

## SECTOR ASSESSMENT (SUMMARY): PUBLIC SECTOR MANAGEMENT<sup>1</sup>

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. **Disaster risk.** The countries participating in the Pacific Disaster Resilience Program—Samoa, Tonga, and Tuvalu—experience a range of natural hazards, including tropical cyclones, floods, droughts, earthquakes, tsunamis, and volcanic eruptions. Climate change is expected to exacerbate disaster risk by increasing the intensity of extreme weather events, by destroying reefs that form natural coastal barriers via rising ocean temperatures and ocean acidification, and by more destructive storm surges due to rising sea levels.<sup>2</sup>

2. Disasters can have a devastating economic and social impact on immediately affected communities, resulting in not only damage to infrastructure, crops, and housing, but also the loss of livelihoods, disruptions in economic activity, and significant additional demands on limited public resources. All three countries have small, narrowly-based economies (with Tuvalu being considerably smaller than the other two). They rely heavily on some combination of agriculture, fisheries, and tourism, all of which are highly vulnerable to natural hazards. Thus, major disasters can cause significant downward swings in gross domestic product (GDP). More broadly, disasters in the Pacific reduced average trend growth in GDP from 3.3% in 1980 to 2.6% in 2014.<sup>3</sup>

3. The serious threat of disaster risk has been highlighted by a number of recent events, including Cyclone Evan, which caused damage equivalent to 29% of GDP in Samoa in 2012; Cyclone Ian, which caused damage equivalent to 11% of GDP in Tonga in 2014; and Cyclone Pam, which caused damage equivalent to 33% of GDP in Tuvalu in 2015. Fuller data on historical losses are unavailable; however, an analysis undertaken under the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) in 2015 indicated that average annual losses from tropical cyclones, earthquakes, and tsunamis alone are equivalent to 1.3 % of GDP in Samoa, 3.9% of GDP in Tonga, and 0.6% of GDP in Tuvalu.<sup>4</sup>

4. In addition to tropical cyclones, earthquakes, and tsunamis, flooding and drought events have caused widespread damage in Samoa, Tonga, and Tuvalu. In early 2008 and 2011, Samoa experienced floods that severely damaged Apia's transportation and water supply infrastructure. Droughts and flooding associated with the El Niño-Southern Oscillation have impacted the socioeconomic livelihoods of the three countries on many occasions. Tuvalu, which is one of the most vulnerable countries in the world to climate change and sea level rise in particular, experiences recurrent inundations and soil erosion during heavy rains, storm tides, and heavy sea swell.

5. **Policy, legislative, and institutional arrangements.** All three countries have established policy, legislative, and institutional arrangements for disaster risk management (DRM), and have national DRM legislation in place. These acts establish the institutional and organizational framework for DRM activities although they focus predominantly on response activities and, in particular, on the membership (drawn from across government agencies) and roles of national disaster management councils or committees in the event of a disaster. The legislation covers legal responsibilities for DRM, including procedures for formally declaring a state of emergency.

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<sup>1</sup> Given the focus of the proposed program-based loan on DRM, the sector assessment focuses on public sector management issues related to DRM.

<sup>2</sup> Pacific Community et al. 2016. *Framework for Resilient Development in the Pacific 2017–2030: An Integrated Approach to Address Climate Change and Disaster Risk Management*. Suva.

<sup>3</sup> E. Cabezón et al. 2015. Enhancing Macroeconomic Resilience to Natural Disasters and Climate Change in the Small States of the Pacific. *International Monetary Fund Working Paper Series*. WP/15/125. Washington, DC.

<sup>4</sup> World Bank et al. 2015. *Advancing Disaster Risk Financing and Insurance in the Pacific: Regional Summary Note and Options for Consideration*. Washington, DC. Average annual loss data were compared to 2016 GDP.

All governments are cautious about declaring disasters, recognizing the potential negative impacts that such declarations can have on tourism and on business sentiment more generally.

6. National disaster management councils and committees typically only meet in the event of major impending disasters and their aftermath, with the notable exception of Samoa where they meet quarterly. However, disaster risk reduction (DRR) is increasingly covered by national climate change working groups or committees, some of which meet fairly regularly. Standard procurement regulations and processes can typically be streamlined following a declaration of emergency to support rapid response. Some government agencies also maintain preferred lists of suppliers to speed response further, but there is room for improvement in emergency procurement standard operating procedures and pre-contracting arrangements.

