Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 10-Dec-2019 | Report No: PIDC194593

BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P171321		Low	Caribbean Ocean and Aquaculture Sustainability FaciliTy (COAST) Project
Region	**Country**	**Date PID Prepared**	**Estimated Date of Approval**
LATIN AMERICA AND CARIBBEAN	Caribbean	10-Dec-2019	
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Caribbean Catastrophe Risk Insurance Facility SPC	Caribbean Catastrophe Risk Insurance Facility	

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	2.00
Total Financing	2.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.00
Program on Fisheries	2.00

B. Introduction and Context

Country Context

Countries in the Caribbean are highly vulnerable to the adverse effects associated with extreme weather events such as tropical cyclones and excessive rainfall, magnified by climate change. The frequency of these extreme weather events in the Caribbean also seems to be increasing over time. Without adequate fiscal management strategies, catastrophic events can jeopardize efforts to end extreme poverty and boost shared prosperity, and these events can reverse hard-won development gains. Experience has shown that in

the immediate aftermath of a disaster, countries experience significant macroeconomic instability and major public sector budget volatility leading to reduced coverage and quality of public services which impact the poor hardest and contributes to higher debt levels.

According to research, since 1980, seventeen countries in the Caribbean and Central America have experienced a disaster event with an economic impact above 50 percent of that year's nominal Gross Domestic Product (GDP) (Charles, 2013). Public and private assets in the agriculture and fisheries, education, health, housing, infrastructure, transport, and water sectors often incur the majority of damages associated with catastrophic events – subsequently contributing to large fiscal deficits and debt accumulation requiring public debt restructuring. The adverse impacts of disasters can also be disproportionate by gender. Women often experience higher rates than men of mortality, morbidity, and diminishment in livelihoods post- disaster (World Bank, 2012).

Natural hazard impacts have historically posed major challenges to public sector budgets in the Caribbean, leaving limited space to support sectors such as fisheries. The damages and losses associated with large-scale catastrophic events (e.g. earthquakes and hurricanes) are estimated to total at least US$23 billion in the Caribbean between 1990 and 2008 (EM-DAT). In Grenada, for instance, the historical economic impact of hurricanes Ivan (2004) and Emily (2005) has been substantial, causing an estimated total damages and losses in the amount of US$885 million equivalent to 239 percent of GDP (OECS, 2014), and US$52 million equivalent to 13 percent of GDP (OECS, 2015), respectively. Through combination of disaster risk financing instruments, countries are in a better position to more effectively mobilize funding after a disaster. The Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) has been providing innovative parametric insurance for tropical cyclones and earthquakes since 2007, and coverage against excess rainfall events, since 2013. CCRIF SPC continues to innovate with a new parametric insurance product covering vulnerable fishing communities against adverse weather conditions and tropical cyclones.

Sectoral and Institutional Context

The fisheries sector in the Caribbean is an important source of livelihoods and contributes significantly to food security and poverty alleviation. The sector is an important contributor to GDP of many countries as well as an important foreign exchange earner, accounting for up to 7 percent of some countries' GDP. The fisheries sector in the Caribbean employs over 300,000 persons both directly and indirectly. Indirect employees include persons engaged in processing, preserving, storing, transporting, marketing and distribution of fish or fish products, as well as other ancillary activities like net and gear making and repair, ice production and supply, vessel construction and maintenance. Many of the fisherfolk reside in rural communities where fishing and farming are the primary economic activity. While the sector is highly vulnerable to fast-onset climate hazards like storms, as soon as fisherfolk have the right weather conditions and functioning boats, they can resume fishing and provide food to communities that would otherwise be isolated after a disaster. Therefore, the rapid recovery of the fisheries sector after a disaster is critical for the food security and livelihoods of communities in the Caribbean.

The fisheries sector faces many pressures in the region, with climate change being a key threat. Current pressures include: poor fishing practices, illegal fishing, degradation of supporting habitats (such as coral reefs, seagrasses, and mangroves), sargassum blooms, and invasive species (e.g. lion fish). Climate change is projected to trigger a series of biophysical and socio-economic impacts which are likely to impact fisheries. Studies have shown that climate change is modifying the distribution and productivity of fish stocks, impacting the sustainability of capture fisheries and aquaculture and the livelihoods of the communities that depend on these activities.

