

July 7, 2011

Reply of WB and the Government of Saint Vincent and the Grenadines on the comments on the Approval by Mail: St. Vincent and the Grenadines Disaster Vulnerability and Climate Risk Reduction Project

Dear PPCR Sub-Committee,

The Saint Vincent and the Grenadines (SVG) Disaster Vulnerability and Climate Risk Reduction Project (DVRP), was circulated for approval by mail as SVG's Investment Project on May 4, 2011 and subsequently approved for a total amount of US\$10 million (US\$7 million in PPCR grants; US\$3 million in PPCR concessional financing) on May 18, 2011, co-financing the project with US\$10 million in IDA credits. In response to questions and comments raised by the Canadian member of the PPCR Sub-Committee regarding this project we would like to provide the following additional information:

In general, the Government of SVG and the task team agree that concerns raised by the Sub-Committee member will be addressed during implementation of the DVRP. Specific responses to Sub-Committee comments are addressed below:

Linkages to the PPCR Regional Track. The World Bank investment project endorsed by the PPCR Sub-Committee, namely the DVRP, is part of an Eastern Caribbean regional program with specific national level investments complemented by regional activities designed to minimize duplication, promote best practice and facilitate regional climate data management and risk modeling. The DVRP is a Saint Vincent and the Grenadines project co-financed with CIF and IDA resources. The regional track of the PPCR Caribbean Regional Program and the DVRP will be complementary, but from an operational and legal point of view they are separate. By design, the objective of the DVRP is to address vulnerability reduction in the participating Eastern Caribbean countries. The project aims to build capacity at a national level to collect data and to interpret climate risk information - both of which are critical aspects of creating a functional regional architecture for climate adaptation. Additionally, there will surely be lessons learned that could be applied in other CARICOM countries.

Linkages to the PPCR-adopted Results Framework. The DVRP PAD includes a project-specific results framework based on the objectives of the Sub-Committee-approved investment project. This results framework is complementary to the broader Results Framework adopted by the PPCR Sub-committee for all PPCR-financed projects and will provide valuable disaggregated input to the PPCR Results Framework.

Specificity of the DVRP PAD to SVG. Both the Grenada and SVG detailed project descriptions can be referenced in the annexes of the PAD. Each detailed project description articulates the country specific engagement and projects in each country.

Risk Transfer Mechanisms. The Emergency Recovery and Rehabilitation Mechanism and the Caribbean Catastrophe Risk Insurance Facility (CCRIF) serve two different functions in a

risk financing strategy. The CCRIF is an insurance mechanism with a parametric trigger managed by an independent entity. A country receives a payout when a pre-defined parameter has been exceeded. There are plenty of perils in the Caribbean that would result in a national disaster and not provide coverage from the CCRIF – for instance, flooding. The Emergency Recovery and Rehabilitation Mechanism is a financing option that works on the basis of a national declaration of emergency. This is called a soft trigger and allows a different kind of control to be exercised by the Government. This allows the financing tool to cover a different part of the risk in a national risk financing strategy. The project provides the government quick access to IDA financing for emergency purposes. Experience under these mechanisms contributed to the adoption of the IDA 16 donor requirement of making the IDA portfolio more agile and responsive in cases of disasters.

The legal agreements of the project states that the Emergency Recovery and Rehabilitation Mechanism can only be financed by IDA financing. No CIF resources would be re-categorized to cover early recover or rehabilitation costs following a disaster event.

Gender Dimensions. There is agreement between the Government of SVG and the World Bank that gender dimensions will be adequately addressed throughout all phases of the project cycle. Gender and other vulnerable groups-related considerations and actions are outlined in the project Social Assessment and Resettlement Policy Framework.

Other Comments. All indicative remuneration scales referenced in the PAD are based on national remuneration guidelines for consultants for Project Management Units. These are typically specialized in fiduciary or technical areas needed for project implementation. There is no sustainability issue in financing these consultants since their function is only to assist the implementation of the project. The World Bank cannot finance public officials.

