

ASIAN DEVELOPMENT BANK

R-PAPER

DISASTER AND EMERGENCY ASSISTANCE POLICY

May 2004

ABBREVIATIONS

ADB	–	Asian Development Bank
ADPC	–	Asian Disaster Preparedness Center
ADF	–	Asian Development Fund
AfDB	–	African Development Bank
ASEAN	–	Association of Southeast Asian Nations
CSP	–	country strategy and program
DMC	–	developing member country
EAL	–	emergency assistance loan
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
IDB	–	Inter-American Development Bank
IDA	–	International Development Association
IDNDR	–	International Decade for Natural Disaster Reduction
IMF	–	International Monetary Fund
IOS	–	interim operational strategy
LTTE	–	Liberation Tigers of Tamil Eelam
MDB	–	multilateral development bank
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
PRC	–	People's Republic of China
RETA	–	regional technical assistance
RRP	–	report and recommendation of the President
SARS	–	severe acute respiratory syndrome
TA	–	technical assistance
UN	–	United Nations

NOTE

In this report, "\$" refers to US dollars.

CONTENTS

	Page
I. INTRODUCTION	1
II. BACKGROUND	1
A. Definitions	1
B. Socioeconomic Impact of Disasters	2
C. Disasters and Poverty	3
D. The Asia and Pacific Region	4
III. REVIEW OF ASIAN DEVELOPMENT BANK POLICY AND ASSISTANCE	5
A. Existing Asian Development Bank Policies on Disasters and Emergencies	5
B. Assistance Provided Under the Policies	7
C. Evaluation and Lessons of Experience	10
IV. DIRECTIONS AND POLICY FOR THE ASIAN DEVELOPMENT BANK	19
A. Overview	19
B. Policy Framework	21
C. Analytical Assessments	23
D. Assistance Instruments	26
E. Business Processes for Emergency Assistance	32
F. Institutional Arrangements	35
V. CONCLUSION	38
VI. RECOMMENDATION	39
APPENDIXES	
1 Rehabilitation Loans and Technical Assistance for Emergency Rehabilitation and Disaster Mitigation	40
2 Emergency Assistance and Disaster Mitigation Projects and Technical Assistance Involving Cofinancing, 1987–2002	46
3 Major Operations Evaluation Findings in Relation to Emergency Assistance Activities	48
4 Disaster Mitigation Loans, 1972–2002	55
5 Approaches, Policies, and Experiences of Other Multilateral Development Banks	56
6 Use of Loan Savings for Emergency Assistance, 1998–2001	63
7 International Development Association-13 Framework for Conflict and Natural Disasters	65

I. INTRODUCTION

1. This paper provides an updated policy framework for Asian Development Bank (ADB) assistance for disasters and for resulting emergencies. Its specific objectives are to

- (i) draw lessons from ADB's experience with disasters and resulting emergency-related assistance;
- (ii) take stock of the latest developments in disaster risk management, including the experiences of other multilateral development banks (MDBs) and international agencies;
- (iii) identify opportunities for broader and sustained interagency coordination and cooperation on disaster and emergency assistance;
- (iv) pay special attention to post-conflict requirements and possible ADB assistance to post-conflict countries;
- (v) describe the framework and elements of a revised and updated ADB policy on disaster and emergency assistance;
- (vi) examine resource requirements and ways to support disaster and emergency assistance in ADB developing member countries (DMCs); and
- (vii) ensure clear and effective communications with all concerned shareholders in responding to disasters and providing emergency assistance.

2. This paper, prepared with the cooperation of an interdepartmental working group, draws on inputs from ADB departments and offices, public and shareholder consultations, and findings of international and regional meetings concerned with disasters and emergencies in the Asia and Pacific region. Chapter II provides background information, including working definitions and a brief discussion of the consequences of disasters and emergencies in the region. Chapter III provides an overview of existing ADB emergency policies and summarizes ADB disaster and emergency assistance, including loans for rehabilitation, technical, and post-conflict assistance and disaster mitigation and prevention. Chapter IV outlines key strategic issues and presents the revised ADB *Policy on Disaster and Emergency Assistance*, which supersedes previous policies. Chapter V outlines the paper's main conclusion, and Chapter VI is the recommendation.

II. BACKGROUND

A. Definitions

1. Disaster

3. A disaster is 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 result from a combination of hazards, vulnerability, and inability to reduce the potential negative consequences of risk.¹

¹ Definitions are based on a number of different international sources and are adapted from definitions given in United Nations International Strategy for Disaster Reduction Secretariat. 2002. *Living with Risk: A Global Review of Disaster Reduction Initiatives*. Geneva. This publication is a preliminary version prepared as an interagency effort coordinated with special support from the Government of Japan, World Meteorological Organization, and Asian Disaster Reduction Center.

4. Disasters can be caused by natural events, e. g., earthquakes, tidal waves, hurricanes, cyclones, volcanic eruptions, flood, droughts, or epidemics; by technological or industrial accidents, e.g., explosions, oil spills, nuclear reactor failures, or chemical mishaps; or by conflict, e.g., regional conflicts, national or civil wars, or widespread community violence. The term “post-conflict country” refers to a country that is emerging from a situation of violent, protracted conflict.

2. Emergency

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. In disaster-affected countries these situations often occur simultaneously, straining domestic capacity and disrupting economic and social activity.²

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.

B. Socioeconomic Impact of Disasters

7. Large-scale disasters have significant humanitarian, social, security, political, and economic implications. Disasters leave large numbers of people ill, disabled, widowed, orphaned, displaced, or suffering from post-traumatic stress disorder. In an emergency situation, people’s access to basic needs—e.g., food, medicine, clothing, shelter, and safety—is disrupted, and large portions of the population may lose access to economic resources and opportunities. At the individual level, victims of disasters lose self-confidence and experience psychological disturbances, e.g., despair, helplessness, fear, insecurity, vulnerability, or loss of faith. More broadly, disasters contribute to (i) fragmentation of the community or society; (ii) loss of social identity; (iii) breakdown of social norms, including such traditional values as respect for elders and authority; and (iv) loss of informal social safety nets. If governments do not deal with these effects of disasters effectively and promptly, major damage to society can result, as restoring social cohesion, values, and norms is not easy. Over time, and if emergency situations are allowed to deteriorate, people experience widespread loss of confidence in institutions and governments.

8. In addition to physical and psychological damage, disasters cause severe economic consequences. During 1987–1997, the global direct economic loss from natural catastrophes was \$700 billion, i.e., an average annual loss of \$70 billion.³ Despite the concentration of capital

² 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 already 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.)

³ Paul K. Freeman. 1999. *Infrastructure, Natural Disasters, and Poverty*. Laxenburg, Austria: International Institute for Applied Systems Analysis. Available: <http://www.iiasa.ac.at/Research/RMS/june99/papers/freemansolo.pdf>.

assets in the industrial world, direct economic impacts were relatively evenly split between industrial and developing countries and amounted to about \$35 billion per year for each group. However, given the enormous disparity in gross domestic product (GDP) between industrial and developing countries, the per capita cost of disasters relative to GDP is much higher in developing countries. For example, the estimated cost of the 1999 Izmit earthquake in Turkey was equivalent to 7% to 9% of Turkey's annual GDP.

9. While such figures are dramatic, the full economic cost of a disaster goes beyond statistical indicators. Estimated costs, based largely on direct physical impacts or observable losses of fixed capital and inventory, e.g., buildings, infrastructure, industrial plants, crops, and materials, overlook the indirect and secondary effects of disasters on economic activity. Indirect costs include those associated with (i) disrupted flows of goods and services, (ii) reduced output from damaged or destroyed assets and infrastructure, (iii) loss of earnings due to damaged infrastructure, (iv) increased medical expenses, and (v) lost productivity. Secondary effects, which have short- and long-term implications for economic performance, include adverse impacts on (i) the balances of the external and government sectors, (ii) the levels of debt, (iii) the thrust of government monetary and fiscal policies, and (iv) the inequity of income distribution, which implies an increase in the incidence of poverty. Some empirical studies suggest that the indirect and secondary costs of disaster may be as much as 2.5 times the cost of direct losses.⁴

10. Disasters and emergencies also have a major detrimental impact on public finance. Governments, many already in difficult economic situations, must shoulder substantial repair and rehabilitation costs and provide support to victims. Countries whose governments experience such unplanned budgetary reallocations find meeting development targets more difficult. Most governments make post-disaster budgetary reallocations in a reactive mode without the careful, detailed review that would normally accompany programmed allocations. Faced with the pressing and immediate need to raise revenues, governments may increase the money supply, deplete foreign exchange reserves, or increase domestic and/or external borrowing. For example, following severe floods in 1998, the Government of Bangladesh significantly expanded its money supply during fiscal year 1999. The situation is exacerbated by declines in domestic revenues associated with lower levels of economic activity, decreased imports and exports, and lower direct and indirect tax revenues. Although losses may be partly offset by increased flows of external assistance, such flows are unlikely to compensate entirely for higher expenditures. Disasters also reduce the pace of public infrastructure development by reducing the resources available for new investment. In addition, public enterprises may experience disaster-related losses, thereby placing an additional burden on government resources.

C. Disasters and Poverty

11. ADB's Long-Term Strategic Framework,⁵ which places poverty reduction at the forefront of all ADB activities, recognizes the need to reach out and assist people who are "pushed below the poverty line by natural and manmade disasters." Sustained economic growth requires the continual building and upgrading of physical and social infrastructure, but disasters can damage or destroy such infrastructure, thereby threatening the DMC's ability to reduce poverty.

⁴ Freeman (footnote 3); Shinozuka et al. 1998. *Engineering and Socioeconomic Impacts of Earthquakes: An Analysis of Electricity Lifeline Disruptions in the New Madrid Area*. New York: Multidisciplinary Center for Earthquake Engineering Research.

⁵ ADB. 2000. *Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

Disasters also entail major social risks, especially among poor and near-poor people (as recognized in ADB's Social Protection Strategy).⁶

12. Disasters affect the poor disproportionately. Poor people are often the most likely to be exposed to natural and non-natural hazards, even though they are the ones who can least afford to deal with such exposure. "Disasters in developing countries are an integral part of their poverty cycle. Poverty causes disasters, and disasters exacerbate poverty."⁷ Globally, countries classified by the United Nations (UN) as medium or low in relation to human development feel the impact of disasters and conflicts the most acutely.⁸ This may be attributable to resource constraints in poorer countries. The governments of such countries lack not only the financial resources needed to shoulder the economic burden, but also the institutional and human resources capacities needed to deal quickly and comprehensively with disasters and emergencies.

D. The Asia and Pacific Region

13. Even though disasters and emergencies occur worldwide, the Asia and Pacific region is the most affected part of the world. Between 1991 and 2000 the region accounted for (i) 46% of reported natural and technological disasters, (ii) 42% of reported conflicts, (iii) 80% of people killed by natural and technological disasters and 14% of those killed by conflict, and (iv) 84% of people affected by disasters and conflicts. The latter figure is striking and can be explained by the large numbers of people affected by such natural disasters as droughts, floods, and windstorms in the People's Republic of China (PRC) and India.⁹

14. Emergencies related to flooding represent a major challenge for economic and social development and poverty reduction in the region. Of the estimated \$70 billion in annual direct economic losses caused by disasters globally, 30% (\$23 billion) is due to flooding. Asian developing countries experience 70% of worldwide flooding damage, representing estimated annual direct losses of \$14.7 billion from flooding alone in developing Asia. However, these costs vary considerably over time, and losses in some years are much larger than in others, e.g., in 1998 flooding losses in Asia amounted to \$35 billion. Given that poor infrastructure is responsible for a large proportion of the losses from flooding, the estimated annual direct and indirect economic losses from floods in Asia may be as high as \$37 billion.

15. Conflict and post-conflict situations are often associated with disasters and emergencies. Given the mutually reinforcing nature of conflict and poverty, poverty rates in post-conflict countries are likely to increase amid lingering expectations of renewed conflict. Sri Lanka provides a good illustration of this interaction between poverty and conflict (Box 1).

⁶ ADB. 2001. *Social Protection Strategic Framework*. Manila.

⁷ United Nations Development Programme. 1994. *Human Development Report*. New York.

⁸ International Federation of Red Cross and Red Crescent Societies. 2001. *World Disasters Report 2001*. Geneva.

⁹ International Federation of Red Cross and Red Crescent Societies (footnote 8).

Box 1: Sri Lanka as an Example of the Interaction Between Poverty and Conflict

Since 1983, armed conflict between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) has claimed more than 60,000 lives and displaced an estimated 700,000–800,000 people. Estimates indicate that the conflict has cost the equivalent of the country's 1996 gross domestic product (GDP) and has lowered economic growth by 2–3% per year for the past two decades. Until recently, the central bank had estimated the total costs of the conflict at 2–3% of GDP annually; however, the intensification of conflict since April 2000 has increased the estimated annual costs to 6% of GDP. The impact on the economy is enormous. If an economy grows at a rate 6% lower than would otherwise be the case, this implies a shrinking of the economy over time.

In addition to causing huge losses of physical assets and a significant decline in economic performance, the conflict has had a major humanitarian impact. In northern and eastern provinces the Government is so preoccupied with and overburdened by the conflict that its ability to provide services to the many people living in abject poverty is limited.

The strategies and programs of the Asian Development Bank (ADB) acknowledged the existence of the fighting and its impacts, but did not specifically address them. This changed in 2001, when ADB approved a \$25-million loan to help finance the Northeast Community Restoration and Development Project. The Project's objectives included supporting small-scale social and economic infrastructure to generate income among poor people affected by the conflict. The project design focused on balancing the needs of various communities, including between government- and LTTE-controlled areas and between rural and urban locations. The key to project success was flexibility, including the ability to respond quickly to changing security and humanitarian requirements and to adopt new methods to involve communities in determining the specific nature of assistance required.

In February 2002, the Government and LTTE signed cease-fire agreements that essentially ended daily conflict, and the Government lifted restrictions on the movement of essential commodities into and out of LTTE-controlled areas. Despite occasional incidents, the cease-fire has held, but the physical and social infrastructure in the northeast remains in ruins. The economy of the area is improving, but recovery is slowed by the extensive devastation and the presence of land mines and unexploded ordinance.

ADB is revising its strategy in Sri Lanka in light of recent developments. Nevertheless, the new strategy will continue to focus on poverty reduction through (i) regionally balanced development, (ii) pro-poor growth to generate employment and increase rural incomes, (iii) social development to enhance the marketable skills of the labor force, and (iv) good governance for greater public sector accountability.

Source: ADB. 2002. *Annual Report 2002, Special Theme. Rehabilitation and Reconstruction. ADB's Role in Afghanistan and the Region*. Manila.

III. REVIEW OF ASIAN DEVELOPMENT BANK POLICY AND ASSISTANCE

A. Existing Asian Development Bank Policies on Disasters and Emergencies

16. ADB has approved two major emergency policies to assist its DMCs: (i) Rehabilitation Assistance to Small DMCs Affected by Natural Disasters was approved in 1987 to address the special needs of small Pacific DMCs and the Maldives;¹⁰ and (ii) Rehabilitation Assistance After Disasters, approved in 1989, applied to all DMCs.¹¹ ADB supplemented these policies in 1997

¹⁰ ADB. 1987. *Rehabilitation Assistance to Small DMCS Affected by Natural Disasters*. Manila.

¹¹ ADB. 1989. *Rehabilitation Assistance After Disasters*. Manila.

with a change in the loan ceiling for emergency loans to small DMCs.¹² This increased the loan ceiling for emergency rehabilitation assistance loans for small DMCs from \$0.5 million to \$2.0 million.

17. The major rationale for ADB involvement in rehabilitation was that timely intervention would allow an affected DMC to maintain its development momentum. Without such intervention, its momentum could be interrupted as the DMC reallocates scarce budgetary resources away from development to disaster-related activities. In the absence of rehabilitation, possible disinvestments of the existing capital stock could mean that such stock may no longer contribute to the production of goods and services.

1. Policies for Small Developing Member Countries, 1987–1997

18. The Rehabilitation Assistance to Small DMCs Affected by Natural Disasters Policy, applicable only to Maldives, Papua New Guinea, and the small Pacific island states, emphasized immediate assistance to address urgent rehabilitation requirements following natural disasters. ADB designed this policy to help it respond flexibly when helping these DMCs rapidly overcome the immediate disruptive effects of natural disasters on key infrastructure. ADB makes funds available within 6 weeks of receiving a request for assistance, with project completion envisioned within 12 months. The policy originally mandated a maximum loan amount of \$0.5 million, but this was increased to \$2.0 million in 1997 (para. 16). In that same year the loan utilization period was increased from 12 months after the disaster to 12 months after loan effectiveness. Loans were made available at prevailing Asian Development Fund (ADF) terms to eligible DMCs and at best available ordinary capital resources (OCR) terms to OCR borrowers. Imprest accounts were used to speed up disbursements. Under the policy, only simple repair and rehabilitation activities intended to meet immediate needs were to be financed. Longer-term capacity building and reconstruction involving detailed design, engineering, and consulting services were to be provided through traditional project lending.

19. To implement more flexible and more rapid assistance, the policy introduced as much procedural simplification as possible into loan processing. For example, only in-house expertise was to be used in formulating assistance, removing the need for outside consulting services. Given that much assistance involves imported materials and civil works, the policy recommended a program loan approach to support the importation of materials needed for basic repair work. This approach helped borrowing DMCs overcome the budgetary constraints that often accompany disasters. Hence, the emphasis of the program assistance was almost exclusively on restoring the situation to what it had been before the disaster.

20. Given the small amounts involved and the simple repair work envisaged, the policy waived the requirement for an appraisal report,¹³ although a standardized report and recommendation of the President (RRP) was still required for Board presentation. The policy also specified that Board consideration be sought under special abbreviated procedures within 1 week after the Board received the RRP. The objective of these procedures was to make assistance available within 6 weeks of receiving a request from an eligible DMC.

¹² ADB. 1997. *Change in the Loan Ceiling for Loans Processed Under the Bank's Emergency Rehabilitation Assistance Loan Facility for Small DMCs*. Manila.

¹³ At the time, standard ADB procedures required two separate documents to be submitted to the Board: an appraisal report and a report and recommendation of the President.

2. Policy for All Developing Member Countries, 1989

21. The 1989 policy, intended to be implemented in parallel with the 1987 policy, was meant to apply to all DMCs. Since that time, however, ADB has learned important lessons about appropriate and effective disaster response mechanisms from its growing experience with certain small DMCs. Other lessons came from observing the experiences of the World Bank, of the Inter-American Development Bank (IDB), and of various UN bodies.

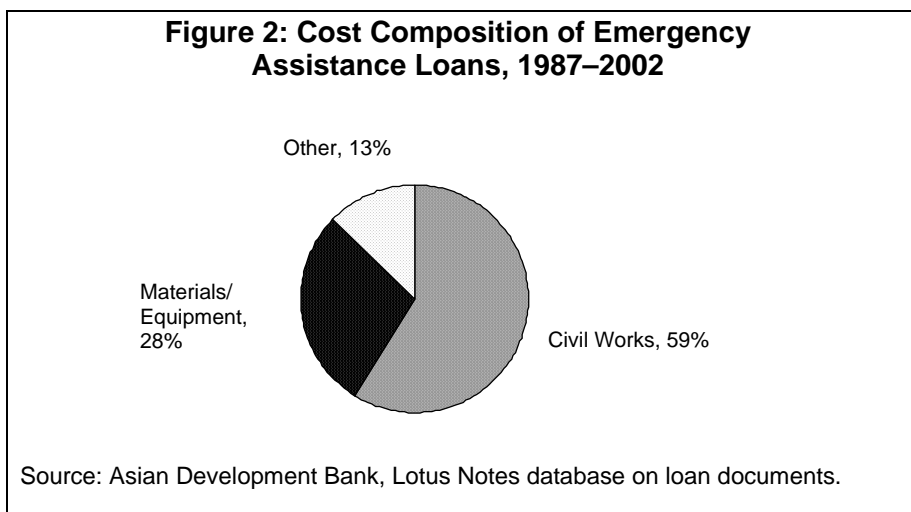
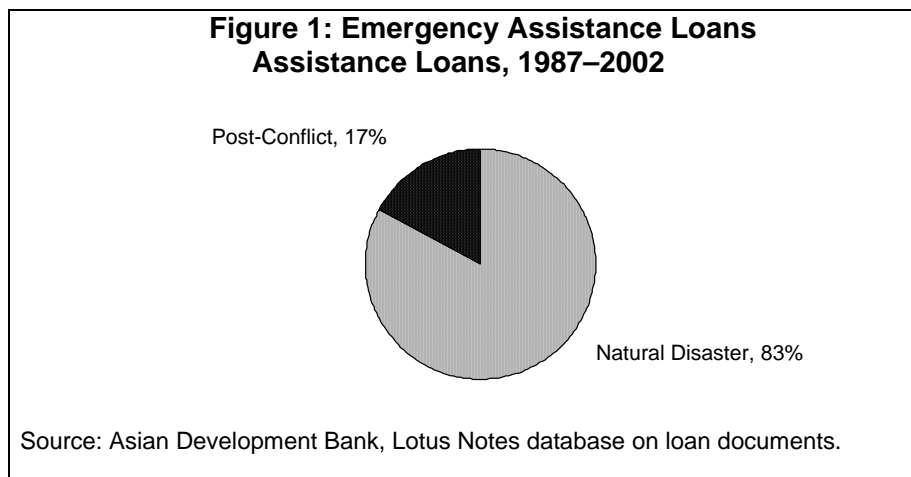
22. While the 1987 policy focused essentially on simple repair activities intended to return a country to its pre-disaster status, the scope of the new policy was wider and focused on addressing disaster rehabilitation in an informed way. The new policy moved ADB away from merely responding reflexively to disasters by providing financing for rehabilitation activities after disasters had struck. For the first time, ADB explicitly helped DMCs reduce their vulnerability to natural hazards and identify ways to prevent disasters or mitigate their effects after they had occurred. The major elements of the 1989 policy included the following:

- (i) introduced a typology of the causes and effects of disasters;
- (ii) defined ADB's response during various phases of post-disaster situations more clearly;
- (iii) identified the nature, focus, and coverage of rehabilitation projects;
- (iv) introduced detailed, yet simplified, guidelines for processing rehabilitation projects;
- (v) adopted a project approach in preference to the earlier program lending approach;
- (vi) targeted rehabilitation loans toward restoring infrastructure and production activities, including capacity building and modernization;
- (vii) mandated that risk analysis and disaster prevention measures be included in all ADB projects in disaster-prone DMCs;
- (viii) specified that a sector approach was to be followed to permit flexibility during project implementation;
- (ix) applied existing ADB policies on loan savings, advance procurement, domestic cost financing, and retroactive financing in a liberal fashion;
- (x) coordinated disaster responses at all levels (local, national, and international) closely with those of other external funding agencies, nongovernment organizations (NGOs), and community groups;
- (xi) sought least-cost solutions in view of the perceived difficulties in calculating economic internal rates of return;
- (xii) specified that disaster rehabilitation projects would carry standard ADF terms for ADF-eligible DMCs, while best available OCR terms for grace periods and maturities would apply to OCR borrowers;
- (xiii) specified that disaster prevention and mitigation activities along with regional cooperation were to be promoted; and
- (xiv) included non-natural disasters, e.g., wars, civil strife, and environmental degradation.

