Kevin Greenidge: Boosting financial resilience - managing risk and uncertainty for macroeconomic stability and growth

Speech by Dr Kevin Greenidge, Governor of the Central Bank of Barbados, at the Caribbean Knowledge Forum 2025, organised by the CAF and The University of the West Indies, Sagicor Cave Hill School of Business and Management, Bridgetown, 19 August 2025.

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Colleagues, partners, and friends, thank you to CAF and The University of the West Indies for convening this Forum in Barbados. You set a clear purpose, build shared understanding across institutions, and ask us to translate knowledge into real outcomes for Caribbean people. That is what I intend to do today, with clarity, candour, and a plan.

The case for resilience in one sentence: we will not control the shocks that hit us, but we can control the buffers, rules, and systems that decide whether a shock becomes a crisis or just a difficult quarter.

1. Where We Stand Now

The global picture matters for small, open, tourism intensive economies. Most outlooks put Latin America and the Caribbean near two percent growth in 2025, with tighter financing conditions and elevated uncertainty. That is not a strong external wind at our back. It demands stronger domestic anchors and smarter risk tools.

We also face a structural risk that sits above the cycle. Small states suffer materially higher disaster losses than larger economies. On average, annual disaster costs for small states sit near two percent of GDP, several times the burden in larger countries. In the Caribbean, individual events can erase years of capital formation in one night.

Two facts focus the mind. Hurricane Maria inflicted damage on Dominica estimated at about two hundred twenty six percent of GDP in 2017. Hurricane Dorian caused about three point four billion dollars of losses in The Bahamas in 2019, near one quarter of GDP. These are not outliers, they are signals for policy design.

2. What We Have Learned in the Region

Discipline pays. Jamaica put in place fiscal rules, independent oversight, and a medium-term plan. The result was a reduction in public debt from around one 144 percent of GDP in 2012 to about 72 percent in 2023, with a clear path toward sixty percent by 2028 under law. The lesson is simple, anchors work when they bite.

Barbados pursued a home-grown adjustment called BERT with the IMF's Extended Fund Facility and leveraged the Resilience and Sustainability Facility for climate and financial stability reforms. By June 2025, public debt had fallen from 178.9 percent of GDP in 2018 to 102 percent at end-July 2025, reserves covered more than nine months of imports, and all program targets met. That progress is real, but it is not the finish line.

On risk transfer, the region built something the world studies. CCRIF, our parametric insurance pool, pays quickly when people need it most. After Hurricane Beryl in 2024, CCRIF disbursed across several members, including a large payout to Grenada and additional payouts to utilities and fisheries covers.

We also innovated with state contingent finance. Barbados' blue bond embedded clauses that pause debt service after a qualifying natural disaster or a pandemic, a direct way to preserve scarce foreign exchange and redirect cash to relief. Debt pause clauses moved from concept to use, with first real world triggers after Beryl. The lesson is simple; resilience requires proactive design, not reactive fixes.

3. The Pillars of Financial Resilience We Must Strengthen

I will set out six pillars. Each pillar comes with a policy ask, an example, and a metric we should track.

Pillar one: macro anchors and buffers that absorb shocks (keep the economy liquid during shocks, keep policy credible, and stop a disaster from turning into a macro crisis.)

Policy ask

- Lock a clear debt anchor and fiscal rule, publish an annual fiscal risk statement that quantifies expected disaster losses and the financing stack
- Embed automatic liquidity relief in the debt stock, and codify contingency draw procedures, including preclearance for emergency spending
- Manage the liability profile for risk. Lengthen average time to maturity, raise the share of fixed rate debt, and keep adequate reserves.

Examples

Barbados' framework permits temporary deferral of principal and interest after a qualifying disaster or a pandemic. Since 2018, instruments include natural disaster clauses that allow capitalized interest and a two-year deferral when objective triggers are met. The medium-term debt strategy sets a sixty percent debt anchor by fiscal year 2035 to 2036 and defines rollover and interest rate risk indicators. Contingent liquidity stands in place through an IDB disaster line and a World Bank Disaster Risk Management Development Policy Loan with Cat DDO approved in April 2025. BOSS Plus retail notes broaden the investor base and lengthen maturities.

Metrics to track

- Primary balance delivered, interest to revenue ratio, and months of reserves
- Average time to maturity, share of fixed rate debt, and share of the portfolio with disaster or pandemic clauses
- Days from disaster to first budget release, days to Cat DDO draw, and days to CCRIF payout reaching the treasury

Pillar two: layered risk financing that pays quickly and predictably (this pillar is about getting cash in quickly when a shock hits).

