



Fireside Chat: Building Climate Resiliency Through Financial Reforms

Welcoming Remarks:

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Opening Remarks:

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Speaker:

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Moderator:

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Discussant:

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Transcript:

Patricia Charest Mugwaneza:

Bienvenue, mon nom est Patricia Charest Mugwaneza and I'm from the International Development Research Centre, or IDRC, and it's an honour for me to welcome you to this fireside chat on building climate resiliency through financial reforms. Just a reminder, please, maybe put your phone on silent just to make sure there's no interruption during the event. So, we have convened this discussion here on the margins of the Canada-CARICOM Summit to explore a serious issue: the resilience of small island developing states in the face of climate change. Our distinguished speakers will delve into the strategies and approaches that can help small island developing states transition to net zero economies and sustainable development, while mitigating adverse impacts of climate change. We hope that the discussion will inspire solutions for governments, policy makers, and financial sector leaders so that they can implement them.

But first, I had like to acknowledge that the beautiful space we are gathered here today is situated on unceded territory of the Algonquin Anishinaabe people whose stewardship on the land and waters we now call Ottawa, date back time immemorial. Indigenous knowledge is strongly linked to the land and ways of life as organizations supporting and sharing knowledge in Canada and internationally. This acknowledgement means reaffirming the value of local and indigenous knowledge.

Our esteemed speakers, Mr. Timothy N.J. Antoine, Governor of the Eastern Caribbean Central Bank, Ms. Jennifer Elliott, Advisor at the International Monetary Fund and both board members of the Toronto Centre, and Ms. Erin Tansey, Director of the Sustainable Inclusive Economies Program at IDRC, bring with them a wealth of experience and insights to this conversation. Welcome.

After the chat, there will be a Q and A, so, we're very looking forward to your questions, to bringing your perspectives, your questions to the conversation, and to also make sure we tease out all the expertise that our speakers are bringing to this event. So, if you have a question, please raise your hand and we will bring a mic to you. Also, a quick note to say that the event is recorded, and the recording will be online shortly. So, without further ado, I would like to invite Mr. Babak Abbazsadeh, President and CEO of the Toronto Centre for opening remarks. Mr. Abbazsadeh, over to you.

Babak Abbazsadeh:

Thank you very much, Patricia, for that very nice set-up of the event, and we are really pleased to be collaborating with the IDRC for this event. For those of you who may not know much about Toronto Centre, I have prepared a 45-minute summary. No, but since our establishment as an NGO in 1998, Toronto Centre has trained more than 23,000 financial supervisors and regulators from 190 countries and territories. Our mission is sponsored by Global Affairs Canada, the Swedish SIDA, the IMF, and many other valued international partners who work with us on project specific issues. We believe our mission is complimentary to IDRC's; for more than 50 years, IDRC has worked as part of Canada's foreign affairs and development efforts to support and fund high quality research within and alongside communities in the global south to drive global change.

We are honored to be co-hosting this event with them. Now, why are we interested in climate? In 2016, Toronto Centre was the first institution to offer climate risk training to central banks and supervisors because climate change is a substantial risk to global financial stability, equality, and inclusion. We saw that linkage.



That was well before the establishment of any global body to deal with this issue in a systemic way. Today, there is a global momentum on the urgent need to combat climate change and to transition to a green economy. But finance is a significant barrier, especially for small island developing states who have contributed little to the problem but are in the front lines of climate change impacts.

Financial authorities have a key role to play to oversee their financial institution's risks through stress testing to better understand the resilience of their financial systems, climate impacts, to build a financial ecosystem that can de-risk blended finance and domestic resources needed to finance a net zero economy, including supervising for greenwashing risks. Without confidence in the system, we as citizens will no longer be able to participate and be part of the solution. To help us make sense of this situation, we have brought tonight two members of our board of directors who I'm very happy to be working with alongside: Governor Timothy Antoine recently joined our board, but he's intimately familiar with not just Toronto Centre, but the challenges of small developing island states, and is joining us straight from the IMF-World Bank meetings in Marrakesh; so am I, we survived the Marrakesh experience. So, we are here. He hosted Toronto Centre's first ever climate capacity building program at the Eastern Caribbean Central Bank in 2019.

Jennifer Elliot is a very strong supporter of Toronto Centre, thank you Jennifer. She is at IMF; for those of you who watch Mission Impossible movies, that's a different IMF, this is actually an IMF that goes into countries and does serious work and is a senior official at the IMF department that assesses countries financial sectors and offers technical assistance to rectify gaps. And Erin, we're very pleased that you are joining us also to provide some commentary on the discussion tonight. I hope you enjoy the session, and Jennifer, I pass it back to you.

