



Government of the Republic of Trinidad and Tobago

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Trinidad and Tobago pleads for a Voice of Small States in the IMF

The Honourable Winston Dookeran, Minister of Finance, Chairman of the World Bank Small States Forum, in a letter to the International Monetary Fund (IMF) pleads for a voice of Small Economies in the IMF.

“We ask the new leadership of the IMF to give a credible attention and voice to the economic, monetary, and political challenges of small states and their economies.

While we welcome the improvements made to the lending facilities of the Fund in the last two years (with the introduction of the Flexible Credit Line, the Precautionary Credit Line, the Post Catastrophic Debt Relief Trust and the reform of the concessional lending facilities to Low Income Countries); nonetheless, a gap persists, as concessional financing for Small States are still inadequate. Recent developments in the Caribbean and other regions have revealed the additional fragilities and vulnerabilities of small states to natural disasters, the collapse of financial institutions and the concentration of economic activity.

Issues impacting small economies must be part of shaping the manifesto for the candidates of the IMF; in particular we are concerned that:

- Changes to the international architecture in which the IMF and G20 sit, lends itself to a potential contravention of natural justice where clubs of large countries sit and develop rules for smaller states to follow without adequate consultation, consideration and engagement with small states;
- the development of international financial regulation, supervision, risk management and the assessment of financial sectors, does not support a level playing field between small and large states, and that the preferential treatment given to areas important in some large states, from

mortgages, regional banks to hybrid capital, treatment that proved so dangerous in the financial crisis, also penalizes institutions in small states beyond economic justification;

- while small states particularly need help in the financing of infrastructure, the criteria of lending by the multinational institutions is better suited to larger states with capital markets, credit ratings and diversified private-sector players;
- the criteria used for long-term and short-term support, pays too much attention to level of GDP per capita, and not sufficiently to the much high levels of fragility and vulnerability to natural and economic shocks;
- In order to address these issues may require a new leadership position in the IMF focusing on the challenges of small economies.

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