

Economic Commission for Latin America and the Caribbean

ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN



Report of the expert group meeting to advance the ECLAC Debt for Climate Adaptation Swap Initiative





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

Meeting to advance the ECLAC Debt for Climate
Adaptation Swap Initiative
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REPORT OF THE EXPERT GROUP MEETING TO ADVANCE THE ECLAC DEBT FOR CLIMATE ADAPTATION SWAP INITIATIVE

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A. CONCLUSIONS AND RECOMMENDATIONS

1. Reshaping the initiative

1. The new framework recommended by the group of experts suggested that, while the initial concept of the debt for climate adaptation swap initiative made debt reduction the centre piece of the initiative, consideration should be given to reversing this strategy, with principal focus shifting instead to resilience building through investment to drive growth and reduce debt over time. However, even within this new framework, the urgency of eliciting some measure of early harvest on alleviating the debt burden of the three Phase One economies should not be lost.

2. The representatives from the Phase One countries therefore suggested that the debt reduction aspects should continue to be a prominent feature in any new configuration of the strategy to be adopted, since the lack of fiscal space from debt servicing continued to be a binding constraint.

2. Repackaging the initiative

3. The appeal of leading with resilience building, as explained by the experts, was the opportunity it presented for the initiative to be owned by the UN, and its political advocacy led by the UN Secretary General, reducing the risk of the international community shunting the initiative to the Bretton Woods institutions, the acknowledged principal arbiters on debt management issues. The principal objective of resilience building will allow the initiative to be situated squarely within the UN's pursuit of SDG implementation. The UN-SG could therefore champion the Caribbean resilience building initiative as part of a broader global strategy to achieve the Sustainable Development Goals (SDGs), and to address the impact of climate change. The meeting suggested that this messaging would be very important in increasing the initiative's appeal.

3. Resourcing the initiative

4. It was also suggested that a modality should be found to start the process of attracting financial resources for resilience building for the three Phase One countries and that Economic Commission for Latin America and the Caribbean (ECLAC) should not be delayed by the usual accreditation process to secure Green Climate Fund (GCF) funding. As indicated by the GCF Executive Director in New York, it will be possible for ECLAC to be accredited narrowly for the purpose of this initiative alone. It was agreed that this opportunity should be pursued soonest.

5. It was also suggested that ECLAC should not wait on donor inputs but rather should start with a facility that can make progress immediately. Among the suggestions were the following:

- Motivate the establishment of the Caribbean Resilience Fund (CRF) by identifying activities and projects for GCF funding;
- Consider what instruments and services might be offered through the CRF. These could include GCF grants, debt for nature swaps, other debt reduction mechanisms, financial instruments such as green and blue bonds;
- Identify the cost of resilience, type of investment, regional location;
- Examine projects already in the pipeline in one country and see how these might be replicated or expanded to regional level and use those to move forward.

4. Establishing the Caribbean Resilience Fund/Facility

6. In the proposed new framework, the CRF is fashioned as a major anchor of the initiative, with the GCF playing a pivotal role in providing grant funding for projects. It was suggested that the CRF should

be positioned as a mechanism to promote and support regional resilience, whose message on climate resilience would be led by the UN-SG and the Prime Ministers of the Phase One countries. It is an initiative that should be operationalized at the regional level, but marketed as part of a global agenda of the UN.

7. The CRF could be set up as a trust fund or facility to attract large scale financing from international development partners (IDPs) to support the development of Caribbean adaptation and mitigation related projects. The design of the funding mechanism through the CRF should allow for better access by member states relative to other existing funds.

8. The CRF needs to have a Resource Mobilization Strategy, which allows aggregation of funds that are coming from different agencies from different purposes such as debt reduction, grants, concessional loans, etc. Services offered by the CRF should span the entire project cycle, including documentation, project design, financial structuring, credit provision, monitoring, etc., as well as different forms of modalities of financing supports; grant, loan, guarantee, bonds.

9. ECLAC will continue to engage the Green Climate Fund and other donors on the need for a more frontal, albeit nuanced approach to the issue of debt reduction for the Phase One economies, given the donor community's heightened awareness of the debt issue in the Caribbean. The CRF would serve as the interlocuter for negotiating and facilitating debt reduction.

10. The design of the Caribbean Resilience Fund (CRF) should incorporate multiple windows to respond to challenges related to both climate resilience and economic resilience, particularly since the GCF distinguishes climate resilience and economic development, and only provides resources for the former.

11. The CRF should be managed by a Board of Governors, which would include nominees from member states, the GCF, UN agencies and multilateral development bank partners. The CRF would need suitably qualified staff who can competently and actively manage all stages of project preparation.

