

The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font on a black square background.

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# **OPERATIONS EVALUATION DEPARTMENT**

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## **ADB's Response to Emergencies: Were We Prepared for the Tsunamis?**

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March 2005

## **ADB's RESPONSE TO EMERGENCIES:**

### **WERE WE PREPARED FOR THE TSUNAMIS?**

1. On 26 December 2004, a magnitude 9.0 earthquake off the coast of Sumatra caused tsunamis that destroyed vast coastal areas bordering the Indian Ocean and killed, either outright or in their aftermath, nearly 300,000 people. The Asian Development Bank (ADB), along with other multilateral and bilateral agencies, nongovernment organizations, and private individuals from many countries, responded almost immediately with pledges of massive aid to help alleviate this tragedy. ADB has earmarked \$775 million for emergency relief.

2. A new Disaster and Emergency Assistance Policy had been approved by ADB's Board of Directors in May 2004. This paper examines lessons learned from previous experience with emergency loans, summarizes the new policy, and discusses ADB's response to the tsunami in light of the new policy.

### **Lessons Learned from Emergencies**

3. Prior to May 2004, ADB's response to emergencies in its developing member countries (DMCs) was governed by its 1987 Policy on Rehabilitation Assistance to Small DMCs Affected by Natural Disasters and the 1989 Policy on Assistance After Disasters. The Operations Evaluation Department (OED) has evaluated nine projects/programs provided under those policies: eight for restoration of damaged infrastructure and one for special assistance to Mongolia to provide import requirements after the breakup of the Council for Mutual Economic Assistance. Three loans (two in Bangladesh and one in Pakistan) came in the wake of severe flooding, one (Philippines) after typhoon damage—all in 1987-1988—and one (Indonesia) after an earthquake in 1992. The other three projects were for postconflict rehabilitation: a loan to Cambodia in 1993; a loan to Tajikistan in 1999; and grants, administered by ADB, to Timor-Leste in 2000-2001. Seven projects were rated as successful, and the two recent postconflict projects were rated as partly successful.

4. Important lessons from ADB's experience with emergency loans, largely stemming from OED evaluations, were detailed in the Board paper on the new Disaster and Emergency Assistance Policy:

- (i) DMCs need to plan for disasters.
- (ii) Standards for civil works should be maintained by executing agencies during rehabilitation.
- (iii) Complex components should be avoided.
- (iv) Policy dialogue should not be the focus.
- (v) Flexibility is paramount.
- (vi) Frequent review missions are required.

- (vii) ADB should provide operation and maintenance financing; mechanisms for cost sharing need to be devised.
- (viii) Local staff should be trained to deal with future disasters.
- (ix) Environmental protection and poverty reduction concerns must be included.
- (x) All subprojects must be completed.
- (xi) Rapid estimates of economic returns should be utilized when rigorous cost benefit analysis is not possible.

5. Despite shortened procedures on the part of ADB, a common finding in most of the evaluations was the excessive time for loan processing and/or implementation, considering that the need for funding was immediate and severe. Both ADB and government procedures often delayed timely release of funds. In the Indonesia loan, money was made available at the beginning, but the government budget process resulted in delays in the release of the funds. The Tajikistan program loan became effective 2 months ahead of schedule but experienced a 1-year delay in the release of the second tranche because of its overly stringent conditionalities, perhaps an indication of inadequate time for preparation.

6. In several evaluations, the distinction is made between restoration (or repair) and rehabilitation (used in the sense of renovation). Should scarce resources be used to simply restore services the way they were before the disaster, which was often inadequate, or should funds be used to make quality improvements, i.e., to make the situation better than previously? The evaluators were split on this point, with the majority favoring short-term repair to restore the prior situation. Several reports suggest that the immediate loan should restore services, but not infrastructure per se; accompanying technical assistance (TA) would simultaneously prepare a normal project loan for subsequent rehabilitation/renovation when the crisis has passed.

7. Specific suggestions culled from individual projects include the following:

- (i) Policies for liquidation of imprest accounts and simplified expenditure categories are needed (Loan 892-BAN).
- (ii) ADB needs staff engineers who can deal with disaster relief (892-BAN).
- (iii) Subproject selection criteria must not permit longer term subprojects that could be covered under normal loans (882-BAN, 1241-INO).
- (iv) Traditional economic internal rates of return are too complex for disaster relief projects (882-BAN).
- (v) An emergency project needs the agreement of all government agencies involved in the schedule (946-PHI).
- (vi) Minimum design standards must be met (946-PHI).

