

CLIMATE INVESTMENT FUNDS

July 31, 2009

**PROPOSAL PREPARED BY INTER-AMERICAN DEVELOPMENT BANK AND
WORLD BANK GROUP FOR PPCR REGIONAL PROGRAM FOR THE CARIBBEAN**

I. BACKGROUND

1. The Caribbean Region has been selected by the Pilot Program for Climate Resilience Trust Fund Sub-Committee¹ as one of the pilot country groupings to participate in the PPCR. During its last meeting May 14-15th, 2009, the Sub-Committee provided the following guidance:

"The Sub-Committee took note of the recommendations of the Expert Group in relation to the selection of target countries within the Caribbean and the Pacific regions. The Sub-Committee agreed to adopt the Expert Group's recommended option of favoring an inclusive, integrated approach in each region and agreed on a set of broad principles for giving effect to that option. Specifically, it was agreed that the regional pilots should: (a) place emphasis on relatively poorer states, (b) concentrate the bulk of resources in a limited number of countries, (c) maximize synergies between activities in individual countries, including where appropriate through thematic approaches, and (d) work with, and strengthen, regional institutions, particularly with a view to promoting cross-learning. The Sub-Committee requested the MDBs concerned, working with the Administrative Unit and in consultation with interested regional organizations, to prepare in accordance with these principles and previously agreed guidance a proposal for regional pilots in the Caribbean and the Pacific to be circulated for approval by mail by late July."

2. In addition, the Sub-Committee requested that priority consideration be given to how the PPCR can best supplement the work of the MDBs in Haiti.

3. Since then, both the World Bank and the IDB have met internally and have held bi-lateral discussions at the director-level regarding how to operationalize a regional approach and the IFC has inputted to the document. A number of regional institutions have also been informally consulted on the thematic approach and relevance to the region, notably: CARICOM Secretariat – Sustainable Development unit; the Caribbean Community Climate Change Center (CCCCC); Caribbean Disaster Emergency Response Agency (CDERA); Caribbean Institute for Meteorology and Hydrology (CIMH); and the Climate Studies Group of the University of the West Indies.

Rationale for a Regional Approach for the Caribbean

4. As emphasized by the PPCR Expert Group, all Caribbean countries are particularly vulnerable to climate change. Main impacts include shifts in precipitation patterns, with more intense storms and longer dry spells, increased hurricane intensity and unrelenting sea-level rise. These unavoidable consequences of global warming are coupled with the fact that most are Small Islands, with the majority of their populations and main commercial activities on, or near, the coastline and with limited surface and groundwater resources.

5. The Caribbean states have a strong history of collaboration on the issue of climate change with a significant amount of analytical work already done or underway on regional adaptation to

¹ A Subcommittee of the Strategic Climate Fund Trust Fund Committee

climate change projects. Regional projects such as the Caribbean Planning for Adaptation to Climate Change (CPACC); Adaptation to Climate Change in the Caribbean (ACCC) Project and Mainstreaming Adaptation to Climate Change (MACC), have supported countries with development of National Adaptation Plans and UNFCCC National Communications, and provide some lessons learned—particularly with regard to institutional arrangements and strengthening and knowledge sharing— which will help in the development of the PPCR regional pilot.

6. In 2002 the CARICOM Heads of Government established the Caribbean Community Climate Change Center (CCCCC) to coordinate the Caribbean region’s response to climate change. The CCCCC is the official repository and clearing house for regional climate change data, providing climate change-related policy advice and guidelines to the Caribbean Community.

7. At the Thirtieth CARICOM Heads of Government meeting held in July 2009, the Heads of Government endorsed a Regional Strategy for Achieving Development Resilient to Climate Change, 2009-2015. Of the four strategic goals identified in this strategy, two are particularly relevant to a regional PPCR pilot program for the Caribbean, notably: Mainstreaming climate change adaptation strategies into the sustainable development agendas of the CARICOM States; and, Promote actions to reduce the vulnerability of natural and human systems in CARICOM to the impacts of a changing climate.

8. Overall, similar climate risks and vulnerabilities of the countries within the region coupled with the already existing strong political and institutional collaboration within the region on climate change, provide a strong case for a regional approach for the Caribbean under the PPCR.

What would a regional project in the Caribbean look like?

9. Scope of activities This note proposes that the PPCR activities in the Caribbean proceed along two tracks:

- (a) region-wide activities focused on climate monitoring, institutional strengthening, capacity building, and knowledge sharing; and
- (b) country-based investments in a select number of highly vulnerable countries (Haiti, Jamaica, and a selection of a few small island states from the Organization of Eastern Caribbean States (OECS) with an emphasis on poorer countries;

10. This dual approach would allow flexibility to tailor PPCR support with individual countries according to how advanced they are in their climate change planning processes. Countries that are already advanced in integration of adaptation in their development planning would be able to use PPCR financing for investments in adaptation—both scaling up proven technologies and piloting new approaches, while at the same time providing the necessary resources to undertake further analytical work if needed and mainstreaming of climate resilience into their development and sector planning, and especially seeking synergies with existing

disaster preparedness measures. Conversely, countries at a lower level of readiness would be able to engage in more extensive capacity building in conjunction with targeted investments.

