



ANNEX
of the Commission Decision on the "Special Measure in response to Post-Hurricanes Irma and Maria support in favour of Caribbean countries"

**Action Document for Post-Hurricanes support
in favour of Caribbean countries**

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|--|---|---------------|
| 1. Title/basic act/ CRIS number | Post-Hurricanes Irma and Maria support in favour of Caribbean countries funded under 11th European Development Fund Antigua and Barbuda - FED/2017/040-785 Cuba - FED/2018/041-381 Dominica - FED/2017/040-855 Regional Resilience Building Facility - FED/2017/041-238 | |
| 2. Zone benefiting from the action/location | The Action shall be carried out at the following location: Antigua and Barbuda, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, the Bahamas, and Trinidad and Tobago). | |
| 3. Programming document | EDF B-Envelope | |
| 4. Sector of concentration/ thematic area | Public Finance Management; Climate Change, disaster management and sustainable energy. | DEV. Aid: YES |
| 5. Amounts concerned | Total estimated cost: EUR 48,100,000 Total amount of EDF contribution: EUR 48,100,000 Antigua and Barbuda: EUR 5,325,000 Cuba: EUR 4,000,000 Dominica: EUR 11,000,000 Regional Resilience Building Facility: EUR 27,775,000 No co-financing is foreseen for this action | |
| 6. Aid modality(ies) | 1) Indirect management: - with United Nations Development Programme (UNDP) for Antigua | |

| | | | | |
|--|---|--------------------------|------------------------------|--------------------------|
| and implementation modality(ies) | <p>and Barbuda</p> <ul style="list-style-type: none"> - with United Nations Development Programme (UNDP) for Cuba - with World Bank group (WB) for the Regional Resilience Building Facility) <p>2) Direct management:</p> <ul style="list-style-type: none"> - Budget Support: - State and Resilience Building Contract - Procurement of Services: Communication and Visibility and Evaluation and audits contracts | | | |
| 7 a) DAC code(s) | <p>74010 - Disaster prevention and preparedness (Regional Resilience Building Facility)</p> <p>51010 , 15111 – Public Finance Management (State Building Contract Dominica)</p> <p>13030 – Housing policy and administrative management (Antigua and Barbuda)</p> <p>23210 – Energy generation, renewable sources for Cuba</p> | | | |
| b) Main Delivery Channel | <p>10000 – Public Sector Institutions</p> <p>4100 – United Nation agency</p> <p>44000 - World Bank Group</p> | | | |
| 8. Markers (from CRIS DAC form) | General policy objective | Not targeted | Significant objective | Main objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | V |
| | Aid to environment | <input type="checkbox"/> | <input type="checkbox"/> | V |
| | Gender equality (including Women In Development) | <input type="checkbox"/> | V | <input type="checkbox"/> |
| | Trade Development | V | <input type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, Maternal, New born and child health | V | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Main objective |
| | Biological diversity | V | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | V | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | V | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input type="checkbox"/> | <input type="checkbox"/> | V |
| 9. Global Public Goods and Challenges (GPGC) thematic flagships | N/A | | | |
| 10. Sustainable Development Goals (SDGs) | <p>SDG 5: Gender Equality and Empowerment of Women and Girls</p> <p>SDG 11: Make cities inclusive, safe, resilient and sustainable.</p> <p>SDG 13: Take urgent action to combat climate change and its impact</p> | | | |

SUMMARY:

The Caribbean region is among the most vulnerable zones in the world. In 2017, an unusual chain of several hurricanes (starting with Irma, then José and María) led to an estimated 100 fatalities and caused major damage to infrastructure: housing, road networks, schools, hospitals and utilities (water, electricity and telephone).

There is a general consensus that the current hurricane recovery phase offers an opportunity for building a more resilient Caribbean.

While reconstruction must be quick, it is essential to integrate resilience aspects into rehabilitation and development plans as well as into public and private investments. Damaged infrastructure have to be rebuilt according higher standards in line with best practice international building codes. Moreover, for better sustainability, these actions need to be supplemented with more inclusive disaster risk reduction measures, such as technical adaptation solutions, specific hazard zoning, disaster information mechanisms, and flood and landslide mitigation.

The main added value of the proposed Action will be a general approach to the recovery stage in the affected countries by tailoring each priority as identified in the post disasters assessments. In addition, the involvement in the recovery phase of each Government and implementing International Agencies which participated in the emergency and early recovery phases (ECHO, UNDP, World Bank, etc.) will not only encourage ownership and contribute to the sustainability of the solutions, but also will add a higher level of performance.

The proposed Action is aligned with the national priorities resulting from the respective Post Disaster Needs Assessment (PDNA) for Dominica and Antigua and Barbuda, and from the assessment of the UN agencies in dialogue with the Cuban government. It also responds to the quest of Caribbean countries to become a model for climate-resilient development in the world.

Additionally, the Action will offer a major regional opportunity to mainstream resilience in infrastructure investments and advance disaster preparedness of the countries in the region by building the institutional and operational country capacities for formulating and managing resilient reconstruction/disaster risk management investment projects.

The overall objective of the Action is 1) to support the recovery and rehabilitation efforts of the Governments of Antigua and Barbuda, Cuba and Dominica, to resume basic services in critical areas and 2) to enhance long term resilience at the regional level to the benefit of the most vulnerable.

Based on the above objectives, the expected results are:

- Result 1: The reconstruction efforts at national level are supported through the Build Back Better approach.
- Result 2: The economic recovery in key sectors is promoted.
- Result 3: Disaster Risk Reduction and Preparedness is mainstreamed.
- Result 4: Long-term regional resilience and adaptation capacity is enhanced.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Impact of hurricanes Irma and Maria

Between 5 and 8 September 2017, category 5 Hurricane Irma hit the Caribbean with maximum sustained winds of 296 km/h, causing widespread devastation. The most affected countries were Cuba, Antigua and Barbuda, Turks and Caicos Islands, Saint Kitts and Nevis, Anguilla, British Virgin Islands and Sint Maarten. Irma was the longest lived storm of such intensity anywhere around the globe for the past 50 years. Shortly after, on 19 September, category 5 Hurricane Maria made landfall in Dominica with maximum sustained winds of 260 km/h, causing massive destruction.

The combination of strong winds, storm surge and intense rainfall led to an estimated 100 fatalities and caused major damage to buildings, roads and energy infrastructure, the destruction of health, agriculture and water and sanitation facilities.

In **Dominica**, the Post-Disaster Needs Assessment (PDNA) characterized the effects and impacts of the disaster and concluded that Hurricane Maria resulted in total damages of EUR 778 million and losses of EUR 319 million, which amounts to 226 percent of 2016 gross domestic product (GDP). The identified recovery needs for reconstruction and resilience interventions, incorporating the principle of ‘building back better’ (BBB) where possible, amount to EUR 1.13 billion. About 90-95% of houses were damaged or destroyed and 80% of the total population affected. Critical infrastructures - including electrical lines, houses, public buildings as government offices, schools and hospitals and private structures key to the economy and people’s livelihoods were significantly damaged.

In **Antigua and Barbuda**, the PDNA concluded that the total damage (e.g. destroyed physical assets) of the Irma/Maria events comes to EUR 115.5 million, while losses amount to EUR 16.04 million and recovery needs equal EUR 188.5 million. The island of Barbuda was devastated and left virtually uninhabitable, with 95 % of the estimated housing stock affected.

Cuba suffered substantial losses in infrastructure and main sectors of the economy (tourism, agriculture, energy). 13 of the country’s 15 provinces, more than 90% of the population (more than 9 million), were directly affected and 200,000 houses totally or partially destroyed. An estimated 1.7 million people were evacuated. The UN Plan of Action pleaded EUR 46.7 million of humanitarian aid in the areas of shelter, food security, water and sanitation, health and education.

