

Credit Unions in a Changing Climate **by** **Dr. Spencer Thomas**

Thank you for your kind invitation to the 63 Annual Convention of CCCU and to speak at this event held today- albeit virtually. I agree with Alex Ihama that CCCU was “built to last”. I am happy to speak on this most important topic of “Credit Unions in a Changing Climate”. This topic is situated in a most appropriate theme- “Building Resilience Through Self-Reliance”. Whenever I hear about building resilience and changing climate, I immediately refer to the phenomenon of climate change and international climate diplomacy. This question of credit unions a changing climate however goes beyond this. Climate change is only one important factor contributing to a changing climate. Yes, the climate has changed and is changing to a new state which is referred to as the “new normal”. I thank Dr. Ja Ja for highlighting that “the future is not an extension of the past”. A new state due to the fact that we are exceeding planetary boundaries and tipping points for key ecosystems and processes.–including financial ecosystems and processes. We are on the right side of the Bell Curve.

It is clear that the climate is changing due to the current pandemic,- Chairman Moses said Covid 19 has upended the world. Irreversible change he said- to the way we live, work, play, think, behave and act. Well said. The climate is changing due to the impact of climate change, the loss of biodiversity, and environmental degradation coupled with the accompanying socio-economic crises. – debt- energy-fiscal- financial-

It is also clear that the climate is changing due to revolutionary changes in digital technologies, applications and services. The rapid pace of change in the digital economy is undisputed. It is also clear that the climate is changing due to changes in behavioral patterns, demands and expectations from members and other key stakeholders. It is clear that the financial sector, where credit unions as financial cooperatives, spend most of their time is heavily impacted. Credit unions must be cognizant of these changes and be agile and imbued with the flexibility to remain relevant to achieve the stated objectives including enhanced sustainable livelihoods for members. Honorable Prime Minister used the terminology–adapt and pivot. Judy also weighed in on this with adaptive, agile and unified. Several speakers endorsed this concept during this week. Indeed, we are now in a quite unique era in the history of humanity. I repeat: We are in an era marked significantly by the Covid-19 pandemic, unprecedented changes in the climate system, unprecedented loss in biodiversity and species abundance, unprecedented environmental degradation and the associated socio-economic crises of multiple kinds. Green, climate resilient recovery is now a dominant paradigm. Credit unions must embrace the green agenda. PM Mottley was quite forceful on this point calling for investments and support for green initiatives including funding for green energy.

It is no secret that the compounded crises and the associated impacts constitute an existential threat to our livelihoods, economies, countries, and regions. This state of compound crises is what in the social planning literature is referred to as a “wicked problem”. The literature defines wicked problem as multi-dimensional challenges that are difficult to resolve due to complex interactions with other issues. Each of the crises mentioned can be described as a wicked

problem. I leave it up to you to categorize the compounded problem. I will say a most wicked problem cocktail.

Let's take the recent case of our neighbour, St Vincent and the Grenadines. In the midst of the Covid-19 pandemic with the government announcing fiscal constraints to pay salaries; With escalating debt, impact of climate change and loss of biodiversity, Then devastating volcanic eruptions, volcanic ashfall, Sahara dust. Enter: Excessive rainfall and flooding, damage to critical infrastructure: Backdrop: One month away from the next hurricane season predicted to be a very active one. The memory of the last hurricane still lingers.

A most wicked problem cocktail indeed. The proposed fix includes :Universal vaccination and adherence to protocols, Reduced dependence on fossil fuels and the elimination of climate forcers, Decarbonization of economies, conservation and sustainable use of biodiversity, Adherence to the Agenda for Sustainable Development and the achievement of the Sustainable Development Goals. - now the global rallying cry. How are we doing? G7- SBs of UNFCCC and CBD---- not on target: I think we may need leader shift- Thank you again Dr Ja Ja.

