

Policy for Resilience and Nature Financing A Tool for Debt Reduction and Greater Resilience

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Latin America & the Caribbean

Opportunities for All

Outline



Main challenges of Caribbean states



How can we make a difference?

Policy for Resilience and Nature Financing

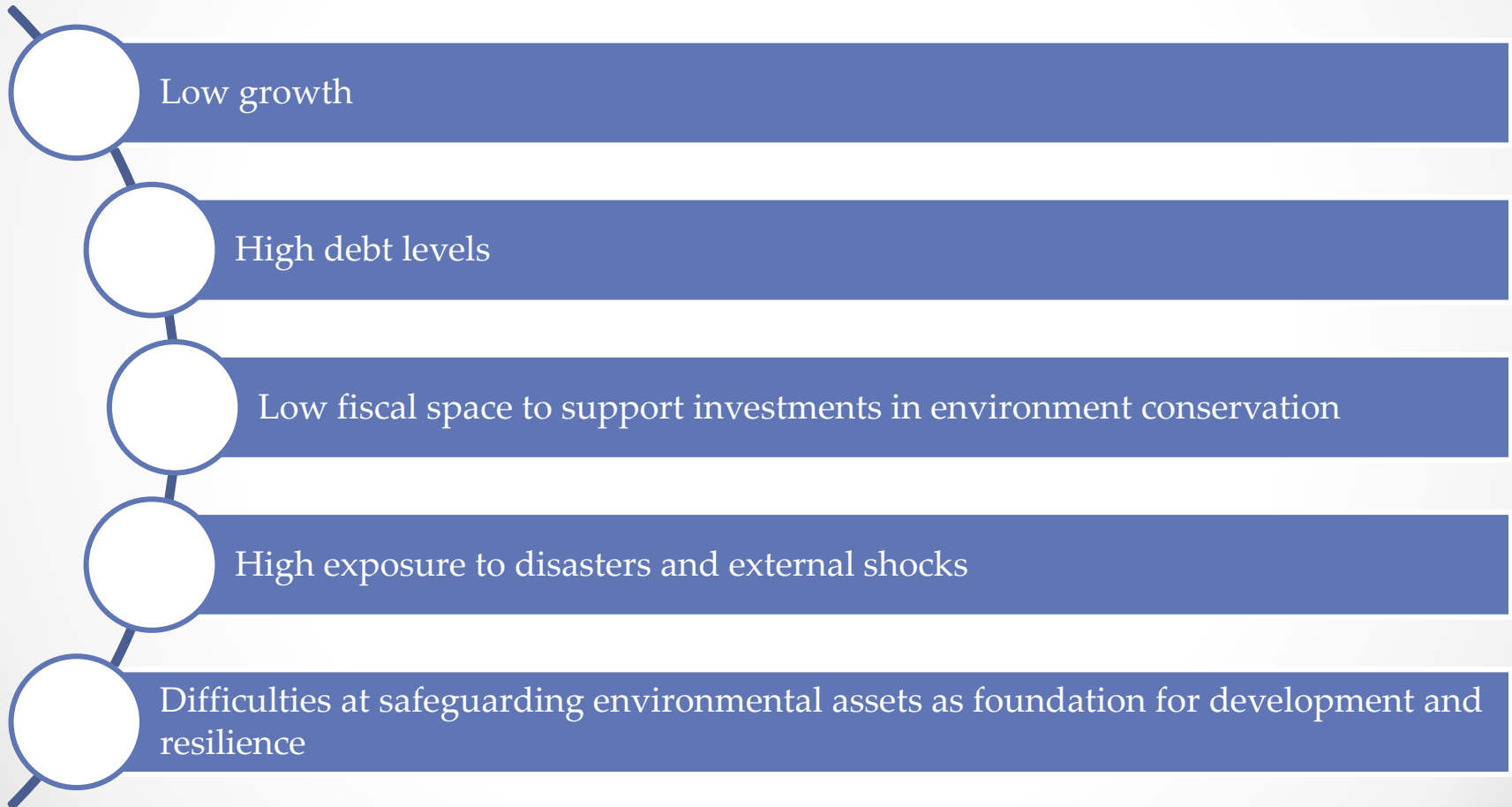


What is in it for the Caribbean and Small Island States?

