



Regional: Pacific Disaster Resilience Program Phase 2

Project Name	Pacific Disaster Resilience Program Phase 2																			
Project Number	50028-002																			
Country	Regional Micronesia, Federated States of Marshall Islands Solomon Islands Tonga Vanuatu																			
Project Status	Proposed																			
Project Type / Modality of Assistance	Grant Loan																			
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Grant: Pacific Disaster Resilience Program Phase 2</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 6.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 3.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 6.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 6.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 3.00 million</td> </tr> <tr> <td colspan="2">Loan: Pacific Disaster Resilience Program Phase 2</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 3.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 3.00 million</td> </tr> </table>		Grant: Pacific Disaster Resilience Program Phase 2		concessional ordinary capital resources lending / Asian Development Fund	US\$ 6.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 3.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 6.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 6.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 3.00 million	Loan: Pacific Disaster Resilience Program Phase 2		concessional ordinary capital resources lending / Asian Development Fund	US\$ 3.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 3.00 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration																			
Drivers of Change	Governance and capacity development Knowledge solutions																			
Sector / Subsector	Public sector management - Public administration																			
Gender Equity and Mainstreaming	Effective gender mainstreaming																			
Description	<p>The proposed program will improve the resilience of the Federated States of Micronesia (FSM), Marshall Islands, Solomon Islands, Tonga and Vanuatu to disasters triggered by natural hazards. It will support policy actions in disaster risk management (DRM) and provide participating Asian Development Bank (ADB) Pacific developing member countries (DMCs) with a source of contingent financing for timely disaster response, early recovery, and reconstruction activities.</p> <p>2. The proposed program is Phase 2 of the Pacific Disaster Resilience Program, approved in December 2017 for Samoa, Tonga and Tuvalu. Phase 2 will replenish the available disaster contingent financing for Tonga and add four new countries to the program. All seven countries will continue the collaboration on DRM under the regional technical assistance (TA) attached to the Phase 1, with its scope expanded to include the additional countries. The program is consistent with the objectives of the ADB Pacific Approach, 2016 2020, which serves as the operational framework of the ADB for the Pacific region and the overall country partnership strategy for the 11 smaller Pacific countries, including FSM, Marshall Islands, Solomon Islands, Tonga, and Vanuatu.</p> <p>The proposed program is Phase 2 of the Pacific Disaster Resilience Program, approved in December 2017 for Samoa, Tonga and Tuvalu. Phase 2 will replenish the available disaster contingent financing for Tonga and add four new countries to the program. All seven countries will continue the collaboration on DRM under the regional technical assistance (TA) attached to the Phase 1, with its scope expanded to include the additional countries. The program is consistent with the objectives of the ADB Pacific Approach, 2016 2020, which serves as the operational framework of the ADB for the Pacific region and the overall country partnership strategy for the 11 smaller Pacific countries, including FSM, Marshall Islands, Solomon Islands, Tonga, and Vanuatu.</p>																			

Project Rationale and Linkage to Country/Regional Strategy

Pacific DMCs are highly exposed to many different types of natural hazards, including tropical cyclones, earthquakes, storm surges, tsunamis, volcanic eruptions, floods, and droughts. Disaster risk is growing because of climate change, poor development planning, and ecosystem decline. Climate change may increase the intensity of extreme weather events, including cyclones. Sea level rise is increasing erosion rates and the risk of storm surges, and rising ocean temperatures and ocean acidification are destroying the coral reefs that form coastal barriers. When disasters strike, Pacific DMCs face further challenges due to their remote location and geographical makeup. Many countries have small populations that are widely dispersed over several islands, many of which are isolated and difficult to reach. These factors contribute to the relatively high cost of disaster response. The countries have limited resources and capacity to invest in disaster risk reduction (DRR), and to facilitate timely recovery and reconstruction after a disaster. These delays exacerbate the indirect economic and social costs of disasters, increasing their ultimate impact, and compromising long-term fiscal balances. Disasters can erode many years of economic development gains by damaging critical infrastructure, disrupting services, and diverting resources from development spending toward disaster response and reconstruction.

