



Five Actions for the World Bank to better support natural disaster risk financing in Caribbean SIDS

By Jwala Rambarran

Hurricane Beryl was a sobering reminder that the Caribbean region not only faces significant exposure to various natural hazards, regularly grappling with strong hurricanes, extensive flooding, catastrophic earthquakes and prolonged droughts, but also that these natural hazard risks are rapidly changing in the face of intensifying climate shocks. Hurricane Beryl broke meteorological records to become the earliest storm of the 2024 Atlantic hurricane season. It quickly strengthened into a powerful Category 5 hurricane leaving a trail of catastrophic destruction across several Caribbean small island developing states (SIDS). St. Vincent and the Grenadines suffered extensive damages equivalent to about 22 percent of the country's GDP. In Grenada's smaller northern island dependencies of Carriacou and Petite Martinique, damages were equivalent to around 16.5 percent of the country's GDP. Jamaica suffered just a smaller 1 percent of GDP in damage to property and infrastructure along the island's southwestern region.

For fiscally constrained Caribbean governments, one of their main challenges in the face of natural disaster events like Hurricane Beryl is how to meet these often large, unpredictable and ever-increasing post-disaster relief and recovery costs, without unduly further raising their already elevated debt levels. Here, the World Bank, as the largest provider of development finance to the Caribbean region, has a pivotal role to play in ensuring affordable, pre-arranged disaster risk financing

(DRF) solutions can reach the region’s most vulnerable and marginalized of Caribbean populations, particularly women and children.

Over the past decade, the World Bank has been commendably supporting some Caribbean governments to mainstream disaster risk management into their national development programs. The World Bank has also been rolling out its new Crisis Preparedness and Response Toolkit in the region, shifting from post-disaster response toward pre-disaster risk reduction and financing arrangements. Its analytical work has built on regional disaster reconstruction efforts and there appears to be better agency coordination with the region’s ministries of finance. However, there have been some issues with the use of the World Bank’s DRF instruments. In the case of St. Vincent and the Grenadines, its natural disaster financing response to Hurricane Beryl was hampered by the non-renewal of a World Bank-Catastrophe Deferred Drawdown Option (CAT DDO), which had previously helped to partly fund the country’s emergency response to the explosive eruption of the La Soufrière volcano in April 2021. In addition, Jamaica did not receive any payout from its World Bank-sponsored Catastrophe (CAT) bond following the damage from Hurricane Beryl, but it did receive a payout from CCRIF, the Caribbean’s regional catastrophe risk insurance pool.

Caribbean governments should learn from the experience with Hurricane Beryl and should be looking ahead to ensure the region has more pre-arranged financial protection from the World Bank that is guaranteed to be released when a specific, pre-identified trigger condition is met and that meets the growing costs of responding to future unpredictable climate shocks.

In this regard, the Caribbean Policy Development Centre (CPDC) has released a new study [How can the world bank better support natural disaster risk financing in Caribbean SIDS?](#)

The study, which benefited from the generous support of the Center for Global Development (CGD), discusses how the World Bank can better assist Caribbean SIDS through more effective and cost-efficient DRF tools which provide emergency liquidity in the aftermath of a natural disaster.

The study recommends that the World Bank undertake the following five actions to significantly improve the rollout of its Crisis Preparedness and Response Toolkit in the Caribbean region:

- 1. Develop a Caribbean loss and damage data hub for all severities of natural hazards**

Historical loss and damage data are important components of disaster risk assessment and actuarial analysis and play a significant role in the development of natural disaster risk strategies and financing instruments. A geo-referenced inventory of public assets at risk and their attributes (e.g., exact location, construction type, number of stories) would go a long way in building a Caribbean loss and damage database, which could be integrated with hazard and vulnerability models to establish a fiscal disaster risk profile. Such a regional loss and damage data hub would enable finance ministries and other line ministries to access critical information for recovery planning and for prioritising reconstruction and retrofitting of existing infrastructure in the aftermath of a disaster.

2. Use its tremendous convening power to promote greater uptake of catastrophe risk financing solutions among Caribbean SIDS

Given its in-depth knowledge of Caribbean countries, its relationship with donors and a reputation for impartiality in dealing with the international reinsurance market, the World Bank can use its tremendous convening power to promote greater acceptance and usage of pre-arranged funding solutions among Caribbean SIDS. Successful use of contingent credit lines, for example, requires greater clarity and understanding on trigger conditions to ensure they are used to improve uptake of complex DRF solutions and not merely as easily accessible budget support. These issues can be largely resolved through greater World Bank dialogue with Caribbean governments.

3. Launch a substantial communications, outreach and training campaign to explain the nuances of the various crisis tools

The World Bank needs to launch a substantial communications campaign around DRF solutions in the Caribbean region, explaining the nuances of the various crisis tools to its stakeholders, including governments and civil society groups. For example, there is no publicly available information on the experiences of Bahamas, Barbados and Belize after these Caribbean SIDS activated their debt pause clauses with the World Bank. Likewise, CAT DDOs, though limited in use in the Caribbean, have provided a timely, relatively affordable and important source of post-disaster financing for the governments of St. Vincent and the Grenadines (2021) and Grenada (2024). An advantage of the CAT DDO has been its soft trigger mechanism, which enables governments to access funds based on the declaration of emergency. This avoids a problem faced by parametric financial mechanisms such as CAT bonds, where financial support might be

unavailable if a disaster does not precisely fit the instrument’s hard parametric trigger, as in the recent case of Jamaica after the passage of Hurricane Beryl. As with all parametric insurance, the effectiveness of CAT bonds depends on accurate and reliable data to define triggers and thresholds for insurance payouts, another issue that requires the World Bank to provide clearer communications and explanations to potential Caribbean country clients.

4. Partner with the Global Shield against Climate Risks to Strengthen CCRIF

The Global Shield against Climate Risks (Global Shield) is a joint Group of Seven (G7)/Vulnerable Twenty Group (V20) initiative, which deploys pre-arranged and trigger-based financing solutions against climate and disaster risks to climate-vulnerable developing countries. There is an opportunity for the World Bank to partner with the Global Shield to strengthen CCRIF’s regional risk carrying capacity. Specifically, this can include expanding the parametric insurance coverage of CRRIF and the creation of a reinsurance facility of sovereign catastrophe regional risk insurance pools to bring down the high cost of reinsurance, especially for Caribbean SIDS.

5. Apply the DRF framework to adaptive social protection (ASP) programs to better meet the needs of Caribbean populations that are disproportionately vulnerable to disasters caused by natural hazards



Even if funding is available and timely in the aftermath of a natural disaster event, getting it to the right people is most important. As disasters become more severe and frequent in the Caribbean, governments need more shock-responsive programs that apply the principles of the DRF framework to adaptive social protection (ASP) programs. This would not only help to reduce the need for additional funds, but it would also help to ensure assistance is provided as soon as possible following a shock, or, in the case of slow-onset disasters such as drought, before communities are severely affected. For example, the World Bank can use its poverty and development experts to link disbursements of the new Investment Project Financing (IPF) of the Cat-DDO with ASP programs. Here, Caribbean civil society can use its knowledge of local communities and changing environmental conditions to play an important role in helping the World Bank to design ASP programs across the three pillars of preparedness, coping and adaptation.