

## OPERATIONS MANUAL BANK POLICIES

*These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

### DISASTER AND EMERGENCY ASSISTANCE

#### A. Introduction

1. The Asian Development Bank (ADB) has an integrated policy for managing its disaster and emergency assistance, which links the phases of the disaster management cycle, from prevention and mitigation through preparedness and recovery. The policy emphasizes not only responding after the disaster strikes, but also supporting activities that anticipate and mitigate the likely impact of disasters that might occur.

2. Articles 2 [ii] and 14, of the Operating Principles of ADB's Charter states that the mandate of ADB is to use its resources to finance development of its developing member countries (DMCs) through loans, guarantees, and technical assistance (TA) to prepare, finance, and execute development projects and programs that contribute to harmonious economic growth of the region. Thus, ADB's mandate does not allow the institution to engage in peacemaking, peacekeeping, or humanitarian relief. Other international aid agencies, regional bodies, nongovernment organizations (NGOs), and the United Nations (UN) normally assume these functions.

3. ADB's disaster and emergency assistance activities will be implemented within the context of working more closely with DMCs to help them adopt a new approach that emphasizes preventive measures. Disaster rehabilitation and post-conflict reconstruction must be seen by ADB and its DMCs as involving much more than just building new roads, bridges, and schools. Such interventions should also strengthen or rebuild institutions, develop appropriate policies, and train people. ADB will conceptualize and implement strategies for short-term rehabilitation and reconstruction that lay the foundations for medium- and long-term development and broaden its approach to post-disaster assistance, natural and non-natural, to include prevention, mitigation, and preparedness.

#### B. Definitions

4. The term "disaster" means a sudden, calamitous event that seriously disrupts the functioning of a community or society, causing widespread human, material, economic, or environmental losses that exceed the community's or society's ability to cope using its own resources. Disasters can be caused by natural events,<sup>1</sup> technological or industrial accidents,<sup>2</sup> or conflict.<sup>3</sup> A "post-conflict country" is one emerging from violent, protracted conflict.

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<sup>1</sup> Examples are earthquakes, tidal waves, hurricanes, cyclones, volcanic eruptions, flood, droughts, or epidemics.

<sup>2</sup> Examples are explosions, oil spills, nuclear reactor failures, or chemical mishaps.

<sup>3</sup> Examples are regional conflicts, national or civil wars, or widespread community violence.

5. An “emergency” occurs after a disaster when unforeseen circumstances require immediate action, and local capacity is insufficient to address and manage traumatic events. Emergencies may involve deaths, injuries, displacement of people, disease, disability, food insecurity, damage or loss of infrastructure, weakened or destroyed public administration, and reduced public safety and security.<sup>4</sup>

6. “Emergency management,” also referred to as “disaster management,” is defined as the organization and management of resources, roles, and responsibilities to deal with all aspects of emergencies, including preparedness, response, and rehabilitation. Emergency management uses plans, structures, and predetermined arrangements to coordinate the efforts of governments, voluntary and private agencies, and other organizations to deal effectively with the entire spectrum of emergency needs.

7. The “disaster management cycle” is a dynamic process that encompasses the classical management functions of planning, organizing, staffing, leading, and controlling. It also involves many organizations that must work together to prevent, mitigate, prepare for, respond to, and recover from the effects of disaster. The four major components or phases of the disaster management cycle are (i) development or prevention, (ii) disaster, (iii) emergency response or transition, and (iv) recovery.

8. The “development” or “prevention phase” refers to national development and its inclusion in the disaster management cycle to impede the reoccurrence of a disaster and/or to prevent it from harming communities or key installations. The “emergency response” or “transition phase” immediately follows the disaster impact and applies to a short period when emergency measures are needed to deal with the disaster’s immediate effects. Emergency measures are mainly directed toward saving lives; protecting property; and dealing with the immediate disruption, damage, and other effects the disaster causes in relation to socioeconomic development patterns. “Recovery” is the process whereby communities and the nation return to their normal level of functioning following a disaster. The recovery process can be extremely protracted and take as long as 5–10 years or even longer, e.g., in the case of post-conflict situations.<sup>5</sup>

### **C. The Policy**

9. ADB’s policy on disaster and emergency assistance is based on the following principles:
- (i) Adopting a systematic approach to disaster management, including emergency prevention and post-conflict reconstruction;
  - (ii) Mainstreaming disaster management as an integral part of the development process;

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<sup>4</sup> Based on this definition, the 1997 Asian financial crisis would not be considered an emergency given its long gestation and recovery periods and because it did not result in unexpected, large-scale deaths or the destruction of vital infrastructure. ADB is equipped with a special program loan instrument to address such an event, primarily through policy-based lending. (ADB. 1999. *Review of ADB’s Program Lending Policies*. Manila.)