For Caribbean small islands and low-lying coastal states this type of extreme events is considered as the “new normal” due to climate change. The intensification of occurrences of natural disasters can erase hard-won development gains and hinder progress, significantly reducing the capacity of a country to recover from the shock. This is especially the case for Caribbean states which have small and undiversified economic base and little fiscal space to recover. Most countries are categorized as middle- to high-income and are largely ineligible for concessional financing and Official Development Assistance (ODA). At the same time, Caribbean Small Island Development States (SIDS) have limited fiscal capacity to meet the investment needs for recovery, due to their high indebtedness, which is on average at 79% of regional GDP.

EU being among the few donors providing grant funding to the region has an essential role to play in supporting countries to build back better, build resilience and helping them progress towards a sustainable economic path. EU priority is therefore to improve the resilience of

Caribbean countries to face the consequences of climate change, notably by assisting populations at risk in withstanding, coping with and adapting to repeated adverse events and long-term stress.

1.1.1 Public Policy Assessment and EU Policy Framework

The Caribbean Community (CARICOM), having recognised the critical link between disaster events and the sustainable development of its Member States has developed the Comprehensive Disaster Management Strategy whose goal “Safer, more resilient and sustainable Participating States through Comprehensive Disaster Management” has been endorsed at the political level.

CARICOM has also established a specialised disaster management agency, the Caribbean Disaster Emergency Management Agency (CDEMA), which has played a sterling role as the region’s premier organisation for Disaster Risk Management and the integration of Comprehensive Disaster Management (CDM) Strategy into national policies, strategies and legislation.

The CDM Strategy 2014-2024 synergises the region’s efforts to achieve results targeted in the Sendai Framework for Disaster Risk Reduction, the Paris Agreement on Climate Change, the Sustainable Development Goals and the 2030 Development Agenda.

The EU Global Strategy and the EU Consensus on Development identify resilience as a cornerstone of EU development policy. The 2017 Joint Communication "A Strategic approach to Resilience in the EU's external action" further develops the concept to the "need to move away from crisis containment to a more structural, non-linear approach to vulnerabilities, with an emphasis on anticipation, prevention and preparedness" and to address root causes.

Irma and Maria produced the most significant effects on the productive and social sectors; the Governments of the affected countries have reiterated the importance of “building back better” (BBB) and climate resilience in the reconstruction and recovery process. BBB has been applied where relevant across and within sectors to support a cost-optimized, resilient reconstruction. Accordingly, this Action will assist the governments in their recovery and climate –resilient economy strategies by mobilizing financial and technical resources.

The Action is in line with all guiding global, regional, national and EU development policies and responds to the implementation priorities B (Regional Action Plans on Disaster Risk Reduction (DRR) and C (Integration of DRR into EU’s External Action) of the EU Strategy for Supporting DRR in Developing Countries – Implementation Plan and the priorities of the Global Climate Change Alliance (GCCA, the Action Plan for Resilience in Crisis Prone Countries 2013-2020, as well as with ECHO priorities in the region.

1.1.2 Stakeholder analysis

The Action will focus on the most vulnerable populations, facing recurrent crisis as the main beneficiaries. As the impacts of climate change and disasters are more pronounced for children and for females than for adults and males, gender equality has been identified as a significant programme objective and particular attention will be paid to targeting women and children

The action will be part of the framework promoted by the Caribbean Climate-Smart Coalition launched in December 2017. The coalition involves the private sector, civil society and governments at all levels working together for a more resilient Caribbean. It aims to

transform regional energy system, build resiliency, drive economic growth in support to the parts of the region affected by the recent hurricanes. Regional stakeholders (e.g. OECS) and national governments are working closely with the coalition to ensure coordination and synergy in the response action.

The actions to be implemented at country level have been identified in partnership with the national/local authorities, the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO), main international donors and UN agencies.

EU will partner with the respective governments of the affected countries for the implementation of the Action. Prime Minister's Offices, National Disaster Management Offices (NDMOs), dedicated agencies (such as Climate Resilience Execution Agency of Dominica) will coordinate projects across ministries and ensure their timely execution.

In Antigua Barbuda, based on its specific knowledge and experience in the local housing sector reconstruction, UNDP has been identified as the main implementing partner for the rehabilitation of the existing damaged houses.

The Budget Support in Dominica will be managed by the NAO office and its implementation led by CREAD in connection with the line Ministry of housing, land and water resources management.

In Cuba, UNDP has been identified as the main partner to implement the Action, as it has a broad experience with EU programmes in the country on resilience and natural disasters, agriculture and climate change. UNDP will be the main implementing partner in the EU new financed bilateral programme to support renewable energies in Cuba.

For the implementation of the Regional Resilience Building Facility, EU will partner with the World Bank (WB), due to its large experience in the region in supporting natural disaster financial protection schemes and in providing technical assistance for the reinforcement of national capacities in reconstruction efforts and climate change adaptation.

Relevant stakeholders are also regional organisations and institutions (CARICOM, CARIFORUM, CDEMA, Caribbean Development Bank, Caribbean Community Climate Change Centre, UN Agencies and relevant Non-State Actors (NSAs) / civil society organisations (CSOs) with whom the EU will continue to promote coordination and advocacy around the resilience agenda.

Indirect beneficiaries are the entire public administration as well as the communities which will benefit from rehabilitation activities financed by the Action, including rural communities that will benefit from climate proofed infrastructures.

1.1.3 Priority areas for support/problem analysis

The severe (social and economic) damage caused by Hurricanes Irma and Maria has demonstrated all too clearly Caribbean islands' vulnerability to extreme and unexpected weather events. Vulnerability is also likely to increase as hurricanes and tropical storms are expected to keep increasing in frequency and intensity with climate change. An absolute priority for the different governments is to rapidly ensure the full reestablishment of basic services, housing and transport connectivity and access. This will require a coordinated effort to ensure appropriate allocation of investments from both public and private sectors. It will also require greater efficiency in public spending and the corresponding governments should also take the "opportunity" afforded by the tragedy to implement reforms (to build resilience and achieve a sustainable growth path) and enhance enforcement and compliance with existing legislation.

A key challenge for the affected countries is to set the right priorities, coordinate interventions and make the case for reforms and enhanced enforcement.

a. Dominica

Most damages were sustained in the housing sector (38 percent), followed by the transport (20 percent) and education sector (7 percent). The greatest losses, as defined by changes in economic flows, were sustained in the agriculture sector (33 percent), and followed by the tourism (19 percent) and transport sector (14 percent). The agriculture sector was devastated, with significant loss of crops and substantial destruction to trees and livestock, which disproportionally affected the most vulnerable segments of Dominica's population. Most secondary roads, critical to access arable land and transport labour and agricultural products to markets and ports, were left inaccessible.

In this context, the proposed Action in Dominica will aim at supporting the operationalisation of the CREAD (Climate Resilience Execution Agency of Dominica) and the implementation of the National Resilient Development Strategy (build a better Dominica) through budget support (State and Resilience Building Contract). The reconstruction/rehabilitation of houses for the most vulnerable people and the construction of regional emergency shelters have been pre-identified with the government as priority intervention areas.

It will be complemented by a Technical Assistance component (funded by the Technical Cooperation Facility) that will facilitate the set-up and functioning of CREAD being established by the Dominican Government to coordinate the reconstruction efforts.

b. Antigua and Barbuda

The PDNA for Antigua and Barbuda concluded that in terms of policy, planning, financing and recovery implementation, the housing sector should feature among the priorities during the recovery phase. This is reflected in the financial estimation of the recovery needs in which housing is identified as the sector with most financial needs, followed by tourism and transport. Based on the analysis employed, approximately 95% of the estimated housing stock for Barbuda suffered some degree of damage from the storm. The recovery needs in the housing sector are determined assuming the housing stock will not shift from the pre-disaster type of building, but will be reconstructed at higher standards (BBB), following more strictly and enforced building codes and with a strong supervision component. Assuming unit costs varying, the total recovery needs would be around EUR80 million.

