded 37<sup>th</sup> Regular Meeting of the Conference of Heads of Government of the Caribbean Community held in Guyana from 4-6 July 2016. The Meeting's conclusions were that the financial and economic stability of the CARICOM economies in 2016 are threatened mainly by the possibility of correspondent banking relations of regional financial institutions being terminated and by the unfolding implications of Brexit, since the United Kingdom is a key partner to CARICOM economies.

From the communique issued at the conclusion of the CARICOM heads of government meeting, the following

measures were proposed to deal with these two significant threats currently facing the Community:

### (1) Correspondent Banking Issues

CARICOM has agreed to advance its efforts to address de-risking and its effects on the region by:

- directly approaching the government of the United States to explain the challenges posed by this development;
- to continue its robust and unrelenting advocacy on the issue;
- to have the Committee of Ministers of Finance on Correspondent Banking maintain the current high level engagement;
- to host a Global Stakeholder Conference on the Impact of the Withdrawal of Correspondent Banking on the Region which would include banks and regulators from the region, the United States of America, Canada

### What is De-risking?

*De-risking is international banks' withdrawal from their relationships with indigenous banks because of fears of money laundering and questionable sources of funds which would cause the international banks to receive heavy fines from their regulators. Regional banking institutions rely on such relationships in order to allow residents to conduct international financial transactions. The issue has been occupying the attention of regional policy-makers, following signals by international banks that they are unwilling to continue carrying the business of regional banks.*

*CARICOM, and indeed the Caribbean as a whole, is concerned about this issue. If all correspondent banking relations are withdrawn, the region will be isolated from the rest of the world and will be unable to carry out some of the most basic of bank transactions. Critical services including remittance transfers, international trade, and the facilitation of credit card settlements for local clients, among other services, will be affected.*

*(CARICOM Secretariat, 30 June 2016)*

## CARICOM'S RESPONSE TO THE THREATS TO CORRESPONDENT BANKING AND BREXIT cont'd

and Europe, international development partners and representatives from civil society.

Additionally, other initiatives have already been taken by CARICOM to address this issue. These include the following:

In February 2016, a high level advocacy team headed by Antigua and Barbuda Prime Minister, the Hon. Gaston Browne was established. Prime Minister Browne's mission was to represent the Community's interest at all levels, including with the United Nations (UN), the World Trade Organisation (WTO), and the United States Congress.

A meeting was also held with US Treasury and State Department officials and the matter was also discussed with the UK Foreign Secretary in April 2016.

A report on the UN-Caribbean Public-Private Dialogue on Correspondent Banking held in Jamaica was presented to the Meeting of the Council for Trade and Economic Development (COTED) held in Georgetown in April 2016. The Public-Private Dialogue brought together bankers in both the onshore and offshore sectors from the US and the Caribbean, as well as central bankers and government officials from both parties. Trade ministers at the COTED meeting reiterated that the correspondent banking issue was a troubling one that was not limited to pure banking, but had trade and economic implications, and had the potential to lead to an upsurge in illegalities. They also underscored the fact that the threat was being made even as all CARICOM member states were compliant with all international financial regulations. The ministers agreed that a comprehensive consistent and diplomatic offensive should be launched.

The trade ministers also supported a Declaration of the Permanent Council of the Organisation of American States (OAS) that was tabled for adoption 30 March, 2016, at a special meeting summoned by the then Chair of the Permanent Council, Ambassador Ronald Sanders. The Declaration addressed the severe threat posed by the severing of correspondent banking relationships to the economic growth, social development and political stability of small economies. The Declaration also called for urgent action to ensure that banking regulations designed to foster transparency and accountability and prevent money laundering and terrorism financing do not create financial exclusion and economic decline of small

economies by cutting off their access to international correspondent banking.

### *Box 1. : The Withdrawal of Correspondent Banking Relationships in the Caribbean: Selected Country Cases*

*Major global banks have recently terminated CBRs with many banks in the Caribbean or are considering doing so. At least 16 banks in the region across five countries have lost all or some of their CBRs as of May 2016. The loss of CBRs has had a varying impact across Caribbean countries depending on the size of the affected banks and the level of foreign presence in affected countries' banking systems. The full extent of the impact has yet to be quantified, but the unmeasured effect has been a loss in business confidence and in the ease of some basic transactions.*

*The main CBR providers in the Caribbean are located in the United States, Canada, and to a lesser extent Europe and the Caribbean. Several institutions in Barbados, The Bahamas, the Eastern Caribbean Currency Union, Guyana, Haiti, Jamaica, and Trinidad and Tobago have had CBRs terminated. Many of them have reportedly been able to find replacement CBRs or rely on their remaining ones. Reasons given for terminating the existing CBRs have included risks associated with the presence of offshore sectors in some of these countries or jurisdictions with concerns about supervision and legal frameworks, the inclusion of higher-risk categories of customers (for example, Money or Value Transfer Services, cash intensive firms, specialized professionals, and politically exposed persons), in respondent banks' customer base, a change in the correspondent bank's risk appetite and perceived lack of profitability of certain correspondent banking services. Facing pressure on their CBRs, some respondent banks have tried to mitigate the risk of losing access to such relationships by closing local accounts with their higher-risk customers.*