<sup>5</sup> The length or importance of each phase may vary, and phases tend to overlap or merge. For instance, some response activities may be initiated before a disaster, that is, during the prevention phase. Such activities might include the precautionary movement of threatened people or communities to safe havens before a cyclone. Similarly, recovery action often begins while the emergency response or transition phase is still operative. For example, an emergency assistance team would probably begin collecting information immediately after an incident of civil strife, and such information would be used for emergency assistance and recovery purposes.

- (iii) Strengthening partnerships to maximize synergies among development and specialized (relief) organizations to enhance the effectiveness of emergency aid to DMCs, as no single agency or actor can provide all the resources needed to cope with disasters and the resulting emergencies;
- (iv) Using resources more efficiently and effectively to better support pre- and post-disaster activities; and
- (v) Improving organizational arrangements within ADB to plan, implement, and communicate effectively on disaster and emergency-related assistance.

## **D. Scope of the Policy**

### **1. Phases for Asian Development Bank Intervention**

#### **a. Development or Prevention Phase**

10. Prevention and preparedness activities entail planning and programming to enhance DMCs' capacities to identify and cope with their most vulnerable areas. Prevention and preparedness should be mainstreamed into a country's development process.<sup>6</sup>

11. Mitigation measures, while identified in emergency programming during the transition phase, should also be part of a country's national development process.<sup>7</sup>

#### **b. Emergency Response or Transition Phase**

12. In the wake of the disaster, immediate assistance must address rehabilitating high-priority physical and social infrastructure,<sup>8</sup> revitalizing basic services, particularly education and health care; and jump-starting economic productivity. After the emergency crisis period, however, efforts shift to transitional social, institutional, and capacity requirements. These include social and economic reintegration of displaced people, demobilization and reintegration of former combatants, and restoration of basic administrative and governance services.

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<sup>6</sup> During the prevention phase, prevention and preparedness measures might include (i) developing regional, national, and subnational emergency strategies; (ii) establishing an adequate institutional and regulatory emergency framework; (iii) carrying out risk and vulnerability assessments, and developing concepts and instruments for crisis prevention, conflict transformation, and peace building, and applying them in development cooperation to institutionalize this important trans-sectoral theme; (iv) creating information and early-warning systems and using information and communication technology to integrate with existing, real-time, global disaster information networks; (v) equipping and training specialized personnel; and (vi) promoting the funding of national trust funds and other mechanisms for sustainable financing of disaster preparedness in cooperation with the public, private, and civil-society sectors.

<sup>7</sup> Mitigation activities include (i) protecting critical infrastructure; reinforcing vulnerable structures; and adjusting building, land-use, and zoning codes; (ii) constructing dams or dikes to prevent flooding and building breakwaters in ports and low-lying coastal areas; (iii) acquiring hazard reduction technology; and (iv) strengthening governance and social cohesion.

<sup>8</sup> Such as water, sanitation, power, communications, and transport.

13. During the transition phase, emphasis will be on partnering with specialized (relief) agencies.<sup>9</sup>

**c. Recovery Phase**

14. During the recovery phase, assistance will begin with a joint damage and needs assessment with relevant partners to identify priorities; provide emergency, short-term transitional assistance; and begin to design comprehensive medium- to long-term rehabilitation and reconstruction programs for subsequent resource mobilization and implementation. Immediate, short-term recovery will focus on transitional needs and the rehabilitation of critical infrastructure, as well as on project preparation and capacity building. In the medium to longer term, however, rehabilitation and reconstruction will be undertaken through normal development projects. A comprehensive communications plan will be formulated during this phase in anticipation of ADB involvement in subsequent strategic phases as appropriate.<sup>10</sup>

**2. Analytical Instruments**

**a. Risk and Vulnerability Assessment**

15. The risk and vulnerability assessment will be drawn from existing information as appropriate and promoted in close partnership with relevant shareholders and specialized (relief) agencies. The assessment will complement the environmental and social assessments in Country Strategy Programs. In preparing risk and vulnerability assessments the factors to be evaluated, include vulnerability of critical facilities, quality of social and economic infrastructure, and status of early-warning systems.

**b. Watching Brief**

16. In countries or areas of countries where the ADB portfolio is inactive due to factors such as arrears, insecurity, or poor governance, watching briefs will help maintain ADB's knowledge base and awareness of social and economic trends. The watching briefs will allow ADB to respond quickly when conditions are ripe for emergency intervention and/or for resumption of ADB's activities. Such briefs will typically be implemented through a third party, for example, an NGO or UN partner agency already on the ground.