Jennifer Elliott:

Thanks, Babak, and thank you Patricia for setting us up so nicely. Governor, welcome to Ottawa. It's a little bit of a climate shift from Morocco. I'm glad to see you're here.

Governor Timothy Antoine:

Thank you.

Jennifer Elliott:

And, welcome to the Toronto Centre; it's a magical little place that packs a lot of punch, and I'm looking forward to working with you at the Toronto Centre. So, to start us off, let's take a look at the Caribbean and maybe you can situate us a little bit on what's going on. To use an overused phrase, we live in uncertain times. I mean, really, it's very hard to talk about the economy now and talk about any kind of uncertainty; unprecedented levels of debt, a lot of geopolitical uncertainty, fragmentation, conflict, et cetera. Everybody is a bit concerned. I mean, even in the last couple of weeks, we've downgraded growth estimates and so on. And for the Caribbean, hit hard by the pandemic, especially in tourism, but even before the pandemic, high debt levels, food insecurity, energy insecurity, and of course some climate disasters that have come your way, and we'll get to that in a little bit, but maybe to situate us a little bit on how it looks economically for you in the region.



Governor Timothy Antoine:

Thank you very much Jennifer and let me say good evening to everyone. I bring you warm greetings from the Caribbean. That's why you have sunshine today in Ottawa. It's great to be here and I'm looking forward to serving with you on the board and the rest of the team. Thanks for coming this evening. So, where we live, in a neighborhood called the Caribbean, the shocks keep coming and the Managing Director of the IMF has described it as a polycrisis. The truth is that it never seems to stop. There was global financial crisis, then there was the, of course the pandemic and then now we have inflation and of course we have the geopolitical tensions that have boil over in the Middle East and elsewhere, war in Ukraine. So, those are real challenges for us.

In the Caribbean, notwithstanding all of those things, the economies are recovering after the pandemic. We have in fact seen significant growth in all of our economies and we expect that by the end of this year, certainly next year, almost all the economies will have returned to pre-pandemic levels of growth output, pre-pandemic output. So, that's a positive thing. If you take Guyana out for a sec, Guyana is growing at 40% because of oil this year, the IMF projects that we will grow by about 4%; next year, by about 3%. So, the growth is on. Tourism has been, for many of our countries, the biggest driver because that is our biggest export for many of our countries, and since we are in Canada, you may want to know that about 2 million Canadians go to the Caribbean every year. Last year, 2 million Canadians went to the Caribbean. By the way, we could take more of you. So, please come. I know we have capacity; we've had some challenges with Airlift, but we're working through those.

On the debt side, and you mentioned debt. The region is highly indebted. That was pre-COVID. It is still the case, and in fact, because of the pandemic, we saw a jump in debt because growth collapsed; we had the largest growth shock on record. I'll give you an example; in the region I worked for the ECCU: 16% decline in growth in 2020. The GDP debt to GP ratio moved from 65% to 88% in one year as a result of the growth shock. But now that the growth has recovered, or has returned, we're now back to around 70% this year, and hopefully that will continue to trend down, so debt is definitely again on the downward trajectory.

On the question of health and food and nutrition security, very briefly, health is a major issue in our region. I don't know if you know this, but almost eight in ten deaths in our region come from NCDs: non-communicable diseases. So here, I'm speaking of hypertension, diabetes, obesity, cancer; the real, real challenges, almost eight in ten dead. That was before the pandemic, and we saw it exacerbated by the pandemic because people with preexisting conditions did not survive or have had long COVID and many other issues. On food and nutrition security: while the Caribbean will not make any, except for maybe Haiti, any list of the most insecure countries in the world. The fact of the matter is that a survey by the FAO, the Food and Agriculture Organization, in 2021 indicated that about 59% of the Caribbean is food-insecure, and there's more than one stat that you need to appreciate; there's the issue of access to food and there's the issue of access to quality or healthy food, and part of the real challenge in our region is that we're eating badly meaning highly ultra processed foods which are contributing to the non-communicable diseases I just referred to. So, we have an issue there with respect to food and nutrition security, which we have to resolve. We import about 80% of what we consume and much of that of course is food from abroad, ultra processed food.



In the area of energy, and I'll start with gender in a minute on energy, about 80 to 90% of our energy is still dependent on fossil fuels, which means we have among the highest electricity rates in the world. If you're doing 30-35 cents per kilowatt for energy, you cannot transform that region, and you cannot be competitive, and that's the challenge that we have, and you see what's happening with oil prices again because of what is going on in the Middle East.