11. The regional track would provide financing for critical activities with medium and long-term implications which must be done at a regional scale (e.g. monitoring of sea level rise, sea surface temperatures, coral reef health, to name a few) and support development of harmonized approaches, promoting cross-learning and potential for replication of successful approaches piloted through the PPCR, across the Caribbean. PPCR resources would also be used to engage regional institutions and countries in the development and use of models and tools that, tailored to a country's needs, would progress towards integration of climate resilience into relevant plans.

12. All Caribbean states would be able to benefit from the regional activities through regional workshops and training events, dissemination of lessons, and provision of regionally relevant information, such a monitoring of sea level rise and ocean temperatures, and the CARICOM agencies (e.g. Caribbean Disaster Emergency Response Agency [CDERA], the Caribbean Community Climate Change Center [CCCCC], the Caribbean Development Bank [CDB], the OECS Secretariat, and the University of the West Indies [UWI]) would be well placed to provide support. An institutional assessment and discussions with the countries with the participation countries will be part of the phase 1 activities to determine the possible role of these agencies.

13. At the same time a number of regional initiatives are already underway and can be built upon through the PPCR, relevant examples include: the *Caribbean Carbon Neutral Project*, which includes a component focusing on financing integration of climate resilience into development plans - executed by CCCCC; a *Caribbean Risk Atlas* – with the University of West Indies (UWI); and initiatives relating to *Community Based Landslide Risk Reduction* – World Bank study; *Regional Disaster Risk Management for Sustainable Tourism in the Caribbean Project* – executed by CDERA and; *Mainstreaming Disaster Risk Management in OECS Countries* – executed by the Caribbean Development Bank.

14. Dedicated resources will be necessary to support regional activities, including design and implementation of relevant training programs to stakeholder groups across the region. Moreover, PPCR support for strengthening these regional institutions' capacity for assisting countries with the formulation and implementation of national (and/or sector-based) climate change strategies will accelerate the implementation of the CARICOM Climate Change Strategy.

15. Focus on vulnerability to specific threats. Based on the *PPCR Guidance Note on Regional Programs*, a thematic approach focusing on measures for integrating climate resilience focusing on the coastal environment (i.e. infrastructure and settlements) is proposed as one that is relevant to all countries in the region, including Haiti, Jamaica, and the OECS. By focusing on coastal areas, where most settlements and infrastructure are situated, the approach would address the greatest socio-economic and environmental vulnerabilities, aimed at protecting lives and livelihoods. In cases where good upper watershed management is the key to improving coastal area resilience (as is the case in Haiti and Jamaica) these activities would also be included. Given the importance of the private sector (including the tourism sector and SMEs) for socio-economic development and growth, it will be necessary to consider how the PPCR can catalyze and scale-up private sector investments in climate resilience.

16. To maximize synergies between activities in individual countries, a thematic approach towards Integrated Coastal Zone Management (ICZM) is therefore suggested, in which the emphasis is on coastal development. In this respect, the general principles of ICZM will be applied to vulnerable coastal settlements, infrastructure and ecosystems as a result of climate change. Depending on how the countries prioritize their investment needs, it would be possible to (1) implement high priority actions identified in their national adaptation strategies, (2) scale-up successful disaster preparedness and vulnerability risk reduction activities at the community level in collaboration with the regional institutions, and (3) work on watershed management, hillside stabilization, and coastal zone planning, including infrastructure, tourism and ecosystems.

17. Available funding and impact. Given that these Caribbean countries have virtually no capacity to borrow, they would likely take a high proportion of grants rather than a blend of grants and loans. They could also link grants to other donor programs. At the same time, other financing modalities including concessional loans and risk-sharing instruments could be used to support private sector investments in measures to promote climate resilience.

Country Pilots within a Caribbean Regional Pilot Program on Climate Resilience

18. Based on the recommendations of the Expert Group the following countries could be invited to participate in the Regional Program. This recommendation combines the two options provided by the Expert Group, while at the same time focusing on a limited number of countries.

19. **Haiti**, with a total surface area of 27,000 km² and approximately 9.2 million inhabitants, is one of the region's most densely populated countries with vulnerabilities to adverse natural events, i.e. climate variability, and subsequently climate change. The impacts of these events—which include extensive flooding, mudslides, coastal surges and droughts—are exacerbated by a number of factors which include severe environmental degradation, dense settlements in low lying areas, high levels of poverty, limited public infrastructure and a history of weak governance. The vulnerability of Haiti to adverse natural events was underscored during the 2008 hurricane season when Tropical Storm Fay and Hurricanes Gustav, Hannah and Ike (FGHI) hit Haiti over the course of a 3 week period, inflicting damages and losses estimated at roughly US\$900 million, or 15 percent of GDP. With a projected increase in the frequency and severity of storms and a decrease in average rainfall associated with climate change, Haiti requires a comprehensive and integrated approach towards the management of the risks associated with, *inter alia*, changing global and regional climate patterns.