5. The next steps

12. The meeting agreed that ECLAC and the Phase One countries will seek support from Green Climate Fund through its Project Preparation Facility (PPF) of the GCF to conduct a prefeasibility study for the climate resilience projects, tentatively by February 2020, as well as seek limited accreditation with the GCF for this initiative, with a help of the Department of Environment, Antigua and Barbuda (DOE-ATG). For that purpose, the following activities were identified as priority works for ECLAC:

- Create a list of regional climate resilience projects,
- Revise the existing strategy to emphasize the role of the CRF as a global facility aimed at resilience building,
- Refine the debt relief scenarios to reflect each country's priorities, and
- Conduct standard Debt Sustainability Analysis (DSA) for each of the Phase One countries to show the impact of the debt relief and climate resilience projects on debt sustainability.

13. Once the project document is finalized, ECLAC and the Phase One countries will collaborate with DOE-ATG to fast track the proposal through the Enhanced Direct Access (EDA) facility of the GCF.

14. At the political level, it was agreed that ECLAC and DOE-ATG will have a discussion with GCF at the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) in December 2019. It was also suggested that ECLAC should submit an updated report to

CARICOM Heads Intersessional Meeting in February 2020, to secure further political support to advance the initiative.

B. INTRODUCTION

15. The ECLAC Debt for Climate Adaptation Swap Initiative was among the projects championed by the UN Secretary General António Guterres at the Climate Action Summit held at during the high-level segment of the UN General Assembly in September 2019. Consultations held with the GCF Executive Director at that time also indicated that while it was not possible for the Fund to finance haircuts or other forms of debt reduction, it was ready to use grant funds for projects offered for funding by member states. ECLAC is therefore exploring a new strategy that would advance advocacy for the initiative using the considerable political lift provided by the UN-SG's active support, while giving renewed thought to the key mechanisms for debt relief to be offered by the Debt swap initiative, given the loss of the source of concessional financing which should have been provided by the GCF.

16. A two-day meeting was therefore convened in Antigua and Barbuda to discuss what a revised strategy would look like. A key consideration was the fact that, without the concessional financing from the GCF to facilitate the haircut, the initiative would resemble a more traditional debt swap, with heavy dependence on the benevolence of the creditors to determine any likely relief.

17. The meeting, which included experts with varied experience in climate finance and debt management in the Caribbean, also drew heavily on the experience and expertise of the staff of the Department of the Environment of Antigua and Barbuda, who have been active participants in the work of the GCF, including as a member of its Board.

C. ATTENDANCE

1. Place and date of the expert group meeting

18. The ECLAC convened an expert group meeting to discuss a revised strategy to “Advance the ECLAC Debt for Climate Adaptation Swap Initiative” at Department of Environment, Antigua and Barbuda on 28-29 October 2019 in St John's, Antigua and Barbuda.

2. Attendance

19. The Honourable E. P. Chet Green, Minister of Foreign Affairs, International Trade and Immigration, Antigua and Barbuda; Ambassador Angus Friday, former Ambassador to the United States and the Organization of American States, Grenada; George Bindley Taylor, former IMF economist; Professor Vanus James, consultant; and representatives from the following institutions: Department of Environment, Antigua and Barbuda; Ministry of Finance and Corporate Governance, Antigua and Barbuda; Ministry of Finance, Economic Growth, Job Creation, External Affairs and the Public Service, Saint Lucia; Ministry of Finance, Economic Planning, Sustainable Development, and Information Technology, Saint Vincent and the Grenadines; Kevin Hope, Caribbean Development Bank (CDB); Rodinald Soomer, CARICOM Development Fund (CDF); GIZ; and Caribbean Export Development Agency, participated in the expert group meeting.

20. This meeting was chaired by the Director of ECLAC subregional headquarters for the Caribbean.

3. Agenda

- **Introductory remarks**
 - Diane Quarless, Director, ECLAC, subregional headquarters for the Caribbean
 - Diann Black Layne, Director, Department of Environment, Antigua and Barbuda
 - The Honourable E. P. Chet Green, Minister of Foreign Affairs, International Trade and Immigration
- **The current approach of ECLAC to the debt for climate adaptation swap initiative**
 - Sheldon Mc Lean, Coordinator, Economic Development Unit, ECLAC subregional headquarters for the Caribbean
- **The international appetite for reducing middle-income countries debt. Which major players to influence? A road map approach**
 - Kevin Hope, Economist, Caribbean Development Bank
 - Ambassador Angus Friday, Grenada's former Ambassador to the United States and the Organization of American States
- **Reflections on a Caribbean Resilience Fund (CRF). What could it look like?**
 - Dillon Alleyne, Deputy Director, ECLAC subregional headquarters for the Caribbean
 - Rodinald Soomer, Chief Executive Officer, CARICOM Development Fund
 - Professor Vanus James, Consultant
- **Financing green projects for adaptation and mitigation that can also jump start growth, Challenges and opportunities**
 - Sanya Alleyne, Regional Coordinator, GIZ
 - Markson Gill, Advisor - Competitiveness and Export Promotion, Caribbean Export Development Agency
 - Diann Black Layne, Director, Department of Environment, Antigua and Barbuda
- **The next steps**
 - Diane Quarless, Director, ECLAC subregional headquarters for the Caribbean

