



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 28-Feb-2018 | Report No: ISDSC24066



**BASIC INFORMATION**

**A. Basic Project Data**

Country Saint Lucia	Project ID P154829	Project Name Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option	Parent Project ID (if any)
Region Latin America and Caribbean	Estimated Board Date June 29, 2018	Practice Area (Lead)(s) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Saint Lucia	Implementing Agency Ministry of Finance, Economic Growth, Job Creation, External Affairs and the Public Service		

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**Proposed Development Objective(s)**

The development objective of the proposed Program is to strengthen the Government of Saint Lucia’s legal and institutional framework for a comprehensive management of disaster and climate risks.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	20.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	IDA
World Bank Lending	20.00

Decision



## B. Introduction and Context

### Country Context

**With a gross national income per capita of US\$11,370 (2016), Saint Lucia is an upper middle income small island state, with an estimated population of 178,000 (2016),<sup>1</sup>.** Saint Lucia's economic growth accelerated in 2017 as gross domestic product (GDP) expanded by an estimated 2.1 percent in 2017, compared to 0.9 percent in 2016. The country is highly vulnerable to exogenous shocks, including natural disasters. Given its geographic location and topography, Saint Lucia is highly exposed to hydro-meteorological and geological hazards<sup>2</sup> and the impacts of climate change, which have significant negative impacts to its economic stability and social development gains. According to the Global Climate Risk Index 2018, Saint Lucia is among the top high-risk countries in the world, ranking 18<sup>th</sup> globally in terms of vulnerability of its GDP to weather-related losses from 1997 to 2016.<sup>3</sup> The economic impact of disasters in Saint Lucia has been substantial: Hurricane Tomas in 2010 and the 2013 December Trough for example have caused estimated total damages and losses in the amount of US\$336.2 million (43.4 percent of GDP)<sup>4</sup> and US\$99.88 million (8.3 percent of GDP),<sup>5</sup> respectively. The high costs of recovery and reconstruction have resulted in high sovereign debts and reduced fiscal space, as well as causing setbacks to hard won development gains and making it harder for the Government to implement poverty reduction policies.

**Disaster Risk Management (DRM) has been a top priority for Saint Lucia over the last three decades, as evidenced by the country's considerable efforts to improve the overall national DRM system.** Building on the existing legal framework, the Government is currently undertaking critical reforms, which seek to mainstream DRM and climate change adaptation (CCA) in territorial planning and at the sectoral level, and effectively reduce climate and disaster risks through two key sets of measures, including (a) adopting and updating key sectoral policies and guidelines that explicitly incorporate disaster and climate risk considerations for a risk-informed decision-making process, and (b) strengthening the required institutional and budgetary structures that allow for a more efficient management of disaster-related liabilities. These reforms are thus essential to translate the overall objectives of the DRM legal framework into concrete disaster and climate risk reduction measures for each individual sector. Altogether, these reforms and actions make a critical contribution to strengthened climate and disaster resilience of assets and livelihoods, improving business continuity of essential public services as well as the sustainability of public spending and investments.

### Relationship to CPF

**The proposed program is consistent with the World Bank Group's Regional Partnership Strategy for the Organization of Eastern Caribbean States (OECS) 2015-2019** (Report No. 85156), discussed by the Executive Directors on November 13, 2014, which identifies disaster and climate change vulnerabilities as key challenge in achieving poverty reduction and shared prosperity. To this end, the Cat DDO will work towards achieving Outcome nine: Increased capacity to manage natural hazards under the Resilience pillar of engagement, by building greater resilience and enhanced DRM capacity in Saint Lucia.

<sup>1</sup> World Bank Data (2016).

<sup>2</sup> Meteorological: Hurricanes, tropical storms, droughts, floods and landslides. Geological: Earthquakes, volcanoes, tsunamis and landslides.

