



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 07-Dec-2017 | Report No: PIDC23795



**BASIC INFORMATION**

**A. Basic Project Data**

Country Romania	Project ID P166303	Project Name Building Disaster and Climate Resilience in Romania (P166303)	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Board Date May 31, 2018	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Public Finance	Implementing Agency Ministry of Interior - General Inspectorate for Emergency Situations, Ministry of Regional Development		

**Proposed Development Objective(s)**

The Program Development Objective (PDO) is to strengthen Romania’s institutional and legal framework to effectively manage the physical, social and fiscal impacts of natural disasters and climate change

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	465.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	465.00
World Bank Lending	465.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

**Country Context**

1. Geophysical and climate-related disasters pose a considerable threat to Romania’s poverty alleviation efforts and its sustainable economic growth. Romania is prone to a range of natural disasters, particularly earthquakes and floods, which have resulted in significant physical, social and financial impacts. From 1970 to 2016, 85 catastrophic



events were recorded in Romania, including 47 floods, 4 earthquakes and 2 droughts, which resulted in over US\$6 billion of losses and damages and affected almost two million people. At the same time, disaster impacts are increasing including due to (i) concentration of people and economic assets; (ii) insufficient funding for risk reduction; and (iii) climate change effects.

2. Romania is one of the countries in the European Union (EU) most at risk from earthquakes, with hundreds of lives lost and tens of thousands of buildings damaged in earthquakes in the last 200 years. In the last 5 centuries, there have been on average two magnitude 7+ earthquakes each century, with five earthquakes since 1802 with magnitudes higher than 7.5<sup>3</sup>. Moreover, seismic experts consider an 8.1 magnitude earthquake possible. The vulnerability of the Romanian economy to earthquakes is exacerbated by the fact that more than 75% of the population (or 65% of urban population) and 45% of all critical transport, energy, water, communication services are in areas with high earthquake hazard<sup>1</sup>. Furthermore, 60-75 % of Romania's fixed assets which contribute to 70-80 % of the country's GDP are in seismic zones.
3. Romania is also one of the most flood-prone countries in Europe<sup>2</sup> with significant damage from hydro-meteorological hazards occurring several times per decade. In 2006, the extreme floods resulted in economic damage equivalent to 1% of GDP. Romanian officials ordered the controlled flooding of thousands of hectares of unused agricultural spaces to prevent further damage in cities across Romania.<sup>3</sup> 160 localities were affected, 10,000 homes, about 600 km of roads and 300 bridges damaged, and 21,000 ha of farmland affected. Today, experts anticipate that a 100-year flood along the Danube river would affect more than 800,000 inhabitants, 3,550 communities, 5% of national highways, 700 km of major roads, more than 2000 km of county and local roads, 100 nationally protected areas, and more than 300 cultural heritage buildings<sup>11</sup>. For a 1000-year flood, more than 1.8 million inhabitants would be affected.<sup>4</sup> Moreover by 2080 (considering change in socio-economic and climate conditions) GDP losses from floods could quadruple (depending on the mitigation pathway selected). Across Romania, flood risk is highest in Ialomita and Satu Mare followed by Arad, Teleorman, Giurgiu and Calarasi.<sup>12</sup>
4. The increased incidence of natural disasters, coupled with the projected climate outlook for Romania, highlight the need for a comprehensive disaster and climate risk management program. As such, the proposed project is being envisaged within the context of a framework program comprised of a series of investment operations and policy projects that will re-engage the government in DRM and increase the country's physical and financial resilience to climate and disaster risks. Such a program would be targeted at minimizing economic losses, safeguarding lives and livelihoods and embedding risk management in broader development through three primary areas of engagement:
  - a. Prioritizing urgent investments in disaster and climate risk reduction and preparedness for response, with an initial focus aimed at reducing the substantial seismic risk in public buildings and the impacts in the event of an earthquake. Further investments in safe public buildings, particularly schools, primary health facilities, public administration buildings etc., as well as key transport routes and bridges and resilient lifelines (e.g. Water, communications, energy) would be systematically addressed through subsequent investment operations.

<sup>1</sup> [https://www.igsu.ro/documente/RO-RISK/Raport\\_Final\\_de\\_tara.pdf](https://www.igsu.ro/documente/RO-RISK/Raport_Final_de_tara.pdf)

<sup>2</sup> From 1987 to 2002 Romania had the greatest area in the EU impacted by repeated floods. European Spatial Planning Observation Network 2004

<sup>3</sup> Estimates show that during April – May interval, 160 localities spread across 12 counties were affected, and total economic damage is over 1% from Romanian GNP. About 600 km of roads and 300 bridges were damaged, and total farmland affected was 21,000 ha.

