



Caribbean Disaster Risk Financing Technical Assistance Program

Context and Objectives

Caribbean countries are exposed to high levels of risk from climate change and geophysical hazards, which have significant negative impacts on their economic and fiscal stability. These natural hazards are being exacerbated by intensifying hazard patterns and increasing stress on water availability, coastal investments and livelihoods. Within the Caribbean, direct damages due to natural disasters have averaged almost US\$ 1.6 billion per year over the last 20 years. Many very severe events – including the 2010 earthquake in Haiti – have resulted in annual damages exceeding US\$ 8 billion. The high costs of recovery and reconstruction have resulted in increased debt, unsustainable budgetary deficits and unreliable funding streams for many countries in the Caribbean. Absence of macroeconomic stability makes it harder for countries to implement poverty reduction policies.

The Caribbean Disaster Risk Financing Technical Assistance (DRF-TA) Program is supporting Caribbean countries in the understanding and quantification of sovereign contingent liabilities to natural disasters and the development of an integrated disaster risk financing framework for countries, in order to support them in improving their financial resilience. The Program builds on key lessons learned from previous DRF technical assistance conducted in [Belize](#), [Grenada](#), [Jamaica](#) and [Saint Lucia](#), financed by the [ACP-EU Natural Disaster Risk Reduction \(NDRR\) Program](#).

Main Activities

- Analytical work in understanding risk and identifying areas for strengthening financial protection
- Development of shock-response social protection mechanisms in Saint Lucia
- Training of Caribbean Educational Institutions in Mainstreaming DRF into DRM Curricula
- South-South Knowledge Exchange

Results

- At the **regional level**, this project is enhancing policy dialogue and regional partnerships. A disaster risk quantification and DRF professional graduate qualification course has been developed with the University of West Indies. Furthermore, the team updated in June 2021 the previously developed game entitled *Hurricane Hurry – a virtual “board game”*. The game was modified to a digital format to address the variety of types of virtual and in-person workshops that will take place in the future. In addition, a video was designed for practitioners and stakeholders in the DRF field, which captures the lessons learned of an interactive game experience that simulates natural disaster financial decision-making in complex environments. The video is accessible [here](#).¹
- In **Saint Lucia**, an innovative analytical tool has been developed to determine both physical and social vulnerability that forms the core part of the adaptive social protection and DRF activities of the government. Furthermore, considerations and approaches to strengthen social protection were further developed as the team continued with the government dialogue regarding priorities for

¹ The video was co-financed by the EU-Funded Technical Assistance Program for Disaster Risk Financing and Insurance in Caribbean Overseas Countries and Territories



strengthening financial protection, not only at the sovereign level, but also at the community level in the country.

- In **Barbados**, activities have strengthened resilience of the financial sector. This included the implementation of an innovative stress test for the Barbados Financial Services Commission on resilience of the domestic non-life insurance industry. Activities also supported the government in the amendment of the *Catastrophe Act* as a response to COVID-19. Furthermore, a customized country disaster risk profile has been developed for the government of Barbados that provides future probabilistic loss estimates for earthquake and tropical cyclone hazards, which will be shared with the government by September 2021.
- In the **Bahamas**, the government has been supported in the tracking of post-disaster and climate expenditure. A disaster budget tagging methodology was thus developed for identifying and managing climate change mitigation and adaptation as well as DRM activities. This crucial reform has been led by the Ministry of Finance in coordination with the Ministry of Disaster Preparedness, Management and Reconstruction, the Ministry of Environment and Housing, and the Ministry of Public Works. The methodology integrates recent updates to the country’s national climate and disaster risk policies, budgeting system, chart of accounts, financial management information systems, and budget documents, as well as global experience with climate tagging methodologies. It also identifies climate and disaster risk-related expenditure classifications, specifies coverage and weighting mechanisms, defines institutional arrangements, and outlines the integration of tagging into budgeting, reporting, validation, and evaluation mechanisms.

Partnerships and Coordination

Activities in this program are coordinated with those financed by other development partners, including the United Kingdom’s Department for International Development (DFID). The relevant EU delegation counterparts in countries are also kept updated on project implementation.

Useful links

A video was designed for practitioners and stakeholders in the DRF field, which captures the lessons learned of an interactive game experience that simulates natural disaster financial decision-making in complex environments. The video is accessible [here](#).

<p><u>Country</u></p> <ul style="list-style-type: none"> • Bahamas, Barbados, Saint Lucia and Trinidad and Tobago <p><u>Caribbean Regional Resilience Building Facility component</u></p> <ul style="list-style-type: none"> • Regional Technical Assistance Facility to Mainstream Resilience <p><u>Amount approved</u></p> <ul style="list-style-type: none"> • EUR 471,220 / \$501,181 <p><u>Duration</u></p> <ul style="list-style-type: none"> • 01/2020 - 10/2021
