

STATEMENT BY DR. THE RT. HON KEITH C. MITCHELL  
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AT  
DONORS' PLEDGING CONFERENCE FOR  
CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

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WASHINGTON D.C

Thank you, Mr. Chairman.

***Introduction***

I wish to begin by expressing my appreciation to the World Bank for organizing this donor pledging conference. I am delighted to see our development partners around the table. Your presence and participation in this conference bear witness to your abiding interest in our region and your recognition of the importance and promise of the Caribbean Catastrophe Risk Insurance Facility. Without your investment, this Facility would not be a reality.

Mr. Chairman, almost 2½ years ago (in the margins of the 2004 World Bank/IMF Annual Meetings), I addressed the donor community on the devastation of Grenada caused by Hurricane Ivan.

On that sad occasion, I appealed for donor assistance for the monumental task of rebuilding Grenada. Today, I am pleased to report that by the grace of Almighty God and the generous support of our development partners, our CARICOM family (particularly the Government of Trinidad and Tobago and Guyana), our creditors and the now renowned resilience of the Grenadian people, we are making a remarkable recovery.

Indeed, we have risen from the ruins and true to our mantra, we are "building back better". I seize this opportunity to thank all of you for your role in Grenada's reconstruction. That said, I call on those donors who have not yet delivered on their pledges to do so as a matter of urgency. Grenada is still recovering and is still in need of your help!

### ***CARICOM's Appeal***

On September 15, 2004, 8 days after Hurricane Ivan wreaked havoc in Grenada, St. Vincent, Jamaica and Cayman Islands (narrowly avoiding several neighbouring countries), the CARICOM Heads of Government convened in emergency session in Trinidad. At the conclusion, CARICOM Heads, inter alia, called on the international community to design effective and affordable catastrophic risk insurance instruments for the Caribbean, in the shortest possible time.

The World Bank accepted this challenge and with the financial support of the Government of Japan, the feasibility studies were commissioned. Today, with your support and that of our development partners, we are on the cusp of launching the Caribbean Catastrophe Risk Insurance Facility - a unique and innovative instrument which will assist Caribbean governments to meet the challenges of natural disasters of increasing frequency and severity.

Mr. President, on behalf of CARICOM Heads of Government, I commend the World Bank for its responsiveness and leadership on this important initiative.

Moreover, I thank you for your personal support following your meeting with Caribbean Governors in Singapore last September when the Facility was raised as one of our key priorities.

### ***The Rising Incidence of Natural Disasters Globally***

To understand why this Facility is so important for our region, it is appropriate to reflect, briefly, on the rising incidence of natural disasters globally. First, research shows that natural disasters have occurred much more often in recent times. Indeed, there have been three times as many disasters recorded in the 1990s as in the 1970s. Second, there is an increasing incidence of extreme weather events worldwide (tornadoes in the US, storms in Europe, droughts in Africa). Third, developing countries, and especially the poor, tend to suffer most from natural disasters. Of the more than 6000 natural disasters recorded between 1970 and 2002, 3 in 4 of these events and 99 percent of the people affected have been in developing countries.

Finally, though not surprisingly, small island states are found to be most susceptible to the damaging effects of natural disasters for reasons related to their geographic size and location, structure of their economies and persistent and pervasive poverty.

### ***The Impact of Natural Disasters on the Caribbean***

According to a 1991 OAS publication *"from 1960 to 1989, hurricanes in the Greater Caribbean Basin resulted in the deaths of 28,000 people, disrupted the lives of 6 million people and destroyed property worth U.S. \$16 billion"*.

A 2004 IMF paper on the macro-economic implications of natural disasters in the Caribbean concluded that these disasters invariably lead to *an immediate contraction in output, a worsening of external and fiscal balances and a rise in poverty*. In 2004 alone, hurricanes in the Caribbean impacted The Bahamas, Barbados, Cayman Islands, Haiti, Jamaica, St. Vincent and the Grenadines and my own country, Grenada. These hurricanes accounted for the loss of over 1300 lives and damages well in excess of US\$4 billion.

Hurricane Ivan accounted for over 200 percent of Grenada's Gross Domestic Product (GDP). In contrast, the tsunami accounted for only 8 percent of Sri Lanka's GDP.

Caribbean economies are some of the most indebted worldwide. Consider the case of St. Kitts and Nevis, one of the smallest states in the Western Hemisphere. St. Kitts & Nevis has debt in excess of 180% of GDP – primarily the result of restoring key infrastructure after 4 massive hurricanes in 5 years and a sugar industry struggling with the forces of globalization.

Mr. Chairman, the impact of the loss of trade preferences for sugar and bananas in the Caribbean is a human catastrophe whose story has not been fully told! But I leave that subject for another occasion.

On the issue of poverty, consider the case of Grenada which prior to Hurricane Ivan was the world's 2<sup>nd</sup> largest exporter of nutmegs. Nutmegs accounted for 85 percent of agriculture exports (2.5% of GDP) and provided direct employment and income to at least 20 percent of the

population, many of whom live in the rural areas. In short, nutmegs were the mainstay of the rural economy.