<sup>3</sup> Eckstein, David et al (2017). "Global Climate Risk Index 2018". German Watch. <https://germanwatch.org/en/download/20432.pdf>

<sup>4</sup> Saint Lucia Macro Socio-Economic and Environmental Assessment of the Damage and Losses caused by Hurricane Tomas: A Geo-environmental disaster towards resilience. UN-ECLAC (7 February 2011)

<sup>5</sup> Saint Lucia Joint Rapid Damage and Needs Assessment of the Saint Lucia Flood Event of December 24–25, 2013. The World Bank and the Government of Saint Lucia (March 2014).



### C. Proposed Development Objective(s)

The development objective of the proposed Program is to strengthen the Government of Saint Lucia’s legal and institutional framework for a comprehensive management of disaster and climate risks.

#### Key Results

The policy reforms included in the proposed operation are aimed at reducing vulnerability to disaster and climate risks in order to catalyze economic growth, reduce the economic and fiscal volatility from disasters and improve the livelihoods of the most vulnerable, thereby helping to support the sustainability of development programs and the Government’s efforts to reduce extreme poverty and boost shared prosperity. It is expected that, by reducing disaster risk in critical infrastructure, such as hospitals, urban infrastructure and houses, through the establishment of policies and regulations that take into account hazard risks, both casualties and injuries will be avoided in the event of disasters, and the recovery burden on the Government is reduced, ensuring the sustainability of public spending and investments: a clear welfare gain. Moreover, quick access to liquidity following a disaster and improved targeting of the socially vulnerable for post disaster support would facilitate the rapid recovery and reinstatement of livelihoods, particularly of the poor who are at higher risk to the impacts of natural disasters, and better business continuity of essential public services.

### D. Concept Description

**The proposed operation will support the Government’s ‘second generation’ reforms of its DRM and CCA systems to mainstream and enable risk reduction across the programs at the sector level.** This will be achieved by supporting policy actions under two pillars, namely: **Pillar I** - Strengthening the legal and institutional framework and technical capacity for increased climate and disaster resilience in the urban, housing and health sectors and in territorial planning; and **Pillar II** - Strengthening national financial capacity to respond to disaster and climate-related risks. The policy reforms<sup>6</sup> supported by the proposed operation ensure the sustainability of the Government’s efforts and commitment to a holistic approach to disaster risk reduction based on accountability and international best practices adapted to the context of Saint Lucia. The policy framework for this Project directly supports national priorities outlined in the following main national strategic development documents: (a) the draft Saint Lucia Mid-Term Development Strategy (2018-2022), which focuses on the need to develop a comprehensive DRM program<sup>7</sup>, and (b) the National Vision Plan (2007), which aims to catalyze economic growth, reduce the economic and fiscal volatility from disasters and improve the livelihoods of the most vulnerable by investing in urban centers and upgrading urban infrastructures to withstand natural hazards.

**Through the reforms included in Pillar I, the Government is establishing the necessary policy framework and technical capacity to mainstream DRM and CCA in three high-priority sectors:** Housing, Urban Development and Health. The proposed operation will support risk-informed public decision-making in land use, urban renewal, housing as well as health infrastructure.

**Under Pillar II, implementation of reforms aims to strengthen the institutional capacity of the Government to reduce the fiscal impacts and improve the financial capacity to respond to disasters. Under this pillar, implementation of reforms aims to strengthen the institutional capacity of the Government to reduce the fiscal impacts and improve the**

<sup>6</sup> Policy Drafts are approved by an Act of Cabinet; then sent to the Parliament, as needed, who emits the correspondent law and regulations. In absence of the law, the policy is enforceable by administrative and judicial authorities.

<sup>7</sup> The Program would focus on (a) developing risk information and better communicating it; (b) enhancing planning for resilience capacity; (c) improving emergency preparedness; (d) improving watersheds, agricultural infrastructure and coastal zone management; and (e) developing better risk financing, in particular safety net programs, to reduce the fiscal burden of disasters particularly on the poor and most vulnerable.



