

Kevin Greenidge: Enhancing regional cooperation across the Caribbean

Address by Dr Kevin Greenidge, Governor of the Central Bank of Barbados, at the Second Caribbean Insolvency Round Table, hosted by INSOL International, the World Bank Group, and the Eastern Caribbean Central Bank, Bridgetown, 9 December 2024.

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Good morning, distinguished colleagues, esteemed guests, and friends.

It is an honour to address the Second Caribbean Insolvency Round Table, hosted by INSOL International, the World Bank Group, and the Eastern Caribbean Central Bank. This gathering reflects our shared commitment to addressing insolvency challenges and opportunities in our region, a topic that is integral to our economic resilience and long-term growth.

As Governor of the Central Bank of Barbados, I am particularly aware of the transformative power of effective insolvency frameworks. These frameworks are not just tools for resolving financial distress; they are foundational to fostering confidence in our economies, ensuring that businesses can thrive, and building resilience to external shocks. Today, I want to explore the role of insolvency systems in promoting stability and growth, highlight our unique regional challenges, and discuss how we can collaborate to create a future where our economies are resilient, inclusive, and sustainable.

Let us begin by looking at the foundational role of insolvency systems in economic growth.

The Role of Insolvency Systems in Economic Growth

Insolvency systems are the backbone of a healthy financial ecosystem. They provide the mechanisms to address financial distress, ensuring that businesses, individuals, and financial institutions can recover and contribute to economic growth. Allow me to delve into some specific areas where insolvency systems play a critical role.

1. Financial Stability and NPL Management

Non-performing loans (NPLs) pose a systemic risk to financial institutions. Strong insolvency frameworks, such as those implemented in Barbados, have proven essential in mitigating these risks. Legislative updates, including amendments to the Financial Institutions Act, have provided banks with the tools to manage distressed assets effectively. For example, standardised asset classification regulations ensure consistent reporting and risk mitigation across institutions, fostering stability in our financial sector. The introduction of mechanisms to rehabilitate troubled loans rather than outright liquidation has allowed businesses to continue operating while addressing their financial challenges, creating a win-win scenario for borrowers and creditors alike.

2. Encouraging Credit Access

Credit access is a critical enabler of economic growth. Insolvency systems that clearly define creditor rights and recovery mechanisms create a more predictable environment for lenders. In Barbados, structured credit evaluation mechanisms have made it possible for MSMEs (micro, small, and medium enterprises) and start-ups to secure funding. This has resulted in a notable increase in the number of small businesses accessing finance, which in turn drives job creation and innovation. With lenders reassured that their interests are protected in cases of borrower default, the overall volume of credit disbursed has grown significantly.

3. Supporting MSMEs

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of Caribbean economies, representing more than 70 percent of enterprises. Yet, they are disproportionately affected during economic downturns. Simplified insolvency processes tailored to MSMEs allow these businesses to recover from financial setbacks without facing undue burdens. The introduction of fast-tracked procedures for small businesses has been a game changer in Barbados, ensuring that small-scale enterprises can restructure efficiently and return to profitability. One example is the case of a family-owned agricultural business in St. Lucy that used these mechanisms to recover from debt and expand operations. Our region must prioritise systems that preserve these enterprises, given their importance in our economies.

4. Post-Disaster Recovery

Given our vulnerability to natural disasters, insolvency systems must facilitate rapid recovery. After Hurricane Beryl, for example, the Government of Barbados provided financial assistance to the fishing industry, underscoring the need for pre-emptive measures such as mandatory insurance for vulnerable sectors. Beyond this, the integration of insolvency planning into disaster response frameworks has minimised the economic impact of climate-related events.

Key Challenges in the Caribbean

While the benefits of robust insolvency systems are evident, the Caribbean faces unique challenges that hinder their full realisation. These obstacles require not only local efforts but also regional cooperation to overcome. Let me elaborate on some of the most pressing issues we face.

1. Institutional Weaknesses

A recurring challenge in many Caribbean nations is the lack of institutional capacity to enforce insolvency laws effectively. Strong laws on paper mean little without the necessary infrastructure to implement them. Barbados has taken proactive steps to address this issue by investing in judicial training programmes aimed at equipping judges with the tools to handle complex financial disputes. However, in smaller jurisdictions with fewer resources, the gap remains significant. These disparities create uneven outcomes and undermine the potential of regional economic integration.

2. Uneven Development

Insolvency systems across the Caribbean vary significantly in terms of their maturity and efficiency. While some nations have adopted modern frameworks that emphasise restructuring and recovery, others still rely on outdated models that prioritise liquidation. This uneven development is a barrier to cross-border business activities, especially for firms operating in multiple jurisdictions. Harmonising insolvency laws and processes would create a more predictable and business-friendly environment for the entire region.

3. Climate-Related Risks

Climate change exacerbates vulnerabilities across the Caribbean. The economic impact of hurricanes, floods, and droughts cannot be overstated. Consider the tourism industry, which accounts for a significant share of GDP in most Caribbean nations. A single hurricane season can devastate multiple islands, leaving a trail of bankrupt businesses in its wake. Insolvency frameworks must evolve to account for these unique risks, offering tailored solutions for industries disproportionately affected by climate events. These challenges demand a coordinated regional response.

