

**PROGRAM INFORMATION DOCUMENT (PID)
DECISION STAGE**

Report No.: 98883

Operation Name	Supplemental Development Policy Operation
Region	East Asia and Pacific
Country	Tuvalu
Sector	Central government administration (40%); Vocational training (20%); Health (20%); Subnational government administration (20%)
Operation ID	P156169
Lending Instrument	Development Policy Lending
Borrower(s)	Tuvalu
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Implementing Agency	Ministry of Finance and Economic Development
Date PID Prepared	July 21, 2015
Estimated Date of Appraisal	July 28, 2015
Estimated Date of Board Approval	September 15, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

The proposed USD 3.0 million supplemental financing from the Crisis Response Window (CRW) supports the Government of Tuvalu (GoT) in post Tropical Cyclone (TC) Pam recovery. The Board approved on May 18, 2015, USD 3.0 million IDA CRW support, to Tuvalu, for TC Pam recovery. TC Pam recovery and reconstruction creates an unanticipated financing need. However, Tuvalu is already at high risk of debt distress and has no access to international capital markets, limiting the sources of funding available. After considering pledged grants from other development partners, the financing gap remains substantial (annual deficits averaging around 9.3 percent of GDP over the next couple of years from a surplus counterfactual situation). Supplemental financing to the Second Development Policy Operation (DPO) remains the most appropriate instrument for providing timely support to the GoT in TC Pam recovery. The existing small IDA portfolio is already fully programmed, constraining options for reorientation of existing investment projects. In addition, the Second DPO was only approved by the Board in March 2015, therefore, a freestanding DPO may overload the reform agenda in a capacity constrained environment at a time when the GoT is focused on post cyclone recovery. Finally, this operation will ensure that the reforms supported under the Second DPO remain on track and are implemented without the risk of delay due to competing capacity or budgetary priorities arising from post disaster recovery. Overall, the proposed supplemental financing is consistent with the provisions of OP8.60.

II. Proposed Objective(s)

The proposed USD 3.0 million supplemental financing will support the GoT in post TC Pam recovery, which creates an unexpected financing gap, while ensuring continued implementation of reforms supported under the Second DPO. A series of two DPOs was launched in 2013, in support of reforms to strengthen public financial management (PFM) and social service delivery, supporting Tuvalu in achieving the objectives of its national development strategy. The proposed supplemental financing will help to ensure that reforms supported under the Second DPO remain on track and are implemented without the risk of delay due to competing capacity or budgetary priorities arising from post-disaster recovery. This operation does not support specific policy actions and activities, aiming instead to more generally provide the government with quick disbursing resources to respond to disaster-related needs in a timely manner.

III. Preliminary Description

The proposed supplemental financing is part of the World Bank's package of support. A Bank mission was fielded in country immediately after the cyclone hit and a Rapid Damage Assessment was subsequently completed. This provided a baseline assessment of the economic impact of TC Pam, which was utilized to inform both the GoT's reconstruction plan and development partner support. The Bank also provided subsequent technical and financial support to the GoT and is now working in a coordinated manner with other development partners to support the GoT in post TC Pam recovery. The proposed USD 3.0 million supplemental financing from the CRW supports the GoT in post TC Pam recovery, which creates an unexpected financing gap. At the same time, it helps to ensure that the reforms supported under the Second DPO remain on track and are implemented without the risk of delay due to competing capacity or budgetary priorities arising from post-disaster recovery.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts - Policies supported by the Second DPO and the proposed supplemental financing are unlikely to have significant poverty and social consequences, especially on the poor and vulnerable groups. Under the Second DPO, reforms enhancing employment orientated vocational training will contribute to greater employment opportunities for Tuvaluans, including the poor. The broadening of the training program offered at the Tuvalu Maritime Training Institute to allow female participation will not only reduce disadvantage to women in education opportunities, but enhance the employment prospects of Tuvaluan women. Better management of the medical treatment program will improve the quality of these services whilst reducing the cost of their provision. These savings will free up scarce resources and allow the GoT to address the expenditure imbalance in the health sector and to invest more in primary, preventative and maternal care, which benefit a greater proportion of the population, including the poor. Reforms to strengthen governance and accountability of outer island Kaupules are expected to support improved service delivery to some of Tuvalu's poorest and most remote households. Finally, strengthening PFM is expected to unclog the budget process and allow it to be an effective tool for responding to national poverty and social needs.

Environment Aspects - The policy reforms supported by the Second DPO and the proposed supplemental financing are not likely to have any negative effects on Tuvalu's environment or natural resources. The actions supported by the Second DPO for improving PFM and service delivery do not have any direct links to environmental factors.

V. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
IDA Grant from the Crisis Response Window	<u>3.0</u>
Total	3.0

VI. Contact point

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