

Economic Commission for Latin America and the Caribbean

**ECLAC SUBREGIONAL HEADQUARTERS
FOR THE CARIBBEAN**



Report of the expert group meeting on a Caribbean Resilience Fund: Segregated Portfolio Caribbean Resilience Trust Fund



UNITED NATIONS

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Economic Commission for Latin America and the Caribbean
Subregional Headquarters for the Caribbean

Expert group meeting on a Caribbean Resilience Fund:
Segregated Portfolio Caribbean Resilience Trust Fund

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**REPORT OF THE EXPERT GROUP MEETING ON A CARIBBEAN
RESILIENCE FUND: SEGREGATED PORTFOLIO CARIBBEAN
RESILIENCE TRUST FUND**

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A. ATTENDANCE

1. Place and date

1. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean convened an expert group meeting (EGM) to discuss the findings of the study “A Caribbean Resilience Fund: Segregated Portfolio Caribbean Resilience Trust Fund” via Webex on 28 October 2021.

2. Attendance

2. Representatives from the following institutions participated in the EGM: Ministry of Finance and Corporate Governance of Antigua and Barbuda, CARICOM Development Fund (CDF), CARICOM Secretariat, German Agency for International Cooperation (GIZ), Organization of American States (OAS), Prime Advocates and I7 Asset Management.

3. The meeting was chaired by the Coordinator of the Economic Development Unit of ECLAC subregional headquarters for the Caribbean. The study findings were presented by Justin Ram, the consultant for the study.

3. Agenda

- Welcome remarks and introduction
- Overview and presentation of the study
- Plenary discussion on presentation and study
- Closure of the meeting

B. OUTLINE OF PROCEEDINGS

1. Opening of the meeting

4. The Deputy Director of ECLAC subregional headquarters for the Caribbean opened the meeting by giving a general overview of the economic challenges that the Caribbean faces, including the COVID-19 pandemic. According to the Deputy Director, recovering from the pandemic involves addressing high debt, and building economic resilience through financing climate adaptation and investing in green industries. The Deputy Director welcomed the meeting participants and emphasized the importance of their contribution to strengthening this body of work. He concluded his remarks introducing the study presenter, Justin Ram, the consultant and co-author of the study.

2. Overview and presentation of the study

5. The consultant presented a summary of the study “A Caribbean Resilience Fund: Segregated Portfolio Caribbean Resilience Trust Fund”. The summary began with an overview of the challenges faced by the Caribbean and the need to build resilience. The main structural challenges facing the Caribbean, are related to macroeconomics, productivity and competitiveness, human development and environmental. The macroeconomic challenges include low economic growth, high public debt ratios and debt service ratios and low sovereign debt rating. The productivity and competitiveness challenge include large infrastructure

gaps, inefficient and costly transport links and low Doing Business rankings. The human development challenges include high unemployment (particularly among youth) and poverty rates, low education outcomes and high crime rates. The environmental challenges include high natural disaster costs, low insurance payouts, insufficient building codes and poor climate adaptation measures.

6. The presentation then examined more closely the public debt and environmental challenges. The average public debt ratio for the subregion is now greater than 80 per cent, following the exceptional borrowing that took place during the first year of the pandemic. For countries in which the public debt ratio is over 60 per cent of GDP additional debt is often costly. Low country credit ratings make it difficult for governments to reprofile or refinance their debt and limits their capacity to fund much needed resilience building activities. With respect to the environment challenges, natural disasters such as earthquakes and storms are prevalent risks in the Caribbean. Rebuilding following a disaster can be very costly, and often leads to accumulation of debt.

7. The examination of these challenges leads to the conclusion that the Caribbean is in need of concessional financial relief to avoid sinking into a solvency crisis. There has been increased international acceptance of the urgency of reducing public debt and promoting resilience building. In response, ECLAC has proposed the establishment of a Caribbean Resilience Fund (CRF). The CRF would essentially be a special purpose financing vehicle intended to leverage long-term low-cost development financing for the Caribbean. The CRF would also ensure the availability of resources to the Caribbean for investment in adaptation and mitigation initiatives and in the development of green industries, thereby promoting both resilience building and the structural transformation of Caribbean economies.

