



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 03/02/2021 | Report No: ESRSA01327



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Latin America	LATIN AMERICA AND CARIBBEAN	P175616	
Project Name	Second Central America and Caribbean Catastrophe Risk Insurance Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Urban, Resilience and Land	Investment Project Financing	3/2/2021	4/30/2021
Borrower(s)	Implementing Agency(ies)		
Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC),	Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC)		

Proposed Development Objective

The Project Development Objective (PDO) is to improve affordability of high quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF Participating Countries.

Financing (in USD Million)	Amount
Total Project Cost	22.30

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed operation support Central America and Caribbean countries’ efforts to improve their financial resilience to manage disasters caused by natural hazards and climate related events, considering the current limited financial context and the need for additional risk insurance products. This project aims to support the continued expansion of the CCRIF SPC membership to Central American countries and the scaling up of activities in the Caribbean, increasing the ability of governments to reduce the negative impacts of natural hazards on their economies and societies. Its



purpose is to increase member coverage, expand membership and to continue to offer affordable and innovative catastrophe risk insurance products to countries. In parallel, through the provision of technical assistance, the World Bank will continue to support the development and implementation of countries' disaster risk financing strategies to ensure the right combination of instruments to respond to natural hazards.

The Project Development Objective (PDO) will be achieved by facilitating: (i) access of the “-Council of Ministers of Finance of Central America, Panama and the Dominican Republic-COSEFIN, for its acronym is Spanish” countries to lower premium rates than the simulated price for a comparable Earthquake Risk Insurance and Climate Risk Insurance purchased individually in the market, (ii) access of the “Caribbean Community countries, CARICOM, to lower premium rates than the simulated price for a comparable Climate Risk Insurance purchased individually in the market, and (iii) quick access to liquidity of participating countries with catastrophe risk coverage after the occurrence of an event which triggers an eligible loss by receiving payment within a month of the event.

This operation builds on the experience and lessons learned from the first Central America and Caribbean Catastrophe Risk Insurance Project (P149670), which has successfully achieved the purpose of providing immediate liquidity for emergency response and recovery to CCRIF SPC member countries through a range of affordable and innovative insurance products, thereby better preparing them to absorb the fiscal shocks caused by disasters from natural hazards.

The proposed Project finances three Components: (i) parametric insurance associated with risks related to geophysical events for participating Council of Ministers of Finance of Central America, Panama, and the Dominican Republic (COSEFIN) countries; (ii) parametric climate risk insurance for participating COSEFIN countries; and (iii) parametric climate risk insurance for participating Caribbean Community countries.

The proposed Project will support the World Bank Group's dual goals of ending extreme poverty and promoting shared prosperity. In providing affordable and high-quality catastrophe risk coverage, CARICOM and COSEFIN countries will be better able to achieve a key priority of managing macro-economic shocks and budget volatility arising from natural hazards. Mitigating such impacts will enable governments to continue services in the aftermath of a disaster as well as to prevent increased public debt levels being transferred onto future generations. The Project is also consistent with the individual Country Partnership Strategies (CPS) for Central American and Caribbean countries, in which the World Bank Group commits to strengthening the governments' capacities to utilize financial instruments to protect against the adverse fiscal impacts of catastrophic events.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Twenty-two current member governments of CCRIF SPC (formerly the Caribbean Catastrophe Risk Insurance) are expected to be part of the proposed project. These are 19 Caribbean (Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, Sint Maarten, St. Vincent & the Grenadines, Trinidad & Tobago, Turks & Caicos Islands) and 3 Central American countries (Guatemala, Nicaragua, Panama). CCRIF -SPC member countries are highly vulnerable to extreme geophysical and weather events such as tropical cyclones and excessive rainfall, magnified by climate



change. The Project is expected to support the continued expansion of CCRIF SPC memberships (possible new members countries are: Guyana, Suriname, Dominican Republic, Costa Rica, El Salvador and Honduras) and the scaling up of activities in the Caribbean, building on the success and lessons learned from the first Central America and Caribbean Catastrophe Risk Insurance Project (P149670).

The proposed Project will support increasing the ability of governments to reduce the negative impacts of natural hazards on their economies and societies. Its purpose is to increase member coverage, expand membership and to continue to offer affordable and innovative catastrophe risk insurance products to countries as part of the continuous adoption of effective risk-layered strategies. In parallel, through the provision of technical assistance, the World Bank will continue to support the reassessment of countries' disaster risk financing strategies to ensure the right combination of instruments to respond to natural hazards, including health-related shocks.