*In Belize, several banks have lost their CBRs. Only two of the country's nine domestic and international banks (representing 27 per cent of the banking system's assets at the end of March 2016) have managed to maintain CBRs with full banking services. Other banks have found alternative relationships with non-bank providers of payment services or through nesting arrangements. The Central Bank of Belize has also lost two of its CBRs. While the overall size of deposits and lending in the country has not been affected, international banks' deposits have decreased significantly, with this decrease partly compensated by an increase in deposits in domestic banks. There has also been some displacement of customers toward the two banks that still have CBRs with full banking services.*

*Financial institutions in The Bahamas have experienced additional scrutiny of their CBRs, although only in a few cases has this resulted in temporary disruptions of correspondent banking services. Five financial institutions (representing about 19 per cent of the assets of the banking system) have recently lost one or more CBRs. The Money or Value Transfer Services sector has also been affected, as well as various business lines, including credit card payments, cash management, investment services, clearing and settlement, international wire transfers and remittances. Although the impact has been limited so far, further pressure on CBRs could have an adverse effect on the financial sector and increase costs of outgoing remittances in the Caribbean. Indeed, The Bahamas is a source of remittances to other countries. In Haiti, for example, the impact of this spillover would be immediate, as about 75 per cent of remittances from The Bahamas to Haiti are paid and received in the same day.*

*Source: The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action, IMF Staff Discussion Notes, June 2016*

## CARICOM'S RESPONSE TO THE THREATS TO CORRESPONDENT BANKING AND BREXIT cont'd

### (2) Brexit

The Heads of Government of CARICOM see Brexit<sup>1</sup> as a defining moment in world affairs, as its impact was felt immediately worldwide; its geopolitical and geo-economic repercussions would be far-reaching and long-lasting. The United Kingdom and the European Union are strong and valued partners of CARICOM and it was agreed that CARICOM would continue to monitor developments as the exit process unfolded and underlined the importance of a common and structured approach that is technical, political and diplomatic. A detailed brief on the political, diplomatic, trade, economic and financial implications of Brexit for the region, as well as recommendations for addressing them, was presented to the Heads of Government. It is yet to be seen what CARICOM will do in dealing with this threat.

Sir Hilary Beckles<sup>2</sup>, also suggested that CARICOM should move as a matter of urgency to deal with Brexit and avoid a wait-and-see approach. CARICOM's immediate response should be to establish, with The UWI, a task force to research, monitor and report on the weekly developments that will take place over the next two years. It's important, he said, that leaders in government and the private sector have access to factual, detailed information on an ongoing basis in order to guide their thinking and decisions<sup>3</sup>.

Secondly, Sir. Hilary proposed that CARICOM set up a Regional Research and Development Fund in order to facilitate innovation within the private sector that is required to strengthen entrepreneurship. He also commented on the failure of the region to take advantage of the opportunities of the Economic Partnership Agreements with Europe. He noted that the regional economy is at a stage where it can only compete based on

innovation, and it is failing to do so because of inadequate research and development within production. Sir Hilary said that the Caribbean region "must also strengthen the conversation around and renegotiate the various agreements that can strengthen and expand the CARIFORUM (EU Economic Partnership Agreement), including pacts negotiated by the African, Caribbean and Pacific States (ACP) which the Caribbean has not taken full advantage of over several years and the Community of Latin American and Caribbean States (CELAC)."

He pointed out that even before the Brexit vote, the EU had graduated most Caribbean countries, with the exception of Haiti, into a middle-income designation level "that denies us the support we are entitled to". In this regard, he said CARICOM should insist that a vulnerability index be used instead to more accurately gauge the needs of the various countries in the region.

CARICOM's efforts to date to deal with the effects of the correspondent banking issues and Brexit have been notable but the outcomes of these efforts have not borne much fruit. It is therefore important that efforts to deal with these two threats be redoubled since further delay can cause financial and economic instability in CARICOM economies which could weaken the development process in the region.

#### Notes:

- 1: On June 24th Britain voted to leave the European Union.
- 2: Professor Sir Hilary Beckles is UWI Vice-Chancellor. His comments were made at the forum, titled 'Brexit: Implications for the Caribbean', which was held in Jamaica on 30 June 2016.
- 3: See article by D. Seerattan in CCMF Newsletter, June 2016.

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## CARICOM HEADS OF GOVERNMENT ENDORSE ACTION PLAN FOR STATISTICS IN THE REGION

Regionally, there is an increasing demand for better data to inform decision-making. But that demand has exposed deficiencies in national statistical offices and has prompted initiatives to better equip these offices with the tools, human and otherwise, to do the job. In 2013 it was the view of Dr. Philomen Harrison, the Director of Statistics at CARICOM, that governments of CARICOM member states should invest in statistics on a continuous basis as this will help develop more competitive economies which would support continued improvements in the quality of life of the Caribbean people. It

is crucial that, while the CARICOM region seeks to promote itself as a viable economic space for investors, governments of the region invest in their statistical offices to ensure that they are equipped and trained to produce and disseminate high quality, reliable and timely statistical information. Officially launched in November 2013, the aims of the Caribbean Association of Professional Statisticians (CAPS) are to positively impact on the data harmonization process within the region and to promote its membership directory as a catalyst for the development of a database of regional experts.

