REPORT NO.: RES41423

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
CENTRAL AMERICA & CARIBBEAN CATASTROPHE RISK INSURANCE PROJECT
APPROVED ON JUNE 30, 2015
TO
CCRIF SPC

URBAN, RESILIENCE AND LAND
LATIN AMERICA AND CARIBBEAN

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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</thead>
<tbody>
<tr>
<td>P149670</td>
<td>Investment Project Financing</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>30-Jun-2015</td>
<td>30-Apr-2020</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
</tr>
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<tbody>
<tr>
<td>CCRIF SPC</td>
<td>CCRIF SPC</td>
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</table>

Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to improve affordability of high quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF Participating Countries.

Summary Status of Financing

<table>
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<th>Ln/Cr/Tf</th>
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<th>Signing</th>
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<th>Net Commitment</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
BACKGROUND

1. The Project is financed by two trust fund grants to the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) for a total amount of US$43.25 million: (i) an original grant in the amount of US$19.5 million (TF0A0564), approved on June 30, 2015; and (ii) an additional financing of US$23.75 million (TF0A5343), approved on July 25, 2017.

2. The grants are financed by the Central America and Caribbean Catastrophe Risk Insurance Program Multi-Donor Trust Fund (MDTF) (Trust Fund No. TF072659 parallel to the original Trust Fund No. TF072264) (“Program”) which provides immediate liquidity for emergency response and recovery to Latin America and the Caribbean countries through a range of affordable and innovative insurance products, enabling them to be better prepared to absorb the fiscal shock of natural disasters.

3. The Donors under the MDTF include: (i) the United States, through the Department of Treasury; (ii) Canada, through Global Affairs Canada; (iii) the European Union; (iv) Germany, through the Federal Ministry of Economic Cooperation and Development; and (v) Germany, through the KfW. The current EDD of the MDTF is June 30, 2020, and is proposed to be extended to June 30, 2022, to utilize additional contributions to the MDTF received in November 2019. The additional funding is expected to support efforts to expand disaster risk product offerings for member countries in Central America as well as support the CCRIF SPC’s capacity by financing operational costs.

PROJECT STATUS

4. The Project Development Objective (PDO) of the Central America and Caribbean Catastrophe Risk Insurance Project (P149670) is to improve the affordability of high-quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF Participating Countries. The Project includes three components: (i) Component 1: parametric insurance associated with risks related to geophysical events for Council of Ministers of Finance of Central America, Panama, and the Dominican Republic (COSEFIN) participating countries (US$9.5 million); (ii) Component 2: parametric climate risk insurance for COSEFIN participating countries (US$22.75 million); and (iii) Component 3: parametric climate risk insurance for CARICOM participating countries: (US$15 million).

5. Progress towards achievement of PDO and Implementation Progress (IP) in the last Implementation Status and Results Report dated January 2, 2020, are both rated Satisfactory, with targets of all PDO level indicators achieved. Three Central American countries (Nicaragua, Panama, and Guatemala) and 19 Caribbean countries are now members of CCRIF SPC, up from 16 countries (or 37.5% increase) at approval. Results achieved under components activities are summarized below.

6. Progress under components 1 and 2 remains satisfactory. For the 2019/20 period, Nicaragua renewed its earthquake, tropical cyclone, and excess rainfall policies for the fifth consecutive year. Panama and Guatemala joined the CCRIF SPC by purchasing excess rainfall coverage in 2018 and 2019, respectively. In total, 3 Caribbean member countries purchased five excess rainfall policies, one tropical cyclone policies, and one earthquake policies. El Salvador has made less progress moving forward during this period but has shown an increased level of interest in participating in training activities provided by the CCRIF SPC. As such, El Salvador, Honduras, and Costa Rica (which are yet to join CCRIF SPC) remain priority countries for the 2020/21 period.
7. Progress under component 3 continues to be highly satisfactory. For the 2019/20 period, all Caribbean members of the CCRIF SPC completed the selection of their CCRIF SPC insurance portfolio. Nine Caribbean governments increased their level of coverage for at least one of their policies, and one country purchased coverage for an additional peril (tropical cyclone), which it did not have last year. In total, 19 Caribbean member countries purchased 15 excess rainfall policies, 18 tropical cyclone policies, and 14 earthquake policies.

8. To continue supporting the expansion into Central America, the World Bank will work closely with the CCRIF SPC to ensure proper coordination and messaging, taking into consideration specific country contexts. The CCRIF SPC has taken note of the concerns raised by the technical teams and remains fully committed to providing products, services, and tools in response to the needs of Central American countries. This additional support for countries includes exploring options for continuing to integrate country data into the models and improving countries’ risk profiles.

9. Disbursements. US$17.6 million (41%) of total grant proceeds have been disbursed to date, consistent with the number of insurance policies purchased by member countries, and accounts for expenditures related to participation fees, reinsurance costs, and technical assistance. The financing of insurance payouts, about 20% of the total allocation, falls outside the Project’s control as disbursements can only be made when an event is triggered.

10. Fiduciary. Financial management and procurement are rated satisfactory. There are no Safeguards issues with the Project, and all legal covenants have been either fully complied with or partially complied with.

RATIONALE FOR RESTRUCTURING

11. An extension of the Project’s closing date is necessary to allow additional time for the revised EDD of the MDTF to be processed. The expansion CCRIF SPC is particularly relevant to the COVID-19 response, as it offers a viable public-private insurance partnership to increase the country’s ability to respond to disasters more quickly and resiliently.

12. Countries in Central America and the Caribbean continue to be at high risk of compound shocks as a result of disasters. The impacts of the COVID-19 pandemic exacerbate these risks. To finance the containment and mitigation measures to slow the spread of the COVID-19 pandemic, governments in the region are using all available financing options, including disaster risk financing instruments (e.g., contingency lines of credit, emergency funds, budget reallocations). These actions have drastically reduced the number of instruments available to respond to a future disaster, not only increasing governments’ financial exposure but also limiting access to liquidity to support already-overloaded emergency systems.

13. Countries will eventually shift toward more sustainable recovery measures. In the meantime, governments are looking for viable solutions to increase their ability to respond to disasters more quickly and resiliently. Through the Project, CCRIF SPC continues offering affordable catastrophe risk insurance products to member countries. In parallel, through the provision of technical assistance, the World Bank will support the reassessment of countries’ disaster risk financing strategies to ensure the right mix of instruments to respond to disasters caused by natural hazards and to incorporate health-related shocks.

PROPOSED CHANGE

14. The Project’s closing date is proposed to be extended from April 30, 2020 to May 31, 2020. The Disbursement Deadline Date specified in the Disbursement Letter dated August 3, 2017 would also be amended to be June 30, 2020.
Once the EDD of the MDTF that finances the Project is effective, a further extension of the Project closing date to December 31, 2021 would be considered as requested by the Recipient.

15. The extension to December 31, 2021 would allow the additional funding (US$11 million) received by the MDTF in November 2019 to be allocated to the Project to finance activities under Components 1 and 2 (expansion to Central America). The Donors of the MDTF have allocated additional bank-executed funds to ensure implementation support funding is available during the extended implementation period.

16. The task team confirms that the extension of the closing date complies with the Bank Directive for Investment Project Financing: (i) the PDO remains relevant and achievable, (ii) the performance of the Recipient remains satisfactory, (iii) the Project is not subject to suspension of disbursements; and (iv) there are no outstanding audit reports, and the ones received are acceptable to the World Bank. In addition, a workplan and budget for the implementation of Project activities have been agreed with CCRIF SPC.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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