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STATEMENT

BY

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Introduction

Let me add my own personal welcome to the 52nd Annual Meeting of the Board of Governors and observe that after two years of disruptions due to the pandemic, what better way to restart face to face engagement than here in the very beautiful Turks and Caicos Islands. Premier, I wish to thank you, your government, and the people of Turks and Caicos Islands for the exceptional hospitality afforded to us thus far, and our Governors and Board Directors for their continued support and strong encouragement as we take forward the development business for the people of this Region.

Governors, last year I said we must move with deliberate haste. I also said that there can be no sustained development without resilience, and because development has to be holistic, meaning leaving no aspect behind, resilience must therefore be multi-faceted, and so we need a resilience ecosystem capable of absorbing the exogenous shocks we are exposed to. This year's meeting takes place against the backdrop of the enduring aftermath of COVID-19 and now the impact of the Russia-Ukraine war. This conflict has already affected commodity and financial markets, raised energy prices, increased inflation, heightened food insecurity and slowed global growth. The sharp increase in energy prices is further straining fragile fiscal positions in our Borrowing Member Countries (BMCs) and threatening to derail the nascent economic recovery. Even as growth in the Caribbean Region is expected to rebound to around 6 percent in 2022 (on the strength of the rebound in tourism and the performance of Guyana) and from an average decline of around 9 percent in 2020, roughly half of our internationally rated BMCs have suffered credit downgrades since the onset of the pandemic. Consequently, many of our governments are now challenged to walk an economic tightrope while, at the same time, trying to drive the development agenda. Essentially Governors, sustainable recovery now hangs in the balance and the imperative to aggressively pursue resilience is even more urgent.

With this in mind, I take as my starting point today the words of my dear friend and brother President Adesina, we must be prepared to sprint fast like Shelly-Ann Fraser Price of Jamaica and run long like Eliud Kipchoge of Kenya – that is to say – we must accelerate our development trajectory and we must be able to stay the course over the long haul, that is development once started must be sustained. The 2030 targets are not just boxes to be checked off – the path we embark on must take us beyond 2030. As I share my thoughts on how we accelerate and sustain development I will spend a few moments reflecting on the road travelled in the last 12 months of our pursuit of holistic development and then I will elaborate on a few major initiatives for 2022 and beyond.

When I assumed office just over a year ago, my presentation to the Board outlined an agenda that focussed on the transformative and sustainable development of our BMCs with the ultimate goal of improving the welfare of our people. This approach which I have been consistently promoting regionally, speaks to development that is both holistic and inclusive, with resilience and innovation as cornerstones.

The fundamental themes around which much of my efforts have been centred are Sustainable Livelihoods; Resilient Economies; Connectivity; and Innovation Hub. These are fully aligned with the 2030 Sustainable Development Goals (SDGs) that we need to pursue expeditiously if we are to fundamentally alter the development path of the region and place our societies on a higher and more resilient sustainable welfare path in the future. The challenge before us is how best to navigate a safe path from legacy structural weaknesses to transformative development, while maintaining debt sustainability, enhancing macroeconomic and financial stability, and building resilience against a myriad of shocks. Among shocks, I would like to highlight climate change, which if unchecked can pose an existential threat to our region. Governors, with the best of intentions and with access to adequate and affordable finance, our efforts will labor in producing results without a significant jolt to our implementation capacity.

To achieve this our first order of business was to revise our strategic plan to reflect the changed context and circumstances of the Caribbean development trajectory. Reflecting our new vision, we anchored the revised plan on five dimensions of resilience – social resilience, productive capacity resilience, environmental resilience, institutional resilience, and financial resilience.

Secondly, and in alignment with a key theme over the past year of measuring better to target better, we recognised that the Caribbean Development Bank (CDB) itself needed to become a knowledge-enabled learning organisation — a virtual knowledge hub, a network of networks capable of accessing global information, culling experiences of and factors contributing to success, and creating value through strategies that, when implemented, can yield transformative development. To be clear, the philosophy of embracing knowledge creation, from accumulation to discovery to strategic transformation, touches everything we do and manifests in every development challenge we face — from achieving food security to compiling the genome structure of herbs for creating medicines to designing resilient roofs capable of generating withstanding the fury of hurricanes while providing an adequate supply of clean, renewable energy. In other words, we need to embrace the industrialisation of knowledge.

This will require improvements in current processes, organisational culture, technology, and a fearless growth-oriented mindset to underpin our Knowledge Management and evidence-based decision creation. To illustrate, the Knowledge Hub could encompass a tracker for the Region's development progress; be a platform for policy options and design based on the SDGs; promote warehoused information on feasible and development-driven investment opportunities, the regulatory environment, and doing business conditions that could promote cross-border investments; include a database with comparable economic, social, and environmental statistics, and partial-screened project ideas that could help advance sustainable development; and provide a fertile ground for spawning innovative ideas and products.