Finally, on gender: there has been some progress. More and more women are getting educational opportunities and are graduating: positive. More and more women are entering the political arena and entering our parliaments positive. But we do still see a challenge with respect to the access to employment and access to credit, and those are areas that we have to continue to work on. Canada's role in terms of this feminist agenda obviously is very important. We have seen women and girls lifted, but we still also see one in four women who indicate that they have been abused, gender-based violence, and that abuse or violence between a man and woman is a private matter. So, you see the depth of the problem that we're dealing with. So, that's a quick rundown on the Caribbean.

Jennifer Elliott:

That was quite a rundown. Let's turn to the climate then. I mean, against that backdrop, you have a history of climate disasters. So, a study we did at the IMF showed that out of 511 disasters that befall small states, two thirds were in the Caribbean after 1950, so that's 250,000 deaths in the Caribbean because of climate catastrophe. You yourself had a couple of very close personal brushes. When you became Governor, there was a hurricane that hit Dominica that same year, which was quite catastrophic, in your own country in 2004, in Grenada, the economy still feels that it; has a very long tail as we say, right? But you have distinguished yourself; in 2014, in your approach to debt relief, you had a different idea of how can we, in the tail of a disaster, how can we look at debt relief? And Prime Minister Mottley, who many of you will know in Barbados, is the champion of climate finance. She attributes the Bridgetown initiative, which was a major step forward for climate finance and the focus on climate finance, she attributes that to your approach. So, we all want to know what was that approach? What did you do?

Governor Timothy Antoine:

Well, that's kind of her. Prime Minister Mottley, who has been a fearless stylist, tenacious champion, advocate, really for not just climate but for small cities., and frankly now for the global south, that's how far that platform has gone. So, you're referring to, we did in Grenada, a quick backdrop: 2004, we get hit by Hurricane Ivan. 200% of GDP I am then the Deputy Minister for Finance in Grenada, Permanent Secretary Finance, for those of you are familiar with our jargon, I get a call from Standards and Poor: "Mr. Antoine, very sorry to hear about your loss, how are you? By the way, we're downgrading Grenada." And I don't know about you, but that struck me as very crass, very harsh. Conceptually, I understood what happened there: we were not in a position to pay and therefore they had to downgrade us. But in my heart, I felt at the moment of greatest need, that's the message. How could that be?

Well, we got downgraded and we had to figure it out. But 10 years later, we got hit by another hurricane and then the global financial crisis and we had to restructure our debt. And at that moment in time, working with a team called White Oak, we basically decided to bring this innovation called "Hurricane Clause" at the time. What is that? Essentially, it's a debt standstill that simply says if we get hit by a certain magnitude with a natural disaster, we put a freeze on our payments or their servicing for a period: one year up to three years, and then we resume payments.



What do we do with the cash? We put that liquidity towards recovery, and if you think about it, for many of you, certainly in our region, during the pandemic, all banks gave moratorium. That is to say, businesses and households were given an opportunity to not pay the debt, not pay the principal, or just interest, or principal and interest for a period :six months, one year, two years, during the period of the pandemic, during the period when the hotels were shut, and then they were given a chance to resume payments when the economy reopened. Same principle with government.

So, that is what we did: first with the bi-laterals, then the commercials, and then we negotiated something with the Paris Club. Barbados, I'm coming now to Prime Minister Mottley, Barbados was restructuring their debt in 2019 and took it to a whole 'nother level and put those clauses in. So today, Barbados has the single largest, is the single largest sovereign issue of debt with what is called a climate debt resilient clause (CDRC). And I will conclude by saying Canada must take a lot of credit for its leadership in getting the G7 and now the IMF and the World Bank to embrace the climate debt resilient clause and to put it in new instruments. It took us almost 10 years of advocacy, pressing, stressing, constantly engaging, but here we are with Canada's leadership, common cause with the UK and others; we now have an acceptance of the climate debt resilient clause. What that does is provide liquidity in the event of a major natural disaster. So, that's an advance for our countries in terms of resilience, fiscal resilience, because the truth is, the shocks keep coming.

One quick stat, I'm a numbers guy, so I will throw out numbers tonight, not because I want to bore with the numbers, but I get emotional about these issues, but I understand as economists, we have to have an empirical basis. So, I use the numbers to make the point. In the Caribbean, and this is an IMF study, I learned that the frequency of natural disasters in the Caribbean is seven times higher than anywhere else in the world. Seven times higher than anywhere else in the world. And the losses from those disasters are six and a half times higher than the global average. Are you seeing what I'm saying about the vulnerability?