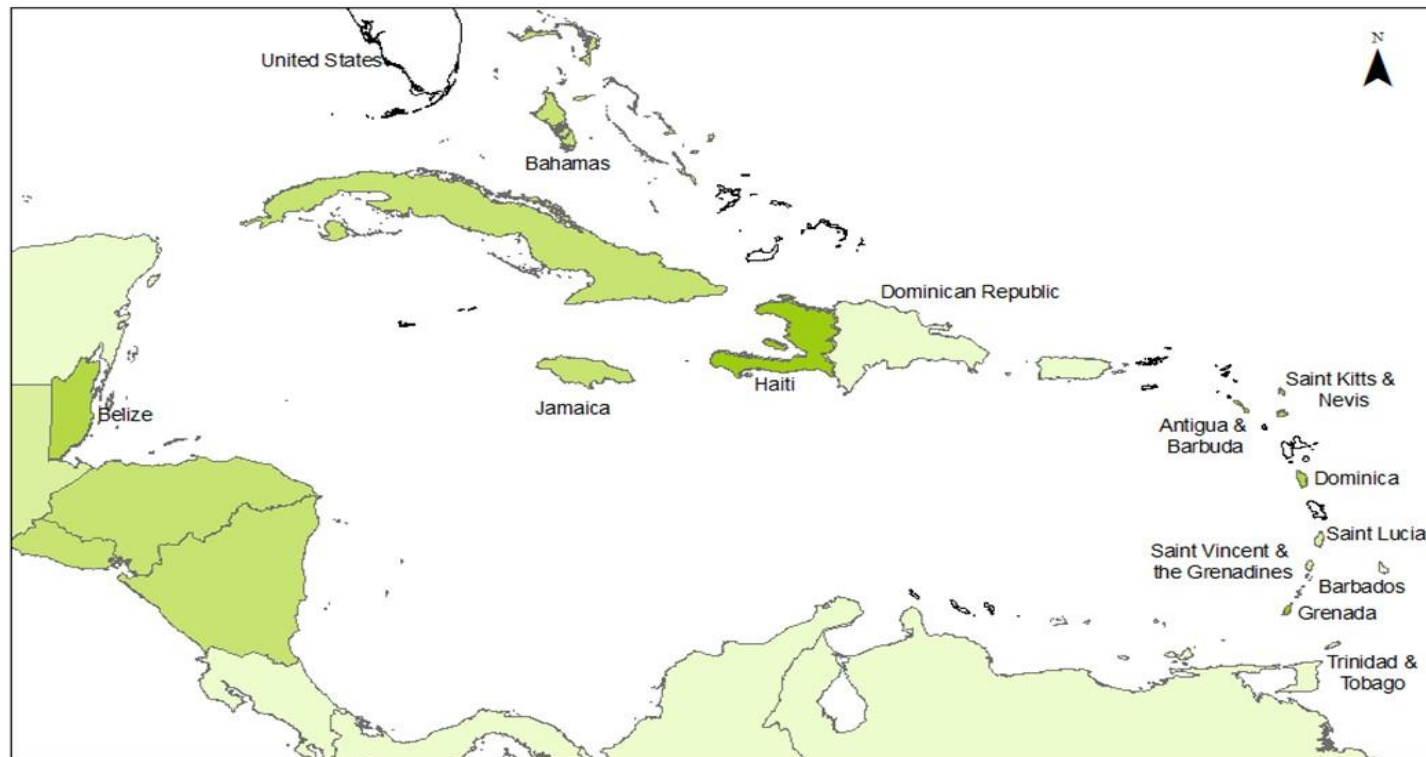


Next Steps

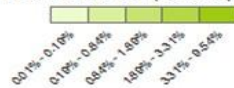
Caribbean countries face a number of complex challenges



Average annual losses from natural disasters as a share of GDP are substantive in the Caribbean



Losses as % of GDP (Quantiles)

