



Jamaica's Move to Develop a Risk Financing Policy will Underpin Acquisition of Catastrophe Bonds

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Jamaica's decision in July 2021, to pursue Catastrophe Bonds as a way to reduce the impact that severe natural disasters can have on the national budget, has been hailed as a prudent way to protect the economies of middle-income countries and small island developing states (SIDS). This was discussed on July 13 at Jamaica's side event at the UN High level Political Forum (HLPF) where spokespersons from the government and international development partners shared the importance of the decision.

Director General of the PIOJ, Dr Wayne Henry said, "Rather than waiting on the occurrence of a climate-related shock to materialize to devise a response, the Government of Jamaica has proactively partnered with key stakeholders to develop an innovative financing instrument, in the form of the Catastrophe Bond, to facilitate a quick and comprehensive response to specific climate-related shocks, to safeguard and maintain the fiscal health and resilience of the economy."

Principal Director at the Ministry of Finance and the Public Service, Trevor Anderson, noted that the country is, in a consultative manner, developing the National Natural Disaster Risk Financing Policy which should be available to Parliament during the current fiscal year. Arising from the direction of the policy will be the presentation of the Catastrophe Bond to consider the projected frequency and intensity of severe natural hazards that are expected to have an impact on lives, the built environment and the economy of the country.

Delivering opening remarks, Minister of Foreign Affairs and Foreign Trade, Senator the Hon Kamina Johnson Smith said, "The issuing of this Catastrophe Bond is timely and relevant as we seek to finance the recovery; disaster risk mitigation; and strengthen the resilience of the built and natural environment; to lessen the economic impact and prevent loss of life. This is an example of how the established principles governing the Sendai Framework and the Addis Ababa Action Agenda, can be applied in recovery. We therefore encourage further partnership among states and development institutions to enable countries to build back better."

Other technical speakers participating on the side event were UN Resident Coordinator for Jamaica, Dr Gary Connille; Senior Financial Sector Specialist, The World Bank, Mr Jose Angel Villalagos; and Senior Coordinator, Mid Term Review of the Sendai Framework, Mr Mark Gordon.

Jamaica is considering a risk layering approach proposed by the World Bank that would provide relief with the purchase of insurance instruments with a face value of up to US\$185.0 million. As Jamaica is an archipelagic state, the coverage would include the land mass and outlying islands and reefs.

The Catastrophe Bonds would consider the most severe impact on the economy, while the country's fiscal budget would continue to have contingent reserves, lines of credit, and annual budget allocations for seasonal weather events.

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