COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)

Additional Financing

Report No.: PIDISDSA21472

Date Prepared/Updated: 09-May-2017

I. BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Central America</th>
<th>Project ID:</th>
<th>P163312</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent Project ID (if any):</td>
<td>P149670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Name:</td>
<td>AF to the Central America &amp; Caribbean Catastrophe Risk Insurance Project (P163312)</td>
<td></td>
<td></td>
</tr>
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<td>Parent Project Name:</td>
<td>Central America &amp; Caribbean Catastrophe Risk Insurance Project (P149670)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region:</td>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Appraisal Date:</td>
<td>23-May-2017</td>
<td>Estimated Board Date:</td>
<td>20-Jul-2017</td>
</tr>
<tr>
<td>Practice Area (Lead):</td>
<td>Social, Urban, Rural and Resilience Global Practice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing Instrument:</td>
<td>Investment Project Financing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Borrower(s)

Implementing Agency

Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free-standing Single Purpose Trust Fund</td>
<td>25.00</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>25.00</td>
</tr>
</tbody>
</table>

Environmental Category: C-Not Required

Appraisal Review Decision (from Decision Note): The review did authorize the team to appraise and negotiate

Other Decision:

Is this a Repeater project? Yes

B. Introduction and Context

Country Context
Countries in Central America and the Caribbean are highly vulnerable to the adverse effects associated with earthquakes, tropical cyclones, and other major hydro-meteorological events, such as excessive rainfall. Among the ten countries most affected at the global level by disasters in the period 1996 to 2015, three are located in Central America. Since 1980, ten countries in Central America and the Caribbean have experienced a disaster event with an economic impact above 50 percent of their annual GDP (for the year of the impact). While earthquakes are associated with the highest probable maximum loss per event in Central American countries and some Caribbean states, climate-related disasters are the most frequent. Tropical cyclones and extreme rainfall events caused the greatest accumulated losses to countries in both sub-regions. The intensity and frequency of such events are exacerbated by poorly planned urbanization patterns (with the proliferation of precarious settlements in at-risk areas), mismanagement of natural resources (especially watershed degradation and unsustainable land-use practices), and the effects of climate change in the form of rising temperatures (such as warmer spells and heat waves), changing precipitation patterns (i.e., rain scarcity generating droughts or heavier rains leading to flash floods) and sea storms.

**Sectoral and Institutional Context**

Governments throughout Central America and the Caribbean have made significant institutional advances to improve their disaster risk management (DRM) capacities, but remain fiscally vulnerable to disasters. Most countries have passed legislation to create multi-sectoral DRM platforms, developed policies, and created coordinating institutions to enable more efficient emergency management and early warning systems. However, the economic value of damages to property and livelihoods continues to rise in both sub-regions due to their high level of vulnerability and increasing exposure. Catastrophe risk insurance, as part of a broader financial protection strategy, can help countries increase their financial resilience toward disaster and climate risk: securing access to rapid financing to address emergency response and early recovery needs; smoothing the budget volatility associated with post-disaster expenditures; ensuring that early finance is in place to support rapid humanitarian response and reconstruction; and incentivizing loss prevention through the pricing of risk.

**C. Proposed Development Objective(s)**

**Original Project Development Objective(s) - Parent**

The Project Development Objective (PDO) is to improve affordability of high quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF Participating Countries.

**Proposed Project Development Objective(s) - Additional Financing**

The Project Development Objective (PDO) is to improve affordability of high quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF Participating Countries.

**Key Results**

The proposed Additional Financing (AF) would scale up the Project’s impact by allocating additional funds to existing activities under the original Project, and adding new activities to facilitate the access of Central American and Caribbean countries to CCRIF. New activities include the payment of participation fees and the development, modification and implementation of additional insurance products.
The proposed AF seeks to further incentivize the participation of Central American countries in CCRIF. It would provide additional grant funding for activities as described in the original Project, and for new activities including: (i) supporting the payment of country participation fees to facilitate their access to CCRIF; (ii) the development, modification and implementation of climate-related products, allowing for the improvement of current tropical cyclone models or the development of new ones, such as excess rainfall, droughts or others; and (iii) the development, modification and implementation of earthquake or other geophysical products, allowing for the improvement of current models or the development of new ones if required. These changes to the Program were made in light of the fiscal situation of certain COSEFIN countries, identified as one of the main barriers to countries joining CCRIF, and in response to country need for additional insurance products. CCRIF offers parametric catastrophe risk insurance products to participating countries at the sovereign level.

Component Name:
Component 1: Parametric Insurance for Risks related to Geophysical Events for COSEFIN Participating Countries (US$9.5 million, including US$2.5 million AF)
Comments (optional)
Activities will be financed under this component until donor contributions to the MDTF Component 1 have been exhausted.

