INNOVATIVE FINANCING FOR RECOVERY AND SUSTAINABLE DEVELOPMENT

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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**
- Economic
- Social
- Environmental

**VULNERABILITY**
- **Magnitude**
- **Severity**

**EVENT**
- Initial Conditions
- Duration

**COMPENSATING VARIATION**

**RECOVERY DURATION ADJUSTER**

**INTERNAL RESILIENCE CAPACITY**
- Social Resilience
- Institutional Resilience
- Climate Resilience
- Production Resilience

**SHOCK ABSORBING POLICY**

**TRADITIONAL MEASURE GNI**

**RDA MEASURE GNI**

**NOT ADEQUATE**

**MORE APPROPRIATE**

**ACCESS TO FINANCE**

**NOT ADEQUATE**

**MORE APPROPRIATE**

**ACCESS TO FINANCE**

**NOT ADEQUATE**

**MORE APPROPRIATE**

**ACCESS TO FINANCE**
THANK YOU