The project will mainly support two areas: (i) Payments of the Participation Fee of the countries to CCRIF SPC; and (ii) technical assistance for the development, modification and/or implementation by CCRIF SPC of insurance products associated with risks related to Geophysical Events (and associated sub-hazards) and an excess rainfall and/or other climate-related events.

CCRIF SPC offers an insurance product, and the payouts can be used at the discretion of the policyholder (participating Governments). CCRIF SPC payouts are received by the Government as budget support and accounted as part of post-disaster expenditures. One of the advantages of insurance products is that provide the governments with the flexibility to support the most urgent needs associated with the disaster.

The project will benefit the participating countries in general through parametric insurance pay-outs. The parametric insurance products are insurance contracts that make payments based on the intensity of an event and amount of loss calculated in pre-agreed model caused by these events. This type of insurance is different from traditional or indemnity insurance settlements that require an on-the-ground assessment of individual losses after an event before a payment can be made. In the case of CCRIF SPC, payouts are proportional to the estimated impacts and chosen parameters by the government. In the case of a qualifying event for a payout, the government receives a payout based on the level of coverage agreed upon in the insurance contract. The insurance funds will not be tied or tracked to any specific investments. Any post-disaster activities having impacts on the environment and human health will be addressed according to existing national environmental rules and regulations, and consistent with the ESF. It may be noted that Twenty-two current member governments of CCRIF SPC have their own environmental legislation in place to screen, assess and mitigate the potential environmental impacts of infrastructure work.

The proposed Project is expected to have positive indirect poverty reduction and social impacts by enhancing the ability of the participating CCRIF SPC governments (current and new members) to meet the needs of their most vulnerable populations in the aftermath of a major disaster. Quick access to liquidity following a catastrophic event will enable governments to start recovery efforts quickly and reduce the governments' risk of having to interrupt or cancel the delivery of social services to its population. The security of post-disaster financing provided will support better contingency planning, and hence better targeting of affected populations after an event.

D. 2. Borrower's Institutional Capacity

The project will be implemented by the CCRIF SPC (formerly the Caribbean Catastrophe Risk Insurance Facility), a segregated portfolio company, owned, operated and registered in the Caribbean. It is the world's first regional fund utilizing parametric insurance, giving member governments the unique opportunity to purchase disaster risk



insurance with the lowest possible pricing. CCRIF SPC was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalized through contributions to a Multi-Donor Trust Fund (MDTF). CCRIF SPC has experience implementing Bank projects. It has implemented Central America and the Caribbean Catastrophe Risk Insurance Project from mid-2015. In recent time, it has been implementing the Caribbean Ocean and Aquaculture Sustainability Facility (COAST) Project (P171321) in St Lucia and Grenada, which was prepared under the Environmental and Social Framework (ESF). CCRIF SPC is also working on the development of a standardized integrated risk management framework for use by all Caribbean countries which includes economic, geopolitical, environmental, social and technical risks.

The implementation of the project will rely on existing staff in CCRIF SPC (4) and supporting professionals from six service provider outside CCRIF SPC. From that standpoint, no new staff will be contracted under the project. CCRIF SPC will hire a part-time Environmental and Social (E&S) Specialist (Consultant) with adequate skills and experience at CCRIF SPC within 60 days of project effectiveness to oversee the environmental and social issues. The part-time E&S specialist will be responsible for (i) the preparation of the ESCP implementation report by reviewing the participant countries voluntary reporting on activities, supported through the payouts, (ii) supporting capacity building activities for participating government on E&S issues, and (iii) overseeing the overseeing the LMP, and SEP implementation and respond to grievances specific to environmental and social issues. The Terms of Reference (ToR) of the part-time E&S Specialist will be agreed with the CCRIF SPC prior to initiating the hiring process.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

The project environmental risk is assessed as ‘Low’. The project will not support any physical works or procurement of goods. The project will include assistance to the participating countries as emergency support through financing Parametric Earthquake Risk Insurance for COSEFIN Participating Countries and financing Parametric Climate Risk Insurance for COSEFIN and CARICOM Participating Countries. The project will cover the payment of participating countries annual insurance premium and technical assistance, which include developing a range of communication products and tools, hazard risks management tools and capacity development programs. The project activities are not expected to have any adverse impact on human population or the environment.

In the case of a qualifying event for a payout, the government receives a payout based on the level of coverage agreed upon in the insurance contract. The pay-outs are used at the discretion of the participatory government to meet the most urgent needs associated with the disaster. It may be noted that CCRIF SPC includes voluntary reporting of the participating countries on activities supported through the payouts.

