



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 06-Dec-2017 | Report No: PIDC23750



BASIC INFORMATION

A. Basic Project Data

Country Maldives	Project ID P163939	Project Name Disaster Risk Mgmt Development Policy Credit with Catastrophe Deferred Drawdown Option and Pandemic Emergency Financing	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Board Date May 24, 2018	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Government of the Maldives, Ministry of Finance	Implementing Agency Ministry of Finance		

Proposed Development Objective(s)

To enhance the Maldives financial capacity to effectively manage the human, physical and fiscal impact of climate change, natural disasters and disease outbreaks.

Financing (in US\$, Millions)

SUMMARY

Total Financing	10.00
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DETAILS

Total World Bank Group Financing	10.00
World Bank Lending	10.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

- 1. The Republic of the Maldives (the Maldives) is an archipelagic nation made up of a collection of 26 atolls, consisting of 1,190 small coral islands, of which 190 are inhabited by a local population of 407,000 individuals (resort islands are not considered as inhabited by the authorities)¹ and spread across a vast sea area of 90,000 square km in the Indian Ocean which stretches 750 kilometers from north to south.** The Maldives is highly exposed to natural hazards and climate variability. With sea levels expected to rise and extreme weather events likely to increase in frequency and intensity, the Maldives is considered one of the world's most vulnerable countries. The consequences of high frequency events such as monsoonal flooding, coastal erosion, salt-water intrusion, sea level rise, as well as less frequent events such as earthquakes, thunderstorms, flash floods and prolonged dry periods pose a real threat to lives and the economy of the Maldives. The effects of climate change, if poorly managed, could cause annual economic losses of more than 12 percent of the Maldives' GDP by 2100. The 2004 Indian Ocean tsunami underlined the urgency of providing safe zones for isolated communities living on distant islands. As coastal erosion and pressure on scarce land resources increase, the physical vulnerability of island populations, infrastructure, and livelihood assets will increase as well. Eighty percent of the total land area of the Maldives, less than 300 square km, is lower than 1m mean sea level (MSL).
- 2. More than 44 percent of settlements—home to 42 percent of the population—and more than 70 percent of all critical infrastructure is located within 100m of the shoreline.** The country's success in building on its extraordinary natural assets in the last decades to develop high-end resort-based tourism and more recently public housing and large infrastructure, has also increased its level of exposure to natural hazards and to disaster risk. This development challenge has been compounded by the country's limited economic opportunities, high costs of transport and service delivery, a small domestic market, and shortage of local skilled labor.
- 3. The Maldives is also highly exposed to public health threats.** According to the World Health Organization (WHO), Acute Respiratory Tract Infection (ARI) is very common in the Maldives with over 100,000 cases per year. Out of the total number of ARI cases in the first quarter of 2017, 155 tested positive for H1N1, 15 for H3N2 and 8 for Influenza B as of March 18, 2017, with at least six deaths reported in Male and other islands. Moreover, 144 Severe Acute Respiratory Illness (SARI) admissions were recorded between January 1 and March 18, 2017. While the Maldives has made substantive progress in most communicable diseases, like many other countries, it is still vulnerable to outbreaks. During the first six months of 2017, the Maldives recorded 19 disease outbreaks, 18 of which were in humans. Together with influenza, dengue and Zika pose huge public health threats.
- 4. Macroeconomic Policy Framework:** The Maldives macroeconomic framework is subject to considerable fiscal and external risks. The Government of the Maldives (GoM) is aware of these risks and has resolved to undertake actions to improve the country's fiscal sustainability and budget credibility. A Bank Development Policy Financing (DPF) parallel operation is focused on prior actions to improve these aspects that are necessary to render the macroeconomic framework adequate, a requirement for the Cat DDO to be approved.

¹ Projection based on Ministry of Finance and Treasury, National Bureau of Statistics (2014), 2014 Maldives Census.



Relationship to CPF

5. **The proposed operation is consistent with the Country Partnership Framework (CPF) for the Maldives FY 16–19.** It responds to “Objective 2: Strengthening natural resource management and climate resilience”. Increasing the resilience of the country to shocks and climate impacts would enable more inclusive and sustainable growth, which is the over-arching strategic goal of the current CPF. The 2015 Systemic Country Diagnostic (SCD) identifies a number of challenges including exposure to external demand shocks from natural disasters and limited macroeconomic and fiscal space to deal with external shocks. The SCD also recognizes that improving preparedness for disasters and climate change would have a medium- to long-term impact on reducing macro fiscal risk. The proposed operation therefore also conforms with Priority Area 3 of the SCD by increasing macroeconomic resilience to external shocks. The Program supports the Bank’s twin goals to end extreme poverty and promote shared prosperity by addressing disaster and climate risk issues that affect the most vulnerable segments of the population.

C. Proposed Development Objective(s)

6. To enhance the Maldives financial capacity to effectively manage the human, physical and fiscal impact of climate change, natural disasters and disease outbreaks.

