



The World Bank

ADDITIONAL FINANCING FOR THE PACIFIC RESILIENCE PROJECT UNDER THE PACIFIC RESILIENCE PROGRAM (P166974)

Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 08-Aug-2018 | Report No: PIDISDSA24779



BASIC INFORMATION

A. Basic Project Data

Country Marshall Islands	Project ID P166974	Project Name ADDITIONAL FINANCING FOR THE PACIFIC RESILIENCE PROJECT UNDER THE PACIFIC RESILIENCE PROGRAM	Parent Project ID (if any) P155257
Parent Project Name PACIFIC RESILIENCE PROJECT UNDER PACIFIC RESILIENCE PROGRAM	Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 10-Aug-2018	Estimated Board Date 27-Sep-2018
Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Investment Project Financing	Borrower(s) Republic of the Marshall Islands	Implementing Agency Ministry of Finance

Proposed Development Objective(s) Parent

To strengthen the financial protection of the Republic of Marshall Islands.

Proposed Development Objective(s) Additional Financing

To strengthen the financial protection of the Republic of Marshall Islands from natural disasters.

Components

- Component 1: Strengthening Early Warning and Preparedness
- Component 2: Risk Reduction and Resilient Investments
- Component 3: Disaster Risk Financing
- Component 4: Project and Program Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.90
Total Financing	2.90
of which IBRD/IDA	2.50



Financing Gap	0.00
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DETAILS

World Bank Group Financing

International Development Association (IDA)	2.50
IDA Grant	2.50

Non-World Bank Group Financing

Counterpart Funding	0.40
Borrower	0.40

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The Republic of the Marshall Islands (RMI) is one of the world’s smallest, most isolated and vulnerable nations. The country consists of 29 atolls (24 of which are inhabited) and five isolated islands with a total land mass of 181km², dispersed across an ocean area of over 1.9 million km². RMI’s population is estimated at about 53,000, of which over half reside in the capital city of Majuro.

2. RMI is a lower middle-income country with a GDP of US\$179.4 million (2015), and a per capita GDP of US\$3,326. GDP has grown at an average rate of around 1% per annum, in real per capita terms, since 1979. The size and remoteness of RMI increase the cost of economic activity and make it difficult to achieve economies of scale. Remoteness also imposes transport expenses that increase the costs of trade, and fundamentally constrain the competitiveness of exports of goods and services internationally. These same factors also push up the cost and complexity of providing public services and fulfilling the basic functions of Government. Exports are low, and the shallow domestic economy has brought high dependence on imports, which are funded largely by the sale of offshore fishing rights and high levels of foreign aid. Foreign aid funds a very large public sector that dominates the economy.



Sectoral and Institutional Context

3. RMI is exposed to a range of hydro-meteorological and geohazards, including tropical cyclones, earthquakes and tsunami. The likelihood that a hazardous event will have a significant impact on the Marshall Islands is rising with the increasing levels of population and assets in the urban areas of Majuro and Ebeye. The low-lying atolls are at risk from tsunamis (and storm surge), which can cause damage to roads, houses, and other infrastructure on the low-lying atolls. Tropical cyclones are expected to become more frequent with climate change.

4. Catastrophe risk modeling indicates that the country is expected to incur, on a long-term average, annual losses of US\$3 million due to earthquakes and tropical cyclones. In the next 50 years, RMI has a 50 percent chance of experiencing a loss exceeding US\$53 million, and a 10 percent chance of experiencing a loss exceeding US\$160 million¹.

5. Recognizing these challenges, the Government has developed strategic priorities for disaster risk management and climate change adaptation which are detailed in the Joint National Action Plan for Climate Change Adaptation and Disaster Risk Management 2014–2018. While the government has a contingency budget and access to the Disaster Assistance Emergency Fund, the available resources are limited. Funding support through the Project will be fundamental to strengthening RMI's financial protection against natural disasters. Continuous access to catastrophe insurance coverage is necessary to transfer the country's risk from cyclones, earthquakes, and tsunamis, in view of RMI's vulnerability to both geophysical and hydro-meteorological hazards, and its limited financial capacity to prepare for and respond to the associated risks.

C. Proposed Development Objective(s)

Original PDO

To strengthen the financial protection of the Republic of Marshall Islands.

Current PDO

To strengthen the financial protection of the Republic of Marshall Islands from natural disasters.

Key Results

6. The Pacific Resilience Program (PREP) is a 'Series of Projects', with a regional approach to assisting Pacific Island Countries (PICs) to: (i) strengthen early warning and preparedness (Component 1); (ii) make prioritized investments in resilience and retrofitting of key-public assets (Component 2); and (iii) improve the post-disaster response capacity of the countries through disaster risk financing (Component 3). Under the parent project, RMI is participating in the first phase of the PREP together with Samoa, Tonga, and Vanuatu. These countries have all participated in the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), on which the third component of PREP builds. PCRAFI successfully piloted a regional,

market-based catastrophe risk insurance pool to increase financial resilience against natural hazards and provide immediate liquidity when a major disaster hits a participating country.