Policy ask

- Build and maintain a standing stack of instruments that convert disasters into manageable budget events, from budget buffers to insurance to contingent credit to swaps
- Size coverage to asset exposure, set clear attachment points, and pre-arrange draw and payout procedures so execution is automatic

Examples

- Layer A, budget buffers and immediate liquidity: define a contingency line for the first seventy-two hours, with pre-arranged authorizations
- Layer B, CCRIF parametric insurance: after Beryl in 2024, CCRIF paid out across several members in days, including a large payout to Grenada, plus utility and fisheries covers, and significant payouts to Jamaica on cyclone and excess rainfall. Cumulative payouts since inception are near US$400 million.
- Layer C, sovereign cat bond or reinsurance: Jamaica renewed a US$150 million World Bank facilitated cat bond in 2024 for seasons through 2026. This complements CCRIF and does not add debt.
- Layer D, contingent credit that draws fast: Barbados secured a US$30 million World Bank Cat DDO in April 2025, pre-approved liquidity upon a declared emergency.
- Layer E, resilience swaps and guaranteed loans:
  - September 2022 blue loan and debt for nature conversion, more than US$150 million refinanced, about US$50 million savings over fifteen years directed to conservation, with disaster and pandemic clauses.
- November 2024 debt for climate swap, nearly US$300 million, guarantees from multilateral partners, about US$110 million savings over ten years for the South Coast Water Reclamation Project, with sustainability linked targets and disaster and pandemic clauses.
- Layer F, national micro and meso covers: Extend microinsurance for fishers and farmers, and parametric covers for utilities and cooperatives. Micro means individual households or small businesses. Meso means coverage taken out by a utility, cooperative, or financial institution on behalf of its members or customers. After Beryl, CCRIF paid Grenada's electric utility and fisheries cooperative under meso policies. This kind of non-sovereign cover speeds network restoration, protects livelihoods, and reduces pressure on the government budget.

Metrics to track

- Days from event to cash in the treasury, measured in days for each layer.
- CCRIF coverage versus modeled losses and exposure.
- Number of participating utilities and sectors holding meso or micro parametric covers.

Pillar three: climate smart debt and capital markets (this pillar is about changing your debt so you do not have to send cash out during a shock).

Policy ask

Standardize disaster and pandemic clauses across sovereign borrowing, extend where feasible to SOE debt and public private partnerships, and complement clauses with upper layer risk transfer, for example cat bonds, to limit tail risk.

Examples

- Barbados: instruments since 2018 include natural disaster clauses with objective triggers and two-year deferrals. The legal framework allows temporary deferral after qualifying disasters or a pandemic.
- Region: Grenada pioneered hurricane clauses in its 2015 restructuring and activated a clause after Beryl in 2024. Belize's 2021 blue bond carries disaster protections.
- Complementarity: Jamaica uses a sovereign cat bond rather than clauses in the debt stock, which delivers liquidity without adding debt when a severe event hits.

Metrics to track

- Share of the debt stock with disaster or pandemic clauses.
- Number of automatic pauses triggered, and days of cash flow relief gained
- Presence and size of upper layer risk transfer, for example cat bonds or reinsurance

Pillar four: resilient and inclusive financial systems (this is about keeping financial intermediation, payments, and confidence intact during stress)

Policy ask

- Maintain strong capital and liquidity buffers
- Run climate and cyber stress tests
- Strengthen resolution and deposit insurance frameworks
- Treat cyber as a macrofinancial risk with timely incident reporting and sector wide exercises that include payments and core public systems

Examples

- Annual system wide cyber stress tests that include payment rails and telecom dependencies
- Supervisory rules with clear timelines for incident reporting and remediation
- Joint tabletop exercises across banks, payment providers, telecoms, and key public agencies

Metrics to track

- Coverage of cyber incident reporting across supervised entities
- Findings and remediation from annual cyber stress tests
- Mean time to recovery for real time gross settlement and instant payment rails

Pillar five: modern payments and digital public goods *(lower transaction costs, widen inclusion, and keep commerce running during shocks.)*

Policy ask

- Deliver national instant payments with mandatory participation for core institutions, and connect regionally through CAPSS to lower cost, raise speed, and sustain commerce during shocks
- Centralize customer due diligence utilities and e KYC to cut onboarding time and cost while keeping compliance strong
- Guarantee access with at least one no fee basic bank account per bank

Examples

- **Regional cross border rails**: CARICOM central banks agreed in principle to adopt the CARICOM Payments and Settlements System to deliver instant local currency payments across the region. The pilot includes Barbados, The Bahamas, and ECCB member states. The design mirrors real-time systems that have lowered costs elsewhere.
- **National instant payments**: Barbados has already moved to procure and implement a national instant payments solution, with mandatory participation to ensure interoperability. This is good policy because it reduces costs for households and firms, widens inclusion, and supports resilience
- **Inclusion baseline**: Banks in Barbados now offer at least one account with no maintenance fee, which can be linked to instant payments and digital wallets for rapid social transfers aftershocks.