7. The countries have made progress in integrating climate change and disaster resilience policies and plans (para. 12), in recognition of the fundamental interrelated threats posed by both issues. DRM is embedded in the climate change policies for Tonga and Tuvalu, while Samoa's new DRM plan, endorsed in 2017, reaffirms the government's focus on mainstreaming climate change and disaster resilience across all sectors, and guides the role of sector agencies in post-disaster response.

8. The Framework for Resilient Development in the Pacific, 2017–2030 also provides high-level strategic guidance on climate change and disaster resilience (footnote 2). The framework promotes harmonized approaches and closer collaboration across Pacific island countries including relating to climate change and disaster risk reduction, and strengthened disaster preparedness, relief, and recovery. The program's regional approach complements regional collaboration through other initiatives, including the PCRAFI and activities of the South Pacific Regional Environment Programme. Pacific island countries are also signatories of the Sendai Framework for Disaster Risk Reduction, 2015–2030,<sup>5</sup> which aims to strengthen disaster resilience through enhanced disaster preparedness for effective response and to “build back better” in recovery, rehabilitation, and reconstruction.

9. **Disaster risk financing.** The governments of all three countries have some financial arrangements for disaster response in place, but recognize the need to strengthen fiscal buffers further, including covering a financing gap between low and medium levels of risk. All have some form of contingency budget arrangements to support disaster response for very low layers of risk, and have procedures in place for some post-disaster budget reallocation. After Tropical Cyclone Pam in 2015, the Government of Tuvalu also passed an act establishing the Tuvalu Survival Fund.<sup>6</sup> This fund had a balance of \$5.5 million as of mid-2017.

10. Samoa and Tonga participate in the PCRAFI insurance scheme, which provides insurance cover against medium-risk layers.<sup>7</sup> The scheme offers cover against tropical cyclones, earthquakes, and/or tsunamis, with payouts determined based on modeled loss. Premium payments for both countries are currently supported through the World Bank Pacific Resilience Program. The estimated cost of the annual premium for each of the four Phase I countries (also including the Marshall Islands and Vanuatu) was \$0.5 million for 3 years from November 2015 to October 2018, according to the World Bank at the time of the Pacific Resilience Program's approval in 2015. The participating governments provide counterpart funding to finance the premium in part, set at a minimum of \$40,000 for the year commencing November 2015, \$50,000 for the year commencing November 2016, and \$60,000 for the year commencing November 2017. Other donors have also supported the establishment and operation of the program.

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<sup>5</sup> United Nations. 2015. *Sendai Framework for Disaster Risk Reduction 2015–2030*. New York.

<sup>6</sup> In addition to financing emergency relief and disaster response, the funds can be applied to adaptation, reconstruction, and rehabilitation.

<sup>7</sup> World Bank. 2015. *Pacific Resilience Program*. Washington, DC.

11. Tonga received a PCRAFI pay-out of \$1.3 million in the aftermath of Cyclone Ian. Private sector and residential disaster insurance cover is low across the three focus countries, and government cover beyond the PCRAFI is limited, except in Samoa where all government buildings, including hospitals and schools, carry comprehensive insurance.

12. In the aftermath of recent major disasters in the focus countries, development partners have contributed significant amounts of aid-in-kind, grants, and loans for immediate support and medium-term reconstruction-related projects. However, the coordination of this support has often posed significant challenges and stretched governments' absorption capacity.

## 2. Government's Sector Strategy

13. **Disaster risk management strategies and plans** Current national development strategies and plans in all four countries attach considerable importance to enhanced climate change and disaster resilience. The Strategy for the Development of Samoa, 2016/17 to 2019/20 identifies climate and disaster resilience as one of 14 key outcomes.<sup>8</sup> The Tonga Strategic Development Framework 2015–2025 includes improved resilience to extreme natural events and the impact of climate change as one its outcomes.<sup>9</sup> The Government of Tuvalu's National Strategy for Sustainable Development for 2016–2020, Te Kakeega III, focuses on 12 priority areas, including climate change.<sup>10</sup> DRM is covered within the climate change priority action, which emphasizes the need to improve DRR, preparedness, and response.