I argue that: Building resilience, in part through self-reliance,- the conference theme- enhancing adaptation capacity: Addressing biodiversity loss, addressing and loss and damage due to climate change through enhanced and targeted flows of development and climate finance are now imperatives for us in the region as we endeavor to recover and to achieve sustainable development. While the international community through the multilateral process has elaborated and agreed several global frameworks, credit unions as financial cooperatives have a defined role to play to prepare their members for this changing climate. Covid-19 has reinforced the importance of the digital economy and electronic communications. Covid-19 coupled with the crises stated above have changed the operating landscape for credit unions in a fundamental and permanent manner. There will be no business as usual. Indeed, Covid-19 has shown that what has been deemed impossible is now a permanent reality. Having removed from some economies of the region, the fiscal space and flexibility for discretionary investment, Covid-19 plus have crippled the economies. Covid-19 has immobilized, to some extent, the financial sector as business disruptions, moratoria and forbearance are now the order of the day. Coping with the pandemic has been a great challenge. We have seen and are now fully entrenched in virtual engagements, working from home and the acceleration of the use of digital technology. We are now at the juncture where it is safe to say that without digital transformation there is no recovery and hence no growth and development and no enhancement of livelihoods. The use of technologies will be decisive for the green and sustainable recovery. Development of digital applications, e- government, e-commerce, e-everything are the current opportunities available to boost the economies of the region. Credit unions ought to be on board with this Covid-19 inspired and catalysed digital explosion.

There is no need to fear that digitalization will be capital intensive. In fact, while there is need for establishment of modern digital infrastructure, the key factor will be the need for regional expertise, indigenous innovations and inclusive and meaningful participation. While the public sector and governments are responsible for the enabling legal, regulatory and institutional frameworks and governments and the private sector for hardware infrastructure, credit unions ought to invest in members' education, software infrastructure and initiatives that complement and promote the digital explosion. Building local and regional capacity to fully benefit from the

digital economy is the business of all stakeholders. Credit unions business models must be adjusted and reconfigured to accommodate the infusion of digital technologies.

Remote working and engagement, digital payments, cloud services, digital identification, privacy, data protection, cyber-security, cyber crime are here to stay. We are moving to a 6G world globally with higher speeds, greater reliability, lower latency, greater data capacity and the proliferation of digital services. Machine-to-machine applications, business-to-business solutions, distributed ledger technology, block chain, artificial intelligence, automation, digital ID and facial recognition are the ways of the future. There will be imperatives to build capacity and to engender trust-building initiatives to actively participate in this new and emerging digital dispensation. Credit unions cannot be left behind. Credit unions must act to reduce the digital divide of the members by targeting investments in that new capacity landscape. Investments must be made to acquire new skills and knowledge. This new dispensation means that credit unions must assume an enhanced risk-based approach to doing business.

The technology risks, in particular, must be thoroughly assessed and internalized in the business models. Stress testing must be institutionalized. The regulatory regime must be reviewed. Investments must be pursued in innovative instruments like deposit insurance, cyber insurance, indemnity insurance, parametric insurance, derivatives and other innovative instruments. The pioneering work by CREAD in Dominica on parametric insurance offerings including flexible hurricane protection at the micro and meso levels must be applauded. A perfect example of building resilience through self-reliance. In addition to cyber-crime, anti-laundering legislation and combating terrorist financing, and FATCA obligations are major areas of concern. General data protection regulation is another major area of concern. There is also need to conform to the new accounting standards. IFRS – Basel 2/3. Credit unions must be equipped to handle these issues. Credit unions can also best be advised to routinely complete a comprehensive mapping exercise to capture changes in behaviors, expectations and demands among their membership.

For example, the question can be asked whether credit unions are prepared to lend to a youthful entrepreneur who has an innovative idea but does not have the necessary collateral. We need to look at these cases. Credit unions are powerful entities that play a critical role in economic stability in the countries in which they operate and in the region as a whole. The ladder builder and ladder extender if I may borrow again from yesterday. In some cases credit unions are bigger than some commercial banks. Notwithstanding this issue, there is therefore the need for operational consolidation. The definitive call for working together on regional approaches is therefore deafening. While there are of course elements of competition among credit unions, it behooves credit unions to organize as a single unit to confront and be responsive to the changing environment. The new lexicon, co-opetition comes to mind which calls for heightened cooperation while engaged in healthy competition.

Working together is essential for enhanced efficiency, effectiveness and a healthy bottom line. Working together maximizes impact, power, influence and self-determination. Working together will address the theme of this conference and build resilience through self-reliance. In conclusion let me say: We are in unprecedented times and the climate is changing in fundamental ways. The changes continue to take place at unprecedented rates necessitating the

establishment of a new state which is the new normal. Clear definitive responses are needed by the credit unions as the financial institutions that are closest to most marginalized in our societies.

The key elements of this response include education and awareness, agility and nimbleness to act, marked departure from business-as-usual scenarios, investments in digital capacity, determination of new models and new modes of delivery, enhanced risk-based approaches and stress testing and an approach for regional operational consolidation. These elements do not constitute a panacea but are deemed necessary and indispensable in the new and emerging dispensation. We must invest in innovative and indigenous models to build resilience through self-reliance in this changing climate.

I thank you