

PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

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Operation Name	Seychelles Development Policy Loan with Catastrophe Deferred Drawdown Option (DPL with Cat DDO)
Region	Africa
Country	Seychelles
Sector	Public administration- Financial Sector (50%); General finance sector (50%)
Operation ID	P148861
Lending Instrument	Development Policy Lending
Borrower(s)	Ministry of Finance, Trade and Investment
Implementing Agency	Ministry of Finance, Trade and Investment
Date PID Prepared	February 10, 2014
Estimated Date of Appraisal	June 20, 2014
Estimated Date of Board Approval	September 25, 2014
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

As a small island state, the Seychelles is exposed to a disproportionately high economic, social and environmental impact of natural and environmental disasters. The Seychelles' location, topography and landscape make the country vulnerable to a range of natural hazards, including tropical cyclones, tsunamis, storm surge, extreme rainfall, flooding, landslides, rockslides and forest fires. These adverse effects further exacerbated by the medium to long term effects of climate change present significant risks to the sustainable development of the Seychelles. Vulnerability characteristics such as the concentration of population and development in narrow coastal zones make the Seychelles extremely sensitive to the natural hazards and its associated impacts. Adaptation to adverse impacts of climate change and a robust disaster prevention and mitigation program are major priorities for the Seychelles.

The GoS places a high priority on increasing disaster resilience, by analyzing and applying risk information in the development planning process and enforcing new and existing norms and regulations to reduce vulnerability.

This request for a DPL with Cat DDO by the GoS will complement an ongoing programmatic approach to support of disaster risk management with an emphasis on disaster prevention and preparedness, as opposed to only disaster response.

II. Proposed Objective(s)

The Project Development Objective of the proposed operation is to enhance the Government of Seychelles' capacity to provide immediate liquidity in the aftermath of disasters and strengthen the DRM policy and reform agenda across three main pillars: (i) strengthening the institutional/legal framework for disaster risk management, (ii) strengthening sector disaster risk preparedness, and (iii) integrating disaster risk reduction into development planning and decision making.

III. Preliminary Description

The Development Policy Loan with a Catastrophe Deferred Drawdown Option (DPL with Cat DDO) is a relatively new financial product, which was approved by the Bank's Board of Directors on March 5, 2008. The DPL with Cat DDO can help meet Seychelles' need for immediate, liquid assets in the aftermath of a catastrophic disaster. This flexible and prompt financial tool is designed to address risks to which the country is prone. It will enable the GoS to focus on emergency response measures in the aftermath of a disaster rather than spend valuable time and resources trying to raise funds.

There are four proposed prior actions for this program that will improve the Government of Seychelles' ability to manage disaster risks, and they are cast preliminarily as noted below. The first is that the Minister of Environment and Energy (MEE) has submitted to the National Assembly a Disaster Management Bill by June 30, 2014, which provides a legal framework for implementation of disaster risk management. The second prior action is that the Cabinet of Ministers has approved an updated policy for disaster risk management by May 30, 2014 submitted by MEE. A third prior action is the Cabinet of Ministers approval by June 30, 2014 of a health sector contingency plan for disaster risk management, submitted by the Ministry of Health, to improve the effectiveness and coordination of health services during emergencies. Finally, the fourth prior action is that the MEE has established a historic loss and damage database in collaboration with UNISDR and the Indian Ocean Commission by May 31, 2014. The proposed operation seeks to address the following policy areas:

- Policy Area 1 Strengthening the Institutional/legal framework for disaster risk management.
- Policy Area 2 Increasing the capacity to mitigate impact of disasters in the Health Sector.
- Policy Area 3 Integrating disaster risk reduction into development planning and decision-making.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

Exogenous shocks such as natural disasters can increase poverty indirectly through the effects of lower economic growth, higher inflation, through consequential lower

government spending for social services. Although poverty in Seychelles is relatively low the disruption of public utilities, such as potable water or sewage systems, communications, and transport infrastructure during a disaster event, combined with the geographic isolation of Seychelles, poses a threat to health, assets, and livelihoods across the population.

The implementation of the DPL with Cat DDO is expected to have a positive poverty and social impact by focusing attention on the obstacles to the Government's ability to strengthen resilience against the risk of natural disasters. Risk management requires shared action and responsibility at different levels of society, from households to communities to enterprises, and Governments have a critical role to play in creating an enabling environment for shared action and responsibility, and channeling support to vulnerable people¹.

Specifically, the prior actions will have positive social affects for vulnerable groups as follows:

- The implementation of the Disaster Management Act and adoption of the disaster risk management policy will provide a stronger legislative framework for the country's disaster risk management operations. It will also create a platform for greater accountability, transparency, and public participation.
- The adoption of a contingency plan for the health sector will highlight the health needs of vulnerable populations and establish response mechanisms, which mitigate disaster related health hazards.
- The establishment of a historic loss and damage database will allow for better analysis of vulnerabilities across geographic areas and populations.

Disasters have historically been a powerful source of poverty. The proposed operation supports policies that seek to alleviate poverty by strengthening disaster risk management in Seychelles. In case of a declaration of emergency, the activation of the Cat DDO will avoid the need of deviating funds originally designated to development projects. This will guarantee the continuity of development plans, mainly targeted at alleviating the needs of the population most at risk.

Environmental Aspects

The project is expected to have indirect benefits for the environment through integrating risk reduction and resilience measures into development planning and decision making. An illustrative example would be the improvement of solid waste services to reduce the risks of urban flooding caused by clogged drainage systems. In particular, this operation will help the GoS support and strengthen the following areas: (a) disaster risk management institutional, legal, and policy frameworks, by focusing on key program milestones and outcomes; (b) risk identification, assessment, and monitoring capacities by enhancing its institutional framework; (c) knowledge management and education, by implementing relevant programs (such building or renovating old schools with infrastructure more resilient to disasters), and; (d) reducing underlying risk factors such

¹ World Development Report 2014, Risk and Opportunity: Managing Risk for Development.

as developing new projects in safe areas; and (e) preparedness for effective response and recovery by supporting national DRM agency.

The *raison d'être* of the operation itself is to support the government's effort in mainstreaming disaster risk management into a number of key sectors, such as environment. Measures included in the 2010-2020 Seychelles Sustainable Development Strategy are aimed at reducing environmental risks and vulnerability to natural disasters, including the support of land zoning and urban development regulations, and sustainable management of water-resources.

The Cat DDO operation also places particular emphasis on assuring improved transparency and accountability of social and environmental issues with respect to governmental oversight and decision-making processes.

V. Tentative financing

Source:	(\$m.)
Borrower	0
International Bank for Reconstruction and Development	7
Others (specify)	0
Total	7

VI. Contact point

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