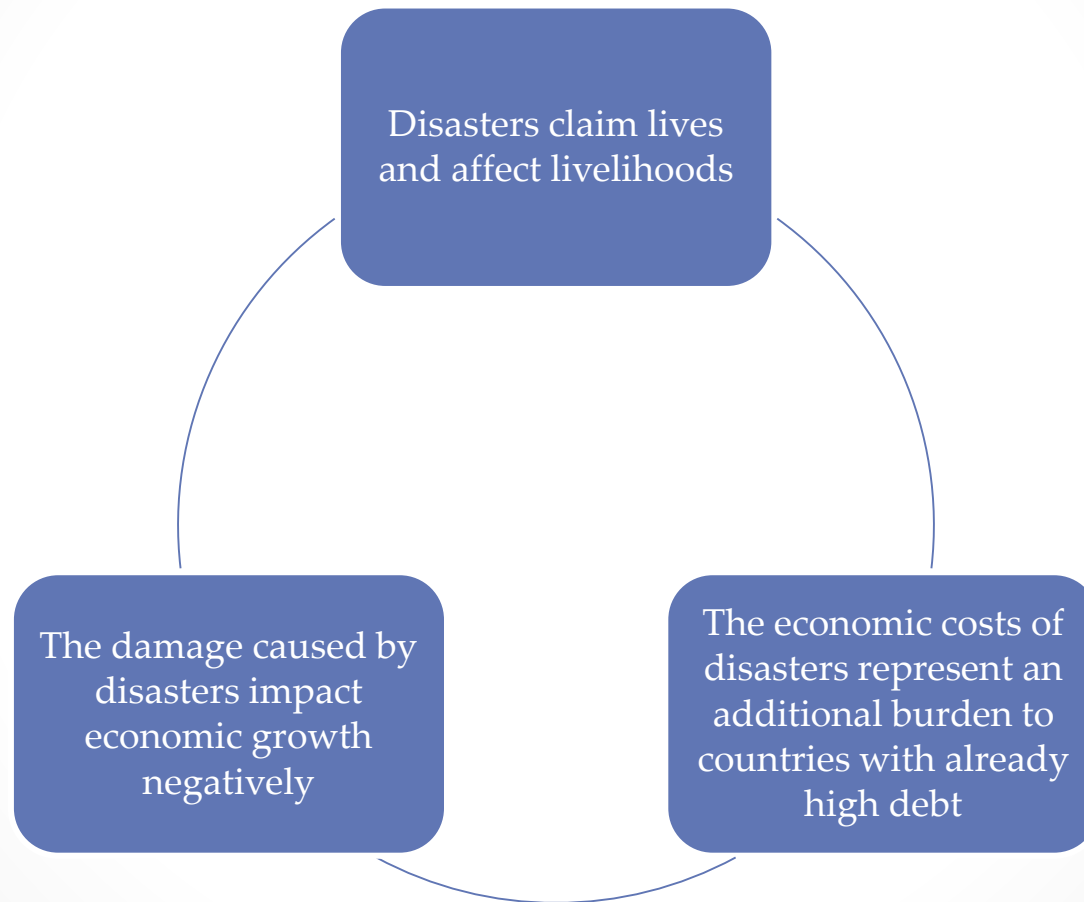


Climate change is likely to make Caribbean countries even more susceptible to natural disasters