D. OUTLINE OF PROCEEDINGS

1. Introductory remarks

21. Introductory remarks were made by the Director of ECLAC subregional headquarters for the Caribbean, the Director of Department of Environment, Antigua and Barbuda, and Minister of Foreign Affairs, International Trade and Immigration, Antigua and Barbuda. During these remarks, emphasis was placed on the Caribbean's ongoing struggle with low growth and high public debt; the important role of this initiative in addressing the issue; and the Antigua and Barbuda's successful engagement with the GCF.

22. The Director of ECLAC further reported that, in discussions with the GCF Executive Director, which took place in September 2019 in New York, the GCF Secretariat conveyed its reluctance to use GCF resources to directly facilitate debt reduction, but committed to providing resources for investment in climate resilience building projects in the Caribbean region. ECLAC has therefore been re-assessing how best to use the GCF offer to advance the principal objectives of the debt swap initiative. In this regard, it was considered strategic to separate the creation of the resilience fund from the negotiation of the debt for climate adaptation swap, and to give *prima facie* focus to building resilience, while treating debt reduction as the desired ultimate objective. This would facilitate greater political advocacy from the UN, situating the initiative within the broader sustainable development objectives of Agenda 2030.

2. The current approach of ECLAC to the debt for climate adaptation swap initiative

23. The Coordinator of the Economic Development Unit (EDU), ECLAC subregional headquarters for the Caribbean outlined the previous and current strategies of the initiative, including scenario analyses of the debt swap and key considerations for establishing the CRF.

24. During the presentation, the following issues were discussed:

Overall design of the initiative

- **Primary objective of the initiative:** It was agreed that resilience building will be the primary objective of the initiative, and debt relief will be a key by-product¹. However, the possibility of facilitating debt relief using GCF resources should not be ruled out, because the donor community has a keen appetite for Caribbean debt reduction².
- **Required size of the facility:** The size of each resilience building project should be guided by scientific prediction and evaluation about the impact of climate change on each country. As debt relief would not generate a substantial level of financial resources, a larger resource pool would be required to support this initiative.
- **Design of the CRF:** The funding mechanism should be designed to ensure minimal bureaucratic obligation for the countries. It was also suggested that the Caribbean Resilience Fund (CRF) as designed should incorporate multiple windows to respond to challenges related to both climate resilience and economic resilience. The meeting took note that the GCF distinguishes climate resilience and economic development, and only provides resources for the former.

Medium-term Strategy

- **Essential elements of the strategy:** It was recommended that a medium-term strategy be pursued, which would specify the total amount of financial resources from debt relief as well as the total number of projects on climate resilience and economic resilience respectively, and the overall impact on growth and the debt to GDP ratios³ of beneficiary countries. The type and location of the projects and the suggested timeframe for their implementation should be specified as well.
- **Importance of the narrative:** It was agreed that the scope, rigor and tenor of the accompanying narrative are crucial to securing strong political engagement. In this regard, ECLAC and the Phase One countries would need to develop impact indicators that cover critical areas likely to attract the attention of stakeholders.

¹ In the discussion between the Executive Secretary of ECLAC and the Executive Director of the GCF in New York, this new approach was also recommended as a safer option, because the GCF needs a decision by the Board to provide debt haircut.

² In fact, recently the GCF sent out survey to examine the possibility of new programmes and instruments, and debt for climate adaptation swap was one of the mandates in the survey.

³ It was recommended that ECLAC would do additional work to estimate the impact of growth on debt reduction. However, in the bilateral discussions following the meeting, a concern was raised that showing the impact of growth on debt reduction would reduce appetite of creditors for providing debt relief.

Access to GCF and other funding sources

- **Limited accreditation:** The meeting acknowledged that accreditation to the GCF was a very lengthy process, and therefore recommended that ECLAC not wait for full accreditation in order to advance this project, but should instead seek limited accreditation to pursue this specific initiative.
- **Capacity constraint:** Some Phase One countries have encountered difficulty in accessing GCF resources due to capacity constraints such as an inadequate legislative framework and insufficient empirical evidence to develop climate resilience building projects⁴.
- **Hurricane clause:** It was suggested that it might be easier to convince private creditors of the need to introduce greater use of hurricane clauses.