## CARICOM HEADS OF GOVERNMENT ENDORSE ACTION PLAN FOR STATISTICS IN THE REGION cont'd

Since 2013 there has been a transformation of regional statistics within CARICOM; a number of high level advocacy forums were held, all with the main goal of transforming the way data are collected and disseminated in the Caribbean region. In 2015, CARICOM's Statistics Department's aim for regional statistics was to focus on providing statistical information to accelerate implementation and use of the CARICOM Single Market and Economy. Major activities included facilitating regulatory, institutional and administrative reforms in member states to enable wage-earners, the self-employed, companies and consumers to freely enter and participate in markets related to the five core regimes.

As the Community looks to strengthen its national statistical systems, an Action Plan for Statistics, developed by the Standing Committee of Caribbean Statisticians, was endorsed at the 37th Meeting of the Conference of Heads of Government. The plan supports a regional approach to the development of statistics that, among other things, will enable the upgrading of the information and communications technology infrastructure to provide support to human resource development. The Action Plan was piloted by the Prime Minister of Grenada, Dr. the Rt. Hon Keith Mitchell, who has lead responsibility for science and technology in the CARICOM Quasi Cabinet. The plan itself is an outcome of a High Level Advocacy Forum on Statistics held in St. George's,

Grenada, in 2014.

The Action Plan will, in part, strengthen the national statistical systems in countries by addressing the funding of the national statistical offices (NSO) and other producing agencies to enable the training and development of current staff. Another of the plan's components is to enable the upgrading of the information technology (IT) infrastructure in the National Statistical Offices and Systems to improve the production and dissemination of statistics. The promotion of careers in statistics through greater infusion of the subject in the education system to lead to the development of data scientists and boosting the professionalisation of statistics in CARICOM are also catered for in the Plan. Specifically, it addresses the teaching of statistics as a data science at all levels of the school curricula.

The CARICOM Heads of Government also agreed that the UN Secretary-General should be advised that with regard to the statistical work carried out by the UN statistical system, the Community should be viewed as a distinct grouping within the Latin America and Caribbean area. They viewed this distinction as fundamental as it was based on the unique challenges that are faced by Small Island Developing and low-lying coastal States (SIDS) which constitute this grouping. The necessity to underpin any action towards growth, development and empowerment of the peoples of CARICOM with statistically sound evidence has been the consistent rallying cry of statisticians in the region.

## REGIONAL ECONOMIC NEWS

### Aruba

- Aruba Airlines recently celebrated the signing of a contract for the expansion of its fleet with the addition of a fourth aircraft, an Airbus A319, to offer customers more options on its South America and North America routes. (CNNNow, 7 July, 2016)

### The Bahamas

- International credit ratings agency Moody's has put The Bahamas on notice indicating that it will likely downgrade the country's sovereign credit rating as the agency takes a detailed look at the nation's credit worthiness over the next two months. A downgrade of a single notch by Moody's would put the country's bond status just above "junk" level. (CNNNow, 5 July, 2016)
- The Bahamas' Ministry of Foreign Affairs has denied a suggestion that it was acting for political reasons when it issued a travel advisory on the heels of the fatal shootings of two black men in Louisiana and Minnesota last week, and after five police officers were killed and seven others were injured by a shooter who opened fire during a rally in Dallas. (CNNNow, 13 July, 2016)
- The US Embassy in Nassau on 14 July warned Americans traveling to The Bahamas of a "significant increase" in armed robberies in New Providence, particularly at ATM machines. (CNNNow, 14 July, 2016)
- Tourism is supplying sources for business between Cuba and

The Bahamas, as representatives from both countries took part in a two-day forum to identify new chances for trade and investments, meeting in Havana on 18 July. (TheBahamasInvestor, 19 July, 2016)

- One year after The Bahamas government signed a \$900,000 transitional agreement with US public company PowerSecure to create a business plan to achieve a more reliable and affordable electricity supply in The Bahamas, no progress has been made, amid recurring blackouts. (CNNNow, 20 July, 2016)
- The government, through The Bahamas Embassy in China, is seeking to explore and create new economic opportunities for Bahamians through all aspects of Bahamian arts and crafts. On July 15, 2016, Bahamas Ambassador to the People's Republic of China, Paul Andy Gomez, met with leaders in the cultural arena to discuss the vast potential of Bahamian arts and culture in Asia. A number of them recently participated in a cultural tour in China. (TheBahamasInvestor, 20 July, 2016)
- The Central Bank of The Bahamas (CBB) has denied reports of a possible devaluation of the local currency insisting there 'are also no existing or emerging pressures that would precipitate the forced abandonment of the fixed exchange rate regime'. In a statement, the CBB said it wanted to assure the public that "contrary to speculation" in the local media "there is no imminent or medium-term threat of devaluation of the

## REGIONAL ECONOMIC NEWS cont'd

Bahaman dollar". (TTExpress, 22 July, 2016)