B. Assistance Provided Under the Policies

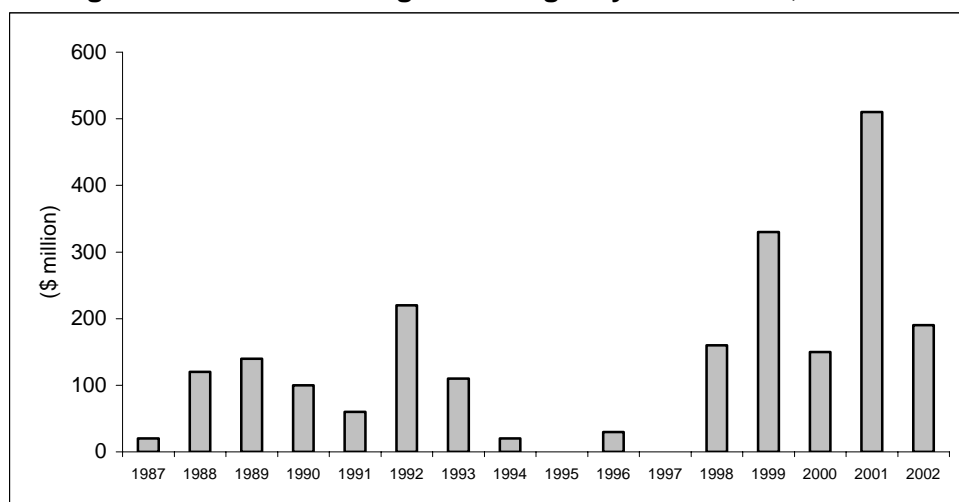
23. Appendix 1 provides detailed information about the allocation and use of ADB loans and technical assistance (TA) under the previous policies. Most (83%) ADB emergency assistance loans (EALs) during 1987–2002 were provided to address emergency situations following natural disasters, with the remainder going to assist in post-conflict situations (Figure 1). Most

resources were allocated to restoring and rehabilitating infrastructure, with much smaller amounts dedicated to non-infrastructure goods and services (Figure 2).



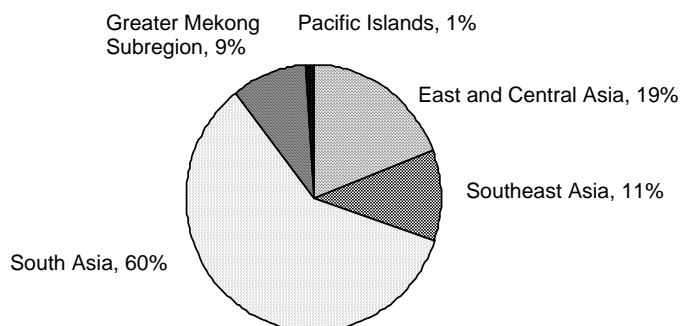
24. As Figure 3 shows, ADB's annual lending for emergency assistance has fluctuated considerably from year to year; however, the proportion of total ADB lending devoted to disaster and emergency assistance has increased substantially. During 1999–2002 emergency loan assistance averaged about 5.5% of total ADB lending, up from 1.0% in 1987. An analysis of loan distribution by regions shows that DMCs in South Asia and the Greater Mekong Subregion (GMS), generally the poorest DMCs, received almost 70% of all EALs (Figure 4).

Figure 3: Annual Lending for Emergency Assistance, 1987–2002



Source: Asian Development Bank, Lotus Notes database on loan documents.

Figure 4: Emergency Assistance Loans by Region, 1987–2002



Source: Asian Development Bank, Lotus Notes database on loan documents.

25. Other key data regarding ADB emergency assistance include the following: (i) more than three quarters of operations are multisectoral, (ii) TA has been the main instrument that ADB has used to provide direct assistance for disaster and emergency prevention, and (iii) most (61%) loans were financed from highly concessional ADF resources. For OCR loans, ADB made extended grace periods (7 years) and maturities (30 years) available to borrowers. For those countries eligible for an ADF/OCR blend, whenever possible ADB attempted to provide rehabilitation loans from ADF resources only, either solely or for the bulk of the loans. Furthermore, only a few projects were cofinanced (Appendix 2).

C. Evaluation and Lessons of Experience

1. Loans for Rehabilitation Assistance

a. Review and Analysis

26. The 1987 and 1989 policies emphasized a speedy response by ADB and its borrowers, with projects to be completed 3 years after the disaster. Specific steps to increase flexibility and streamline loan processing included (i) the preparation of detailed guidelines and instructions to improve efficiency and reduce processing time, including a detailed operations manual that spelled out the new policy and provided comprehensive, step-by-step staff instructions; (ii) the waiver of the appraisal report; (iii) a liberal interpretation of existing ADB policies; (iv) the use of loan savings for disaster projects; and (v) the speeding up of procurement procedures and consultant recruitment.

27. Appendix 3 summarizes major operations evaluation findings for ADB emergency assistance activities. While most disaster rehabilitation loans met their objectives, they tended to encounter considerable delays in Board approval and longer-than-expected project implementation periods. While the policy prescribed a 3-year completion period, the actual duration from the disaster to loan completion averaged 4 years. Contributing factors included weak institutional capacity, shortages of technical and managerial skills, procurement delays, poor communications, lack of counterpart funds, and delays in recruiting consultants.

28. Rehabilitation loans encountered many of the same institutional and absorptive capacity constraints ADB encounters in its other operations. Therefore, even though ADB streamlined its own procedures and speeded up the project cycle, borrowers have not always managed ADB assistance effectively for several reasons: (i) poor absorptive capacity; (ii) weak institutions; and (iii) less-than-optimal ADB supervision of projects, despite explicit policy statements spelling out the need for especially intensive supervision of rehabilitation projects. Disparities in the number of supervision missions undertaken during loan implementation have also occurred, with the frequency of reviews ranging from 21 to 74 weeks.

29. While important new challenges arose in relation to disaster and emergency relief in the 1990s and the international community developed new approaches, ADB evolved from a project lender to a full-fledged development institution; however, its disaster policy remained unchanged. As a consequence, rehabilitation projects frequently omitted important enhancements to project work, e.g., evaluations of the environmental and social impact of projects. ADB did not evaluate the environmental impact of most rehabilitation projects, the rationale being that as the project goal was to rehabilitate existing structures, no negative environmental impacts would result. The sense of urgency and the compressed time frames characteristic of post-disaster situations left little time for carrying out detailed environmental impact assessments or for establishing baseline data for future comparisons; however, several projects specified that environmental impact assessments should be performed for subprojects during implementation.

30. Rehabilitation loans have also typically not included detailed social assessments or fully involved beneficiaries or communities in project design, but, given the disproportionate impact of disasters on the poor and ADB's overarching concern with poverty reduction, the social dimension of projects is vitally important.

31. The 1989 policy specified that economic internal rates of return need not be calculated to justify emergency projects based on the rationale that the large sunk costs of rehabilitation projects ensured high economic returns. Instead the policy stressed least-cost solutions commensurate with the requirements of the post-disaster situation and with long-term requirements for development and disaster prevention. Project performance audit reports and project completion reports show that the economic returns of emergency loans have indeed been high.

32. ADB has made major changes in the way it evaluates the environmental and social dimensions of projects since the 1989 policy was approved. ADB reassessed its goals and priorities in 1999, leading to a formal commitment to poverty reduction as the institution's overarching objective through its adoption of the Poverty Reduction Strategy.¹⁴ ADB's Long-Term Strategic Framework builds on the Poverty Reduction Strategy by using three "pillars" for development: (i) pro-poor sustainable economic growth, (ii) inclusive social development, and (iii) good governance for effective policies and institutions. ADB's Medium-Term Strategic Framework (2001–2005) provides an operational framework for implementation.¹⁵ ADB's new policy on disaster and emergency assistance has been formulated within this context.

b. Lessons Learned

33. Analysis of the performance of rehabilitation projects over time suggests an absence of a systemic use of results and lessons learned. While some lessons of earlier projects were reflected at the country level, they were not integrated or applied ADB-wide. ADB has treated rehabilitation after disasters as a series of discrete events, with limited institutional memory and no central focal point for guiding these important operations. The new policy (Chapter IV) seeks to address this situation by applying important lessons learned over the last 15 years to a new and more effective approach to emergency assistance.

34. The following are some key lessons drawn from project performance audit reports, project completion reports, and discussions with ADB staff:

- (i) DMCs' capacity to develop disaster prevention and management plans should be enhanced before disasters strike. Such plans ensure that a disaster response proceeds in an orderly and integrated fashion and in a manner that addresses the DMCs' long-term requirements. Hazard mapping and land-use planning are key instruments for such capacity building.
- (ii) Executing agencies should not unilaterally alter standards for rehabilitation works during implementation, and complex components requiring extensive preparation and detailed design work should not be employed.
- (iii) ADB's institutional focus should remain on rehabilitation as a core concern, with intensive policy dialogues left to other forums. Such policy issues are part of ADB's normal operations and are specifically sought during the detailed poverty analysis and participatory processes that underlie the country strategy and program (CSP).
- (iv) Rehabilitation loans should feature a flexible implementation process that allows ADB to respond effectively to changing conditions. RRP's should clearly spell out risky assumptions, and their validity should be reexamined at implementation milestones to permit design modifications to be made on time.

¹⁴ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

¹⁵ ADB. 2001. *Medium Term Strategic Framework (2001–2005)*. Manila.

- (v) Frequent review missions are required.
- (vi) ADB should provide financing for operation and maintenance to ensure sustainability, especially during the initial stages when a government's financial situation is particularly strained. Mechanisms for cost sharing need to be devised.
- (vii) Training local staff in damage assessment, vulnerability analysis, natural hazard risk evaluation, and cost-benefit analysis should enhance the economic and social impact of emergency assistance and mitigate the effects of any similar catastrophes.
- (viii) Environmental considerations and poverty reduction concerns must be part of the decision-making equation. The link between disaster prevention plans and environmental protection and poverty reduction strategies should be clearly defined.
- (ix) Rehabilitation loans involve the functioning of integrated facilities. Therefore, the entire set of subprojects must be completed.
- (x) The economic return of rehabilitation projects tends to be high. Although rigorous cost-benefit analysis may not always be possible, "quick and ready" estimates should be provided, especially for subprojects, to establish their relative importance for meeting the priorities of a well-focused disaster response.

2. Disaster Mitigation and Prevention Activities

35. The 1990s saw growing recognition among the international community generally, and at ADB and among its DMCs specifically, that initiatives to mitigate the effects of natural hazards before they develop into disasters are essential. Thus, in addition to financing rehabilitation loans under the 1989 policy ADB has provided DMCs with disaster-mitigation loans and TA. ADB also provides regional technical assistance (RETA) to help reduce the impact of natural disasters when they do occur. In contrast with rehabilitation projects, mitigation projects are inherently long term and are processed using normal ADB operation procedures and do not, therefore, fall under the 1989 policy.

a. Disaster Mitigation Projects

36. Many ADB operations not conventionally perceived as disaster related actually have significant disaster mitigation implications. An obvious example is flood-control projects that protect production facilities, infrastructure, and people from recurrent floods. However, many other projects incorporate important disaster mitigation components, including those encompassing reforestation, watershed management, community development, urban development, coastal protection, agricultural diversification to disaster-resistant crops, slope agriculture, and land-use planning. Such activities help reduce the incidence of natural phenomena that lead to catastrophic events, and as a secondary effect may lessen future demand for rehabilitation projects after disaster.

37. ADB does not report such mitigation activities as a separate lending category. For the analysis presented here, a computerized search of ADB lending records was carried out to identify projects involving disaster-mitigation activities, even if such activities were only a component of the project.¹⁶ Operation staff reviewed the resulting project list for completeness, leading to the identification of additional projects that included mitigation components that were not reflected in the projects' titles. This exercise identified 25 mitigation projects, primarily

¹⁶ The following key words were used: disaster, hazard, prevention, mitigation, preparedness, typhoon, cyclone, earthquake, drought, volcano, volcanic, and coastal protection.

related to flood hazards, and accounting for \$1.7 billion in loans (Appendix 4). The 2001–2002 pipeline also included four mitigation projects, three of them in the PRC, totaling \$489.2 million.

38. The overall figure given in the previous paragraph probably underestimates ADB's total lending for disaster-mitigation activities. Many more projects most likely included mitigation components that could not be readily identified, for example, projects that treated hazard risks from an engineering perspective by including design specifications such as earthquake-resistance engineering standards and consideration of 100-, 50-, or 25-year floods.

39. Analysis of the post-evaluation ratings of mitigation projects, as well as the findings of project performance audit reports and project completion reports, suggest that the following three factors in particular are essential for project effectiveness:

- (i) good project design;
- (ii) effective operation and maintenance to ensure that mitigation structures are always in a condition to meet their objectives when natural hazards occur; and
- (iii) strong institutional development to support structural and preventive measures, e.g., increased disaster awareness, community preparedness, early warning systems, effective land-use planning, and sound and enforceable building codes. Such measures should be part of the core design of natural disaster mitigation projects and should be integrated into country strategies and programs.

b. Technical Assistance

40. ADB has processed at least 60 TAs since 1987 that can be readily identified as having directly involved disaster-related activities. These TAs have included (i) hardware solutions for hazard management, (ii) software solutions to enhance disaster preparedness, (iii) protective infrastructure and related project preparatory TAs, and (iv) rehabilitation and prevention through advisory TA. Such TAs build capacity and enhance institutions in DMCs.

41. In addition to country-specific TAs, ADB has funded four RETAs to address regional disaster issues, and as with all ADB regional work, these RETAs fostered regional cooperation. The first three RETAs reflected ADB's concerns about disaster reduction following approval of the rehabilitation policies after disasters in the late 1980s. These three RETAs demonstrate ADB's contributions to the UN's International Decade for Natural Disaster Reduction (IDNDR).¹⁷ The fourth, more recent, RETA was mobilized in response to the huge forest fires of 1997/1998 and the resulting haze, considered one of the major worldwide natural disasters of the century.¹⁸

42. ADB's first disaster-related RETA led to the dissemination of important disaster management information in two books. The first book summarized lessons learned in selected DMCs, with a focus on overall strategies for disaster mitigation and on technological and management issues.¹⁹ The second, essentially a handbook, summarized state-of-the-art disaster management techniques for practitioners in DMCs.²⁰ These books are among ADB's best-sellers and are still in demand more than a decade later as references in the field and as

¹⁷ ADB. 1989. *Regional Technical Assistance for Regional Study on Disaster Mitigation*. Manila; ADB. 1993. *Regional Technical Assistance for Institutional Strengthening of the Asian Disaster Preparedness Center*. Manila; ADB 1994. *Regional Technical Assistance for World Conference on Natural Disaster Reduction*. Manila. ADB.

¹⁸ ADB. 1998. *Regional Technical Assistance for Strengthening the Capacity of the ASEAN to Prevent and Mitigate Transboundary Atmospheric Pollution*. Manila.

¹⁹ ADB. 1990. *Disaster Mitigation in Asia and the Pacific*. Manila

²⁰ ADB. 1991. *Disaster Management: A Disaster Manager's Handbook*. Manila

texts for university and training courses throughout the region. However, they do not reflect the scientific, methodological, and institutional solutions that evolved during the IDNDR and are thus no longer well suited to meet the requirements of the UN International Strategy for Disaster Reduction, the successor to the IDNDR. New approaches should embody the lessons of operational experience over the last decade and evolving best practices.²¹

43. The second RETA established a regional focal point for disaster-related activities through institutional strengthening of the Asian Disaster Preparedness Center (ADPC), at the Asian Institute of Technology. The objectives of the RETA were to strengthen ADPC's institutional and managerial capacity and to prepare strategic and business plans for ADPC covering training, damage assessment, policy formulation, information dissemination, and financing requirements. This RETA, approved in 1993 helped ADPC evolve into a strong regional presence with an enhanced capacity to react effectively and comprehensively to the complex demands of operational disaster management. (Note, however, that ADPC only overcame the institutional impediments to implementing the RETA's recommendations in 1999).

44. The third RETA supported the World Conference on Natural Disaster Reduction within the framework of the IDNDR in Yokohama, Japan, in 1994. ADB financed participation by 23 DMC delegates and supported an analysis of the economic impact and policy implications of disasters. The Yokohama conference represented an important turning point for the IDNDR, with the Yokohama Declaration providing an action plan for the remainder of the decade.

45. The fourth RETA was designed to strengthen the capacity of the Association of Southeast Asian Nations (ASEAN) to prevent and mitigate transboundary atmospheric pollution. It was triggered by the forest fires of 1997/1998. The objectives of the regional haze action plan developed by an ASEAN task force were to (i) prevent forest fires through better management policies and rigorous enforcement, (ii) establish operational mechanisms to assess land use and monitor forest fires, and (iii) strengthen regional land and forest firefighting capabilities and other mitigation measures.

46. In summary, these RETAs reflect ADB's emphasis on regional cooperation in its disaster-related work. They reflect a shift away from disaster response toward disaster prevention, which the International Strategy for Disaster Reduction and the international community are now focusing on. Through concerted country-level efforts and regional cooperation, DMCs can more effectively pool regional resources to reduce hazard vulnerability. ADB will continue to deploy RETAs to support DMCs' efforts to strengthen their disaster management systems.

3. Post-conflict Operations

47. The past decade has seen a proliferation of conflicts and civil strife around the world. Conflicts flared in many DMCs, leading ADB to provide assistance in post-conflict situations in Afghanistan, Cambodia, Solomon Islands, Sri Lanka, Tajikistan, and Timor-Leste (formerly

²¹ United Nations International Decade for Natural Disaster Reduction. 1995. *Yokohama Strategy and Plan of Action for a Safer World. Guidelines for Natural Disaster Prevention, Preparedness, and Mitigation. World Conference on Natural Disaster Reduction. Yokohama, Japan, 23–27 May 1994.* Geneva. See also United Nations General Assembly. 1999. *International Decade for Natural Disaster Reduction.* New York; A. Kreimer and M. Arnold, eds. 2000. *Managing Disaster Risk in Emerging Economies.* Disaster Risk Management Series No. 3 Washington, DC: World Bank; UN International Strategy for Disaster Reduction Secretariat with special support from the Government of Japan, the World Meteorological Organization, and the Asian Disaster Reduction Center. 2002. *Living with Risk: A Global Review of Disaster Reduction Initiatives.* Geneva.

known as East Timor). In each of these cases, ADB and other development partners faced the difficult challenges involved in intervening to overcome the cycle of conflict, economic decline, and growing poverty. The main objective was to ensure timely and adequate assistance in a strategically sound manner.

a. Post-conflict Experience

48. ADB has financed five post-conflict projects in five DMCs amounting to \$367.2 million (Appendix 1, Table A1.1). These activities were justified under the 1989 policy, which covered natural and non-natural disasters, e.g., wars and civil strife. Consistent with the 1989 policy, ADB interventions in post-conflict situations focused almost exclusively on infrastructure rehabilitation, an area in which ADB has traditionally been strong. Hence, post-conflict operations did not differ substantially from rehabilitation projects after natural disasters. ADB interventions were focused almost exclusively on the direct material destruction caused by civil strife. Longer-term structural development issues were to be addressed through ADB's normal country assistance program.