In this context, the intervention in Antigua and Barbuda will aim at providing housing reconstruction for low income families.

c. Cuba

Initial assessments estimated critical impacts on housing, access to potable water and electric power services, health institutions and educational centres, agricultural production and fishing, roads and telecommunications. The electric supply was severely damaged: The countries' main thermoelectric power stations were damaged with disruption in the electricity distribution which lasted for more than a month. Over 2,200 km of electric lines and 1300 transformers were damaged.

In this context, the intervention in Cuba will aim at supporting energy access and economic recovery in the most affected regions.

d. Regional Resilience Building Facility

Recovery from the hurricanes will offer a major opportunity at the regional level to mainstream resilience in the local governance and in all sectors of the economy, against the increased occurrences and impact of natural disasters. In this context, coordination of all

partners, including the private sector, is essential to achieve a critical mass and make a paradigm shift towards a more comprehensive and coordinated approach to better recovery and long-term resilience. The approach is to move away from simple crisis containment to a more structural, regional approach to resilience, with an emphasis on long-term vulnerability reduction and prevention. The programme will support Caribbean countries and regional institutions to plan for long-term resilience and climate smart growth strategies, and to design and implement innovative and transformative policy and investment initiatives.

The Regional Resilience Building Facility is organised around the three following components:

- A Regional Technical Assistance (TA) facility for resilience mainstreaming (EUR 4 million)
- An adaptation facility for infrastructure vulnerability reduction (EUR 10 million)
- Expansion of CCRIF¹ and other risk financing measures (EUR 13.775 million)

The budget of each sub-component is indicative and can be adapted based on final programme formulation and during the negotiation of the contribution agreement with the implementing partner.

i. Regional TA facility to mainstream resilience

The programme will include a EUR 4 million component TA to provide policy and regulatory advice to beneficiary countries, to build administrative and technical capacity for advancing recovery and resilience in key sectors, to identify and prepare bankable project proposals, to provide the necessary technical studies to incorporate risk reduction into investments and help countries in mobilizing additional financing from the private sector or other sources. The regional TA facility would not only focus on building capacity for rehabilitation projects, but would also provide support to mainstream resilience in regulatory and policy development and in investment projects in key sectors such as infrastructure, community resilience and tourism. For instance, the facility could provide expertise for the revision of construction standards to ensure climate proofing of new and rehabilitated buildings, as well as the revision of land use planning systems taking into account resilience (especially in the light of climate change e.g. extended risk areas).

The TA will also be used to develop business continuity plans in the aftermath of disasters for government, local authorities and the private sector. Development of business continuity plans in key economic sectors will reduce the interruption of basic public services in the aftermath of a disaster and will facilitate to come back to business earlier. This will allow employment and economy of the country to be less affected after an adverse natural event.

The TA facility could also contribute to the “accelerator team” through expertise or other means, to be set-up under the Caribbean climate-smart coalition.

¹ Caribbean Catastrophe Risk Insurance Facility (CCRIF) is a regional insurance mechanism that pool disaster risks, and provide sovereign catastrophe risk transfer to governments.

ii. Adaptation facility for leveraging investments in resilience in the Caribbean

The TA facility described above will be complemented with a EUR 10 million adaptation co-financing facility, which will seek to leverage investments for physical vulnerability reduction and adaptation projects at the national level in the area of ecosystem-based adaptation, coastal zone management, flood mitigation measures, retrofitting of key infrastructure assets and integrated watershed management (among others). The facility could be based on existing models of cooperation with the WB (e.g. under GFDRR's ACP-EU NDRR Program in Africa and the Pacific).

iii. Expanding financial protection against disasters in the Caribbean

The impact of hurricanes also confirmed that Caribbean countries need to strengthen their financial resilience through better financial protection against disasters and by improving their overall risk financing strategies and contingency planning.

CCRIF is the first multi-country sovereign risk pool in the world. This parametric insurance instrument uses hazard magnitude data like storm strength and rainfall amounts as a basis for payouts.

Currently, 16 Caribbean Community (CARICOM) countries are members of the CCRIF. For the policy year 2017/18 CCRIF is offering coverage to 15 countries.

CCRIF has proved to be an effective mechanism to provide short term liquidity to help member countries finance their initial disaster response, mitigating the short-term cash flow problems following natural disasters, allowing governments to better respond to the most pressing needs while continuing to provide critical services. Following hurricane Irma and Maria, pay-outs totalling near EUR 45 million were channelled via CCRIF under their tropical cyclone (TC) and excess rainfall (XSR) policies to seven affected countries within days from the event.

The proposed indicative contribution of EUR 13,775 million will substantially contribute to expand CCRIF products, services and membership in the Caribbean.

The support to CCRIF will permit lowering entry points for countries most in need and allow for higher level of risk retention.

Lastly, the programme will finance studies and TA for the design of disaster risk financing strategies and innovative indemnity residential insurance products and support pilot schemes to increase insurance coverage for the residential housing market.

1.2 Budget Support in Dominica

1.2.1 Fundamental values

The Government of Dominica generally respects the human rights, the country is party to the main international human rights conventions and recently started supporting EU initiated resolutions on Human Rights at the UN. Nevertheless, there are still a number of areas of concern, primarily: domestic violence against women and children, freedom of choice of sexuality, imprisonment conditions (overcrowded prisons), indigenous rights (Kalinago), and the judicial action considerably delayed by a backlog of cases. Death penalty is still permitted by law, but it has not been applied for more than a decade.

1.2.2 Macroeconomic policy

Prior to the Hurricane Maria, the authorities were pursuing a credible macroeconomic policy, as outlined in (1) the 2014-18 Growth and Social Protection Strategy, aiming to key strategic sectors like the export-oriented agriculture, public infrastructure, labour productivity and energy, and (2) the Medium-Term Debt Management Strategy 2013/14 – 2017/18, developed with the assistance of the IMF, WB and the ECCB with the main objective of achieving the Eastern Caribbean Currency Union (ECCU) 60% debt target.

While the economic strategy outlined in the above-mentioned policy documents is credible, following Hurricane Maria the focus shifted to humanitarian relief and now to rebuilding the economy. The Hurricane's devastating effects resulted in an estimated 226% of the GDP or EUR 307 million in losses. The estimations foresee a decline in output by as much as 16% in 2018, possibly dramatically reducing the tax base and thus worsening the fiscal balance to deficits of near 3% in FY 2017/18 and 13% in FY 2018-19.

However, fiscal and debt sustainability still remains a priority for the authorities. Therefore rehabilitation is to be financed by grants and concessional loans and the capital investment programme will focus on reconstruction. Fiscal policies will now have to accommodate an increase in reconstruction spending over the medium term, and underlying policies refocused from a supportive cyclical stance toward a medium-term consolidation objective.

With regard to financial activities, the IMF has reported that the government has made substantial progress to revamp regulations, but significant risks continue to affect the sector. Structural reforms remain critical to support the fiscal effort as well as to improve competitiveness and private-sector growth prospects. According to the IMF, to further support private sector investment, the government should adopt, among others, measures to enhance the business climate; improve access to finance; increase the resilience of public infrastructure to natural disasters; explore alternative sources to reduce the cost of electricity, including through developing the geothermal potential; and seek advice to improve education achievement and modernize labour regulations. Reforms to build resilience to potential future natural disasters should also be stepped up.

1.2.3 Public Financial Management (PFM)

The GoCD has continued to enhance its PFM systems, with assistance from EU, CARTAC, the World Bank and other donors. It continues to be a main objective of the administration which will be guided by the new PFM reform plan 2016/17 – 2018/19. The GoCD has also completed drafts of new PFM and procurement laws which are expected to increase the efficiency of Government expenditure.

In the post-hurricane context, the Government has committed to establish an executive agency, the Climate Resilience Execution Agency of Dominica (CREAD) that will rebuild Dominica as a strong climate-resilient country. The Government will finalise the financial management system used by CREAD, with the agreement of donors, prior to receipt of any funds. The Chief Executive as Accounting Officer will be personally responsible for safeguarding the funds for which he or she has charge. The Supervisory Committee or its Audit Committee may invite the CEO to report on the financial management of CREAD. Through a tender, the Supervisory Committee will outsource the internal audit function to maximise independence. In addition to its external auditor, CREAD will also, as a Statutory Agency will be subject to audit by the Auditor General.

