



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 05-Sep-2018 | Report No: PIDC24518



BASIC INFORMATION

A. Basic Project Data

Country Nepal	Project ID P166788	Project Name NEPAL DRM DEVELOPMENT POLICY CREDIT WITH CAT DDO (P166788)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Board Date Mar 28, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency Ministry of Home Affairs, Ministry of Health and Population		

Proposed Development Objective(s)

To enhance the capacity of Nepal to manage the impacts of climate change and natural disasters including disease outbreaks.

Financing (in US\$, Millions)

SUMMARY

Total Financing	50.00
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DETAILS

Total World Bank Group Financing	50.00
World Bank Lending	50.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- Nepal is highly vulnerable to a range of natural hazards, particularly earthquakes, flood, drought, and landslides.** In the aftermath of the 2015 earthquakes, a total of 8,790 people lost their lives and more than 22,300 people were injured¹ Approximately 725,000 houses, 2,656 Government buildings, and 30,000 classrooms were either completely or partially damaged. The country is drought prone as well as susceptible to floods and landslides. These hazards and the country's high level of vulnerability make Nepal the second most vulnerable country in the world in terms of

¹ Post Disaster Needs Assessment (PDNA), Government of Nepal (2015).



mortality risk from two or more hazards.²

2. **Nepal has been experiencing increased incidence of emerging diseases** such as dengue, Japanese encephalitis, chikungunya, and leptospirosis in the recent years. They have a high potential of creating outbreaks with widespread morbidity and mortality. In fiscal year 2016-17, there were 41 major outbreaks including acute gastroenteritis, diarrhea, influenza, cholera, food poisoning, leptospirosis, scrub typhus, and dengue mushroom poisoning, affecting a total of 3,545 people with a fatality rate of 0.81 percent. The Scrub Typhus outbreak had the greatest morbidity. Mushroom poisoning had a high case fatality rate (45 percent).³ The Nepal Health Sector Strategy (2015-2020) recognizes the increasing threats from disasters and adverse effects of climate change, especially among poor and vulnerable groups, and highlights the urgent need to heighten its effort on emergency preparedness and response.
3. **Macroeconomic Policy Framework:** Despite several severe shocks in the past (conflict, unstable governments, earthquakes, trade disruptions, India's demonetization and introduction of GST), Nepal's macroeconomic fundamentals have remained sound.

Relationship to CPF

4. **This operation is consistent with the Country Partnership Framework (CPF) for Nepal FY19–23**, particularly, it responds to "Focus Area 3: Inclusion and 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 2018 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 an external shock.

C. Proposed Development Objective(s)

5. The overall objective is to enhance the capacity of Nepal to manage the impacts of climate change and natural disasters including disease outbreaks.

Key Results

6. The main results expected for this operation are related to the areas of DRM, climate change and health, and address the need to (i) improve climate and disaster risk management institutional and regulatory framework, (ii) Integrate climate and disaster resilience in key sectors, and (iii) enhance human health crisis preparedness and response.

D. Concept Description

7. **This operation responds to the country's need for disaster risk financing mechanisms to address the economic impact of adverse natural events including health-related shocks** by providing: (i) immediate liquidity in the aftermath of natural disasters through a Disaster Risk Management (DRM) Development Policy Credit (DPC) Catastrophe Deferred Drawdown Option (Cat DDO), and (ii) access to the Pandemic Emergency Financing Facility (PEF) cash and insurance windows to ensure timely support to address disease outbreaks, before they reach pandemic proportions.
8. **The proposed operation will be the first IDA Cat DDO-PEF in Nepal.** This disaster risk financing product is consistent

² Natural Disaster Hotspots, A Global Risk Analysis, The World Bank (2005)

³ Annual Report 2016/17. Department of Health Services, Ministry of Health and Population, Nepal.



with the Bank's emphasis on disaster prevention, as opposed to only disaster response. The country's establishment of an adequate macroeconomic policy framework and the existence of a satisfactory DRM program make the Nepal eligible for the Cat DDO, and also eligible to benefit from the PEF as an IDA country.

9. **Link between the Cat DDO and PEF:** The Cat DDO has been designed to support response to natural disasters including health emergencies, and the PEF (a parallel financing within this operation) is designed to specifically support response to large-scale qualifying disease outbreaks through its insurance and cash windows.
10. **The PDO takes into account Nepal's fast development rate in the last two decades,** the country's proactive approach towards adverse natural events and climate change, and the recognition of increasing focus towards resilient and sustainable development. The PDO will be achieved by supporting policy reforms under the following three pillars: (i) Improving the climate and disaster risk management institutional and regulatory framework, (ii) Integrating climate and disaster resilience in key sectors, and (iii) Enhancing human health crisis preparedness and response.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

11. **This operation supports the use of climate and disaster risk information to include and reach the most vulnerable populations.** The implementation of key activities identified in Prior Action 2, will inform the decision-making process to increase the safety of vulnerable groups, such as the poor, women, and people with special needs.
12. **This operation will lessen the economic and social disruption that countries have recently faced due to health-related shocks in the aftermath of disaster.** This operation takes into account the importance to reducing the impact of public health-related emergencies by enhancing health crisis preparedness as well as the ability to scale-up response to health adverse events.

Environmental Impacts

13. **The prior actions selected for this operation are likely to have a positive and mainly indirect effect on Nepal's environment, forests or other natural resources.** Enhancing the government's capacity to manage disaster will lead to preservation and sustenance of natural resources and the environment. Prior Actions will e.g.: (i) enable DRM authorities to better mitigate damage on environmental and natural resources during any type of disasters, and (ii) have a positive effect on natural resource and environmental management.



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APPROVAL

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