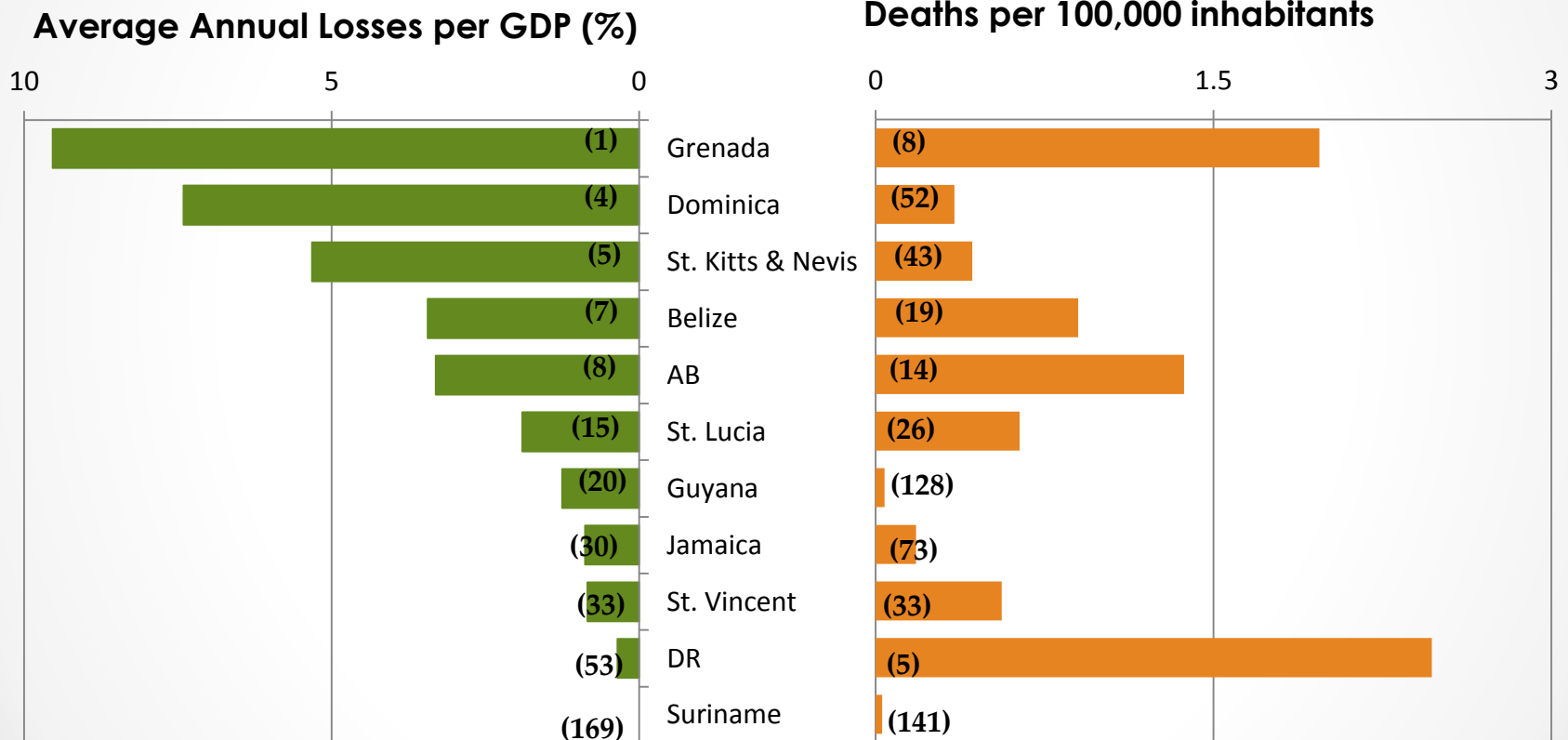


- The 2014 Intergovernmental Panel for Climate Change (IPCC), reports, with high confidence, that “*current and future climate-related drivers of risk for small islands (...) include sea level rise, tropical and extra-tropical cyclones, increasing air and sea surfaced temperatures, and changing rainfall patterns*”.

The impact of natural disasters are propagated through different but interrelated channels



The average cost of disasters is not only monetary – disasters claim lives



- () indicate Global Rank of 183 countries or territories evaluated.
- Sorted by Losses per GDP (%)