**c. Damage and Needs Assessment**

17. A damage and needs assessment mission, conducted in partnership with shareholders and key local actors, will be a priority action after an emergency.

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<sup>9</sup> Examples might include (i) providing seeds and tools in tandem with the provision of food by the World Food Program; (ii) supporting capacity building and emergency (immediate), short-term rehabilitation of social infrastructure in partnership with the United Nations Children's Fund (UNICEF) or the International Federation of Red Cross and Red Crescent Societies to revitalize basic services and provide emergency medicines and immunizations; and (iii) providing basic infrastructure, livelihood training, and employment schemes in cooperation with a United Nations High Commission for Refugees repatriation and reintegration program.

<sup>10</sup> ADB. 1994. *Information Policy and Strategy of Asian Development Bank*. Manila. See *Operations Manual*. Section L3: Confidentiality and Disclosure of Information. Manila. Communications plan may elaborate the objectives, audiences, messages, tools, activities, resources, timeline, evaluation, and activity.

### 3. Assistance Instruments

#### a. Portfolio Restructuring and Use of Loan Savings

18. In countries with operational portfolios, the first consideration in an emergency is to review the possibility of restructuring ADB resources within and across existing projects and sectors. The restructuring exercise is included as part of the initial damage and needs assessment mission.

19. ADB may agree to reallocate surplus funds from other loans to DMCs for disaster rehabilitation.<sup>11</sup> In special cases with particularly urgent rehabilitation needs, ADB may reallocate outstanding loan proceeds for rehabilitation purposes in response to changed government priorities because of the disaster and the resulting emergency. Conditions for such reallocation will take into account possibilities for portfolio restructuring in DMCs within and across sectors. However, this option will not be detrimental to normal lending operations in the country and will be consistent with the government's priorities given the emergency.

#### b. Emergency Assistance Loans

20. Emergency Assistance Loans (EALs) emphasize rapid approval of short-term and small loans to help rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies. The following paragraphs discuss the scope, terms, and conditions of EALs.

21. **Scope.** EALs are designed to mitigate immediate losses to priority assets, capacity, or productivity rather than to provide relief or comprehensive reconstruction. EALs provide immediate short-term transitional assistance.<sup>12</sup> EALs should be linked with and complement humanitarian relief efforts by other development partners to ease the transition from relief to normal development. EAL use will be restricted to the transition phase and exclusively for priority rehabilitation.

22. **Terms.** Loans for priority emergency needs will be differentiated from large-scale reconstruction assistance. EALs are generally smaller than normal development loans, consistent with their focus on immediate short-term requirements, e.g., rehabilitating critical infrastructure and meeting basic needs as identified by means of a damage and needs assessment. A proposed EAL must be clearly justified; a clear relationship established between its cost and amount; a time frame specified for implementation; and a completion period set, normally up to 2 years for natural disasters and 3 years for a post-conflict situation, exceptionally extended for at most 2 additional years when the level of destruction and dislocation are deemed extreme, taking into account the DMC's weakened absorptive capacity following a disaster. Normal development loans to address comprehensive, medium- to long-term reconstruction, including prevention and mitigation activities, should complement EALs.

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<sup>11</sup> See *Operations Manual*. Section H6: Use of Surplus Loan Proceeds. Manila; ADB. 1992. *Streamlining Board Documents on Project Loan and Technical Assistance*. Manila.

<sup>12</sup> This may include (i) rehabilitating priority water services, power, transport, and communications infrastructure; (ii) regenerating livelihoods and boosting productivity; (iii) providing transitional safety net support and revitalizing basic social services; and (iv) preparing for planned, comprehensive reconstruction investments.

23. **Conditions.** Given that the burdens created by sudden and unpredictable emergencies fall hardest on the poor, emergency assistance operations for DMCs in groups A, B1, and B2 should normally be financed on Asian Development Fund (ADF) terms and conditions.<sup>13</sup> ADF allocations to support post-conflict operations will be made on the basis of the IDA-13 framework for post-conflict assistance. This system will sharpen the focus on performance but provides for judgment to take account of the complexities and heterogeneity of post-conflict situations.