IMF/CARTAC reports that overall the results of the PEFA show a public financial management system in Dominica that is strong but there are notable weaknesses in aspects of risk management, external scrutiny and transparency. The budget process is evolving and many of the features of a strong multi-year approach are in, but often unrealistic revenue forecasts and the inability of Ministries, Departments and Agencies (MDAs) to adhere to budget ceilings contribute to the budget being unrealistic and approved later than planned. Both of these outcomes place a strain on budget execution. However, the Accountant General Department (AGD) and revenue agencies have good control over the execution of the budget. On the expenditure side, quality cash plans and effective commitment control enable effective management of the release of the budget without accumulation of arrears.

The PEFA report also states that good information on budget execution is readily available to decision makers and publishing the available data and analysis would greatly enhance transparency.

1.2.4 Transparency and oversight of the budget

For the last disbursement of the 10th EDF budget support operation, the entry point was assessed as being met, as the Government of Dominica published its budget for both fiscal years 2013/14 and 2014/15. The 2015/2016 budget was also published. The budget is available to the general public in printed form and on the Ministry of Finance's website. In-year information on budget execution is sent by the Ministry of Finance to the ECCB and this fiscal information is reviewed in its quarterly publication.

Nonetheless, as noted in the findings of the February 2016 PEFA assessment, budget comprehensiveness and transparency deteriorated, on account of budget documentation excluding some elements, namely macroeconomic forecasts, financial assets, tax expenditures and fiscal risks; in addition, certain fiscal information is not made accessible to the public in a timely manner. It is the Government's intention to address these issues in the new PFM law.

The above-mentioned criteria are analysed for each budget support disbursement (general conditions for disbursement).

2 RISKS AND ASSUMPTIONS

| Risks | Risk level (H/M/L) | Mitigating measures |
|--|--------------------|--|
| Public procurement management not sufficiently robust to handle increased influx of development partner funding. | H | The corresponding Governments will do its utmost to improve public procurement management by enhancing its monitoring systems |
| Scope of rehabilitation works could grow with the discovery of hidden damages during construction. | M | Detailed inspections will be carried out at the pre-engineering stage to minimise the impacts of unanticipated damages. |
| Growing vulnerability to natural hazards such as hurricanes, floods and droughts and their implication on investment levels. | M | Support policy dialogue that focus on climate resilient solutions, and contribute to climate change adaptation and mitigation. Dissemination of best practices to be included in the analysis of strategic investments at sector level. Build Back Better policy included in a revised building code. |
| The new infrastructure will not be included for adequate maintenance funding to protect the investment made. | M | The new infrastructure will be included in governments' Maintenance Plans. |
| Environmental and climate change risks. All models predict that the effects from climate change will increase unless actions are taken to 'turn down the heat'. | L | Design, construction and rehabilitation to introduce strict environmental safeguards and climate proofing parameters. Risks (also including risks from natural disasters) will be integrated in a risk informed investment approach and due recognition will also be given to the Climate Risk Assessment approach. |
| Weakness at the ministry level could result in poor quality control and works inspections. | L | Independent inspections/technical audits will be carried out. |
| Qualified contractors are not available at an affordable price to effectively execute the works. | L | Widen the advertising coverage; adjust the selection criteria. |
| Assumptions <ul style="list-style-type: none"> ➤ A stable political and financial climate at country levels and at regional level in general, is actively promoting secure investments. ➤ All infrastructure work sites will be thoroughly investigated, including the required technical surveys and testing following the best international procedures. ➤ Qualified contractors are available at a reasonable cost. | | |

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

There is often a significant delay between when a disaster strikes and when recovery begins. During this period, people and economies suffer. There is a need to accelerate the pace of recovery through provision of contingent financing and strengthening of recovery systems. However, absorption capacities of Caribbean Small Islands Developing States remain low, and implementation requires significant guidance and assistance. Once funding is mobilized for the recovery, it is critical to support Governments in promptly implementing recovery projects and to assist the countries to deliver more quickly critical investments, such as public utilities restoration, injecting where needed external capacity for procurement for works and large equipment, contract management, financial management, management of environmental and social impacts, in the resilient reconstruction of key sectors affected such as infrastructure, housing, and tourism.

Recovery from hurricanes Irma and Maria will offer a major regional opportunity to mainstream resilience in infrastructure investments and advance disaster preparedness of the countries in the region. Post-disaster recovery needs to be quicker but it also provides a considerable opportunity for building back better to reduce disaster risks in the future. Caribbean governments need supports for planning, financing and mainstreaming resilience in recovery investments and external financial resources to support risk-informed reconstruction and development. The extensive damage to existing roads and bridge infrastructures, indicate that formal regulations outlined in governments' policies should be applied to all infrastructure and housing design with respect to service life and resilience to natural disasters. This will protect public and private investments and reduce the impact of future disasters. The following should be of paramount importance: (i) appropriate designs (BBB) which will improve and mitigate the infrastructure's vulnerability to disasters, (ii) appropriate level of maintenance to ensure the infrastructure meets its intended life span and (iii) adequate maintenance to ensure that the infrastructure meets its intended life span. Meeting disaster preparedness needs will also require scaling up investments while improving capacity.

Lessons have also been drawn from emergency interventions in neighbouring countries, where among other an evaluation carried out by WB in St. Lucia following Hurricane Tomas in November 2010 indicated that risk reduction investments financed by WB over the past decade held up well and served their purposes when faced with a 1-in-500-year rainfall event. Similar conclusions were reached in the evaluation of school infrastructure in Grenada following Hurricane Ivan in 2004. This and other evidence suggests that retrofitting, rehabilitation, and disaster risk mitigation investments pay off when faced with an adverse natural event.

3.2 Complementarity, synergy and donor coordination

Massive reconstruction efforts will be required following the hurricanes. The EU post Irma and Maria approach is based on the research of complementarity to support countries of the region in building more resilient communities, finance adaptation projects and be better prepared in disaster response in the future.

The European Union has put together a EUR 300 million recovery package at regional and country level, which includes the EUR 50 million present Action funded from the 11th EDF reserves. Besides interventions at the national level and the Regional Resilience Building Facility funded by B-envelope, the Action will be implemented in coordination with other

available instruments and tools (regional and thematic programmes, shock absorb mechanisms, blending, triangular cooperation).

At country level, coordination and synergies are constantly sought within Linking Relief Rehabilitation and Development (LRRD) approach aiming to ensure the complementarity of ECHO's work in the area of humanitarian relief and early recovery, with medium term DEVCO's interventions. The joint strategy foresees that the same geographical areas, sectors and end-beneficiaries of the assistance provided in an immediate phase by ECHO will be targeted as far as possible by DEVCO in its rehabilitation interventions sectors and end-beneficiaries will be targeted as far as possible, mainstreaming Disaster Risk Reduction in the joint response.

The Caribbean region has also benefitted from ECHO support, mainly through its Disaster Preparedness Programme - DIPECHO (EUR 9.4 million in 2015-2016 and EUR 2 million in 2017-2018), reinforcing capacities on DRR at all levels in collaboration with CDEMA. Good practices have been developed and disseminated and could serve as a basis for this new action proposed. Additionally, EUR 3.299 million have been added under the 2017 HIP (1.6 million for Haiti and 1.699 million for the rest of the Caribbean), EUR 5 million (3 million for Haiti, 2 million for the rest of the Caribbean) for the 2018 HIP for DRR actions. The actions to be funded are targeting a. Consolidation of drought resilience, b. Taking stock of lessons learned from recent disasters and implement DP activities, c. Increase the collaboration between Caribbean States and other stakeholders. These actions will all be complementing and complemented by the proposed action.