Component Name:
Component 2: Parametric Climate Risk Insurance for COSEFIN Participating Countries (US$24 million, including US$11.5 million AF)
Comments (optional)
Activities will be financed under this component until donor contributions to the MDTF Component 2 have been exhausted.

Component Name:
Component 3: Parametric Climate Risk Insurance for CARICOM Participating Countries (US$15 million, including US$ 11 million AF)
Comments (optional)
Activities will be financed under this component until donor contributions to the MDTF Component 3 have been exhausted.

E. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)
The AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to cause any adverse environmental or social impacts and therefore, does not have any safeguard implications.

F. Environmental and Social Safeguards Specialists
Dianna M. Pizarro( GSU04 )
John R. Butler( GSU04 )
Robert H. Montgomery( GEN04 )

II. IMPLEMENTATION
Implementation arrangements would remain unchanged under the proposed AF. CCRIF will be the Recipient of the additional Grant from the CCRIF Program MDTF. Countries will be required to sign Participation Agreements to join CCRIF and to pay a participation fee, which will be financed by the Project. Depending on risk profile and priority needs, countries have the option to select the amount of insurance coverage per type of risk annually.
### III. SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>No</td>
<td>The proposed Additional Financing will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to cause any adverse environmental impacts. Due to no changes, the project is still proposed as Environmental Category C.</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>The proposed Additional Financing will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to have any impacts on natural habitats.</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>The proposed Additional Financing will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works. It will not finance any activities that could affect the welfare of forest dependent communities or the management of forests.</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>No</td>
<td>This policy is not triggered as the proposed Additional Financing will not finance any activities that involve the procurement or significant use of pesticides, but rather will only finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works and will not involve purchase of pesticides.</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>No</td>
<td>The proposed AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related events. Since none of the payments are linked to any specific</td>
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</table>
investments or physical works, the Project is not expected to have any impacts on physical cultural resources in client countries.

Indigenous Peoples OP/BP 4.10  No  The proposed AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works. Since none of the payments under the proposed Project are linked to any specific investments or physical works, the project activities will not have any impacts on indigenous people.

Involuntary Resettlement OP/BP 4.12  No  Since the proposed AF will only finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works, it will not cause any involuntary resettlement as defined by the policy.

Safety of Dams OP/BP 4.37  No  This policy is not triggered as the proposed AF will neither support the construction or rehabilitation of dams nor will it support other investments which rely on services of existing dams.

Projects on International Waterways OP/BP 7.50  No  This policy is not triggered as the proposed AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works and will not affect any international waterways.

Projects in Disputed Areas OP/BP 7.60  No  The proposed AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events that are not linked to any specific investments or physical works. Since none of the payments are linked to carrying out any specific investments or physical works, the policy on disputed areas is not triggered.

IV. 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:
The AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to cause any adverse environmental or social impacts and therefore, does not have any safeguard implications.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The AF will finance participation fees, parametric insurance payouts and coverage of reinsurance costs for geophysical and climate-related catastrophic events. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to cause any adverse environmental or social impacts and therefore, does not have any potential significant indirect and/or long term impacts.

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

Not applicable as the AF does not trigger any safeguards policies.

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.

Not applicable as the AF does not trigger any safeguards policies.

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

Not applicable as the AF does not trigger any safeguards policies.

### B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why::

### C. Compliance Monitoring Indicators at the Corporate Level

<table>
<thead>
<tr>
<th>The World Bank Policy on Disclosure of Information</th>
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</thead>
<tbody>
<tr>
<td>Have relevant safeguard policies documents been sent to the World Bank's Infoshop?</td>
</tr>
<tr>
<td>Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>All Safeguard Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to</td>
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</tbody>
</table>
safeguard policies?

Have costs related to safeguard policy measures been included in the project cost?  Yes [X] No [ ] NA [ ]

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? Yes [X] No [ ] NA [ ]

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? Yes [X] No [ ] NA [ ]

V. Contact point

World Bank

Contact: Ana Campos Garcia
Title: Senior Disaster Risk Management

Borrower/Client/Recipient

Implementing Agencies

VI. For more information contact:

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

VII. Approval

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Name: Ana Campos Garcia</th>
</tr>
</thead>
</table>

Approved By:

<table>
<thead>
<tr>
<th>Practice Manager:</th>
<th>Name: Ming Zhang (PMGR)</th>
<th>Date: 20-May-2017</th>
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</thead>
<tbody>
<tr>
<td>Country Director:</td>
<td>Name: Maryanne Sharp (CD)</td>
<td>Date: 24-May-2017</td>
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