Key Results

7. Possible Prior Actions:
 - (i) **National Disaster Management Plan:** The NDMP will provide overall guidance for the government decisions on assigning responsibilities and identifying resources to address all aspects of disaster risk management, from risk assessments to disaster response to post disaster needs assessments and recovery.
 - (ii) **National Emergency Operations Plan:** The NEOP will set forth the responsibilities, mechanisms and standard operating procedures (SOPs) for effective disaster response. It will establish a level alert system that the government can use as the basis for triggering the Cat DDO, PEF or both.
 - (iii) **Building Act:** The BA is central to the physical resilience of the country and to promote safe construction practices as well as to ensure that future infrastructure is resilient to climate and disaster risk. The BA was approved and issued in April 2017.
 - (iv) **Nationally Determined Contribution (NDC) Implementation Plan:** The NDC Implementation Plan identifies specific prioritized climate change adaptation actions which are planned to be achieved by 2030. The Plan will also define how the NDC proposed actions will be monitored and evaluated.
 - (v) **Health Emergency Management/Operations Plan:** The Health Emergency Operations/Management Plan will lay down the processes and procedures taken by the MoH to respond to disasters, outbreaks or epidemics. It will establish a level alert system that is aligned and better coordinated with the levels of alert system used by the NDMC.
 - (vi) **Establishment of a fully functioning National Emergency Operation Center (EOC):** The EOC is central to ensure that the country can effectively prepare for and manage health emergencies including controlling and coordinating the response to disease outbreaks. Its establishment in the Maldives will also address the recommendation from the JEE to have a fully functioning national EOC to respond to any health emergency.



D. Concept Description

8. **In the wake of the 2004 Indian Ocean earthquake and the tsunami, the GoM has been more focused on the importance of a coordinated, strategic, and multi-sectoral approach to disaster risk management.** The GoM is also committed to strengthen their core capacities under the International Health Regulations and has recently undergone a Joint External Evaluation (JEE), which identified the specific capacities to be strengthened. It is in this context that the prior actions under this operation will reflect the GoM's commitment to policy reform, to reduce its human, physical and fiscal impacts from disasters, climate change and public health emergencies. The Cat DDO and PEF will support the GoM's efforts to advance and consolidate its ongoing DRM agenda, and further develop the country's regulatory, institutional, technical and financial capacities to better respond to the impact of natural hazards and health emergency situations.
9. **The proposed operation will be one of the first IDA Cat DDO and one of the first ever Bank operation that incorporates the Pandemic Emergency Financing Facility (PEF).** The risk financing products included in this operation are consistent with the Bank's emphasis on disaster prevention, as opposed to only disaster response.
10. **The Cat DDO is a contingent financing line of credit that is now available for IDA 18 countries, including the Maldives, which can provide immediate liquidity following a natural disaster, including a health-related event.** Funds become available for disbursement after a drawdown trigger is met. Establishment of an adequate macroeconomic policy framework and the existence of a satisfactory DRM program make the Maldives eligible for this operation. The proposed size of the Cat DDO is US\$10 million. The Maldives can use its Concessional Core IDA Allocation to fund 50 percent of the Cat DDO selected amount and the 50 percent balance financed by IDA's overall resources. The Cat DDO's current front fee, commitment fee and renewal fee are zero (0%). Like Cat DDOs in other countries, this Cat DDO is expected to be supported by technical assistance on DRM, Disaster Risk Financing and preparedness, to consolidate the achievement of program results across the three pillars of this operation (see pillars below).
11. **Possible Drawdown Trigger (Cat DDO):** Funds may be drawn upon the country's declaration of a state of emergency in its territory as a result of a natural disaster including those related to human health, under the terms and conditions specified in the Credit Agreement.
12. **The PEF is a hybrid disaster risk financing tool designed to help countries respond to severe disease outbreaks.** The PEF may provide funding to support response efforts for qualifying infectious disease outbreak events affecting any PEF eligible countries, including Maldives. The PEF insurance and cash funds will be available to particularly support the achievement of Pillar C on human health, crisis preparedness and response as it relates to specific disease outbreaks.
13. **Possible Drawdown Trigger (PEF):** Funds may be drawn upon the occurrence of a disease outbreak in the country as reported by the Ministry of Health, from (a) the PEF Insurance Window; and/or (b) the PEF Cash Window².
14. The PDO will be achieved by supporting policy reforms under the following three pillars:
 - i. Pillar A: Strengthening of regulatory and institutional framework to manage climate and disaster

² The PEF Operations Manual sets out guidelines related to the operating arrangements and procedures, including processes for fund allocations



- risk;
- ii. Pillar B: Integrating climate and disaster risk reduction into key sectors; and
- iii. Pillar C: Enhancing human health crisis preparedness and response.

Pillar A: Strengthening the regulatory and institutional framework to manage climate and disaster risk.