Tropical storms and other major weather events can disproportionately impact the fisheries sector preventing fishing activities, before, during and after these events. Recent evidence has demonstrated that fishing communities have suffered from loss of productive assets (e.g. vessels, fishing gear, ice facilities etc.), and reduced coverage and quality of public services such as electricity, fueling stations, piers, and roads after such events. These losses hamper the potential to catch, preserve and deliver products to market with disproportionate impacts on the poor communities. For instance, Dominica continues to recover from damages and losses of approximately 225% of GDP due to Hurricane Maria in 2017 (Government of Dominica, 2017), with an estimated 128 fishing vessels damaged or destroyed. The total cost for repair and replacement of vessels was estimated as EC$ 4.24M (US$ 1.68M). Other losses included fishing gear and vendor equipment, estimated at EC$ 0.87M (US$ 0.32M). Most recently, in August 2018, Grenada was severely affected by excessive rainfall leading to extensive flooding and numerous landslides (Government of Grenada, 2018), which caused major losses to the agriculture and fisheries sectors. Hurricane Irma also brought extensive damages especially in Antigua and Barbuda, affecting 193 fishers, destroying 37 boats, over 2,000 fish traps, and 17 gillnets (Government of Antigua and Barbuda, 2017). These hurricanes and their devastating effects demonstrate the need for a climate risk insurance product to ensure fishing communities can recover financially from such events, helping to support the ongoing fishing activities with minimal disturbance.

To address these issues, the Caribbean Ocean and Aquaculture Sustainability FaciliTy (COAST) initiative was launched by CCRIF SPC with support from the World Bank. COAST is an innovative hydro-meteorological and climate risk insurance product designed to promote food security, enhanced livelihoods, resilient fisheries, and disaster risk reduction in the Caribbean fisheries sector. The COAST insurance product supports governments' efforts to rapidly put money into the pockets of those impacted by extreme weather, by providing them with funding to cover the most immediate needs after a disaster. The ultimate objective is to promote a culture focused on (i) enhancing coastal communities' resilience after an extreme weather event; and (ii) resilience through stronger, faster and more inclusive post-disaster (building back better). Like CCRIF SPC's other parametric insurance products, COAST insurance is also parametric, whereby payouts are made based on a pre-defined level of wave height, rainfall, wind or storm surge and their modelled impact. The COAST parametric insurance provides coverage for fisherfolk so that they can cope with losses caused by adverse weather like direct damages to fishing vessels, fishing equipment and fishing infrastructure. For the 2019/20 policy year, CCRIF SPC is making the COAST product available to two countries, Grenada and Saint Lucia.

COAST is the first parametric insurance ever developed for the fisheries sector, and is intended to be a catalyst for promoting resilience and sustainable management of the marine environment, leading to a stronger blue economy in the region. In the short-term, COAST will promote formalization of the sector by incentivizing fisherfolk to register in order to obtain the benefit of the insurance. In the long-term, COAST will reduce the natural disaster risk that climate change poses to food security in the fisheries sector and incentivize policy reforms for the uptake of climate smart fisheries practices as well as coastal resilience. This will build a stronger foundation for the blue economy, while supporting the livelihoods of those who depend on this valuable marine natural capital.

Relationship to CPF

The proposed Project directly promotes the WBG's Twin Goals, and contributes to the WBG's OECS Regional Partnership Strategy (RPS) FY15-19 Framework (World Bank OECS CPS, 2015- Report Number: 85156-LAC). More specifically, the Project directly responds to the Bank's overarching Twin Goals (eradicating extreme poverty and promoting shared prosperity) by working toward the longer-term objectives of supporting food security and increasing resilience of fisherfolks to climate variability, which are among the poorest and most vulnerable. The Project is also in line with the OECS Regional Partnership Strategy as it aims at building greater resilience and enhanced disaster risk management capacity. In particular, this Project will help OECS countries better manage natural disasters with greater focus on ex-ante risk reduction, planning, and financing. Such an effort could significantly contribute to reducing the impacts of natural disasters, especially for the most vulnerable segments of the population, who often rely on natural resources such as fisheries for their livelihoods.

The proposed Project is also in line with regional CARICOM and global commitments. It will contribute to the achievement of the Hyogo Framework for Action and to the regional priorities set out by CARICOM. The concept for such a parametric insurance product was endorsed by two CARICOM bodies: the 9th Caribbean Regional Fisheries Mechanism Ministerial Council and the 6th Caribbean Disaster Emergency Management Agency Ministerial Council. The project is also in line with the outcomes of the 2015 G-7 summit at Elmau, where leaders committed to "…increase by up to 400 million the number of people in the most vulnerable developing countries who have access to direct or indirect insurance coverage against the negative impact of climate change related hazards by 2020 and support the development of early warning systems in the most vulnerable countries."