### Barbados

- Barbados is set to receive additional airlift capacity via Air Canada for the 2016-2017 winter season. This decision was borne out of a meeting held recently between Minister of Tourism and International Transport, Richard Sealy, who was accompanied by his executive technical team, and Air Canada President and CEO, Calin Rovinsecu, at the airline's Canadian headquarters. (Nation News , 5 July, 2016)
- Government has paid more than \$202 million in various refunds to Barbadians, including businesses, over the last year. Speaking in the midst of fresh private sector complaints about tardy tax refunds, Minister of Finance and Economic Affairs Chris Sinckler said despite its cash flow challenges, Government was "acutely sensitive to the legitimate lamentations of many businesses". (Nation News, 6 July, 2016)
- Long-stay visitors to Barbados spent 20 per cent more money during the first quarter of 2016 than during the same period in 2015. These are the findings of the quarterly survey conducted by the Caribbean Tourism Organization on behalf of the destination. According to the report, total visitor expenditure on the island grew from US\$280 million to US\$337 million in the first quarter. (CNNow, 15 July, 2016)
- The economy has grown, but so too have Government's fiscal challenges; on top of that, the Central Bank has lowered its overall economic growth projections for 2016. It said the change was "mainly because most major investment projects are behind schedule". The 1.3 per cent economic growth in the first six months was tempered by a decline in foreign exchange and a \$28 million increase in the fiscal deficit between April and June alone. These are the first three months in Government's 2016/2017 financial year. These developments were made known by the Central Bank Governor Dr DeLisle Worrell in his address of how the economy performed between January and June. (Nation News, 20 July, 2016)
- Sagicor Financial Corporation has officially moved its headquarters to the British overseas territory of Bermuda after more than 100 years in Barbados in its previous incarnation as The Mutual. In a statement issued on 21 July, the company said following shareholder approval of the June 8 decision, the company will continue as an exempted company under the laws of Bermuda under the name Sagicor Financial. (Nation News, 22 July, 2016)
- The Government of Barbados received its Parliament's approval to borrow the equivalent of \$244 million (BD\$73 million or US\$36.5 million) from Ansa Merchant Bank, the Barbados Parliament confirmed in a recent supplemental order paper. (TTExpress, 25 July, 2016)
- After eight years in the pipeline, the first step has been taken to make the multimillion-dollar Hyatt Hotel a reality on the Bridgetown landscape. Mark Maloney and James Edghill, directors of Vision Development Inc., the company behind the project and Patrick McCudden, Hyatt Hotels and Resorts' senior vice-president and head of corporate development and construction, recently signed an agreement that will see the

start of construction of the over US \$100 million international hotel on Lower Bay Street within the next two months. (Nation News , 27 July, 2016)

### Belize

- Belize has lost another correspondent banking relationship, between the Central Bank and Citibank of the United States. But according to Central Bank Governor Glenford Ysaguirre, Belize's financial stability continues unaffected and, as with the previous departures, Citibank cited as its reason that Belize does not do sufficient business that would allow the larger bank to keep it as a client, due to the increased diligence in reporting transactions required by U.S. regulators. (BreakingNewsBelize, 1 July, 2016)
- Belize's overnight tourism industry has set a new record for arrivals in the first half of 2016, shaking off the after-effects of a torrid few weeks following several attacks on tourists in January. According to the Belize Tourism Board, for the first time ever, more than 200 thousand visitors – 213,430, to be exact – touched down in the Jewel between January and June. ( BreakingNewsBelize, 14 July, 2016)
- Twenty government officials from Belize benefitted from a one-week workshop to build capacity in conducting public expenditure reviews (PERs), focusing on applications for education, health, agriculture and social protection. PERs are intended to align expenditures with government's priorities. (CNNow, 22 July, 2016)

### Curacao and Sint Maarten

- The final day for voter registration in Curacao ahead of the upcoming general election on September 30, 2016 was Friday 8 July. Saturday, August 20, and Sunday, August 21, are the primary selection days, when candidates vying for a seat in the next session of Curacao's parliament, the Staten Van Curacao, must obtain at least one per cent of the eligible voting population in Curacao in order to qualify to participate in the general election. (CNNow, 12 July, 2016)

### Eastern Caribbean Currency Union

- The promoter of Winsome Diamonds & Jewellery, one of India's top bank defaulters to the tune of some US\$1 billion, Jatin Mehta and his wife Sonia, gave up Indian citizenship to become economic citizens of St Kitts and Nevis in 2013-14. (CNNow, 2 July, 2016)
- Prime Minister Gaston Browne has announced that his government, in partnership with the government of Mexico, will embark on a social housing project aimed at improving the housing stock in the Villa and Point communities in Antigua and Barbuda. (CNNow, 13 July, 2016)
- The Caribbean Development Bank (CDB) has partnered with the Caribbean Male Action Network on a pilot project that will focus on sport, music and the personal developmental needs of youth in Dominica, especially young men. CDB has provided a grant of US\$49,500 to the project, which launched on July 1, and will benefit seven schools. It aims to empower youth with relevant employable and coping skills, and produce