So, these are the lowest emitters of greenhouse gases, but the hardest hit. That's the challenge. That's the vulnerability that we are dealing with. So, Prime Minister Mottley has championed what is now described as the Bridgetown Initiative to shine a light on these issues and to do a number of things. One, liquidity to get the IFIs, the international financial institutions like the IMF, the World Bank, the IDB to provide more liquidity to countries such as ours. Two, debt relief: the CRDC, climate resilient debt clause. Three, private sector financing to support climate adaptation. Four, more funding from the IFIs. Five, trade. That's in a nutshell what that has morphed into starting with that humble step we made in 2014 with the Hurricane Clause.

Jennifer Elliott:

This is true, right? I'm not going to suggest my institution is colorless, but it is a gray kind of place sometimes and it's taken us a while to come to climate as a mainstream issue for us, and that's definitely the case. And Babaks right: the Toronto Centre started this drumbeat a long time before other institutions, but it is generally difficult to get the gray world of central bankers and financial guys to care about longer term things. I've got a couple quotes here, Erin and I were talking before, Larry Summers of all people, right? The former Treasury Secretary in the us, not known as a fuzzy-wuzzy guy, right? Has given a report for the Indian G20 presidency this year and said multilateral development banks have to do more, we have to do more, the bank has to do more, everybody needs to do more. Our managing director says we need to do more. Everybody's saying this. It is really that evolution over the last 15 years to put it front and center in finance.



So, having said all of that, we can think about what the international community is doing, a little bit more local thinking about what can central bankers and financial supervisors be doing. So, the Toronto Centre is speaking all the time to central bankers, training central bankers, training financial supervisors, and they have built climate a little bit, but what can they do? What can you guys be doing inside the ECCU and in your region? What kind of reforms can you come to the table with?

Governor Timothy Antoine:

So, the first recognition is that climate risk is financial risk. Climate risk is financial risk. Central banks, financial regulators, have to pay attention to the climate. Physical risk - like a natural disaster, transition risk - where you have to move from fossils to renewables, black swan events - one in hundred-year events. We have to assess those. So, what we have been doing is raising the consciousness, starting with the Toronto Centre, as Babak mentioned in 2019, building out action plans. We've now, with that capacity building, prepared training in terms of guidance for how our licensees ought to report on the question of climate risk assessments. So, risk assessments, very important. What risks are you dealing with? Are your assets under management? For example, in the Caribbean tourism - major, many hotels are on the coast, therefore there are real risks to these assets. And frankly, in many of these islands, 90% of the built-up environment is on the coast.

What does that mean for your loan book over time? That has to be assessed. That's risk assessment. So, we play a role in helping our licensees to prepare, with requisite guidance, their own climate risk assessment. Stress testing, if this happens, what happens to your balance sheet, if this happens, what happens to your capital? That's important. Capital as you know, is important to observe shocks and to remain a going concern. So, we are always concerned about capital adequacy for financial institutions. Then the other piece is, so what? Having done the risk assessments, what do you do next? And the key part to that answer to that question is climate resilient financing. In other words, financing for not just mitigation, but adaptation. That is where we have to get into climate finance. That is what Larry Summers is talking about, where IFIs have to do more. That's where the private sector has to become involved, now, because having assessed the risk, we know climate change is real. Okay, these are the risks. What are we going to do about them? What are we going to do about them?

We now need to think, the markets now need to work to address this risk and to make provisions to protect the financial institution and to protect our economies. And by the way, this is true not just for small island states, it is also true for advanced economies like Canada. Because climate is a global issue, and we are all in peril if we don't do something about it. This is the hottest year on record. This will be the hottest year on record, and we are at around 1.2 degrees Celsius as we speak. The mantra in Paris in 2015 was 1.5 to stay alive. We're now hearing from scientists that we could be hitting 1.5 before 2030, not every year, but in some years. That's how serious this situation is. So, Jennifer, we are in fact on the job with the risk assessments, but we recognize that we have to go beyond that and actually finance resilience.

Jennifer Elliott:

Great. So that takes us to actually a question of scale, right? When we're thinking about financing, the estimate for developing countries to hit the Paris agreement implementation, what would be needed is 2 trillion a year, 2 trillion a year, and right now they're getting 400 million to make this transition. So, that says that we need private money and private money has been slow to come in. So, what do we do to hit that scale? I mean, people talk, there's a lot of discussion about private finance now, but the money is not coming and private sector investors like their money back.



So, it's usually a different ballgame than public money, in which we make agreements to fund things that the private sector won't fund often. Given the scale, we can't avoid private finance, maybe what do we do about private finance?