The Dominican Republic has implemented several initiatives oriented to reduce disaster risk at various levels and areas. It has been the case of ECHO through its DIPECHO programme, EU, USAID and Spanish Cooperation Projects, among others. The country is implementing a component of the ACP-EU NRDM programme amounting EUR 2.2 million. The project has focused its activities on creating and improving capacities for information exchange and DRR training, strengthening of local governance and community capacities for DRR and promoting evaluation and improvement of resilience of critical infrastructure, especially considering water, education and health sectors.

The Action will link up to the second focal area of the Caribbean Regional Indicative Programme (CRIP), which focuses on Climate Change, Disaster Management, Environment, and Sustainable Energy: 1) a new programme of EUR 14 million (Natural Disaster Risk Facility) is under preparation, to be implemented partly by CDEMA (Caribbean Disaster Emergency Management Agency) and partly by ECHO. The action seeks to enhance operational readiness in disaster management; including early warning systems, the advancement of the community based disaster risk management; the integration of disaster management and risk reduction at the sectoral level; 2) additional EUR 12 million have been earmarked under the 11th EDF CRIP for climate adaptation. Depending on the results of the programming of the remaining funds and further approval within the CARIFORUM, additional CRIP resources could be added to the Regional Resilience Building Facility of the proposed programme.

Under the Global Climate Change Alliance (GCCA+) flagship initiative, EUR 5 million will be mobilised for Cuba in order to support community based climate adaptation projects and build long-term resilience capacity.

Under the Intra ACP, a new programme of EUR 8 million on climate services aiming scaling up climate data monitoring will be implemented by the Caribbean Meteorological Organization, while a programme of EUR 12 million in support of the Caribbean Community

Climate Change Center (5Cs) foresees special interventions in the areas of climate monitoring and observation; adaptation investments in the water sector; climate education and outreach programme; and training for integration of climate risk management into public and private sector strategies. A new EU-ACP Natural Disaster Risk Reduction Programme (NDRR) is being prepared with an indicative budget of EUR10 million for the Caribbean.

Following the recent events, the OCTs beneficiary countries decided to re-allocate part of the EUR 40 million envelope of the 11th EDF Caribbean OCT regional programme for climate resilience measures and for financing the expansion of the CCRIF to the Caribbean OCTs. Caribbean OCTs which have been also severely hit by Hurricanes Irma and Maria can apply to the 11th EDF envelope of EUR 21.5 million set aside for disaster relief and fluctuations in export earnings (B-envelope).

The EU can complement the response with shock absorption mechanisms adopted in December 2017. The concept under Article 68 foresees macroeconomic support in the case a country suffered a shock of exogenous nature and lacks fiscal response capacity. The budget allocated from the EDF reserves is EUR500 million and reflections are under way to better link it with a resilience approach.

EU support investments through blending via the Caribbean Investment Facility which has an endowment of EUR 135 million from the 11th EDF Caribbean Regional Programme. This is particularly relevant for lowering the borrowing costs of affected Caribbean islands which due to their high to middle income ranking are not eligible for concessional IDA financing. It could also complement the loan provided by European Investment Bank for post-hurricane infrastructure reconstruction to support the Caribbean region's recovery.

The proposed action shall have strong linkages with the World Bank-managed Global Facility for Disaster Reduction and Recovery (GFDRR). WB and GFDRR draw on each other's technical expertise on risk assessment, preparedness, DRR mainstreaming, risk financing and sustainable recovery in specific countries or regions, to disseminate it to the benefit of other partner countries and entities. The EU has become the largest single donor to GFDRR, with cumulative contributions of EUR 125 million to date. A large part of this collaboration focuses on improving climate and disaster resilience in Africa, Caribbean and Pacific (ACP) countries through the ACP-EU Natural Disaster Risk Reduction (NDRR) Program (EUR 60 million).

The WB is also preparing reconstruction projects in Dominica (USD 100 million) and in Barbuda (amount tbd). Many other donors (e.g. Caribbean Development Bank, Canada, Netherlands, United Kingdom) will also provide financial support for reconstruction, as was announced at the CARICOM/UNDP pledging conference in New York on November 2017.

The WB has an ongoing cooperation dialogue with donors on Caribbean reconstruction including Canada to establish a facility close to the countries to assist them and build the capacity required to build back better, deliver critical reconstruction investments and strengthen the long-term resilience of the Caribbean, and the Department for International Development (DFID) to support premium financing for existing CCRIF products and develop complementary other disaster risk financing instruments and institutional capacities in the long term. Canada is also announcing a contribution into the TA facility, therefore complementarity will be sought.

Coordination of partners at all levels is critical to achieve recovery that is both quicker and more effective. At the regional level, the dialogue and cooperation between the main actors (Caribbean Community, United Nations, European Union, Caribbean Development Bank,

Eastern Caribbean Central Bank, International Monetary Fund and World Bank) has gained momentum during the assessments and will build on it during the recovery phase.

Coordination mechanisms in the intervention area are also provided by the Eastern Caribbean Donor Partner Group (ECDPG) “Sustainable and Resilient Caribbean”, which is a group of donor and development organisations (currently chaired by UNDP and Co-chaired by the EU), programming their supports in the Organisation of Eastern Caribbean States (OECS). Disaster Management is one of the six ECDPG established thematic groups and it particularly aims to coordinate the supports dedicated to strengthening institutional and community resilience at both regional and national levels.

The programme will also directly contribute to the objectives of the **Caribbean Climate Smart Coalition** which was launched at the One Planet Summit in Paris in November 2017.

The coalition intends to act as a catalyser to bring together political leaders, private and philanthropic companies and multilateral organisation and devise and implement a vision to transform the Caribbean in a first climate-smart region in the world.

It is intended to spur innovation in the area of resilience financing, provide know-how and attract investments for resilience infrastructure and vulnerability reduction.

A plan is being finalised with the Caribbean leaders to establish a team to accelerate the Coalition’s plans, with an estimated budget of US\$6 - 10 million, which will catalyse billions of public and private funding.

The programme will coordinate closely and possibly support the Coalition's vision once the "accelerator team" will be fully operational.

3.3 Cross-cutting issues

Social and economic data in the Caribbean suggest that the conditions of women in their capacity as heads of households, income earners and community activists, often leave them disadvantaged when compared to their male counterparts. Female headed households are significantly represented among poor households, thus increasing their vulnerability at the time of disasters and increasing their challenges in bouncing back after an event. Across countries and as a common approach, gender equality and the role of women and girls is recognised as central for building up resilience against natural disasters and to be integrated into all activities.

Throughout this Action implementation, efforts will be made to promote gender balance and the empowerment of women. Emphasis will be put to encourage mentality changes with regards to gender roles and stereotypes of males and females and to strengthen the capacities of women to promote their autonomy and their effective contribution to adaptation strategies in their communities. Orientation toward the most vulnerable will be also paramount to this Action, since building resilience to natural disaster crises can only be achieved by focusing on those categories.

The effects of climate change can have profound consequences on the region’s productive sectors, especially on the tourism industry, due to the proximity of major infrastructures to low lying coastal areas and on the agriculture productivity, based on the effects of projected droughts and higher and irregular rainfall patterns. Climate change can also endanger the achievement of targets set in national, regional and international development agendas. Declining ecosystems put vulnerable communities at risk by reducing the resilience of natural systems and human societies against the impacts of climate change and increased risks of

disaster. Specifically, the impacts of climate change and human activities put a lot of pressure on ecosystem structure and function, resulting to reduced ecosystem services as well as lower resilience. Therefore, consideration of the implications of climate change will be integral to the detailed design and implementation of the programme and thus it is one of the cross-cutting elements to be taken into consideration to ensure long term resilience building. The Building Back Better (BBB) approach will be applied to ensure improved disaster resilience in all reconstruction and rehabilitation works.

Specific interventions will be subject to environmental screening to determine if an Environmental Impact Assessment (according to national and EU standards) is necessary to guarantee minimisation of potential adverse impacts on the environment associated to construction activities (e.g. waste management, extraction of construction materials, air pollution during construction, etc.).

