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Welcome

Dr. Warren Smith

President

Caribbean Development Bank

Launch of CCRIF SPC
10th Anniversary Celebrations

February 20, 2017
CDB Conference Centre, Barbados

Ladies and Gentlemen,

Welcome to the Headquarters of the Caribbean Development Bank (CDB).

We, at the CDB, feel honoured to be collaborating with CCRIF SPC (formerly the Caribbean Catastrophe Risk Insurance Facility) in the launch of its 10th Anniversary Celebrations.

For me, it seems like just yesterday that the Facility was launched; and I was privileged to be in that first group of CCRIF Board Members and served in that capacity until 2010. Mrs. Faye Hardy, Manager, Accounting and former Manager of CDB's Treasury Unit, now represents the Bank on the Board and, from all accounts, is doing an excellent job.

From the outset, the launch of CCRIF represented something new and very different. It was the world's first multi-country risk pool, operating like a not-for profit organisation, the intention being to assist 16 Caribbean governments respond more effectively to natural disasters.

CCRIF became a model for successive multi-country risk pools in Africa and South East Asia to emulate. It is the most experienced example of an *ex-ante* financing instrument and is now regarded as a leading and global best practice.

I am proud of CDB's association with this innovative and responsive organisation, built on strong principles of good governance, corporate social responsibility; and staying true to its vision, mission and guiding principles.

Since it was first launched, CCRIF has achieved much. In my estimation, its most significant role in those initial years was to enable finance, disaster and meteorology professionals to work together and to align the disaster risk management and fiscal policy frameworks of their countries. In its 2009 Implementation Completion Report, the World Bank noted that 62 % of the participants in its stakeholder assessment had concluded that this, indeed, was a major accomplishment.

I wish to applaud the Donors who made the establishment of CCRIF a possibility.

The role of the donor community cannot be understated. Through their inputs, CCRIF has been able to play a fundamental role in helping to mitigate the short-term cash flow problems that small developing economies suffer after major natural disasters.

We know from experience that the need for short-term liquidity to maintain essential government services until additional resources become available is a critical challenge following a disaster event. CCRIF continues to represent a cost-effective way to pre-finance short-term liquidity so that governments can jumpstart recovery efforts after a catastrophe.

Countries can, of course, borrow to finance disaster recovery; but putting those arrangements in place can take time. And increasing debt, when not properly managed, can jeopardise economic growth prospects and exacerbate existing poverty levels.

This scenario therefore calls for increasing *ex-ante* financing tools, such as CCRIF, to reduce the reliance on borrowing or increased taxation in the aftermath of natural disasters.

I encourage the donor community, to continue its support to the Facility as it begins its journey towards the next 10 years and onto 2030. More work remains to be done.

How can Donors help?

I can think of at least two key ways:

- (a) further capitalisation of CCRIF to support current or future products. The Facility is currently developing much needed parametric products for drought, and is in need of similar products for agriculture and utilities; and
- (b) direct country support for the payment of premium, especially given the fiscal challenges being faced by some member countries.

Let me elaborate on this second point.

We know that an “adequate” coverage level is around 20- 25% of the overall government exposure to earthquake, hurricane and excess rainfall risk. We believe that this is the level at which CCRIF coverage can play its most effective role within an overall sovereign risk management framework.

Most countries in the region are well below this threshold; and a substantial increase in coverage levels (and therefore required premium) would be required, in many cases.

We also know that members’ ability to increase coverage is being constrained by current weak public finances. This is an ongoing concern even as CCRIF has sought to keep premium costs low, wherever possible, by reducing premium cost; offering premium rebates; offering special rates for product bundling; and allowing access to premium financing from countries’ participation fees.

At the CDB, we continue to work closely with CCRIF in several areas, including finding avenues to advance capitalisation of the Facility. Later this year, we will launch, in collaboration with other regional partners, a Country Risk Management Initiative, which will encourage countries to adopt a more proactive approach towards country risk management; to move beyond planning for disaster risks, such as climate change and other extreme events; and to recognise the intrinsic linkages between disaster risk and other risks, including economic, technological and financial risks and their impact on socio-economic development

Let me close by congratulating the CCRIF Board and Management of CCRIF for its achievements over the past 10 years. The Caribbean Development Bank’s remains committed to partnering with you as you continue this journey to secure the environmental sustainability of the Caribbean for decades to come.

Thank You