Natural disasters can also have significant impacts on a country's debt ratio


- Natural disasters

Percentage Point change in Debt-to-GDP level

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua & Barbuda	20.5	4.9	10.4	-1.3	-7.0	-23.5	-5.7	-12.5	-0.5	25.4	-12.5	4.1	-5.2
Bahamas, The	-0.9	0.3	2.0	1.7	1.9	-0.5	0.0	1.0	2.9	4.3	7.5	-13.2	3.5
Barbados	6.5	8.5	9.1	-3.2	1.4	-11.4	3.6	7.3	9.1	10.2	12.8	-0.2	-0.2
Belize	23.5	9.5	5.0	13.7	-0.3	-0.1	-9.9	-7.6	-8.0	3.3	2.4	-2.0	-4.1
Dominica	8.7	39.1	5.3	-1.6	-17.8	-7.1	-4.1	-5.2	-9.4	0.6	5.6	1.3	1.5
Grenada	4.2	5.8	42.6	-0.5	18.9	-10.3	6.2	-5.5	-8.8	20.1	5.3	0.9	-4.9
Guyana	-1.1	-10.1	1.7	-11.8	-1.3	-2.5	-22.6	-33.1	1.6	-1.1	0.5	-0.1	-4.8
Jamaica	7.6	15.0	0.7	-0.7	-4.5	-1.9	-9.1	-7.8	39.4	15.3	13.3	2.2	5.0
St. Kitts & Nevis	9.7	17.3	23.2	18.5	12.0	1.4	-6.6	-8.0	-11.3	14.7	14.2	-10.1	-16.0
St. Lucia	4.3	6.7	12.8	-2.1	5.8	1.0	-0.9	1.0	-1.3	9.4	2.1	6.5	7.3
St. Vincent & Grens.	0.9	0.6	2.2	1.8	5.9	2.7	-4.0	-9.3	2.6	5.5	3.4	4.0	2.4
Suriname	17.7	-17.4	-1.6	-7.6	-3.2	-3.5	-6.5	-8.4	-3.1	2.3	3.0	0.6	0.1
Trinidad & Tobago	-2.0	3.0	3.2	-8.3	-6.9	-8.2	-3.8	-3.8	-3.7	11.4	5.1	-3.6	6.3

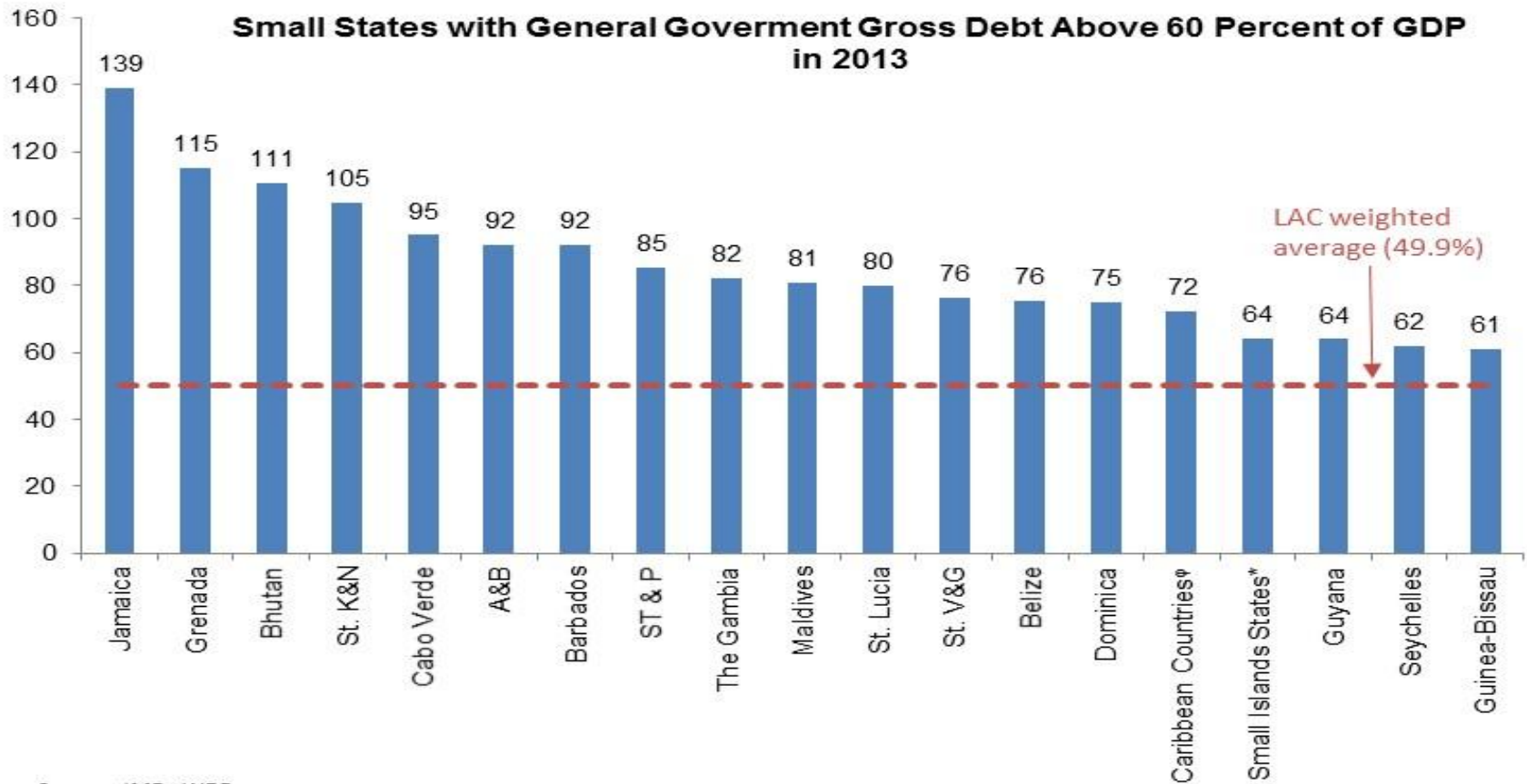
U.S. Recession (2001-2002)