Social Risk Rating

Low

The Bank classifies the Social risk of the project as ‘Low’. The project is about improving the affordability of high-quality, sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF SPC Participating Countries, and no physical work is anticipated. It is intended to have positive impacts on the most vulnerable who are disproportionately affected by the impacts of disasters by enabling governments to implement emergency activities and provide critical services in the aftermath of catastrophes.

Public Disclosure



Labor and Stakeholder associated risks are considered to be low. The project will rely on CCRIF’s existing implementing modalities and staff. Stakeholder Engagement will occur mainly at the level of Governments and CCRIF SPC and during technical trainings. As specified in the Environmental and Social Commitment Plan (ESCP), CCRIF SPC will provide consultation opportunities for recipients of the insurance, terms of insurance and other relevant information on their website so that citizens could know what their governments are getting in term of insurance, and provide feedback through the Website. The ESCP also requires CCRIF SPC to make available other uptake channels to enable access to those without internet connectivity. The ESCP addresses measures associated to labor and stakeholder engagement’s risks consistent with ESS2 and ESS10. A standalone Labor Management Procedure (LMP) will also be developed within 60 days of project effectiveness, to address labor risks.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Project screening included review of the Project Concept Note, cross-checking expected impacts of similar insurance projects in the region or elsewhere, including the experience of the parent project - Central America & Caribbean Catastrophe Risk Insurance Project (P149670) – and, the Caribbean Ocean and Aquaculture Sustainability Facility (COAST) Project (P171321), discussions with task team members, and literature. The assessment entailed the collection of data on CCRIF’s institutional capacity, beneficiaries, labor and stakeholder requirements. This due diligence confirms that anticipated environmental and social risks and impacts from project interventions are likely to be negligible. Therefore, consistent with the requirements of ESS1, no further environmental and social assessment has been determined necessary.

The Catastrophe Risk Insurance product is not tied to physical works, but rather provides countries with quick access to liquidity in the aftermath of catastrophe. However, the project recognizes the potential “indirect” E&S impacts and risks associated with the activities funded through payouts. The agreement between the CCRIF SPC and the participating government will include the requirements of the application of national rules and regulations to address potential environmental and social risks from post-disaster activities. CCRIF will include a negative list of projects in the agreements and project operational manual (OM), which will not be considered as post-disaster recovery activities. This requirement is also reflected in the project Environmental and Social Commitment Plan (ESCP). Further to that, the Stakeholder Engagement is part of the ESCP and a stand-alone Labor-Management Procedure (LMP) will be developed to address labor risks, and within 60 days of project effectiveness. The OM will be updated no later than 60 days after project effectiveness, which will include the E&S requirements such as negative list of projects, LMP, stakeholders engagement and grievance redress mechanism.

ESS10 Stakeholder Engagement and Information Disclosure

The Standard is Relevant. Stakeholder engagement involves officials from member countries (the key counterparts being Ministries of Finance), regional technical organizations, donors and international partners and the general public in member countries.



Stakeholder participatory processes include i) Engaging with member governments to discuss their policies and policy options as part of the annual policy renewal process. Discussions also focus on new products and developments within the Facility; ii) Meeting with member governments and other stakeholders on the margins of the quarterly board meetings and other meetings; iii) Policy Forums, which usually bring together permanent secretaries and senior officials from ministries of finance in member countries; Interaction with members of the press throughout the Caribbean and Central America and also with international media, including those that focus on insurance and finance and to amplify CCRIF SPC's message.

CCRIF SPC develops a range of developmental communication products and tools to assist members and other stakeholders to better understand the products and services that CCRIF SPC provides. CCRIF SPC utilizes social media channels (Twitter, Facebook, YouTube, LinkedIn and Instagram) as well as its website as key tools for information sharing. The Facility also produces and disseminates a range of publications to support stakeholder engagement. It provides tools to members for managing hazard risks, for example, CCRIF SPC has provided access for its members to its Real-Time Forecasting System (RTFS) since 2019. The RTFS is a storm forecasting tool which provides users with real-time hurricane hazard and impact information based on forecasted tracks from the United States National Hurricane Center (NHC), and it delivers Technical Assistance Training Program to member governments.