49. The 1989 policy recognized that reduced public and private investment and the deterioration of existing capital stock often compound the direct destruction caused by war and civil strife. In addition, serious personnel problems often occur due to migration and a lack of education and training. More broadly, war and civil strife contribute to slower economic growth; weak public administration and institutions; and deteriorating or destroyed infrastructure, urban centers, and production facilities. Nevertheless, ADB's operating focus under the 1989 policy was on infrastructure rehabilitation. In practice, this made addressing certain salient aspects of post-conflict situations difficult, in particular, urgent institutional and governance requirements and the special needs of displaced people and former combatants.

50. A good example of ADB post-conflict assistance occurred in the case of Timor-Leste, which received support under special arrangements that drew on a separate trust fund for Timor-Leste (Box 2).

51. ADB's past activities in post-conflict countries have generally been of an ad hoc nature. Post-conflict situations typically require making substantive structural changes rather than simply reestablishing pre-conflict conditions. Policy dialogue, formulation, and implementation are particularly important. TA to support medium-term improvements in governance and institutional capacities is vital. Thus, the 1989 policy is not suited to meeting the special demands of post-conflict situations, as ADB's experience in Timor-Leste has shown. This policy specifically excludes policy dialogue and policy conditionalities from ADB activities in a disaster rehabilitation context or in post-conflict situations.

b. New Approach to Post-conflict Situations

52. Post-conflict situations have much higher visibility and priority than in past decades, particularly among MDBs. This shift began during the 1970s and 1980s, as MDBs' operations evolved to include responding to emerging world challenges, e.g., oil price shocks, natural disasters, and conflict. The post-conflict issue came to the forefront of the international agenda

in the 1990s, as exemplified by the Group of Seven summit in Halifax in 1995.²² The MDBs, including ADB, now give priority to global public goods, which include peace, security, and post-conflict reconstruction.²³ The international community as a whole is now more aware of the need to prevent conflicts and to respond quickly to help post-conflict countries move along a solid path of economic and social development. The higher visibility of post-conflict situations also obliges MDBs, including ADB, to pay special attention to communications with other external funding agencies and with beneficiary communities, as well as with the media and other concerned parties.

Box 2: Post-conflict Assistance for Timor-Leste

The people of Timor-Leste voted overwhelmingly for independence in 1999. Within weeks, an estimated 70% of the country's physical infrastructure had been destroyed and close to 80% of the population displaced. Three months later, in December 1999, the Trust Fund for East Timor was created at a donors' meeting in Tokyo. Priorities for use of the fund were set with support from the Asian Development Bank (ADB) and the World Bank.

ADB took on the task of rehabilitating infrastructure, with initial efforts focused on the urgent need for roads, ports, water, and power. Comprehensive support for capacity building was needed in all areas. Road rehabilitation and maintenance work linked previously isolated communities and created an estimated 300,000 person-days of employment. Two water supply projects brought safe water to 240,000 people in rural areas and 15,000 in Dili, the capital. These two labor-intensive projects created an estimated 90,000 person-days of employment.

Since operations began in Timor-Leste, ADB has approved 20 technical assistance projects worth \$8.7 million (11 substantially completed and 9 ongoing). Many support projects funded by the trust fund with project preparation and capacity building. These activities reflect a shift in ADB's focus from emergency, humanitarian, and security needs to development activities. ADB's port and microfinance projects maintain a consistent focus on poverty reduction and contribute to post-conflict economic and social development.

A poverty assessment undertaken by the Government, ADB, Japan International Cooperation Agency, United Nations Development Programme, and World Bank provided information used to prepare the country's first national development plan in May 2002. The plan includes a national poverty reduction strategy focused on (i) promoting opportunities for the poor; (ii) improving access to basic social services; (iii) enhancing security, including reducing vulnerability to shocks and improving food security; and (iv) empowering the poor.

Source: ADB. 2002. *Annual Report: Special Theme. Rehabilitation and Reconstruction. ADB's Role in Afghanistan and the Region*. Manila.

53. ADB's Poverty Reduction Strategy implicitly recognizes that conflict is both a cause and a consequence of inequality and inequity. Poor people are often unable to obtain basic services because (i) institutions are not accountable, (ii) local elites dominate the political process and control private sector resources, (iii) corruption is widespread, (iv) social relationships are inequitable, and (v) poor people lack experience with participation. ADB recognizes that conflict

²² At the 1995 summit the leaders of the Group of Seven nations (Canada, France, Germany, Italy, Japan, United Kingdom, and United States) called on the World Bank and the International Monetary Fund "to establish a new coordination procedure to facilitate a smooth transition from the emergency to the rehabilitation phase, and to cooperate more effectively with donor countries in assisting post-conflict reconstruction." (ADB. 2002. *Annual Report: Special Theme. Rehabilitation and Reconstruction. ADB's Role in the Afghanistan and the Region*. Manila.)

²³ ADB. 2002. *MDB Support for Global Public Goods Provision Progress Report*, IN.78-02. Manila; speech by former ADB Vice President, Peter H. Sullivan, during the Regional Consultation on Social Cohesion and Conflict Management, May 2000, Manila.

has direct and indirect effects on development and is committed to helping DMCs develop mechanisms to manage conflict effectively.

54. Of the many factors that contribute to conflict, poor governance is among the most important. Countries can avoid conflict if people build agreements and resolve differences through mutually acceptable processes. ADB's policy on governance reflects its concern with the environment, institutions, and processes whereby citizens interact with each other and with government agencies and officials.²⁴ An overall assessment of governance in a country identifies areas that need to be addressed under a reform program. In particular, improving public administration, building capacity, and promoting service delivery can mitigate or prevent conflict. In its governance work ADB works with its DMCs to improve accountability, participation, predictability, and transparency. While always important, these attributes take on increased relevance in post-conflict situations. The resumption of ADB activities in Afghanistan illustrate its approach to improved governance and policy dialogue in post-conflict situations (Box 3).

55. Another factor that exacerbates conflict at the country level is pervasive corruption. ADB fights corruption based on its Anticorruption Policy,²⁵ which has three objectives: (i) support competitive markets and effective public administration, (ii) support explicit anticorruption efforts, and (iii) ensure that ADB-financed projects and ADB staff adhere to the highest ethical standards. ADB implements this policy by supporting national anticorruption measures. In addition to best practices within ADB, the institution adapts those from interventions identified or implemented by the Asia-Pacific Economic Cooperation, Organization for Economic Cooperation and Development, UN, and World Trade Organization. Responsible and transparent communications in post-conflict situations can also assure shareholders about the proper use of financial assistance provided.

56. The recurring problems of insurgency and criminality are rooted in the widespread poverty and economic exclusion that characterize many poor Asian and Pacific DMCs. The demonstrated linkage between social unrest and underdevelopment provides a compelling rationale for regional cooperation. ADB's policy on regional cooperation defines ADB as (i) a provider of information to DMCs, (ii) an "honest broker" among DMCs, and (iii) a means of leveraging public and private sector resources into regional investments.²⁶ These three mutually supportive roles enable ADB to encourage information sharing and dialogue; provide forums for that dialogue; and assist (as requested) in regional cooperation through project identification, development, and financing.

²⁴ ADB. 1995. *Governance: Sound Development Management*. Manila; ADB. 2000. *Promoting Good Governance: ADB's Medium-Term Agenda and Action Plan*. Manila.

²⁵ ADB. 1998. *Anticorruption Policy*. Manila.

²⁶ ADB. 1994. *Bank Support for Regional Cooperation*. Manila; ADB. 2002. *Moving Regional Cooperation Forward: Summary of Proceedings of the ADB-Sponsored Session at the 2002 Bo'ao Forum for Asia*. Manila.

Box 3: Resumption of Asian Development Bank Activities in Afghanistan

Afghanistan was a founding member of the Asian Development Bank (ADB) in 1966, with operations beginning in 1969. In 1979, following the Soviet occupation of the country, ADB suspended its operations in Afghanistan, a suspension that continued for more than two decades. During this period Afghanistan was devastated by external aggression and civil war. The country's economy and physical infrastructure were in ruins, and the social, political, and ethnic fabric destroyed.

The 2001 Bonn Agreement created a broadly based political authority, the Interim Administration of Afghanistan. ADB worked with its partners to conduct a needs assessment during the Tokyo Ministerial Conference on the Reconstruction of Afghanistan in January 2002. The preliminary needs assessment provided the basis for the international community's pledge of \$4.5 billion in development assistance to address agreed sector priorities and policy and institutional frameworks. ADB pledged \$500 million of highly concessional loans and grants over 30 months, ending on 30 June 2004. ADB also acted as the lead agency for a comprehensive needs assessments of the agriculture, transport, education, and environment sectors.

ADB worked closely with the Government to develop a country-owned and country-driven approach to post-conflict assistance. The Government's strategic thrusts for reconstruction include (i) promoting security and human development, (ii) rebuilding physical infrastructure, and (iii) enabling the creation of a viable private sector as the engine for sustainable and inclusive economic growth. These elements fed into Afghanistan's initial Country Strategy and Program (CSP), which emphasized helping the Government with its rehabilitation and reconstruction efforts to support a seamless transition from humanitarian relief to reconstruction and development assistance. The CSP included short-term, high-impact projects, including grant-financed pilot projects in key sectors, and medium-term policy and institutional reform measures through capacity-building technical assistance (TA) and program lending. After endorsement by ADB's Board of Directors on 28 May 2002, the CSP provided the basis for the approval of a \$187-million emergency assistance package.

After the United Kingdom's Department for International Development (DFID) provided grant funds of nearly \$18 million to clear Afghanistan's arrears with ADB, ADB resumed operations. In 2002 ADB approved a \$150 million loan for the Post-conflict Multisector Program, the first loan to Afghanistan by an international financial institution since 1979. Two TAs totaling \$15.1 million and three grants totaling \$22 million were approved in 2002.

ADB completed its CSP update for Afghanistan in April 2002. In 2003–2005, ADB will establish an appropriate mix of modalities of assistance, taking into account the evolving situation in Afghanistan and the Government's desire to balance project and program assistance. Drawing on the Government's plans and priorities, ADB expects to meet requirements of \$600 million in concessional assistance and \$58 million in grant assistance over the period. Detailed programming is being worked out in close consultation with the Government.

Source: ADB. 2002. *Annual Report. Special Theme. Rehabilitation and Reconstruction. ADB's Role in Afghanistan and the Region*. Manila.

57. Regional cooperation can help reestablish normal economic processes after conflict has occurred. For example, when the GMS was established as a subregion in ADB in 1992, relations between the six participating countries were strained due to war and related conflict. Trade and other forms of economic activity were limited, despite the clear and strong rationale for subregional cooperation. Among the highly visible benefits of GMS operations have been investments in 10 critical physical infrastructure projects. Less visible, but equally important, have been wide-ranging yet carefully negotiated institutional mechanisms for cooperation (Box 4).

Box 4: Asian Development Bank Activity in the Greater Mekong Subregion

The Greater Mekong Subregion (GMS) Program, supported by the Asian Development Bank (ADB) and other external funding agencies, is activity driven and results oriented and covers "hard" and "soft" aspects of cooperation. High-priority subregional projects have involved transport, energy, telecommunications, the environment, human resource development, tourism, trade, and private sector investment. The GMS Program is based on continuing consultation and dialogue among member countries at ministerial and operational levels. Major subregional agreements have facilitated transborder movements of goods and people and have developed energy interconnection and trade.

ADB has financed 15 projects in the GMS. Priority infrastructure projects worth \$2 billion have either been completed or are being implemented. They include upgrading the Phnom Penh (Cambodia)-Ho Chi Minh City (Viet Nam) highway and the east-west corridor connecting northeastern Thailand, Lao People's Democratic Republic, and central Viet Nam. GMS governments have provided approximately \$1 billion for these regional investments, while ADB has extended loans amounting to \$887 million and has helped mobilize \$300 million in cofinancing. A total of \$57 million in grant resources has supported joint initiatives focusing on human resource development, tourism, the environment, trade, and investment. In addition, a total of \$65 million in TA has been provided by ADB (\$42 million), cofinanciers (\$15 million), and GMS governments (\$8 million).

An important achievement of the GMS Program has been the remarkable groundswell of good will among member countries that had led to increased trust, better international relations, and stability in the subregion. Given that five of the six countries belong to ASEAN, the GMS Program is also helping reduce the development gap between old and new ASEAN members.

Source: ADB GMS Unit.

58. ADB's recent experience with the fight against severe acute respiratory syndrome (SARS) reinforces the importance of regional cooperation,²⁷ as acknowledged at ASEAN's special meeting on SARS held in Bangkok in April 2003. At the meeting regional leaders agreed to improve regional and international exchanges of information and experience to define and improve countermeasures against the epidemic.

IV. DIRECTIONS AND POLICY FOR THE ASIAN DEVELOPMENT BANK

A. Overview

59. The international community recognizes that humanitarian relief efforts are only part of the assistance needed to address the full impact of emergencies and to reduce vulnerability in the future. As a result, institutions such as the Inter-American Development Bank (IDB) and the World Bank have reassessed the unique role that MDBs can play (Appendix 5). That role is multidimensional, and while it includes the traditional emphasis on rehabilitation and reconstruction, it also addresses the role of development cooperation as an emergency prevention and mitigation instrument and the transitional requirements between relief and renewed social and economic development. While the ADB Charter, as well as the charters of other MDBs, stipulates that the organization is not in the business of providing humanitarian relief as such, these humanitarian issues are critically important complements to emergency assistance while also addressing genuine development needs, and could be effectively addressed within a new ADB policy framework.

²⁷ ADB. 2003. *Proposed Action Plan to Address Outbreak of SARS in Asia and the Pacific*. Manila.

60. During the last decade ADB has gained considerable experience in dealing with disasters and the emergencies that accompany them. However, as discussed in Chapter III, ADB has tended to respond to such situations in an ad hoc fashion and with insufficient attention to the intense public scrutiny of disasters and emergencies. ADB has undertaken little regular stocktaking or systematic evaluation of best practices and has cooperated only minimally with relevant shareholders and disaster practitioners. Other problems are the lack of relevant training for ADB staff and the absence of focal points or core staff for disaster and emergency assistance. Ideally, core staff would provide knowledgeable assistance to operations staff. The lack of a systematic and flexible disaster and emergency assistance policy has exacerbated these weaknesses.

61. This section lays out a new, integrated policy within a disciplined framework for managing ADB disaster and emergency assistance, with an emphasis on linking the phases of the disaster management cycle, i.e., from prevention and mitigation through preparedness and recovery. The objective of this policy is to enhance ADB's capacity and improve its effectiveness in assisting DMCs struck by disaster. The underlying principles of the new policy, which supersedes the 1987 and 1989 policies, include the following:

- (i) adopting a systematic approach to disaster management, including emergency prevention and post-conflict reconstruction;
- (ii) mainstreaming disaster risk management as an integral part of the development process;
- (iii) strengthening partnerships to maximize synergies among development and specialized (relief) organizations to enhance the effectiveness of emergency aid to DMCs: 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 for planning, implementing, and communicating effectively on disaster and emergency-related assistance.

62. The new policy shifts the emphasis from only responding after disaster strikes to also supporting activities that anticipate and mitigate the likely impact of disasters that might occur. Modern societies cannot afford to value their social and material assets only after they have been lost in a disaster. Thus, ADB recognizes the importance of protective strategies that contribute to saving lives and that protect property and resources before they are lost.

63. 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. Furthermore, 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. Thus, 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. Each phase of intervention must be mapped to delineate strategic thrusts that, when coupled with well-defined activities, will constitute an integral part of disaster and emergency assistance.

B. Policy Framework

1. Disaster Management Cycle

64. The international community uses a systematic approach focused on risk and vulnerability that employs the concept of risk reduction or disaster risk management. 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.²⁸ To prioritize its interventions and map its activities, ADB will consider the scheme, as drawn in Figure 5, which shows that disaster and its management is a continuum of linked activities, not a series of events that start and stop with each disaster occurrence.

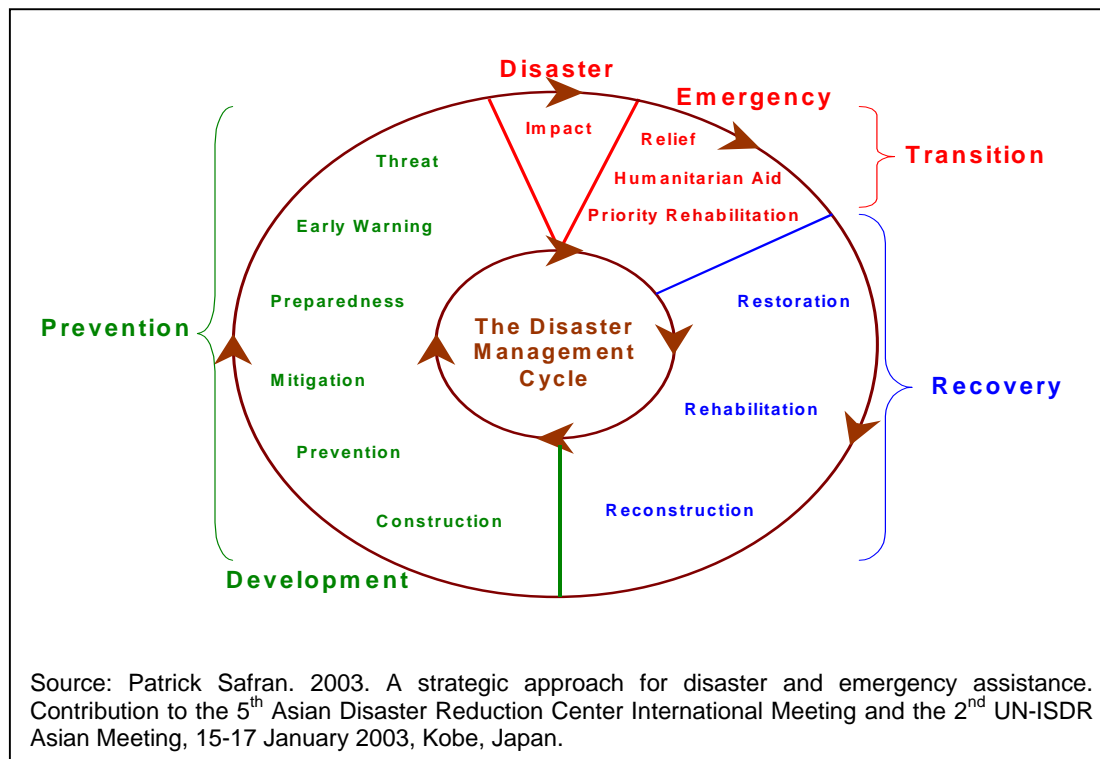
65. As shown in Figure 5, the four major components or phases of the disaster management cycle are (i) development or prevention phase, (ii) disaster, (iii) emergency response or transition phase, and (iv) recovery. The development or prevention phase refers to national development and its inclusion in the disaster management cycle to impede the reoccurrence of a disaster and/or to prevent its occurrence from having harmful effects on communities or key installations. The emergency response or transition phase immediately follows the disaster impact and applies to a fairly 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.²⁹

66. Figure 5 is applicable to natural and non-natural disasters, including post-conflict situations. Indeed, although differing somewhat in the trigger, scope, duration, and requisite actions, most emergencies generally result in widespread physical damage, death and displacement, and disruption of economic and social activities. Thus, regardless of the type of emergency, they all necessitate speed, flexibility, and accountability, and also share the relative importance of risk and vulnerability assessment, early warning, mitigation, and preparedness. Approach to post-conflict and natural disaster assistance may be different in nature and modalities but they have similar goals in providing immediate short-term assistance to rebuild/restore urgent priority economic, social, and administration capacity after disaster and emergency.

²⁸ ADB (footnotes 21 and 22); and European Commission Humanitarian Aid office. The DIPECHO program; Reducing the impact of disasters (http://europa.eu.int/comm/echo/pdf_files/leaflets/dipehco_en.pdf).

²⁹ The length or relative importance of each component phase may vary, and phases tend to overlap or merge. For instance, some response activities may be initiated prior to 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 both emergency assistance and recovery purposes.

Figure 5: Disaster Management Cycle



2. Strategic Phases for the Asian Development Bank

a. Prevention, Mitigation, and Preparedness

67. 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. 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 to apply these in development cooperation with the aim of institutionalizing this important trans-sectoral theme;³⁰ (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.