Lastly, the additional US\$100,000 requested for MDB preparation and supervision costs was based on the a combination of factors, including: 1) the additional demands of the inclusion of an unforeseen stand alone project in Grenada; 2) increased costs of air travel due to fluctuating global fuel costs; 3) need for additional technical assistance to support effective project preparation and implementation; 4) the cross sectoral nature of the project design and coordination support demands; and more importantly 5) the costs of facilitating regional workshops designed to support cross fertilization and utilization of best practice in the sub-region in specific sectors (i.e. climate proofing infrastructure, data management, climate change awareness, etc.).

Other comments made by the PPCR Sub-Committee were addressed during the PPCR meeting in Cape Town. Additionally, both the Government and the task team look forward to a more in-depth discussion and opportunity to provide feedback regarding the role of the Sub-Committee approval process on investments using PPCR resources at the June meeting in Cape Town.

With Kind Regards,

Government of Saint Vincent and the Grenadines and The World Bank

Annex 1: Full Summary of Comments made by the PPCR Sub-Committee on Saint Vincent and the Grenadines Disaster Vulnerability & Climate Risk Reduction Project

May 18, 2011

Canada

Dear Colleagues,

We appreciate the opportunity to provide comments on the project document entitled "St. Vincent and the Grenadines--Disaster Vulnerability and Climate Risk Reduction Project." We note a number of concerns specific to this initiative that may also be relevant for other projects submitted to PPCR Sub-committee members in the future. In addition, several of the issues that we raised with regard to the Grenada Disaster Vulnerability and Climate Risk Reduction Project are similar. While we do not want to delay the approval process now, a more thorough discussion on investments using PPCR resources would be welcomed at the next Sub-committee meeting in June.

- In contrast to the SPCR, there are few linkages between this proposal and the Regional Track for the PPCR Regional program for the Caribbean--which is the impetus for the committee agreeing to fund this national component of the pilot in St. Vincent & the Grenadines. While "regional" work is highlighted as a specific area in the proposal, the region being referred to is actually the Eastern Caribbean, and not the Caribbean region as a whole.
- The link between the corporate Results Framework adopted by the PPCR Sub-committee and this initiative is missing. How will this project contribute to achieving the overall results of the PPCR? To the regional program?
- While one of the objectives of the PPCR is to complement other multilateral financial mechanisms while integrating climate change impacts into national development planning, the proposal does not clearly identify how the respective mandates of the different funding mechanisms will be considered, as the funding is blended together. This is particularly an issue with regard to the potential re-categorization of financing to cover early recovery and rehabilitation costs.
- The project proposal is not specific to St. Vincent and the Grenadines, which leads to some confusion about what the Sub-Committee is asked to approve, in particular reference to sub-programs that occur in Grenada.
- There appears to be an inherent contradiction with the proposed "Emergency Recovery and Rehabilitation Mechanism" as the proposal suggests that the mechanism "would complement the participating countries memberships of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), since the trigger would be a declaration of emergency

following an adverse natural event, rather than CCRIF's parametric trigger." The basis for developing the CCRIF was, in fact, to use parametric triggers as a replacement to subjective one.

- We note that the salaries budgeted for the project are not in line with national norms. The GNI of St. Vincent & the Grenadines is \$8770, and the salaries budgeted are upwards of 10 times greater in some cases, which raises the issue of how these projects will be sustainable in the longer term. The national government has not yet assured any future funding for government employees in their relative functions.
- The project presented for consideration is completely gender blind, although the proposal acknowledges that female headed-households are particularly vulnerable to the effects of climate change.
- Similar to the Grenada proposal, there has been an increase of \$100,000 requested for MDB preparation and supervision costs from the original estimates (\$520K instead of \$420K) in recognition of limited capacity in the government. We would appreciate that any proposed increase in fees be flagged in the accompanying decisions requested of PPCR Sub-committee members.