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- youth ambassadors to act as advocates among their peers - including those exposed to violence and abuse. (CNNow, 14 July, 2016)
- The Office of National Drug and Money Laundering Control Policy and the Financial Services Regulatory Commission in Antigua and Barbuda have frozen the accounts of a Brazilian-owned offshore bank that has been in operation since 2006, following information from a Brazilian court that found a prima facie case of money laundering by certain Brazilian nationals and companies. (CNNow, 16 July, 2016)
  - Range Developments, an international developer specialising in luxury hotel projects in the Caribbean, recently signed an agreement with the government of Saint Lucia to be the master developer of the third real estate project development to be announced under the island's new citizenship by investment programme. The development at Black Bay in Saint Lucia will consist of a luxury branded hotel and villas, a small marina, and an equestrian centre set on 180 acres in the unspoilt southern tip of the island. The site is on the Caribbean southwest coast, within easy reach of the international airport and the Pitons, the world famous UNESCO heritage site. (CNNow, 19 July, 2016)
  - The 63rd meeting of the Organisation of Eastern Caribbean States (OECS) Authority was convened on the July 14, 2016, at the OECS Commission using video conferencing technology for the first time. (CNNow, 19 July, 2016)
  - With renewables accounting for 28 per cent of electricity generation, Dominica is the CARICOM member state that consumes the largest proportion of its energy from renewable sources according to a newly released Economic Commission for Latin America and the Caribbean study. (CNNow, 21 July, 2016)
  - On July 13, 2016, the executive board of the IMF concluded the 2016 Article IV consultation with Dominica. The Dominican economy was hit hard by tropical storm Erika, with output estimated to have declined by 3.9 per cent in 2015. While tourism activities have largely normalized following the resumption of full operations at the main airport, other sectors will likely need more time to be fully restored. Agricultural output and manufacturing declined sharply, as the storm affected crops and access to arable land and prompted the closure of operations at the main industrial plant. (CNNow, 21 July, 2016)
  - On July 13, the executive board of the IMF concluded the 2016 Article IV consultation with St Vincent and the Grenadines. St Vincent and the Grenadines' recovery from the global financial crisis was hampered by a series of natural disasters, sluggish global demand and slow implementation of key infrastructure projects. Economic activity appears to have recovered in 2015 - led by strong tourism inflows and a rebound in construction - while inflation has trended down due to falling food and fuel prices. (CNNow, 21 July, 2016)
  - JetBlue will offer its successful Mint premium service to Grenada starting in January 2017. JetBlue is a top airline in the Caribbean and Grenada will become the fifth Mint market in the region. (CNNow, 22 July, 2016)
  - Ian 'Patches' Liburd, minister with responsibility for energy, gave an update on a number of projects currently taking place in St Kitts and Nevis with respect to alternative energy and noted that things are progressing well. (CNNow, 22 July, 2016)
  - Work on first citizenship project begins in Dominica: Work on the Cabrits Resort Kempinski in Dominica, though still in its first phase, has begun. Construction works are actively ongoing with the first concrete being poured already. (CNNow, 23 July, 2016)
  - United Airlines plans to expand its Saturday service between the airline's New York/Newark gateway airport, Liberty International Airport (EWR) and St Kitts (SKB). United will recommence service on November 19, 2016, and will fly throughout the winter, summer and fall in 2017. (CNNow, 27 July, 2016)
  - On July 8, 2016, the executive board of the IMF concluded the Article IV consultation with St Kitts and Nevis. St Kitts and Nevis successfully exited the post-programme monitoring framework in October 2015, maintaining favourable macroeconomic performance and a broadly stable financial system. The economy continued its strong growth at around 5 per cent, recording the strongest growth in the region over 2013-2015. This strong growth has been underpinned by construction and tourism sector activity and their favourable spillovers on the rest of the economy, supported by surging inflows from its citizenship-by-investment programme. (CNNow, 28 July, 2016)
  - Antigua and Barbuda and Dominica are the first countries to access funding from the United Kingdom Caribbean Infrastructure Partnership Fund, as the board of directors of the Caribbean Development Bank has approved a grant of £186,000 (US\$245,000) to assist Antigua and Barbuda in the rehabilitation of its road network. A grant of £794,000 (US\$1.047 million) was also approved to assist Dominica with post-Tropical Storm Erika recovery efforts. (CNNow, 28 July, 2016)
- ### Guyana
- US oil giant ExxonMobil has made waves in Guyana by announcing it had confirmed a "world-class discovery" of oil offshore. The company said results from its exploration well in the Stabroek block, about 120 miles (193 kilometres) offshore Guyana, found between 800 million and 1.4 billion oil-equivalent barrels. (CNNow, 5 July, 2016)
  - The Guyana Manufacturing and Services Association is pushing for an incentives model that will galvanize the sector by allowing local manufacturers to benefit from tax concessions based on employment levels. (Stabroek News, 8 July, 2016)
  - The Guyana Animation Network (GAN) was officially launched at an open day in Georgetown, Guyana, on July 2, 2016. GAN is a network established to use its resources to create and provide access to opportunities for persons within Guyana's artistic, creative and technological communities; to develop the requisite skills, with their talents; and to service the Caribbean animation industry. (CNNow, 11 July, 2016)
  - Guyana is set to grow tremendously in the coming year after a second offshore well confirmed a mega discovery of oil and gas, and the aviation sector, which has been neglected for dec-

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ades, is now getting a lot of attention from the government. (CNNow, 12 July, 2016)

- Guyana has signed multi-million dollar contracts with Trinidad and Tobago companies to provide potable water to some rural communities, in some instances for the first time. The project is being executed by Guyana Water Incorporated (GWI) and will allow for nearly 1000 residents along the Linden/Soesdyke Highway benefitting from potable water for the first time. GWI has awarded contracts estimated at more than GUY\$94.5 million (One Guyana Dollar=US\$0.004 cents) to two companies here for the installation of transmission and distribution networks and service connections. (TTEExpress, 13 July, 2016)