68. Mitigation activities include (i) protecting critical infrastructure, reinforcing vulnerable structures and adjusting building, land use, and zoning codes; (ii) constructing appropriate 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

³⁰ Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC). 1997. *Guidelines on Conflict, Peace and Development Co-operation on the Threshold of the 21st Century*. Paris.

cohesion.³¹ Mitigation measures, while identified in emergency programming, in particular in the transition phase, should also be part of a country's national development process.

b. Transitional Assistance and Priority Rehabilitation

69. In the wake of the disaster, immediate assistance must address the rehabilitation of high-priority physical and social infrastructure, e.g., water, sanitation, power, communications, and transport; the revitalization of basic services, particularly education and health care; and the need to jump-start economic productivity. After the emergency crisis is over, however, efforts shift to transitional social, institutional, and capacity requirements. These include the social and economic reintegration of displaced people, the demobilization and reintegration of former combatants, and the restoration of basic administrative and governance services.

70. During the transition phase, the emphasis should be on partnering with specialized (relief) agencies. Examples might include (i) providing seed 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 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.

c. Recovery

71. 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, e.g., power, key means of transport, and communications, 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.

C. Analytical Assessments

72. ADB's extensive knowledge of and experience in its DMCs position ADB to act quickly in post-disaster situations. Resident missions and other ADB offices provide information that complements regularly updated in-house databases. ADB conducts country economic reviews and develops CSPs and CSP updates for DMCs and shares information and good practices with its development partners. Other regularly generated reports—such as monitoring, evaluation, needs assessment, gender, and environmental reports and social assessments—also add to the knowledge base. These complementary data sources allow ADB to quickly articulate strategically sound emergency responses when required. Nevertheless, ADB must continue to improve its data resources and analytical capabilities. To this end, the following analytical assessments will be drawn from existing information, as appropriate, and will be promoted by ADB in close partnership with relevant shareholders and specialized (relief)

³¹ Coletta, Nat J., Teck Ghee Lim, and Anita Kelles-Viitannen. 2001. *Social Cohesion and Conflict Prevention in Asia. Managing Diversity through Development*. Washington DC: World Bank.

agencies. In the absence of legal or practical constraints, this information should be disseminated via ADB's Internet site and other channels.

1. Risk and Vulnerability Assessments

73. Surveillance systems for early detection and warning of impending natural disasters already exist on a regional basis, e.g., ADPC 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 will partner with such regional institutions 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. ADB recently developed a prototype for quick response in the form of its action plan to address the SARS outbreak and conduct SARS risk and vulnerability assessments. ADB will also support regional surveillance and early-warning facilities in DMCs, especially those that are historically prone to natural disasters and have implemented or are implementing national programs, e.g., Bangladesh, PRC, India, Indonesia, Pakistan, Philippines, Viet Nam.

74. CSPs and project appraisal work already incorporate environmental assessments that consider natural disasters, providing a foundation for mainstreaming mitigation and preparedness activities into ADB's project lending and TA.³² ADB is also refining such existing instruments as social assessments to take conflict dynamics into account,³³ in part to support early detection and the development of interventions to prevent tensions and perceived injustices from escalating into violent conflict. Social assessments can identify the beneficiaries and "losers" of project interventions, thereby providing early warning of the potential magnification of social cleavages and the attendant risk of civil conflict.

75. Emergency preparedness, mitigation, and prevention require systems for identifying, monitoring, and managing risks and vulnerabilities. Sound disaster reduction strategies are based on vulnerability and risk assessments and accurate information about DMCs' institutional and operational capacities. The factors evaluated should include the vulnerability of critical facilities, the quality of social and economic infrastructure, and the status of early warning systems. Recognizing the importance of such intelligence, risk and vulnerability assessments will complement the environmental and social assessments in CSPs.

2. Watching Briefs

76. 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. Such briefs will typically be implemented through a third party, for example, an NGO or UN partner agency already on the ground. The information obtained by means of such briefs would allow ADB to respond quickly when conditions are ripe for emergency intervention and/or for resumption of activities. The World Bank has developed a similar instrument as part of its policy on conflict and development cooperation. The World Bank had updated its watching brief on Afghanistan for 3 years, and it

³² ADB. 1985. *Review of the Bank's Environmental Policies and Procedures*. Manila; ADB. 1987. *Implementation of the Bank's Environmental Policies and Procedures and Its Future Activities*. Manila; ADB. 2002. *Environment Policy*. Manila.

³³ ADB. 1994. *Handbook for Incorporation of Social Dimensions in Projects*. Manila; ADB. 1995. *Involuntary Resettlement*. Manila.

proved valuable in helping the World Bank quickly build partnerships and prepare a strategy and program for its reentry into the country. ADB watching briefs will be disclosed to the public through the Internet and other channels, so that other shareholders may benefit from the information and analysis.

3. Damage and Needs Assessments

77. A damage and needs assessment mission, conducted in partnership with relevant shareholders and key local actors, will be a priority action after an emergency. The mission's field report will provide the basis for preparing an RRP and, if appropriate, an interim operational strategy (IOS). The work of the 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.

78. In emergency situations where a CSP is absent, outdated, or inadequate to guide an emergency response and/or to resume activities, an IOS will be prepared. The IOS, an emergency strategic document based on the watching brief and a damage and needs assessment, 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).³⁴ 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) the identification of potential 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.

79. Emergencies often know no borders. Thus the IOS may incorporate activities in neighboring countries if the governments or authorities in those countries endorse and participate in such activities. This is consistent with ADB support of and expertise in regional strategy development and cooperation.

80. ADB staff, with consultant support, will lead the development of the IOS, in particular in the transition phase. This approach has been proven effective in emergency situations such as the Gujarat earthquake, where the services of domestic consultants were extended beyond the initial assessment mission to provide a critical presence and input into the immediate to medium-term responses. A similar arrangement was used in Timor-Leste to accelerate ADB's response to the conflict-driven emergency. The country team will take the lead in preparing an IOS for all or part of a country under emergency conditions. ADB's recent action plan to address the SARS outbreak, which may be seen as a SARS IOS, provides one useful prototype. That action plan (i) established immediate priority assistance to the PRC;³⁵ (ii) identified medium-term

³⁴ 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.

³⁵ ADB. 2003. *Technical Assistance to the People's Republic of China: Combating SARS in the Western Region*. Manila.

objectives, including emergency RETA;³⁶ (iii) highlighted desirable partnerships; and (iv) made recommendations for portfolio restructuring and processing.

D. Assistance Instruments

81. ADB's emergency lending and TA instruments tend to be limited in scope, and focus mainly on natural disasters, with an emphasis on the recovery phase (Chapter III). Such instruments are problematic for countries affected by conflict-driven or health emergencies, e.g., the recent SARS outbreak, and for prevention, preparedness, and mitigation. Furthermore, even when ADB makes funds available, the terms may not be sufficiently concessionary for effective overall assistance. Thus, many DMCs find themselves caught in a dilemma between diverting limited development resources and capacity to address emergency needs or providing an emergency response that is insufficient to maintain ongoing development. Maximizing the concessionality through financial and nonfinancial terms would alleviate the financial burden DMCs face when attempting an adequate response to emergencies.

1. Portfolio Restructuring and Use of Loan Savings

82. In countries with operational portfolios, the first consideration in an emergency situation is to review the possibility of restructuring ADB resources within and across existing projects and sectors.³⁷ The restructuring exercise is included as part of the initial damage and needs assessment mission. The subsequent report or IOS will make recommendations for portfolio restructuring, both within and across sectors, and for the appropriate use of loan savings. However, under no circumstances, portfolio restructuring will 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.

83. ADB may agree to reallocate surplus funds from other loans to DMCs for disaster rehabilitation (Appendix 6).³⁸ 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 resulting emergency. Current conditions for such reallocation are that (i) the scope of ongoing projects can be reduced without adversely affecting the benefits of existing project components, (ii) the ongoing projects and rehabilitation needs are in the same sector, and (iii) the government lowers the priority of ongoing projects because of the emergency.

84. These conditions will now be modified to take into account possibilities for portfolio restructuring in DMCs within and across sectors. All reallocations will be justified in the RRP or IOS, as appropriate, and will be permitted with Board approval of the RRP or IOS. 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.

³⁶ ADB. 2003. *Regional Technical Assistance for Emergency Regional Support to Address the Outbreak of SARS*. Manila.

³⁷ The current policy allows only for restructuring within the same sector.

³⁸ This is consistent with existing policies, in particular, ADB. 1983. *Review of the Bank's Policy on Supplementary Financing of Cost Overrun of Bank-Financed Projects*. Manila; ADB. 1992. *Streamlining Board Documents on Project Loan and Technical Assistance*. Manila.

2. Emergency Assistance Loans

85. ADB does not have a formal mechanism for providing specific emergency assistance, whether for rehabilitation after a natural disaster or for post-conflict reconstruction, and has therefore handled such situations through normal channels. A new approach to emergency situations is proposed through an EAL exclusively designed for short-term transitional assistance. The EAL emphasizes 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.

a. Scope

86. The EAL is designed to mitigate immediate losses to priority assets, capacity, or productivity rather than to provide relief or comprehensive reconstruction. EALs will provide immediate short-term assistance that 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. EALs should be linked with and complement humanitarian relief efforts by other development partners, consistent with the objective of easing the transition from relief to normal development. EAL may involve policy dialogue, in particular in post-conflict situations.

b. Terms

87. In 1987–2002 the size of ADB rehabilitation assistance loans ranged from \$0.5 million to \$500 million (Appendix 1, Table A1.1; and Figure 3). ADB originally used rehabilitation assistance loans during the first 12 months following a disaster. The revised 1989 policy extended the completion limit to 3 years post-disaster, with no ceiling on loan size. Given that disasters leading to unpredictable emergencies place substantial pressure on planned development resources, and on scarce ADF resources in particular, the use of EALs will be restricted to the transition phase and used exclusively for priority rehabilitation.

88. Loans for priority emergency needs will be differentiated from large-scale reconstruction assistance. Emergency loans 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 and a clear relationship established between the cost and the proposed EAL amount, along with a specified time frame for implementation and a completion period normally of up to 2 years for natural disasters and 3 years in post-conflict situations, exceptionally extended for, at most, 2 additional years when the 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.

c. Conditions

89. Under current policies, rehabilitation assistance loans may be made from OCR or ADF, depending on the borrowing country's eligibility for and access to ADB's resources at the time of

loan negotiations.³⁹ However, 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 from available ADF resources. 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.⁴⁰

90. 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.⁴¹ For 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.⁴²

91. ADB does not at present have grant financing in ADF, in particular to assist the poorest and most vulnerable post-conflict countries. Such countries not only lack the financial resources needed to shoulder the economic burden, but also the institutional and human resources capacities needed to deal quickly and comprehensively with emergencies. In the context of the ongoing negotiations on the eighth replenishment of ADF (ADF IX), donor members have endorsed a proposal that a portion of ADF IX resources should be allocated on a grant basis to poor DMCs emerging from conflict.⁴³

³⁹ ADB. 1998. *A Graduation Policy for the Bank's DMCs*. Manila. ADB uses two criteria—per capita gross national product and debt repayment capacity—to assign borrowing DMCs into groups A, B1, B2, or C. The classification determines a DMC's eligibility to borrow from ADF, applicable ceiling on ADB financing, and minimum share of the government's contribution to TA costs. Group A (ADF only) includes Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu. Group B1 (ADF with limited amounts of OCR) includes Azerbaijan, Bangladesh, Cook Islands, Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam. Group B2 (OCR with limited amounts of ADF) includes PRC, India (PRC and India have no access to ADF), Indonesia, Nauru, and Papua New Guinea. Group C (OCR only) includes Fiji Islands, Kazakhstan, Malaysia, Philippines, Thailand, and Uzbekistan.

⁴⁰ ADB. 2001. *Policy on Performance-Based Allocation for Asian Development Fund Resources*. Manila; IDA. 2001. *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries*. Washington DC. See also IDA. 2002. *Additions to IDA Resources: 13th Replenishment. Supporting Poverty Reduction Strategies*. Washington DC.

⁴¹ ADB. 1974. *Terms of Special Funds Loans*. Manila; ADB. 1998. *Review of the Loan Terms for the Asian Development Fund*. Manila.

⁴² ADB (footnote 39); ADB. 2002. *Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy*. Manila.

⁴³ In low-income post-conflict countries, the availability of early financial support can be an important component of the normalization process. Focus 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 assist war-affected populations and communities, including support for income-generation programs, reintegration of combatants; and other assistance to vulnerable groups.

d. Eligibility Criteria for Emergency Assistance

92. ADB will consider the following eligibility criteria for EALs:

- (i) The government or an internationally legitimate governing authority, e.g., the UN in Timor-Leste or the transitional government in Afghanistan, will make the 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 the 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.

e. Conditionality and Safeguard Policies

93. EALs will be used exclusively for the prompt restoration of services to the population 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.

94. While EALs must comply with ADB safeguard policies pertaining to the environment, involuntary resettlement, and indigenous peoples and any future safeguard policies,⁴⁴ the need for expeditious processing necessitates procedural flexibility. In the case of 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.

95. In the case of the 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.

⁴⁴ ADB. 1995. *Involuntary Resettlement*. Manila; ADB. 1998. *The Bank's Policy on Indigenous Peoples*. Manila; ADB. 2002. *Environment Policy*. Manila.

3. Normal Development Loans

96. Normal lending is often appropriate as an immediate next step after an EAL. The RRP or IOS will provide a basis for prioritizing and preparing the initial comprehensive reconstruction loan, and may also include the redesign of projects under preparation but not yet approved. 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.

97. 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.⁴⁵ This precautionary approach would provide a mechanism for promoting 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.

4. Technical Assistance for Disaster and Emergency

98. TA for disaster and emergency can provide support to address immediate short-term requirements in the wake of a disaster and to enhance the reach and impact of an EAL. TA may cover (i) building national and regional capacity for emergency surveillance, preparedness, mitigation, and prevention linked to an EAL; (ii) preparing an IOS; and (iii) preparing emergency assistance programs and/or projects. This TA may also be appropriate for initiating time-sensitive, critical components of early emergency assistance programs, e.g., engaging in the removal of rubble and cleanup; repairing critical water, electrical, and sanitation services; controlling and stabilizing buildings, terrain, and physical structures; acquiring critical equipment and supplies for basic services; accessing emergency seeds and tools to jump-start productivity; and carrying out special studies and surveys for the rapid preparation of emergency activities.

99. Table 1 summarizes the proposed analytical and assistance instruments in relation to phased responses to disaster management and emergencies.

⁴⁵ Jerry Skees et al. 1999. *New Approaches to Crop Yield Insurance In Developing Countries*. EPFD Discussion Paper No. 55. International Food Policy Research Institute. Washington; and Jerry Skees. 2000. *A Role for Capital Markets in Natural Disasters; a piece of the food security puzzle*. Food Policy, vol. 25 (<http://www.enonline.net/fex/11/rst7-1.html>); see also *Working to Develop Disaster Insurance in Cambodia*. <http://www.reliefweb.int/w/rwb.nsf/0/f7d67ce8c9513570c1256b3c00348deb>).

Table 1: Emergency Assistance Matrix

Phase	Required Action	Analytical Assessment	Assistance Instrument
A. Natural Disasters			
Prevention	<ul style="list-style-type: none"> • Risk and vulnerability analysis • Preparedness and mitigation • Institutional development and capacity building 	<ul style="list-style-type: none"> • Risk and vulnerability assessment • Environment and social assessment • CSP 	<ul style="list-style-type: none"> • Administrative budget for country strategy development • Regular lending • TA
Transition	<ul style="list-style-type: none"> • Bridging relief to development • Cleanup • High-priority infrastructure rehabilitation • Institutional development and capacity building 	<ul style="list-style-type: none"> • Damage and needs assessment • IOS (as appropriate) 	<ul style="list-style-type: none"> • Portfolio restructuring and reallocation of loan savings • EAL • TA
Recovery	<ul style="list-style-type: none"> • Mitigation works • Medium-term rehabilitation and long-term reconstruction • Institutional development and capacity building 	CSP	<ul style="list-style-type: none"> • Portfolio restructuring and reallocation of loan savings • Regular lending • TA
B. Conflict Emergencies			
Prevention	<ul style="list-style-type: none"> • Introducing sensitivity to conflict in CSP formulation • Development as instrument of prevention • Maintaining knowledge base, building partnerships, and positioning for rapid response • Institutional capacity building and good governance 	<ul style="list-style-type: none"> • Risk and vulnerability assessment • Sensitivity to conflict with poverty assessment and social assessment • Watching briefs in countries or areas of countries where the portfolio is inactive because of ongoing conflict • CSP 	<ul style="list-style-type: none"> • Administrative budget for country strategy development • Regular lending • TA
Transition	<ul style="list-style-type: none"> • Assessing damage and needs • Bridging relief to development • Restoration and capacity building of critical state institutions • Demobilization and reintegration of former combatants • Social and economic reintegration of displaced people • Creation of and support for new livelihoods • Rehabilitation of critical infrastructure 	<ul style="list-style-type: none"> • Damage and needs assessment • Watching briefs • IOS 	<ul style="list-style-type: none"> • Portfolio restructuring and reallocation of loan savings • EAL • TA
Recovery	<ul style="list-style-type: none"> • Medium- and long-term reconstruction • Capacity building and institutional development • Promotion of good governance linking human security and development 	CSP	<ul style="list-style-type: none"> • Portfolio restructuring and reallocation of loan savings • Regular lending • TA

CSP = country strategy and program, EAL = emergency assistance loan, IOS = interim operational strategy, TA = technical assistance.

E. Business Processes for Emergency Assistance

1. Criteria for Involvement in Emergency Assistance

100. ADB's mandate is to use its resources to finance development of its DMCs through loans, guarantees, and TA for the preparation, financing, and execution of development projects and programs that contribute to harmonious economic growth of the region as a whole.⁴⁶ ADB's mandate does not allow the institution to engage in peacemaking, peacekeeping, or humanitarian relief. Other international aid agencies, regional bodies, NGOs, and the UN normally assume these functions.

101. In addition to these contingent conditions, ADB also adheres to the following minimum operational entry criteria, which are particularly important in conflict-driven emergencies:

- (i) The security of ADB staff undertaking operations in conflict-affected areas is guided by UN security norms and clearances. This includes 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.

2. Processing Emergency Assistance Projects

102. ADB project processing procedures involve 48 steps for TA processing from concept to final report and more than 50 steps for processing a loan from feasibility report to approval.⁴⁷ ADB's new business processes have streamlined this process,⁴⁸ but a further shortening of processing time is necessary in the case of emergencies for EAL. 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 (see the subsection on Institutional Arrangements) 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. This process would be similar to that which ADB used to prepare its emergency response to the SARS outbreak.

103. For EAL, appropriate financial and economic internal rates of return will be flexibly used, with the emphasis on least-cost solutions not prejudicial to quality assurance in rehabilitation or reconstruction work. ADB will not insist on stringent cost recovery practices, as the main purpose of EAL is the immediate rapid restoration of damaged basic structures, infrastructure, and productive activities (footnote 11).

⁴⁶ Article 2 [ii] and Article 14, Operating Principles of ADB's Charter.

⁴⁷ ADB. 2000. *Informal Briefing on the Redesign of ADB's Operational Business Processes*. Board Briefing Report. Manila.

⁴⁸ ADB. 2002. *Business Processes in the Reorganized ADB*. Manila.

104. The damage and needs assessment will be followed by an RRP.⁴⁹ 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. The processing time frame will not exceed 12 weeks and special abbreviated Board submission will be done within 1 week after RRP circulation. Documentation for TA will also be streamlined.

3. Implementation Arrangements

a. Implementation

105. Reviews of previous emergency operations (Chapter III) revealed several implementation constraints, including weak institutional capacity, scarce technical and managerial skills, procurement delays, insufficient counterpart funding, delays in recruiting consultants, and inadequate attention to effective external communications. These constraints do not differ greatly from the typical implementation and absorptive capacity constraints of normal projects. This suggests that standard ADB operational policies, including those on procurement, consulting services, financial management, and disbursement, should continue to “be liberally interpreted to ensure speedy and effective rehabilitation” in the case of emergency assistance.⁵⁰

106. 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,⁵¹ (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.

b. Supervision and Monitoring

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

⁴⁹ The RRP for an EAL 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.

⁵⁰ ADB. 1990. *Streamlining of Loan Administration Procedures*. Manila. ADB. See also ADB. 1979. *Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers*. Manila; ADB. 1989. *Project Administration Instructions: Guidelines for Preparation and Presentation of Financial Analysis*. Manila; ADB. 1999. *ADB's Guidelines for Procurement Under ADB Loans*. Manila; ADB. 1991. *Review of Domestic Preference Scheme*. Manila.

⁵¹ ADB. 1994. *Information Policy and Strategy*. Manila; ADB. 1994. *Policy on Confidentiality and Disclosure of Information*. Manila.

c. Performance Evaluation and Auditing

108. Emergency assistance activities should adhere to standard ADB performance evaluation requirements.⁵² However, based on lessons learned, ADB is developing specific performance indicators for emergency response activities. 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.⁵³

4. Procurement

109. ADB’s existing emergency procurement policy stipulates that in the case of rehabilitation loans, guidelines may be flexibly interpreted, including relaxing international competitive bidding requirements, in the interest of expediency. Existing policies on advanced procurement, retroactive financing, and local currency cost financing should be followed. To the extent possible, ADB will encourage the procurement of domestic goods and services as a way 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.

