INNOVATIVE FINANCING FOR RECOVERY AND SUSTAINABLE DEVELOPMENT

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AGENDA

01  Resilience and Holistic Development

02  Marshaling Finance for Development

03  The Recovery Duration Adjuster
Vision for Sustainable Development in the Caribbean

- Initial Position
- Partial Development
- Holistic and Sustainable Development

Structural Deficiencies in Resilience Dimensions
Advancement in 1 Resilience Dimension
No Dimension Left Behind
Marshalling Finance for Development

**Financing for Rescue**
- Emergency Policy-based Loans (EPBLs).
- Caribbean Catastrophe Risk Insurance Facility (CCRIF).
- Insurance-Linked Securities (ILS).

**Financing for Recovery**
- Policy-based Operations (PBOs).
- Precautionary and Contingent Credit Facilities.

**Financing for Repositioning**
- SDG Themed Bonds.
- SDR-denominated Resilience Bonds.
- Contingent Debt Instruments that price in reforms.
- Concessional finance.
- Private Equity
Finance eligibility criteria and systems are often not suited to the unique challenges and constraints of small states. These criteria depend mainly on Gross National Income (GNI) per capita as the measure of vulnerability and economic development in a country.

Even when small states have achieved high levels of GNI per capita, there are significant challenges after exogenous shocks, from:

- Underlying structural weaknesses
- Limited implementation capacity
- High debt levels
- Insufficient investment in resilient infrastructure and institutions
A vulnerability metric for SIDS should go beyond susceptibility as while countries may face a similar likelihood of a hazard occurring, their ability to recover to pre-event welfare levels can differ vastly.
THE CDB APPROACH
The Recovery Duration Adjuster Vulnerability and Resilience Framework

01 Uses a holistic approach to development
02 Incorporates resilience factors
03 Accounts for the duration to recovery
04 Incorporates initial conditions
05 Is dynamic and forward-looking
Diagrammatic Illustration of a shock on growth and investment in a high-income developed and developing country

Legend:
EG represents the baseline natural growth function \[ y^b = f(x) \]
(EG_{HR}) represents the growth function after an exogenous shock for a developed country with strong resilience capacity \[ y^d = g(x) \]
(EG_{LR}) represents the growth function after an exogenous shock for a developed country with weak resilience capacity \[ y^{d*} = z(x) \]
THE RECOVERY DURATION ADJUSTER VULNERABILITY AND RESILIENCE FRAMEWORK

- **Endogenous**
- **Exogenous**

**SHOCKS**
- Endogenous
- Exogenous

**VULNERABILITY**
- Economic
- Social
- Environmental

**EVENT**
- Magnitude and Severity

**INTERNAL RESILIENCE CAPACITY**
- Initial Conditions
- Duration

**COMPENSATING VARIATION**

**SHOCK ABSORBING POLICY**
- Social Resilience
- Institutional Resilience
- Climate Resilience
- Production Resilience

**RECOVERY DURATION ADJUSTER**

**TRADITIONAL MEASURE GNI**

**RDA MEASURE GNI**

**NOT ADEQUATE**

**MORE APPROPRIATE**

**ACCESS TO FINANCE**
THANK YOU