24. ADF-financed EALs will carry interest of 1% per year and a maturity of 40 years, including a grace period of 10 years, with repayment of principal at 2% a year for the first 10 years after the grace period and 4% a year thereafter.<sup>14</sup> For ordinary capital resources (OCR) loans, in particular to DMCs in group C, a grace period of up to 8 years and maturity of up to 32 years will apply. If the borrower's request is justified, total interest for the grace period, and the front-end fee and commitment charge, if applicable, can be estimated and included in the loan amount. The estimated total interest for the entire grace period and the front-end fee and commitment charge, if applicable, can be allocated under the interest during construction category in the loan allocation. ADB financing may exceed the country's cost-sharing limit because of exceptional circumstances.<sup>15</sup>

25. In the context of ongoing negotiations on the eighth replenishment of ADF, donor members have endorsed a proposal that a portion of ADF resources should be allocated on a grant basis to poor DMCs emerging from conflict.<sup>16</sup>

26. **Eligibility Criteria.** Following are the eligibility criteria for EALs:

- (i) The government or an internationally legitimate governing authority will make an official request for assistance.
- (ii) The potential impact on economic, social, and governance needs and priorities has been identified in a damage and needs assessment, as appropriate.
- (iii) In the case of chronic natural hazards, e.g., flooding or drought, normal reconstruction and development investments should be used if possible. However, when the event involves significant economic dislocation, an EAL may address immediate needs and/or expedite the preparation of a normal project.
- (iv) The security risks to ADB staff, particularly in the case of conflict-driven emergencies, must be at an acceptable level for engagement as determined by the UN.
- (v) The level of burden and risk sharing among partners, especially shareholders and other key local and international actors, should be appropriate.

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<sup>13</sup> See ADB. 2003. *Operations Manual*. Section A1: Classification and Graduation of Developing Member Countries. Manila. ADB. 2001. *Policy on Performance-Based Allocation for Asian Development Fund Resources*. Manila.

<sup>14</sup> ADB. 1974. *Terms of Special Funds Loans*. Manila; ADB. 1998. *Review of the Loan Terms for the Asian Development Fund*. Manila.

<sup>15</sup> See ADB. 2002. *R 247-02: Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy*. Manila.

<sup>16</sup> In low-income post-conflict countries, the availability of early financial support can be an important component of normalization. Focus will be on early action to restart the economy; contribute to the reestablishment of a framework for governance, policy, and law reform; rehabilitate basic social services and key infrastructure; and help war-affected populations and communities, including support for income-generation programs, reintegration of combatants, and other assistance to vulnerable groups.

27. **Conditionality.** EALs will be used exclusively for the prompt restoration of services and will not attempt to address medium- to long-term economic rehabilitation investments or sector or institutional problems unrelated to the emergency. This implies that EALs should not include conditionalities linked to macroeconomic policies. EALs may, however, include conditionalities related to the underlying causes of the emergency that are directly related to emergency preparedness, mitigation, and prevention measures, e.g., hazard mapping, infrastructure design, and land use. An EAL may also include conditionality in relation to improved governance processes that will help prevent a reoccurrence of a similar disaster or that will mitigate the damage should such a disaster occur again.

28. **Policy Dialogue.** Processing of an EAL may involve policy dialogue, in particular in post-conflict situations.

29. **Project Analysis.** Appropriate financial and economic rates of return will be flexibly used with the emphasis on least-cost, high-impact, and rapid solutions not prejudicial to quality assurance in rehabilitation or reconstruction work. Although rigorous rates-of-return analysis may not be feasible, estimates in an order of magnitude should be provided and justified as much detail as possible.

30. **Cost Recovery.** ADB will not insist on stringent cost recovery practices for an EAL, as its main purpose is the immediate rapid restoration of damaged basic structures, infrastructure, and productive activities.

#### **c. Normal Development Loans**

31. Normal lending is often appropriate as an immediate next step after an EAL. Such comprehensive financing adheres to normal loan terms, conditions, and policies, and may be similar to sector or program lending vehicles with relevant sector conditionalities. Prevention, mitigation, and preparedness activities will be incorporated in development loans.

32. ADB could also consider the feasibility of providing assistance for setting up catastrophe insurance schemes through public-private partnerships in the insurance industry and cautiously exploring the use of capital markets to develop such insurance. This precautionary approach would provide a mechanism to promote mitigation measures, for example, by setting premiums according to local hazards or risks and issuing policies conditional upon the attainment of certain land-use practices.

#### **d. Technical Assistance for Disaster and Emergency**

33. TA for disaster and emergency can provide funds for recovery from conflict and natural disasters. This assistance can provide emergency support to meet immediate short-term requirements in the wake of a disaster and to enhance the reach and impact of an EAL. Assistance may cover (i) building national and regional capacity for emergency surveillance, preparedness, mitigation, and prevention linked to an EAL; (ii) preparing an interim operational strategy (IOS); and (iii) preparing emergency assistance programs and/or projects. This technical assistance may also be appropriate for initiating time-sensitive, critical components of

early emergency assistance programs.<sup>17</sup>

## **E. Strategic Partnerships**

34. ADB will strengthen partnerships to maximize synergies among development organizations to enhance the effectiveness of emergency aid to DMCs. During the transition phase, ADB will place emphasis on partnering with specialized (relief) international and/or bilateral agencies from ADB member countries. During the recovery phase, assistance will begin with a joint damage and needs assessment with relevant partners to identify priorities. In particular, ADB will partner with regional institutions<sup>18</sup> so that DMCs can enhance the quality of regional and subregional surveillance and early-warning systems, with particular emphasis on using information and communication technology for improved preparedness.

