



1. Project Data

Project ID P149895	Project Name NI Catastrophe Risk Insurance	
Country Nicaragua	Practice Area(Lead) Urban, Resilience and Land	
L/C/TF Number(s) IDA-55300,IDA-55310	Closing Date (Original) 31-Jul-2021	Total Project Cost (USD) 10,550,000.00
Bank Approval Date 18-Jun-2014	Closing Date (Actual) 30-Jun-2021	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	12,000,000.00	0.00
Revised Commitment	11,659,010.29	0.00
Actual	10,550,000.00	0.00

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2. Project Objectives and Components

a. Objectives

This project aimed to facilitate access of Honduras and Nicaragua to regional risk insurance through membership in the Caribbean Catastrophe Risk Insurance Facility (CCRIF). CCRIF was the first multi-country catastrophe risk pooling and financing facility that transfers partial sovereign disaster risk to the international reinsurance market and provides countries with liquidity following natural disasters. In 2014, the facility was restructured into a Segregated Portfolio Company (SPC) to facilitate expansion into new products and geographic areas and since then the facility is known as CCRIF SPC.



The Original Project Development Objective (PDO) as stated in the Financing Agreement (Schedule 1, page 5) and the Project Appraisal Document (PAD, page 6):

" To enable the access of the Recipient (Honduras and Nicaragua) to efficient sovereign risk insurance associated with tropical cyclones, earthquakes, and/or excess rainfall."

The Government of Honduras' evaluation of its fiscal situation and competing political priorities delayed its decision to join the CCRIF SPC and sign the Credit Agreement for this IDA project. Honduras hesitation to move forward with CCRIF membership at appraisal was also partly attributable to the delayed availability of excess rainfall coverage, which later became available for the 2016/2017 policy period. Since Honduras did not meet the deadline for the signing of the credit agreement, the World Bank withdrew the credit offer to Honduras on January 18, 2017.

Revised PDO:

" To enable access of Nicaragua to efficient sovereign risk insurance associated with geophysical and climate-related events."

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

19-Apr-2017

c. Will a split evaluation be undertaken?

Yes

d. Components

There were two components (PAD, page 7).

1. Payment of the entrance fee to the CCRIF SPC for Honduras and Nicaragua. The estimated cost at appraisal was US\$4.5 million. The estimated cost after project restructuring was US\$1.0 million. The actual cost was US\$1.0 million. This component aimed to assist Honduras and Nicaragua to join the CCRIF SPC by financing their entrance fees (equivalent to the first years' insurance premium).

2. Payment of annual insurance premium to the CCRIF SPC for Honduras and Nicaragua. The estimated cost at appraisal was US\$19.5 million. The estimated cost after project restructuring was US\$10.6 million. The actual cost was US\$10.6 million. This component aimed to assist Honduras and Nicaragua purchase catastrophe insurance coverage offered by the CCRIF SPC during the first three years of membership. Annual insurance premiums would initially cover risk due to tropical cyclones and earthquakes during year one. Upon availability of an additional excess rainfall product in year two, this component could also be used towards financing coverage against excess rainfall.



Revised component 2. At project restructuring, component 2 was revised as follows: One, financing the annual insurance premiums for Nicaragua for two more years (premiums were to be on a decreasing basis for the final two years); and two, as new sovereign risk insurance became available for geophysical and climate-related events, Nicaragua could access sovereign risk insurance for geophysical events (including, but not limited to, earthquakes, volcanic eruptions, and landslides), and climate-related events (including, but not limited, to tropical cyclones and excess rainfall).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The estimated cost at appraisal was US\$24.0 million (US\$12.0 million each for Honduras and Nicaragua). The revised estimate after project restructuring was US\$11.6 million. The actual cost was US\$11.6 million.

Project financing. An IDA credit of US\$24.0 million financed the project (US\$12.0 million each for Honduras and Nicaragua). The revised estimate after Honduras withdrew from the project was US\$11.6 million. The amount disbursed was US\$10.5 million. The difference between the revised estimate and the amount disbursed was due to parameter policy changes. The team clarified that when a country selects CCRIF policies they can choose from several parameters choices such as: (i) attachment point - deductible measured by event return period modelled losses; (ii) exhaustion point - highest limit of coverage, also measured by return period modelled losses; and (iii) ceding percentage - amount of risk within the attachment point and exhaustion point they will be ceding to the international markets. Many permutations of these choices determine premium costs. The team also clarified that the estimates of the IDA credit at appraisal were based on the most likely policy choices for Nicaragua, but Nicaragua chose slightly less expensive premiums. Hence the difference between the IDA credit and the amount disbursed.

