Program Information Document (PID)

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

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>P166788</td>
<td>NEPAL DRM DEVELOPMENT POLICY CREDIT WITH CAT DDO (P166788)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH ASIA</td>
<td>Mar 28, 2019</td>
<td>Social, Urban, Rural and Resilience Global Practice</td>
<td>Development Policy Financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>Ministry of Home Affairs, Ministry of Health and Population</td>
</tr>
</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th>Total Financing</th>
<th>50.00</th>
</tr>
</thead>
</table>

**DETAILS**

<table>
<thead>
<tr>
<th>Total World Bank Group Financing</th>
<th>50.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank Lending</td>
<td>50.00</td>
</tr>
</tbody>
</table>

**Decision**

The review did authorize the preparation to continue

---

## B. Introduction and Context

### Country Context

1. **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 injured. 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

---

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

---


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.
CONTACT POINT

World Bank

Armando Eduardo Guzman Escobar
Senior Disaster Risk Management Specialist

Borrower/Client/Recipient

Ministry of Finance
Mr. Shree Krishna Nepal
Joint Secretary
sknepal40@mof.gov.np

Implementing Agencies

Ministry of Home Affairs
Indu Ghimire
Joint Secretary
ighimire027@gmail.com

Ministry of Health and Population
Dr. Pushpa Chaudhary
Secretary
deopushpa@gmail.com

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

APPROVAL

Task Team Leader(s): Armando Eduardo Guzman Escobar

Approved By

Country Director: Faris H. Hadad-Zervos 06-Sep-2018