The programme will mainstream environmental concerns as part of the BBB approach. At land-use planning level, it will promote a more accurate selection of sites for reconstruction, including innovative DRR approaches, in particular Ecosystem-Based Approaches for integrated coastal management, landslide-prone areas and urban areas. For activities related to the reconstruction of houses or other facilities, when feasible, it will promote the reuse of construction debris, sustainable local materials and facilitate low-carbon choices, as for example quality construction that will have a better insulation. The promotion of renewable energies and retrofitting of distribution lines will have a positive impact on GHG emissions, decreasing the dependence on diesel-fuelled generators that are also causing air-pollution. Additionally, the programme will support in increasing awareness on the appropriate management of wastes related to renewable energies, facilitating the correct management of exhausted batteries and other RE materials.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the Action is to support the Caribbean's aspiration to become a climate-smart and resilient region, thus contributing to the long-term sustainable economic development.

The main objectives are: 1) At the national level, to support the recovery and rehabilitation efforts of the Governments of Antigua and Barbuda, Cuba and Dominica, and 2) at the regional level, to enhance long term resilience and adaptation capacity to the benefit of the most vulnerable.

Based on the above objectives, the expected results are:

R.1: The reconstruction efforts at national level are supported through the Build Back Better approach, including aspects of governance, coordination and efficiency.

In Dominica, the Action will participate to the implementation of the National Resilient Development Strategy through support to the CREAD to implement all new, major capital projects and will play a coordinating function over these and all other major national climate resilient projects. The CREAD Supervisory Committee, likely chaired by a representative of the major official donors, will ensure that effective arrangements are in place to provide assurance on financial management, audit, controls and institutional governance. The State and Resilience Building Contract will include specific indicators to be defined with the Government, which has already requested to target the housing sector and the construction of regional shelters to the benefit of the most vulnerable communities. The operationalisation of

CREAD will be also supported by the TCF, NAO office having expressed willingness to hire a climate resilience specialist.

The intervention in Antigua and Barbuda will aim at providing housing reconstruction for low income families based on upgraded climate-smart and resistant technologies. Activities of the project will be largely inspired by the recommendations of the PDNA and Building Damage Assessment conducted end 2017. The identification and selection process for the targeted structures will focus on the beneficiaries that previously lived in Barbuda and on the most vulnerable population. UNDP will proceed to the identification of the targeted beneficiaries together with the Government. Repair/reconstruct private homes activities will be carried out by using disaster resilient construction techniques and materials as well as a thorough consideration on land planning and use. The Building Back Better (BBB) approach will be applied to ensure improved disaster resilience in all reconstruction and rehabilitation works, based also on ECHO compiled good practices in the region. UNDP will use its well-established procurement processes to ensure the purchase of good quality environmentally-friendly construction materials and the promotion of safe and resistant installation techniques for robust houses, as well as the promotion of a participatory reconstruction making best use of local skills and materials institutions and resources. This housing project will be accompanied by interventions aimed at restoring livelihood opportunities in the targeted neighbourhoods, in line with the BBB approach, promoting recovery of communities and supporting economic rejuvenation.

R.2: The economic recovery in key sectors is promoted.

In Dominica, drawing on the latest PDNA the government has listed the recovery priorities and actions areas that CREAD will be in charge to coordinate in all relevant sectors. The agency will develop a climate resilience and recovery plan (National Resilient Development Strategy for Dominica) and following from that will set up an annual business plan, with targets and milestones. It is anticipated that the majority of the infrastructure work CREAD initially manages will be financed by external agencies. CREAD will abide by all the requirements of the financing agency on behalf of the GoCD and will manage the procurement process. The proposed EU budget support will be used to implement the recovery plan. The State Building and Resilience Contract will be possibly complemented by additional grant resources from the Caribbean Investment Facility and the EU-WB regional co-financing Facility and leveraging infrastructure investments provided by other IFIs such as the Caribbean Development Bank, the World Bank group and the European Investment Bank.

In Cuba, the Action will be implemented by UNDP, who is actively involved in programmes with the central and local government on increased access to renewable energy both at household and local production (mainly agricultural) sites. UNDP will carry out assessments, support local planning, and contribute in the supply of renewable energy for the most affected households and in the worst affected agricultural production sites, in line with Cuba's INDCs commitments (24% of electricity supply from renewable sources by 2030) and the National Programmes on renewable Energy and on Climate Change ("Tarea Vida"). Through the promotion of decentralised grids powered by renewables, the Action will contribute to reduce vulnerability of energy infrastructure. The programme will include also the hardening and retrofitting of the renewable energy infrastructure and distribution grids. The programme will be complemented by interventions already planned under the bilateral envelope in the area of food security and sustainable energy.

R.3: Disaster Risk Reduction and Preparedness is mainstreamed.

In Antigua and Barbuda, UNDP Technical Assistance will enhance the capacity for resilient construction process to prevent and/or cope with future shocks through increased knowledge of more resilient construction techniques by local constructors and staff. The project will support the recovery process in the housing/building sector ensuring BBB approach, which includes enforcement of building codes, the application of proper environmentally-friendly building reconstruction techniques through training and promotion, local and national capacity building, and permanent communication with the affected population about the recovery process, based also on ECHO good practices in the region.

CREAD will define the measures needed to make Dominica a climate resilient nation in all sectors. It will request that the Government promotes these measures through public messaging and where necessary by establishing new regulations by law. Where they do not exist CREAD will establish standards so that nationwide all new public and privately built infrastructures are climate resilient within Dominica's specific hydrological and geophysical context. When appropriate, it will be requested that the Government enforces these standards by issuing new regulations and laws. CREAD will also support the capacity of line ministries so that they are able to implement climate resilient policies and can implement priority recovery projects. It will provide capacity building support to ministries or agencies. CREAD will also aim to disseminate throughout the public and private sectors a climate resilient mind set and capability that after four years leaves a public sector better able to plan and implement these policies.

Under the Regional Resilience Building Facility, the Action will include a component of technical assistance (TA) which will mainly focus on building regional capacity to mainstream resilience in regulatory and policy development and in key sectors such as transport, security and tourism. The regional EU-WB TA facility will support among others the elaboration of Contingency and Business Continuity Plans and prioritization of investments in resilient reconstruction of key sectors.

Expected investments leveraged out of the TA component could include improvement of crisis communications systems, infrastructure to support the continuity of government services, such as Emergency Operations Centers, Digital Mobile Radios system, Secondary/Alternative Government sites, Data protection/backup arrangements etc.

R.4: Long-term regional resilience and adaptation capacity is enhanced.

The impact of hurricanes also confirmed that Caribbean countries need to strengthen their financial resilience through better financial protection against disasters and by improving their overall risk financing strategies and contingency planning.

The Regional Adaptation Building Facility will provide a resilient infrastructure co-financing facility, which will seek to leverage investments for physical vulnerability reduction and adaptation projects based on existing models of cooperation. Investments in enhanced disaster management capacities will include regional level shelter facilities, emergency communication and sea/air transportation (where with ECHO coordination will be key), contingency planning, etc. Investments in resilience will foster the infrastructure vulnerability reduction works and innovative DRR approaches, in particular Ecosystem-Based Approaches for integrated coastal management, landslide-prone areas and urban areas, utility infrastructure retrofitting, community based adaptation DRR projects, etc.

The programme will also support the expansion of the Caribbean Catastrophe Risk Insurance Facility (CCRIF); by mobilizing financial resources to optimise the entry points, develop new products, expand membership and support risk-informed reconstruction and development,

National governments will benefit from access to or expansion of insurance coverage under the CCRIF as well as from a Technical Assistance in developing sovereign disaster risk financing strategies and new innovative risk financing strategies for the private sector (housing, tourism, agriculture)

Funding opportunities for expanding CCRIF product, services and membership the Caribbean can be divided into two main areas:

Opportunities for expanding the support to CCRIF involve expanding the portfolio through:

- Financing operating costs to keep premiums prices affordable due to current strong pressure to increase reinsurance pricing due to last year's tropical storm losses.
- Financing preliminary studies, risk profiling, training and capacity building activities for new members (primarily Guyana and Suriname), in order to adjust the model and pricing formula. Funding could be used to support the participation fee in the first year.
- Financing training and capacity building activities for member countries: additional funding would allow CCRIF SPC to provide more targeted and frequent capacity building and training assistance to countries to improve their understanding of CCRIF SPC's coverage and role that it can play in a broader disaster risk management plan and on national development agendas.
- Financing technical assistance to improve and develop products such as the updating of the earthquake and tropical cyclone models, improvements to the excess rainfall model the development of a drought model.