4. Stigma and Cultural Barriers

Insolvency is often viewed through a cultural lens, and in many Caribbean societies, it carries a stigma that discourages individuals and businesses from seeking assistance. This perception needs to change. Public awareness campaigns, community outreach programmes, and partnerships with civil society can play a pivotal role in reframing insolvency as a pathway to recovery rather than a mark of failure. Barbados has already begun to address this by introducing educational initiatives aimed at demystifying insolvency laws.

Opportunities for Regional Cooperation

The Caribbean is uniquely positioned to lead in harmonising insolvency practices, thanks to shared legal traditions and cultural ties. Let me highlight some specific opportunities for regional cooperation.

1. Leveraging Shared Legal Frameworks

With most jurisdictions based on English or Canadian law, there is significant scope for standardising insolvency processes. Harmonisation would facilitate cross-border resolution and enhance investor confidence.

2. Building Capacity

Specialised courts or administrative agencies can strengthen enforcement mechanisms. In Barbados, we are exploring the establishment of a Restructuring Officers Regime, similar to Chapter 11 in the U.S., to provide businesses with statutory moratoriums for recovery.

3. Integrating Climate Risk Management

Insolvency systems must account for climate vulnerabilities. The Central Bank of Barbados has already incorporated climate-related shocks into its stress-testing toolkit,

in collaboration with regional and international partners. These efforts have provided valuable insights into the systemic risks posed by climate change and informed our policy decisions.

Success Stories and Best Practices

Barbados and the broader Caribbean have made significant progress in addressing insolvency challenges. Let me share some success stories and best practices.

1. Barbados' Climate-Adapted Stress Testing

In 2023, Barbados became a regional leader by incorporating climate scenarios into its financial stability stress testing. These tests provided actionable insights that informed policy decisions and strengthened the resilience of the financial sector against environmental shocks.

2. Cross-Border Coordination

The lessons from CLICO's collapse underscore the importance of collaborative resolution planning among Caribbean regulators. By working together, we can prevent future systemic crises.

3. Adoption of Modern Insolvency Mechanisms

Countries like Jamaica and Trinidad & Tobago are implementing frameworks that prioritise restructuring over liquidation, ensuring the preservation of value and supporting economic recovery. Jamaica, for example, has pioneered the use of digital tools to streamline insolvency processes, reducing delays and increasing transparency. Their online insolvency portal allows stakeholders to access case updates, submit documents, and track the progress of cases in real time. This approach has not only enhanced efficiency but also improved trust in the system.

Call to Action

As I draw towards the conclusion of this address, I want to leave you with a clear and actionable roadmap for moving forward. The challenges we face as a region are not insurmountable. With concerted effort and collaboration, we can transform insolvency systems into powerful tools for resilience and growth.

1. Enhance Public Awareness and Education

Changing public perceptions of insolvency is critical to encouraging its effective use. Governments, private sector organisations, and NGOs must work together to raise awareness about the benefits of insolvency systems and how they can support individuals and businesses in overcoming financial difficulties. By demystifying these processes, we can encourage greater participation.

2. Regional Collaboration

The Caribbean must embrace a spirit of unity in addressing insolvency challenges. Initiatives such as a regional insolvency commission or task force could provide a platform for harmonising laws, sharing best practices, and offering technical assistance to member states. While harmonisation of laws is a long-term goal, in the interim, the development of regional guidelines for insolvency practitioners can provide a consistent framework for managing cases across borders. These guidelines can address practical issues such as documentation standards, timelines for resolution, and cross-border coordination mechanisms. Establishing regional centres for insolvency research and training can serve as a knowledge hub for policymakers, practitioners, and academics. Such centres could provide standardised training programmes, publish regional studies, and host annual conferences to foster collaboration. Such a centre can house a regional repository of case studies and best practices can provide valuable insights for policymakers and practitioners. This repository could include data on successful restructuring efforts, lessons learned from past failures, and innovative approaches to insolvency management.

3. Incorporating Climate Resilience

Climate change is an existential threat to our region, and our insolvency systems must reflect this reality. Governments and financial institutions should collaborate to develop climate-resilient financial products (like Green Recovery Plans) and insurance schemes (like standstill clauses) that can mitigate the economic fallout of natural disasters. Additionally, stress-testing for climate scenarios should become a standard practice across the region's financial sector. Collaborating with international climate funds, private investors, and multilateral institutions can provide the financial resources needed to implement climate-resilient insolvency mechanisms. Barbados has already begun to leverage such partnerships to support green finance initiatives, setting a benchmark for the region.

4. Strengthening Institutional Frameworks

National governments must prioritise investments in the infrastructure needed to support insolvency processes. This includes not only physical infrastructure such as courtrooms but also human capital development, ensuring that our judges, lawyers, and insolvency practitioners have access to world-class training.

Conclusion

In closing, I want to thank INSOL International, the World Bank, and the Eastern Caribbean Central Bank for organising this platform. Your efforts in bringing together experts and policymakers will undoubtedly shape the future of insolvency reform in our region.

Let us leave this roundtable inspired, committed to action, and united in our vision for a stronger Caribbean. Together, we can overcome any challenge and build a brighter future for our region.

Thank you.