



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Aug-2019 | Report No: PIDC27620



BASIC INFORMATION

A. Basic Project Data

Country St. Vincent and the Grenadines	Project ID P171640	Project Name SVG Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option (P171640)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Oct 03, 2019	Practice Area (Lead) Urban, Resilience and Land	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance, Economic Planning, Sustainable Development and Information Technology	Implementing Agency Ministry of Finance, Economic Planning, Sustainable Development and Information Technology		

Proposed Development Objective(s)

To strengthen Saint Vincent and the Grenadines legal, institutional and financial framework for enhanced disaster and climate risk management.

Financing (in US\$, Millions)

SUMMARY

Total Financing	20.00
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DETAILS

Total World Bank Group Financing	20.00
World Bank Lending	20.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

1. The Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option (Cat DDO) for Saint Vincent and the Grenadines (SVG), in the amount of US\$20 million, supports: (a) the efforts of the Government to mobilize resources in the aftermath of a natural catastrophe, including public-health related events; and



(b) the country's reform program to comprehensively manage disaster and climate risks. This Cat DDO builds on a detailed assessment of the country's key disaster risk management (DRM) and climate change adaptation (CCA) regulatory and institutional framework as well as an analysis of the public health emergency-related system. The country's existing DRM system has robust legislative frameworks with directives that have been well-articulated in relevant policies and plans; however, there is need to strengthen DRM at the sectoral level. With respect to CCA actions, the Government has undertaken numerous actions without an overarching policy framework.

Country Context

2. SVG is highly exposed to hydro-meteorological and geophysical hazards¹, which have had significant negative impacts on its economic and fiscal stability, as well as the safety and wellbeing of the population. These natural hazards are exacerbated by the adverse impacts of climate change, unregulated land use and unplanned urban growth that place increased stress on infrastructure, water availability, agricultural production and livelihoods. While all citizens are adversely affected, the poor and vulnerable are disproportionately impacted. The economic impact of all hydro-meteorological events has been estimated at 1.2% of GDP or US\$11.3 million² per year over the period 1998 – 2017. However, on average over the long run, probabilistic models show a projected annual average loss (AAL) from wind damage alone at US\$6.6 million³. Heavy rains in October and November 2016, starting with Hurricane Matthew, resulted in loss of housing, loss of productivity and significant damage to road infrastructure, amounting to about US\$36.3 million (5% of GDP). In the Housing sector, 189 homes were damaged or destroyed, amounting to US\$4.6 million (13% of total). In the Education sector, students and teachers lost up to four weeks of instructional time because the buildings were being used as emergency shelters. In Sandy Bay, one of the poorest communities in the country, impacts were significant for families that participated in the school feeding program that provides students with a hot lunch daily. For some of these students this is their one complete meal of the day, and the loss of this meal for up to four weeks had implications on their learning, health and welfare.

3. SVG's shape and terrain dictate that major settlements, particularly in the main island, occur along the coast, especially on the eastern side (Atlantic); there is minimal flat land for housing development and coastal regions are exposed and vulnerable. Moreover, SVG faces land management challenges as economic development and urban expansion place increasing pressures on the limited supply of land. The small- and medium-sized urban centers of SVG are the main receptors of population movement, with 51% of the population living in urban areas, reflecting in part the steady decline in the rural population since 1981. The lack of a policy that promotes the necessary regulation for the sustainable management of land use has allowed for urban sprawl, dilapidated urban infrastructure, poor traffic management and the growth of informal settlements.

4. Against this backdrop, DRM and CCA considerations are being mainstreamed into SVG's development planning. They are core areas of the National Economic and Social Development Plan: 2013 – 2025 which focuses on the need to develop a comprehensive DRM program and seeks to mainstream reduction of climate and disaster risks, particularly under Goal 4: "Improving Physical Infrastructure, Preserving the Environment and Building Resilience to Climate Change" and Goal 1: "Re-engineering Economic Growth Strategy". Strategic objectives include, inter alia: (a) optimizing the use of limited land space; (b) enhancing the capability of SVG to prepare effectively for, respond to and mitigate disasters; and (c) reducing the adverse impacts of climate change. The policy reforms supported by the proposed operation highlight the Government's commitment to achieving these objectives.

¹ Hydro - meteorological - high wind, excess rainfall, hurricanes and drought; and geophysical – seismic, volcanic, tsunami

² Eckstein, David et al (2018), "Global Climate Risk Index 2019", Germanwatch.

https://www.germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202019_2.pdf

³ <https://www.preventionweb.net/english/hyogo/gar/2015/en/home/data.php?iso=VCT>



5. SVG has established enabling legislation for disaster risk management. Disaster preparedness and emergency response in SVG, including responses to health emergencies, is implemented under the authority of the National Emergency and Disaster Management (NEDM) Act No. 15 of 2006, the Emergency Powers Act No. 45 of 1970, and the Natural Disaster (Relief) Act of 1947. The NEDM Act (2006) establishes the disaster planning and response framework which is executed through the National Emergency Management Organization (NEMO). SVG is also party to regional legislation that enhances its disaster management through its membership in the Caribbean Community (CARICOM) and the Caribbean Disaster and Emergency Management Agency (CDEMA), which is the regional, inter-governmental agency for disaster management in the Caribbean. The Government has also signed onto the Antigua Declaration of Safe Schools (2017), a regional agreement aimed at addressing critical issues around DRM and its relevance to the Education sector.