For most current member countries, the level of coverage is directly related to the amount of premium they can afford and increase in coverage is constrained by limited public finances. Donor funding, based on priorities identified by the countries, could be used to optimize the country coverage according with their risk profile and financial possibilities.

All components of the proposed actions would contribute directly to the Caribbean Climate Smart Coalition which was launched in Paris in December 2017 with the support of several Caribbean Heads of State and the Virgin Group Founder, Sir R. Branson.

The idea behind the coalition is to bring together governments' leaders, the private sector and multilateral agencies to set out and implement a shared vision for transforming the Caribbean towards a "climate-smart" zone.

The coalition is still in an "incubation" phase, but it could convert in an important vehicle to operationalise the region's ambition of becoming more climate resilient, by acting as a catalyser for the different initiatives scattered in the region and offer a knowledge and innovation platform.

4.2 Main activities

R.1: The reconstruction efforts at national level are supported through the Build Back Better approach, including aspects of governance, coordination and efficiency.

A.1.1: Support to the integration of building back better (BBB) standards into sector recovery strategies (private and public infrastructures, such as houses, schools and hospitals, or utilities, such as energy, water, sanitation, communication networks rehabilitated according building standards aimed at disaster resilience).

A1.2: Support to the establishment of the Climate Resilience Execution Agency (CREAD) in Dominica and its complementary Independent Trust Fund.

- A.1.3: Support to the implementation of the National Resilient Development Strategy in Dominica according to good governance principles (public procurement, sound financial management and internal control...).
- A.1.4: Support to the recovery of the housing sector using participatory and empowerment approaches when it comes to community level and contributing to the creation of regional emergency shelters;.
- A.1.5: Support to the monitoring and evaluation of the recovery activities (joint monitoring missions, audits and evaluations...).
- A.1.6: Provision of TA and expertise to mainstream resilience and long term vulnerability reduction in the reconstruction efforts.

R.2: Result 2: The economic recovery in key sectors is promoted.

- A.2.1: Technical Assistance to the countries to deliver quickly critical investments in the resilient reconstruction of key sectors affected such as public infrastructures, housing, and tourism.
- A.2.2: Use of co-financing facility to leverage investments in resilient infrastructures for physical vulnerability reduction and adaptation projects.
- A.2.3: Supports to energy access and economic recovery in the most affected regions of Cuba.

R.3: Disaster Risk Reduction and Preparedness is mainstreamed.

- A.3.1: Support to the elaboration of Contingency and Business Continuity Plans and prioritization of investments in resilient reconstruction of key sectors.
- A.3.2: Support to Capacity Development of public/private sectors in resilience building to natural disasters and support to inclusive and comprehensive sector dialogue including relevant stakeholders (national institutions, private sectors, civil society organisations...).
- A.3.3: Provide tools and resources for mainstreaming resilience in recovery investments in all its phases (planning, financing, monitoring and evaluating).
- A.3.4: Investments in enhanced disaster management capacities including regional level shelter facilities, emergency communication and sea/air transportation, contingency planning, reliable and predictable supplies of food and non-food items etc.

R.4: Long-term regional resilience and adaptation capacity is enhanced.

- A.4.1: Investments in resilience to foster the infrastructure vulnerability reduction works and innovative DRR approaches, in particular Ecosystem-Based Approaches for coastal areas, landslide-prone areas and urban areas, integrated Urban Resilience, community based adaptation projects, Inclusive community shelter management, studies for retrofitting strategic infrastructure.
- A.4.2: Support to the development of innovative disaster risk transfer mechanisms and strategies including expansion of CCRIF products, services and membership in the Caribbean..
- A.4.3 Provision of TA for the design of innovative risk financing products, including indemnity residential insurance and development of pilot schemes for the residential housing market or tourism sector.

A.4.3: Strengthening of communities' awareness and technical capacities for resilience building (access to disaster risk information, development of specific training tools in construction and rehabilitation...).

A.4.4: Mobilization of financial resources to support risk-informed reconstruction and development.

4.3 Complementary support (budget support)

NA

4.4 Intervention logic

The different components are mutually reinforcing. The rehabilitation after the crisis provides an opportunity to invest in longer term resilience, therefore shifting away from a “band-aid” approach of crisis containment towards a longer term transformative vision of building more resilient societies.

In this sense the objectives foreseen at the national level to support the reconstruction and rehabilitation efforts (through a resilience lens) could be complemented and supported by a regional component open to all Caribbean countries aimed at reducing long term vulnerability and strengthen adaptation capacity to future natural hazards.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this Action, it is foreseen to conclude a financing agreement with the government of Dominica and another one with the government of Antigua and Barbuda, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

In the case of Cuba it is not foreseen to conclude a Financing Agreement with the Government.

As for the Regional Resilience Building Facility, it is not foreseen to conclude a financing agreement with the partner countries referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is sixty (60) months from the date of the entry into force of the financing agreements (one with the government of Dominica and one with the government of Antigua and Barbuda) and as per Cuba and the Regional Resilience Building Facility, from the adoption by the Commission of this Action Document. Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 Implementation of the budget support component (Dominica)

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support for Dominica is EUR 11 million. This amount is based on an official request from the Government of the Commonwealth of Dominica which identified the areas of priority as 1) establishment of the CREAD 2) Housing reconstruction for the most vulnerable and 3) hurricane shelters in two most vulnerable communities.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Climate Resilient Execution Agency of Dominica (CREAD) approved by Cabinet and operational;
- Satisfactory progress in the establishment of the National Resilient Development Strategy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the revision and implementation of the corresponding PFM reform programme / action plan;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

In order to justify having met these conditions, the Governments of Dominica will present a comprehensive progress report well before the annual policy dialogue meeting for the confirmation of the earmarked payments for the tranches under the State Building Contract. In this report, the milestones achieved during the current reporting period should be reported on, and concrete milestones which are to be achieved during the forthcoming reporting period should be proposed.

b) The specific conditions for disbursement that will be used for variable tranches will be detailed in the corresponding Financing Agreement.

- Satisfactory progress in the re-construction/rehabilitation of houses of low income families in vulnerable communities.
- Satisfactory progress in the construction of climate resilient regional shelters in the most vulnerable communities.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the Action. However, in duly justified circumstances, the NAO Office in Dominica may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Indicatively, the budget support to Dominica will be provided in two tranches.

Indicatively, the first tranche will be a fixed tranche 70% of the available amount EUR 11,000,000, i.e. EUR 7 700 000.

Indicatively, the second tranche will be a variable tranche of maximum 30% of the available amount, i.e. EUR 3 300 000. This variable tranche will be linked to the attainment of mutually agreed indicators.

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Eastern Caribbean Dollars (XCD) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

It is foreseen to utilise the fixed and variable tranches according to the following calendar:

Fixed tranche (70%): Fourth quarter 2018

Variable tranche (up to 30%): First quarter 2020

5.4 Implementation modalities for actions under project modality (Antigua and Barbuda, Cuba and Regional)

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation²

5.4.1 Procurement (direct management)

| Subject in generic terms, if possible | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|--|---|---------------------------------------|--|
| Communication and Visibility | Services | One (1) | 3 rd quarter 2018 |
| Evaluation | Services | One (1) | 4 th quarter of 2022 |
| Audits/Verification missions | Services | Two (2) | 4 th quarter of 2020 and 2021 |

² https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.4.2 Indirect management with a an international organisation

Antigua and Barbuda:

This Action may be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015.