Metrics to track

- Instant payment adoption rate among adults and firms, and average transaction fee levels.
- Onboarding time using e KYC, and coverage of shared CDD utilities.
- Share of adults with a no fee account, and time to deliver emergency transfers at scale

Pillar six: partnerships that move cash and capacity, not just communiqués
(secure affordable long tenor finance for resilience reforms and standardize tools that raise execution quality)

Policy ask

- Align CAF, the IMF's RSF, the IDB, the World Bank, CDB, Afreximbank, and private capital in a coherent program, with affordable, long tenor finance tied to macro critical reforms
- Standardize regional public goods for capacity, for example climate budget tagging, shared e KYC standards, shared cyber playbooks, and training for risk officers and project managers

Examples

- Barbados' program sequence with the EFF and RSF to lock reforms and finance resilience

- Co-financing models that pair liability management operations, for example swaps, with hard investment in water and coastal resilience
- Regional toolkits issued jointly by central banks and finance ministries, adopted across members rather than bespoke in each country.

Metrics to track

- Share of public investment that passes climate and disaster screening
- Average time from project appraisal to first disbursement, and annual execution rates
- Number of agencies certified on shared e KYC and cyber playbooks, and frequency of joint exercises

4. What We Must Stop Doing

I will be blunt. We must stop treating resilience as a list of projects with photos. Think in balance sheets, cash flows, and triggers. We must stop assuming that grants will arrive on time and at scale. Grants are welcome, they are not a strategy.

We must stop defaulting to debt after every shock. Debt has a place, but our first action should be to trigger insurance and pause clauses we already paid for, then draw contingent credit, then use budget contingencies, and only then seek new borrowing.

We must stop underestimating cyber risk. A payments outage during a disaster multiplies harm. The IMF's analysis is clear on the macro risk that cyber incidents pose. Build cyber into prudential supervision and national risk assessments now.

We must stop tolerating friction in cross border payments that punishes our exporters, our diaspora, and our small firms. If CAPSS can lower cost and cut days to minutes while keeping compliance strong, finish the pilot and scale it.

5. Where to Push Next, with Timelines and Accountability

First, make disaster risk visible in the budget. Use a fiscal risk statement that quantifies expected annual losses, shows the financing stack, and lists contingent liabilities. The IMF and World Bank have templates. If the average annual loss sits near two percent of GDP for small states, and higher for some Caribbean countries, then plan for it rather than hope it away.

Second, complete layered risk financing. Increase CCRIF coverage to keep pace with asset growth and urban exposure. Add or renew cat bonds where model risk is acceptable for the peril, and negotiate parametric features to suit local hazard profiles. After Dorian and Maria, nobody needs persuasion that seconds matter. The question is whether we pay for cover in advance or pay a lot more after the fact.

Third, mainstream state contingent debt. Push for pause clauses in all new multilateral and bilateral loans, and negotiate triggers that match our hazard patterns. Where market access allows, include such clauses in domestic and external bonds. Early adopters have shown the way.

Fourth, harden the financial system. Require cyber incident reporting across regulated entities. Run joint supervisory cyber exercises. Use IMF style simulation tools to stress test payment networks against cyber incidents. Share findings with industry and fix gaps.

Fifth, finish the digital rails. Deliver instant payments nationally and connect regionally through CAPSS. Centralize e KYC and CDD utilities to reduce onboarding time and cost while meeting compliance obligations. Ensure mandatory participation so that no consumer or business is stranded on the wrong network. These are not technology projects, they are competitiveness and resilience projects.

Sixth, keep inclusion at the center. Policies like no maintenance fee bank accounts are not small. They move the base of the pyramid into the formal system and improve the reach of social protection in a crisis. Link them to instant payments, and integrate them with social protection systems so transfers reach people quickly after shocks.

6. What Success Looks Like in Three Years

This Forum should not end with good conversations. It should end with targets we can measure.

- **Debt and buffers**: debt on a firm downward path with clear primary surplus targets in place, at least three months of import cover in reserves, and disaster clauses embedded in a meaningful share of the debt stock.
- **Risk transfer**: CCRIF coverage sized to current exposures, at least one cat bond or contingent credit line in place per high risk sovereign, and time to cash under thirty days from event to treasury receipt.
- **Payments and inclusion**: instant payments live nationally and connected regionally through CAPSS, with adoption above eighty percent among adults and small firms, and widespread availability of no maintenance fee accounts.
- **Cyber resilience**: supervisory cyber incident reporting implemented, at least one system wide cyber stress test completed each year, and measurable improvement in recovery times for critical payment services.

7. Hard Truths and a Commitment

I promised you candour. Here it is.

We often underinvest in maintenance and project execution, then we blame financing when assets fail early. We sometimes protect yesterday's subsidies more than we protect tomorrow's resilience. We sometimes avoid difficult reforms because they are politically costly. These habits cost more than any grant we hope to receive.

My commitment is simple. We will keep macro anchors credible. We will push layered risk financing. We will treat payments and cyber as core infrastructure. We will insist on inclusion so that resilience is felt by the most vulnerable, not just measured in reports.

8. Closing

CAF and UWI have given us a forum designed for practical exchange. The Caribbean does not need another slogan. We need disciplined execution, honest measurement, and the will to do hard things before the next storm. We cannot calm the seas. We can build stronger balance sheets, stronger systems, and stronger institutions. That is financial resilience. That is how we turn uncertainty into stability and stability into growth. Thank you.