6. The Government is also building a comprehensive approach to financial resilience against natural disasters, anchored in its broader management of fiscal risks, to become a more effective risk manager rather than an emergency borrower. SVG was one of the founding members of the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) and has maintained coverage since 2007. CCRIF SPC offers a parametric pooled risk transfer mechanism aimed at addressing emergency costs associated with low frequency and high severity events. To address the lower layer of risk from more frequent events, the Government has established a disaster contingency fund which should allow for a faster, less disruptive fiscal response to disaster impacts. In addition, the Government has access to funds under the Contingency Emergency Response Component (CERC) of the RDVRP, which can be mobilized immediately after the declaration of a state of emergency. This Cat DDO, which aims to address the medium layer of risk, is a key part of the country's approach to diversifying its disaster risk financing (DRF) instruments, ensuring that SVG has access to rapid liquidity for emergency response and recovery and is better prepared to absorb the fiscal shock of natural disasters. Combining CCRIF with SVG's growing and consistently capitalized contingency fund for disaster response, as well as immediate liquidity from a Cat DDO can cover this basis risk in a cost-effective manner and ensure that SVG has the funds necessary to carry out immediate relief activities.

7. The Government is also taking steps to address the impact of climate change and natural disasters on the Health sector. The Government has upgraded select health facilities under the Smart Health Facilities initiative, which aims to ensure that health facilities are environmentally friendly and resilient to disasters (mainly extreme weather events)⁴. The country is implementing International Health Regulations (2005) which is a legally binding instrument "to prevent, protect against, control and provide a public health response to the international spread of disease in ways that are commensurate with and restricted to public health risks, and which avoid unnecessary interference with international traffic and trade." Rapid needs assessments following the Zika outbreak, carried out by the World Bank in collaboration with the Pan-American Health Organization (PAHO), revealed shortcomings to be addressed in the Organisation of the Eastern Caribbean States (OECS) Regional Health Project, under preparation. The OECS Regional Health Project includes four countries and two regional entities and focuses on improving preparedness capacities of health systems for public health emergencies and includes support for relevant policy reforms at the national and regional levels. As such, no prior actions related to health are proposed under this operation.

8. SVG's macroeconomic policy framework is adequate for this development policy financing operation, despite the presence of substantial risks. SVG currently benefits from a stable and sound macroeconomic outlook supported by recently approved fiscal measures and a strong commitment to further economic and fiscal reforms. The Government maintains a dialogue with the International Monetary Fund (IMF) on macroeconomic policy through Article IV consultations and technical assistance.

⁴ A detailed description of this initiative is available at: https://www.paho.org/disasters/index.php?option=com_docman&view=download&category_slug=smart-hospitals-toolkit&alias=2141-a-model-policy-for-smart-health-facilities&Itemid=1179&lang=en



Relationship to CPF

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

C. Proposed Development Objective(s)

10. The development objective of the proposed Cat DDO is to strengthen Saint Vincent and the Grenadines' legal, institutional and financial framework for enhanced disaster and climate risk management. This objective will be achieved with the implementation of strategic reforms around two mutually reinforcing pillars:

Pillar I: Strengthening the legal and institutional framework for improved protection of vulnerable sectors of society

Pillar II: Strengthening the legal and institutional framework for improved urban and climate resilience

11. Proposed Prior Actions:

Prior Action # 1: Cabinet has approved the new Housing Policy – white paper, thereby providing the framework for improved housing programs that better support the poorer members of community that may live in areas of greater risk.

Prior Action # 2: Cabinet has approved the School Safety Policy, thereby creating a specific legal framework to enhance the physical, environmental and social protection levels at education facilities as well as to increase the awareness of the school community on resilience.

Prior Action # 3: Parliament has approved a Climate Resilience Levy Act, thereby reducing the fiscal and socioeconomic impacts of disasters by increasing budgetary resources available for post disaster emergency response through the Contingency Fund.

Prior Action # 4: Cabinet has approved the revised National Land Policy, thereby establishing the legal framework for integrating disaster risk management and climate change adaptation in land use and territorial planning as well as defining the strategic guidelines on land uses to promote resilient urban growth.

Prior Action # 5: Cabinet has approved the Climate Change Policy and National Adaptation Plan, thereby providing a comprehensive strategic framework for addressing climate risks.