The Project has strong support and ownership, including from the Caribbean Regional Fisheries Mechanism (CRFM). In particular, the CRFM and CCRIF SPC signed a Memorandum of Understanding in April 2019 (CCRIF, 2019), to formalize collaboration around the COAST insurance product, and to develop climate-resilient fisheries and aquaculture industries in the region. Moreover, this project is also aligned with the CRFM's "Protocol on Climate Change Adaptation and Disaster Risk Management in Fisheries and Aquaculture under the Caribbean Community Common Fisheries Policy"(2018) (CRFM, 2018), which the goal is to ensure development of a regional fisheries sector that is resilient to climate change and ocean acidification, and

enhanced through comprehensive disaster management, and sustainable use of marine and other aquatic living resources and ecosystems.

C. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to strengthen financial resilience of Caribbean countries through insuring against climate-related events that impact the fisheries sector.

Key Results

PDO Level Indicators:

PDO1: Number of countries that have purchased COAST insurance from CCRIF SPC

PDO2: For covered events, countries have received a payout within 40 days of the occurrence of said event

Intermediate results indicators include:

1: Number of countries that have adopted the COAST Operational Manual

2: Monthly updates of the beneficiary list in each participating country.

3: Increase of fisher registrations contributing to formalization of the sector.

D. Preliminary Description

Activities/Components

Component 1: Capitalization of CCRIF SPC for COAST (US$ 1,800,000).

The objective of this Component is to enable the CCRIF SPC to provide the only available catastrophe coverage for the fisheries sector to the participating countries as a measure to increase resilience in the fisheries sector. The capitalization funds under this component will be used to earn investment income and provide insurance payouts if the COAST policy is triggered. The finance for this component will be provided in a one-time basis, and the amounts to be provided will be determined by the actuarial business needs of the CCRIF SPC COAST product. The financing under this component is only for the purposes of enabling the CCRIF SPC to: (i) Invest and generate income for the Facility to finance the COAST operation; (ii) Make quick insurance payouts to the participating countries; and (iii) Provide the ability to retain and manage the risk until a portion of it is passed to the reinsurance markets. The capitalization will cover two parametric components (adverse weather and tropical cyclones) by providing livelihood protection to the fisherfolk.

Component 2: Payment of Participating Countries' Annual Insurance Premium (US$ 200,000).

The objective of this Component is to assist the participating countries, Grenada and Saint Lucia, to purchase the COAST parametric insurance coverage for the fisheries sector offered by the CCRIF SPC. Annual premium for each participating country will be covered by the World Bank (PROFISH multi-donor trust fund) with allocation up to $100,000 per country. Countries will have the choice of selecting the amount of insurance coverage, depending on country risk profile and priority needs. The COAST product is unique as it provides parametric coverage for 1) losses experienced by fisherfolk caused by Adverse Weather (high waves and heavy rainfall) and 2) losses caused by Tropical Cyclones (wind and storm surge) that may damage fishing vessels, fishing equipment and fishing infrastructure.

For covered events, the participating countries, through the Ministry of Finance (MoF), are expected to receive a payout from CCRIF SPC within 14 days of the occurrence of the event. Following CCRIF SPC's payout transfer, the Ministry responsible for Fisheries will provide the Accountant General Division (AGD) with the list of beneficiaries (predefined by government) following the procedures in the COAST Operations Manual. All beneficiary payments are expected to be made within a month of CCRIF SPC payout.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant

ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project does not pose environmental or social risks to project beneficiaries. The project will not support any physical works or procurement of goods. The project will provide parametric insurance support to the fishermen communities as emergency support in extreme bad weather condition and tropical cyclone. Additionally, the project will cover the payment of participating countries annual insurance premium. The only potential risks, which are germane to every project financed by the World Bank are those around expectation management of project beneficiaries. The Stakeholder Engagement Plan (SEP) will address those risk through a well developed SEP, communications plan, and GRM. A simple Labor Management Plan (LMP) will be prepared as a precautionary measure to set out the way in which project workers(if any) will be managed, in accordance with the requirements of national law and ESS2. In addition, LMP will describe mitigation measures used to manage health and safety risks and ensure that the borrower does not employ any child labor.

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Borrower/Client/Recipient

Borrower : Caribbean Catastrophe Risk Insurance Facility SPC

Implementing Agencies

Implementing Agency : Caribbean Catastrophe Risk Insurance Facility

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