Debt reduction scenario

- **Overall strategy:** Most of the Phase One countries indicated that their immediate concern was the urgent need to reduce the high interest cost and rollover risk of the domestic debt. As the haircut is not a practical solution for domestic debt, a different debt strategy was suggested, including a focus on debt maturity extension and interest cost reduction⁵.
- **Multilateral creditors:** The meeting was reminded that reducing only multilateral debt would not be sufficient to provide the desired fiscal space for investment in climate resilience and generate an appreciable (i.e. at least 1%) increase in economic growth. Further, multilateral creditors need approval from their donor countries to engage in debt reduction. Therefore, it was suggested that the Paris Club should be made central to any discussions with multilateral creditors⁶.
- **Bilateral creditors:** The meeting was also reminded that the Paris Club will require some degree of conditionality, e.g. the IMF surveillance programme, to ensure that the freed-up funds (e.g. through improved fiscal space due to reduced debt servicing requirements) will be used for the agreed purpose.
- **Domestic creditors:** The meeting agreed that involving the IMF and the World Bank in the negotiations with the domestic creditors would be helpful in getting buy-in, from all parties, for the initiative.

3. The international appetite for reducing middle-income countries debt. Which major players to influence? A road map approach

Presentation by the Economist of the Caribbean Development Bank

25. The representative of the Caribbean Development Bank made a presentation which examined debt creating factors in the Caribbean; the history of Caribbean debt restructuring, and the importance of credible reform programmes for securing the engagement of multilateral creditors; the need for a different strategy (lowering interest coupon and extending maturity) for domestic debt; and the usefulness of the hurricane clause and debt buy back.

26. The interest of the CDB in debt relief and in housing the CRF was also discussed. As for the facilitation of debt relief, the CDB representative expressed concern that if the Bank were to enter into debt restructuring negotiations, there would likely be increased pressure from their creditors, resulting in higher borrowing costs for the member States.

⁴ In the subsequent bilateral consultations with Phase One countries, estimating the cost of climate projects and developing project documents were also identified as the areas of significant capacity constraint.

⁵ In the bilateral consultations, other strategies were also proposed: using GCF resources to pay down short-term domestic debt and put the interest savings into the CRF, converting short-term debt to long-term debt, and using debt buy-back.

⁶ When the IMF provides debt relief, they ask donor countries to set up fund and use that fund to pay the IMF.

27. The CDB representative indicated it might be open to dialogue on the housing of the CRF. It was therefore recommended that ECLAC team pursue dialogue at the highest levels with the Bank without delay.

Presentation by Grenada's former Ambassador to the United States and the Organization of American States

28. Grenada's former Ambassador underlined the importance of positive narrative, given the possible resistance of the international community to the idea of a new fund. He also suggested potential partners to explore engaging in this initiative⁷.

- **Positive narrative:** Caribbean's challenges (e.g. high debt, graduation from concessional financing, natural disasters, etc.) are already well understood by the donor community. Instead, the initiative needs positive narrative and scale to attract the attention of stakeholders. It was recommended that a vision document and graphic images be prepared, which speak to an exciting story; that underscores how this initiative provides a platform for scaling up this climate resilience project to the regional level, and demonstrating how applicable to other SIDS and coastal developing nations it would be.
- **Resistance to a new fund:** He reminded the meeting that the international community is generally disinclined to the idea of a new fund, particularly one that is not under their direct control. It was therefore suggested that, at the initial stage, the new fund be termed instead a "financing facility"; a name change could come later.
- **Potential partners:** It was suggested that German government, GIZ and KfW could be important partners in the debt swap. The Organisation of Eastern Caribbean States (OECS), CARICOM, the CDB, the CDF and the Organisation for Economic Co-operation and Development (OECD) were all identified as important partners in this initiative. In the ensuing discussion, the Caribbean Community Climate Change Centre (5Cs), the CARICOM Regional Organisation for Standards and Quality (CROSQ), the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) and the UN Office for Disaster Risk Reduction (UNDRR) were also proposed as possible partners for project development⁸.

29. The subsequent discussion was mainly focused on the issues of regional coordination and linking SDGs to this initiative:

- **Regional coordination:** Regional coordination of such an initiative was acknowledged as very difficult because 1) each beneficiary country has internal processes; 2) different donors have different mandates; 3) agencies compete against each other for good projects; 4) the work load of technical officers is very high; and 5) in most instances, a regional project is not usually on the work programme of senior officers. It was therefore recommended that a coordinating agency take the lead on maintaining continuous contact with the decision-makers; that a mechanism that allows for the technical officers to share their knowledge be established.
- **SDGs:** As the UN-SG has principal authority to advance the SDG agenda, the meeting agreed to find a way to integrate successful implementation of the SDGs as an integral overarching objective of this initiative, though the achievement of climate resilience would remain the unquestioned first priority.