Recipient contribution. Recipient contribution was not planned at appraisal. The Ministry of Finance covered the last two years decreases in the percentage of the premium financed by the IDA credit line (discussed below).

Dates. The Bank approved the project on June 18, 2014, and the project was scheduled to close on June 30, 2019. However, the project closed two years behind schedule on June 30, 2021.

Restructuring. The following main changes were made with the Level 1 restructuring on April 19, 2017.

- With the withdrawal of IDA credit to Honduras, the project name was changed to "Nicaragua Catastrophe Risk Insurance Project".
- As discussed in Section 2d, the project scope was expanded to allow for sovereign risk insurance to geophysical and climate-related events, and the PDO was revised to reflect this change.
- The closing date was extended by two years from June 30, 2019, to June 30, 2021. With this, the annual insurance premiums was extended to six years.
- Funds were reallocated between disbursement categories and disbursement estimates were changed, due to the extension of the closing date.

These main changes were made with the Level 2 restructuring of the project on July 19, 2019.

- The percentage of expenditures to be financed under component two was increased to 80 percent of the expenditures for insurance premium in year five and 70 percent in year six.



- The disbursement estimates were updated.

Split rating: Since the PDO was revised through a Level 1 restructuring, following the methodology, this review is based on a split rating of the PDO when 33 percent (US\$3.5 million) was disbursed before restructuring, and the balance 67 percent (US\$7.0 million) after restructuring.

3. Relevance of Objectives

Rationale

Country Context. Both Honduras and Nicaragua are highly vulnerable to the adverse effects associated with earthquakes, hurricanes and other hydro-meteorological events. Annual economic losses due to such events were estimated to be around 2.8% and 1.8% of the Gross Domestic Product (GDP) of Honduras and Nicaragua between 1990 and 2012. The fiscal costs associated with such disasters was a significant liability for the two countries and their national budgets. The limited ability of these countries to absorb fiscal shocks due to such events was their limited external borrowing capacity and limited financial tools. Therefore, cost-efficient means to safeguard against extreme events, more affordable insurance premiums, and readily available resources that could be mobilized quickly following a natural catastrophe was important to the countries.

Government and Regional Strategy. Both Honduras and Nicaragua through XXXV Council of Presidents of the Central America Integration System (SICA) approved a program titled "*Comprehensive Central American Disaster Risk Management Policy*" (PCGIR) on June 30, 2010. The program adopted by the countries called for integrating Disaster Risk Management (DRM) and climate adaptation in their economic, social, and environmental regional policy frameworks. The PCGIR policy also committed the SICA countries to invest in fiscal protection through insurance mechanisms, and promoting the creation and frameworks of subsidiary protection that cover social groups traditionally considered "non-insurable".

The PDO were well-aligned with the 2020 Government strategy of Nicaragua for financial protection against disaster relief and the adverse effects of climate change. The four strategic objectives of the strategy are: (i) assess and quantify disaster risk and the adverse effects of climate change; (ii) evaluate and implement financial instruments for disaster risk retention and transfer; (iii) promote the inclusion of disaster risk analysis and climate change adaptation in budgetary processes and public expenditure monitoring; and (iv) strengthen the legal and institutional framework for DRM. The strategy specified a mix of instruments, including financial instruments for disaster risk retention (budget resources, the National Disaster Fund, contingent credit lines, reallocation of resources from credit lines, and extended credits) and for risk transfer (systematic insurance of public assets and parametric insurance) and climate finance instruments. This strategy was currently undergoing approvals and is expected to be adopted in 2022. The ICR provides no information on when the strategy is likely to be adopted.

Disaster risk financing remains one of the government's top priorities. This is evidenced by the fact that the last two years' decreases in the percentage of the premium financed by the Bank credit were financed by the government. The government also fully financed the most recent renewal for year 2021/2022.