Key Results

12. Recognizing the importance of disaster and climate risk-sensitive planning for sustainable development, the Government has embarked on a set of reforms to establish and strengthen the legal and institutional framework by incorporating DRM and CCA into resilient urban development and sectoral policies. These reforms apply the 360° approach to resilience targeting housing resilience, safer schools, fiscal resilience, economic and urban resilience and climate resilience.



D. Concept Description

13. Through the reforms included in **Pillar I**, the Government is establishing the necessary policy framework and technical capacity to build resilience for the more vulnerable in communities through focusing on the following key areas:

- **Housing.** Housing has been developed without a formal housing policy. Recent disasters have highlighted the vulnerability of the housing stock, particularly in poorer areas such as Sandy Bay, where homes were destroyed in the 2016 heavy rainfall event. The [Housing Policy – white paper](#) focuses on strengthening the social housing program to reduce vulnerability, generally amongst the poor, elderly and disabled members of society.
- **Education.** There are 231 educational institutions, accommodating over 13,000 students; many of these are dual-purposed – also serving as shelters during natural hazard impacts. The [School Safety Policy](#) provides a governing framework to help build institutional capacities for structural and site safety assessments of educational facilities; formulate comprehensive disaster management plans for each educational facility; and formulate and implement contingency plans that allow schooling to resume as soon as possible following a disaster.
- **Fiscal Resilience.** SVG’s existing risk financing instruments - budget reallocation, a contingency fund, a CERC, and CCRIF SPC - have been insufficient to address the Government’s historical post disaster costs, averaging US\$4 - 6 million per year. Access to a further capitalized contingency fund and Cat DDO can mitigate the overreliance on reallocating funds from social programs to disaster response efforts and ensure that funds are available to scale up post-disaster response to vulnerable communities. Through its [Climate Resilience Levy Act](#), SVG has identified a dedicated and consistent funding stream, thereby addressing one of the more challenging parts of maintaining a contingency fund.

14. Under **Pillar II**, the reform aims to improve economic and urban resilience and well as to promote climate change adaptation through focusing on the following key areas:

- **Land.** Given its small area and rugged terrain, SVG faces land management challenges particularly as economic development and urban expansion place increasing pressures on the limited supply of land. With 51% of the population living in urban areas, the lack of an adequate policy has allowed for urban sprawl, dilapidated urban infrastructure and the growth of informal settlements. The [Land Policy](#) defines the principles that will guide the sustainable management of land and govern land use for resilient urban development.
- **Climate Change Adaptation.** There are over 55 national legislations, policies and plans that contribute to the development of climate resilience in SVG; however, there is no overarching policy that anchors them. The [Climate Change Policy](#) and [National Adaptation Plan](#) lay out an institutional framework for an integrated and coordinated response that engages all stakeholders for climate change adaptation and mitigation and seeks to enable harmonization across sectoral policies and plans.

15. The achievements and lessons learned from Health, CCA and DRM projects, along with the technical assistance work implemented over the last two decades by the Government, the World Bank and development partners, lay the foundation for the operation. In particular, (a) under the Fiscal Reform and Resilience Development Policy Credit (DPC), the adoption of the building codes, the revisions to the Town and Country Planning Act and the development of rules to govern the contingency funds are being incorporated; (b) under the OECS Regional Health Project, policy reforms to improve the health sector are being developed; and (c) under the Regional Disaster Vulnerability Reduction Project (RDVRP), physical interventions to improve critical infrastructure, institutional strengthening and capacity building activities that complement this proposed operation are ongoing.

E. Poverty and Social Impacts and Environmental Aspects

Poverty, Social and Environmental Impacts

16. **The DPC-supported policies are expected to have positive poverty, social, and environmental impacts.** The Land Policy is expected to have positive impacts on land use and management, support the promotion of economic



development and facilitate the setting aside of land for much needed public services, accessed by poorer communities. The Housing Policy is intended to enhance social housing programs for poorer communities and may include housing subsidy programs that promote the transition from the informal sector to the formal sector. This policy will be of particular benefit to the poor, women, children, the differently abled and the elderly. The Climate Change Policy and National Adaptation Plan will support targeted interventions that improve the environment through various overlapping awareness initiatives and increased preparation for disaster response and will also have positive effects on society. Proper education facilities, through the Safer Schools Policy, will improve the learning environment for students. Continued access to schools is beneficial and critical because poor and vulnerable families participate in the school feeding program which provides students with access to daily meals. Under Pillar 2, the use of the Contingency Fund will limit the need to re-allocate resources post-disaster from much needed development programs often aimed at poverty reduction and improvements in delivery of public services. By mobilizing revenues and improving efficiencies in revenue collection and public spending, the Government can raise additional resources for public services without imposing a tax burden on low-income groups.

17. **Climate co-benefits for this operation are expected to be high** as climate change adaptation considerations are explicitly integrated in all the Prior Actions.

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The World Bank

SVG-Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option
(P171640)

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APPROVAL

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