



Communiqué at the Conclusion of the Eighth Annual Regional Conference on Central America, Panama, and the Dominican Republic

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The following statement was released today in Antigua, Guatemala, by Mr. Nicolás Eyzaguirre, Director of the International Monetary Fund's Western Hemisphere Department; Mr. Edwin Araque, President, Central American Monetary Council; Mr. Carlos Cáceres, President, Central American Council of Finance Ministers; Mr. Edgar Barquín, President, Central American Council of Financial Sector Superintendents, and Ms. Maria Antonieta de Bonilla, President, Central Bank of Guatemala, and host of the conference:

"Finance ministers, central bank governors, financial sector superintendents, IMF management and staff, and representatives of other international financial institutions met in Antigua, Guatemala, over the past two days to discuss key policy issues facing the region. The conference focused on the effects of the global crisis on the economies and financial sectors of the region, the policy responses that have been implemented in these countries, and lessons learned to guide future reforms.

"This year's conference took place against the background of an unprecedented global financial and economic crisis. While the region has not been significantly affected by financial channels, where the crisis originated, economies in the region have been affected as a result of their strong external linkages with the United States and other advanced economies. Conference participants agreed that these shocks pose complex policy challenges, yet stressed that Central America is in a better position to weather the storm today than in the past.

"Participants discussed the impact of the global crisis on the financial systems of the region. While the crisis generated a significant reduction in foreign funding, financial systems in the region have held up well, in part because of a relatively low reliance on external credit and limited exposure to "toxic" assets and also due to the quick response of the authorities.

"Participants noted that the growth outlook in the region will continue to be affected by external developments, and highlighted that the region has adopted appropriate policy measures to mitigate the impact on growth and poverty. In particular, they stressed the increase in conditional cash transfers to vulnerable segments of the population; higher infrastructure spending; and the expansion in funding for

health and education programs. Participants also emphasized the beneficial impact on inflation from lower commodity prices, which has allowed greater flexibility to monetary policy in some countries to help mitigate the impact of the crisis on domestic economies. They also welcomed the backing of multilateral lenders in providing increased funding and asked for continued support.

"Participants also emphasized the joint role of central banks, bank supervisors and finance ministries across the region in moving quickly to provide liquidity, adapt prudential requirements and recapitalize public financial institutions in some cases. Participants agreed that financial systems continue to face significant challenges from the regional economic downturn, but noted that reforms undertaken in recent years in prudential regulation, banking supervision, and crisis management frameworks should act as sources of resilience. Participants concurred on the need to continue reinforcing the convergence to international best practices in these areas, including with the support of IMF technical assistance.

"Conference participants analyzed how the global financial crisis might affect financial system supervision and regulation in the region going forward. In particular, they noted the importance of expanding the perimeter of regulation; improving cross-border and cross-functional cooperation; reducing procyclicality; and strengthening information disclosure practices. Also, supervisors in the region agreed on the need for continued IMF technical assistance on consolidated cross-border supervision, as well as advice on how changes in the global regulatory environment could affect the region.

"Participants welcomed the IMF's partnership in responding to the crisis, particularly the flexibility shown in extending high-access precautionary Stand-By Arrangements. These arrangements helped to bolster confidence in financial systems and served as a potential liquidity buffer in the case of stress. Participants anticipated further close collaboration with the IMF, including through technical assistance, policy advice, and continued availability of IMF resources through lending arrangements, if needed.

"Conference participants welcomed the recent opening of the regional technical assistance center for Central America, Panama, and the Dominican Republic (CAPTAC-DR).

"Conference participants agreed that next year's annual conference will be held on late June 2010, and thanked Honduras for its offer to host the IX regional conference."

IMF EXTERNAL RELATIONS DEPARTMENT

Public Affairs

Media Relations

Phone: 202-623-7300

Phone: 202-623-7100

Fax: 202-623-6278

Fax: 202-623-6772