Bank Strategy. The PDO continues to be well-aligned with the Bank strategy. At appraisal, DRM was a critical theme in both the Country Partnership Framework (CPF) for Honduras for 2012-2014 and for the



CPF of Nicaragua for 2013-2017. The PDO is well-aligned with the CPF of Nicaragua for 2018-2022. The third pillar of the CPF mentions the need for increasing the number of instruments that provide access to liquidity on time after a disaster (CPF, page 23).

Previous Bank Experience. The Bank has financed previous DRM policies in Nicaragua and Honduras. For example, the Bank supported reforms for establishing the National system for DRM through the Natural Disaster Vulnerability Reduction Project and provided Emergency Recovery Credit following the devastation caused by Hurricane Felix in September 2007. The Bank supported Honduras in its recovery from Hurricane Mitch and establishing a formal DRM system through the Natural Disaster Mitigation Project which closed in 2010, and followed this through a new DRM project that was approved in 2012. The rationale for using regional IDA funding was that by working with other COSEFIN (The Council of Ministers of Finance of Central America and the Dominican Republic) countries through CCRIF SPC and by collaborating regionally with the Caribbean Community (CARICOM) countries, Honduras and Nicaragua could increase insurance coverage per premium dollar by 50 percent, as compared to acting independently (PAD, paragraph 23).

The cost-efficient means to safeguard against extreme events, affordable insurance premiums, and readily available resources that could be mobilized quickly following a natural catastrophe was important to Nicaragua and the PDO continues to be fully aligned to the Bank strategy for Nicaragua. However, Honduras did not sign the credit agreement, and the PDO had to be revised. Honduras hesitation to move forward with CCRIF membership was partly attributable to the lack of insurance coverage for excess rainfall at appraisal. Therefore, the relevance of the revised PDO is assessed as substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To enable the access of Honduras and Nicaragua to efficient sovereign risk insurance associated with tropical cyclones, earthquakes, and/or excess rainfall.

Rationale

Theory of Change. The project strategy was to improve disaster risk management in Honduras and Nicaragua through transferring risk from these countries to international markets. The theory of change envisioned that: (i) financing the entrance fee of these countries to the CCRIF SPC would ensure their eligibility for catastrophic risk coverage for tropical cyclones, earthquakes and excess rainfall; and (ii) financing the annual insurance premium of these countries would enable them to access lower premium rates than the simulated price for comparable risk insurance purchased individually by the countries in the market. These outcomes were likely to aid in strengthening the financial protection of the countries from disasters



caused in part by human exposure and vulnerability and enable them to respond quickly to addressing the impacts of disasters.

The intended outcomes are based on the following assumptions: (i) the CCRIF SPC is able to place reinsurance contracts without substantial cost increases compared to budget projections; (ii) countries honor their participation agreements and there are no subsequent regulatory or legal changes that impede their continued ability to purchase insurance from the CCRIF SPC; and (iii) some outcomes are contingent on the occurrence of eligible triggering events that are beyond the control of the project (for example, some events may cause damage and no payment is triggered because the event did not meet the pre-agreed threshold).

Outputs (ICR, pages 14 - 18 and paragraph 53).

- Nicaragua became the first country to join the CCRIF SPC, after signing the Participation Agreement on April 15, 2015. Nicaragua used the credit proceeds to make the following payments to CCRIF SPC: (i) the entrance fee (US\$ 1 million) in August 2015; and (ii) the annual insurance premium for earthquake and tropical cyclone coverage for policy year 2015/2016 (US\$1 million) in August 2015 and for policy year 2016/2017 (US\$1.5 million) in June 2016.
- As indicated above, the IDA credit for Honduras was withdrawn due to the delays in Honduras signing the Financial Agreement.

Outcome.

The PDO indicator " Honduras and Nicaragua as members of CCRIF are eligible for catastrophe risk coverage and have received payment in the case of a covered (insured) event" was partially achieved. Nicaragua, as a member of CCRIF, became eligible for catastrophic risk coverage. However, since Honduras did not sign the credit agreement, it was ineligible for catastrophe risk coverage.

Efficacy before restructuring is assessed as **modest**.

Rating

Modest

OBJECTIVE 1 REVISION 1

Revised Objective

To enable access of Nicaragua to efficient sovereign risk insurance associated with geophysical and climate-related events.