35. Because relief and development play important complementary roles in dealing with emergencies, and given that the mandate of ADB prohibits it from taking on a humanitarian and/or political role, ADB can most effectively leverage its assistance only through partnerships of the public and private sectors and civil society. ADB expects that counterpart requirements for ADB loans will be satisfied by recognizing the full range of resources contributed to the emergency effort by national private and public entities as well as by other bilateral and multilateral agencies. In this context, ADB gives priority to coordinating with other agencies to obtain the best possible resource mobilization and complementarity.

**Basis:** This section is based on:

ADB. 2004. Doc. R71-04: *Disaster and Emergency Assistance Policy*. Manila.

**For other background information and references, see:**

ADB. 1974. Doc. R33-74: *Terms of Special Funds Loans*. Manila.

ADB. 1992. Doc. R212-92: *Streamlining Board Documents on Project Loan and Technical Assistance*. Manila.

ADB. 1994. Doc. R143-94: *Information Policy and Strategy of Asian Development Bank*. Manila.

ADB. 1995. Doc. R115-83: *Review of the Bank's Policy on Supplementary Financing of Cost Overrun of Bank-Financed Projects*. Manila.

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<sup>17</sup>TA should primarily help build capacity in advance of emergency needs, and in the most extraordinary circumstances support critical components of early emergency programs, e.g., (i) promoting knowledge and technology transfer in removing rubble and cleaning up; repairing critical water, electrical, and sanitation services; controlling and stabilizing buildings, terrain, and physical structures; (ii) acquiring critical equipment and supplies for basic services; (iii) accessing emergency seeds and tools to jump-start productivity; and (iv) carrying out special studies and surveys for rapid preparation of emergency activities.

<sup>18</sup> For example, the Asian Disaster Preparedness Center in Bangkok, Thailand; Asian Disaster Reduction Center in Kobe, Japan; International Institute for Disaster Risk Management in Manila, Philippines; and Pacific Disaster Center in Hawaii, United States.

ADB. 1998. Doc. R89-98, *ADB's Anticorruption Policy*, Manila

ADB. 1998. Doc. R205-98: *Review of the Loan Terms for the Asian Development Fund*. Manila.

ADB. 1998. Doc. R204-98: *A Graduation Policy for the Bank's DMCs*. Manila.

**Compliance:** This section is subject to compliance review under ADB's accountability mechanism.

**For inquiries:** Questions may be directed to the Director, Strategy, Planning, Policy and Interagency Relations Division; Strategy and Policy Department.

## OPERATIONS MANUAL OPERATIONAL PROCEDURES

*These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

### DISASTER AND EMERGENCY ASSISTANCE

#### A. Introduction

1. This section describes how disaster and emergency assistance is managed in the Asian Development Bank (ADB).

#### B. Anchor for Emergency Assistance

2. An anchor position for emergency assistance activities will be created in the Regional and Sustainable Development Department (RSDD) to (i) review the application and implementation of ADB's disaster and emergency assistance policy and practices, (ii) coordinate ADB's emergency response and help the Office of Cofinancing Operations with emergency resource mobilization, (iii) provide support and guidance to regional departments staff and liaise with the ADB's internal emergency management system, and (iv) strengthen partnerships and interagency relations. The anchor will also internally and externally promote this policy.

3. A secondment program from external partner agencies, in particular specialized international and/or bilateral agencies from ADB member countries, could support the anchor for emergency assistance, with professionals being seconded for 6–12 months (subject to renewal). Seconded personnel will not be considered as consultants, but as specialized staff from partner agencies who bring skills and perspectives different from and complementary to those of ADB staff, in particular in post-conflict situations.

4. The anchor for emergency assistance will develop a list of available or on-call specialists to respond to specific needs for technical inputs. These can be obtained from ADB staff and/or regional and global agencies on a consultant or partnership basis.<sup>1</sup> In addition, a number of regional and global climate and weather forecasting bodies could partner with ADB to provide periodic information as part of country risk and vulnerability assessments.

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<sup>1</sup> Examples include (i) specialists in mine action from international NGOs, consulting firms, or the United Nations Mine Advisory Services; (ii) specialists in earthquake-proof construction design from regional bodies such as the Asian Disaster Preparedness Center and Asian Disaster Reduction Center; (iii) specialists in disaster risk management from the International Institute for Disaster Risk Management; (iv) specialists in region-specific emergency management from the Pacific Disaster Center; and (v) health specialists from the World Health Organization.