Global Financial Crisis (2009-2010)

 coincides with major natural disaster

Source: WB staff calculations

Public debt levels in the Caribbean are already high

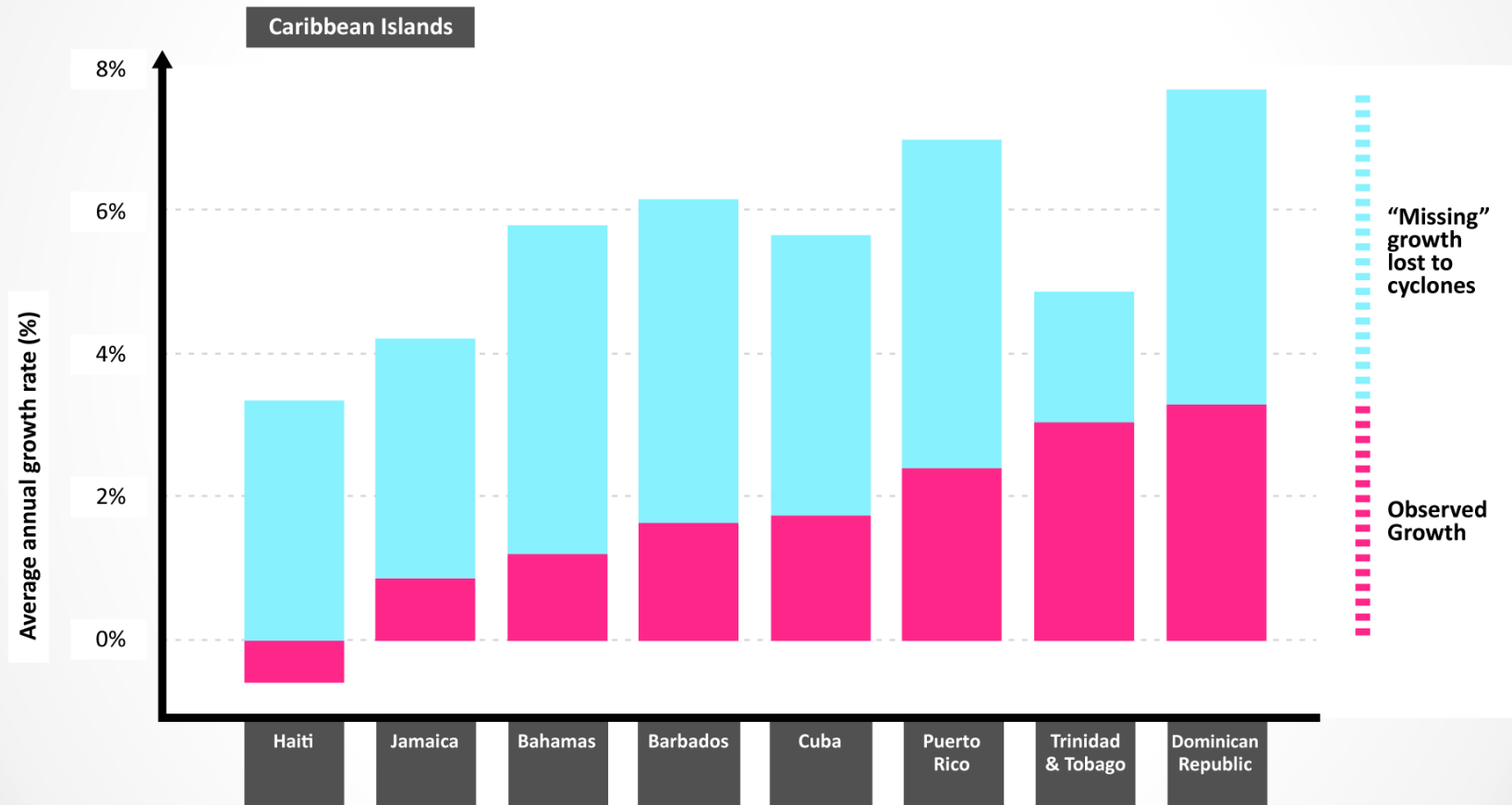


Source: IMF - WEO

* Excludes Kiribati, Palau, Samoa, Tonga, and Timor-Leste.

† Includes Belize, Guyana, and Suriname.

The impact of storms on a country's growth performance can be substantive



Source: Hsiang and Jina (2014)

Making a Difference for the Caribbean



Policy for Resilience and Nature Financing

Leverage Resilience and Nature Funds to:

- Reduce the stock and cost of debt
- Support reforms to strengthen environmental sustainability and resilience
- Improve the livelihoods of the Caribbean citizens

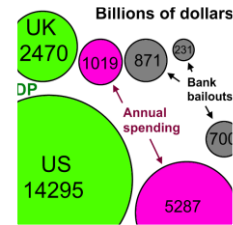


Innovative, transformational, replicable



Support reforms that can strengthen resilience to natural disasters and climate change

Contribute to debt reduction and debt restructuring while creating fiscal space for growth, nature and resilience investments



Help countries improve their ability to manage the impact of disasters and mitigate climate change

A fast disbursing instrument



Applicable to other Small Island States beyond the Caribbean

What would it require?



- Establishment and improvement of marine and terrestrial protected areas



- Restoration and sustainable management of coastal fisheries and coral reefs



- Climate-smart agriculture



- Reduce dependency on fossil fuel imports through renewable energy and energy efficiency investments



- Ecosystem-based adaptation



- Control and eradication of invasive species




- Improve competitiveness of nature-based sustainable tourism

What are the potential risks?