UNDP has been selected thanks to its mandate, expertise, operational capacity and established relationships of trust and cooperation with regional and local partners. Crucially, UNDP's greatest strength is in its regional and country offices, which gives the organization unparalleled field presence, implementing capacity and ability to draw on expertise and knowledge from across the region and globally.

UNDP has long standing presence in the region. In the past decade, UNDP has invested around USD 300 million in disaster preparedness and recovery in Latin America and the Caribbean. This investment laid the ground work for the USD 22 million that UNDP has mobilized to date to build back better in the Caribbean following the hurricanes of September 2017.

This implementation in Antigua and Barbuda entails the support to the reconstruction of the housing sector. This implementation is justified because UNDP has actively participated in the emergency phase, the preparation of the PDNA and in an early recovery phase.

UNDP is already engaged in repair of over 250 houses and government buildings, it has been supporting the revision and enforcement of building guidelines, and has carried out a Comprehensive Building Damage Assessments. All the structures in the islands (1,290 buildings) have been assessed by 40 persons assigned to 11 teams.

In addition, UNDP will complete the repairs of the Hannah Thomas Hospital and Post Office in Barbuda thanks to the support of India. UNDP is working with different stakeholders including directly with the PM's office.

The entrusted entity would carry out the following budget-implementation tasks (i) calls for tenders (works, supplies, supervision services) and grants for the privates, including evaluation of offers, award and signature of contracts and grants; (ii) financial management of contracts, including carrying out payments and recovering moneys due. Procurement methods thresholds and prior review thresholds of the UNDP will apply.

Cuba:

This Action may be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015.

This implementation entails the support to increase access to renewable energy both at household and local production (mainly agricultural) sites. UNDP will carry out assessments, support local planning, and contribute in the supply of renewable energy for the most affected households and in the worst affected agricultural production sites. The Action will promote decentralised grids powered by renewables. The programme will be complemented by interventions already planned under the bilateral envelope in the area of food security, sustainable energy and climate change, where PNUD is a strong partner.

In Cuba, UNDP has been identified as main implementing partner because of its long-standing cooperation partnership with the EU and its implementation capacity in a difficult local context. (UNDP has gained a broad experience in implementing projects in Cuba in the area of resilience and natural disasters prevention (ECHO), local development, sustainable agriculture and climate change. UNDP is implementing the BASAL (agro-ecology / climate-smart agriculture) and Agrocadenas (agro-value chain development) projects and will implement a component of the new programme in sustainable energy under the National Indicative Programme 2014-2020.

UNDP is actively involved in programmes with the central and local government on increased access to renewable energy both at household and local production (mainly agricultural) sites.

In this action, UNDP will carry out assessments, support local planning, and contribute in the supply of renewable energy for the most affected households and in the worst affected agricultural production sites, in line with Cuba's INDCs commitments (24% of electricity supply from renewable sources by 2030) and the National Programmes on renewable Energy and on Climate Change ("Tarea Vida").

The entrusted entity would carry out the following budget-implementation tasks: conducting procurement and managing the resulting contracts, awarding and managing grant contracts, carrying out payments to contractors and recovery of undue payments.

Regional Resilience Building Facility

This Action may be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015.

This implementation entails the realisation of expected results as described under section 4. and is justified because of the experience of WB in the region.

The World Bank is currently a leading financial institution supporting Caribbean countries government in Disaster Risk Management (DRM) and Climate Change Adaptation (CCA) with an active investment portfolio of close to USD 650 million for the entire region. The current World Bank portfolio in the Caribbean covers the entire spectrum of DRM (risk information, risk reduction, preparedness, risk financing and resilient recovery. It currently focuses substantially on the reduction of physical vulnerabilities to disasters together and the underpinning risk information work, although pipeline investments increasingly aim at enhancing their financial protection against disasters.

The World Bank is also implementing the Global Facility for Disaster Reduction and Recovery (GFDRR), with whose the Regional Resilience Building Facility will have strong linkage.

This implementation is also justified by the synergies to be gained from the Multi Donor trust Funds programme implemented by WB through the Central America and Caribbean Catastrophe Risk Insurance Program in support of the CCRIF aiming to: (i) improve affordability of high quality sovereign catastrophe risk transfer for countries members of the CARICOM (as well as to the Central American countries), and (ii) enhance the capacity of ministries of finance for developing and implementing disaster risk financing and insurance strategies. The MDTF is currently comprised of contributions from the United States, Canada, Germany and the European Union totalling EUR 42 million.

Moreover, this choice of modality is in line with the fact that the B-envelope is envisaged when rehabilitation/transitional actions are necessary to prepare longer term development actions and contribute to resilience. In this context it should be noted that the implementation modality chosen should be as efficient as possible, including quick delivery on the ground as well as minimising the workload.

The entrusted entity would be responsible of the following budget-implementation tasks: (i) calls for tenders, including evaluation of offers, award and signature of contracts under EU rules; (ii) financial management of contracts, including carrying out payments and recovering moneys due.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015]. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

Part of the funds could be used also to support the Caribbean Climate Smart Coalition "accelerator" which is being established to catalyse efforts and bring together governments' leaders, the private sector and multilateral agencies to set out and implement a shared vision for transforming the Caribbean towards a "climate-smart" zone.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

| | EU contribution (in EUR) | Indicative third party contribution, in currency identified |
|---|-----------------------------|--|
| 5.3 Budget Support (state building Contract- Dominica) | | |
| Budget Support component | 11,000,000 | n/a |
| 5.4.1 Procurement – direct management | | |
| Communication and visibility | 100,000 | n/a |
| Audits and Evaluations | 250,000 | n/a |
| 5.4.2 Indirect Management | | |
| Delegation Agreement with UNDP (Antigua and Barbuda) | 4,975,000 | |
| Delegation Agreement with UNDP (Cuba) | 4,000,000 | |
| Framework Agreement with World Bank (Regional Facility) | 27,775,000 | |
| Totals | 48,100,000 | |

5.7 Organisational set-up and responsibilities

The programme has a complex structure whereby financing agreements will be signed for Dominica and Antigua and Barbuda, while the indirect management modality will be used for the regional component and for Cuba. The Delegation in Barbados shall be responsible for the management and monitoring of the components linked to implementation in Dominica, Antigua and Barbuda and the Regional Resilience component. The Delegation in Cuba shall be responsible for the management and monitoring of the Cuba's component. The overall coordination will be ensured by the Delegation in Barbados.

A global Steering Committee involving all implementing partners, representatives of beneficiary Governments and the Commission might be convened once a year in order to ensure overall coordination and share best practices and lessons learned. Specialised regional agencies (CDEMA, 5Cs, ..) and ECHO may be invited to attend the steering committee.

The organisational set-up for each component will be defined in the corresponding financing agreements and/or PAGODA according to the specificities of each country and implementing modality.

5.8 Performance monitoring

The necessary data relative to the indicators, baselines, targets and means of verification will be either defined together with the implementing partner (e.g. for budget support) during the drafting process of the Financing Agreement, or by the implementing partner during the inception period of the individual projects.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim,

the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The assessment of performance indicators will be subsequently conducted by the European Commission staff on the basis of disbursement requests and proof of verification submitted by the Government.

This operation may be subject to review in light of the implications of the Commission's revised policy on budget support.

5.9 Evaluation

Indicatively, having regard to the nature of the action, one final global evaluation for the amount of EUR 200,000 will be carried out for this action in 1th quarter of 2022 via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that a system for monitoring and evaluation would for the first time be developed in the relevant sectors.

The Commission shall inform the implementing partner at least 60 days in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded in the fourth quarter of 2022.

5.10 Audit/Verification Missions

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, two audit/verification missions shall be concluded for a total amount of EUR 50,000 in 2020 or 2021. These audits will be funded through the Financing Agreement of Antigua and Barbuda

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively one contract for communication/visibility shall be concluded for the amount of EUR 100,000 in the 3rd quarter of 2018. The evaluation will be funded through the Financing Agreement with Antigua and Barbuda