15. **Implementation of reforms under this pillar would focus on providing the regulatory and institutional basis to increase the government’s capacity to ensure the protection of the country’s natural and built up environment**, and to guide disaster-related policy making and implementation of ex ante and post-disaster measures. This pillar will lead to a more functional disaster risk management system in the country, support the coordination of various key stakeholders, and improve resilience of infrastructure.

Pillar B. Integrating climate and disaster risk reduction in key sectors

16. **This pillar supports the Government to implement adaptation activities designed to reduce, to acceptable levels, the risk associated with full spectrum of weather, climate and oceanic hazards** and to address the consequences of long-term climate change and extreme events. The reforms under this pillar recognize the link between disaster risk reduction (DRR) and climate change adaptation (CCA) in the context of the Maldives. The focus on supporting the Government efforts to increase its technical capacity therefore strengthens both the implementation of climate change adaptation and risk reduction policies.

Pillar C: Enhancing human health crisis preparedness and response.

17. **The reforms under this pillar focus on increasing the Government’s preparedness and response capacities for public health threats to achieve the required core International Health Regulations (IHR) capacities.** The Government has drafted a Health Sector Emergency Risk Management Framework (HSERMF) which integrates an emergency risk management framework with a pandemic emergency response plan and standard operating procedures and guidelines. These public health threats for the country include not only health impacts of natural disasters but other direct health emergencies like potential and actual high-severity disease outbreaks which can be prevented from becoming pandemics with additional resources from the Cat DDO and/or the PEF. While vector borne diseases such as Malaria and Filariasis have been eradicated in the Maldives, other communicable diseases and epidemics, such as dengue, pandemic influenza, Methicillin-Resistant Staphylococcus Aureus (MERS) and Ebola represent the main public health risks of immediate concern for the country.
18. **In March of 2017, and in line with the IHR, the Maldives underwent a JEE to assess the country’s capacity to prevent, detect and respond to public health risks.** The evaluation concluded that the Maldives has a number of capabilities to prepare for and respond to public health emergencies. This evaluation also identified several areas to be strengthened. Two such areas were – revising the Emergency Response Plan and establishing a fully functioning Emergency Operations Center (EOC) at the Ministry of Health.
19. **Link between the Cat DDO and PEF:** While the CAT-DDO has been designed to support response to natural disasters including health emergencies, the PEF has been designed to specifically support response to large-scale qualifying disease outbreaks through its insurance and cash windows.
20. **Link between the Cat DDO and the Urban Resilience and Development Project (URDP):** The Cat DDO, a



development project financing operation designed to provide budget support to respond to natural disasters, would be complemented by the proposed URDP, an investment project financing, which supports institutional capacity, resilient infrastructure and emergency preparedness.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

- 21. It is expected that country policies supported by the proposed operation are likely to have positive poverty and social effects, especially on poor people and vulnerable groups.** The timely liquidity to be provided to the country, by the Cat DDO and the PEF when facing a disaster, is expected to have a positive impact on government finances. The Cat DDO and PEF resources are expected to improve national disaster risk management and vulnerability reduction strategies, that will in turn benefit the poor. However, great care has to be taken to ensure that vulnerable groups are specifically considered in National Disaster Risk Management strategies, particularly in the Maldives where poverty has declined between 2003 and 2010, but remains relatively high considering the GDP growth of past decades (poverty stands at 16 percent in 2010 based on the national poverty line). A set of social protection programs, such as a pension and cash transfer system, exist in the Maldives which can be used to build resilience of poor and vulnerable populations.

Environmental Impacts

- 22. It is anticipated that country policies supported by the proposed operation are likely to have a positive and mainly indirect effect on the Maldives' environment and natural resources.** The geographic conditions of the Maldives (80% below 1 m sea level) make the country highly vulnerable to natural hazards such as surges, cyclones and tsunamis and the coral islands heavily rely on the biological and geomorphic functioning of the coral reef environment for their stability³. The susceptibility of coral reefs systems to increased sea temperatures and ocean acidification, due to climate change events, generate significant problems as they threaten their survival⁴. This situation increases risk of coastal communities and assets, as coral reefs provide significant coastal protection through wave-force attenuation and are the primary sand producer⁵. The National Disaster Council, which is expected to provide guidance, advice and approve all critical decisions on disaster management shall aim at protecting the natural –and built– environment⁶. By preserving natural ecosystems, the Maldives will be better protected from natural hazards and could maintain ecosystem services that support for example fisheries and tourism industries.

³ World Bank. 2015. Maldives: Systematic Country Diagnostic.

⁴ Republic of the Maldives. Strategic National Action Plan for Disaster Risk Reduction and Climate Change Adaptation 2010-2020

⁵ Perry, C.T., Kench, P.S., O'Leary, M.J., Morgan, K.M. and Januchowski-Hartley, F., 2015. Linking reef ecology to island building: Parrotfish identified as major producers of island-building sediment in the Maldives. *Geology*, 43(6), pp.503-506.

⁶ Maldives: Disaster Risk Management Act 2006.



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APPROVAL

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