⁷ Issues of fund design, fiscal responsibility act and next steps were also covered, but these issues were explored in other sessions. At technical level, it was suggested to compare level of debt in Caribbean and SIDS (other developing country), as well as to analyse domestic debt composition in greater detail.

⁸ In the discussion in the later session, Inter-American Institute for Corporation on Agriculture (IICA), Food and Agriculture Organization (FAO), Eastern Caribbean Fisheries sector (CC4FISH), CARICOM Energy, Caribbean Electric Utility Services Corporation (CARILEC), Caribbean Institution for Meteorology and Hydrology (CIMH) and UWI were also suggested as possible partners.

30. Other issues, which emerged in the discussion included the Antigua and Barbuda's debt challenge, the utilization of multilateral creditors' guarantee for commercial debt restructuring, the insurance costs shouldered by middle-income countries, and green and blue bonds:

- **Debt challenge:** As Antigua and Barbuda is considered as a high-income country, they have to borrow at high interest rates from multilateral creditors and the private sector. This, therefore, would be a key issue of negotiation for this country.
- **Utilization of guarantee of multilateral creditors:** It was suggested that multilateral creditors could assist in commercial debt restructuring by providing guarantees. With the guarantee of high credit ratings from multilateral creditors, commercial creditors could be encouraged to provide financial resources at lower interest rate.
- **Cost of insurance:** Lowering insurance cost/premium to more affordable levels, and at the same time allowing bigger pay-outs were considered important topics to be addressed in efforts to create more fiscal space. One suggestion was to consider stratifying the premium in such a way that different entities pay for different parts of premium; a utility company, for example, would pay for the utility part of the insurance premium.
- **Green and blue bond:** For some Caribbean countries, the lack of credit rating is a real challenge. If it were possible for a country to get financial resources from other funds with a system to track the progress of the project, the securities would be more attractive to investors, even at lower interest rates.

4. Reflections on a Caribbean Resilience Fund: What could it look like?

The Deputy Director of ECLAC subregional headquarters for the Caribbean introduced the current configuration of the CRF as follows:

- **Overall design:** The CRF will be a high-powered special vehicle to attract large scale funding to address Caribbean climate adaptation and mitigation related projects.
- **Multiple windows:** The CRF would have multiple windows, one of which could be utilized for raising financial resources from donors interested in investing in resilience. Another window could be for particular creditors who may be interested in debt reduction.
- **Financial instruments:** The CRF would provide a traditional debt swap instrument, with guarantees and bonds
- **Capacity:** The CRF would need to offer capacity development to member States assist them in determining preferred combinations of financial resources from GCF funding, loans, guarantees, as well as in determining the optimal levels of discount for the debt swap initiative.
- **Governance:** The CRF should have a Board of Governors consisting of nominees from member States, the GCF, UN agencies, multilateral development bank partners. It would also need a COO, deputy and suitably qualified technical staff.

Presentation by the Chief Executive Officer of the CDF

31. The CEO of the CDF offered perspectives on key elements of the CRF:

- **Type of fund:** The CRF could be set up as a trust fund, that would attract funding from international development partners who are interested in contributing to resilience building projects.
- **Services to offer:** The CRF should offer services that span the entire project cycle, including project design, documentation, financial structuring, credit provision and monitoring and evaluation.
- **Project development:** The CRF should build climate resilience project pipelines in the region, and also service projects in existing pipelines by providing technical and financial assistance.