- (vii) Advance studies of likely events are needed (957-PAK).
- (viii) Guidelines are needed for an emergency loan for import requirements (1109-MON).
- (ix) Consultants should be mobilized before construction work begins (1241-INO).
- (x) The government should not unilaterally change the terms of reference of consultants (1241-INO).
- (xi) An interagency steering body is needed (946-PHI, 1241-INO).
- (xii) National, regional, and local disaster plans are needed (1241-INO).
- (xiii) Components with complicated issues requiring long-term studies and preparation should not be included (1199-CAM).
- (xiv) Emergency loans should use a process approach, be given special treatment, and involve more consultant reports (1199-CAM).
- (xv) A program loan, even for an emergency, needs careful sector analysis (1651-TAJ).
- (xvi) An appropriate community management model must be chosen for rural water supply schemes (8189-TF-ETM).
- (xvii) Succinct documentation will suffice for an emergency project (8189-TF-ETM).
- (xviii) In an emergency situation, the desire and need for quick results must be balanced with sound development. Rehabilitation of poorly performing systems is not likely to be a sound development option (8189-TF-ETM).
- (xix) The trust fund concept can reduce complexity in postconflict situations by pooling funds (8189-TF-ETM).
- (xx) Failure to impose user charges for utilities at the beginning makes it politically difficult to do so later on (8189-TF-ETM).
- (xxi) Funds must not be spread so thin as to make subprojects ineffective (8189-TF-ETM).

8. An overall self-criticism of ADB's response to emergencies was that it tended to be ad hoc, with little attention paid to best practices. There were few ADB staff with any relevant training, and no focal points (core staff) for disaster and emergency assistance.

### **The New Policy**

9. The new policy went into effect in May 2004 with the following underlying principles:

- (i) a systematic approach to disaster management,
- (ii) mainstreaming disaster management,
- (iii) strengthening partnerships,

- (iv) more efficient and effective use of resources, and
- (v) improved organizational arrangements within ADB.

10. The new policy shifts emphasis away from responding and towards anticipation and planning for disasters and emergencies. Disaster and its management are seen now as a continuum of four phases: (i) prevention (preparation), (ii) disaster, (iii) emergency response, and (iv) recovery. Postconflict situations are seen in the same paradigm.

11. The preparation phase requires regular reporting and analysis by resident missions and through standard documents like the country economic review, country strategy and policy (CSP) paper, CSP updates, and others. In addition, new studies are mandated:

- (i) risk and vulnerability assessments: ADB should partner with regional institutions that track disasters and should support surveillance and early-warning facilities in DMCs.
- (ii) watching briefs: In countries with inactive ADB portfolios, third parties should be asked to report on conditions.
- (iii) damage and needs assessments: A mission should be dispatched as soon as possible after an emergency. Its field report will be the basis for a report and recommendation of the President and, if appropriate, an interim operational strategy (IOS) in the absence of up-to-date CSP. The IOS should describe ADB's objectives and short-to-medium-term plan for response, propose a program of TA and loans, provide a financing plan, and identify problem areas.

12. ADB has the following instruments for assistance:

- (i) portfolio restructuring and loan savings: Restructuring must not interfere with development priorities and activities; it will basically use "excess" project funds that can be tapped without damaging projects. The concerned government must agree to the reallocation.
- (ii) emergency assistance loan (EAL): This is a new lending modality that emphasizes rapid approval of small, short-term loans for rebuilding physical infrastructure and restoring economic, social, and governance activities after an emergency. It is intended to mitigate immediate losses rather than to provide relief or comprehensive reconstruction. EALs for groups A, B1, and B2 countries will normally utilize Asian Development Fund (ADF) resources; Group C countries will tap ordinary capital resources. The usual environmental and social requirements may be relaxed.
- (iii) normal development loan: Such a loan may directly follow an EAL and include redesign of projects under preparation.

- (iv) technical assistance: TA may cover capacity building, IOS preparation, emergency assistance program/project preparation, cleanup, repair of critical infrastructure, stabilization of structures, acquisition of critical equipment and supplies, productivity enhancement, or special studies. Groups A, B1, and B2 countries may access ADF resources for TA in postconflict situations.

13. To implement these measures, ADB has made or will make adjustments in its business processes, including

- (i) shortened processing time, not to exceed 12 weeks, and accelerated Board consideration;
- (ii) liberal interpretation of standard operational procedures;
- (iii) more resources for processing EALs to ensure speed;
- (iv) specific performance indicators for emergency response activities, including special audit procedures;
- (v) relaxed procurement requirements;
- (vi) rapid disbursement;
- (vii) retroactive and supplementary financing; and
- (viii) relaxed consulting services requirements.