Building disaster resilience requires actions on many fronts, such as strengthening policy and institutional arrangements and capacity for DRM, improving resilience of physical assets, and expanding disaster risk financing. All participating DMCs have taken important steps to improve disaster resilience, and DRM objectives are generally well-defined within government policies and plans. All countries define responsibilities for DRM, and have some financial arrangements in place for disaster response, including contingency budgets and, in some cases, sovereign disaster insurance. However, the countries remain constrained by capacity and competing priorities.

Layered approach to disaster risk financing. Pacific DMCs receive strong support from partners for immediate humanitarian aid after major events. Reconstruction supported by development partners, including ADB, typically starts several months after a disaster. However, in the event of a significant disaster, governments have insufficient resources to meet immediate financing needs, instead relying heavily on budget reallocations, which can take time to secure and often redirect funds away from development priorities. There is strong demand from Pacific DMCs for additional instruments to strengthen financial preparedness for disasters.

The most cost-effective way of financing disaster response is through a range of tools in a common framework to address different layers of risk, as no single instrument is optimal for all disaster events. The potential financing tools range from budget allocations to address low-impact, high-frequency events, to global bonds that address rare catastrophic events. Ideally, a comprehensive disaster risk financing strategy would combine both ex ante (arranged ahead of a disaster occurring, such as disaster reserves, contingency budgets, contingent credit, and insurance) and ex post mechanisms (post-disaster budget reallocations, borrowing, and international assistance). The precise mix would depend on the relative cost-effectiveness of alternative instruments for specific layers of risk in individual country contexts.

Contingent financing is particularly cost-effective in addressing risks pertaining to events that would exhaust any dedicated national reserves or contingency budgets but are too frequent to be covered cost effectively through insurance. Governments typically have contingency budgets and reserves to cover up to around 3-year return period events. The Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) offers insurance cover starting from 10-year return period attachments per peril, covering the high-layer risks, together with any potential international assistance. As such, there is a gap for medium-layer risks in most Pacific countries, except for the Cook Islands, Palau, Samoa and Tuvalu, that have existing a contingent financing with ADB.

In December 2017, ADB approved the Pacific Disaster Resilience Program for Samoa, Tonga and Tuvalu. Following TC Gita, Tonga drew down its available contingent financing (\$6 million). ADB released the funds within 24 hours of receiving the Government's withdrawal request. Tonga also accessed the Asia Pacific Disaster Response Fund (\$1 million) and the Disaster Response Facility (DRF) of the Asian Development Fund. Of the \$8.8 million available for Tonga under the DRF, \$6.8 million was allocated for ADB's Cyclone Gita Recovery Project, to reconstruct and climate and disaster proof the electricity network of Nuku'alofa; and \$2 million was allocated for this Pacific Disaster Resilience Program, Phase 2. The first phase includes an attached TA to (1) assess options for a regional disaster contingent financing mechanism and (2) support disaster risk management actions in the participating countries. The regional TA will be expanded to include the new countries under Phase 2. The assessment of options, including costs and benefits, for a potential regional mechanism is ongoing. The preferred option will be agreed among the participating governments. Potential options for the mechanism include a virtual regional mechanism, operating via ADB trust fund; and a contingency savings account in an existing regional entity, possibly Pacific Catastrophe Risk Insurance Company. To assist the governments to further strengthen the policy environment and institutional arrangements for DRM, the TA will support priority activities mutually agreed by ADB and the governments, such as strengthening post-disaster budget execution capabilities.

Impact	Resilience to climate change and disasters, as well as disaster preparedness, response, and recovery strengthened
Outcome	Effect of the Reform Faster recovery from disasters in the Pacific DMCs
Outputs	Strengthened policy, governance, and institutional arrangements for DRM Improved DRM investment planning processes and tools Expanded disaster risk financing
Geographical Location	Marshall Islands - Nation-wide; Micronesia, Federated States of - Nation-wide; Solomon Islands - Nation-wide; Tonga - Nation-wide; Vanuatu - Nation-wide

Safeguard Categories	
Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

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

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Timetable	
Concept Clearance	28 Feb 2019
Fact Finding	22 Feb 2019 to 28 Feb 2019
MRM	29 Mar 2019
Approval	-
Last Review Mission	-
Last PDS Update	28 Feb 2019

Project Page	https://www.adb.org/projects/50028-002/main
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