

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

November 10, 2016  
Report No.: 111210

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| <b>Operation Name</b>                   | Disaster Risk Management DPL-CAT DDO   |
| <b>Region</b>                           | EUROPE AND CENTRAL ASIA  |
| <b>Country</b>                          | Serbia   |
| <b>Sector</b>                           | Other Water Supply, Sanitation and Waste Management (42%); Public Administration - Financial Sector (40%); Other Transportation (9%); Other Public Administration (9%) |
| <b>Operation ID</b>                     | P157489  |
| <b>Lending Instrument</b>               | Development Policy Lending   |
| <b>Borrower(s)</b>                      | MINISTRY OF FINANCE  |
| <b>Implementing Agency</b>              |  |
| <b>Date PID Prepared</b>                | November 10, 2016  |
| <b>Estimated Date of Appraisal</b>      |  |
| <b>Estimated Date of Board Approval</b> | July 28, 2017  |
| <b>Corporate Review Decision</b>        |  |
| <b>Other Decision</b>                   |  |

**I. Key development issues and rationale for Bank involvement**

**Serbia is vulnerable to a wide variety of natural hazards, including floods, landslides, droughts, and earthquakes.** Over the last 15 years, Serbia has been most frequently affected by flood and landslide events. Most recently, the May 2014 floods caused significant damages and losses amounting to EUR 1.7 billion (equivalent to 4.8% of GDP). As a result, real GDP growth was approximately 1 percentage point lower and the Serbian economy contracted by 1.8%, as compared to a pre-floods baseline estimate of 0.5 % growth. With a growing concentration of population and assets in urban areas and increases in climate variability, the economic costs of adverse natural events in Serbia are likely to increase in the future.

**The proposed operation supports the government’s ambitious and robust reform program to increase the resilience of Serbia to the adverse impact of natural hazards.** In recent years, the country has taken important steps toward moving from emergency response to proactively manage and reduce the risk from disasters. The country is enhancing its legal and institutional DRM framework, focusing on actions to build resilience in the context of the “Sendai Framework for Disaster Risk Reduction 2015-2030”. A key milestone includes the adoption of the National DRM Program (NDRMP) in December 2014.

**The Cat DDO will provide the government with a fiscal buffer to reduce the impact of future disasters on its fiscal balance as well as critical bridge financing for immediate response.** The government is faced with a challenging macroeconomic and fiscal environment, embarking on reforms to reduce its budget deficit and public debt. The 2014 floods tipped the economy back into recession, leading to a contraction of GDP and increase in public debt.

Disaster risk finance helps the government manage contingent liabilities from natural disasters arising from government spending on response and recovery, as well as through guarantees issues mainly for state owned enterprises. Recent research by Standard and Poor's showed a link between increasing disaster losses and potential negative effects on sovereign credit ratings and highlighted the role of disaster risk financing and insurance in mitigating that risk.

## II. Proposed Objective

**The project development objective of the proposed operation is to enhance the technical and financial capacity of the government to reduce disaster risk and be resilient to the socio-economic and fiscal impacts of natural disasters.** This objective will be achieved by supporting the government's efforts to adopt a proactive disaster risk management approach and strengthen its financial resilience. Specifically, this operation will focus on supporting the implementation of the six strategic pillars of Serbia's NDRMP: (i) institutional strengthening; (ii) risk identification and monitoring; (iii) structural and non-structural risk reduction; (iv) preparedness and early warning; (v) disaster risk finance and insurance; and (vi) recovery planning.

## III. Preliminary Description

**There are three proposed prior actions for this program that will improve the GoS's ability to manage disaster risks.** The first is the adoption of a Disaster Risk Financing and Insurance strategy by the National Cabinet. This strategy will guide all future efforts to increase financial resilience to disasters. The second prior action, adoption of the Disaster Management Plan by the National Cabinet, will provide a roadmap for relevant stakeholders to increase physical resilience to disasters. A third prior action, adoption of the Disaster Risk and Crisis Management Law by the National Assembly, will provide a legal framework for managing emergencies and disasters.

Based on these prior actions, the proposed operation seeks to address the following policy areas:

|                |  |
|----------------|--|
| Policy Area 1: | Institutional Strengthening                  |
| Policy Area 2: | Risk Identification and Monitoring           |
| Policy Area 3  | Structural and Non-Structural Risk reduction |
| Policy Area 4: | Preparedness and Early Warning               |
| Policy Area 5  | Disaster Risk Finance and Insurance          |
| Policy Area 6: | Recovery Planning                            |

## IV. Poverty and Social Impacts and Environment Aspects

### *Poverty and Social*

**The proposed operation is likely to have positive effects on the poor by providing support to the government's policies that seek to alleviate poverty by strengthening DRM.** In case of a declaration of a state of emergency, the activation of the DPL with a Cat DDO will help to ensure the continuity of development plans, targeted at alleviating the needs of the poor. It will also ensure that resources are quickly available to respond to the needs of the affected population as it has been the case in other countries.

## *Environment*

**The specific actions supported by this DPL are not expected to have significant negative effects on the environment, forests or other natural resources.** They would instead strengthen and complement existing laws and regulations on environmental management, such as the Law on Environmental Protection (LEP), particularly in ensuring that investments take into account DRM and climate change adaptation measures.

**Serbia has made progress towards alignment of its policies with the European Union environmental acquis.** LEP establishes the legal framework for environmental protection, and includes provisions for environmental impact assessment, integrated pollution prevention and control (IPPC), nature protection, and waste management. Finally, a new Law on Waters is currently being drafted, which is envisioned to be in line with the EU Directive 2000/60/EC of 23 October 2000 and the Directive 2007/60/EC of 6 November 2007.

### **V. Tentative financing**

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|---|--------|
| Source:   | (\$m.) |
| Borrower  | 0.00   |
| International Bank for Reconstruction and Development<br>Borrower/Recipient<br>IBRD | 70.00  |
| Others (specify)  |        |
|   | Total  |

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