### **C. Country and Regional Emergency Focal Points**

5. Regional departments (RDs) are responsible for policy implementation. Each of the five regional departments will designate a focal point for emergency operations. These staff members, in addition to regular duties, will be key components of an emergency network coordinated by the anchor for emergency assistance. The staff members will participate in critical staff meetings and provide a functional linkage between policies and operational programming. RSDD sector specialists should be temporarily assigned to RDs to assist in emergency activities.

6. Each resident mission will designate one staff member who, in addition to regular duties, will serve as the country focal point for contact in an emergency. These staff members will be trained and electronically linked to the Manila-based emergency network. The staff members serving as resident mission focal points will (i) play a central role in emergency risk assessment and early warning; (ii) take primary responsibility for ongoing supervision, monitoring, and reports on emergency activities in the countries; and (iii) coordinate emergency operations closely with other agencies and actors.

### **D. Criteria for Asian Development Bank Involvement in Disaster and Emergency Assistance**

7. ADB adheres to the following minimum operational entry criteria:

- (i) The security of ADB staff undertaking operations in conflict-affected areas is guided by UN security norms and clearances, including formal arrangements between ADB and concerned UN agencies regarding such matters as sharing security-related information, monitoring staff movements, and providing emergency evacuation when necessary.
- (ii) A UN-recognized government or transitional authority will be in place and will have formally requested assistance.
- (iii) To the extent possible, risk and burden sharing with other key shareholders and partners is encouraged.

### **E. Interim Operational Strategy**

8. In emergency situations where a country strategy program (CSP) is absent, outdated, or inadequate to guide an emergency response and/or to resume activities, an interim operation strategy (IOS) will be prepared. An emergency strategic document based on the watching brief and a damage and needs assessment, it will provide critical policy recommendations for Board consideration, thereby setting the parameters for action. The IOS, which will set out ADB's short- to medium-term plan for emergency response, will identify immediate priority assistance objectives (1–6 months) and medium-term objectives (6–18 months).<sup>2</sup> Other components will include (i) a proposed program of TA and investments to meet stated objectives; (ii) a financing plan and ADB administrative budgetary requirements; and (iii) identification of potential

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<sup>2</sup> The speed and flexibility of an emergency response can be jeopardized by incomplete data, a common situation when vital records have been destroyed or local capacity has been severely weakened. Therefore, an IOS may contain less documentation and statistical analyses than normally required for a full-blown CSP. However, an IOS must contain sufficient analysis to support the preparation of a short- to medium-term assistance plan, including the requisite administrative budget arrangements.

impediments to rapid disbursement, e.g., the country's legislation or regulatory environment and disrupted implementation processes. The IOS will highlight exceptional measures that may be required to undertake the work and include an assessment of risks, entry and exit strategies, and contingency responses. Finally, the IOS will also define benchmarks and performance monitoring indicators and a schedule for periodic Board briefings.

9. The IOS may incorporate activities in neighboring countries if their governments or authorities endorse and participate in such activities. This is consistent with ADB support of and expertise in regional strategy development and cooperation.

10. ADB staff, with consultant support, will lead in developing the IOS, particularly in the transition phase. The country team will lead in preparing an IOS for all or part of the country under emergency conditions.<sup>3</sup>

#### **F. Processing of Emergency Assistance Loans**

11. After ADB has received a formal request for emergency assistance from the relevant government or authority, the appropriate regional department, in close consultation with the anchor for emergency assistance and the relevant resident mission, as appropriate, will address issues that include the (i) choice of lending and financing instruments, (ii) administrative budgetary requirements, (iii) action timetable, and (iv) partnership arrangements.

12. The damage and needs assessment will be followed by a Report and Recommendation to the President (RRP) and, if appropriate, an IOS. The IOS will make recommendations for portfolio restructuring, within and across sectors, and for the appropriate use of loan savings. Where feasible, the RRP<sup>4</sup> may also include appropriate recommendations in this regard. However, under no circumstances will portfolio restructuring be undertaken in a manner inconsistent with ongoing development priorities and activities. Restructuring will be justified on the basis of funds exceeding the amount required to achieve original project objectives and/or changed circumstances whereby the original objectives are no longer relevant or can no longer be implemented in the desired time frame. In either case, the DMC must approve any restructuring proposal. All reallocations will be justified in the RRP or IOS, as appropriate, and will be permitted with Board approval of the RRP or IOS.