110. For goods and services, prudent international shopping is recommended, with the bidding period reduced from the current 30 days 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 unregistered contractors.⁵⁴ 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.

5. Disbursement

111. EALs may include quick-disbursing components; however, they 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.

112. 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

⁵² ADB. 1989. *Guidelines for Preparation of Program Performance Audit Reports*. Manila; ADB. 1993. *Guidelines for Preparation and Presentation of Financial Analysis*. Manila; ADB. 1994. *Report of the Task Force on Improving Project Quality*. Manila; ADB. 1995. *Technical Assistance Completion Report*. Manila; ADB. 2000. *Guidelines for Preparation of Project Performance Audit Reports*. Manila.

⁵³ To ensure that adequate audit expertise is available for such “special audit,” appropriate training should be provided to selected staff of the office of the Auditor General and to supreme audit institutions in the Asia and Pacific region.

⁵⁴ ADB normally requires prequalification.

about fraud and corruption, ADB should ensure that basic internal controls are built into the systems and stringent monitoring mechanisms put in place. More intensive supervision, perhaps from the resident mission, will be encouraged to provide more frequent checks on performance.

6. Retroactive and Supplementary Financing

113. For immediate emergency responses, no more than 30% of loan proceeds should be used for retroactive financing of expenditures. Expenditures 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 effectively handle damage to all such projects together with damage sustained elsewhere.

7. Consulting Services

114. 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 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, as in the recent Gujarat earthquake project.

F. Institutional Arrangements

115. For the past two decades ADB has addressed emergencies caused by natural disasters based on its 1987 and 1989 policies. In recent years it has also dealt with non-natural emergencies, initially in Cambodia and Sri Lanka, and, more recently, in Afghanistan, Tajikistan, and Timor-Leste. The latter efforts involved case-by-case decision making and efforts dispersed across the organization. While generally effective, the interventions for emergency responses were lacking in cross-fertilization and synergy. ADB's recent experience with preparing an emergency response to the SARS outbreak provides a model for more effective collaboration in dealing with emergencies. The use of an ad hoc monitoring committee, focal points, and working groups was effective from a management perspective and improved the quality of the final product. The following sections outline revised institutional arrangements designed to enhance ADB's flexibility and effectiveness in responding to emergency situations.

1. Organizational Structure and Resource Requirements

a. Anchor for Emergency Assistance

116. An anchor position for emergency assistance activities will be created in the Regional and Sustainable Development Department 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. An

emergency specialist with a broad multidisciplinary background, including knowledge of disaster risk management, will staff the anchor position. If training in disaster risk management is provided to ADB staff, implementation of the emergency assistance policy will require only limited incremental resources.

b. Skills Mix and Specialized Technical Backstopping

117. 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 consultants, but as specialized staff from partner agencies who bring skills and perspectives different from and complementary to those of ADB staff. This represents a cost-effective and innovative approach to emergency assistance within ADB. At the same time, secondments will strengthen partnerships in an area where no one agency can address the multifaceted needs of affected communities.

118. 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. Examples include (i) specialists in mine action from international NGOs, consulting firms, or the United Nations Mine Advisory Services; (ii) specialists in earthquake- and/or flood-proof construction design from regional bodies such as ADPC and the 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. 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. ADB has already approved RETA grants to strengthen one regional body.⁵⁵ These RETAs should be evaluated and steps taken to integrate the results more directly into ADB policy, operations, and staff development.

c. Country and Regional Emergency Focal Points

119. Regional departments 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. They will participate in critical staff meetings and provide a functional linkage between policies and operational programming.

120. 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.

⁵⁵ ADB. 1989. *Regional Technical Assistance for Regional Study on Disaster Mitigation*. Manila; ADB. 1990. *Regional Technical Assistance for Strengthening the Capacity of ASEAN to Prevent and Mitigate Transboundary Atmospheric Pollution*. Manila; ADB. 1993. *Regional Technical Assistance for Institutional Strengthening of Asian Disaster Preparedness Center*. Manila.

2. Participation

121. Participatory processes are an integral part of ADB's work, with the focus on enhancing poverty reduction through meaningful inputs and ownership on the part of shareholders. 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 the area of 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.

3. Coordination

122. 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's participation in such international bodies as the UN Economic and Social Council, Multilateral Banking Committee, and various NGO forums on emergency preparedness plays a key role. NGOs, civil society, and relief and humanitarian agencies represent significant partners who must help bridge the gap between relief and development programming. For the current proposal, ADB multi-shareholder consultation, popular participation, and local ownership of the reconstruction and development process are essential.

4. Partnerships

123. Because relief and development play important complementary roles in dealing with emergencies, and given that ADB's mandate prohibits it from taking on a humanitarian and/or political role, ADB can most effectively leverage its assistance only through public-private-civil-society partnerships. 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.

5. Resource Implications

124. The implementation of this new policy implies an expanded mandate. For internal resource requirements, appropriate staffing (e.g., one emergency specialist and one national officer) and associated costs (e.g., logistics, a management information system, communications and consultation, and training) will be considered. Regional departments, including resident missions, will also consider how to make resources available to implement their emergency focal point responsibilities (e.g., one staff member designated as a regional focal point). The resources required to implement this policy, one time or recurrent, will first be met from existing available resources to the extent possible. Incremental resources will be identified and these will be required for policy coordination and engagement of short-term consulting services, including mission travel. Training in disaster risk management will be included in ADB's annual staff development program. The training program is expected to be extensive in content and significant in application, covering staff in both regional departments and resident missions. The use of a secondment program could be cost-effective, and ADB will pursue this approach on a trial basis.

125. With regard to requirements for operational program resources, strategic planning will add onto the mandate to implement preventive measures, e.g., mitigation of and preparedness for natural disasters and prevention of conflicts. This implies additional demands for knowledge products and services, and should be taken into account when mobilizing resources for planning, especially for ADF countries. However, demands for scarce ADF resources are heavy, and ADF countries hit by unanticipated natural disasters can put pressure on assigned development resources. In such cases, portfolio restructuring within and across sectors will be a priority. Such restructuring should also be considered when planning annual resource mobilization. In the context of planning for emergencies and reconstruction in ADF borrowers, the proposed policy will use the IDA-13 conflict and natural disaster framework as a reference for planning ADF assistance (Appendix 7).⁵⁶

V. CONCLUSION

126. The growing importance of emergencies in the Asia and Pacific region has resulted in new demands for greater efficiency and effectiveness in providing urgently needed assistance. Therefore, ADB will merge its existing emergency policies (rehabilitation assistance) into a single, expanded, comprehensive disaster and emergency assistance policy to enhance its institutional capacity to act quickly, flexibly, and responsibly. Reviews of ADB emergency policy and lending over the past decade have identified the following key gaps and limitations: (i) the failure to fully address such critical issues as sustainable livelihoods, weak governance, transitional safety-net provision, institutional capacity, and human and social capital depletion; (ii) the need to place greater emphasis on early warning, prevention, mitigation, and preparedness; (iii) the inadequacy of financing; and (iv) the dispersed and ad hoc organizational response to emergency assistance.

127. If it is to achieve its overarching goal of poverty reduction, ADB must address these shortcomings. Strategic intervention in emergency preparedness and response will be in line with the prevention, transition, and recovery phases of natural and non-natural disasters. ADB will focus on protective strategies that help save lives and protect property and resources before they are lost rather than waiting for an emergency to occur.

128. To develop its comprehensive approach to emergencies, ADB will promote the following analytical assessments in partnership with relevant shareholders and agencies: (i) risk and vulnerability assessments, as relevant, to complement ADB's environmental and social assessments; (ii) watching briefs to maintain ADB's knowledge of social and economic trends in a country even during periods of inactivity in that particular country; and (iii) damage and needs assessments undertaken as priority actions after an emergency and conducted in partnership with relevant shareholders and key local actors to provide the basis for preparing an RRP and/or an IOS, as appropriate.

129. To enhance its emergency assistance, ADB will adopt the following instruments as part of its emergency assistance package: (i) the use of portfolio restructuring in disaster-affected DMCs within and across sectors; (ii) the introduction of EALs needs to specially explain new terms and conditions as rapidly approved short-term, small loans to help rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies, to

⁵⁶IDA. 2002. *Additions to IDA Resources: 13th Replenishment. Supporting Poverty Reduction Strategies*. Washington DC.

be used exclusively for the prompt restoration of critical services to the population and not to address medium- to long-term economic rehabilitation investments or sector or institutional problems unrelated to the emergency;⁵⁷ (iii) a shift to normal lending to follow on the heels of the transitional emergency financing, in particular, to address medium- to long-term comprehensive reconstruction, prevention, and mitigation requirements; and (iv) TA for disaster and emergency to provide support to address immediate short-term requirements in the wake of a natural disaster or in a post-conflict situation and to enhance the EAL's reach and impact.

130. To effectively apply and use the proposed analytical assessments and assistance instruments, ADB will enhance its business processes for emergency assistance as follows: (i) ADB operational policies should be liberally interpreted to ensure speedy and effective rehabilitation; (ii) appropriate financial and economic internal 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; (iii) efforts will be made to shorten project processing time; and (iv) ADB will communicate and consult systematically with affected communities and coordinate its support with that of other agencies and shareholders to enhance the impact of its emergency assistance. Regional departments are responsible for policy implementation. An anchor for emergency assistance will guide and coordinate these efforts.

VI. RECOMMENDATION

131. It is recommended that the Board approve the proposed Disaster and Emergency Assistance Policy as set out in Chapter IV and summarized in Chapter V. The proposed directions and policy will be subject to compliance review under ADB's accountability mechanism.⁵⁸ The relevance of the policy will be reviewed as appropriate.

⁵⁷ EAL must be clearly justified and a clear relationship will be established between the cost and the proposed EAL amount, along with a specified time frame for implementation and a completion period normally of up to (i) 2 years for natural disaster, and (ii) 3 years in post-conflict situation. ADF-financed EALs will carry interest of 1% per year and a maturity of 40 years. For OCR loans, a grace period of up to 8 years and maturity of up to 32 years will apply.

⁵⁸ ADB. 2003. *ADB's Accountability Mechanism*. Manila.

REHABILITATION LOANS AND TECHNICAL ASSISTANCE FOR EMERGENCY REHABILITATION AND DISASTER MITIGATION

Table A1.1: Rehabilitation and Assistance Loans, 1987–2002
(\$ million)

DMC	Loan No.	Project Title	Date of Approval	Loan Amount			Sector Assisted	Emergency Type
				OCR	ADF	Total		
AFG	1954	Post-conflict Multisector Program	4 Dec 2002	0.0	150.0	150.0	Multi-sectoral	Conflict/violence
BAN	882	Flood Rehabilitation (flood control and irrigation)	4 Feb 1988	0.0	14.3	14.3	Irrigation and rural development	Natural disaster
BAN	892	Flood Damage Restoration (roads and railways)	30 Jun 1988	0.0	40.0	40.0	Roads and transport	Natural disaster
BAN	941	Flood Rehabilitation (rural infrastructure)	22 Dec 1988	0.0	40.0	40.0	Irrigation and rural development	Natural disaster
BAN	967	Second Flood Damage Restoration	24 Aug 1989	0.0	80.0	80.0	Roads and transport	Natural disaster
BAN	1149	Cyclone-Damaged Road Reconstruction	19 Dec 1991	0.0	28.8	28.8	Roads and transport	Natural disaster
BAN	1182	Rehabilitation of Damaged School Facilities	27 Oct 1992	0.0	15.0	15.0	Education	Natural disaster
BAN	1666	Flood Damage Rehabilitation and Proposal to Use Loan Savings	18 Dec 1998	0.0	104.0	104.0	Multi-sectoral	Natural disaster
BAN	1825	Southwest Flood Damage Rehabilitation	21 Dec 2000	0.0	54.8	54.8	Multi-sectoral	Natural disaster
CAM	1199	Special Rehabilitation Assistance	26 Nov 1992	0.0	67.7	67.7	Multi-sectoral	Natural disaster
CAM	1824	Emergency Flood Rehabilitation	21 Dec 2000	0.0	55.0	55.0	Multi-sectoral	Natural disaster
COO	1171	Emergency Telecommunications Rehabilitation	16 Jul 1992	0.0	0.5	0.5	Telecommunications	Conflict/violence
COO	1588	Cyclone Emergency Rehabilitation	8 Dec 1997	0.0	0.8	0.8	Multi-sectoral	Natural disaster
IND	1826	Gujarat Earthquake Rehabilitation and Reconstruction	26 Mar 2001	500.0	0.0	0.0	Multi-sectoral	Natural disaster
INO	1241	Flores Emergency Reconstruction	1 Jul 1993	0.0	26.0	26.0	Multi-sectoral	Natural disaster
INO	1321	West Lampung Emergency Reconstruction	27 Sep 1994	0.0	18.0	18.0	Roads and transport	Natural disaster
KGZ	1633	Flood Emergency Rehabilitation	24 Sep 1998	0.0	5.0	5.0	Multi-sectoral	Natural disaster
PAK	957	Flood Damage Restoration	30 Mar 1989	0.0	44.0	44.0	Multi-sectoral	Natural disaster
PAK	1209	Flood Damage Restoration (sector)	15 Dec 1992	0.0	100.0	100.0	Multi-sectoral	Natural disaster
PHI	946	Infrastructure Restoration	19 Jan 1989	0.0	20.0	20.0	Multi-sectoral	Natural disaster
PHI	1053	Earthquake Damage Reconstruction	22 Nov 1990	0.0	100.0	100.0	Multi-sectoral	Natural disaster
PHI	1075	Special Agricultural Inputs Supply	24 Jan 91	0.0	35.0	35.0	Industrial crops and agro-Industry	Natural disaster
PHI	1163	Mt. Pinatubo Damage Rehabilitation	23 Apr 1992	0.0	37.0	37.0	Multi-sectoral	Natural disaster
PNG	1330	Rabaul Emergency Program	8 Nov 1994	0.0	0.5	0.5	Multi-sectoral	Natural disaster
PRC	1685-87	Northeast Flood-Damage Rehabilitation	22 Apr 1999	330.0	0.0	0.0	Multi-sectoral	Natural disaster
RMI	1218	Emergency Typhoon Rehabilitation Assistance Program	28 Jan 1993	0.0	0.5	0.5	Multi-sectoral	Natural disaster

ADF = Asian Development Fund, AFG = Afghanistan, BAN = Bangladesh, CAM = Cambodia, COO = Cook Islands, DMC = developing member country, IND = India, INO = Indonesia, KGZ = Kyrgyz Republic, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, PRC = People's Republic of China, RMI = Marshall Islands, SAM = Samoa, SOL = Solomon Islands, SRI = Sri Lanka, TAJ = Tajikistan, VAN = Vanuatu, VIE = Viet Nam

DMC	Loan No.	Project Title	Date of Approval	Loan Amount			Sector Assisted	Emergency Type
				OCR	ADF	Total		
SAM	1019	Emergency Power Rehabilitation	17 May 1990	0.0	0.5	0.5	Electrical power	Natural disaster
SAM	1193	Cyclone-Damage Rehabilitation	19 Nov 1992	0.0	8.6	8.6	Irrigation and rural development	Natural disaster
SOL	1219	Emergency Infrastructure Rehabilitation	18 Feb 1993	0.0	0.5	0.5	Multi-sectoral	Natural disaster
SOL	1823	Post-conflict Emergency Rehabilitation	21 Dec 2000	0.0	10.0	10.0	Multi-sectoral	Conflict/violence
SRI	865	Emergency Road Restoration	24 Nov 1987	0.0	20.0	20.0	Roads and transport	Conflict/violence
SRI	888	Emergency School Restoration	30 Jun 1988	0.0	15.0	15.0	Education	Conflict/violence
SRI	1438	Emergency Rehabilitation of Petroleum Facilities	16 May 1996	0.0	24.0	24.0	Natural gas	Conflict/violence
SRI	1846	Northeast Community Restoration & Development Program	16 Oct 2001	0.0	25.0	25.0	Multi-sectoral	Conflict/violence
TAJ	1651	Post-conflict Infrastructure Program	10 Dec 1998	0.0	20.0	20.0	Multi-sectoral	Conflict/violence
TAJ	1714	Emergency Flood Rehabilitation	2 Dec 1999	0.0	5.0	5.0	Multi-sectoral	Natural disaster
TAJ	1852	Emergency Restoration of Yavan Water Conveyance System	30 Oct 2001	0.0	3.6	3.6	Multi-sectoral	Natural disaster
TAJ	1912	Emergency Baipaza Landslide Stabilization	10 Sep 2002	0.0	5.3	5.3	Multi-sectoral	Natural disaster
TAJ	1980	Agriculture Rehabilitation	18 Dec 2002	0.0	35.0	35.0	Irrigation and rural development	Conflict/violence
VAN	1684	Cyclone Emergency Rehabilitation	20 Apr 1999	0.0	2.0	2.0	Multi-sectoral	Natural disaster
VIE	1259	Irrigation and Flood Protection Rehabilitation	26 Oct 1993	0.0	76.5	76.5	Industrial crops and agro-industry	Natural disaster
Total				830.0	1287.9	2117.9		

Source: Asian Development Bank loan documents.

Table A1.2: Rehabilitation and Assistance Loans by Sector and Type of Emergency, 1987–2002

(\$ million)

Category	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1987-2002
Sector																	
Education	0.0	15.0	0.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Electric Power	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Industrial Crops/Agro-Industry	0.0	0.0	0.0	0.0	35.0	0.0	76.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	111.5
Irrigation and Rural Development	0.0	54.3	0.0	0.0	0.0	8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0	97.9
Multi-Sectoral	0.0	0.0	64.0	100.0	0.0	204.7	27.0	0.5	0.0	0.0	0.8	129.0	337.0	119.8	528.6	155.3	1666.7
Natural Gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	24.0
Roads and Transport	20.0	40.0	80.0	0.0	28.8	0.0	0.0	18.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	186.8
Telecommunications	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	20.0	109.3	144.0	100.5	63.8	228.8	103.5	18.5	0.0	24.0	0.8	129.0	337.0	119.8	528.6	190.3	2,117.9
Emergency Type																	
Natural Disaster	0.0	94.3	144.0	100.5	63.8	160.6	103.5	18.5	0.0	0.0	0.8	109.0	337.0	109.8	503.6	5.3	1750.7
Conflict/Violence	20.0	15.0	0.0	0.0	0.0	68.2	0.0	0.0	0.0	24.0	0.0	20.0	0.0	10.0	25.0	185.0	367.2
Environmental Hazards	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Emergencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	20.0	109.3	144.0	100.5	63.8	228.8	103.5	18.5	0.0	24.0	0.8	129.0	337.0	119.8	528.6	190.3	2,117.9

Source: Asian Development Bank loan documents; ADB loan, technical assistance, and private sector operations approvals; ADB. 2002. *Summary Report on the Lending, Technical Assistance, and Private Sector Operations, 1987-2002*. Manila.

Table A1.3: Rehabilitation and Assistance Loans by Region and Country, 1987-2002
(\$ million)

Region and Country	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
East and Central Asia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	335.0
China, People's Republic of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	330.0
Kyrgyz Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0
Tajikistan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	5.0
Southeast Asia	0.0	0.0	20.0	100.0	35.0	37.0	26.0	18.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	26.0	18.0	0.0	0.0	0.0	0.0	0.0
Philippines	0.0	0.0	20.0	100.0	35.0	37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Asia	20.0	109.3	124.0	0.0	28.0	115.0	0.0	0.0	0.0	24.0	0.0	104.0	0.0
Afghanistan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bangladesh	0.0	94.3	80.0	0.0	28.8	15.0	0.0	0.0	0.0	0.0	0.0	104.0	0.0
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	0.0	0.0	44.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sri Lanka	20.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0
Greater Mekong Subregion	0.0	0.0	0.0	0.0	0.0	67.7	76.5	0.0	0.0	0.0	0.0	0.0	0.0
Cambodia	0.0	0.0	0.0	0.0	0.0	67.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Viet Nam	0.0	0.0	0.0	0.0	0.0	0.0	76.5	0.0	0.0	0.0	0.0	0.0	0.0
Pacific	0.0	0.0	0.0	0.5	0.0	9.1	1.0	0.5	0.0	0.0	0.8	0.0	2.0
Cook Islands	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.8	0.0	0.0
Papua New Guinea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Republic of Marshall Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Samoa	0.0	0.0	0.0	0.0	0.0	8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Solomon Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Vanuatu	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Total Emergency Loans	20.0	109.3	144.0	100.5	63.8	228.8	103.5	18.5	0.0	24.0	0.8	129.0	337.0
Total ADB Loans	2,439.0	3,146.0	3,624.0	3,972.0	4,781.0	5,109.0	5,210.0	3,679.0	5,504.0	5,545.0	9,344.0	5,982.0	4,979.0
Percentage of Emergency Loans	0.8	3.5	4.0	2.5	1.3	4.5	2.0	0.5	0.0	0.4	0.0	2.2	6.8

Source: Asian Development Bank loan documents; ADB loan, technical assistance, and private sector operations approvals; ADB. 2002. *Summary Report on the Lending, Technical Assistance, and Private Sector Operations, 1987-2001*. Manila.