In line with the ESS10, the project will implement constructive and responsive relationships that are important for successful management of a project's environmental and social risks, and for effective collaboration between parties, taking into consideration aspects related to gender participation, citizen engagement, social inclusion. Measures and actions to comply with ESS10 are included in the ESCP -and in terms of what and when to consult, what to publish, use of inclusive language, availability of a Grievance Mechanism, Project-related reporting, and COVID19 requirements during stakeholder engagement and in accordance to the Technical Note: "Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings March 20, 2020". CCRIF will also provide consultation opportunities for recipients of payout, and include feedback provision through the Website, and will make available other uptake channels in participant countries to enable access to those without internet connectivity. This will be realized through collaboration between participant countries and the CCRIF on the use of existing, countries' level GRM channels.

A standalone Stakeholder Engagement Plan is not required. This is consistent with paragraph 13, footnote 3 of ESS10, that reads as follow: "Depending on the nature and the scale of the risks and impacts of the project, the elements of a SEP may be included as part of the ESCP and preparation of a stand-alone SEP may not be necessary".

CCRIF will provide a Grievance, Feedback Mechanism satisfactory to the World Bank. Channels for feedback opportunity will take into account: a) Website with guidance on how to put a grievance, b) Telephone; physical address; Other uptake channels to enable access to those without internet connectivity In participant countries. The GRM will be built on the CCRIF's exiting online Grievance Redress Mechanism <https://www.ccrif.org/how-make-complaint> and complaints will be received at complaints@ccrif.org.

B.2. Specific Risks and Impacts



A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The standard is relevant. The implementation of the project will rely on existing staff in CCRIF SPC (4) and 6 supporting professionals from six service provider outside CCRIF SPC. From that standpoint, no new staff is expected to be contracted under the project. However, consultants will be hired, as needed, for training of government partners, including for E&S activities further defined in the Operational Manual, as indicated under ESS1

CCRIF SPC, registered in the Cayman Islands, has a Board of Directors (5 people). However, it is managed by an executive management team of 4 full-time staff (CEO, COO, CRMO and Assistant to the CEO) that operates as a virtual organization, supported by 6 service providers: (i) Risk Management Specialist, (ii) Asset Manager (iii) captive management, (iv) reinsurance manager, (v) reinsurance broker, and (vi) Corporate Communications and Technical Assistance Manager. In terms of potential field trips to assess damages caused by a catastrophe, and that could involve staff or consultant, this doesn't seem to be the case, since the coverage provided by the Facility is "parametric" in nature, as described above. The project will mostly rely on CCRIF existing staff, including a part time Environmental and Social Specialist. Relevant environmental and social aspects will be incorporated in CCRIF SPC's training activities, securing the support of additional specialized consultants, as needed.

The ESCP includes actions to address Project-related labor issues to be implemented by CCRIF SPC for Workers related to the project, as defined under ESS2, including training, OHS, Code of Conduct, and Grievance Mechanism for Project Workers. A stand-alone LMP commensurate to the scope and nature of the engagement, with its Grievance Redress Mechanism for project's workers (GRMW), will also be developed for the project within 60 days of project effectiveness. The GRMW will be based on existing CCRIF's procedures to manage grievances within the institutions, and will complement in aspects like Gender Based Violence, consistent with the ESF.

The Code of conduct will be part of the LMP and will take into considerations existing code of conduct/ethics of CCRIF. The Code of conduct will set forth principles and ethical behaviors for workers when interacting among themselves and will clients, and communities. The code conduct will emphasize on the following aspects: Non-Discrimination; Sexual Harassments; Interactions with clients and the local community(ies); Violence including sexual and/or gender-based violence; Sanitation requirements; Avoidance of conflicts of interest; Protection and proper use of property; Duty to report violations of the Code, Non retaliation against workers who report violations of the Code, among others.

ESS3 Resource Efficiency and Pollution Prevention and Management

The standard is not relevant as the project activities will not be associated with any significant use of resources such as water or energy.

ESS4 Community Health and Safety

The standard is not relevant as the project activities directly financed will not have any adverse environmental and social impacts on communities.



ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant as there will be no anticipated land acquisition or resettlement for the Project.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant as the project offers (through CCRIF) a parametric insurance product, payouts to be received as budget support, used at the discretion of the policy holder in participant countries and accounted as part of post disaster expenditures. The project doesn't entail any specific activity for indigenous peoples and will not have adverse impacts on them or their communities.

ESS8 Cultural Heritage

The standard is not relevant.

ESS9 Financial Intermediaries

The standard is not relevant.

B.3 Other Relevant Project Risks

None

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

OP 7.60 Projects in Disputed Areas

No

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

Areas where "Use of Borrower Framework" is being considered:

None

Public Disclosure



IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC),

Implementing Agency(ies)

Implementing Agency: Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Public Disclosure