13. Loan negotiations will follow management consideration of the proposed EAL. The draft RRP, along with loan documents, will be submitted to the Board for consideration. Processing will not exceed 12 weeks, and special abbreviated Board consideration will be done within 1 week after RRP circulation. TA documentation will also be streamlined.

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<sup>3</sup> ADB's action plan to address the severe acute respiratory syndrome (SARS) outbreak, which may be seen as a SARS IOS, provides one useful prototype. That action plan (i) established immediate priority assistance to the People's Republic of China (PRC); (ii) identified medium-term objectives, including emergency regional TA; (iii) highlighted desirable partnerships; and (iv) made recommendations for portfolio restructuring and processing.

<sup>4</sup> The RRP for an emergency assistance loan would, at the minimum, cover the following areas: (i) description of the emergency; (ii) objectives, scope, and coverage of the loan; (iii) initial assessment of the damage; (iv) government action and preliminary assessment of the country's capacity; (v) justification and initial estimate of resources required and sources of financing; (vi) special administrative arrangements; (vii) coordination with other agencies; and (viii) monitoring arrangements.

14. While EALs must comply with ADB safeguard policies pertaining to the environment, involuntary resettlement, and indigenous peoples, and any future safeguard policies,<sup>5</sup> expeditious processing needs procedural flexibility. For the environment policy, management can waive the 120-day rule for disclosure of summary environmental assessment reports and the two-step public consultation requirement for category-A projects (those with a potentially significant environmental impact) on a project-by-project basis.

15. In the case of policies on involuntary resettlement and indigenous peoples, even if the initial poverty and social assessment identifies likely adverse effects, standard surveys and consultation requirements based on the feasibility study may not be possible before Board circulation. In such cases, a resettlement framework and/or an indigenous peoples development framework will be included in the RRP and legal agreements for Board circulation. The RRP will identify policy, procedures, and requirements to be applied during loan implementation. In all cases, the RRP must justify any departure from standard procedures with reference to the specific circumstances of the project and the EAL processing schedule.

## **G. Implementation Arrangements**

16. Standard ADB operational policies, including those on procurement, consulting services, financial management, and disbursement, should “be liberally interpreted to ensure speedy and effective rehabilitation” in the case of emergency assistance.<sup>6</sup>

17. Project implementation readiness will be assessed and accelerated as part of the initial damage and needs assessment mission. Appropriate actions may include (i) establishing appropriate project implementation bodies, (ii) formulating a comprehensive communications plan,<sup>7</sup> (iii) developing procurement and financial management systems, (iv) specifying monitoring and evaluation indicators, and (v) providing for the timely release of funds to ensure accelerated implementation.

18. EALs will require more resources to prepare, appraise, and supervise than ordinary loans because of the need for a speedy and transparent response. Thus, supervision and monitoring of emergency projects must be enhanced to ensure quality and effectiveness under conditions of urgency and flexibility. Procurement and disbursement arrangements must, therefore, be expedited and safeguard policies modified (as deemed appropriate).

### **1. Procurement**

19. ADB's emergency procurement policy stipulates that to expedite rehabilitation loans, guidelines may be flexibly interpreted, including relaxing international competitive bidding requirements. Existing policies on advanced procurement, retroactive financing, and local

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<sup>5</sup> See ADB. 2003. *Operations Manual*. Section F1: Environmental Considerations in ADB's Operations; Section F2: Involuntary Resettlement; Section F3: Safeguard Policies on Indigenous Peoples (under preparation).

<sup>6</sup> ADB. 1990. *Streamlining of Loan Administration Procedures*. Manila.

———. 1991. *Review of Domestic Preference Scheme*. Manila.

———. 1999. *ADB's Guidelines for Procurement Under ADB Loans*. Manila.

———. 2001. *Project Administration Instructions, Section 2: Consultants and Section 3: Procurement*. Manila.

———. 2003. *Operations Manual*. Section J2: Consultants; and J3: Procurement. Manila.

———. 2003. *Guidelines for Preparation and Presentation of Financial Analysis*. Manila.

<sup>7</sup> ADB. 1994. *Information Policy and Strategy*. Manila. See ADB. 2003. *Operations Manual*. Section L3: *Policy on Confidentiality and Disclosure of Information*. Manila

currency cost financing should be followed. To the extent possible, ADB will encourage the procurement of domestic goods and services to stimulate local economic recovery. For the procurement of civil works, force account should be used only when bidding is not practical. Local competitive bidding with a short bidding period should be used to procure civil works for immediate emergency assistance.