14. Most of the countries have taken steps to develop joint climate change and disaster plans while also maintaining separate disaster plans providing more directive guidance on disaster preparedness and response. They have also generally shifted toward a greater emphasis on the role of local governments and communities, and are working to strengthen local development plans, including integrating climate change and DRM concerns into the plans. Both Tonga and Tuvalu also have joint action plans on climate change and DRM in place Tonga's second joint national action plan is scheduled for approval by the end of 2017 while Tuvalu's second plan will be prepared in 2018. Meanwhile, Tonga's national emergency management plan identifies the essential organizational and procedural components for effective DRM, and Tuvalu is also developing a new disaster management plan to enhance related arrangements. Samoa approved a new DRM, rather than climate change, plan in 2017, incorporating the mainstreaming of disaster and climate resilience. However, the implementation of climate change and disaster plans must be stepped up significantly in all three countries.

15. National infrastructure plans typically recognize the importance of addressing climate change and disaster risk as well. All countries have included climate change and disaster considerations in the prioritization framework for current national infrastructure plans. Samoa has completed the development of new building codes incorporating disaster resilience components, and Tuvalu will commence a revision of its building codes in 2018, with ADB support. Implementing and enforcing building codes remains a challenge.

## 3. ADB's Sector Experience and Assistance Program

16. The Pacific Approach, 2016–2020 of the Asian Development Bank (ADB) serves as ADB's operational framework for the Pacific region and overall country partnership strategy for the 11 smaller Pacific island countries, including the three focus countries for the program. The Pacific Approach is based on a three-pronged strategy to achieve more inclusive economic growth, create jobs, and improve human development outcomes. The second prong focuses on managing

<sup>8</sup> Government of Samoa. 2016. *Strategy for the Development of Samoa, 2016/17–2019/20*. Apia.

<sup>9</sup> Government of the Kingdom of Tonga. 2015. *Tongan Strategic Development Framework II: A More Progressive Tonga 2015–2025*. Nuku'alofa.

<sup>10</sup> Government of Tuvalu. 2016. *Te Kakeega III: National Strategy for Sustainable Development 2016 to 2020*. Funafuti.

risks, including disaster risk, through a series of actions, including strengthening institutional capacities, promoting sound public sector management, and building resilience to climate change and disasters.

17. ADB already has significant DRM engagement in the focus countries, in particular for disaster response. Over the past 10 years, it has approved grants, loans, and technical assistance (TA) totaling as follows: \$17.0 million for Samoa in response to the 2008 earthquake and tsunami, primarily for the Economic Recovery Support Program, which funded fiscal deficits and raised capital expenditure, including for the reconstruction efforts; \$19.7 million for Samoa in response to Tropical Cyclone Evan in 2012, primarily for the reconstruction of the energy sector; \$8.8 million for Tonga in response to Tropical Cyclone Ian in 2014 for the restoration of the electricity and education sectors; and \$3.0 million for Tuvalu after Tropical Cyclone Pam in 2015, from the Disaster Response Facility, to undertake rehabilitation works under the Outer Island Maritime Infrastructure Project.

18. ADB has also supported efforts to strengthen underlying long-term disaster resilience in the three focus countries, both by incorporating build-back-better components in post-disaster recovery and reconstruction operations, and by embedding DRR components in other development projects. For instance, over the past 10 years ADB has approved assistance supporting enhanced stormwater drainage and flood mitigation works within urban development projects in Samoa and Tonga, climate and disaster proofing of port and other marine structures in Samoa and Tuvalu, climate and disaster proofing of power distribution grid assets in Tonga and small hydropower plants in Samoa, and enhanced management of mangroves and other DRM measures under a climate resilience project in Tonga.

19. Further investment in DRR is planned in all three countries through earmarked concessional assistance allocations for DRR during the Asian Development Fund 12 period (2017–2020). This funding is intended to strengthen disaster resilience and help spur more investment in this area, contributing to sustainable, inclusive development in ADB's concessional assistance-only countries. The funding can support (i) stand-alone DRR projects, (ii) discrete DRR components of other grant and loan projects, and (iii) the incremental cost of strengthening the disaster resilience of other ADB investments.

20. The Pacific Disaster Resilience Program includes attached TA that will support priority long-term DRM activities in the three participating countries and at the regional level to broaden the resilience of institutions and communities. This will include advisory and capacity development support for DRM planning and governance, the mainstreaming of DRM into sector policies, and support for post-disaster public financial management, streamlined procurement practices, and enhanced disaster risk financing strategies, as well as disaster preparedness measures. The TA will also support the assessment of options for, and potential costs of and benefits from a collaborative multi-country mechanism to provide contingent financing in the event of disasters triggered by natural hazards.

### PROBLEM TREE