Table A1.4: Technical Assistance for Emergency Rehabilitation and Disaster Mitigation, 1987–2002

DMC	TA No.	TA Title	Amount (\$)	Approval Date
PPTA				
AZE	3864	Flood Mitigation Project	700,000	15 May 2002
BAN	1205	Second Coastal Embankment Rehabilitation	408,000	14 Sep 1989
BAN	1207	Medium-Scale Irrigation, Flood Control and Drainage	150,000	20 Sep 1989
BAN	1318	Dhaka Integrated Flood Protection	600,000	7 Jun 1990
BAN	1396	Secondary Towns Integrated Flood Protection	600,000	24 Oct 1990
BAN	1816	Tree and Palm Plantation Project in Cyclone-Prone Areas	340,000	23 Dec 1992
BAN	3659	Jamuna and Meghna River Erosion Mitigation	1,000,000	28 May 2001
BAN	4000	Second Secondary Towns Integrated Flood Protection	900,000	25 Nov 2002
INO	857	Telang and Saleh Drainage Improvement	650,000	23 Feb 1987
INO	1576	Sustainable Mangrove Coastal Zone Management	590,000	11 Oct 1991
INO	2185	Java Flood Control	900,000	19 Oct 1994
MAL	1876	Klang River Basin Integrated Flood Mitigation	800,000	28 Apr 1993
PAK	2562	Second Flood Control Protection Sector	800,000	30 Apr 1993
PHI	1087	Bicol River Basin Flood Control Irrigation Development	3,753,000	8 Dec 1988
PHI	1342	Assessment of Reconstruction Costs of Earthquake-Damaged Infrastructure in Luzon	100,000	26 Jul 1990
PHI	1915	Second Highland Agriculture Development	550,000	26 Jul 1993
PHI	2807	Clark Area Municipal Development	600,000	10 Jun 1997
PHI	3692	Integrated Coastal Resource Management	933,000	2 Aug 2001
PRC	3376	Songhua River Flood, Wetland, and Biodiversity Management	250,000	30 Jul 2001
SRI	3542	Preparation of the North East Emergency Rehabilitation Project	150,000	10 Nov 2000
UZB	3828	Aral Sea Area Drought Relief	150,000	3 Jan 2002
Total PPTA			14,924,000	
AOTA				
AFG	3875	Disaster Preparedness and Management Capacity Building	500,000	30 May 2002
BAN	1609	Formulation of Land Development Controls and Procedures for Dhaka City	570,000	21 Nov 1991
BAN	2012	Khulna-Jessore Drainage Rehabilitation	920,000	14 Dec 1993
BAN	3357	Oil Spill Impact and Response Management Program	1,000,000	22 Dec 1999
CAM	1794	Project Implementation in the Transport and Agriculture Sectors	4,200,000	26 Nov 1992
ETM	3401	Transport Sector Restoration	1,000,000	10 Feb 2000
ETM	3428	Rehabilitation of the Telecommunications Sector	150,000	17 Apr 2000
ETM	3504	Rehabilitation of the Telecommunications Sector	150,000	26 Sep 2000
ETM	3731	Transport Sector Improvement	500,000	1 Oct 2001
ETM	3819	Postal Services Development	250,000	19 Dec 2001
IND	2066	Earthquake Emergency Rehabilitation Management	600,000	3 Mar 2001
IND	3379	Strengthening Disaster Mitigation and Management at the State Level	1,000,000	28 Dec 1999
IND	3644	Capacity Building for Earthquake Rehab. and Reconstruction of Housing	1,300,000	26 Mar 2001
INO	1910	Remote Sensing Applications for Natural Resource Management	600,000	20 Jul 1993
INO	2684	Capacity Building in Resettlement Management	325,000	7 Nov 1996
INO	2999	Planning for Fire Prevention and Drought Management	1,000,000	20 Mar 1998
KAZ	3647	Technology and Institutional Devt. for Sustainable Locust Management	700,000	23 Apr 2001
PHI	1467	Study on Foodcrop Policies	400,000	24 Jun 1991

^a Includes mitigation and rehabilitation assistance. Amount includes cofinancing.

AOTA = advisory and operational technical assistance, AZE = Azerbaijan, BAN = Bangladesh, CAM = Cambodia, ETM = Timor-Leste, GMS = Greater Mekong Subregion, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, ICT = Information and Communication Technology, IND = India, INO = Indonesia, KAZ = Kazakhstan, MAL = Malaysia, PAK = Pakistan, PHI = Philippines, PPTA = project/program technical assistance, PRC = People's Republic of China, REG = Regional, RETA = regional technical assistance, SRI = Sri Lanka, TA = technical assistance, TAJ = Tajikistan, VIE = Viet Nam

DMC	TA No.	TA Title	Amount (\$)	Approval Date
PHI	1829	Subic Bay Area Urban Development	600,000	29 Dec 1992
PRC	3663	Optimizing Initiatives to Combat Desertification in Gansu Province	610,000	5 Jun 2001
PRC	4061	Songhua River Water Quality and Pollution Control Management	1,000,000	19 Dec 2002
RMI	1847	Disaster Mitigation and Management	150,000	28 Jan 1993
SAM	1303	Consultancy Services Related to the Western Samoa Emergency Power Rehabilitation Loan	40,000	30 May 1990
SAM	1790	Monitoring and Management of the Cyclone Rehabilitation Program	350,000	19 Nov 1992
SRI	3624	Integrating Cleaner Production into Industrial Development	800,000	25 Jan 2001
SRI	4040	Needs Assessment in Conflict-Affected Areas	150,000	16 Dec 2002
TAJ	3114	Institutional Strengthening of the Transport and Energy Sectors	1,500,000	10 Dec 1998
TAJ	3319	Flood Disaster Management	205,000	2 Dec 1999
TAJ	4052	Farm Debt Resolution and Policy Reforms	960,000	18 Dec 2002
VIE	1968	Operation and Maintenance Strengthening	1,800,000	26 Oct 1993
VIE	3528	Capacity Building for Water Resources Management (TA cluster)	3,800,000	30 Oct 2000
		Total AOTA	27,130,000	
RETA				
REG	5353	Regional Study on Disaster Mitigation	370,000	30 Oct 1989
REG	5553	Institutional Strengthening of the Asian Disaster Preparedness Center	380,000	16 Nov 1993
REG	5575	World Conference on Natural Disaster Reduction	100,000	4 Apr 1994
REG	5778	Strengthening the Capacity of the ASEAN to Prevent and Mitigate Transboundary Atmospheric Pollution	1,000,000	24 Feb 1998
REG	5972	Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement	5,000,000	4 Jan 2001
REG	5982	Support to the Sixth International Congress on AIDS in Asia and the Pacific	150,000	30 Mar 2001
REG	6068	Prevention and Control of Dust and Sandstorms in Northeast Asia	1,000,000	11 Dec 2002
REG	6083	ICT and HIV/AIDS Preventive Education in the Cross-Border Areas of GMS	1,000,000	19 Dec 2002
		Total RETA	9,000,000	
		Total TA	51,054,000	

Source: Asian Development B's technical assistance documents.

**EMERGENCY ASSISTANCE AND DISASTER MITIGATION PROJECTS AND TECHNICAL ASSISTANCE
INVOLVING COFINANCING, 1987–2002**

Country	Loan		Date of Approval	ADB Financing ^a	Cofinancing	
	No.	Project/Technical Assistance Title			Amount	Source
(\$ million)						
Emergency Assistance Projects						
BAN	882	Flood Rehabilitation (flood control and irrigation)	4 Feb 1988	14.3	0.07	United Nations Development Programme
SRI	888	Emergency Schools Restoration	30 Jun 1988	15.0	4.00	Canada
PAK	957	Flood Damage Restoration	30 Mar 1989	44.0	40.00	World Bank
					10.00	Islamic Development Bank
PAK	1209	Flood Damage Restoration (sector)	15 Dec 1992	100.0	100.00	World Bank
CAM	1824	Emergency Flood Rehabilitation	21 Dec 2000	55.0	2.00	World Food Program
SRI	1846	Northeast Community Restoration and Development Program	16 Oct 2001	25.0	2.50	Deutsche Gesellschaft für Technische Zusammenarbeit
					0.50	The Netherlands
					4.00	OPEC Fund for International Development
		Subtotal			163.07	
Disaster Mitigation Projects						
PAK	837	Flood Protection Sector	25 Aug 1987	115.0	0.20	USA
PHI	1421/1422	Cordillera Highland Agricultural Resource Mgt	11 Jan 1996	19.0	9.20	International Fund for Agricultural Development
PAK	1578	Second Flood Protection Sector	13 Nov 1997	100.0	50.00	Overseas Economic Cooperation Fund, Japan
PHI	1599	Subic Bay Area Municipal Development	19 Dec 1997	22.0	1.00	Ministry of Economy and Finance, Kingdom of Spain
PHI	1745/1746	Pasig River Environmental Mgt and Rehabilitation	20 Jul 2000	175.0	2.20	Danish International Development Agency
					0.50	US Trade Development Agency
PRC	1835	Yellow River Flood Management (Sector)	18 Aug 2001	150.0	0.30	Danish International Development Agency
VIE	1855	Second Red River Water Resources Sector	13 Nov 2001	70.0	30.00	Agence Francaise de Developpement
					10.60	The Netherlands
PRC	1890	Acid Rain Control and Environmental Improvement	19 Dec 2001	147.0	69.20	Domestic banks, PRC
		Subtotal			173.20	
Technical Assistance for Emergency Rehabilitation and Disaster Mitigation						
INO	857	Telang and Saleh Drainage Improvement	23 Feb 1987	0.35	0.30	Netherlands
PHI	1087	Bicol River Basin Flood Control Irrigation Development	8 Dec 1988	1.90	1.85	United Nations Development Programme
BAN	1396	Secondary Towns Integrated Flood Protection	24 Oct 1990	0.25	0.35	Finland
BAN	1816	Tree and Palm Plantation Project in Cyclone-Prone Areas	23 Dec 1992	—	0.34	Norway

^a Corresponds to Asian Development Bank (ADB) loan in the case of projects, and financing from TASF/JSF/ACCSF in the case of technical assistance.

— = not available

Country	Loan		Date of Approval	ADB Financing ^a		Cofinancing	
	No.	Project / Technical Assistance Title		Amount	Source		
VIE	3528	Capacity Building for Water Resources Management	30 Oct 2000	1.00	2.80	The Netherlands	
PHI	3692	Integrated Coastal Resource Management	2 Aug 2001	0.60	0.34	Global Environment Facility	
REG	5972	Promotion of Renewable Energy, Energy Efficiency and Greenhouse Gas Abatement	4 Jan 2001	0.50	4.50	The Netherlands	
REG	6068	Prevention and Control of Dust and Sandstorms in Northeast Asia	11 Dec 2002	0.50	0.50	Global Environment Facility	
Subtotal					10.98		
Total					347.25		

BAN = Bangladesh, CAM = Cambodia, INO = Indonesia, PAK = Pakistan, PRC = People's Republic of China, PHI = Philippines, SRI = Sri Lanka, VIE = Viet Nam, REG = Regional Technical Assistance
Source: ADB loan and technical assistance documents.

MAJOR OPERATIONS EVALUATION FINDINGS IN RELATION TO EMERGENCY ASSISTANCE ACTIVITIES

Table A3.1: Rehabilitation Assistance Loans, as of 31 December 2001

Country	Loan No.	Project Title	PPAR Rating	PCR Rating	Lessons Learned
1987 Policy					
Cook Islands	1588	Cyclone Emergency Rehabilitation		GS	<ul style="list-style-type: none"> • A clear separation in time is needed between relief, recovery, and reconstruction activities. • A participatory approach is essential for reconstruction activities. • Experience in Manihiko suggests that communities are unable to participate in reconstruction activities until some level of recovery has been achieved. • Efforts are needed to strengthen local capacity. • Managing external inputs is crucial to ensure that they are used effectively and in conformity with community expectations. • Risk management should be encouraged among pearl farmers perhaps by encouraging them to insure themselves against losses. • Coastal areas should be reforested to reduce damage by future cyclones. • Efforts should focus on dealing with social issues and communication, project management, and engineering works. • Relief and recovery programs should ensure that all intended beneficiaries have equitable access to services. • The Government should set aside funds to enable it to cope with additional welfare needs and improve aid coordination among external funding agencies and aid donors.
Marshall Islands	1218	Emergency Typhoon Rehabilitation Assistance Program		No rating	<ul style="list-style-type: none"> • Future emergency loans should have realistic objectives, avoid complicated procedures, be designed and implemented by the relevant project division, and address transportation issues adequately. • ADB should field more frequent missions.
Papua New Guinea	1330	Rabaul Emergency Program		GS	<ul style="list-style-type: none"> • Future emergency loans should provide funds for the use of consultants to help with technical work and administration supervision. • The involvement of experienced local and foreign NGOs and relief and reconstruction agencies should be considered to assist overburdened government agencies. • Standard project and program loan formats should be in place in advance for use in emergency situations caused by natural disasters. • Compliance with domestic competitive bidding procedures proved difficult because of the lack of domestic suppliers.

ADB = Asian Development Bank, GS = generally successful, NGO = nongovernment organization, PCR = project completion report, PPAR = project/program audit report, PS = partly successful.

Country	Loan No.	Project Title	PPAR Rating	PCR Rating	Lessons Learned
Samoa	1019	Emergency Power Rehabilitation		No rating	<ul style="list-style-type: none"> The objective of providing emergency rehabilitation quickly was defeated by long delays incurred in completing the Project caused by unsatisfactory bids under the turnkey project approach and the time taken to determine the final requirements and contract details for international shopping for equipment.
Solomon Islands	1219	Emergency Infrastructure Rehabilitation		GS	
1989 Policy					
Bangladesh	882	Flood Rehabilitation	GS	No rating	<ul style="list-style-type: none"> Emergency projects should focus on immediate restoration of functions rather than rehabilitation of facilities to provide relief to affected communities immediately, restore their economic activity, and reduce their vulnerability to damage from the next natural disaster. Flexible approaches and procedures and consultation with and the involvement of affected communities are required during preparation and implementation to ensure the speedy processing and timely completion of emergency projects. Ranking alternative restoration works will ensure determination of the most cost-effective way of carrying out emergency works and efficient allocation of a limited amount of money. Long-term sustainability of projects requires adequate routine and preventive maintenance of repaired infrastructure.
Bangladesh	892	Flood Damage Restoration	GS	No rating	<ul style="list-style-type: none"> ADB should not expect disaster rehabilitation projects to restore and repair transport infrastructure and achieve significant gains in technical, operational, or economic efficiency. ADB should review and, if appropriate, revise its requirements relating to reimbursement procedures for emergency projects.
Bangladesh	941	Flood Rehabilitation		No rating	<ul style="list-style-type: none"> The executing agency's efforts to ensure the equitable distribution of project funds reduced the Project's efficiency and effectiveness. Herring-bone-bond brick pavement, used as an immediate measure to provide quick repairs, is not durable and is more costly than other pavement types in the long run. Environmental issues in relation to the Project were not properly addressed during implementation because of insufficient funds. For some civil works, the executing agencies responded to small contractors' demands for participation by splitting large contracts into several small contracts, leading to quality control problems.
Bangladesh	967	Second Flood Damage Restoration		No rating	<ul style="list-style-type: none"> The initial implementation stage was somewhat slow for an emergency restoration project due to inadequate staff, support services, and monitoring mechanisms. The implementation of emergency projects requires considerable flexibility.
Bangladesh	1149	Cyclone-Damaged Road Reconstruction		GS	<ul style="list-style-type: none"> The single most important factor in road failure in Bangladesh is the lack of compaction and preparation of the road substructure, leading to saturation and failure under traffic. A high level of supervision ensured the application of design standards and recommended construction techniques.
Bangladesh	1182	Rehabilitation of Damaged School Facilities		GS	<ul style="list-style-type: none"> A monitoring system should be provided at the field level. The continuation of project implementation units established under a previous project was useful and helped to accelerate overall project implementation. The submission of the list of selected schools to ADB should be time bound and should be

Country	Loan No.	Project Title	PPAR Rating	PCR Rating	Lessons Learned
					<p>appropriately phased during appraisal.</p> <ul style="list-style-type: none"> The coordination at the central Government level should be strengthened. Flexibility is needed in the construction design within the agreed upon criteria and technical features of the basic structural design.
Cambodia	1199	Special Rehabilitation Assistance	GS	GS	<ul style="list-style-type: none"> Emergency loans should not include components with complicated issues that require long-term preparation. Emergency loans should adopt a process approach to allow flexible adjustment of project design during implementation. To ensure expeditious delivery of the emergency assistance along with good project quality and sustainability, special measures should include intensive use of experienced consultants and ADB review missions; ADB financing of most, or even all, project costs; and ADB financing of operation and maintenance funds for a fixed period, which should be phased out gradually when the government's financial situation improves or when follow-up projects develop a mechanism for collecting user fees. Follow-up projects should be prepared in parallel with the implementation of emergency loans to provide supplementary support to address policy and institutional issues and sustain the benefits of emergency loans.
Indonesia	1241	Flores Emergency Rehabilitation	GS	PS	<ul style="list-style-type: none"> Given the bureaucratic delays and poor communications associated with remote areas, the <i>Operations Manual</i> should permit revisions to initial damage estimates and timing during project implementation. ADB should help to build borrowers' capacity to respond to disasters. To ensure the quality of project implementation, a capable project monitoring office is needed. During the design of emergency projects, the classification of civil works should be carefully evaluated to distinguish between emergency works and works that can be implemented under normal contracting procedures. The requirement to minimize drainage costs should be revised to ensure that future road projects provide for adequate cross-culverts and lateral side ditches.
Indonesia	1321	West Lampung Emergency Reconstruction		GS	<ul style="list-style-type: none"> Provincial authorities, which have a better knowledge of affected areas and can generally provide more efficient and rapid responses, should continue to implement most emergency projects. Contractors should not be permitted to start construction before good-for-construction drawings are issued. ADB should require the Government to provide operation and maintenance funding during and after the completion of each facility.
Pakistan	957	Flood Damage Restoration	GS	No rating	<ul style="list-style-type: none"> For countries that often experience disasters, a suitable approach would be to combine advanced studies on disaster characteristics with a facility for the rapid release of funds in an emergency to carry out temporary works. A comprehensive flood action plan should be formulated by the Government to develop and implement a long-term water and flood strategy. ADB should assess the viability of all subprojects in preliminary terms during an early stage of emergency projects. The training of local staff in risk and cost-benefit analyses should be efficient. Procedures for disbursing emergency loans should be modified to suit local conditions and

Country	Loan No.	Project Title	PPAR Rating	PCR Rating	Lessons Learned
					<p>procedures to avoid possible long delays.</p> <ul style="list-style-type: none"> Emergency loans need more frequent “newest development” monitoring.
Pakistan	1209	Flood Damage Restoration (Sector)		GS	<ul style="list-style-type: none"> Implementation experience suggests that projects to restore civil works require an allocation for the capacity building of implementing agencies. ADB should consider early delegation of projects to its resident mission. In relation to project implementation, in-country funding agency coordination is beneficial for sharing experiences and raising common issues with the executing agency. A national strategy for disaster mitigation would have been helpful, especially for early estimation of infrastructure damage and identification of subprojects.
Philippines	946	Infrastructure Restoration	GS	No rating	<ul style="list-style-type: none"> Efficient coordination among agencies involved at the central and local levels is essential for ensuring speedy and effective implementation of emergency projects. ADB should pay more attention to implementation supervision. ADB should carry out a survey of the implementing agency’s technical skills and expertise prior to implementation. ADB must ensure that construction standards are adhered to during the design and construction stages as a key criterion for successful implementation. ADB needs to pay greater attention to postconstruction maintenance of project facilities and should seek monitorable assurances.
Philippines	1053	Earthquake Damage Reconstruction		GS	<ul style="list-style-type: none"> Imprest account disbursement procedures do not work satisfactorily in the Philippines, because they fail to facilitate quick disbursement. Subprojects of emergency restoration loans tend to be extremely small and do not attract larger, experienced contractors from outside the disaster area. The Department of Public Works and Highways should waive the normal lengthy procedures for consultant recruitment for emergency projects. ADB should require that international consultants with specific seismic expertise be appointed to ensure the quality of the design of high-risk structures.
Philippines	1075	Special Agricultural Inputs Supply		No rating	<ul style="list-style-type: none"> A requirement for the release of counterpart funds should be included as a covenant. The executing agency should prepare a comprehensive assessment of the performance of all subprojects to ensure their economic viability and social justification. ADB should ensure a more realistic implementation schedule, taking into account the mechanism for notice of cash allocation issuance.
Philippines	1163	Mt. Pinatubo Damage Rehabilitation		PS	<ul style="list-style-type: none"> A sector loan for an infrastructure project would give ADB the opportunity to continuously assess the situation and to select the most appropriate infrastructure. A sector loan could have focused on roads or facilities requiring immediate repair while waiting until further studies of lahar flow patterns had been finished. A better response to the disaster would be to rebuild damaged agriculture infrastructure with grant assistance and then, after communities are more stable, consider a credit facility, possibly through NGOs. NGOs should be involved in emergency projects. Due to conditions in the calamity area, extensive technical support should be given to farmers. ADB should review procedures for establishing revolving fund accounts and making them operational to be certain that repayments on subloans are re-lent as intended.

