Challenge

Jamaica is highly exposed to natural disasters of varying intensity and severity. Several types of disasters frequently occur including hurricanes, tropical storms, earthquakes, droughts, floods and landslides. Between 1988 and 2012, 11 named storms made landfall in Jamaica causing significant physical and financial damages. In addition, some years have seen intense rainfall that has caused flooding. Although seemingly minor, the recurrent compound losses from such smaller events further exacerbate the country’s fiscal situation.

Natural disasters are one of the main risks to the country's macro-economic outlook.¹ According to Jamaica’s Country Disaster Risk Profile (CDRP)², developed by the World Bank, it is estimated that hurricane damage to public and private building infrastructure alone will amount to USD 67 million on average, each year in the long run; a loss equating to 0.5% of GDP each year. In addition to long-term impacts on economic and social development in Jamaica, disasters also increase the country's sovereign debt, as more loans are borrowed to finance unplanned post-disaster expenditures.

Disaster Risk Finance Roadmap

The World Bank's Disaster Risk Financing Technical Assistance Project, financed by the Global Facility for Disaster Reduction and Recovery (GFDRR), presents recommendations for a cost-effective, disaster risk finance strategy in Jamaica. These recommendations stem from preliminary fiscal risk analysis and review of Jamaica’s current public financial management of disasters and domestic non-life insurance industry and seek to minimize the impact that natural disasters have on the fiscal and economic state of the country.

Utilizing a risk layering approach to account for events of varying frequency and severity, and based on existing instruments identified in the diagnostic analysis, the proposed recommendations would allow the Government of Jamaica to finance its contingent liabilities from a flood or hurricane event with a 20-year return period. Summaries of these recommendations are shown in Figures 1 & 2.

¹ 2014 Article IV Consultation Fourth Review Under the EFF and Request for Modification of Performance Criteria, June 2014.
Figure 2. Recommendations for a comprehensive, informed DRF Strategy

1 For detailed recommendations, view the full report, Advancing a Disaster Risk Financing Strategy in Jamaica: Recommendations for Consideration

**Priority levels**
- Short term
- Medium term
- Long term