



FACT SHEET: World Bank Extends New Lifeline for Countries Hit by Natural Disasters

The World Bank is extending a new lifeline to small islands and other small states struck by earthquakes and tropical storms, allowing governments to focus on disaster recovery instead of debt repayment when catastrophes occur.

These small islands and states are particularly vulnerable to natural disasters. When natural disasters hit, their leaders are concerned about their people and their communities. They're focused on maintaining access to clean water, food, and power—and they're tormented by the loss of life.

By significantly broadening the scope of its Climate Resilient Debt Clauses, the World Bank is doing more to help vulnerable countries access early—and more meaningful—support.

This commonsense lifeline adds new capabilities to the Crisis Toolkit that the World Bank unveiled in June. The changes reflect the World Bank's ambition to aggressively confront the climate emergency, especially in the most at-risk communities.

The expanded Climate Resilient Debt Clauses include three new elements, and increase the number of eligible countries to 45 small islands and states:

1. **Broadening the scope of the debt pause clauses.** The Climate Resilient Debt Clauses will cover all existing loans in eligible countries—not only new loans. That will give countries more peace of mind when climate-change-related extreme weather events put unexpected pressure on their ability to service external debt. The impact of this change is significant.
2. **Pause on interest payments.** In addition to principal payments, the updated initiative will allow borrowers to defer interest payments on new and existing loans—relief that wasn't available earlier. In the current high-interest-rate environment, this is a particularly valuable enhancement for vulnerable countries.
3. **Enabling fees to be covered by concessional resources.** The fees associated with the Climate Resilient Debt Clauses will now be eligible to be covered by concessional resources, such as the Livable Planet Fund or other donor support.

That will help constrained countries offset the costs of delivering the benefits of the debt clauses.

Announced at COP28 in Dubai, the updated Climate Resilient Debt Clauses are one element of a comprehensive suite of programs available to countries coping with the devastation of natural disasters. The World Bank's toolkit for crisis preparedness, response, and recovery also includes measures to redirect financing for emergency operations; help build early warning systems; provide new insurance to backstop development projects; and deploy enhanced catastrophe insurance. These elements support countries in crisis preparedness, provide liquidity when crises or natural disasters strike, and mobilize private capital through Catastrophe Bonds and risk-transfer transactions.

The enhancements to the Climate Resilient Debt Clauses have been designed to avoid damaging the World Bank's ability to serve its clients or its AAA credit rating. Details of the program are being finalized now and are expected to be submitted to the World Bank's Board in December.

There is no one-size-fits-all approach when it comes to natural disasters. But this expanded offering, along with existing products, will deliver comprehensive protection—and help achieve the World Bank's ambitious vision of creating a world free of poverty on a livable planet.

Contacts:

In Dubai: Melissa Bryant, (202) 891-9397, mbryant@worldbankgroup.org

In Dubai: Catherine Sear, (202) 415-8930, csear@worldbank.org