- **Financial supports:** The CRF should provide different forms of modalities for financing support, including grants, loans and partial guarantees.
- **Capacity of the fund:** The CRF would not need embedded capacity to carry out all of these roles, but it should have partnerships, donors and staff who can competently and actively manage all stages of project preparation. In other words, the CRF should have access to resources, so that it can design an optimal technical solution and have financing options to implement that solution.
- **Windows:** The CRF could have two sets of windows. The target of one window would be green, large infrastructure project with a climate adaptation focus. This part could be divided into several sub-windows or facilities. The wider SDG implementation focus could be aligned with the other window.
- **Resource mobilization strategy⁹:** The CRF would need a resource mobilization strategy to attract resources that are coming from different agencies for different purposes.
- **Housing the CRF in the CDF:** Housing the CRF in the CDF would reflect a natural realignment with one of the CDF's core mandate. In this regard, the following issues were further examined:
 - **Country coverage:** Montserrat, Haiti and the Bahamas are not member states of the CDF.
 - **Track record:** The CDF has only managed to date relatively small infrastructure projects, the largest being a 10.4 million US dollars project in Guyana.
 - **Capacity:** The CDF has limited technical capacity to undertake the design of major infrastructure projects, but it could hire consulting engineers and also has member States' approval to strengthen that capacity in the future.
 - **Governance:** The CDF could provide two different types of arrangements. In one arrangement, the CDF Board could have an oversight role with respect to the approval of projects that could be financed under the CRF. In this case, the governance function could be shared with other donors. Alternatively, the CDF could house the CRF as independent identity. Under this arrangement, the CDF Board would maintain some degree of oversight, but reporting would be to participating donors. In either case, the CDF could offer fund management and administrative support services, which would bring an additional benefit of administrative economy of scale.
- **Vision:** It was suggested that the vision for the CRF should be situated within the context of CARICOM's ongoing effort to prepare its new strategic plan¹⁰ for 2020-2025 or 2030, and its related resource mobilization plan.
- **Next step:** It was recommended that ECLAC present a paper at the next Intersessional Meeting of CARICOM Heads, which will be held in February 2020 in Barbados, to provide an update on the initiative and indicate proposals of next steps.

Presentation by Professor Vanus James

32. The professor also offered his views on key concepts regarding the initiative and the CRF:

- **Growth driver of the Caribbean:** ECLAC should investigate whether Caribbean growth is driven by the capital accumulation or consumption, export and debt burden, by using the Error Correction Model. If the growth is primarily delivered in the long run by the accumulation of capital, the Caribbean would need broad-based investment in infrastructure and capacity to produce capital for building resilience.
- **Effect of growth on debt reduction:** The growth effect in the region will likely generate significant scope for debt reduction¹¹.

⁹ In the introduction by the Deputy Director of ECLAC, this was called windows, but it was suggested that this element should not be defined as windows, because windows should be sector focus.

¹⁰ It was argued that four resilience pillars, economic, social, environmental, and technological would likely to remain.

¹¹ In the bilateral discussions, a concern was raised that this argument would reduce appetite of creditors for providing debt relief.

- **Overall design of the CRF:** The CRF should be a regional and international multicountry facility with an appropriate, member-based governance structure established under a suitably negotiated charter, with agreement among founding members.
- **Governance of the CRF:** The CRF should have its own Board of Governors, comprising nominees from member countries, UN agencies and multilateral development banks. Each Governor should have one vote, regardless the contributions to the capitalization of the Fund. It should be run by the chairperson nominated from the UN side. He also suggested that it should have a COO and deputy, responsible for daily operations and task, as well as suitably qualified technical staff to handle daily operations and technical support.
- **Ease of access to the CRF:** The CRF should be an efficient mechanism of donor coordination and consolidation of regional access to climate resilience finance, by providing procedures for ease of access to the facilities.
- **Eligibility for the fund access:** The CRF should offer sovereign and non-sovereign financing, including civil society and NGOs that involve climate resilient activity. It was further discussed that involving the private sector, including commercial banks and credit unions, would be practical.
- **Project development:** The CRF should be able to develop feasible projects that will deliver resilience outcomes, by providing technical support for project design and development.
- **Project design:** The project is expected to use some key outcome indicators, which include the climate resilience and mitigation effect, the growth effect and the impact of getting concessional interest rates.
- **Procurement policy:** The CRF should have a procurement policy which satisfies requirements of economic efficiency, transparency and competency. It was suggested that, as there already exist international models, the CRF should stick to such internationally accepted rules. Another recommendation was to encourage countries develop country systems at international procurement standards.
- **Issuance of bond:** The CRF should be able to issue climate resilience bonds in the capital market in the CARICOM countries, to provide opportunities for Caribbean citizens to have a direct stake in the effort to build climate resilience.

Discussions

33. In the ensuing discussion, a concrete **way forward** emerged:

- **Project Preparation Facility (PPF):** It was agreed that the immediate task is to apply for the PPF of the GCF to conduct a prefeasibility study for the climate resilience projects. It was envisaged that the PPF application could be submitted by February 2020.
- **Limited accreditation:** It was also agreed that ECLAC should use this opportunity to get limited accreditation to advance this initiative. The Department of Environment, Antigua and Barbuda, which returns to the GCF Board next year, would lend its influence to ensure that ECLAC could achieve the short-term accreditation quickly.
- **Preparing documents:** It was recommended that several documents be prepared for different audiences. The primary document would be a visionary one, with positive narrative on the intent and scope of the initiative. It was also considered important to prepare practical and technical chapters, specifically for the GCF. Summary narratives would be desirable to attract donor attention. It was also suggested that a log frame be developed and circulated to Phase One countries to start work on the development of projects.