Revised Rationale

Theory of change. The theory of change enumerated above is relevant to the revised PDO for Nicaragua and that the sovereign risk insurance is available for Nicaragua for disasters caused due to geophysical events (including, but not limited to earthquakes, volcanic eruptions, and landslides), and climate-related events (including, but not limited to, tropical cyclones and excess rainfall). At the time of restructuring, new risk insurance products were available (Restructuring Paper).



Outputs.

- As indicated above, Nicaragua became the first country to join the CCRIF SPC on April 15, 2015. Since 2015, Nicaragua renewed its CCRIF policy for earthquakes and tropical cyclones coverage for seven consecutive years and for excess rainfall coverage for five years. The policy provided for increasing insurance coverage and/or lower attachment point for a given premium amount (The insurance coverage refers to the maximum amount for a given peril and the attachment point (insurance deductible) is the value at which an insurance payment is triggered).
- By project closure in June 2021, the excess rainfall policy choice provided a coverage limit of US\$3.0 million with a premium of US\$0.5 million. The earthquake coverage limit increased by 29 percent from US\$23.0 million to US\$29.6 million. For the tropical cyclone policy, the government chose to increase the exhaustion point and reduce the premium to the 2019/2020 level. This resulted in a decrease in coverage limit by 48 percent (from US\$32.3 million to US\$16.8 million), and an increase in the exhaustion point by 16 percent (from US\$34.6 million to US\$40.2 million).
- Nicaragua had access to the complementary World Bank-executed Disaster Risk Financing Technical Assistance, aimed to strengthen the knowledge base of government stakeholders of general disaster risk management (DRM) concepts, such as public financial management, data management and coordination. Government officials also had opportunities to participate in workshops and events organized by the CCRIF SPC on comprehensive DRM and climate change adaptation that covered topics such as rainfall modelling and the economics of climate adaptation.

Outcomes.

The intended outcomes of the project were that as a member of CCRIF SPC, Nicaragua was eligible for catastrophic risk coverage and receive payment within a month of the occurrence of a covered (insured) event, and at a lower than simulated price for a comparable product purchased individually in the market.

- On June 1, 2020, the government renewed the earthquake, tropical cyclone and excess rainfall policies for the policy year 2020/2021. Nicaragua benefitted from the 50 percent discount offered by the CCRIF SPC to support its members' COVID-19 response. As such, Nicaragua received coverage equivalent to a premium of US\$3.35 million for a premium payment of US\$2.3 million, representing a 45.8 percent in total coverage.
- The CCRIF SPC made five payouts to Nicaragua, within fourteen days of the event. The first payout of US\$500,000 was made in the wake of the magnitude 6.1 earthquake that occurred on June 9, 2016. That same year, Nicaragua received a payout of US\$1.1 million following Hurricane Otto. In November 2020, after hurricane Eta, the CCRIF SPC made payouts totaling US\$10.7 million under the tropical cyclone and excess rainfall policies. In addition, after hurricane Iota, the CCRIF SPC paid out US\$19.9 million under the tropical cyclone policy. Resources from the CCRIF SPC were used for obtaining resources to respond to the emergency after hurricanes Eta and Iota such as: (i) provide hygiene kits, blankets, food and other relief materials to 38,117 families that were placed in shelters; (ii) remove soil and trees from main roads and highways; (iii) rehabilitate the main sections of the national road network to facilitate transit of people and trade flows; (iv) finance logistics costs to mobilize personnel to carry out the damage and loss assessment; and (v) rehabilitate the "*Nuevo Amanecer*" hospital in the Biwi area located in the North Caribbean Autonomous Region, which was



one of the most affected areas. All payments were made within 14 days of the event, evidencing that efficient sovereign insurance is an important instrument to ensure short-term liquidity in the aftermath of a disaster, thus enabling the government to respond to the emergency until other funding is secured.

- The real price of insurance coverage (insurance premium rate) resulted in 41 percent savings on average (as compared to the simulated market price that Nicaragua was able to obtain had it secured disaster insurance individually in the market) (ICR paragraph 42).

Overall, efficacy after restructuring is assessed as substantial.

Revised Rating
 Substantial

OVERALL EFFICACY

Rationale

Appropriate conditions were not in place to ensure insurance requirements were in place.