7. Under the second phase of the Program (P160096), RMI is undertaking activities contributing to Component 1 (integrating governance of disaster and climate change management, and institutional strengthening; improving early warning communication systems for outer islands; and developing a roadmap and implementing priority improvements to modernize the National Disaster Management Office’s facilities), Component 2 (improving and expanding the coastal vulnerability assessment for Ebeye and Majuro; and priority coastal protection works investments including investigations, design, and construction supervision), and Component 3 (contingency emergency response).

8. Progress towards achieving the development objective and implementation progress have both been rated Satisfactory since November 2015, and the PDO is expected to be achieved. The PDO-level indicator for the program has been achieved, as shown in the table below. As an intermediate outcome, the regional catastrophe insurance pool has achieved premiums lower than the simulated price for a comparable coverage purchased individually in the market.

Country	Event / Amount	Time to Payout	Phase
Tonga (2014)	Tropical Cyclone Ian (USD 1.3 million)	10 days	PCRAFI pilot
Vanuatu (2015)	Tropical Cyclone Pam (USD 1.9 million)	7 days	PCRAFI pilot
Tonga (2018)	Tropical Cyclone Gita (USD 3.5 million)	7 days	PREP

D. Project Description

Component 1: Strengthening Early Warning and Preparedness

RMI is not participating in Component 1 activities during Phase I of the Program.

Component 2: Risk Reduction and Resilient Investments

RMI is not participating in Component 2 activities during Phase I of the Program.

Component 3: Disaster Risk Financing

This component offers a parametric catastrophe risk insurance pool for participating Pacific Island Countries, including RMI.

Component 4: Project and Program Management

RMI is not implementing any Component 4 Activities during the program.

9. The original Project included only Component 3 of PREP: Disaster Risk Financing. The proposed additional financing in the amount of USD 2.5 million will consist of national IDA of USD 0.65 million and regional IDA of USD 1.85 million (both on a grant basis) to fund disaster insurance premium payments for an additional five years of coverage, and total project financing of USD 4.0 million. There will also be counterpart funding of USD 0.4 million in increasing contributions from the government of RMI over the next 5 years, in addition to USD 0.15 million counterpart funding for the original project, taking total project costs to USD 4.55 million.



10. The proposed additional Grants would finance part of the costs associated with scale-up of activities under Component 3 (Premiums Financing), enhancing the impact of the project by covering the payment for the disaster insurance premiums for an additional 5 years, to provide insurance cover until October 2023. This will ensure that RMI continues to have access to catastrophe risk insurance as part of strengthening financial protection against natural disasters.

E. Implementation

Institutional and Implementation Arrangements

11. Under the additional financing, the Ministry of Finance will continue to ensure proper and efficient implementation of the Project on behalf of the Recipient. At the regional level, the name of the Regional Steering Committee will be revised to Regional Advisory Committee (RAC). RMI is required to take all necessary measures on its part to ensure that the RAC, which oversees PREP, will remain in place until the OF closing date of November 30, 2020. After November 30, 2020, activities under the project will not be subject to oversight by the RAC’s successor committee, if any.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

As the project is providing funding for payment of disaster risk insurance premiums only, there are no salient physical characteristics relevant to safeguard analysis. The Implementing Agency's office is located in Majuro Atoll, Republic of Marshall Islands.

G. Environmental and Social Safeguards Specialists on the Team

Wolfhart Pohl, Environmental Safeguards Specialist
Penelope Ruth Ferguson, Social Safeguards Specialist
Ross James Butler, Social Safeguards Specialist
Nicholas John Valentine, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	



Performance Standards for Private Sector Activities OP/BP 4.03	No
Natural Habitats OP/BP 4.04	No
Forests OP/BP 4.36	No
Pest Management OP 4.09	No
Physical Cultural Resources OP/BP 4.11	No
Indigenous Peoples OP/BP 4.10	No
Involuntary Resettlement OP/BP 4.12	No
Safety of Dams OP/BP 4.37	No
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

There are no safeguard issues or impacts associated with the proposed project, as it is providing funding for payment of disaster risk insurance premiums only.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Under both the parent project and the Additional Financing, the Republic of Marshall Islands is not carrying out any activities under Component 1 (Strengthening Early Warning and Preparedness) or Component 2 (Risk Reduction and Resilient Investments). The activities under the Additional Financing will remain limited to providing funding for payment of disaster risk insurance premiums under Component 3 (Disaster Risk Financing).

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

N/A

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

N/A



B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

World Bank

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Borrower/Client/Recipient

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APPROVAL

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Approved By

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