Governor Timothy Antoine:

Well, I think they're absolutely clear that we cannot solve this problem with governments alone. The Government of Canada, even if it tripled its climate funding, and other countries did the same, we still wouldn't solve the problem. The private markets have to play a role and there's significant excess liquidity in the market, including in Canada, with your pension funds and some of your institutional funds. What we need is a collaboration between the public and private sector to help de-risk some of these investment opportunities. What do I mean? So, a country that wants to do geothermal, for example, needs to have some concessional resources, grants or concessional funding to, first of all, prove the resource, do the test drills, to build the test wells, do the drilling, and establish that the resource in focus is viable. The entropy is strong, the permeability is good, so it could come out of the rock, and you can create electricity.

Once that is done, you can then enter into arrangements with the private sector to build out the geothermal plan. I'm being very granular here because I don't want to be up in there. I want to make sure you understand the specifics. The public sector needs to play a role. So, an IFI for example, or Canada, in helping to get that going. Once you've taken it to that level, the private sector can then come and bring capital to actually build a transmission and the distribution. So, you need that partnership. That's a specific example. What is happening now is that the private sector sees that as too risky and they're not touching it. So, you need to have public capital come in, de-risk it, and then the private come and then you lift it and then you enter into agreements with governments, offtake arrangements, that's one example.

Second, we have to leverage the suites of products from the international financial institution like the World Bank, like the IDB, and others to help mitigate risk, perceived or real by the private sector. So, for example, in some countries the private sector is concerned about political risk and quite rightly so, they want to make a return and they have concerns. But that's what you have MIGA for: the Multilateral Investment Guarantee Agency of the World Bank Group to bring that political risk insurance product to the table to mitigate that risk and to make it possible for them to go into a country, a frontier market, a developing country, a small island state. In the Caribbean, and I turn back to the Caribbean for a moment. Many of our countries are members of MIGA, but do not have any guarantees issued by MIGA. That needs to change, Jennifer. That needs to change.

Jennifer Elliott:

But why is it? Tell me. Is it because they're too small?

Governor Timothy Antoine:

In many cases they are deemed to be too small and also because there is a reticence by the IFIs to go into these countries. So, it's not just the private investors, but even IFIs, they like the big ones, the big ones are easier.



Jennifer Elliott:

It's true.

Timothy N.J. Antoine:

Brazil, Mexico, Argentina, well... No, I won't go there. So, what President Banga said in Marrakesh last week was important. He said he's from the private sector, former CEO of MasterCard, and he wants to bring, he has brought the private sector to the table, they have started to have those conversations, and if he can bring the first suite of products, the partial credit risk guarantees, the political risk guarantees to the table with private capital, we could begin to really scale up. That is what is going to be required. So, that's a shift on the part of the IFIs and it also requires a certain commitment from the private sector. So, two concrete examples of how I think we can begin to scale up private financing.

Jennifer Elliott:

I don't think that the private finance challenge is so easy, even for the big ones, right? For you, for small states, this is a very complicated issue, and one question I had, which I'm not sure how you'll answer is what about pooling? How tough is that?

Governor Timothy Antoine:

Pooling is definitely an issue. So, just as you asked that to say, we've done some initial work in terms of, for example, renewable energy, to give a very concrete example, a diagnosis on the barriers to investment. Two things we found.

One, there are gaps still in some of our country with respect to the policy and regulatory environment. So, for example, you want to do renewables, you want to do solar PV for example. What's your feeding tariff? If you are an independent power producer, you have to have clarity from your electricity provider, your utility company, what your feeding tariff is going to be. You know what you pay when you buy electric, or what are they going to pay you when you sell to them. That clarity is important because when you go to your financial institution, you have to establish what your payback period is going to be and you're going to need that if you have clarity on price. So, that's one area. There's an area of capacity. But then the third area, I said two, but there are three, is the bundling. So, to your point, what we've found is that in many of our countries, the initial investment offerings are too small individually. So, they need to be bundled, they need to create a portfolio. Some investors want to look at 100 million and up, not 50 million, not 10 million, they want to do a hundred, they want to do 200 million. So, one of the things that we will have to do, and again you have to have somebody to assist you with structure in these deals, is to be able to bundle a number of investment so that you make it attractive for the big investors, certainly the institutional funds.

Jennifer Elliott:

Okay, well thank you Governor. We're going to turn to Erin Tansey who is the director of the IDRC's Sustainable Inclusion Economies Program. Erin has a fantastically global point of view here to bring to this. So, zooming out a little bit from what the governor's talked about and given all your experience looking across the globe at small economies and developing economies... alright, this is going to be a long question, but we started with the state of the world and the economy and if you're a policymaker, you're a governor, you're doing economic reform, you have a lot on your plate.



