

Roadmap for a Disaster Risk Financing Strategy against Natural Disasters

Saint Lucia

May 2018

Challenge

Saint Lucia is highly exposed to natural disasters of varying intensity and severity, including hurricanes, tropical storms, earthquakes, droughts, floods and landslides. Between 1980 and 2014, a number of hurricanes made landfall in Saint Lucia causing significant physical damages and financial losses. Periods of intense rainfall have also caused significant flooding, as in December 2013 when 353 mm of rain fell in just 24 hours.

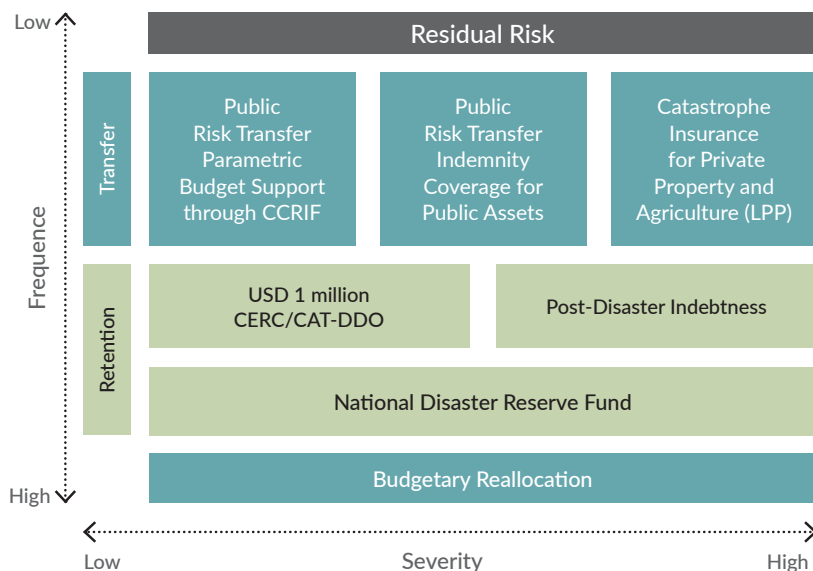
Natural disasters are one of the main risks to the country's macro-economic outlook.¹

According to Saint Lucia'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 9.5 million on average each year in the long run; a loss equating to 0.66% of GDP each year. In addition to long-term impacts on economic and social development in Saint Lucia, 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 Program, financed by the Global Facility for Disaster Reduction and Recovery (GFDRR), presents recommendations for a cost-effective, disaster risk finance strategy in Saint Lucia. These recommendations stem from preliminary fiscal risk analysis and review of Saint Lucia'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.

Figure 1. Illustrative Strategy for Proposed DRF Recommendations

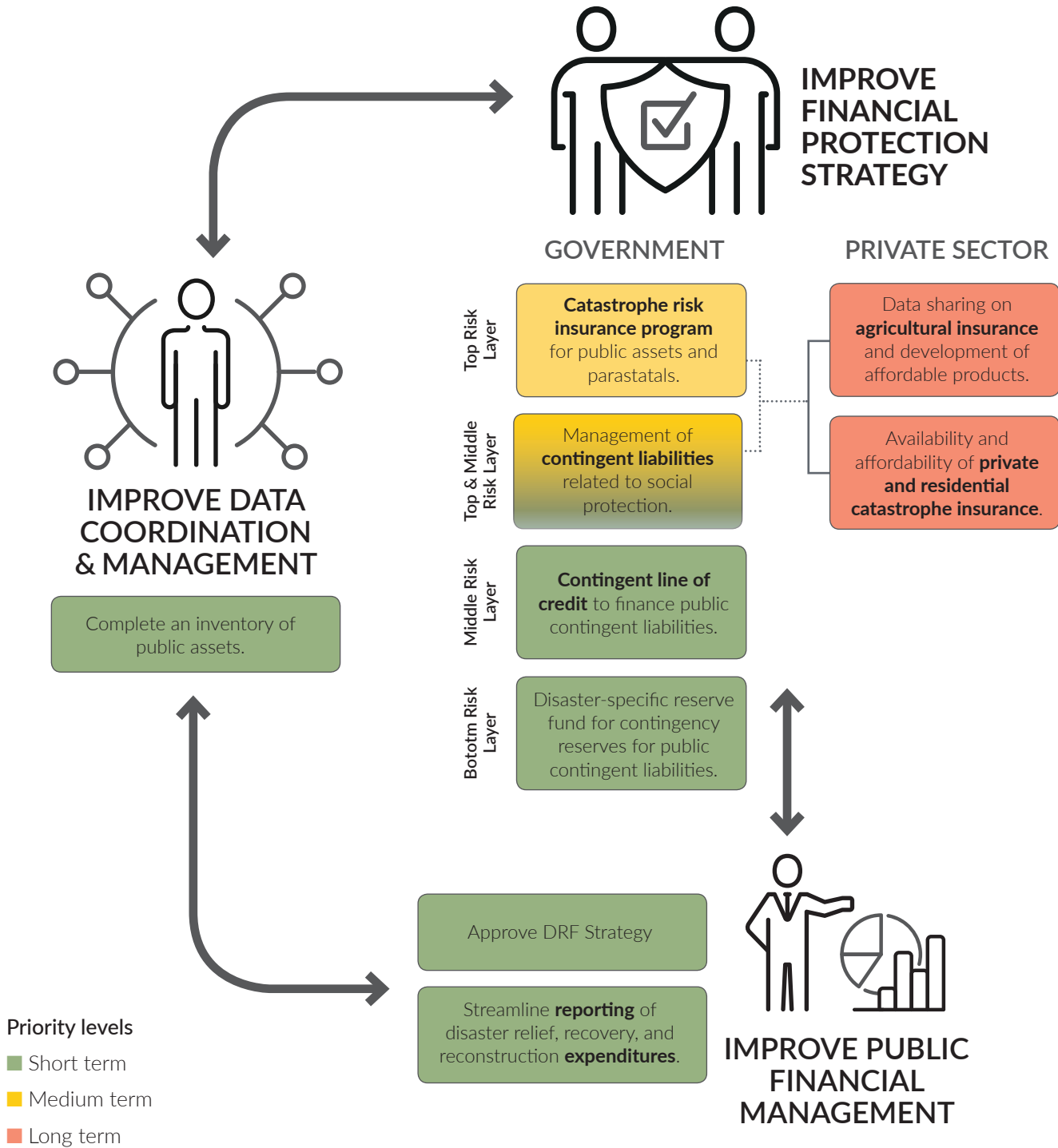


Utilizing a risk layering approach to account for events of varying frequency and severity, and based on existing instruments identified in the diagnostic analysis, the proposed recommendations would allow the Government of Saint Lucia to finance its contingent liabilities from a flood or hurricane event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

¹ Saint Lucia: 2015 Article IV Consultation and Press Release – Staff Report, February 18 2016.

² For the full CDRP, visit <http://documents.worldbank.org/curated/en/471581493284709842/pdf/114626-WP-PUBLIC-drp-saintlucia.pdf>

Figure 2. Recommendations for a comprehensive, informed DRF Strategy³



³ For detailed recommendations, view the full report, *Advancing Disaster Risk Finance in Saint Lucia: Recommendations for Consideration*