20. In response to the experience of 2008, the Government of Haiti has elevated the profile of risk management and vulnerability reduction to the forefront of its development agenda as evident by the inclusion of vulnerability reduction and risk management as one of the three strategic pillars of their *Programme de Reconstruction des Infrastructures Economique*. The proposed program builds on the country's Poverty Reduction Strategy Paper and the recommendations of the 2008 hurricane season Post-Disaster Needs Assessment. Key activities under current development within Haiti include a National Watershed Management program, which could be folded into the ICZM regional approach of the PPCR. In order to address Haiti's

climate change vulnerabilities, it is necessary to concentrate efforts on threats to the upper watersheds, where poor management and regulation are responsible for the down-slope impacts observed in the coastal zone.

21. **Jamaica** is particularly vulnerable to climate change: the country has a relatively large population of about 3 million people, two-thirds of which live in coastal towns and communities, and low human development indicators - 18.7% national poverty head count with 25.1% rural and 12.8 % urban (2000).² Climate change threatens the social and economic development of the country. It is estimated that by 2025 the cost for Jamaica could be 13.9% of GDP (based on 2004 GDP), 27.9 % by 2050, 42.3 % by 2075 and approximately 57% by 2100. Likely impacts include increased coastal flooding, storm surge, erosion and other coastal hazards – leading to extensive impacts to coastal infrastructure and communities, tourism infrastructure and coastal ecosystems; drought from reductions in water resources and increased invasion of non-native species, which may include pest infestations.

22. The Government of Jamaica through its *Vision 2030 Jamaica: National Development Plan* has outlined its priorities and actions with regard to climate change in its combined sector plan on Natural Resources and Environmental Management & Hazard Risk Reduction and Climate Change (2007). A primary focus will be to adapt to climate change through mainstreaming climate risks into government policies and plans, indentifying strategic priorities and adoption of best practice, as well as promoting greater public awareness of the issue. Jamaica's National Communication to the UNFCCC highlights that in the coastal zones (which includes infrastructure, tourism facilities, and natural ecosystems), the water resources and agriculture sectors are highly vulnerable to the impacts of climate change.

23. **All OECS Countries** are highly vulnerable to the consequences of climate change including natural disasters associated with the intensification of hurricanes, landslides, and flooding. The consequences of precipitation changes and the intensification of natural hazards have had severe impacts on human welfare, economic activities, property and natural resource; and the situation is only expected to get worse.³ Rising sea levels, and intensifying storms and rainfall concentration due to warming climate is likely to affect key economic activities, exacerbate most of these existing hazards patterns, and potentially create stress on water supply. Major events in recent history include Hurricane Georges (1998), Hurricane Ivan (2004) Hurricane Dean (2007) and Hurricane Omar (2008). All these events caused severe structural damage to housing, road networks and other infrastructures (phone lines, water and electricity). Interruptions of services and physical access due to landslides and flooding are frequent in all the Islands. There are already a number of planned and on-going sub-regional projects in the OECS, including the GEF-funded Special Pilot Adaptation to Climate Change project (SPACC), which is supporting efforts by Dominica, Saint Lucia and St. Vincent and the Grenadines to implement integrated pilot adaptation measures. In addition to the guidance received from the PPCR Expert Group, the May 2009 Sub-Committee meeting agreed, *inter alia*, that regional pilots should place emphasis on relatively poorer states. In accordance with this specific guidance, it is

² World Bank. World Development Indicators

proposed that the four OECS countries which are both IDA⁴-blend and IDA-Small Island Economy Exception countries be included in the regional program as a single pilot case: Dominica, St. Lucia, St. Vincent and the Grenadines, and Grenada.

Consultation with Regional Institutions

24. In preparing this document the following regional institutions were informally consulted: CARICOM Secretariat – Sustainable Development unit; CCCCC; CDERA; Caribbean Institute for Meteorology and Hydrology – CIMH; and the Climate Studies Group – UWI. There is general consensus among regional institutions that a regional PPCR program focusing on a coastal development, infrastructure and settlements theme would closely match national and regional priorities. There is strong agreement that the coastal zone is a critical area of concern for the Caribbean with regard to the impacts of climate change because of the concentration of infrastructure and critical habitats within the coastal areas of most, if not all, Caribbean countries. They recognize that for any regional program to be successful it will require close collaboration and interaction between regional institutions, which can be facilitated through building on existing regional initiatives (e.g. use of the storm surge mapping toolkit of CDERA). There are concerns over the level of resources available for ensuring effective engagement of regional institutions but an understanding that this will be part of the stakeholder consultations. In addition they stressed the considerable need for capacity building at all levels for the program to be successfully implemented.

⁴ The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. IDA lends money (known as credits) on concessional terms and it is one of the largest sources of assistance for the world's 79 poorest countries. IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period. In addition, IDA provides grants to countries at risk of debt distress.