ADB ASIAN DEVELOPMENT BANK

China, People's Republic of: Development of Disaster Risk Finance Framework for the Yangtze River Basin Flood Risk Management

Project Name	Development of Disaster Risk Finance Framework for the Yangtze River Basin Flood Risk Management
Project Number	56065-001
Country / Economy	China, People's Republic of
Project Status	Approved
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 10027-PRC: Development of Disaster Risk Finance Framework for the Yangtze River Basin Flood Risk Management Technical Assistance Special Fund — US$ 300,000.00 Regional Cooperation and Integration Fund — US$ 200,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships
Sector / Subsector	Finance / Finance sector development
Gender Equity and Mainstreaming	Some gender elements
Description	The knowledge and support technical assistance (TA) will help the Changjiang Water Resources Commission (CWRC) of the Ministry of Water Resources of the People's Republic of China (PRC) develop a comprehensive disaster risk finance framework to support integrated flood risk management for the Yangtze River Basin._The TA responds to the rising risks associated with climate change in the PRC and their potential impact on the government's fiscal sustainability. The TA is aligned with the PRC's goals in its 14th 5-year plan (20212025) to (i) improve the country's emergency management capacity and address major disasters, and (ii) enhance the social and economic resilience of the Yangtze River Basin._The TA is also aligned with aims of the Asian Development Bank (ADB) country partnership strategy for the PRC, 20212025 that call for promoting high-quality growth by strengthening climate resilience and identifying new approaches to disaster risk finance._The TA is expected to facilitate regional and public goods through relevant regional financial and technical programs, knowledge development, and learning on disaster risk finance. The TA is included in the 2022 indicative country pipeline.
Project Rationale and Linkage to Country/Regional Strategy	The Yangtze is the longest river in the PRC, and the source of the country's largest river system. The Yangtze River Basin is the country's economic heartland. It spans 6,300 kilometers from west to east, crosses nine provinces and two central government-administered municipalities, and covers about 20% of the PRC's landmass (or about 1.8 million square kilometers)._It includes three major urban agglomerations through which the Yangtze River flows: (i) the Chongqing metropolitan area in the river's upper reaches, (ii) Wuhan City in the middle Yangtze River city cluster, and (iii) Shanghai and the surrounding cities in the Yangtze River Delta. The entire Yangtze River Basin is home to 561 million people (more than 40% of the PRC's population) and accounted for about 45% (or $6.6 trillion) of the nation's annual gross domestic product in 2020. The Yangtze River Basin has historically suffered from frequent and sometimes catastrophic flooding. Floods often occur in early summer during the annual rainy season, and reached extreme levels in 1931, 1935, 1954, and 1998. The most recent catastrophe was caused by torrential rains that continued unabated through June and July of 2020. During that incident, about 28 million people were affected in the middle and lower reaches of the Yangtze River Basin. About 28,000 homes were destroyed, and 3.5 million hectares of farmland damaged. The total direct economic cost was estimated at CNY82.2 billion ($12.3 billion). These extreme events have had major social, economic, and environmental costs. Given the Yangtze River Basin's economic significance, the impacts of future floods will likely undermine the PRC's high-quality growth objectives. Beginning in the 1950s, steady improvements have been made to manage the Yangtze River's disaster risks. The Yangtze River Flood Control and Disaster Reduction System incorporated embankments, dams, main and tributary reservoirs, flood storage and detention areas, river regulation, and other engineering and non-engineering measures to minimize flood risk. From 2000 to 2020, the PRC has also improved related policies and regulations, including by (i) broadening the scope of disaster risk management to cover both infrastructure and non-infrastructure interventions; and (ii) transforming the system from one that is passive (e.g., that merely addresses disaster impacts) to a more active system (e.g., that addresses the need for early warning systems, risk awareness, and better preparedness through risk modeling)._These steps are aligned with the Sendai Framework for Disaster Risk Reduction 20152030, an international benchmark that provides for a holistic approach to disaster risk management, which also includes (i) understanding disaster risk, (ii) strengthening disaster risk governance to manage disaster risk, (iii) investing in disaster reduction for resilience, and (iv) enhancing disaster preparedness for effective response. The social and economic recovery costs from Yangtze River floods are a major fiscal burden to the PRC central and local governments. Climate change is likely to increase the severity and intensity of future floods as compared to historic trends. In this connection, the CWRC intends to develop a comprehensive disaster risk finance framework for an integrated flood risk management system for the Yangtze River Basin and strengthen the government's fiscal capacity. Currently, the available disaster risk finance instruments are confined to traditional ad hoc government fiscal tools: budget allocation, fiscal transfer, and/or reserve funds. In the absence of a proper risk transfer mechanism to shift the government's contingent liabilities to the international and domestic capital markets, these traditional public finance instruments will be grossly insufficient to cover relief and recovery costs after a major flood in Yangtze River Basin. Therefore, the development of a disaster risk finance framework is critical to broaden the government's capacity to generate greater fiscal predictability and sustainability, minimize the risk exposure to unexpected social and economic costs, and improve overall flood risk resilience. The TA is built on a series of ADB projects designed to support the Yangtze River Basin's social, economic, and environmental development and flood risk management. These interventions include activities to improve regional environmental protection and sustainable development. For flood risk management, ADB's assistance has covered both infrastructure and non-infrastructure elements: the construction of dikes and reservoirs, the formulation of policy and governance, hazard mapping, and early warning system development. Through past and ongoing ADB assistance programs, demands have been identified at the local government level for piloting small-scale parametric insurance schemes and other innovative disaster risk finance concepts and adopting the use of available financial instruments. This TA will complement prior and existing ADB social and economic development programs by recognizing the nexus among ecological civilization, disaster risk management, and public financial management in the Yangtze River Basin.

Impact	The country's management of emergency and major disasters, and social and economic resilience of the Yangtze River Basin enhanced

Project Outcome	
Description of Outcome	Integration of disaster risk finance framework in the Yangtze River Basin flood risk management improved
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	A proposal for developing a disaster risk finance framework finalized Public knowledge on disaster risk finance and flood risk management strengthened Institutional capacity for disaster risk finance and the associated public finance framework enhanced
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	Two international individual consultant positions for (i) disaster risk management, and (ii) disaster risk finance. Three national individual consultant positions for (i) disaster risk management including team leader, (ii) flood risk management, and (iii) emergency response management. Multiple international and national positions for (TA) implementation management and support and resource persons

Responsible ADB Officer	Huang, Anqian
Responsible ADB Department	East Asia Department
Responsible ADB Division	Public Mgt, Financial Sector and Regional Coop Division, EARD
Executing Agencies	Changjiang Water Resources Commission

Timetable	
Concept Clearance	08 Aug 2022
Fact Finding	13 Sep 2022 to 13 Sep 2022
MRM	-
Approval	09 Dec 2022
Last Review Mission	-
Last PDS Update	09 Dec 2022

TA 10027-PRC

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	-	0.00

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