8. The CRF would be set up as a trust fund established as public-private partnership with three broad thematic areas of focus: (i) resilience building, (ii) growth and competitiveness and (iii) a liquidity and debt facility. The resilience building theme would provide financing to public and private sector activities that focus on resilience building; the growth and competitiveness theme would finance both public and private sector activities focused on growth projects and reforms that support growth; and the liquidity and debt theme would provide debt relief and liquidity support to participating CARICOM Governments with high debt to GDP, and debt affordability ratios. A key feature of the CRF is its structure as a segregated portfolio fund which remains a single legal entity, but with separate portfolios for each thematic areas of focus, such that the assets and liabilities are legally separate from the other portfolios. This would allow the different thematic areas to utilize their funds in different areas and accept resources from all eligible entities and would-be investors.

9. The various steps to establish and fully operationalize the CRF are expected to take 24 months.

3. Discussion

10. The general sentiment among participants was that the paper was informative and comprehensive. However, some issues were presented to better the research and study findings with several participants committing to forward written feedback via email.

11. Several issues not addressed in the study were highlighted during the discussion. These included the need for the fund's entire portfolio across the three themes to be "green" in order to attract funding from the Green Climate Fund (GCF). Also, the fund's structure would need to include independent evaluation and mechanisms for redress. Some other questions included the criteria used to determine eligibility to the fund and ensuring they meet the standards of donors. Participants raised the need for legal support for the process of setting up the fund. ECLAC responded that they were in the process of contracting legal experts. One participant asked about the possibility of launching the fund in a phased manner, depending on which

subwindows got support and traction first. This would help to launch the fund sooner to enable further buy-in from other stakeholders once it begins operating.

12. One of the main points of discussion was how the fund would relate to other funding agencies and if there would be any co-financing of projects with another entity. The meeting was also interested in how the performance of the CRF would differ from those other financing agencies and how would it better serve the subregion. Since there were already some specialized institutions operating in the areas of the fund's subwindows, the fund should seek to partner with them. In particular, participants asked what the relationship of the fund would be to CARICOM. ECLAC pointed out that they had been in contact with CARICOM and there was interest in collaboration. The CARICOM Development Fund confirmed their interest in being a part of the CRF, given the close connection between the aims of the fund and the mandates of the CDF.

13. One of the points from the participants was that although the CRF seeks to induce economic growth, the report was not clear on how this will be done. It does not set a benchmark or target growth for the countries to achieve, but the meeting suggested that the target growth should be higher than the average interest rate on domestic and international debt. In order to achieve increased growth, the fund should also target the key economic growth drivers in each country, and should seek to drive innovation, which is what boosts competitiveness.

14. In terms of the structure of the paper, one participant noted the extensive length of the document and suggested there be a shorter version for busy policymakers to read. ECLAC responded that there was a shorter version that can be updated to share with policymakers. The meeting suggested that ECLAC continue with advocacy efforts and seek to get the support of a major developed country for the initiative.

15. In the discussion, the consultant spoke further about how the suppliers of funds to the existing multilateral lending agencies had a lot of power over the lending activity. He said that the CRF would need to be set up in a way that limits the power of the suppliers and allows it to be more agile in its activities. ECLAC confirmed the need for the CRF to be nimble and flexible so that it could deliver low-cost financing more rapidly than existing institutions.

4. Closing remarks

16. The Coordinator of the Economic Development Unit ended the meeting by summarizing the discussion and highlighting the overarching recommendations. He said that the comments from the meeting's discussion would help in developing the paper at international meetings hosted by ECLAC in the future. The improved paper would then be used in garnering support for the proposal from major stakeholders.

17. Before concluding the meeting, the Coordinator thanked participants for their interventions and encouraged sharing of written comments via email.

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