Thirdly, in recognition of the fact that the internal resilience capacity of our BMCs must be accounted for in determining their ability to recover from exogenous shocks we made steady progress with the development of the Recovery Duration Adjuster (RDA), which builds on the UN Multidimensional Vulnerability Index by integrating vulnerability and resilience in a dynamic and forward-looking manner to better reflect the economic, social, and environmental realities of small island developing states (SIDS). This framework focuses on measuring the internal resilience capacity of SIDS which, because of their peculiar vulnerabilities and state of development, face the reality of a much longer recovery time from a shock compared with developed nations. It proposes to replace GNI, which is widely recognized as an inadequate metric to determine access to concessional finance, by an Internal Resilience Capacity metric for gauging a country's eligibility to access adequate and affordable financing. We launched this framework at the 26th United Nations Climate Change Conference (COP26) in November 2021 in the United Kingdom and have since held discussions and made presentations to several stakeholder groups including the Commonwealth Secretariat, the Alliance of Small Island States, and the United Nations High-Level Panel on the Multi-Dimensional Vulnerability Index.

Big Initiatives for 2022

As we look towards 2022/2023 and beyond, no one could have anticipated the continuation of the COVID-19 pandemic or the protracted nature of Ukraine-Russia conflict. We are also yet to see the full ramifications of this conflict for our Region. This prolonged uncertainty necessitates that we proceed with even more haste to create the sustainable future that we envisage for the Region. And as such, we need to focus our attention on what this future should look like and how we could best create it.

Now that we have laid the contours for sustainable development in our region, our focus for 2022-2023 will be on advancing food and nutrition security, energy security, and water security. These are three key securities that the region needs to address over the long term.

Food and Nutrition Security: Let me start with the issue of food security. For decades the Caribbean has been over-reliant on food imports. The World Bank estimates between 80-90% of all food consumed in the region comes from abroad, and only three Caribbean countries (Guyana, Belize and Haiti) produce more than 50% of their own food. The COVID-19 pandemic has exacerbated existing inequalities across the board, including in employment, housing, healthcare and food security. It is estimated that there are now 2.7 million "food-insecure" people in the English-speaking Caribbean, and according to the third round of the CARICOM COVID-19 Food Security and Livelihoods Impact Survey, "71% of respondents observe higher than usual food prices". While a breakdown of responses by gender wasn't presented by that survey we know historically in this region women are disproportionately affected by food and nutrition security. As a Region, we must focus on building a modern, competitive, inclusive, and resilient agricultural sector in which food and nutrition security have primacy of place and the potential for wealth creation an attraction to young agripreneurs. At the recent Agri-Investment and Food Forum in Guyana, CARICOM Heads of Government expressed grave concern about food shortages, the high prices of imported food, fertilizers and other agricultural inputs, and the limited options for transportation of agricultural products within the region. They have stressed the need for urgent action to take forward the vision for agricultural development championed by President Irfaan Ali of Guyana that targets a reduction in the food import bill by 25 percent by 2025 (i.e., the "25 by 2025 agenda"). Efforts to reduce the food import bill must be underpinned by investments in climate-smart and resilient agricultural technologies, research and development, and knowledge systems that connect farmers, industry, and research to sustain the long-term development of the sector. It must also include new opportunities for women-owned agribusinesses, as in many of our BMCs, women provide the link between the farm and the traditional marketplace, yet remain at the bottom of the value chain. In endorsing this shared vision for food security facilitated by our current agricultural policy and strategy and integrated logistics, we have already commenced discussions with partners on mobilising flexible and innovative financing to support this initiative. We also believe that our appraisal of the establishment of a CDB-led regional hub for the International Trade Centre Global Initiative – SheTrades, we will be able to integrate more women in regional and global agri-trade, supporting increased value-added for women owned agri-enterprises.