For stakeholders thinking about reform agendas, where should they put climate and how should they think about how climate fits into an overall reform agenda, given everything that the governor's dealing with?

Erin Tansey:

So much has been said, thank you so much. So, for those maybe one or two people that don't know IDRC, we fund research in the global south and we're part of the Canadian government. Been around since 1970; a very good year. And one of the things that I heard a little bit about, but not so much, was the issue of loss and damage specifically for small island developing nations. And that's something that I think, well our organization has been actively involved in; trying to look to see, from a global south perspective, what took so long. I think the small island states have been trying and clamoring for a loss and damage fund since 1991, and finally, there was some movement COP 27 last year, but even in this whole year, not much has happened. There's still so much confusion about who's going to host it, whatever.

And so, I think when what we have done is looked to see what the main barriers are to accessing finance, a lot of them have been discussed already. Loans are usually the way that finances are being dished out, but so many of these countries have so much debt that it's impossible for them to take on more debt and actually get loans. If you look at it from a climate justice perspective, really, as the Governor pointed out, they're these small island countries that have absolutely very little to do with the situation that we're in today in terms of climate change, and yet they're the ones that get told by Standard & Poor's, "Sorry, you're basically out of luck." So, some of the barriers have been mentioned. As I said, the idea of this continuing to be focused on loans I think is unrealistic.

And also, the governance structure of the institutions that provide these loans I think needs to change. It currently seems to be driven by the shareholders and that governance structure, as opposed to by the emergencies that are happening all the time. So, they're not agile enough to really react in an effective way. And of course, a lot of these financial institutions are still very much investors in fossil fuels, so that's a bit of a challenge. And furthermore, it is still very difficult for the financing to actually get to countries. It always has to go through an intermediary, whether it's through a UN agency or others. So, there's a cut taken off there. So, we need to find a way to get rid of the middleman, middle woman, middle person so that financing can flow directly to these countries more quickly, more readily.

So, those are just some of the barriers that I think we've touched on; we have to keep pushing for, and at the loss and damage discussions that are even happening today, I think that as long as developing countries continue to push to have a voice there, I think there is some hope that things will change. But ultimately, as been said by so many and by all the research that we've supported since, I think 2012, the current financial models are just so prohibitive and are not getting us to where we want to go, which is to a place where there's more resilience. So, when there is a climate disaster, less people die and more things are saved, and we're not even talking about the non-financial loss and damages. I mean that's a whole other measure of things, that loss of way of life, loss of culture, loss of so many pieces that the economic model just doesn't show.

But if you're looking at the impact on a human being, on a family, on a community, those are huge things. So, yeah, those are some of my thoughts. Central bankers I think also have a big role to play. We work with the Alliance for Financial Inclusion, which is based in Malaysia, and they have about 60 central bankers from developing countries, and we're trying to help them, I think build their capacity like you, like the Toronto Centre, in some of the things that are written in the Paris Agreement.



So, among all the other things that central bankers have to get their head around, they have to be able to get their head around aligning their policies to meeting the targets on climate. And yes, you could say food, nutrition, yes, you could say all of these issues are huge, but with a burning planet, everything else falls away. So, more building of capacity there I think would also go a long way.

Jennifer Elliott:

What's it going to take for more bankers, central bankers, but other bankers, real bankers, to build that into their thinking? Governor, you're coming from a region that gets hit by it, and that's kind of your point. But everyone else can be a little less educated if they choose. So, how do we cross that barrier, or do you think it's really a barrier? I mean, things have changed.

Governor Timothy Antoine:

Things are changing. I mean, look at what has happened this summer with the fires, floods, and droughts. I mean I think we've come a long way in the last couple of years through lived experiences of persons both in the global south and north around climatic events on seasonal extreme events to really bring the focused attention that something has to be done. And then just the heat, I mean the heat is really on. So, I think reality is hitting home, but we have to build capacity, and that's where the work, for example, of the Toronto Centre is really, really important. And if anything, Toronto Centre has to do more, and others of course, but Toronto Centre has to do more because more and more regulators, bank and non-bank, have to step forward. I think there was initial, and there still is obviously a preoccupation with inflation. Naturally that's the first order of business for a central bank, typically inflation targeting. And it has been difficult, and I empathize with you Canadians, but I will say the same thing is showing in our region, we're dealing with high inflation, not maybe the same housing pressure that you're dealing with, but there are areas that we're grappling with.