### Haiti

- The secretary general of the Organization of American States, Luis Almagro, has expressed his deep concern over the demonstrated inability of Haitian parliamentarians to meet in the National Assembly to decide on how best to guarantee institutional stability and encourage the continuation of the electoral process. (CNNow, 16 July, 2016)
- The United Nations and its partners in Haiti have expressed "deep regret" that for the fourth time in as many weeks, the country's National Assembly was unable to deliberate on the provisional governance arrangements. In a joint press statement, the special representative of the secretary-general in Haiti and head of the UN Stabilization Mission in Haiti (MINUSTAH), Sandra Honoré, and the other members of the international community in Haiti represented in the "Core Group" (the ambassadors of Brazil, Canada, France, Spain, the United States and the European Union, and the special representative of the Organization of American States), cited the "absence of a number of parliamentarians leading to a lack of a quorum" as the reason for the failed deliberations. (CNNow, 18 July, 2016)
- In response to a request from the government of Haiti, Dr Eliston Rahming, The Bahamas Ambassador and permanent representative to the Organization of American States and chair of the OAS Permanent Council, convened a special meeting of the Permanent Council on Wednesday at the OAS headquarters. (CNNow, 22 July, 2016)

### Jamaica

- The Inter-American Investment Corporation, acting on behalf of the Inter-American Development Bank Group, has signed a US\$265 million financing package with Kingston Freeport Terminal Limited. The project will optimize and expand Kingston's container terminal capacity in Jamaica, as the port must stay competitive to handle larger ships now passing through the expanded Panama Canal. (CNNow, 2 July, 2016)
- Minister of Finance Audley Shaw expects to increase revenues from Jamaica Customs Agency by up to 40 per cent with the implementation of new measures aimed at cutting down corruption and under-invoicing. (Jamaica Gleaner, 3 July, 2016)
- The sale of state-owned Petroleum Company of Jamaica Limited to Phoenix Fuels & Accessories Limited closed officially on June 30. (Jamaica Gleaner, 4 July, 2016)

- Prime Minister Andrew Holness announced that the government of Jamaica has divested the Kingston Container Terminal (KCT) to Kingston Freeport Terminal Limited (KFTL), a local company formed as a subsidiary of global terminal operators CMA CGM Group for the sole purpose of acting as the signatory to the KCT concession. (CNNow, 4 July, 2016)
- Minister of Finance and the Public Service, Audley Shaw, said the Jamaican government has started discussions with the IMF on the format of a staff-monitored programme to replace the four-year extended fund facility which ends this year. (Jamaica Gleaner, 13 July, 2016)
- Two-thirds of the acquisition cost paid for Petroleum Company of Jamaica Limited and its assets by Phoenix Fuels were funded by a bond issued in three tranches at the end of June, amounting to \$1.6 billion. Other financing in the form of a bank loan came from First Global, according to Steven Whittingham of GK Capital Management, the financial adviser for Phoenix on the deal. Both GK Capital and First Global are members of the GraceKennedy conglomerate. (Jamaica Gleaner, 15 July, 2016)
- Timeless Herbal Care Jamaica Ltd has signed a memorandum of understanding with the National Black Chamber of Commerce (NBCC) in Washington DC for the purpose of providing "a cooperative framework for Timeless to serve as the NBCC's exclusive partner for advising the NBCC's members with respect to identifying, creating and pursuing business opportunities related to medical marijuana throughout the Diaspora". (CNNow, 20 July, 2016)
- Jamaica Prime Minister, Andrew Holness, said a bilateral meeting with the prime minister of Trinidad and Tobago, Dr Keith Rowley, has led to a deeper understanding of critical issues between the two countries. Making a brief statement following the meeting, Holness said he and Rowley have developed a good friendship and understanding. The Trinidadian prime minister, in turn, declared the meeting a productive one, noting that a foundation has been laid for further discussion and work in other areas. (CNNow, 20 July, 2016)
- JMMB Group Limited will spend US\$420,000 (\$53 million) on a solar energy system to power various offices across Jamaica this year. The project forms part of a wider move by JMMB to reduce its carbon footprint. (Jamaica Gleaner, 22 July, 2016)
- A return delegation is now preparing to visit Trinidad & Tobago, according to outgoing president of the Private Sector Organisation of Jamaica, William Mahfood, who says he awaits final word from the Ministry of Foreign Affairs. Mahfood said that the visit would offer the opportunity for a proper assessment of the value of the recent visit by Trinidad's Prime Minister Keith Rowley to Jamaica. (Jamaica Gleaner, 26 July, 2016)
- An increasing trend for Jamaicans to make deposits in United States dollars in commercial banks as well as non-bank financial institutions is a sign of the dollarisation of the local economy, according to co-chair of the Economic Programme Oversight Committee, Richard Byles. Noting that the Bank of Jamaica publishes the Jamaican dollar and the foreign currency deposits of commercial banks, Byles said, "What you see is a

## REGIONAL ECONOMIC NEWS cont'd

growing tendency for the foreign-currency deposits to equalise the local currency." (Jamaica Gleaner, 27 July, 2016)