Country	Loan No.	Project Title	PPAR Rating	PCR Rating	Lessons Learned
Samoa	1193	Cyclone Damage Rehabilitation		PS	<ul style="list-style-type: none"> • Additional benefits could have been achieved by paying more attention to improving road drainage. • The project has been classified as partly successful because some components may not have been cost-effective. • More attention to minimizing soil erosion related to nonproject road construction in the watershed would have more benefits than replanting forest cover. • Institutional capacity assessment must be done. • ADB should not have agreed with the procurement procedure and should have assisted the Government. • Protection works on the Vaisigano River and the Leone Bridge emphasized the need to strengthen ADB's capacity for project management and supervision.
Sri Lanka	865	Emergency Road Restoration		No rating	<ul style="list-style-type: none"> • Insurgency was the main problem at the project site, and the lack of security during project implementation prevented ADB review missions. • The Government should streamline procurement procedures to expedite the implementation of future projects. • Even in formulating emergency assistance, ADB should maintain the same standard of quality control in project preparation along with safeguard provisions.
Sri Lanka	888	Emergency Schools Restoration		GS	<ul style="list-style-type: none"> • The implementation steering committee was effective. • Use of an imprest account and statement of expenditure procedures provided the necessary flexibility in implementation. • Future projects could improve their performance in benefit monitoring and evaluation by including support for staff as well as for the technical assistance financed under the project. • Flexibility should be built into the project for its implementation.
Sri Lanka	1438	Emergency Rehabilitation of Petroleum Facilities		GS	<ul style="list-style-type: none"> • Single-approval procurement replaced Sri Lanka's normal multistage procurement system and contributed significantly to a shorter procurement schedule.

Source: ADB postevaluation information system, project performance audit reports, and project completion reports.

**Table A3.2: Time Taken for Processing and Administration
for Emergency Assistance Projects Approved in 1987–2001**

DMC Loan No.	Loan Title	Loan Amount (\$ million)	Approval Date	Time Lapse (number of days)							
				Disaster to Approval	Approval to Effectiveness	Effectiveness to Project Completion	Project Completion to Loan Closing	Disaster to Project Completion	Disaster to Loan Closing	Approval to Project Completion	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)=(6)+(7)+(8)	(11)=(6)+(7)+(8)+(9)	(12)=(7)+(8)
SRI 865	Emergency Road Restoration	20.0	24 Nov 1987	^a	136	1,894	223	—	—	2,030	
BAN 882	Flood Rehabilitation (flood control and irrigation)	14.3	4 Feb 1988	218	55	1,355	240	1,628	1,868	1,410	
SRI 888	Emergency Schools Restoration	15.0	30 Jun 1988	^a	70	2,198	244	n.a.	n.a.	2,268	
BAN 892	Flood-Damage Restoration (roads and railways)	40.0	30 Jun 1988	365	78	1,002	345	1,445	1,790	1,080	
BAN 941	Flood Rehabilitation (rural infrastructure)	40.0	22 Dec 1988	540	104	1,350	381	1,994	2,375	1,454	
PHI 946	Infrastructure Restoration	20.0	19 Jan 1989	421	78	1,499	97	1,998	2,095	1,577	
PAK 957	Flood-Damage Restoration	44.0	30 Mar 1989	272	81	1,092	480	1,445	1,925	1,173	
BAN 967	Second Flood-Damage Restoration	80.0	24 Aug 1989	785	106	1,468	265	2,359	2,624	1,574	
SAM 1019	Emergency Power Rehabilitation	0.5	17 May 1990	105	90	762	499	957	1,456	852	
PHI 1053	Earthquake Damage Restoration	100.0	22 Nov 1990	129	34	2,302	183	2,465	2,648	2,336	
PHI 1075	Special Agricultural Inputs Supply	35.0	24 Jan 1991	192	6	136	15	334	349	142	
BAN 1149	Cyclone-Damaged Road Reconstruction	28.8	19 Dec 1991	234	105	1,474	359	1,813	2,172	1,579	
PHI 1163	Mt. Pinatubo Damage Rehabilitation	37.0	23 Apr 1992	319	137	1,560	757	2,016	2,773	1,697	
COO 1171	Emergency Telecommunications Rehabilitation	0.5	16 Jul 1992	^a	18	316	36	n.a.	n.a.	334	
BAN 1182	Rehabilitation of Damaged School Facilities	15.0	27 Oct 1992	547	146	450	502	1,143	1,645	596	
SAM 1193	Cyclone-Damage Rehabilitation	8.6	19 Nov 1992	349	137	1,624	219	2,110	2,329	1,761	
CAM 1199	Special Rehabilitation Assistance	67.7	26 Nov 1992	^a	111	—	—	—	—	—	
PAK 1209	Flood-Damage Restoration (Sector)	100.0	15 Dec 1992	197	231	1,320	695	1,748	2,443	1,551	
RMI 1218	Emergency Typhoon Rehabilitation Assistance Program	0.5	28 Jan 1993	72	1	320	86	393	479	321	
SOL 1219	Emergency Infrastructure Rehabilitation	0.5	18 Feb 1993	48	82	583	117	713	830	665	
INO 1241	Flores Emergency Reconstruction	26.0	1 Jul 1993	201	88	1,265	138	1,554	1,692	1,353	
VIE 1259	Irrigation and Flood Protection Rehabilitation	76.5	26 Oct 1993	^b	153	2,454	—	—	—	2,607	
INO 1321	West Lampung Emergency Reconstruction	18.0	27 Sep 1994	223	65	684	569	972	1,541	749	
PNG 1330	Rabaul Emergency Program	0.5	8 Nov 1994	50	210	497	73	757	830	707	
SRI 1438	Emergency Rehabilitation of Petroleum Facilities	24.0	16 May 1996	^a	88	1,190	137	—	—	1,278	
COO 1588	Cyclone Emergency Rehabilitation	0.8	8 Dec 1997	37	29	343	549	409	958	372	

— = Not available because of any of the following: (i) project is not yet physically completed; (ii) loan is not yet closed, (iii) project relates to conflict and not disaster, and not disaster, (iv) data required for computation are not available.

BAN = Bangladesh, CAM = Cambodia, COO = Cook Islands, DMC = developing member country, IND = India, INO = Indonesia, KGZ = Kyrgyz Republic, PAK = Pakistan, PHI = Philippines, PRC = People's Republic of China, RMI = Marshall Islands, SAM = Samoa, SRI = Sri Lanka, TAJ = Tajikistan, VAN = Vanuatu, VIE = Viet Nam.

^A = post-conflict assistance.

^B Date of disaster not available on loan documents.

^C Periods relate only to loans approved during 1998-2001.

DMC Loan No.	Loan Title	Loan Amount (\$ million)	Approval Date	Time Lapse (number of days)							
				Disaster to Approval	Approval to Effectiveness	Effectiveness to Project Completion	Project Completion to Loan Closing	Disaster to Project Completion	Disaster to Loan Closing	Approval to Project Completion	
(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)	(10)=(6)+(7)+(8)	(11)=(6)+(7)+(8)+(9)	(12)=(7)+(8)	
KGZ 1633	Flood Emergency Rehabilitation	5.0	24 Sep 1998	146	63	689	—	898	—	752	
TAJ 1651	Post-conflict Infrastructure Program	20.0	10 Dec 1998	^a	60	615	68	—	—	675	
BAN 1666	Flood Damage Rehabilitation and Proposal to Use Loan Savings	104.0	18 Dec 1998	151	45	622	—	818	—	667	
VAN 1684	Cyclone Emergency Rehabilitation	2.0	20 Apr 1999	90	107	407	95	604	699	514	
PRC 1685	Northeast Flood Damage Rehabilitation	110.0	22 Apr 1999	325	127	780	—	1,232	—	907	
PRC 1686	Northeast Flood Damage Rehabilitation	110.0	22 Apr 1999	325	127	780	—	1,232	—	907	
PRC 1687	Northeast Flood Damage Rehabilitation	110.0	22 Apr 1999	325	127	780	—	1,232	—	907	
TAJ 1714	Emergency Flood Rehabilitation	5.0	2 Dec 1999	149	36	708	—	893	—	744	
SOL 1823	Post-conflict Emergency Rehabilitation	10.0	21 Dec 2000	^a	88	—	—	—	—	—	
CAM 1824	Emergency Flood Rehabilitation	55.0	21 Dec 2000	173	1	—	—	—	—	—	
BAN 1825	Southwest Flood Damage Rehabilitation	54.8	21 Dec 2000	111	161	—	—	—	—	—	
IND 1826	Gujarat Earthquake Rehabilitation and Reconstruction	500.0	26 Mar 2001	59	52	—	—	—	—	—	
SRI 1846	Northeast Community Restoration and Development Program	25.0	16 Oct 2001	^a	85	—	—	—	—	—	
TAJ 1852	Emergency Restoration of Yavan Water Conveyance Systems	3.6	30 Oct 2001	182	43	—	—	—	—	—	
	Average period (days)			237	89	1,046	284	1,302	1,691	1,138	
	Average period (years)			0.6	0.2	2.9	0.8	3.6	4.6	3.1	
Average periods for: ^c											
	Project loans excluding emergency assistance, program loans, and sector loans										
				—	222	1,880	337	—	—	2,078	
				—	0.6	5.2	0.9	—	—	5.7	
	Program loans										
				—	76	847	286	—	—	904	
				—	0.2	2.3	0.8	—	—	2.5	
	Sector loans										
				—	207	2,045	341	—	—	2,228	
				—	0.6	5.6	0.9	—	—	6.1	

Source: ADB loan and technical assistance, and private sector operations approvals; ADB. 2002. *Summary Report on the ADB's Lending, Technical Assistance, and Private Sectors Operations*. Manila.

DISASTER-MITIGATION LOANS, 1972–2002
(\$ million)

DMC	Loan No.	Project Title	Date of Approval	Loan Amount		
				OCR	ADF	Total
BAN	819	Khulna Coastal Embankment Rehabilitation	11 Dec 1986	0.0	16.9	16.9
BAN	1124	Dhaka Integrated Flood Protection	21 Nov 1991	0.0	91.5	91.5
BAN	1202	Secondary Towns Integrated Flood Protection	3 Dec 1992	0.0	55.0	55.0
BAN	1289	Khulna-Jessore Drainage Rehabilitation	14 Dec 1993	0.0	50.0	50.0
BAN	1941	Jamuna-Meghna River Erosion Mitigation	25 Nov 2002	0.0	42.2	42.2
INO	92	Wampu River Flood Control and Development	4 Apr 1972	0.0	5.9	5.9
INO	434	Tulungagung Drainage	6 Dec 1979	39.0	0.0	39.0
INO	479	Lower Citanduy Irrigation	13 Nov 1980	55.2	0.0	55.2
INO	685	Arakundo-Jambu Aye Irrigation and Flood Control	5 Jul 1984	68.0	0.0	68.0
INO	1251	Mangrove Rehabilitation and Management in Sulawesi	9 Sep 1993	0.0	8.1	8.1
INO	1425/1426	North Java Flood Control Sector	18 Jan 1996	45.0	45.0	90.0
INO	1479	South Java Flood Control Sector	7 Nov 1996	103.0	0.0	103.0
INO	1770	Marine and Coastal Resources Management	26 Oct 2000	0.0	50.0	50.0
MAL	446	Agricultural Drainage	19 Dec 1979	25.4	0.0	25.4
MAL	1500	Klang River Basin Environment Improvement and Flood Mitigation	5 Dec 1996	26.3	0.0	26.3
PAK	837	Flood Protection Sector	25 Aug 1987	0.0	115	115.0
PAK	1578	Second Flood Protection Sector	13 Nov 1997	0.0	100.0	100.0
PHI	1421/1422	Cordillera Highland Agricultural Resource Management	11 Jan 1996	9.5	9.5	19.0
PHI	1599	Subic Bay Area Municipal Development	19 Dec 1997	22.0	0.0	22.0
PHI	1658	Clark Area Municipal Development	15 Dec 1998	24.3	0.0	24.3
PHI	1745/1746	Pasig River Environmental Management and Rehabilitation SDP	20 Jul 2000	175.0	0.0	175.0
PRC	1919	Songhua River Flood Management Sector	20 Sep 2002	150.0	0.0	150.0
PRC	1835	Yellow River Flood Management (sector)	18 Aug 2001	150.0	0.0	150.0
PRC	1890	Acid Rain Control and Environmental Improvement	19 Dec 2001	147.0	0.0	147.0
VIE	1855	Second Red River Water Resources Sector	13 Nov 2001	0.0	70.0	70.0
Total				1,039.70	659.10	1,698.80

ADF = Asian Development Fund, BAN = Bangladesh, INO = Indonesia, MAL = Malaysia, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, PRC = Peoples Republic of China, SDP = state development planning, VIE = Viet Nam.
Source: Asian Development Bank loan documents.

APPROACHES, POLICIES, AND EXPERIENCES OF OTHER MULTILATERAL DEVELOPMENT BANKS

1. All major Multilateral Development Banks (MDBs) have policies governing natural disaster rehabilitation and post-conflict reconstruction (Table A5). Aside from their traditional role in disaster response operations, MDBs now treat disaster prevention as an integral part of their support to member countries. This represents a major shift from 1989, when ADB last formulated a policy. By 2003 most MDBs had policies, instruments, and institutional arrangements to structure assistance in disaster, emergency, and post-conflict situations.

A. World Bank

2. The World Bank has clearly defined its operational approach to dealing with disasters, beginning with the formulation of its emergency assistance policy in 1995.

1. Disaster Management Facility

3. In 1998 the World Bank established the Disaster Management Facility to improve disaster prevention and mitigation practices and emergency response. The objective was to mainstream disaster prevention and mitigation considerations into all World Bank activities. Key activities of the facility have included the following:

- (i) Market Incentives for Mitigation Investment Project, which established partnerships between the insurance and reinsurance industry and development institutions to promote market incentives for risk reduction;
- (ii) assistance to member countries and World Bank staff in preparing country assistance strategies that reduce risks from natural disasters;
- (iii) development of partnerships with the international and scientific communities to promote dialogue on disaster management issues;
- (iv) review of the World Bank's disaster assistance portfolio to identify lessons learned for future operations;
- (v) identification and dissemination of the World Bank's and other organizations' good practices; and
- (vi) provision of training events in disaster prevention, mitigation, and response.

4. Lessons from the World Bank's approach to disaster assistance are congruent with the growing experience of the Asian Development Bank (ADB).¹ Based on the lessons learned, effective disaster assistance should be characterized by (i) speedy response; (ii) active promotion of disaster risk management, especially of mitigation measures; (iii) community participation; (iv) simple project design; (v) appropriate institutional framework; (vi) early introduction of teams to assess damage, identify rehabilitation needs, engage in project formulation, and coordinate the contributions of external funding agencies; and (vii) strong focus on medium-term recovery measures.

5. In February 2000 the facility launched a new international partnership to minimize the impact of disasters on developing countries. Comprehensive analysis of 198 disaster-related projects during 1980–1998 was carried out. Of these, 102 were for rehabilitation after a disaster (\$7.5 billion) and 96 designed to mitigate the likely effects of hazards before disaster struck

¹ World Bank. 1999. *Learning from the World Bank's Experience of Natural Disaster Assistance, Disaster Management Facility*. Urban and Local Government Working Paper Series 2. Washington DC.

(\$6.5 billion). The facility's report concluded that a new paradigm for natural disaster management consistent with the Yokohama strategy is called for. According to the Yokohama strategy:

The impact of natural disasters is on the rise. Death, injury and economic ruin caused by disasters are avoidable. Countries should make natural disaster reduction part of their development plans; otherwise, progress in social and economic development will continue to be eroded by recurring disasters.²

6. This paradigm involves a shift away from a primarily reactive stance based on rehabilitation after disasters, toward a proactive approach emphasizing disaster prevention. The World Bank implemented the lessons learned through the ProVention Consortium, a global partnership that brings governments, international organizations, academic institutions, the private sector, and civil society together to reduce hazard risks and integrate disaster prevention into development efforts. The consortium's activities include the following:

- (i) strengthening coordination among external funding agencies and promoting policies to reduce the risk of disaster;
- (ii) promoting a culture of safety through education, training, and dissemination of good practices for reducing vulnerability;
- (iii) developing institutional capacity for disaster prevention and effective response by the government;
- (iv) establishing linkages between the public and private sectors and between scientific communities and policymakers for reducing the risk of disaster; and
- (v) supporting pilot projects that demonstrate risk reduction or risk transfer strategies.

7. The ProVention Consortium reaches out to civil-society organizations and uses community-based activities to build support and effectiveness. The networks of the International Federation of Red Cross and Red Crescent Societies provide an important mechanism for heightening the visibility of the ProVention agenda at the regional and local levels, and the ProVention secretariat is now in the federation's headquarters in Geneva. A member of the ProVention steering committee, ADB is using knowledge acquired in that role to enhance its capabilities in disaster risk management.

2. Emergency Reconstruction Loans

8. The World Bank uses emergency reconstruction loans to help countries experiencing natural or non-natural emergencies. Such loans do not address long-term sectoral or institutional issues and do not include conditionality linked to macroeconomic policies, but are used solely for emergency recovery activities and disaster preparedness and mitigation. Other characteristics of emergency reconstruction loans include (i) the absence of a formal ceiling; (ii) the use of standard International Bank for Reconstruction and Development (IBRD) or

² United Nations International Decade for Natural Disaster Reduction. 1995. *Yokohama Strategy and Plan of Action for a Safer World. Guidelines for Natural Disaster Prevention, Preparedness, and Mitigation*. World Conference on Natural Disaster Reduction. Yokohama, Japan, 23–27 May 1994. Geneva. See also United Nations General Assembly. 1999. *International Decade for Natural Disaster Reduction*. New York; Kreimer, A. and M. Arnold, eds. 2000. *Managing Disaster Risk in Emerging Economies*. Disaster Risk Management Series 3. Washington DC: World Bank; UN International Strategy for Disaster Reduction Secretariat with special support from the Government of Japan, World Meteorological Organization, and Asian Disaster Reduction Center. 2002. *Living with Risk: A Global Review of Disaster Reduction Initiatives*. Geneva.

International Development Association (IDA) rates; and (iii) the use, whenever possible, of blend funding or bilateral funds to subsidize loan interest rates during an implementation period of up to 3 years.

3. Trust Funds

9. With board approval, the World Bank redeploys net income in the form of grants on a case-by-case basis to establish special country and regional trust funds. The World Bank has done this for emergencies resulting from civil conflict (e.g., for Bosnia and Timor-Leste), and for natural disasters (e.g., following Hurricane Mitch in Central America). The bank also uses grant funding under its trust fund umbrella to leverage and mobilize additional bilateral and multilateral financing. However, post-conflict grants are limited in amount (typically capped at \$1 million) and are used primarily for immediate assessment, preparatory, and early reconstruction (pilot) interventions.

B. International Monetary Fund

10. Since the early 1960s the International Monetary Fund (IMF) has provided rapid financial assistance to member countries affected by natural disasters.

1. Emergency Assistance Loans

11. In 1995 IMF expanded this policy to cover countries in post-conflict situations. Since its inception, IMF has provided emergency assistance to 25 countries affected by natural disasters (\$1.9 billion) and 11 post-conflict countries (\$307.0 million). IMF's emergency assistance loans do not involve performance criteria or the phasing of disbursements.

2. Policy Advice and Technical Assistance

12. IMF helps disaster-affected countries reestablish macroeconomic stability after emergencies through policy advice and technical assistance (TA) to rebuild administrative and institutional capacity. Policy advice covers the full range of macroeconomic policies and structural measures. TA addresses (i) strengthening monetary and exchange institutions, i.e., upgrading institutions of financial and economic governance such as the central bank and establishing payment systems; (ii) enhancing fiscal management (e.g., by developing tax revenues) and government expenditure capacity (e.g., by strengthening ministries of finance and planning and building customs and tax capacity); and (iii) improving economic and financial statistics on monetary, fiscal (debt and expenditure), and pricing indicators.

3. Emergency Financing Mechanisms

13. IMF's Compensatory Financing Facility addresses sudden balance-of-payments problems caused by steep declines in exports or increased imports in post-disaster situations. IMF's Emergency Post-conflict Assistance Facility provides from 25–50% of quota with limited conditionality related to the country's economic policy framework. The Emergency Post-conflict Assistance Facility can front-load disbursements in a lump sum. Terms are the same as for standby credit, typically 4–5% over 3–5 years. While this is not concessionary financing, access can be augmented under the poverty reduction and growth strategy. When possible, such

emergency loans are concessionary at 0.5% over 10 years and require the country to develop an interim poverty reduction strategy.³

4. Debt Relief and Clearance of Arrears

14. The World Bank collaborates with IMF to help heavily indebted poor countries clear their arrears and reverse the negative net flow of capital available for reconstruction and development. In April 2001 this approach was modified for post-conflict heavily indebted poor countries to shorten the period for access to debt reduction and reduce the requirements. IMF has also orchestrated a clearing of arrears, especially for post-conflict countries, through a mix of bilateral bridging loans, debt forgiveness, and grants.⁴

C. Inter-American Development Bank

15. Recently, the Inter-American Development Bank (IDB) enhanced its capacity to assist its DMCs struck by disaster and launched in 2001 a new mitigation instrument to reduce and manage risk.

