Roadmap for a Disaster Risk Financing Strategy against Natural Disasters

Belize

Challenge

Belize is highly exposed to natural disasters of varying intensity and severity, including hurricanes, tropical storms, earthquakes, droughts, floods, and landslides. Between 2000 and 2016, nine storms made landfall in Belize causing significant physical damages and financial losses. Belize’s proximity to active systems in Mexico and Guatemala also renders the country susceptible to rare occurrences of earthquakes, particularly in the southern part of the country.

Natural disasters are one of the main risks to the country’s macro-economic outlook. According to Belize’s Country Disaster Risk Profile (CDRP), developed by the World Bank, it is estimated that hurricane damage to public and private building infrastructure alone will amount to USD 17.9 million on average each year in the long run; a loss equating to 1.03% of GDP each year. In addition to long-term impacts on economic and social development in Belize, 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 Belize. These recommendations stem from preliminary fiscal risk analysis and review of Belize’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 Belize 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 Belize: 2014 Article IV Consultation and Request for an Extended Credit Facility Arrangement – Staff Report, Sept 2014.
Figure 2. Recommendations for a comprehensive, informed DRF Strategy

- **IMPROVE DATA COORDINATION & MANAGEMENT**
  - Develop an inventory of public assets.
  - Institutionalize a damage and loss data collection and reporting system across ministries.

- **IMPROVE PUBLIC FINANCIAL MANAGEMENT**
  - Formalize and implement DRF strategy.
  - Prepare a manual for post-disaster financing.
  - Enforce laws allowing for fast disbursement mechanism for financing of post-disaster expenses.

- **IMPROVE FINANCIAL PROTECTION STRATEGY**
  - **GOVERNMENT**
    - Top Risk Layer: Catastrophe risk insurance program for public assets and parastatals.
    - Middle Risk Layer: Contingent lines of credit for public contingent liabilities associated with 10-year return period events.
    - Bottom Risk Layer: Contingency reserves for public contingent liabilities associated with 5-year return period events.
    - Top & Middle Risk Layer: Enhance management of contingent liabilities related to social protection.
  - **PRIVATE SECTOR**
    - Data sharing on agricultural insurance and development of affordable products.
    - Availability and affordability of private and residential catastrophe insurance.

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

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