- The ALPART alumina refinery in Jamaica has been sold to Chinese entity Jiuquan Iron and Steel Company (JISCO). Transport and mining minister, Mike Henry, said an interest purchase agreement negotiated between JISCO and Russian alumina firm, UC Rusal, which operated the refinery, was signed by representatives of both entities on July 19 in China. Henry said JISCO is expected to complete the full takeover of ALPART by November this year. This will enable the entity to undertake the first phase of investment, totalling US\$220 million, in the plant's modification and upgrading. He indicated that during the ensuing months, a JISCO technical team will visit ALPART to conduct a study and develop basic designs as part of the preparatory work. (CNNow, 30 July, 2016)

### Suriname

- A bilateral meeting was held recently between Trinidad and Tobago and Suriname during the 37th Regular Meeting of the Conference of Heads of Government of the CARICOM. The Trinidad and Tobago team was headed by Prime Minister Dr Keith Rowley who was accompanied by Senator Dennis Moses, Minister of Foreign and CARICOM Affairs, Jenny G. Thompson, Collin James and Lynne Mohammed of the Ministry of Foreign and CARICOM Affairs as well as Arlene Gorin-George, Press Secretary, Office of the Prime Minister. (TTEExpress, 6 July, 2016)
- The president of Suriname, Desi Bouterse, briefed fellow heads of government attending the 37th CARICOM summit in Guyana about the political and economic setbacks his country is experiencing. He called on leaders to understand the situation in Suriname and reiterated his respect for the democratic process. Bouterse halted his trial in relation to the 1982 killing of 15 political opponents during the period when he was military leader, by invoking clause 148 of Suriname's constitution to end the trial in the interest of "national security". (CNNow, 7 July, 2016)
- Surinam Airways (SLM) will again make a profit, according to its new director Robbi Lachmising, who brought SLM out of the red from 2000 to 2004. This period is seen as one of the best financial times in the airline's history. (CNNow, 9 July, 2016)

### Trinidad and Tobago

- Former leader of the People's National Movement for 24 years, and two-term prime minister of Trinidad and Tobago, Patrick Manning, passed away at the age of 69 at the San Fernando General Hospital. (CNNow, 4 July, 2016)
- One of Trinidad and Tobago's largest holders of acreage for oil and gas exploration is considering discontinuing operations. After saying it accumulated over \$1 billion in unpaid bills here, Calgary-based oil and gas company, Niko Resources Ltd, said in a June 28 statement: "There is significant uncertainty regarding whether certain of the company's exploration subsidiaries will be able to continue." (TTEExpress, 5 July, 2016)
- Caribbean Information and Credit Rating Services Ltd has lowered the regional-scale ratings of the Government of the Republic

of Trinidad and Tobago by one notch from CariAAA (Foreign & Local Currency Rating) to CariAA+, with a negative outlook. (TTEExpress, 5 July, 2016)

- Trinidad and Tobago is too rich a country to be underperforming as it is in logistics, the World Bank said in its Logistics Performance Index (LPI) 2016 released last week. This is Trinidad and Tobago's debut in the biennial LPI report in which the country is ranked 121st out of 160 countries. Other Caribbean Community countries on the index were The Bahamas, which ranked 78th; Guyana, which ranked 85th; Jamaica, which ranked 119th; and Haiti, which ranked 159th. (TTEExpress, 5 July, 2016)
- The Central Bank of Trinidad and Tobago (CBTT) more than quadrupled its net surplus from \$197 million in fiscal year 2014 to \$843 million in 2015, the CBTT 2015 annual report. (TTEExpress, 12 July, 2016)
- In what it described as a "landmark" decision for its ANSA McAL (Barbados) subsidiary, local conglomerate ANSA McAL said it was pleased yesterday with the decision of the Barbados Court of Appeal to restore an injunction granted by Barbados Chief Justice Sir Marston Gibson restraining beverage group Banks Holdings from performing or giving effect to certain preferential shareholders' rights in favour of SLU Beverages Ltd. (TTEExpress, 13 July, 2016)
- Deloitte now estimates Goudron has over US\$530m in oil in Trinidad and Tobago. London-listed LGO Energy plc, whose main assets are in Trinidad and Tobago, announced the results of the latest annual independent resource review of the LGO's 100 per cent operated Goudron Field in southeast Trinidad conducted on the company's behalf by Deloitte LLP. (TTEExpress, 18 July, 2016)
- Britain's planned exit from the European Union (Brexit) should have already boosted the value of the Heritage and Stabilisation Fund (HSF), financial market experts said in interviews July 15. The Central Bank of Trinidad and Tobago is "compiling the information for me and I will let the population know in due course whether any short-term impact has occurred to the value of the money in the HSF," Finance Minister Colm Imbert said in Parliament June 28. (TTEExpress, 19 July, 2016)
- The Prime Ministers of Jamaica and Trinidad and Tobago have declared meetings held over the last four days a success. Jamaica's Prime Minister Andrew Holness and his counterpart from Trinidad and Tobago Prime Minister Dr. Keith Rowley said their discussions were "meaningful and illuminating" and pledged to engage "as often as necessary to maintain the momentum towards cementing the bonds of friendship and cooperation..." "The leaders of the two CARICOM member states held bilateral talks on several issues of mutual concern, including the implementation of the CARICOM Single Market and Economy, immigration, trade, energy and air services. (TTEExpress, 21 July, 2016)
- VISA'S new "infinite" credit card has been pre-approved to be in the pockets of 5,000 Trinidad and Tobago customers of Republic Bank Ltd. (TTEExpress, 28 July, 2016)