14. Revised institutional arrangements are designed to enhance ADB's flexibility and effectiveness in emergencies:

- (i) an anchor position in the Regional and Sustainable Development Department (RSDD);
- (ii) secondment from other agencies to support the anchor;
- (iii) on-call specialists for specific needs;
- (iv) focal points in regional departments and resident missions;
- (v) consultative and participatory processes, to the extent possible; and
- (vi) partnerships with other agencies.

15. The new policy makes no commitment for additional resources for these arrangements, only the promise to consider internal resource requirements, appropriate staffing, and associated costs. Rather, "the resources required to implement this policy, one time or recurrent, will be first met from existing available resources to the extent possible." The first place that ADB will look for funds should be from "portfolio restructuring within and across sectors."

16. While the Water Supply and Sanitation Rehabilitation Projects in Timor-Leste (8189-TF-ETM) were mounted in 2000 and 2001, they contained elements of the emergency response and recovery phases of the new policy, as reported in the project performance audit report, produced in 2004. According to the policy, the recovery phase should start with a joint damage and needs assessment with other aid partners. This happened. The next step, according to

the policy, is emergency, short-term assistance, and the initiation of comprehensive medium- to long-term rehabilitation and reconstruction programs. The distinction was made between the emergency and the rehabilitation/reconstruction phases. Immediate, short-term recovery covers restoration of critical infrastructure, project preparation, and capacity building. All of this was included in the project design, which had many features of an EAL. While the new policy did not go into effect until after these projects closed, the resulting lessons provide validation of the policy.

17. Supervision by ADB was regular, although by an assistant project analyst. ADB's Special Office for Timor-Leste provided close support. Of special note is the fast tracking of the first Water Supply and Sanitation Rehabilitation Project, which took only 57 days from appraisal to the President's approval, and 81 days from appraisal to effectivity—within the maximum of 12 weeks stipulated in the policy.

18. By contrast, the Postconflict Infrastructure in Tajikistan (1651-TAJ), also evaluated in 2004, could have benefited by adopting the tenets of the new policy. Its objectives for policy and institutional reforms were overly ambitious and its design somewhat faulty.

### **Response to the Tsunamis**

19. The new policy was in effect on 26 December 2004 when the Indian Ocean tsunami struck. Had the new features of this policy been implemented by 26 December, and did they make a difference in ADB's response to the tsunamis?

20. Concerning the institutional arrangements to improve ADB's response to an emergency (para. 14), the anchor position in RSDD was advertised but remains unfilled. In lieu of a dedicated position, an RSDD director was designated on 18 January 2005 as the point person for disaster mitigation. Focal points were identified in regional departments only after that, and a task force to coordinate ADB's response was constituted under the RSDD director. As of mid-March, no secondments from agencies had been made nor on-call specialists contracted, but these arrangements were under discussion and negotiation. Certainly consultation and participatory processes were effected immediately, as well as partnerships with other agencies, through an impressive series of meetings and needs assessments that began on the day of the tsunamis and continues to gather momentum. The fact remains, though, that most of these arrangements were not realities when the tsunamis struck.

21. Adjustments in ADB business processes (para. 13) have been made as needed, in particular in the time required for processing, streamlined consultant and procurement procedures, and interpretation of standard operating

procedures. As for financial resources (para. 15), the \$600 million of new money for the Asian Tsunami Fund and \$175 million in reallocated funds, for a total of \$775 million, makes ADB the third largest source of relief funds. The money is available for retroactive and supplementary financing. As of mid-March, loans and grants for about \$600 million had been proposed, as well as \$175 million identified that can be redirected from ongoing projects and programs.

22. Lessons learned from past projects that still have to be worked on are as follows:

- (i) DMCs need to plan for disasters. ADB can help, of course, with TA for hazard mapping and land use planning, but this is essentially up to the DMCs.
- (ii) Standards for civil works should be maintained by executing agencies. This is mainly the responsibility of the executing agencies.
- (iii) Local staff should be trained. This is too soon to be evaluated.

23. Only the area of specific performance indicators and special audit procedures has not been initiated.

24. The principles underlying the new Disaster and Emergency Assistance Policy (para. 9) are being followed in ADB's response to the tsunamis. One of the main lessons learned from previous experience with emergency loans (paras. 4-8), incorporated into the new policy, is being heeded—the need for flexibility. Only after loans and TAs are designed and implemented will it be possible to say that the other lessons have been followed. OED recommends that a special study be done when the relevant loans and TA operations are largely implemented to evaluate the state of preparedness of the DMCs affected by the tsunamis, the DMCs' requests for assistance, and ADB's response with the goal of increasing preparedness for future emergencies.