5. Emergency Reconstruction Facility

16. In connection with its Operational Policy for Natural and Unexpected Disasters,⁵ in 1998 IDB established a special financing mechanism, the Emergency Reconstruction Facility.⁶ With the consent of the board of executive directors, the president of IDB has an initial approval authority of up to \$100 million for loans that meet the following emergency eligibility criteria: (i) the country has officially declared a state of emergency; (ii) the country meets the requirements specified in the operational policy paper; and (iii) the government has provided assurances that it will strengthen its capacity for emergency preparedness, prevention, and management. The maximum amount of an individual Emergency Reconstruction Facility loan is \$20 million for ordinary capital and \$10 million for concessionary financing. Facility loans are usually approved within 1 month and disbursed within a year. Emergency operations may be covered by a facility loan or by the redirection of undisbursed balances within the same sector or across sectors.

6. Sector Facility for Disaster Prevention

17. In March 2001 IDB launched the Sector Facility for Disaster Prevention, a new mitigation instrument that uses an integrated approach to reduce and manage risk. This facility finances up to \$5 million for risk identification and forecasting, mitigation and preparedness actions, risk transfer (especially insurance and capital market schemes), and national systems for risk reduction. Terms and conditions are the same as for the Emergency Reconstruction Facility. Under certain conditions, IDB can provide emergency technical cooperation assistance, with approval usually within a week for immediate needs, e.g., assessing damage, restoring essential services, and strengthening local and/or national institutions responsible for essential services.

³ IMF. 1995. *Fund Involvement in Post-conflict Countries*. Board Paper. Washington DC; IMF. 1999. *Fund Assistance to Post-conflict Countries*. Board Paper. Washington DC.

⁴ IMF. 2001. *Assistance to Post-conflict Countries and the HIPC Framework*. Board Paper. Washington DC.

⁵ IDB. *OP-704 Natural and Unexpected Disasters*. Washington DC.

⁶ IDB. 1999. *PR-806 The Emergency Reconstruction Facility*. Washington DC.

D. African Development Bank

18. The African Development Bank (AfDB) has supported emergency operations after natural and non-natural disasters since the early 1970s.

1. Policy on Emergency Operations

19. AfDB has traditionally supported emergency operations following natural or non-natural disasters to (i) save, protect, or rehabilitate AfDB-funded projects; (ii) help resuscitate paralyzed development activities; (iii) support the stability necessary for other shareholders to be confident about intervening in the country; and (iv) demonstrate AfDB's concern with humanitarian issues and its solidarity with the afflicted member country. AfDB funds rehabilitation, reconstruction, and some preparedness operations through loans, including supplementary loans; reallocation of funds under ongoing projects; and loan savings. The bank applies special measures to facilitate the timely processing of relief operations.

20. AfDB's rehabilitation and reconstruction operations are financed primarily through regular loans, and as such are subject to AfDB's usual processing and implementation procedures, including its policy on sanctions. AfDB takes an active role in policy dialogue and aid coordination initiatives to minimize the recurrence of disasters. AfDB also provides TA services financed through its Technical Assistance Fund, in particular, for pre-investment studies, institutional strengthening, and capacity building to facilitate conflict prevention and resolution.

2. Emergency Relief Assistance and Special Relief Fund

21. Emergency relief assistance is funded largely from the Special Relief Fund. Such assistance does not exceed \$500,000 for any one operation in a given country. Emergency relief assistance takes the form of grants to support short-term AfDB interventions in post-emergency situations to alleviate human suffering and preserve the viability of development projects and programs. About \$5 million per year is budgeted under the Special Relief Fund to finance such grants. Recognizing that it has no comparative advantage in emergency relief assistance, AfDB entrusts grant administration to specialized agencies or nongovernment organizations (NGOs).

22. The first AfDB emergency operation took place in response to the 1973–1974 drought and famine in Sub-Saharan Africa. The Special Relief Fund, created in 1973 by an appropriation from AfDB's general reserves and voluntary contributions from 10 member countries, financed short-term relief in disaster situations. During the joint AfDB 26th and African Development Fund 17th annual meetings in 1990, the boards of governors examined a proposal to create a fund within the Special Relief Fund for emergency operations using the African Development Fund's accumulated net income and AfDB's 1989 net income.

Table A5: Overview of Disaster Rehabilitation and Emergency Assistance Policies of Selected Multilateral Development Banks

Category	Asian Development Bank	World Bank	International Monetary Fund	Inter-American Development Bank	African Development Bank
Coverage	Natural and non-natural emergencies	Natural and non-natural (conflict and technological) emergencies	Natural and non-natural emergencies	Natural and non-natural (technological) emergencies	Natural and non-natural emergencies
Purpose	<ul style="list-style-type: none"> • Reestablish serviceability of capacities in existence before the disaster • Assist in disaster mitigation 	<ul style="list-style-type: none"> • Restore assets and production levels in the disrupted economy • Prevent and mitigate disasters • Facilitate transition to sustainable peace and promote social cohesion, institutional capacity building, and good governance to minimize potential causes of conflict 	<ul style="list-style-type: none"> • Help countries address economic problems caused by sudden and unforeseeable natural disasters • Assist post-conflict countries 	<ul style="list-style-type: none"> • Prevent and prepare for disasters • Repair and rebuild damage to service infrastructure so that countries can resume socioeconomic development 	<ul style="list-style-type: none"> • Assist in emergencies to save and protect lives, salvage property, and minimize the destruction of basic infrastructure • Help with emergency rehabilitation and reconstruction operations • Assist in conflict prevention and resolution
Analytical Assessment for Disasters and Emergencies	Environmental and social assessment	<ul style="list-style-type: none"> • Watching brief for all or part of a country when continued assistance is not possible to position the World Bank to support an appropriate investment portfolio when conditions permit • Risk and vulnerability assessment • Joint damage and needs assessment • Transitional support strategy to develop a short- to medium-term program of assistance for a country in transition from conflict 	Policy advice	<ul style="list-style-type: none"> • Integrated disaster risk management • Risk assessment • Damage and emergency needs assessment • Reconstruction needs assessment 	<ul style="list-style-type: none"> • Policy dialogue and donor coordination initiatives to minimize the recurrence of disasters

Category	Asian Development Bank	World Bank	International Monetary Fund	Inter-American Development Bank	African Development Bank
Assistance Instrument for Disasters and Emergencies	<ul style="list-style-type: none"> • Regular loans • Technical assistance 	<ul style="list-style-type: none"> • Emergency reconstruction loans • Post-conflict assistance • Regular loans 	<ul style="list-style-type: none"> • Emergency assistance loans • Emergency post-conflict assistance • Adjustment program 	<ul style="list-style-type: none"> • Disaster prevention loans • Emergency reconstruction loans • Regular loans • Emergency technical cooperation 	<ul style="list-style-type: none"> • Emergency relief assistance • Regular loans • Technical assistance
Special Facility or Fund for Disasters and Emergencies		<ul style="list-style-type: none"> • Disaster Management Facility • Post-conflict Fund • Country and regional trust funds 	<ul style="list-style-type: none"> • Compensatory Financing Facility • Emergency Post-conflict Assistance Facility • Emergency technical assistance 	<ul style="list-style-type: none"> • Sector Facility for Disaster Prevention • Emergency Reconstruction Facility • Emergency technical cooperation 	Special Relief Fund
Institutional Arrangement		<ul style="list-style-type: none"> • Natural Disaster Unit • Post-conflict Unit 	Focal point	Emergency focal point and network	Focal point

Source: Asian Development Bank staff.

USE OF LOANS SAVINGS FOR EMERGENCY ASSISTANCE, 1998–2001

(\$ million)

DMC	Loan No.	Project Title	Original Loan Amount	Amount of Savings Reallocated for Emergency Assistance	Date Reallocation was Approved	Sector Assisted	Type of Emergency Assisted
BAN	467	Tubewell	50.0	4.0	22 Aug 1991	Irrigation and Rural Development	Disaster
BAN	684	Second Railway	46.0	10.0	22 Aug 1991	Roads and Roads Transport/Railways	Disaster
BAN	699	Secondary Science Education Sector	37.0	15.0	22 Aug 1991	Education	Disaster
BAN	819	Khulna Coastal Embankment Rehabilitation	16.9	11.0	22 Aug 1991	Irrigation and Rural Development	Disaster
BAN	1059	Secondary Towns Infrastructure Development	43.0	1.4	18 Dec 1998	Urban Development and Housing	Disaster
BAN	1124	Dhaka Integrated Flood Protection	91.5	5.0	18 Dec 1998	Urban Development and Housing	Disaster
BAN	1125	Northeast Minor Irrigation	73.0	1.3	18 Dec 1998	Irrigation and Rural Development	Disaster
BAN	1159	Second Bhola Irrigation	39.8	4.0	18 Dec 1998	Irrigation and Rural Development	Disaster
BAN	1202	Secondary Towns Integrated Flood Protection	55.0	2.0	18 Dec 1998	Irrigation and Rural Development	Disaster
BAN	1215	Second Rural Infrastructure Development	83.4	1.3	18 Dec 1998	Irrigation and Rural Development	Disaster
BAN	1264	Second Water Supply and Sanitation	31.0	7.3	18 Dec 1998	Multisectoral	Disaster
BAN	1293	Third Natural Gas Development	107.0	10.0	18 Dec 1998	Transport and Communications	Disaster
BAN	1376	Second Secondary Towns Infrastructure Development	65.0	1.7	18 Dec 1998	Urban Development and Housing	Disaster
BAN	1298	Jamuna Bridge	200.0	2.2	21 Dec 2000	Multisectoral	Disaster
BAN	1268	Secondary Education Development	72.0	3.5	21 Dec 2000	Multisectoral	Disaster
BAN	1353	Coastal Greenbelt	23.4	2.3	21 Dec 2000	Industrial Crops and Agro-Industry	Disaster
BAN	1486	Forestry Sector	50.0	5.0	21 Dec 2000	Industrial Crops and Agro	Disaster
CAM	1385	Rural Infrastructure Improvement	25.1	2.5	21 Dec 2000	Industrial Crops and Agro	Disaster
CAM	1659	GMS: Phnom Penh to Ho Chi Minh Highway	40.0	10.0	21 Dec 2000	Industrial Crops and Agro	Disaster
PAK	428	South Rohri Fresh Groundwater Irrigation	47.0	5.3	30 May 1991	Industrial Crops and Agro	Conflict (Gulf crisis)
PAK	617	Agricultural Development Bank of Pakistan	50.0	10.0	30 May 1991	Industrial Crops and Agro	Conflict (Gulf crisis)
PAK	619	Balochistan Fisheries Development	35.4	11.0	30 May 1991	Industrial Crops and Agro	Conflict (Gulf crisis)
PAK	702	Tarbela Hydropower Extension (Units 11 & 12)	31.8	10.0	30 May 1991	Industrial Crops and Agro	Conflict (Gulf crisis)
PAK	791	Cotton Development	66.1	9.6	30 May 1991	Industrial Crops and Agro	Conflict (Gulf crisis)
PAK	957	Flood Damage Restoration	44.0	4.1	30 May 1991	Industrial Crops and Agro-Industry	Conflict (Gulf crisis)

DMC	Loan No.	Project Title	Original Loan Amount	Amount of Savings Reallocated for Emergency Assistance	Date Reallocation was Approved	Sector Assisted	Type of Emergency Assisted
PAK	1146	Chasma Right Bank Irrigation III ^a	185.0	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1185	Provincial Highways ^a	165.4	4.5	16 Aug 2001	Multisectoral	Disaster
PAK	1200	Health Care Development ^a	60.0	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1210	Teacher Training ^a	52.1	4.0	16 Aug 2001	Multisectoral	Disaster
PAK	1260	Urban Water Supply and Sanitation ^a	72.0	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1278	Middle School ^a	78.0	9.5	16 Aug 2001	Multisectoral	Disaster
PAK	1297	Third Punjab On-Farm Water Management ^a	62.2	7.0	16 Aug 2001	Multisectoral	Disaster
PAK	1373	Technical Education ^a	60.0	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1401	Rural Access Roads ^a	140.0	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1403	Forestry Sector ^a	42.6	5.0	16 Aug 2001	Multisectoral	Disaster
PAK	1413	National Drainage Sector ^a	140.0	20.0	16 Aug 2001	Multisectoral	Disaster
PAK	1493	Social Action Program (Sector) II ^a	200.0	25.0	16 Aug 2001	Multisectoral	Disaster
VIE	1259	Irrigation and Flood Protection Rehabilitation ^b	76.5	4.5	18 Dec 2000	Multisectoral	Disaster
VIE	1273	HCMC Water Supply and Sanitation ^b	65.0	2.0	18 Dec 2000	Multisectoral	Disaster
VIE	1344	Red River Delta Water Resources ^b	60.0	1.5	18 Dec 2000	Multisectoral	Disaster
VIE	1358	Power Distribution and Rehabilitation ^b	80.0	16.8	18 Dec 2000	Multisectoral	Disaster
VIE	1404	Fisheries Infrastructure Improvement ^b	57.0	10.0	18 Dec 2000	Multisectoral	Disaster
VIE	1487	Second Road Improvement ^b	120.0	2.0	18 Dec 2000	Multisectoral	Disaster
VIE	1515	Forestry Sector ^b	33.0	10.0	18 Dec 2000	Multisectoral	Disaster
VIE	1537	Lower Secondary Education Development ^b	50.0	2.0	18 Dec 2000	Multisectoral	Disaster
VIE	1653	Third Road Improvement ^b	130.0	8.0	18 Dec 2000	Multisectoral	Disaster
VIE	1660	HCMC Phnom Penh Highway ^b	100.0	2.0	18 Dec 2000	Multisectoral	Disaster
		Total	3452.2	308.3			

^a Savings were pooled under a new loan category under Loan 1413: National Drainage Sector Project, one of the 12 loans with identified loan savings.

^b Savings were pooled under a new loan category under Loan 1653: Third Road Improvement Project, one of the 10 loans with identified loan savings.

BAN = Bangladesh, CAM = Cambodia, HCMC = Ho Chi Minh City, PAK = Pakistan, VIE = Viet Nam

Source: Asian Development Bank loan documents.

INTERNATIONAL DEVELOPMENT ASSOCIATION-13 FRAMEWORK FOR CONFLICT AND NATURAL DISASTERS

1. Consensus exists in the development community that the quality of the policies and institutions of a country is critical if it is to achieve economic growth and poverty reduction. Accordingly, the performance-based allocation system is recommended to distribute International Development Association (IDA)-13 resources.

2. Recognizing that conflict is a development problem and remains a major obstacle to improving the lives of millions of poor people, IDA should play an important role in the transition to sustainable peace and economic and social recovery and in the provision of development assistance that can help poor countries become more resilient to violent conflicts. However, a focus on country performance is important, including transparency in government spending, with particular attention paid to the security sector to ensure that development assistance is used to reduce poverty and is not diverted to military and other nonproductive expenditures. Early coordination of post-conflict assistance is also important, and IDA should collaborate closely with the United Nations system, given its specialized skills in supporting the political and security frameworks required for humanitarian, reconstruction, and development aid to be effective.

3. IDA also has a significant role in helping countries that have experienced major disasters. For example, the provision of grants to such countries can slow the buildup of unplanned debt for emergency reconstruction and can help offset the loss of productive capacity that disasters often cause.

A. Financing Outside Normal Country Allocations

4. Despite the emphasis on performance-based allocation in the context of IDA-13, a number of instances continue to merit special consideration in allocating IDA resources, including post-conflict situations and major disasters. For post-conflict countries, a new assistance framework is welcomed to help consider IDA resource allocations to these countries and measure their performance along those policy dimensions that are most relevant to post-conflict circumstances. Therefore, post-conflict progress assessments will be used in considering IDA resource allocations.

5. The new allocation procedure for post-conflict countries encompasses the entire transition period and comprises three steps. After the decision to engage has been made in consultation with other development partners, the country's eligibility for exceptional allocations is evaluated. If considered eligible, the country's needs and circumstances are assessed along with the likelihood that IDA resources will have a positive impact on the recovery process. This assessment forms the basis for deciding the appropriate size of the initial one-year allocation and is a key component of the effort to formulate a transitional support strategy setting out IDA's assistance program for the immediate post-conflict period.¹ Subsequent allocations are then made at annual intervals based on performance and with country-specific adjustments as specific circumstances dictate. Performance is measured by a set of post-conflict progress

¹ Based on experience, expectations are that allocations will generally range from \$10 to \$15 per capita per year. By comparison, the average allocation per capita per year to all IDA-only countries is approximately \$7.50.

indicators (Table A7).² A country would normally be expected to return to IDA's regular allocation process within three years. Given the level of destruction and dislocation that some countries have experienced, exceptional treatment might have to be extended for at most two additional years in some cases.

6. Allocations to countries affected by major disasters may be temporarily increased to take into account the disaster's abnormal effects on the development scheme and to allow IDA to contribute appropriately to an international response.

B. Use of Grants

7. Recognizing the special difficulties facing some of the poorest and most vulnerable IDA-eligible countries, an expanded use of IDA grants for recovery from conflict and natural disasters is recommended. Grant use is recommended up to 40% of post-conflict countries' IDA allocation, for a limited period, to establish the main functions of governance and to rebuild basic infrastructure once arrears have been cleared. IDA grants are also recommended to finance up to 100% of specific reconstruction efforts in IDA-only countries that have suffered a natural disaster of exceptional scope.

² The rating scale for post-conflict progress indicators ranges from 2 to 5, with a higher number indicating better progress. The maximum allocation per capita for countries rated close to 5 has been set at \$20, which is significantly higher than the amount that most post-conflict countries would receive under the regular allocation system. For countries rated close to 2, the maximum allocation has been set at \$4 per capita.

Table A7: Post-conflict Progress Indicators

<p>Security and Reconciliation</p> <p>Public Security</p> <ul style="list-style-type: none"> • Effectiveness of civilian policing and efforts to reduce crime • Security for war-affected populations 	<p>These indicators underscore the importance of a sustainable peace in post-conflict countries and assess the authorities' efforts to reduce the probability of renewed conflict and to provide security. The indicators are measures of the actions taken by the government to improve the environment for sustainable peace. For several of these indicators, IDA will need to rely on information provided by UN and bilateral agencies.</p>
<p>Reconciliation</p> <ul style="list-style-type: none"> • Government legitimacy • Progress of mediation process • Integration of parties to the conflict 	
<p>Demobilization and Disarmament (D&D)</p> <ul style="list-style-type: none"> • Effectiveness of D&D program • Effectiveness of efforts to integrate ex-combatants 	
<p>Economic Recovery</p> <p>Management of Inflation, External Debt, Adequacy of Budget</p> <ul style="list-style-type: none"> • Composition of budget • Progress on structural reforms and IMF programs • Management of fiscal deficit and debt 	<p>This cluster measures the extent to which policies have been implemented to spur economic recovery.</p>
<p>Trade Policy, Foreign Exchange, and Price Regimes</p> <ul style="list-style-type: none"> • Functioning of customs authorities • Efficiency of foreign exchange regimes 	
<p>Management and Sustainability of the Development Program</p> <ul style="list-style-type: none"> • Soundness of reform program • Progress on implementation • Use of partnership processes 	
<p>Social Inclusion and Social Development</p> <p>Reintegration of Displaced Population Government efforts to assist displaced people and returnees</p>	<p>This cluster assesses if immediate social needs are addressed and focuses on the distribution of assets, income, and services among the groups affected by the conflict, and on government policies to reintegrate the displaced population and its provision of the most crucial services in education and health.</p>
<p>Education</p> <ul style="list-style-type: none"> • Efforts to address urgent needs in particular primary education • Efforts to address disparities among individuals or groups affected by conflict 	
<p>Health</p> <ul style="list-style-type: none"> • Urgent health care needs, particularly in war-affected areas • Disparities among individuals or groups by conflict 	
<p>Public Sector Management and Institutions</p> <p>Budget Formulation and Efficiency of Revenue Mobilization</p> <ul style="list-style-type: none"> • Budget formulation and implementation • Effectiveness of revenue collection and tax administration • Effectiveness of public auditing 	<p>This cluster evaluates the quality of governance by focusing on the government's efforts to effectively manage the public sector, and on the state of its institutions.</p>
<p>Reestablishing the Administration and Rule-Based Governance</p> <ul style="list-style-type: none"> • Functioning of civil administration • Payment of government salaries • Enforcement of contracts • Number of ministries 	
<p>Transparency, Accountability, and Corruption in the Public Sector</p> <ul style="list-style-type: none"> • Level of government accountability • Extent of corruption and government commitment to reduce it 	