

ADB'S RESPONSE TO THE EARTHQUAKE DISASTER: PAKISTAN¹

A. Background

1. In its immediate response to the South Asia earthquake that struck on 8 October 2005, the Asian Development Bank (ADB) formally communicated to the Governments of Pakistan, India and Afghanistan, as well as to key international agencies (including the International Monetary Fund, the United Nations and the World Bank), its commitment to playing a major role in the enormous rehabilitation and reconstruction efforts that would be required. ADB quickly mobilized its resident missions to liaise with the governments on their immediate needs. While India and Afghanistan have not requested any assistance, Pakistan, by far the worst affected by the disaster, has sought the assistance of the international community, including ADB.

2. Ten days after the earthquake struck and assistance became focused on the survivors, a consensus has emerged among partner agencies and the Government of Pakistan that the scale of the disaster has exceeded everyone's worst fears. Thousands need to be evacuated so they can receive urgent medical attention, millions are homeless, and freezing temperatures have led to a risk of hypothermia. There is an urgent need for rehabilitation and reconstruction work to begin as soon as possible.

3. On 9 October 2005, ADB informed the Government of Pakistan that it would reallocate \$10 million from ongoing projects to provide immediate assistance for rehabilitation work. The Government of Pakistan asked ADB for advice on how best it could coordinate the response to the enormous tasks of relief and reconstruction. A briefing note was provided to the Pakistani authorities on 11 October, drawing on ADB's experience of the response to the Gujarat earthquake, the postconflict situation in Afghanistan, and the recent tsunami disaster. At the Government's request, ADB and the World Bank have committed to completing a comprehensive damage needs assessment (CDNA) within 4 weeks. In Islamabad, the ADB Country Director is in daily contact with senior Government officials. He has begun regular consultations with major partner agencies such as the Japan Bank for International Cooperation (JBIC), the UK Department for International Development (DFID) and the World Bank, under the leadership of the Government, to map out a strategy for the CDNA, which will begin on 24 October. The scope and amount of ADB's assistance for rehabilitation and reconstruction in affected areas will be based on the findings of the CDNA.

4. The Government has asked ADB to play a lead role in the CDNA and to focus on Azad Jammu and Kashmir (AJK), the worst affected part of Pakistan.

B. Economic Impact

5. The devastation in terms of human lives (53,000 according to Government estimates) and physical infrastructure (\$5 billion according to Government estimates) is massive. However, most of Pakistan's economic infrastructure (including ports, airports, dams, factories, telecommunications, financial system, power plants, and refineries) has been spared. The affected areas do not include Pakistan's main agricultural or industrial centers, so the impact of the earthquake on the wider economy is not expected to be significant. Rehabilitation and reconstruction work may even stimulate the economy in affected areas. However, the

¹ The first Board Information Paper on the South Asian earthquake was issued 13 October 2005.

economies of the northern areas and AJK will be greatly disrupted for a prolonged period of time, the scale of which cannot be easily quantified at this stage.

6. The earthquake will have a direct impact on the government's budgetary position. As the extent of the rebuilding effort required becomes clearer, the initial PRs5 billion allocated by the Government for relief and reconstruction will have to be increased substantially. However, private philanthropy—which, by all accounts, is being geared up in an unprecedented manner—coupled with international aid, will mitigate the impact on the budget deficit. While it is too early to assess the final effect on the Government's fiscal position, it is probable that the budget deficit will be higher than ADB's earlier forecast of 4% of gross domestic product (GDP). The official target was 3.8%. ADB forecasts the budget deficit for fiscal year 2006 will be in the range of 4.1%-4.3% of GDP, although it is still too early for a definitive assessment. A critical assumption underpinning this forecast is that the Central Board of Revenue will be unable to maintain the impressive momentum of tax collection it managed in the first quarter of the current fiscal year, meaning that the year's tax revenues will fall short of the budgeted target by around 1.3%.

7. Prices of food and construction materials are likely to rise in the aftermath of the earthquake. The loss of food grain stocks and livestock in the affected regions, and the rush to donate basic necessities from the unaffected parts of the country, will lead to a rise in food prices for the next few months. The onset of winter in the northern areas will preclude construction activity, which will lead to an easing of the pressure on the price of construction materials. This in turn will lead to a reduction in the house rent index (HRI), a key driver of consumer price index (CPI) inflation. However, rebuilding efforts are expected to continue during the winter, weather permitting. It is, however, difficult to estimate or quantify the impact of these factors and the CPI inflation is forecast to fall within the range of 9-10%.