Energy Security: Energy is an essential input to all economic activity and has critical ramifications in the social and environmental context. Our high dependence on imported fossil fuels and the associated high cost of electricity has been stifling the pace of growth and development in the Region, including poverty reduction efforts, and is a continued threat to the attainment of the sustainable development goals. As such, there is a dire and urgent need to accelerate the transition to increase renewable energy generation, utilising our abundant solar, wind, hydro, and geothermal resources. While doing so, we need to ensure that this transition is managed to minimise the potential negative effects of disruption, and to ensure it is 'just'. This is particularly important for some of our BMCs, such as, Guyana, Suriname, and Trinidad and Tobago – whose economies are largely reliant on fossil-fuels. Fortunately, we are not starting from 'scratch'. Over the last decade, the Region has been pursuing a shift towards sustainable energy, through the increased use of renewable energy sources and improvements in energy efficiency. The target agreed by our energy ministers is for a 47 per cent contribution from renewable energy by 2027 which translates into a 55 percent contribution by 2030. However, progress towards this target has been slow. On an annual basis, our renewable energy penetration rate will need to increase by 13-fold if we are to achieve this target. The current estimate of the cost of this transition is over USD20 billion. At the Bank, we are updating our Energy Sector Policy and Strategy and have proposed to embed within it a framework, called the Accelerated Sustainable Energy and Resilience Transition 2030 or ASERT-2030 Framework, which is intended to enhance CDB's support BMCs as they urgently ramp up their energy sector transitions.

Water Security: Water security, which is already being threatened by the impact of climate change, is especially critical to the region's development, especially in key sectors such as health, agriculture and tourism. Since 2018, CDB has supported, with partners, the development, refinement and promotion of the Regional Strategic Action Plan for Climate Resilience in the Water Sector in the Caribbean (RSAP). We are currently revising our Water Policy, Strategy and Operational Guidelines, with the support of Agence Française de Développement (AFD) with a completion date of December 2022. At the country level, we are supporting approximately USD131 mn in projects in Barbados, The Bahamas, Belize, Commonwealth of Dominica, Grenada, Jamaica, Saint Lucia, Nevis, and Suriname which are delivering infrastructure, institutional strengthening and capacity building to enhance water security through works, systems, and people. We are also collaborating with IDB and CCRIF on the formation of a Caribbean Water Utility Insurance Company (CWUIC), with an initial product launch planned for 2022. Going forward, our target is to reduce Non-Revenue Water from an average of 60 percent to 30 percent by 2030 and to significantly strengthen data collection, sharing, and analysis to support integrated water resources management (IWRM).

Governors, the development needs of our Region and the attainment of the SDGs require significant collective effort and financial resources. Building on this year's theme of Measure Better to Target Better, I propose for next year to hone in on the theme of Access to Adequate and Affordable Financing (#AAAF). This access will shape a future where our citizens live quality lives in societies that have embraced digitalisation, and possess robust private sector partnership with the requisite governance arrangements to safeguard food and energy security.

To put this in context, initial estimates suggest that providing financing for projects on the scale envisaged in building resilience, encouraging transformation, and achieving sustainable development, would require upwards of USD100 billion over the next decade. Across our BMCs during 2023-2030, we estimate that sustainable energy will require at least USD40 bn, Water and Sanitation USD22 bn, Transportation USD11.5 bn, Agriculture and Food security USD13bn, and Digital Transformation another USD12 bn. The Bank also estimates that to halve poverty by 2030, BMCs would require an investment of approximately USD10 billion annually, which far exceeds current investment levels in the Region. Cognisant of the current capacity of CDB, I posit that meeting this target will be a function of creating partnerships to facilitate access to adequate and affordable financing for development.

We know that our regional governments have been playing a significant role in driving development at the national and regional levels but recognise, at the same time, that they cannot do it alone especially given current high debt levels and the limited fiscal space. The private sector will need to play an equally important role in delivering development outcomes and in financing sustainable transformation and development in the Region. Hence the clarion call to create a partnership for development between the public and private sectors, where national anchor goals like food and nutrition security, energy security, and water security drive individual and joint efforts at achieving milestones to the ultimate anchors. This has to be underpinned by national dialogue and the fostering of an absence of policy uncertainty.

So how do we mobilise finance for development? Firstly, to ensure we have or can facilitate the mobilisation of the quantum of funds needed (the **adequate**) we must create a multi-sourced, multi-instrument framework that is underpinned by a well-developed financial market infrastructure and a strong regulatory environment. Here, it will be important to distinguish among various uses of finance. We distinguish financing for rescue, financing for recovery, and financing for long-term repositioning – that is to say the sprint and the long-distance run. We will need a suite of financial instruments with specific terms that can be combined coherently to manage different needs, while providing appropriate governance safeguards – importantly from both the public and private sectors. This suite of financing instruments could include:

i. <u>Bonds: SDG-themed Bonds</u>, for example green bonds, sponsored blue bonds to finance projects for ocean conservation and marine biodiversity, and orange bonds for growing our cultural and creative industries (e.g., music, sports, design).

i. <u>Private Equity</u> – for funding specific development-related objectives with auxiliary governance and taxonomies to monitor, evaluate, and ensure achievement of goals.

i. <u>Contingent debt</u> -- Insurance, Catastrophe bonds, Gross Domestic Product (GDP) - indexed bonds, Reform-incentivising bonds with successive tranches refinanced at lower interest rates conditional on progress in implementing and sustaining key policy and development interventions.

i. <u>Derivative-based instruments</u> (like the Belize debt swap).

i. <u>Concessional Funding</u> - donors, International Financial Institutions specialty-themed funding institutions, such as the Global Climate Fund and the Adaptation Fund.