Overall Efficacy Rating
 Modest

Primary Reason
 Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

All payments were made within 14 days of the event, evidencing that efficient sovereign insurance is an important instrument to ensure short-term liquidity in the aftermath of a disaster, thus enabling the government to respond to the emergency until other funding is secured. Overall efficacy is assessed as substantial after project restructuring.

Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

The economic efficiency at appraisal focused on the benefits from the Central American countries pooling risks. This analysis showed that Honduras and Nicaragua could reduce the cost of catastrophic risk insurance by 27 percent or 41 percent when transferring catastrophic risk with other Council of Ministers of Finance of Central



America and Dominican Republic (COSEFIN) countries. As a group, the COSEFIN countries could reduce commercial premiums paid by close to 45 percent should they chose to transfer risk through the CCRIF SPC (PAD, paragraph 44).

Since the analysis at appraisal was not conducted specifically for Nicaragua, the economic analysis at closure focused on the benefits to Nicaragua. Since 2015, Nicaragua purchased a total of 17 policies for three types of hazards (tropical cyclones, hurricanes and excessive rainfalls) from the CCRIF-SPC. Total payments made in terms of gross premiums to the CCRIF SPC were about US\$12.0 million (of which US\$4.0 million was financed by this project). During this period, four pay out triggering natural hazard events impacted Nicaragua. These events were the magnitude 6.1 earthquake in June 2016, Hurricane Oto in November 2016, and Hurricane Eta and Iota in November 2020. The total amount of payouts received by Nicaragua within the indicated period amounted to approximately US\$32.3 million (ICR, paragraph 47) .

Economic analysis. Since the economic analysis at appraisal focused mainly on outlining the benefits of risk pooling, and not for Nicaragua specially. the economic analysis at project closure focused on the benefits to Nicaragua specifically, as the revised PDO no longer included multiple countries. The ex-post economic analysis for Nicaragua indicated a very high Economic Internal Rate of Return (EIRR) of 61 percent and that the interventions were economically viable and beneficial to the country. The analysis converted inputs (insurance premia) into results (financial protection). Sovereign catastrophe risk insurance can protect against sudden macroeconomic shocks that impact fiscal performance and a country’s long-term economic development with negative consequences. The ICR (paragraph 48) observes that several options were considered using different discount rates (4%, 6% and 8%). The ex-post analysis showed a Net Present Value (NPV) of US\$16.1 million (at 4% discount rate). The analysis showed a NPV of US\$14.3 million (6% discount rate) and a NPV of US\$12.8 million (at 8% discount rate). These were as compared to the NPV of 16.1 million at the baseline, indicating that other scenarios were economically viable. The ex-post EIRR was 61%.

Operational issues during implementation. There were initial delays due to the delays in Honduras signing the financing agreement 18 months after the project was approved. This eventually led to the withdrawal of the IDA credit to Honduras. However, since then disbursements were made on time, indicating that critical measures were already in place before the project was approved (ICR, paragraph 62). At closure, all the project activities were completed in Nicaragua, albeit with an extension of the project closing date by two years.

The project efficiency is substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable



ICR Estimate	✓	61.00	91.00 ☐ Not Applicable
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* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Outcome under Original Objective. Relevance of the PDO is assessed as substantial. Efficiency is assessed as substantial. Efficacy of the PDO - to enable the access of Honduras and Nicaragua to efficient sovereign risk insurance associated with tropical cyclones, earthquakes, and/or excess rainfall - is assessed as modest. The outcome before the project restructuring is moderately unsatisfactory.

Outcome under Revised Objective. Relevance of the PDO is assessed as substantial. Efficiency is assessed as substantial. Efficacy of the PDO - to enable access of Nicaragua to efficient sovereign risk insurance associated with geophysical and climate-related events." is assessed as substantial after project restructuring. The outcome after restructuring is satisfactory.

Overall Outcome. Weighing by the amounts disbursed before and after restructuring ($0.33*3+0.67*5 = 4.34$), the overall outcome is **moderately satisfactory**.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Government commitment. The risk to sustainability of the development outcome is assessed as low to moderate. As part of the sustainability measures, the percentage of the premium financed by the IDA credit decreased over the last two years, with the Ministry of Finance (MOF) consistently providing the balance. During the final year of the project, the MOF covered 30 percent of the premium. The government commitment to DRM was further demonstrated by the government fully financing the most recent renewal of the premium for 2021 - 2022 (ICR, paragraph 80).

