

ENHANCING DISASTER RISK FINANCING IN THE CARIBBEAN

Technical assistance to strengthen financial protection in the Caribbean

AT A GLANCE

Country: Caribbean

Risks: Multi-hazard

GFDRR Areas of Engagement: Deepening financial protection

There is no one size fits all approach when implementing activities that aim to strengthen financial protection to disaster shocks in the Caribbean.



Saint Lucia. Photo Credit: Omar Eagle-Clarke/Unsplash

CONTEXT

Caribbean countries are exposed to high levels of risks from natural hazards, having significant negative impacts on their economic and fiscal stability. In recent years, countries in the region have expressed high demand to deepen their financial preparedness to disaster shocks.

The World Bank is pursuing a gradual, incremental approach to better understand and quantify Caribbean countries' financial exposure to the effects of natural hazards. The Bank tailors country-specific ways to improve their financial resilience to disaster shocks with the goal of developing comprehensive disaster risk financing (DRF) strategies that can help enhance long-term disaster resilience and adaptation capacity for the most vulnerable countries in the Caribbean.

The Bank's engagement is undertaken in partnership with the European Union (EU) in the frame of the EU-funded Caribbean Regional Resilience Building Facility which is managed by the Global Facility for Disaster Reduction and Recovery (GFDRR).

APPROACH

Developing coherent risk financing strategies and enhancing financial preparedness requires a solid understanding of each country's context. Governments in the Caribbean have expressed increasing levels of interest in strengthening institutions to mainstream DRF principles and approaches into their decision making.

Initial analytical work in **Barbados** has enabled the national government to improve its understanding of the disaster risk profile for key hazards in the country. The technical assistance has also supported institutional reforms such as the amendment of the Catastrophe Act which will reinforce disaster risk management (DRM) and DRF approaches in the country. Further work will support the Financial Services Commission of Barbados in strengthening resilience to shocks in the domestic insurance sector. The development of field-based analytics in these countries has stimulated government dialogue and spurred new priorities to strengthen financial protection. These can serve as practical examples that can be replicated in other countries in the region.

Fostering adaptive social protection with national disaster risk financing mechanisms and frameworks is another DRF dimension that is a growing focus in the region. Specific demand from the government of **Saint Lucia** resulted in technical assistance toward strengthening the financing component of an adaptive social protection mechanism. The government is searching for the best ways to support the most affected populations, many of whom adopt extreme coping strategies and fall into poverty in the aftermath of a disaster. Finding the most adequate financial response to social impacts due to climate shocks cannot be addressed single-handedly, which is why these activities are being conducted in discussion with the national government, as well as social protection experts at the World Bank, World Food Program (WFP) and the Food and Agriculture Organization (FAO).

CARIBBEAN REGIONAL RESILIENCE BUILDING FACILITY



GFDRR
Global Facility for Disaster Reduction and Recovery



WORLD BANK GROUP

RESULTS IN RESILIENCE SERIES



These national-level engagements are combined with efforts to mainstream core DRF principles throughout the region, including via academia, government, the **Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC)**, and private sector institutions. These efforts include a partnership with the University of the West Indies to develop practical courses that can easily disseminate good practices and lessons learned on DRF in the Caribbean and beyond.

Overall, activities have therefore aimed to develop a multi-level, multi-thematic approach to better understand and quantify disaster risk in the region and to find ways to develop integrated DRF frameworks adapted to each country context.

“This Technical Assistance provided to the Barbados Financial Services Commission (FSC) has proven to be and continues to be one of capacity building, not only for the FSC but also our market participants. Given the expertise of the World Bank team, it is the expectation that our current analytical toolbox will be reviewed and enhanced. The FSC is committed to ongoing dialogue with the World Bank team and other key stakeholders such as our insurers as we layout an enhanced methodology for risk identification, impact simulations, risk monitoring, and conduct deep-dive assessments into the risk retention/ risk ceding regimes in place. Output from the aforementioned allows the FSC to ensure that we are building a robust toolkit to support our Risk-Based Supervisory and Macroprudential frameworks.”

—Kester Guy, Chief Executive Officer, Financial Services Commission of Barbados

HIGHLIGHTED RESULTS

- In **Barbados**, a disaster risk profile has been developed that provides future probabilistic loss estimates for earthquake and tropical cyclone hazards.
- In **Saint Lucia**, an innovative analytical tool has been developed to determine both the physical and social vulnerabilities that form the core of the analytics for adaptive social protection and DRF activities of the government.
- Engagement on DRF has resulted in increased engagement with **regional bodies**, including with academia and the private sector. This materialized with the development of a graduate qualification course titled “Disaster risk financing and analytics: a practitioner’s guide” with the University of the West Indies which has benefitted a wide range of stakeholders across the Caribbean region and complements the university’s existing DRM certificate courses. A scale up of this course is currently being discussed to further develop capacity in DRF in the region.
- An interactive game on DRF entitled “Hurricane Hurry – a virtual board game” has been developed and tested during a live session in September 2021,¹ and in subsequent regional workshops and academic settings. In this role-playing game, players confront the individual and collective challenges of balancing investments in disaster risk management and financing, which can also be applied to different contexts. The game was tested during four workshops between September and December 2021, including in academic settings, and attended by 107 people, including 72 women.

Lessons Learned

- Developing DRF activities with a wide variety of partners has been beneficial to support countries strengthen their financial resilience. For instance, activities in DRF in the Caribbean, particularly in Saint Lucia, have been implemented in partnership with the WFP and FAO, creating more opportunities for analytical support at the intersection of adaptive social protection and disaster risk financing. Information to further enrich the sectoral notes. Maintaining a degree of flexibility when possible can lead to beneficial outcomes for the project’s result.
- Working with the academic sector has required flexibility in order to adapt to academic timelines. Developing an academic course also requires adapting the content to ensure the knowledge can benefit the most wide-ranging audience.

¹ The recording of the session can be found at: <https://bit.ly/3uiZAL3>