## REGIONAL ECONOMIC NEWS cont'd

### Caribbean Regional Developments

- St Kitts and Nevis Minister of Public Infrastructure, Post, Urban Development and Transport, Ian 'Patches' Liburd, told energy stakeholders that the energy sector is vital to sustainable development within the Caribbean Community. (CNNow, 4 July, 2016)
- The Caribbean Development Bank has launched its inaugural bond offering in the Swiss franc (CHF) market. The 12-year CHF145 million bond offering carries the lowest coupon rate, 0.297%, achieved by an international public sector issuer for this tenor, in the CHF market. (CNNow, 5 July, 2016)
- The 37th Regular Meeting of the Conference of Heads of Government of the Caribbean Community was held in Georgetown, Guyana, on July 4 - 6, 2016. The heads of government discussed a wide range of issues, including the CARICOM Single Market and Economy and the free movement of CARICOM nationals, border issues, correspondent banking, cricket and Brexit. (CNNow, 9 July, 2016)
- The Caribbean Community is advancing its efforts to address de-risking and its effects on the region and heads of government have taken the decision to approach the government of the United States directly. (CNNow, 11 July, 2016)
- Women entrepreneurs across the Caribbean will now have a new way to raise much needed capital for their ventures. Fund-RiseHER™, the first ever Commonwealth-wide crowd-funding initiative was announced on July 5 alongside the CARICOM heads of government meeting. (CNNow, 11 July, 2016)
- The Caribbean Regional Fisheries Mechanism has convened a regional workshop for senior fisheries officers from its 17 member states on applying the value chain approach to maximize fisheries earnings in a week-long event from, July 18, to, July 22, 2016, in Paramaribo, Suriname. (CNNow, 19 July, 2016)
- The Caribbean Development Bank (CDB) launched a programme designed to enhance the capacity of its 19 Borrowing Member Countries to conduct multidimensional poverty assessments. Multidimensional poverty measurement considers how poor people experience poverty that goes beyond income considerations, and takes into account other deprivations -- of education, health, housing, empowerment, personal security, and more. CDB is supporting the programme through a total investment of US\$4.1 million. It will be conducted over a five-year period. (CNNow, 27 July, 2016)
- Latin American and Caribbean countries will show a -0.8% contraction in their growth rate in 2016, marking a steeper decline than in 2015 (-0.5%) and with very heterogeneous behaviour among countries and subregions, according to a new report released on 27 July by the Economic Commission for Latin America and the Caribbean. (CNNow, 28 July, 2016)
- The Caribbean Development Bank has approved funding to address the high incidence of damage to the road infrastructure in Caribbean countries by natural hazard events and the potential for the loss of roads by rising sea levels. Through a technical assistance project, the bank will fund a study on approaches for mainstreaming climate resilience into the road transport sector in its borrowing member countries. The Bank is providing US\$768,000 for the project, which will develop and pilot approaches for constructing road infrastructures that are resilient to natural hazards and climate change. The study will be done in two countries, which will be selected on the basis of geography and risk profiles that would allow for the outputs of the study to be transferable to other countries. (CNNow, 29 July, 2016)

## PUBLICATIONS OF INTEREST :

### The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action

This paper focuses on the withdrawal of correspondent banking relationships (CBRs) in some jurisdictions post-global financial crisis. It describes existing evidence and consequences of the withdrawal of CBRs and explores drivers of this phenomenon drawing on recent surveys and select country information. While the withdrawal of CBRs has reached a critical level in some affected countries, which can have a systemic impact if unaddressed, macroeconomic consequences have not been identified so far at a global level. The paper presents responses from the international community to address this phenomenon, and explains the role that the IMF has been playing in this global effort, especially with regards to supporting member countries in the context of surveillance and technical assistance, facilitating dialogue among stakeholders, and encouraging data gathering efforts. The paper concludes by suggesting policy responses by public and private sector stakeholders needed to further mitigate potential negative impacts that could undermine financial stability, inclusion, growth and development goals.

Author/Editor: Michaela Erbenova ; Yan Liu ; Nadim Kyriakos-Saad ; Aledjandro Lopez Mejia ; Jose Giancarlo Gasha ; Emmanuel Mathias ; Mohamed Norat ; Francisca Fernando ; Yasmin Almeida

Publication Date: June 30, 2016

Available for download at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=43680.0>

## ANNOUNCEMENTS :



CCMF would like to extend congratulations to Dr. Wayne Robinson on his recent appointment as Deputy Governor of the Bank of Jamaica.

Dr Wayne Robinson, who has been appointed deputy governor on a five-year contract, will oversee the Research and Economic Programming Division and the Financial Stability Department, the central bank said in a release on 22 July 2016.

He is being promoted from division chief, where he held responsibility for the technical leadership of the research and economic policy development portfolio.

Dr. Robinson is a career central banker with more than 27 years of experience, including various training and professional appointments to positions ranging from economist to division chief. He has served on the boards of the Statistical Institute of Jamaica and the National Investment Bank of Jamaica and his areas of expertise are econometric modelling and forecasting and monetary and financial economics.



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