Further, at the regional level, Panama joined the CCRIF SPC as a new member. and Guatemala joined in 2019. Further, the ICR (paragraph 81) notes that membership among the COSEFIN countries is likely to increase with El Salvador and Honduras expected to finalize their membership, further underscoring the facility's long-term sustainability as a disaster risk insurance mechanism.

8. Assessment of Bank Performance

a. Quality-at-Entry



The Bank prepared this project based on the lessons from the initial establishment of the CCRIF, the Caribbean Catastrophe Risk Insurance Project, and the Organization of Eastern Caribbean States (OECS) and Haiti Catastrophe Insurance Projects. Lessons incorporated at design included: (i) using IDA resources for limited and targeted subsidies can help in establishing lasting insurance programs such as the CCRIF SPC (the OECS project which used national and regional IDA financing to cover the cost of entrance fees and insurance premiums for the first three to four years of the operation, enabled the countries to use the instrument with two of the four countries having insurance payouts during the project. This led the countries to internalize the premium cost in their annual budget decision-making processes and continue membership following project closing); (ii) a simple design to ensure timely and cost-effective coverage options according to the risk profiles of the countries; (iii) the required mechanisms and institutions are in place to ensure that when payments are made, they are utilized along with other risk financing institutions, such as reserve funds, contingent credit and budget allocations; and (iv) technical assistance to the Ministry of Finance (MOF) to improve the value of the CCRIF membership in the context of their countries DRM needs (PAD, paragraphs 24 to 29). The flexible design allowed selection of the parameters and products to adjust to changing priorities and needs. The design also incorporated sustainability measures, such as requiring Nicaragua to finance part of the premium in the last two years.

Several risks were identified at appraisal including moderate risks due to challenges that may derive from project design and ability of Honduras and Nicaragua to continue as CCRIF SPC members after project closing. With mitigation measures, the overall project risk was rated as moderate as appraisal (PAD, paragraph 38). Although the credit to Honduras was withdrawn, the mitigation measures proved to be adequate given that Nicaragua has renewed its membership for 2021 - 2022. The arrangements made at appraisal for M&E and fiduciary compliance were appropriate (discussed in sections 9 and 10).

There were minor shortcomings in Quality at Entry. It is not clear if the project was ready for implementation, and if Honduras had an adequate understanding of the product. Eventually Honduras did not meet the deadline for signing the credit agreement and the regional project ended up with only one country.

Quality-at-Entry Rating Satisfactory

b. Quality of supervision

The Bank conducted supervision missions twice a year on average, with fourteen implementation Status Results (ISR) reports filed over roughly a seven year implementation period. The supervision team comprised relevant technical experts in DRM and financial protection and a small team of fiduciary and safeguards specialists commensurate with the level of effort needed to support the simplified project implementation (ICR, paragraph 78). The supervision team regularly consulted with the Ministry of Finance and the CCRIF SPC, and carried out the project restructurings in a timely fashion to address the project requirements. According to the clarifications provided by the team, the continuity of leadership was maintained, with two Task Team Leaders (TTLs) during the project lifetime.

Because of the delays by Honduras in signing the contract, the Bank lowered the rating of implementation progress from Satisfactory to Moderately Unsatisfactory. However, after the withdrawal of Honduras, the



Project was restructured and implementation progress was measured only for Nicaragua. A satisfactory rating was maintained throughout the remainder of the project.

The quality of supervision was highly satisfactory.

In sum, overall Bank performance was highly satisfactory.

Quality of Supervision Rating

Highly Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project's objective was clearly specified and the theory of change was adequate. The one key outcome indicator was that both Honduras and Nicaragua are eligible for catastrophic risk coverage and receive payment in the case of a covered (insured) event. This indicator was appropriate for monitoring project performance.