<sup>4</sup> Risk Assessment conducted by the government of Romania, known as RO-RISK.



- b. Supporting DRM policy reform to implement specific actions that build resilience under legislation, such as the commitment to seismic safe public buildings such as schools, deepening homeowner insurance penetration to reduce an implicit government liability etc.
- c. Promoting financial resilience and enhancing the government's capacity to manage the fiscal impacts of natural disasters. This will be achieved through a series of financial instruments that will be put in place to manage financial liabilities during response, recovery and long term reconstruction.

This Program will support progress on (b) and (c), with a parallel Investment Policy Financing (IPF) focused on ensuring the seismic safety of critical disaster and emergency response buildings (P166302) in the short-term, and expanded in the medium term to the education sector.

#### Relationship to CPF

- 5. The proposed program is aligned with the objectives of the current Country Partnership Strategy (CPS) FY14 – 18 for Romania which seeks to reduce poverty in Romania and foster sustainable income growth for the bottom 40 percent of the population. The CPS has three main strategic pillars: (i) creating a 21st century Government; (ii) growth and private sector job creation; and (iii) social inclusion. The proposed project contributes across all three of the CPS by supporting the government to build the country's resilience to natural disasters and will help reduce disaster related economic and livelihood losses in the event of a disaster.
- 6. The proposed program is also fully aligned with the objectives of the proposed Country Partnership Framework (CPF) FY19 – 23 to be presented to the Board of Executive Directors in May 2018, which seeks to reduce poverty in Romania and foster sustainable income growth for the bottom 40 percent of the population. Under the proposed Strengthen Resilience pillar, the new CPF specifically identifies enhancing earthquake preparedness as a key area for Bank support. The proposed DPL with CAT DDO will also complement the pipeline Investment Project Financing for Earthquake Preparedness (P166302 - US\$ 50million). The specific CPF outcome to which these operations will contribute is Establishment of a National Disaster Risk Management Platform and strengthening public buildings to seismic risk.

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

- 7. The Program Development Objective (PDO) is to strengthen Romania's institutional and legal framework to effectively manage the physical, social and fiscal impacts of natural disasters and climate change. This objective will be achieved by supporting policy actions that are aimed at: (i) strengthening the institutional/legal framework for disaster risk management, (ii) reducing disaster and climate risks across vulnerable sectors, and (iii) reducing financial shocks of disaster events. The CAT-DDO will also provide a platform for multi-sectoral and cross ministerial engagement on improving disaster and climate preparedness, by bringing together Ministry of Finance with Ministry of Interior (and General Inspectorate for Emergency Situations), Ministry of Regional Development, Ministry of Environment, Ministry of Education and so forth.

#### Key Results

- 8. Results are expected to be achieved in: (a) Establishment and Operationalization of National Platform for Disaster Reduction and Recovery, including adoption of standards and multi-sectorial focus on risk management, (b) Improvements in communication and early warning of disaster events, (c) Acceleration of the government program to ensure safe and resilient housing to citizens, (d) systematic assessment of risk across sectors, and



development of investment plans, (e) reforms and processes that reduce the fiscal shock of disasters and climate change.

#### **D. Concept Description**

9. The proposed operation contributes to the national objective to reduce disaster risk as articulated in the international Sendai Framework for Action 2015-2030, which was adopted by the Government at the Third UN World Conference for Disaster Risk Reduction in Sendai, Japan. The policy measures supported by this DPL will build on and strengthen the Borrower's ongoing efforts to strengthen legislative and institutional arrangements for disaster risk management. In addition, as a quick and flexible source of financing, the CAT-DDO will provide bridge financing until other sources of financing (e.g. Solidarity Fund, concessional funding, bilateral and humanitarian aid, emergency reconstruction loans) are mobilized following a natural disaster.
10. Drawdown triggers. Under this DPL, funds may be drawn upon a Borrower's declaration of a "natural and other hazard emergency" (as per the Government Emergency Ordinance 21/2004, amended in 1/2014). The drawdown will take place only if such "natural and other emergency" results from a natural disaster, and under the terms and conditions specified in the Financing Agreement. After the Government makes a declaration of natural or another hazard emergency, it will coordinate with the MoPF to decide on triggering the drawdown.
11. Drawdown period and renewals. The drawdown period for the proposed operation will be three years and may be renewed up to four times. The World Bank will monitor the implementation of the DRM program. If it is not being implemented in a satisfactory manner, the borrower may not be eligible to submit a disbursement request. The adequacy of the macroeconomic framework is assessed at effectiveness and reconfirmed at renewal. Renewal would take place no earlier than one year and no later than six months before the expiration date. The renewal would be aligned with World Bank procedures for extension of closing dates beyond two years. Renewals would require that the original program remain largely in place.
12. Three pillars of reform have been formulated, with prior actions identified under each pillar.
  - a. *Pillar A:* Strengthen the Borrowers institutional and legal framework for disaster risk management
  - b. *Pillar B:* Strengthen the Borrower's capacity to systematically identify and reduce disaster and climate risks across vulnerable sectors
  - c. *Pillar C:* Reduce the fiscal impact of disasters and strengthen the Borrower's financial capacity to respond to the impact of natural disasters

