



**STATEMENT BY THE GOVERNOR FOR THE UNITED KINGDOM
THE RIGHT HONOURABLE ANDREW MITCHELL MP
AND ALTERNATE GOVERNOR, DAVID RUTLEY MP**

The United Kingdom thanks the Caribbean Development Bank (CDB/the Bank) for its preparations and thanks Saint Lucia for hosting these Annual Meetings. The Caribbean region is of great importance to the UK. We look forward to closer work with CDB to strengthen further our partnership and we are sorry we are unable to attend the meetings on this occasion.

The Caribbean region continues to face multiple shocks. Due to the reliance on tourism, Caribbean economies were some of the hardest hit by the economic impacts of the pandemic, which exacerbated debt sustainability challenges. Since then, Russia's illegal invasion of Ukraine, has led to rising energy and food prices, causing widespread food insecurity. In addition, climate change is increasing the frequency and severity of natural disasters in the Region.

In this context, the CDB has a more important role to play than ever before. These challenges highlight the need to strengthen the Bank, and the wider international financial system, to support vulnerable countries and better respond to future shocks. We support the ambition set by the Bridgetown Initiative and the Multilateral Development Bank (MDB) evolution agenda. For the CDB this means:

- Stretching the volume of finance that the CDB provides;
- Scaling-up and strengthening support for tackling climate change;
- Contributing to a more shock-responsive financial system;
- Unlocking more private capital;
- Global leadership on Small Island Developing States (SIDS) priorities; and
- Improving the CDB's operational performance.

Many borrowers require larger volumes of finance to respond to the compound crises they face. It is therefore critical to stretch MDB balance sheets as far as possible. The CDB must respond to all the recommendations of the G20-commissioned Independent Review of MDB Capital Adequacy

Frameworks. This includes reviewing how it defines its risk appetite and working with other MDBs to identify opportunities to unlock additional lending, including through recognition of callable capital and taking measures to reduce portfolio concentration risk. The CDB should update the Board on the options to improve the ‘enterprise’ assessment of the Bank and engagement with credit reference agencies on this point. The Bank should explore options for donors to provide guarantees to further extend its financing capacity.

As a group of tropical island and coastal nations, the Caribbean is especially vulnerable to the impact of climate change. In this context, we welcome the progress made by the Bank in increasing the volume of climate finance that it provides. In 2022, 26% of all approvals were for tackling climate change, with an even split between mitigation and adaptation, a significant increase compared to the previous year. We ask the Bank to consolidate this performance and raise its ambition to provide between 35-40% of approvals for climate, with at least half for adaptation. The Bank should ensure that all projects are aligned with the goals of the Paris Agreement in accordance with the joint MDB principles once published. We welcome the Bank’s bid to host the ‘Santiago Network’ which will provide technical assistance to help manage loss and damage from the effects of climate change.

Caribbean States face acute vulnerability to natural disasters, and have led the world in building resilience, including through disaster risk finance. The Bank must continue to support countries to plan better for future shocks and make greater use of pre-arranged finance for rapid response. The new G7 V20 Global Shield against climate risk is a regional opportunity, with Jamaica as an initial pathfinder country. We look forward to the imminent launch of the UK-funded Caribbean Water Utilities Insurance Company, partnering with Caribbean Catastrophe Risk Insurance Facility and the Inter-American Development Bank (IDB), and then expanding that protection into the Eastern Caribbean with CDB.

We welcome CDB’s successful bid to the MDBs Challenge Fund to pilot the use of climate resilient debt clauses to provide immediate fiscal space when disasters occur. We encourage the CDB to provide climate-resilient debt clauses in its loans, without increasing costs for borrowers. We encourage the CDB to explore the scope to offer these clauses without requiring complex financial innovation such as hybrid capital and guarantees, to help simplify and accelerate the deployment of the instrument. The Bank should work closely with other MDBs who are considering introducing these clauses and draw on the experience of the IDB to develop and offer their ‘Principal Payment Option’, while engaging closely with the credit ratings agencies around proposals. We call for an update on the pilot at the September Board of Directors.

The Bank must unlock greater volumes of private capital for the Region, given that public sector resources can only stretch so far. Following the focus on Private Sector Development (PSD) at the previous Annual Meetings, we look forward to the Board of Directors' approval of the PSD Strategy. This Strategy should set out the Bank's comparative advantage in this area, compared to other actors. The Bank should build on existing collaboration with the IDB to improve access to finance for businesses. We encourage the Bank to explore opportunities for future partnerships with British International Investment, the UK's Development Finance Institution, which has recently expanded its operations to include the Caribbean region.

We welcome CDB's leadership on global SIDS priorities, including the personal commitment of the President. We encourage continued collaboration to drive transformational progress ahead of the once-in-a-decade United Nations 4th International Conference on SIDS in Antigua and Barbuda in 2024. We support work to implement the Glasgow Climate Pact, which calls on providers of finance to consider vulnerability in their decisions. We welcome CDB leadership on Multidimensional Vulnerability Indexes and the articulation of narratives on how building resilience fits into wider development. As CDB continues to tailor operations to support small state systems, we welcome the Bank's sharing of lessons and best practices with others.

The Bank must strengthen its operations to increase its impact. We urge the CDB to focus on the following:

- Building a stronger pipeline of transformational investments to support growth for development, and in tackling poverty through the Special Development Fund. While the pandemic created additional demand for policy-based loans, the level of these should now be managed down as agreed by the Board of Directors;
- Taking consistent and targeted action to promote stronger implementation, particularly where there are greater barriers to high performance and with decision-making brought closer to borrowers;
- Developing new tools to strengthen governance and oversight by the Board of Directors, by rolling out an improved Governor and Director portal for better information sharing and a new, 'live' results management framework. The Bank should also develop and implement strategies for addressing data gaps to strengthen the assessment of portfolio quality; and

- Updating Country Engagement Strategies for all borrowers, starting with states where CDB has the largest exposures and/or with states with the greatest development needs. Strategies should include actions to support the implementation of Nationally Determined Contributions and Long-Term Strategies for climate change. CDB should update the Board of Directors with its time-bound action plan for updating strategies as soon as possible.

Finally, we thank the CDB for their ongoing partnership and close collaboration in delivering the UK Caribbean Infrastructure Fund (UKCIF). UKCIF projects will continue to drive development across the Caribbean region for years to come. To achieve this, the UK, CDB, and partner governments, will prioritise the timely completion of the projects. The UK is delighted to celebrate the imminent completion of the first UKCIF project in Belize and looks forward to many future successes.