Remarks by

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President

Caribbean Development Bank

at the

Opening Ceremony of the

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Mr. Chairman
Mr. Milo Pearson, Chairman, Caribbean Catastrophe Risk Insurance Facility (CCRIF)
Mr. Devon Rowe, Director General, Ministry of Finance, Jamaica
Dr. Simon R Young, Chief Executive Officer, Caribbean Risk Managers Ltd.
Mrs. Desiree Cherebin, Director, CCRIF
Other Members of the CCRIF Team
Members of the World Forum of Catastrophe Programmes
Colleagues from the World Bank and the Canadian International Development Agency (CIDA)
Other Distinguished Guests
Members of the Media
Ladies and Gentlemen
Good Evening.

As President of the Caribbean Development Bank (CDB) – and as a former member of CCRIF's Board of Directors, it is indeed an honour to be able to offer remarks at this meeting of the World Forum of Catastrophe Programmes.

As a Caribbean institution that is involved in disaster risk management in the region, CDB is pleased that this meeting is being held in the Caribbean for the first time. I believe that the information which will be shared within the next few days can be put to good use as you incorporate new ideas into your own work.

The past two years have been difficult ones: the just released International Federation of the Red Cross and Red Crescent world disasters report notes three mega-disasters in 2010 and 2011:

- the January 2010 earthquake in Haiti;
- massive flooding in Pakistan in July 2010; and
- the earthquake and tsunami that occurred in Japan in March of this year.

Reportedly, natural disasters resulted in almost 300,000 deaths in 2010, making it the deadliest year of the decade. The 2010 Haitian earthquake was classified as the second deadliest natural disaster of the decade after the 2004 Indian Ocean tsunami.

According to the Insurance Information Institute, the exceptional spate of natural catastrophes during the first half of 2011 alone, caused approximately USD265 billion in economic losses, a figure that tops the USD220 billion in losses posted in all of 2005. And the cost of disaster damage is rising.

The case of Caribbean small island and coastal states and their vulnerability to natural hazards is a story that is well known.

In the last year and a half, CDB has had to respond to the emergency and infrastructure rehabilitation needs of several of its Borrowing Member Countries as a result of earthquakes, Hurricane Tomas, and a series of non-seasonal extreme rainfall events.

This pattern of extreme hydrometeorological events is with us to stay, and expected to be further exacerbated by global climate change. Growing urbanization and environmental degradation are likely to further compound the problem.

The Caribbean is particularly vulnerable to the impacts of climate change.

For three categories of loss: hurricane damage, loss of tourism revenue, and infrastructure damage, alone, the annual projected cost of Caribbean inaction to climate change impacts is projected to total USD22 billion annually by 2050 and USD46 billion by 2100. By 2100 these losses are estimated to represent 75% or more of the GDP of islands such as Dominica, Grenada, Haiti, St. Kitts and Nevis, and the Turks & Caicos, islands. Therefore, it is imperative that we do not perpetuate "inaction" and proceed to be proactive.

The comparatively small nature of a majority of our States does not allow them to easily diversify their risks, and with the rising frequency and intensity of natural disaster events, there is high priority to reduce vulnerability and limit fiscal exposure.

In the context of high indebtedness, and recessionary conditions, access to post-disaster credit is challenging and the quantum of funds to cover emergency and recovery needs can be daunting.

Governments in the region are often forced to divert funds from priority development projects to support emergency and recovery needs, thereby derailing planned development goals. They may raise new debt, at expensive post-impact capital market rates.

At current levels of indebtedness some countries may be significantly restricted in both access to and quantum of credit they are able to secure. Traditionally, they have also relied on the donor community for assistance, a modality which is recognizably slow, and ineffective to often fulfill the increasing scale of needs.

When governments are constrained to re-allocate budgets post disaster, significant liquidity crunches can emerge.

So where are we? Where do we need to be and how do we get there?

Where are we?

Reasonably good progress has been made towards the advancement and embedding of Comprehensive Disaster Management at a regional level. The year 2013 should mark the emergence of a third five-year, regional Comprehensive Disaster Management Strategy. This strategy will consolidate and further develop capacities in emergency prepared-ness and response, risk mitigation investment for critical infrastructure protection, management of recovery systems as well as in risk transfer and the use of innovative disaster risk financing products.

In most of our countries, we have managed to reduce loss of life, but the spectre of significant and/or catastrophic economic impact is ever present, and looms pervasively large.

Where do we need to be and how do we get there?