The second aspect of **affordability** can be underpinned by greater access to concessional funds through the RDA; the channeling of Special Drawing Right (SDR) from non-BMCs through Multilateral Development Banks like CDB to facilitate a more focussed deployment of financing for achieving SDGs; attracting new concessional resources from other sovereigns and institutions; and promoting policies to improve risk profiles and therefore lower premia for market funding.

Let me turn briefly to implementation. Having adequate and affordable finance, creating opportunities of demand, and promoting partnerships will not yield optimal, sustainable outcomes without effective implementation capacity. The implementation deficit looms large as possibly the most significant factor at both the institutional, national and regional levels that inhibits the ability of our countries to execute and maximise the benefits from approved policies, projects, and programmes that seek to deepen regional integration and achieve our sustainable development goals. We need to take decisive steps to address the bottlenecks impacting effective implementation including reforming the legislative framework to facilitate investment and innovation; improving processes to reduce bureaucracy and lengthy procurement processes; enhancing project and people management and skills for the future of work; encouraging a cultural change in mindset (I refer to the adoption of a private sector enterprise mindset nationally, embracing failure as the spur for the next success, and strong compliance culture); and moving from a project-based approach to a development-continuum approach where monitoring, evaluation, adaptation, and nimbleness provide the thread linking projects to ultimate objectives.

At the CDB, we will be placing emphasis on the following strategic initiatives:

Developing the Knowledge Hub**:** Ready access to up-to-date and accurate information is a prerequisite for evidence-based effective knowledge creation and decision making.

However, the Region's knowledge and information management processes are still quite fragmented, and this has limited our ability to initiate and sustain important policy reforms. Going forward, we need to eliminate this fragmentation by building a common platform (potentially a network) to accumulate, analyse, transform, and share knowledge in the economic, social, and environmental dimensions.

***Embedding the RDA and Internal Resilience Capacity in our internal Processes*.** Here, our focus will be on developing the Vulnerability and Resilience Tool for adoption in the Bank's Operational processes. This tool will enable a deeper diagnosis of vulnerability and resilience in countries and provide some assessment of their overall ability to recover from shocks and maintain ongoing economic and social processes.

***Fostering the idea of a single digital space*.** Digital transformation has the potential to revolutionise economic and social life by lowering information costs, reducing the cost of economic and social transactions for firms, individuals and the public sector, and increasing efficiency and access to services. Here our emphasis would be on fostering the development of appropriate, harmonised regulatory and security frameworks, upgrade of information technology infrastructure, and access to broadband services across private and public sectors to achieve the common purpose of a regional, secure, digital grid free of all digital divides by 2035.

***CDB as Regional Hub for the Global SheTrades*:** Inclusive trade is a critical component to achieving gender parity. It creates more job opportunities for women with higher wages and better working conditions. On September 2015, the International Trade Centre launched the SheTrades initiative to empower women economically through greater integration in global trade and investment, with a goal to connect one million women to markets by 2020.

CDB is currently appraising the establishment of a CDB-led regional hub for SheTrades, joining a global practice with a global partner and would also be in a position to either match or leverage additional resources to improve market access for women-owned businesses. Moreover, CDB would be able to anchor its future interventions in a programmatic fashion.

CDB continues to help boost women's participation in private sector development in its BMCs, and is currently coordinating more support to expand their access to technical finance and investment, training, coaching, and mentoring and other technical assistance. We seek to meet a target of over 2,000 women-owned/led MSMEs by 2024. This specific support is viewed as critical to increasing the participation of these enterprises in public procurement markets.

The Bank is also encouraging the governments in its BMCs to ensure that their public procurement frameworks address any systemic barriers to women's participation and that they also promote increased participation by and opportunities for women-owned businesses, indigenous people and persons with disabilities.

Governors, Directors, distinguished ladies and gentlemen, as we deliberate on how to create the future we want, I ask you to join our coalition for development, including development institutions, the regional and international private sectors, the regional public sector, and our development partners. I ask us all to recommit to action, to not allow the optimism of the will to be overcome by the pessimism of the intellect. CDB is the Caribbean's development bank and I pledge our readiness to act. As the Governor for SVG implored yesterday – let us not be caught arranging the chairs on the deck of the Titanic – instead let us match words with action and transform our reimagined visions into reality for our people. Let's move forward with deliberate haste.