The ICR (paragraph 70) notes that the M&E system was designed to be in line with Bank requirements. The Bank coordinated with the Ministry of Finance and the CCRIF SPC to ensure that the premium payments were made on time, and that Nicaragua made policy parameter selections that were communicated to the CCRIF SPC well in advance of the annual June 1 CCRIF SPC deadline.

b. M&E Implementation

The ICR (paragraph 71) notes that the Bank met with the Government of Nicaragua, the Ministry of Finance and the CCRIF SPC on an annual basis to assess if the premium payments were made on time and that the risks selected by the country were covered by the Facility. The CCRIF SPC provided its annual reports, including its unaudited and audited financial statements for Bank review.

c. M&E Utilization

The project monitored the insurance payouts to Nicaragua following significant disaster events. The time taken for the payouts and the amounts of the payouts were used to assess the performance of the regional risk pool and to inform continual refinements of the insurance products and their coverage.

In sum, the M&E design was appropriate, functioned as designed, and utilized to monitor implementation and the achievement of project activities. Therefore, the quality of M&E is assessed as substantial.



M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as a Category C project. As the project activities did not include any physical assessment, no Bank environmental or social safeguards were triggered at appraisal. The PAD (paragraph 52) noted that the insurance funds will not be tied or tracked to any specific investments, and as a result would not have any safeguard implications. The ICR (paragraph 74) observes that the overall the project's social impacts were positive, as it contributed to the government's efforts to manage residual risk and strengthen its capacity to respond to and recover from disasters.

b. Fiduciary Compliance

Financial management. The ICR (paragraph 75) notes that financial management was satisfactory during implementation. The Ministry of Finance maintained adequate accounting records of all transactions with the CCRIF SPC and had a qualified accountant and support staff. Annual audited financial statements were submitted on time and all significant audit observations were addressed when the project closed.

Procurement. The ICR (paragraph 76) notes that procurement was satisfactory during implementation. The only contracts financed by the project were the participation agreements between Nicaragua and CCRIF SPC for providing insurance services. The selection of the CCRIF SPC to provide insurance coverage was through a single-source basis using a modified version of the direct contracting method prescribed by Bank guidelines. The direct contracting of the CCRIF SPC was appropriate, given that CCRIF SPC was the only provider of the specific insurance coverage that the project intended to finance.

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
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Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Highly Satisfactory	Satisfactory	There were minor shortcomings in Quality at Entry.
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The review draws the following main lessons of implementing this project, with some adaptation of language.

1. Catastrophe multi-risk pooling at the regional level can be a cost-efficient solution to enable countries to access quick liquidity following a disaster event. Insurance mobilizes additional capital from outside the country and contributes to the overall reduction of the gap between a government's contingent liability to catastrophic events and the amount of readily available resources that can be mobilized. The lesson from this project is that effectively transferring part of their disaster risk to capital and reinsurance market can help in solving a significant portion of the countries' immediate liquidity needs in the aftermath of a disaster.

2. Capacity building to countries is key to continue access to risk insurance and develop own financial protection strategies. Knowledge on exposure stemming from an understanding of risk profiles presented by the CCRIF SPC aided the Nicaragua in making other risk-based decisions. The capacity building activities provided under this project helped Nicaragua in taking essential steps to incorporate disaster risk management and climate adaptation in its urban and sector development policies.

3. Tailored capacity building and analytical support by the Bank can help in facilitating country participation in risk-pooling insurance. Honduras decision to withdraw early in the implementation in this project was rooted on institutional barriers, including inadequate understanding of the products, and hesitation to use IDA resources for premium payment. Since then, the disaster risk financing agenda in Honduras had evolved, and Honduras has developed and adopted a disaster risk financing operational plan (2021). The ICR notes that this plan is framing Honduras' current engagement with the CCRIF SPC.

The IEG draws the following lesson from this project.

Use of national and regional IDA resources can help countries test and access new insurance instruments. Through this project, which had funding from national and regional IDA sources, Nicaragua was able to obtain insurance for disasters associated with tropical cyclones, earthquakes and excessive rainfall at lower premiums, due to its participation in a regional insurance pool, rather than obtaining insurance individually.

13. Assessment Recommended?



No

14. Comments on Quality of ICR

The project provided an adequate overview of project preparation and implementation. The ICR is concise and internally consistent and provided useful lessons. The theory of change articulated in the ICR is logical and provides clear links between project activities, their outputs and the intended outcomes. The main body of the text adheres to the recommended length.

The ICR would have benefitted from making clear judgements about whether there was a design failure in terms of supporting an instrument that was not a good fit for Honduras.

a. Quality of ICR Rating

Substantial