- **COP25:** it was agreed that the Director of ECLAC and a team from Department of Environment, Antigua and Barbuda would attend the COP25¹² in December 2019 and pursue further discussion with the GCF team, to find steps to move forward.
- **CARICOM Heads Intersessional Meeting:** An update on the initiative should be submitted to the CARICOM Heads Intersessional Meeting in February 2020.

34. In the ensuing discussion, the following questions were also raised regarding **expectations for the fund's performance**:

- Should the CRF offer loans at concessional rate?
- Should the CRF also provide equity finance?

35. The following issues also emerged in the discussion:

- **Relationship with CARICOM:** Even though the CRF should be cast as an international institution, responsibility to report to regional agencies should not disappear.
- **Technological innovation:** It was suggested that this initiative should take advantage of recent technological innovations in order to cut costs, increase efficiency, simplify processes and ensure disbursement happen quickly.
- **Commitment of Caribbean countries:** There was concern expressed that if donors were sceptical about the Caribbean's commitment to the climate resilience building projects, the participating countries might need to make contributions to the CRF from their resources, to demonstrate the commitment of the subregion¹³.

5. **Financing green projects for adaptation and mitigation that can also jump start growth: Challenges and opportunities**

Presentation by the Advisor (Competitiveness and Export Promotion) of the Caribbean Export Development Agency

36. The Advisor of Caribbean Export Development Agency and the Regional Coordinator of GIZ introduced some renewable energy projects¹⁴ that have been implemented through several different agencies in the region, to help the meeting identify particular climate resilience activities for this initiative and make the proposal more robust.

37. It was also recommended that Phase One countries 1) find ways to incentivize the private sector participate in climate resilience activities; 2) have an overarching climate resilience policy and; 3) use the infrastructure of the OECS commission for the coordination.

Presentation by the Regional Coordinator of GIZ

38. The presentation by the Regional Coordinator of GIZ was focused on the GIZ's project to support the implementation of Economic Partnership Agreement (EPA). It was noted that the CARIFORUM-EU

¹² However, after the meeting, the host country of COP25 changed from Chile to Spain.

¹³ The representative from Saint Lucia indicate that, although the country doesn't have a sinking fund, they have resource in the Bank account, which are liquid right now.

¹⁴ These projects include creating infrastructure for charging solar power vehicles in Barbados and Saint Lucia; importation of solar powered vehicle in Barbados; building micro grids, which means decentralization of energy; using wind power to generate electricity in certain part of university in Barbados; and R&D in renewable energy technology by UWI to make green campus.

Economic Partnership Agreement's Monitoring and Evaluation framework has indicators that are related to environment¹⁵, which would be useful for this initiative.

39. The meeting was also informed that GIZ is working on technical assistance programmes for renewable energy, developing a standard for the photovoltaic system, and promoting and adapting the environmental management standard. Further, several names of possible partners for project development and implementation were shared with participants (see footnote 8).

Presentation by the Director of the Department of Environment, Antigua and Barbuda

40. The Director of the Department of Environment, Antigua and Barbuda shared her experience of developing climate resilience projects and setting up a national adaptation fund. The main issues discussed with the meeting participants were as follows:

- **Structure of the fund:** Board structure has to meet the legal requirement at national level, but also give donors' comfort. The national fund has different committees, including the investment committee, the asset management committee and the audit committee.
- **Funding sources and private sector role:** Main funding sources are grants and highly concessionally loans from the international donors¹⁶, but the fund also involves the private sector. The fund can borrow money from the private sector, but it also provides loans, insurances and micro financing mechanisms to the private sector.
- **Building resilience in community:** The fund has a project to build resilience in the entire community, including individual home owners, churches and shelters. The fund is working with financial institutions to make sure that these communities get access to financial resources, especially because properties on a coast line are assessed as having no value.
- **Monitoring project implementation:** To ensure that disbursed funds are used properly, the government assesses buildings according to the building code for each disbursement.
- **Efficiency of solar panel:** Antigua and Barbuda is a very dry country, so solar panels are considered a good option. Other dry countries would be interested in their transition from fossil fuels to renewable energy.
- **Installation of solar panel:** Installing solar panels at individual houses was recommended as a preferable option to large-scale solar farms, because countries can utilize that land more efficiently for other development programmes, and home owners can sell excess electricity back to utility companies.
- **Maintenance capacity:** Antigua and Barbuda has a program of capacity development to maintain solar panel systems, which incorporates technical school.
- **Transition risk:** Transition risk is high. If transition risk is not calculated properly, transition time would be longer and more expensive, and politicians would be reluctant to take the first step.
- **Total cost of resilience building:** In Antigua and Barbuda, mitigation and adaptation would cost around 500 million US dollars, with total cost amounting to one billion US dollars.
- **Role of entrepreneurship:** It was suggested that narrative of the ECLAC initiative could be not only about building resilience, but also about building a new entrepreneurial cluster like Silicon Valley in the US. CBI programmes could provide financial supports to create an incubation system, which comprises co-working spaces along with mentoring and other supporting activities.

