



**STATEMENT BY THE
GOVERNOR FOR THE UNITED KINGDOM
THE RT HON. THE BARONESS CHAPMAN OF DARLINGTON**

The United Kingdom thanks the Caribbean Development Bank (CDB) for its preparations and Brazil for hosting these Annual Meetings.

We would like to take this opportunity to welcome Daniel Best as the new President of the Caribbean Development Bank. We welcome the President's vision: 'Innovate, Transform, Thrive'. His commitment to CDB and his mandate to lead reform within the Bank, including a renewed focus on addressing the Caribbean's development challenges, is welcome.

The Caribbean region holds significant importance as a partner and friend to the UK. We have been a long-standing partner of the Bank, whose priorities are closely aligned with those of the UK in the region, particularly in promoting growth and enhancing resilience. I am honoured to be appointed as the UK Governor at the Caribbean Development Bank. I am passionate about the region and strongly committed to working in partnership with CDB in order to deliver a more prosperous, sustainable, and secure future for all across the Caribbean.

These Annual Meetings take place at a time when countries across the globe are grappling with rising inflation, indebtedness and geopolitical tensions. Caribbean countries also stand on the frontline of the climate and nature crisis, which has both economic and humanitarian consequences. Last year, Hurricane Beryl became the earliest Category 5 hurricane ever recorded in a calendar year, destroying nearly all homes and infrastructure on several islands in the Grenadines. We expect the frequency and intensity of such extreme weather events to increase as global temperatures rise, disproportionately affecting Small Island Developing States.

We also know that the traditional development model and global international financial system are not working well enough for Small Island Developing States, who are far off track from achieving the UN's Sustainable Development Goals. Reforms to the Global Financial System are required to address the interconnected challenges of growing inequalities and indebtedness in the context of climate change. For the Caribbean in particular, there is no pathway to development without climate resilience. The Bridgetown Initiative exemplifies Caribbean leadership on these issues. There is a vital role for CDB to play.

We hope that the new President will prioritise four key areas:

- **First, identify CDB's comparative advantage:** In a world of declining development resources, the Bank must think hard about its comparative advantage if it is to remain a relevant development institution in the region and find its place in the MDB architecture. Selectivity and focus are key, and we urge the Bank to ensure building resilience to external shocks, natural disasters and economic uncertainty are at the heart of this. The ongoing strategy process provides a forum in which to do this and must be matched with a credible resource mobilisation strategy which runs in parallel.
- **Second, enhance effectiveness and delivery:** Improving operational efficiency, addressing implementation constraints in borrowing countries, and fostering closer engagement with other development institutions will significantly strengthen the CDB's value proposition within the region. This includes leveraging regional talent to address persisting vacancies, increasing the proportion of women in senior positions and empowering staff to deliver through effective utilisation of digital tools. Becoming a learning organisation is vital, and the recent appointment of the Independent Head of Evaluation is a positive development.
- **Third, increase responsiveness to the needs of client countries:** Improving client engagement at all levels, from senior management to operational staff, is essential and requires a more strategic approach. Utilising country engagement strategies, supported by increased investment in data such as poverty assessments, will help to agree priorities which are aligned to country needs. At a time of increased competitiveness in the region, demonstrable reform will be vital if CDB is to remain a partner of choice.
- **Fourth, ensure the highest standards of governance and accountability:** This can only be achieved through significant reform to address systemic governance issues. The independent governance review is a good first step and should provide a blueprint for change. Having a Bank that is fit for purpose in the twenty-first century requires a new corporate governance structure which will ensure alignment of incentives, strong accountability mechanisms - including the process and rules by which the Board makes decisions, backed up by independent and effective compliance units.

The UK remains committed to supporting CDB to advance efforts in these four key areas. Reflecting on recent successes, we commend the Bank's response to the G20 Capital Adequacy Framework reforms and efforts to improve its risk management system, recognised by achievement of an AA+ credit rating. We acknowledge progress on balance sheet optimisation, including the development of Exposure Exchange Agreements with the Central American Bank for Economic Integration. This is an important and necessary step to demonstrate ongoing maturity in the Bank's approach to managing risk and unlocking additional lending capacity.

In addition, the UK was pleased to see CDB launch several initiatives aimed at enhancing disaster preparedness and climate resilience, including a dedicated fund for rapid response to natural disasters. With the Caribbean Region facing the costliest of natural disasters, the introduction of disaster risk financing instruments such as the Disaster Response Policy Operation and the Contingent Emergency Response Component are measures which will provide much-needed immediate access to funds for countries following extreme weather events.

Finally, the UK is proud to be partnering with CDB on the UK Caribbean Infrastructure Fund (UKCIF). Through this initiative, the UK is providing £350 million in grant funding to support thirteen projects in eight Caribbean countries and one UK Overseas Territory. Our support represents the largest grant contribution to a donor infrastructure fund that the UK has ever supported. The UK's contribution has leveraged funding from other sources leading to total investment of almost US\$1 billion. As we enter the final phase of this transformative initiative, it is vital that we focused on effective implementation and delivery.

These examples show the strength of CDB, and the value of our partnership. The UK remains steadfast in its support for the Bank under its new leadership as it resets its direction and renews its ambition to deliver real, lasting benefits to the people and communities across the Caribbean.