But even as they work on bringing inflation, continue to bring inflation down, they have to continue to move forward. I was very pleased yesterday in a discussion with the Bank of Canada to see the work that they're doing with respect to climate, because I think you have to see more and more of that. There has to be the leadership from the advanced economies, but then obviously build capacity in other countries, not just in the Caribbean but around the world to really bring the regulators up to a point where they're fully treating with those risks concretely. Then of course, looking, like I said, to bring finance to the table because if all we do is assess risk, all we've done is to confirm what we know to be true, that we are high risk, but we have to go beyond that. That is a part of COP and others, getting the Paris commitments agreed on getting the loss and damage fund actually activated to begin to really move the needle in that regard. So, I think the work is to train, but a lot more has to be done on a capacity front.

Jennifer Elliott:

So, I wanted to just follow up, Erin, on your point on economic models, they don't bring in climate because they don't price things very well that haven't happened and damage that hasn't happened, but we're doing more of that. Is that something you think about at the IDRC? When you think about research, it's almost a communication effort; how do we connect the dots for policymakers so that they can see the hardcore; how are you going to eat? How are you going to have transportation? How is your farmland going to survive in climate disaster? Is that something you think about at the IDRC?



Erin Tansey:

Oh yeah, absolutely. And I mean one of the IDRC's approaches is often to work with academic institutions, universities, et cetera, to help them build their own abilities and capacities to think it through to get that going. And so, there are several examples, not necessarily in the Caribbean where we are putting money into research hubs within universities to build those capacities, even on statistical data collection of these things. And I mean I think it's a great place to put it, in a university institution, because it'll stay there forever as opposed to something that's just hanging on its own. And you get young students and people that are going to grow into decision makers that have this knowledge. I mean even on loss and damage for instance, how do you measure the losses? Exactly, how do you measure the damage? Who's going to measure them? Who has that capacity to do that in a country so vast? So yes, we think about it.

Jennifer Elliott:

And Governor, back to one of Aaron's points on debt. So, this is one of the conundrums, right? Because in highly indebted places already and debt levels globally are just sky-high consumer debt, sovereign debt households, and corporates, all of them. So, how do we square that with a need for climate finance? Because really it is infrastructure finance we need, how do we square that ability to fund what we will need for a sustainable future with debt levels the way they are besides the cost, but just in general?

Governor Timothy Antoine:

Well, I think there are a number of areas we have to pursue. Clearly there are products such as debt for nature swaps for example, which are still fairly boutique arrangements. We've seen a couple in Belize of late 364 million. We've seen something out of Barbados, 185 million in blue-bonds, Seychelles, and so on. So, I think we have to scale that up, the debt for nature swaps; I do believe that we clearly have to get bigger ambition from our international partners around bringing financing to the table, and then we go back to the private sector because in some of these countries where you're dealing with significant debt, grants will have to be made available. That is something people are reticent to discuss and all sorts of explanations or issues around why or why not. But to deal with some of these issues, there's just no additional carrying capacity or fiscal space.

So, you're going to have to bring additionality to the table. So, either replenishment, for example, on the World Bank side, has to be a bigger item, and that's why again, Banga calls for a bigger and better bank and he acknowledges that the World Bank, for example, has to do better, be faster in terms of their processing of projects. But also, they will need bigger, they'll need more resources. They have stretched their balance sheet in what is called capital balance sheet optimization, but there's a limit to that, and then beyond that, there will need to be additional resources brought to the table. By the way, in Canada, and I am in Canada, so I have to make this point, I mean as generous as you are, you only doing 25 cents for every \$100? That's nowhere near the 0.7%. Hello? Am I speaking to anyone? So, I'm making the point, when I ask talk about ambition, there is some scaling up that it needs to be done. 25 cents for every \$100. That's your contribution right now. That needs to increase, and not just Canada, but I'm in Canada, so I speak to Canada. So, those are the areas where you would expect to see some improvements specifically around climate to be able to meet that commitment, that 0.7% commitment, but also to really meet the moment in terms of what is required.



Jennifer Elliott:

At the IMF, we have the resilience and sustainability trust, which is a new attempt to do exactly this. And I was saying to Erin before we were on, one of the difficulties without just remains the size. It sounds like a lot of money, but if you put it up against the 2 trillion a year needed to do this transition, it's just not. So, that's kind of a bottom-line numbers problem.

Alright, shall we take some questions? We kind of went low energy depressed at the end and I don't want that to be the case because all of these people thinking so thoughtfully about this very complicated problem, that's what it's going to take. So, questions on how we're doing it, where we're going?

Anatol Monid:

So, thank you Governor, and Erin. So, my question is, Toronto Centre works in many different countries, and we try to build awareness on these issues, but where does that voice go? So, how is it that small states like your own or Sierra Leone or Malawi or other places where we go are getting the message out because we see the impact both economically and infrastructure wise of the type of climate events that occur? How are they getting their message or how can they get their message out to where the impact of your 25 cents on the \$100 will be heard?

