



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 20-May-2019 | Report No: PIDC25619

BASIC INFORMATION

A. Basic Project Data

Country Madagascar	Project ID P167941	Project Name Disaster Risk Management Development Policy Operation with a Catastrophe Deferred Drawdown Option (CAT DDO) (P167941)	Parent Project ID (if any)
Region AFRICA	Estimated Board Date Aug 22, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Ministère de l'Economie et des Finances	Implementing Agency Cellule de Prévention et de Gestion des Urgences (CPGU)		

Proposed Development Objective(s)

The development objective of the proposed operation is to strengthen the Government of Madagascar's institutional, technical and financial capacity to manage disaster risks.

Financing (in US\$, Millions)

SUMMARY

Total Financing	61.70
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DETAILS

Total World Bank Group Financing	50.00
World Bank Lending	50.00
Total Non-World Bank Group Financing	11.70
Multilateral and Bilateral Financing (Concessional)	11.70

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Madagascar is one of the world's most vulnerable countries to disaster risk, with disaster shocks negatively impacting growth and development on a regular basis.** Madagascar is one of the world's most exposed and vulnerable countries to climate change and extreme weather events¹, with cyclones, flooding, and drought posing the greatest risks. The risk is illustrated by recent disasters which severely undermined growth and development in the country by destroying lives and livelihoods, public and private infrastructure, disrupting economic activity, and resulting in significant fiscal costs. In 2015, floods caused by tropical storms Chedza and Fundi resulted in damages and losses of US\$ 119 million, equivalent to 1.1 percent of GDP. Negative fiscal impacts were estimated at US\$ 31.9 million from lower revenues and higher expenditures, resulting in an increase of the budget deficit from -2.7 percent to -5.6 percent of GDP². Despite important economic progress in recent years, Madagascar remains one of the poorest countries in the world (the headcount poverty rate based on the international poverty line is estimated at 78 percent in 2012). In addition to entrenched poverty, high population growth, unplanned urbanization and a lack of resilient building and infrastructure standards are key risk drivers.

2. **The Government of Madagascar (GoM) has started to shift its focus from post-disaster relief operations to proactive disaster risk management (DRM) and measures to increase climate change resilience.** Recovering from a period of political instability, the country has made important progress in strengthening its DRM framework. Despite this progress, Madagascar's DRM policy framework still has several shortcomings on strategic, financial and sectoral levels. On a strategic level, the National Disaster Risk Management Policy has never been translated into a decree and has therefore not been enforced. As a result, disaster response capacity on a decentralized level is very weak and the resilience of key sectors is limited. In addition, no ex-ante financial instrument exists to finance disaster preparedness and emergency response activities. The proposed US\$50 million Disaster Risk Management Policy Credit with a Deferred Drawdown Option for Catastrophe Risks (Cat DDO) with a EUR 10 million in co-financing from the French Development Agency (AFD) has been designed to support the Government of Madagascar's technical, institutional and financial capacity to manage disaster and climate-related risks. Furthermore, by ensuring timely access to much needed resources after a disaster, the GoM can better manage the cost of emergency response and recovery, as well as protect its fiscal space for strategic growth-enabling investments.

Relationship to CPF

3. **The proposed operation is fully aligned with the World Bank Country Partnership Framework (CPF) FY 2017-2021 for Madagascar and complements several WB projects.** The CPF has two focus areas: (i) increase resilience and reduce fragility; and (ii) promote inclusive growth. Contributing to the first focus area, the operation will directly support objective 2 "Enhanced resilience of livelihoods of vulnerable households in rural and urban areas" by strengthening the national system for disaster risk management, increasing financial resilience to disasters and mainstreaming resilience to climate-related and disaster shocks into sector programs, which directly contribute to the World Bank's twin goals. The Systematic Country Diagnostic (SCD) emphasized the importance of strengthening the protection of the poor against natural disaster-related shocks and increasing the investment in risk reduction, risk information and disaster recovery in the country. The proposed operation is fully aligned with the objective 2 in the CPF and the recommendations made by the SCD. Moreover, the project complements the WB portfolio in Madagascar such as the US\$75 million *Integrated Urban*

¹ The 2019 World Risk Report ranked Madagascar at 17th out of 171 countries in terms of risk to natural disasters. Madagascar also ranks as the 7th most affected country in 2017 considering indicators such as death toll and losses. <https://www.ireus.uni-stuttgart.de/Internationales/WorldRiskIndex/>

² World Bank. (2016). Évaluation de l'impact économique et budgétaire des catastrophes à Madagascar.

Development and Resilience Project for Antananarivo (PRODIUR) aimed to strengthen flood protection infrastructure and urban resilience in the poorest parts of Antananarivo and the US\$2 million RETF, and the *Pilot Program for Climate Resilience* (PPCR), aimed to provide technical assistance to increase knowledge on climate resilience and climate risk management in the country.

C. Proposed Development Objective(s)

4. The development objective of the proposed operation is to strengthen the Government of Madagascar's institutional, technical and financial capacity to manage disaster and climate related-risks.

