INNOVATIVE FINANCING FOR RECOVERY AND SUSTAINABLE DEVELOPMENT

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AGENDA

INNOVATIVE FINANCING FOR RECOVERY AND SUSTAINABLE DEVELOPMENT

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

Institutional Resilience
Production Capacity Resilience
Social Resilience
Financial Resilience
Environmental Resilience

Production Capacity Resilience
Institutional Resilience
Social Resilience
Environmental Resilience
Financial Resilience

Institutional Resilience
Production Capacity Resilience
Social Resilience
Financial Resilience
Environmental Resilience

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
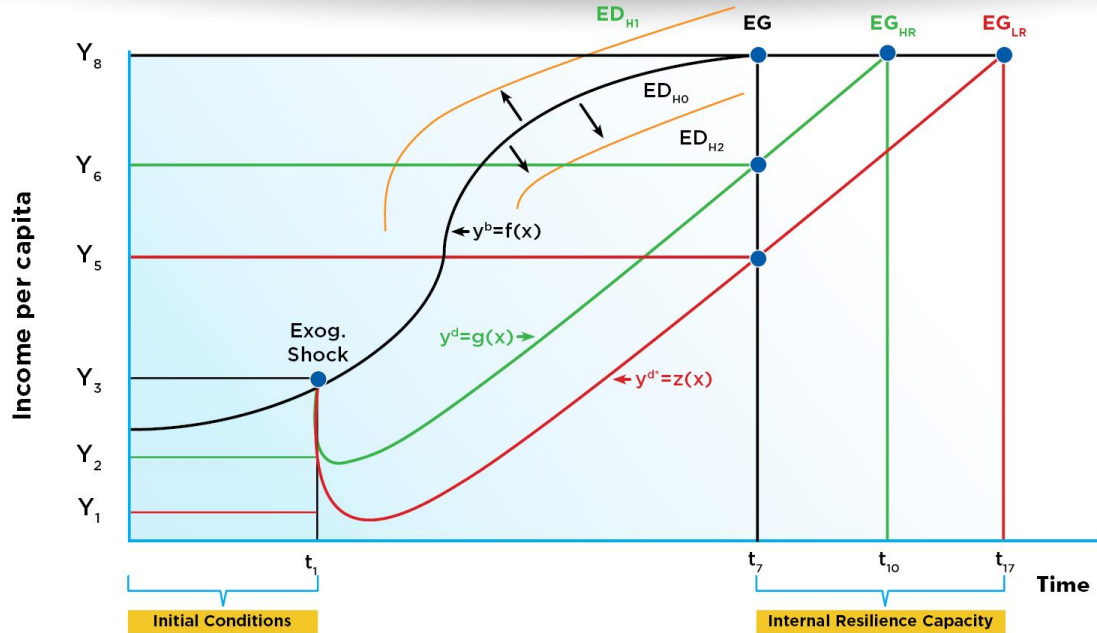
03 — Accounts for the duration to recovery

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

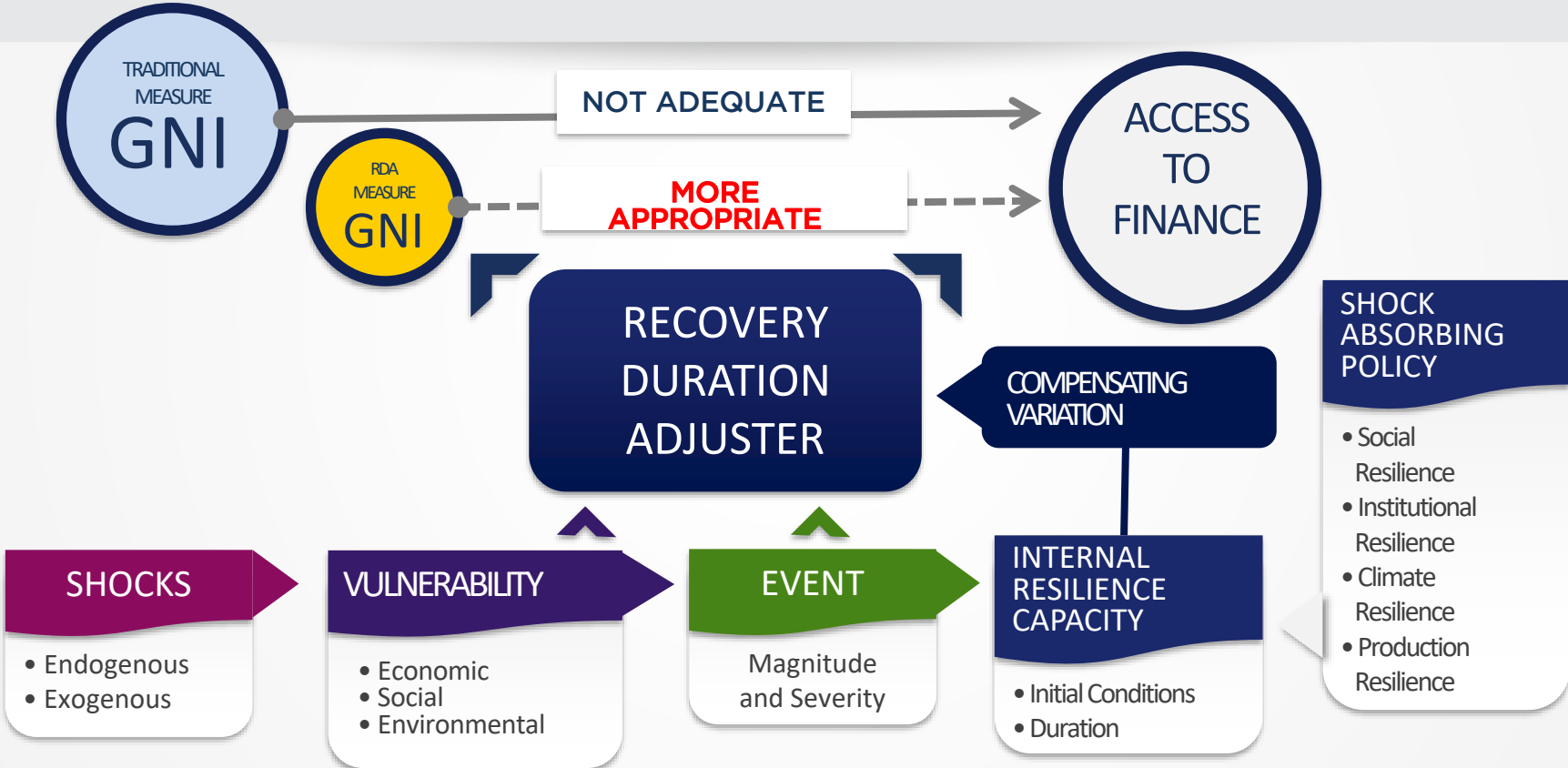**Illustrating the effect of a shock on growth and investment in SIDS**

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