Governor Timothy Antoine:

Well, I certainly think they have to engage. I mean, the Caribbean is in town this week at the invitation of Prime Minister Trudeau, the CARICOM-Canada Summit. I think they have to engage, not just at the government-to-government level, but at a people-to-people level. I mean Canadians may ask, "Well, why should we care about this, given all that we do and should this matter?" and I think the answer goes back to something the late Prime Minister Lester Pearson said, people who have should help those who don't because it's the moral and right thing to do. That is still the case today. I know some of us get a little tired, and we get a little weary and is it working or not working? Well, it is working not always as fast as we would like, but there are stories around the world of how people have been lifted out of poverty, how in fact women are making great strides and getting into the labor market and making expressing themselves.

So, I think that's the first thing, but there's also the issue of not just, "C" is supposed to be for caring, right? Canadians are supposed to be caring and compassionate. So, I'm speaking to Canada, but the same would be true for any capital that I go to. I would speak directly to the people because a lot of times, it's a political decision around the question of additional resources. So, the technical people get it, but then you have to get the politicians to then also make the decision, and sometimes the issue is around whether or not the citizens truly understand how their aid is making a difference around the world. I think people also have to recognize it is in your constructive self-interest to do so. The planet is on fire. We're no longer talking about global warming, it's global boiling, and therefore if you don't take steps to help address this problem around the world, you're not going to have a planet to live on all your income and with all your pension funds. We need a livable planet.



So, I'm saying persistent pace, I think capacity building is key and that has to continue and eventually you get to a critical mass. But I'm also saying you have to operate in different theatres. You can't just operate in the technical sphere. There is a political sphere and frankly, we have to speak to people and people have to also make their commitments because, so this week I hope there will be opportunity to speak to the Canadian citizens, the taxpayers, to help them understand why this is important and why they have to, if anything, have more ambition in terms of helping this course. That's a job for all of us to do; all of us, including me, and I'm prepared to do my part.

Erin Tansey:

The only other thing I would add is have faith in the young generation. I think what I see from their activism and their engagement in the climate discussions, even at the level of IFI and MDB reform is quite amazing in the global south in particular, they are not willing to stand for the economic system that has got us to where we are today, and they are there making their voices heard. They need to be given space, energy and support, but it's their planet that we are gambling with, and I have faith in them. And also, they are the drivers of small and medium sized enterprises. That is the engine of most economies.

That's another avenue that, I think many people work in that space, but to allow small and medium-sized enterprises, and even micro-enterprises, get them to understand that by them doing and making choices differently than previous MSMEs, they can actually make a difference. It's a slow game, but I think that's what gives me hope so that young people and the small and medium-sized enterprises.

Jennifer Elliott:

And you could add technology to that, couldn't we? Oh, for sure. Yeah. I think the young and technology give me hope. I think that's where many of the solutions we have to clean energy are relatively recent really. And they've come a long way. And as they become more economical, you hope on a big project basis as well.

We have more time for questions, Mala! This is my former colleague and an insurance regulator, so she knows all about disaster and CAT.

Mala Nag

Well thank you. Thank you very much for this very engaging chat. And truly, I think governor, you brought the whole picture of hurricanes, and we empathize with the issue, such big challenges. I'm just wondering, do you put equal weight on, you did say non-bank once in your chat, do you put equal emphasis on the insurance side as well just to make sure that that sector is also robust and can contribute to absorbing some of these risks? I don't hear much about insurance, so that's why I was asking.

Governor Timothy Antoine:

Thanks for asking, and insurance is so crucial in this regard because obviously at the end of the day, it's the capacity to transfer risk. When we did the work with Toronto Centre in 2019, we did invite some non-banks, but we went beyond that. So, the Central Bank, we don't oversee or regularly supervise insurers, but what we did was to take our learnings to the non-bank regulators and engage them, and we continue to do that.



So, the capacity that we are building at the Central Bank is also capacity we're building with non-bank regulators, certainly in the Eastern Caribbean currency. I can speak for the region that I work for.

But I will also admit that more work needs to be done with respect to insurance and this whole history of climate. I think we have a lot of work to do. So, if you ask me, a lot more capacity building is required in this area. And, as a general rule, the starting point is that the resources allocated to bank supervision are significantly more than those allocated to insurance supervision. So, that's based on, that's a starting point, which also brings some urgency to what we need to really be doing around that. So, it's a very important question and again, I hope Toronto Centre could continue to expand its work, its impact in this area.