¹⁵ These indicators include reduction of CO2 emissions, number of member states implementing national and regional disaster risk reduction strategies, number of member states integrating climate change management into their national planning, number of national resilience building initiatives, and initiatives to improve disaster risk management.

¹⁶ Global Environment Facility (GEF), Adaptation Fund and GCF.

- **Character of CRF:** The CRF should be a competent regional entity driving the regional projects. Regional projects can be both cross boarder projects and replication of practices. Replication of home-grown practices would provide sense of regional ownership.

6. The next steps

41. Closing remarks were made by the Director of the ECLAC, who summarized the next steps of the initiative. ECLAC will craft a new proposal and submit it to CARICOM Heads Intersessional Meeting in February 2020. The new proposal will focus on resilience building and achieving SDGs, and should outline a possible structure, objectives and services of the CRF and identify key partners and donors. Documents and a log-frame to facilitate the application of PPFs to the GCF will also be prepared.

Annex I**List of participants**

The Honourable E. P. Chet Green, Minister of Foreign Affairs, International Trade and Immigration, Antigua and Barbuda.

Diann Black Layne, Director, Department of Environment, Antigua and Barbuda. Email: diann.black-layne@ab.gov.ag

Joana Costa, Project Development Officer, Department of Environment, Antigua and Barbuda. Email: joana.costa@ab.gov.ag

Michai Robertson, Policy Officer, Department of Environment, Antigua and Barbuda. Email: michai.robertson@ab.gov.ag

Ayesha Baisden, Policy Officer, Coordinator of Ethics Mechanism, Department of Environment, Antigua and Barbuda. Email: ayesha.baisden@ab.gov.ag

Ezra Christopher, Monitoring and Evaluation Consultant, Department of Environment, Antigua and Barbuda. Email: ezra.christopher@ab.gov.ag

Rashauna Adams-Matthew, Project Consultant, Department of Environment, Antigua and Barbuda. Email: rashauna.adams-matthew@ab.gov.ag

Nadia Spencer-Henry, Manager, Ministry of Finance and Corporate Governance, Antigua and Barbuda. Email: nadia.spencer-henry@ab.gov.ag

Gail Imhoff-Gordon, Senior Public Financial Management Officer, Ministry of Finance and Corporate Governance, Antigua and Barbuda. Email: gail.imhoff-gordon@ab.gov.ag

Vera John-Emmanuel, Deputy Director (Debt and Investment), Ministry of Finance, Economic Growth, Job Creation, External Affairs and the Public Service, Saint Lucia. Email: vejoh@gosl.gov.lc

Harold Lewis, Debt Manager, The Debt Management Unit, Ministry of Finance, Economic Planning, Sustainable Development, and Information Technology, Saint Vincent and the Grenadines. Email: hlewis@gov.vc

Ambassador Angus Friday, former Ambassador to the United States and the Organization of American States, Grenada. Email: angus.friday@gmail.com

George Bindley Taylor, former IMF economist, Expert on Climate Finance, Trinidad and Tobago. Email: george.b-taylor@gov.tt

Kevin Hope, Economist, Caribbean Development Bank. Email: hopek@caribank.org

Rodinald Soomer, Chief Executive Officer, CARICOM Development Fund. Email: rsoomer@caricomdf.org

Professor Vanus James, Consultant. Email: vanus.james@gmail.com

Sanya Alleyne, Regional Coordinator, GIZ. Email: sanya.alleyne@giz.de

Markson Gill, Advisor - Competitiveness and Export Promotion, Caribbean Export Development Agency.
Email: mgill@carib-export.com

ECLAC Subregional headquarters for the Caribbean

Diane Quarless, Director. E-mail: diane.quarless@eclac.org

Dillon Alleyne, Deputy Director. E-mail: dillon.alleyne@un.org

Sheldon McLean, Coordinator, Economic Development Unit. E-mail: sheldon.mclean@eclac.org

Hidenobu Tokuda, Associate Economic Affairs Officer, Economic Development Unit.
E-mail: hidenobu.tokuda@eclac.org



Economic Commission for Latin America and the Caribbean (ECLAC)
Comisión Económica para América Latina y el Caribe (CEPAL)
www.eclac.org