C. Donor Response

8. Six of Pakistan's development partners—ADB, DFID, JBIC, the United Nations Development Programme (UNDP), the United States Agency for International Development (USAID), and the World Bank, referred to here as the Group of Six—have expressed their appreciation of the Emergency Reconstruction Authority that has been established by the Government. The Emergency Reconstruction Authority will guide the reconstruction work and undertake strategic planning, coordination, and facilitation. It will not implement reconstruction work. For its part, the Group of Six has agreed to (i) avoid an uneven response by focusing equally on all affected areas and sectors; (ii) create income-earning opportunities for survivors and provide cash transfers to people whose livelihoods and housing have been disrupted; (iii) provide temporary shelters with a view to preserving existing social relationships; (iv) promote in-situ reconstruction to take advantage of existing infrastructure and community facilities while minimizing resettlement and social dislocation; (v) deal with the land ownership issues that normally occur in post-disaster operations; (vi) take account of squatters and renters to ensure social inequities do not increase; and, above all, (vii) avoid reconstruction delays by streamlining decision making and procedures for contracting civil works.

9. The reconstruction and rehabilitation work is expected to be assisted by the Group of Six with 356 international staff deployed, including dependents. National staff number 5277. About 185 United Nations staff are operating in the disaster-affected areas.

D. ADB Response

10. While ADB's initial response has been quick, it is imperative that ADB's overall institutional response to the earthquake disaster is well coordinated, timely, and effective. The mobilization of several teams of professional staff and consultants is at an advanced stage. The teams will provide support for shelter, water, power, education, and health facilities.

11. ADB's South Asia Regional Department (SARD) has so far responded in three ways. First, together with the World Bank, the Pakistan Resident Mission is playing a leading role in donor coordination. It is mapping out the work plan for the CDNA in close cooperation with the Government and other partner agencies, including DFID, JBIC, UNDP, and USAID. Second, in close consultation with other ADB regional departments, SARD has begun to mobilize experienced staff for the CDNA task. Third, SARD is exploring ways of using experts under ongoing consulting contracts to assist in the engineering assessment of damages.²

12. To ensure seamless coordination between ADB headquarters and ADB's operations in the field organized by the Resident Mission, the following actions either have or are being taken.

- (i) At ADB headquarters, a full-time coordinator has been designated to serve as focal point for all of the tasks being undertaken, both at headquarters and in the field.
- (ii) Core teams of sectoral specialists (consisting of professional staff from headquarters, national officers from the Resident Mission, and staff consultants) are being assigned to work full-time on CDNA work. They will be deployed to the Resident Mission and will focus on roads and bridges, power, water and sanitation, health and education, and reconstruction of Muzaffarabad, the capital of AJK. A senior mission leader has been designated as the ADB team leader to coordinate CDNA-related activities and formulate a follow-up proposal for ADB financing for the implementation phases.
- (iii) In Pakistan, the Country Director will serve as ADB's focal point for coordination with Government agencies and other partner agencies.
- (iv) In order to help with information coordination and dissemination, the Department of External Relations has assigned a communications specialist to the Pakistan Resident Mission to:
 - respond to media inquiries and provide the media with information;
 - provide daily briefings;
 - support the Country Director, who will be the lead spokesperson;
 - help produce materials such as press releases, statements, and talking points;
 - liaise with the Department of External Relations and other departments at ADB headquarters for public communications; and
 - liaise with communication focal points at other agencies and in the Government.

² In 1992, a \$100 million loan in response to devastating floods in Pakistan was approved (ADB. 1992. *Flood Damage Restoration Project*. Manila [1209-PAK]). The Project was in response to an initial assessment report prepared by National Engineering Services Pakistan Private Limited (NESPAK). The Government has already contracted NESPAK to conduct an initial assessment of the earthquake on 8 October.

E. Immediate Resource Requirements

13. A budget is needed to meet the costs of the ADB teams involved in CDNA and its associated work. SARD has taken two steps: (i) it has redeployed resources from its current budget allocations for travel and staff consultants; and (ii) it has sought additional budgetary allocations from ADB-wide savings, reallocations and a general contingency provision of the 2005 budget. Management has agreed that an amount not exceeding \$500,000 may be drawn to finance the ADB teams working on the CDNA.

14. With regard to ADB financing for earthquake-related reconstruction and rehabilitation, both over the next few months and over the next 3 to 4 years, the requirements will be very substantial. A quick disbursing multi-sector rehabilitation package is an immediate urgent need. As another urgent step, approvals will be sought for a change in the implementation arrangements of the ongoing AJ&K project. ADB and the Government will employ flexibility in modes of procurement and mobilization of consultants and contractors so that urgent priority work such as restoration of water supply, emergency power, roads and hospitals can begin as soon as possible. Concurrently, approvals will be sought to reallocate funds from other projects in Pakistan, through changes in scope if necessary. These funds will be pooled to enable a multisectoral rehabilitation package to be delivered within the framework of ADB's emergency assistance. It is estimated that, through these measures, a total of \$110 million can be made available very quickly.

F. Reconstruction Assistance

15. Over the short-to-medium term, previous disasters have shown that it is not only important to design a project to meet immediate needs but that services and facilities must be delivered very quickly. Because of the extent of the suffering in Pakistan and the imminent winter season, there is very little time available. Procurement and other procedures need to be fast-tracked and undertaken simultaneously, while ensuring due diligence. By the time the CDNA is complete and major reconstruction begins, ADB should be ready with a flexible financing facility (including both loans and grants) that will expedite the implementation phase.