20. For goods and services, prudent international shopping is recommended, with the bidding period reduced from 30 to 7–15 days. In the case of local contractors, a registration system that lists approved contractors based on criteria such as experience and financial and technical capacity may be used. Postqualification could be used for nonregistered contractors.<sup>8</sup> Consultants recruited and contractors prequalified or selected under ongoing loans could be used without resorting to new bidding and prequalification. ADB should follow procurement procedures using normal commercial procurement practices for the private sector, and government procurement procedures for public sector procurement where such procedures are functioning and appropriate.

## **2. Disbursement**

21. EALs may include quick-disbursing components but are not program loans. Quick-disbursing components of an EAL should only be used to finance a list of imports identified as necessary for an effective recovery program. Disbursements should be allowable up to 100% of eligible project costs. Imprest accounts should be used wherever possible to expedite disbursements, and a specific increase in ceilings on imprest funds should be allowed given that immediate and large disbursements are key to effective and timely emergency assistance.

22. A sector lending approach and active community participation are preferable to support flexible subproject selection and to enhance the ownership by and direct benefits to the most affected and vulnerable groups. To balance the need for speed and flexibility with concerns about fraud and corruption, ADB should ensure that basic internal controls are built into the systems and stringent monitoring mechanisms put in place. Intensive supervision, perhaps from the resident mission, will be encouraged to provide frequent checks on performance.

## **3. Retroactive and Supplementary Financing**

23. For immediate emergency responses, no more than 30% of loan proceeds should be used for retroactive financing of expenditures. These must have been incurred and paid for after the emergency occurred. In the case of reallocations of existing loans, expenditures will have to be incurred before the effective date of the reallocation for reimbursement by ADB. Supplementary financing may be required if ongoing ADB projects experience serious damage from a disaster. If several projects are affected, a new rehabilitation project could handle damage to all such projects together with damage sustained elsewhere.

## **4. Consulting Services**

24. In emergency situations, implementation capacity is typically stressed, with the government's technical capacity often stretched in the case of natural disasters and depleted in the case of civil strife. Thus, TA is often useful, with project preparatory TA focusing on feasibility and sector studies, and advisory TA concentrating on capacity building and policy

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<sup>8</sup> ADB normally requires prequalification.

reform. Such TA should complement the proposed EAL. Direct selection, negotiation, and hiring are desirable when justified to expedite technical services required in emergency situations. Time-consuming competitive bidding processes should be avoided wherever possible. Qualified and existing consulting services on the ground should be extended and retrofitted to address emergency needs.

## **H. Participation**

25. Participatory processes are an integral part of ADB's work, with the focus on enhancing poverty reduction through shareholder inputs and ownership. ADB considers that nurturing public, private, and civil-society participation in all areas of operations is vitally important, and nowhere is this imperative more critical than in emergency preparedness and crisis response. Even though the time frame may be more compressed than under normal circumstances given the exigencies of emergency assistance, ADB will continue to use an extensive consultative and participatory process in project design to the extent possible. Effective communications facilitate this process.

## **I. Coordination**

26. In providing technical and financial assistance, particularly during the damage and needs assessment, in the course of resource mobilization and management, and throughout implementation, ADB forges working relationships with partners at all levels. ADB plays a key role in such international bodies as the UN Economic and Social Council, Multilateral Banking Committee, and various NGO forums on emergency preparedness. NGOs, civil society, and relief and humanitarian agencies represent significant partners who must help bridge the gap between relief and development programming. ADB multi-shareholder consultation, popular participation, and local ownership of the reconstruction and development process are essential.

27. The work of damage and needs assessment mission will incorporate a well-planned communications aspect. The mission will be kept informed of developments by the government and will maintain lines of communication with relevant shareholders. The public will be informed of ADB actions as appropriate.

## **J. Performance Evaluation and Auditing**

28. Emergency assistance activities should adhere to standard ADB performance evaluation requirements.<sup>9</sup> Standard ADB auditing procedures should apply to EALs, but a "special audit" focusing on governance, financial accountability (e.g., certification of accounts), and transparency should be carried out soon after the completion of emergency projects.

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<sup>9</sup> ADB. 1989. *Guidelines for Preparation of Program Performance Audit Reports*. Manila.  
———. 1993. *Guidelines for Preparation and Presentation of Financial Analysis*. Manila.  
———. 1994. *Report of the Task Force on Improving Project Quality*. Manila.  
———. 1995. *Technical Assistance Completion Report*. Manila.  
———. 2000. *Guidelines for Preparation of Project Performance Audit Reports*. Manila.

- Basis:** This section is based on OM Section D7/BP and the documents cited therein.
- Compliance:** This section is subject to compliance review under ADB's accountability mechanism.
- For inquiries:** Questions may be directed to the Director, Strategy, Planning, Policy and Interagency Relations Division; Strategy and Policy Department.