Key Results

5. **The proposed operation will set the stage for a proactive and comprehensive approach to DRM.** The program will enable a more proactive approach for the GoM to manage existing disaster risks and prevent creation of new risk, including those aggravated by climate change. The pillars and associated prior actions as well as their results are aligned with the Government's Program. Many of the activities and reforms prioritized under this operation will fill critical gaps in Madagascar's current institutional and financial framework to reduce the impact of disaster on lives, livelihood and infrastructure. Key expected results include greater technical capacities to manage the impact of disaster and climate-related risks; greater financial resilience to disasters; and risk-informed territorial and urban planning

D. Concept Description

6. **The proposed operation is designed to support the Government of Madagascar's institutional, technical and financial capacity to manage disaster and climate related-risks.** The program has three pillars with six prior actions. The operation supports the country's shift to a more proactive DRM approach by improving DRM institutional arrangements for better coordination among key actors and across all levels of government; puts in place a framework for shock sensitive social protection; strengthens financial resilience to disasters; and mainstreams resilience in urban and building structure.

7. **The three pillars will support ongoing reforms of Madagascar's disaster and climate risk management system.** The government priorities and DRM agenda are outlined in the National Development Plan (NDP) 2015-2019, General Policy of the State (GPS), Strategic Programme for Climate Resilience (SPCR), DRM policies and strategies. The policy reforms represent a strong commitment by the Government to disaster risk reduction and climate resilience. Both AFD and World Bank technical assistance has been mobilized to support the reforms and will continue to be provided throughout implementation to ensure targeted results are achieved.

Pillar 1 will operationalize the DRM technical capacities to manage the impact of disaster and climate-related risks.

- **Prior action 1.** The Council of Ministers has operationalized the National DRM System through the adoption of: (i) a decree regulating Law No. 2015-031 on the National Disaster Risk Management Policy; (ii) a decree revising the organization, functioning and role of the CPGU; (iii) a decree revising the organization, functioning and role of the BNGRC.
- **Prior action 2.** The Government has established a framework to implement a shock-responsive social protection mechanism.

Pillar 2 will strengthen financial resilience to disasters.

- **Prior action 3.** The Council of Ministers has adopted a decree which creates a national disaster fund to finance disaster preparedness and emergency response.
- **Prior action 4.** The Council of Ministers has adopted the new insurance law and submitted it to Parliament

Pillar 3 will mainstream disaster and climate resilience into territorial and urban planning.

- **Prior action 5.** The Council of Ministers has amended the decree requiring the use of cyclone-resistant building standards for public buildings and adopted the decree on construction permit.
- **Prior action 6.** The Council of Ministers has adopted two decrees to mainstream DRM and Climate Change into Territorial and Urban Planning regulations and tools.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

8. **The reforms supported by this operation are expected to have positive poverty and social effects for poor and vulnerable groups.** Madagascar is one of the poorest countries in the world with an extreme poverty ratio of 78 percent in 2012. Moreover, the disproportional impacts of disasters on the poor has been well documented for Madagascar, including possible negative long-lasting effects. By strengthening disaster risk management and increasing financial resilience under Pillars 1 and 2 and by establishing a framework for scalable social protection under Pillar 1, the GoM will have greater capacity to support the poor and vulnerable in the aftermath of disasters. Early intervention is critical to protect the lives and livelihoods of affected people. Early intervention is not only important for rapid-onset events such as cyclones, but also for droughts. Evidence has shown that early measures to help affected people can reduce their resorting to negative coping strategies (e.g. parents taking children out school, so they can work and contribute to household income; or the sale of assets to cover immediate needs), which can reduce long-term welfare. Strengthening disaster preparedness and response capacity also includes strengthening financial resilience. This can help ensure that sufficient liquidity is available to finance preparedness and immediate response activities, including the provision of assistance to the poor and to vulnerable populations. Finally, capacity to respond in a manner benefitting the poor is strengthened by the existence of efficient ways to channel assistance to the poor in the aftermath of shocks, such as through the social protection system. This is supported by Prior Action 2 of this operation.

Environmental Impacts

9. **The reforms supported by the proposed operation are unlikely to have significant negative impacts and risks on Madagascar's natural assets.** All the actions supported through the operation are policy-oriented; they do not support direct investment in environmentally impactful projects or involve policy actions with significant environmental consequences. Under Pillar 1, the proposed reforms are aimed at strengthening the DRM technical capacities to manage the impact of climate and disaster risk. The policy reforms under this Pillar could promote natural resource and environmental management and are likely to reduce environmental degradation through a better understanding of the environmental impact of disasters. Prior Action 3, under Pillar 2 with the objective to strengthen financial resilience to disasters, will create a national disaster fund to finance disaster preparedness and emergency response. It will not induce—directly or indirectly—negative environmental effects. Although unlikely, potential harmful environmental impacts derived from this policy reform will be limited and will be monitored and addressed through the Environmental Assessment procedures in place and under the guidance and supervision of the National Environment Office (NEO).

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APPROVAL

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