The main risks include the strength of reforms, the strength of short-term impacts, and potential lack of commitment to a climate change agenda.



The proposed reforms underpinning this initiative will have to be substantive enough to generate appetite by potential funding donors/agencies.



A strong commitment will be needed on the country's part to move its climate change agenda forward in an environment of fiscal stress.

A recent debt-buy-back operation for Seychelles illustrates the potential of the PRNF

[The Nature Conservancy](#) through its [NatureVest](#) division will be supporting a first of its kind debt-swap deal between the Government of Seychelles and its Paris Club creditors in exchange for the Government of Seychelles' commitment to enhance marine conservation and climate adaptation. The Nature Conservancy will invest \$23 million in impact capital while raising an additional \$8 million in grant funding for the first time to finance the deal.

The debt to be bought back by Seychelles from the Paris Club and South Africa at a discount-to-face-value (...) will be converted into new Government of Seychelles debt to be issued to the soon-to-be-created Seychelles Conservation and Climate Adaptation Trust (SeyCCAT). Over a 20 year period, the proceeds of this debt will be used to:

- Finance marine conservation and climate adaptation in the Seychelles
- Capitalize an endowment to finance work in the future
- Repay Impact Investors

Proposed Next Steps

- Seek your feedback
- Identification of a pilot country willing to use GEF funds for a PRNF operation
- Continued discussion with interested partners (GEF, TNC, GCF)
- Discussion with other MDBs and IFIs (CDB, IADB, IMF)



Thank You

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