WELCOME AND OPENING REMARKS

by

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at the

STRATEGIC DONORS MEETING
IN SUPPORT OF
CCRIF SPC

Hilton Hotel

BARBADOS

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Good morning.

The Caribbean Development Bank (CDB) is pleased to partner with CCRIF to host today's event.

Two years ago, we hosted a similar Strategic Donors' Meeting. As the Donors' representative on CCRIF's Board of Directors, CDB feels honored to be hosting this event, once again.

Natural hazards continue to have disproportionate impacts on Caribbean economies. Since 1980, several Caribbean and Central American countries have experienced disaster events with an economic impact exceeding 50% of their annual GDP.

These countries are St. Lucia (1980); Jamaica (1988); Antigua and Barbuda (1995); Dominica (1995); St. Kitts and Nevis (1995, 1998); Honduras (1998); Grenada and Cayman Islands (2004); Guyana (2005); and Haiti (2010).

Climate change is expected to exacerbate these impacts. Scientists agree that the effects will be unevenly distributed, and that small island developing states will be the hardest hit.

Caribbean small island and coastal states, therefore, are most vulnerable to the potential impacts of climate change. Many of our countries also do not have adequate resources to manage climate change effectively.

As we deliberate today, we must bear these constraints in mind.

Our strategy meeting today is especially important for a number of reasons.

First, CCRIF was established in 2007 as a response to CARICOM's request for assistance to design and implement a cost-effective risk transfer programme for member governments. It was also set up with your support and contributions to a multi-donor trust fund. Eight years later, we must now determine the exact nature and kinds of support that will enable CCRIF to "move to the next level" and to meet the region's future needs effectively and cost-efficiently.

Second, Donors continue to support the facility generally in promoting a common message across the Region. That message stresses the need for disaster risk management and risk transfer policies and strategies to be integrated fully into countries' economic growth strategies.

Third, Donors who participated in the Stakeholder Assessment of CCRIF expressed a desire to continue collaborating and partnering with CCRIF so as to reduce the vulnerabilities of Caribbean small states and to advance the Region's sustainable economic growth agenda. Indeed, through your support for the *ex-ante* financing strategies of countries, a key component of the disaster risk management equation, you are already contributing to our region's growth agenda.

Purchasing CCRIF policies is an example of *ex-ante* planning, that is, – planning before a hazard event occurs. Insured governments know that if a policy is triggered, they will receive a payout within 14 days of the event.

So, whilst *ex-post* financing mechanisms are critical, *ex-ante* instruments are just as important for disaster risk management and in advancing countries' fiscal and debt sustainability strategies. We need to be equally mindful of risk transfer and risk mitigation strategies.

A recent report from *ClimateWise* similarly highlights the importance of insurance, reinsurance and insurance-linked securities in addressing climate change concerns.

The report suggests that risk pooling funds, catastrophe bonds, weather derivatives and other forms of risk transfer serve as a vast security blanket for regions, countries or corporations which are vulnerable to climate and weather-related perils. The study lauds the work of innovative products, including the 1-in-100 initiatives; the Indian national crop insurance scheme; CCRIF; and the African Risk Capacity, which was modeled off the CCRIF.

Do we know exactly what kind of support CCRIF requires from Donors?

I think that support should include further capitalisation of the facility for current and future products; as well as direct country support for the purchase of premium.

Let me elaborate.

We already know that "adequate" coverage is in the range of 20 - 25% of the government's overall exposure to earthquake and hurricane risk. Within an overall sovereign risk management framework, this is also the level at which CCRIF coverage would be most effective. Most Caribbean countries are well below "adequate". Therefore, a substantial increase in coverage levels, and, as a result, required premium, would be justifiable, in many cases.

We also know that an increase in members' coverage is currently constrained in many of these countries, burdened by weak public finances and heavy debt overhang.

This is an ongoing concern even as CCRIF has sought to minimise premium costs by lowering its rates, offering premium rebates and special rates for product bundling, and allowing access to premium financing from countries' participation fees.

In fact, in the recent Stakeholder Assessment of CCRIF, 61% of national respondents concluded that in a situation of fiscal constraint, the country would likely opt to reduce or discontinue coverage.

This cannot be allowed to happen.

Let me, at this point, applaud the World Bank for its support to CCRIF and to its member countries by issuing its first catastrophe ("cat") bond for US$30 million.

This transaction was placed on behalf of CCRIF; is the first of the World Bank's newly-created Capital-at-Risk Notes Programme; and will address earthquake and tropical cyclone risk in the 16 CCRIF member countries.

This bond enables CCRIF to benefit from the highly competitive prices offered by the cat bond market as well as source the best policy pricing for its members.

By filling the gap between immediate response aid and long-term redevelopment, CCRIF represents a cost-effective mechanism to pre-finance short-term liquidity needed to begin recovery efforts after a catastrophic event, CDB is very proud of CCRIF for many reasons. We are proud of its ability to –

(a) help Caribbean countries meet their main development objectives;

(b) fill a gap in available insurance offerings for natural catastrophes;

(c) supply the region with innovative tools for enhanced disaster risk management;

(d) offer new products; and

(e) work in partnership with key regional organisations to strengthen capacity in the areas of disaster risk management and climate change adaptation and to find solutions that build the region's resilience.

In 2014, CCRIF, with the support of Swiss Re, brought a new product to the market; and we are pleased with that effort. The excess rainfall product was developed in direct response to interest expressed by many CCRIF participating countries and stakeholders in catastrophe flood coverage. Eight countries purchased the new product.

CCRIF credits this response to the increasing costs associated with a rise in the frequency of rainfall events in the region, especially outside of the regular hurricane season. Interest heightened following the December 2013 Christmas rainfall event which caused damage and resulted in economic losses in the Eastern Caribbean. CCRIF member countries which did not purchase excess rainfall policies cited fiscal constraints as a limiting factor.

To bring the new product to the market, CCRIF allocated US$30 million of its own assets to the excess rainfall underwriting pool. The addition of the excess rainfall peril is a response to heavy demand. It also comes at additional cost to CCRIF and requires incremental and adequate capitalisation. The expectation, therefore, is that Donors will match this contribution.

I am very pleased to see so many of my Donor colleagues here this morning. I regard your presence as a signal of your continuing interest and strong support for CCRIF.

Your willingness to continue the collaboration with CCRIF and other regional partners to strengthen disaster risk management capacity in this Region is in keeping with the Paris Declaration on Aid Effectiveness and extremely vital for our Region's long-term development.

Thank you.