I will focus by remarks specifically on recovery systems and risk transfer as these areas have received proportionately less attention in the regional comprehensive disaster management landscape. This is by no means an acknowledgement that we are entirely in a zone of comfort in relation to our emergency response and preparedness systems, or in our risk mitigation investments.

Significant strides have already been made through the development and operation of CCRIF since 2007 in terms of the development of the first pooled multi-country, parametric catastrophic risk insurance instrument, covering hurricanes and earthquakes.

As you will learn tomorrow, further strides are being made in the context of the development of the Micro Insurance Catastrophe Risk Organisation (MiCRO). MiCRO was formed with the goal of helping Haiti's micro-entrepreneurs protect themselves in the economic aftermath of natural catastrophes. Caribbean Risk Managers Ltd. – here this evening – is one of the founding partners and I am pleased to say that the CDB provides support by administering a multi-donor trust fund for the purpose of operating the facility.

Despite these advances, there is a need to:

- continue to innovate additional risk transfer and disaster financing products, in the context of hazards to which key economic sectors are exposed – conversations are already beginning about the possibilities of weather indexed crop insurance; and to

- develop and intensify the agenda to further assist policy makers to devise financial protection strategies against natural disasters. Such strategies are required to help our member governments mobilise resources in the aftermath of a disaster, while buffering their long-term fiscal impacts (CDB would be specifically interested in facilitating dialogue and an agenda of harmonised action in this area).

Currently there is very little evidence of a structured, quantitative, evidence-based, sector approach to measurement, characterisation and management of natural hazard risk across Ministries of Finance and Economic Planning. A focused, quantitative portfolio approach to natural hazard risk in the predominant economic sectors is required.

Focusing only on disaster financing options as one sub-facet of comprehensive disaster management: *ex post*, countries typically have donor relief assistance, budget reallocation, domestic credit, external credit, donor reconstruction assistance, and tax increases; *ex ante* financing measures include budget contingencies, reserve funds, contingent debt facilities, parametric insurance, traditional insurance and catastrophe bonds.

How should a country invest in these options to handle both small and recurrent losses and catastrophic losses? How have we been investing?

Is the level of sensitisation, depth of knowledge and capacity to pursue this type of approach, sufficient, in our countries?

While current existing regional risk transfer and financing have built-in oversight and monitoring, as greater numbers of national and regional risk transfer and disaster financing mechanisms and products emerge, there will be a need for more coordinated, harmonised and concerted oversight and monitoring. This, coupled with the need to develop capacities and skills to make informed decisions about the best investments in disaster financing instruments, will require an expanded country skills base in this area.

For example do we have a sufficient regional knowledge base on how the global reinsurance sector works? Do we have a level of comfort about how our reinsurers are distributing their own risk? What will events such as Hurricane Irene and the Japan and New Zealand earthquakes do to catastrophe insurance costs? We need to have the technical expertise to be able to interact more optimally with global reinsurance and international capital markets as well as to validate our reinsurance investments.

Many of our countries do not have pre-developed national recovery plans or plans for national business continuity. Recent experiences have shown that, when faced with a catastrophe-related challenge, countries have scrambled to develop national recovery coordination strategies and entities. Fundamentally, countries should be prepared past the exhaus-tion of their emergency preparedness and response systems, beyond the limits of their extant mitigation, and using disaster financing options at their disposal, to have systems in place to enable effective, efficient, rapid recovery and business continuity as a country. This is another potential area CDB is interested in supporting.

The development and utilization of a country catastrophe risk financing strategy in tandem with the availability of pre-developed recovery planning and coordination systems will go a long way in reducing natural disaster development speed-bumps, and increasing long-term country resiliency.

As middle-income countries, in a hazard-prone region, the dearth of good collated temporal hazard and loss data, and well established data collection systems to enable evidence-based decision making is lamentable.

Under ideal circumstances, the region should be in a space where we better collect and manage national hazard and loss information, developing cost-effective temporally extensive, relevant databases. We should be able to trade and utilise such data in the research and development of innovative risk transfer and financing mechanisms, taking a more considered, structured and quantitative approach to the management of catastrophic risk within our overall pursuit of comprehensive disaster management. This will greatly improve our ability to make informed decisions. Also we need to always monitor the new and emerging class of catastrophic risk insurance and risk financing products. This meeting – and other similar gatherings – is one way in which we can learn about new risk financing options.

I would like to end by officially declaring this meeting "Open" and wish you a very successful meeting.