**financial capacity to respond to disasters.** A proactive management of fiscal impacts of disasters can help Saint Lucia to: (a) improve disaster relief, recovery and reconstruction speed; (b) quantify Government and private sector disaster liabilities; (c) improve Government emergency budget execution; and (d) help the Government better strategize its available disaster risk financing mechanisms. The institutional actions presented in this pillar enhance Saint Lucia's capacity toward an ex-ante approach to reduce and finance fiscal risks associated with adverse natural events. Regarding fiscal management, the development of a national strategy for financial protection was required to allow the MoF to inform decision-making with regard to budget resource allocation, public debt management and mobilizing the adequate financial instruments.

## E. Poverty and Social Impacts and Environment Aspects

### Poverty and Social Impacts

**The overall poverty and social impacts of the policies supported by this Cat DDO are expected to be positive.** Reforms under Pillar I aimed at reducing disaster and climate risk in essential sectors are expected to have positive social effects. Reducing disaster risk in critical infrastructure not only reduces the recovery burden on the Government, but it also minimizes the human costs of disasters and promotes quick recovery for households. Regulations and policies around risk-informed land use, urban development and housing will reduce exposure to disaster risks of poor and vulnerable populations living in substandard dwellings and high risks areas. In the process of regulating land use and urban planning, short-term impacts might be felt by households inhabiting plots that are deemed unsafe for housing. These short-term costs, usually borne by lower-income households, should be compensated in the medium- and long-term by restoring their livelihoods in safer locations. Under Pillar II, the reforms seeking to support Saint Lucia's financial capacity to respond to disasters, are also expected to have positive social and poverty impacts. The adoption of mechanisms to enhance the ability of the Government to provide assistance and start reconstruction shortly after a disaster would shorten the transition back to the pre-disaster livelihoods and infrastructure levels. Moreover, enhancing the Government's capacity to provide well targeted social safety nets that can be scaled up rapidly after a shock and with inclusive and flexible targeting systems able to redirect support and transfers toward affected households provides an effective means to support the poor and vulnerable population hit by catastrophic shocks and avoid detrimental coping strategies. The Poverty and Social Impact Assessment (PSIA) is ongoing, documenting the expected effects from a social, gender and distributional perspective, relying both on existing quantitative analysis and the review of relevant literature.

### Environment Impacts

**It is anticipated that policy reforms supported by the proposed operation are expected to have both direct and indirect positive effects on Saint Lucia's environment, forests, coastlines, or other natural resources.** Reforms included in this operation will not cause significant environmental effects as they are primarily aimed at strengthening the institutional framework for land use planning, hazard identification, and coastal zone management, and improving regulations for increased resilience and reduction of disaster and climate risks. In concrete terms, policy actions supported by this operation primarily seek to improve urban planning and reduce hazard exposure, thereby reducing the vulnerability of assets, infrastructure, and public finances. They are not directly geared to transform the environment or ecosystems but rather focused on reducing the vulnerability of the state and increasing its capacity to cope and respond to natural adverse events.



## The World Bank

Saint Lucia – Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option (P154829)

### CONTACT POINT

#### World Bank

Contact: Tiguist Fisseha  
Title: Senior Disaster Risk Management Specialist  
Tel: (202) 458 9427  
Email: [tfisseha@worldbank.org](mailto:tfisseha@worldbank.org)

#### Borrower/Client/Recipient

#### Saint Lucia

#### Implementing Agencies

#### Ministry of Finance, Economic Affairs, Planning and Social Security

Finance Administrative Centre  
Point Seraphine  
Castries  
Saint Lucia

**Contact:** Cointha Thomas  
Title: Permanent Secretary, Department Of Finance  
Tel: +1 (758) 468 5502/03  
Fax: 758 452 6700  
Email: [cthomas@gosl.gov.lc](mailto:cthomas@gosl.gov.lc)

### FOR MORE INFORMATION CONTACT

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

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## APPROVAL

Task Team Leader(s):	
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## Approved By

Country Director:		
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