#### **E. Poverty and Social Impacts and Environmental Aspects**

##### Poverty and Social Impacts

13. Poor people are particularly exposed and vulnerable to shocks associated with natural disasters and climate change<sup>5</sup>. The poor are disproportionately affected<sup>5</sup>, not only because they are typically more exposed through living in more disaster-prone areas or less resilient structures, but also because they have fewer resources and assets beyond their home, and receive less support from family, community, the financial system and so forth to prevent, to cope and adapt to disasters and climate change. In Romania, 70% of assets of the poor<sup>16</sup> are vulnerable to destruction. For rural poor, disaster and climate shocks have significant impact on agricultural production –

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<sup>5</sup> 2016, Shockwaves, World Bank



with floods often damaging crops and equipment, and drought reducing yields. Currently 80% of the population have access to early warning and improving the efficiency and use of early warning information for flood and drought would support increased resilience, especially for rural farmers.

14. There are many policy actions that can support increased resilience of the poor, and near poor, to disaster and climate resilience. For example, policies aimed at reducing private asset losses – including reducing exposure and vulnerability of assets and improving access to early warning systems – could reduce asset losses by 13% and well-being losses by 16%. Policies aimed at increasing resilience – including access to savings, insurance and finance, accelerating reconstruction through government access to finance and streamlined processes, post-disaster support etc. – could reduce asset losses by 2.8% and well-being losses by 14%. This Program will contribute to the reduction of private asset losses through policy reform to accelerate seismic strengthening of private buildings and reform of the national household insurance program. It will support increased resilience through providing more streamlined access to finance at government level which will improve post-disaster recovery and reconstruction actions.
15. The proposed operation is expected have positive effects on the poor by providing support the Government of Romania’s policies that aim to reduce the impact of disasters on society and the most vulnerable. In the case of a declaration of emergency, the activation of the DPL with the CAT-DDO will help ensure the continuity of existing development plans and enable effective government response to affected populations. Furthermore, as part of the World Bank’s dialogue with the country, this operation will promote the sharing of the World Bank’s global expertise in disaster risk reduction and attention to vulnerable populations. In particular, the World Bank will support Romania to promote: (i) improved awareness of populations at risk from disasters and climate change; (ii) adoption of international best practice in urban and land use planning to reduce the exposure of vulnerable populations in high risk areas; and (iii) improved institutional collaboration and development of standards to assess and respond to populations and demographic groups most at risk from disasters and climate change.

#### Environmental Impacts

16. Specific actions under this DPL are not expected to have significant effects on environment, forests or other natural resources. As a member of the European Union, Romania also has strong environmental protection standards. Policy actions under this operation will also strengthen existing legislation and regulations through time to consider disaster and climate risks which has positive environmental benefits. Moreover, enhancements to disaster risk management in Romania will have positive impacts with respect to the management of wildfires which have been increasing in frequency and extent.
17. The Romania National Climate Change and Low Carbon Green Growth Strategy (2016-2030) highlights the need for adaptation programs that reduce the impact of climate change on forestry, agriculture and rural development, water and infrastructure. Key recommendations included the promotion of rehabilitation and sustainable management of irrigation and drainage and land management plans, reduction in flood risks through flood hazard and risk mapping and implementation of measures into flood risk management plans and river basin plans, preparation of city adaptation plans, and protection of natural resources areas and so forth. Establishment of systems and policies to manage disaster and climate risks through time, contribute to achievement of the objectives set forward in this strategy.



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**APPROVAL**

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**Approved By**

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