With the passage of Hurricane Ivan, 90% of our nutmeg trees were destroyed. Friends, even with the most rapid replanting effort, it will take 10 years of painstaking effort for Grenada's nutmeg industry to return to pre-Ivan levels.

In the meantime, the questions arise: *how do farmers and their families survive? How do we arrest increased incidence of poverty and unemployment in rural Grenada? How do we ensure that the impressive strides made to achieve the Millennium Development Goals are not reversed?* There are no easy answers to these questions. Within the limits of its resources, our Government has sought to provide opportunities for farmers to produce income-generating short term crops while also providing safety nets for the most vulnerable. Grenada would welcome more support in this area.

## ***Disaster risk reduction is a top priority for the Caribbean***

In the case of the small states of the Eastern Caribbean, it has been determined that *a natural disaster inflicting damage of more than 2 percent of GDP is likely to occur, once every 2.5 years.* This sobering projection impels our region to urgent action and justifies the establishment of the Caribbean Catastrophe Risk Insurance Facility.

So what is the Caribbean Community doing to mitigate the risks and impacts of natural disasters?

First and foremost, the Community has adopted a regional approach with the key pillars of *reducing vulnerability* and *building capacity for resilience.* In this regard, hazard mapping and vulnerability assessments have been completed and mitigation plans have been prepared for key sectors such as tourism and agriculture.

At present, we are strengthening capacity to prepare for and manage natural disasters at the regional level through the Caribbean Disaster and Emergency Relief Agency. In parallel, we have invested in capacity building programmes at the national and community levels in each country. Efforts are well advanced on the adoption of regional building standards. Increasingly homes are being built or rebuilt to hurricane resistant standards (at least category 3 in Grenada).

I thank those development partners here present who are collaborating with our region in these areas.

Against this backdrop, the Caribbean Community welcomes the establishment of the Caribbean Catastrophe Risk Insurance Facility. Indeed, the Facility was endorsed at the most recent meetings of CARICOM Heads from February 12-14, 2007 in St. Vincent. We regard this innovative Facility as a useful instrument in the Caribbean's toolkit for coping with the impact of natural disasters. Moreover, the Facility is a tangible expression of the results we strive for on the Small

States agenda which we in the Caribbean champion and which we know the World Bank supports.

The Facility provides access to catastrophe risk insurance that would otherwise not be available to Caribbean governments. Furthermore, were such insurance coverage available, the cost would be prohibitive. The fact that 17 countries have agreed to participate speaks volumes about the necessity for this Facility. The design of a facility that covers the entire region not just individual states recognizes the fact that our region does best when we pool our assets.

That said, we note the current design of the Facility is limited to two major hazards – hurricanes and earthquakes. We would like to see coverage extended to floods. This issue is of critical importance to several of member states including Guyana, one of the few CARICOM countries not participating in the Facility. We also wish to ensure that care is taken to manage the Facility in a manner which would maximize the benefits to countries in their times of need.

I must also issue a word of caution. The Facility is not, nor can it be, a panacea for the Caribbean's vulnerability to natural disasters. The international donor community should not regard the CCRIF as the sole respondent to natural disasters in the Caribbean. Rather, the CCRIF should be seen as a quick-disbursing facility available to governments in the immediate aftermath of a major natural disaster when immediate needs are many and government revenues are down.

In that regard, the Facility fills a gap in the current response mechanisms of the international financial institutions. However, it must be stressed, in the event of major disasters; the support of the international community for medium to long term reconstruction will still be required. As a region, we must continue to intensify our efforts, in partnership with the donor community, to pursue effective disaster risk reduction policies and programmes.

### ***The Caribbean wants to give back***

Mr. Chairman, in aftermath of Hurricane Ivan, having received so much from so many, we in Grenada resolved to give back in the only way we could – by sharing our lessons and experiences with other small states and the developing world. And we continue to do so through various media including the Agency for Reconstruction and Development.

Today, I ponder the same question: *what can the small states of the Caribbean participating in the CCRIF offer the world?* Of course, that is in addition to:

Sunny vacations and warm and hospitable people;

Two Nobel Laureates (Economics and Literature);

The song of the 20<sup>th</sup> century, Bob Marley's "One Love";

And Cricket World Cup 2007 (which begins on March 05 and here I extend an invitation to all of you to come and share in this exciting global event).

Mr. Chairman, the list goes on but I must stop. However, I think you will all agree given the Caribbean's rich and illustrious legacy, the world needs the Caribbean. Consequently, it behooves us all to preserve and protect these gems of the Caribbean Sea.

As part of our commitment to give back, it is the hope and expectation of our region that the Caribbean Catastrophe Risk Insurance Facility would be extended to other small states and in so doing become a veritable global public good. As the Facility expands, this should also allow it to further diversify its risks and lower the cost of insurance premiums thus creating a virtuous circle. We believe this scaling up is essential to take maximum leverage from the investments of our development partners in this Facility.

In closing, I wish to place on record, the appreciation of my Government and people and the Governments and people of the entire Caribbean region for the support received from the World Bank and all our development partners for this important and innovative Facility.

We are grateful for your partnership as we continue to grapple with the development challenges of our region.

I thank you.