January 2013

The Integrated Disaster Risk Management Fund

Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
ASEAN – Association of Southeast Asian Nations
CIDA – Canadian International Development Agency
CRED – Centre for Research on the Epidemiology of Disasters
DMC – developing member country
DRM – disaster risk management
DRR – disaster risk reduction
HFA – Hyogo Framework for Action
IADB – Inter-American Development Bank
IDRM – integrated disaster risk management
RSDD – Regional and Sustainable Development Department
TA – technical assistance
UNISDR – United Nations International Strategy for Disaster Reduction

NOTE

In this report, “$” refers to US dollars.

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I. INTRODUCTION

1. I submit for your approval a recommendation for the Asian Development Bank (ADB) to (i) establish and administer the Integrated Disaster Risk Management (IDRM) Fund to support the development of proactive IDRM measures on a regional basis within developing member countries (DMCs) in Southeast Asia; and (ii) enter into the channel financing arrangement (Appendix 3) with the Government of Canada in relation to its grant contribution to the fund.¹

II. BACKGROUND AND RATIONALE

2. Asia and the Pacific is impacted by natural hazards to a greater extent than any other region. From 2005 to 2010, 34% of the world’s recorded disasters resulting from natural hazards occurred in Asia—accounting for 32% of overall deaths, 90% of the population affected, and 33% of economic losses—representing an estimated $253 billion in losses.² Some 79% of all disasters in this period were weather-related, which suggests that the onset of climate change will make the development of comprehensive climate risk management strategies even more important.³

3. Southeast Asia’s risk of natural hazards is high. This is compounded by the rapid rate of urbanization in the region; its proximity to seismically active faults, volcanic zones, tsunami-prone coasts; and its susceptibility to the effects of climate change, which is likely to cause increased drought, flooding, and coastal inundation. Since 2000, over 100 million people in the region have been impacted by natural disasters.⁴ The region loses 0.3% of its gross domestic product to disasters annually, with some DMCs incurring annual losses of 1%–2% of gross domestic product. This risk profile creates special demands on national and municipal governments to anticipate disaster impacts on concentrations of economic growth, population, and infrastructure.

4. Despite progress in managing disaster risk more systematically within the region, following the World Conference on Disaster Reduction in Kobe, Japan in 2005, the need for a more proactive approach remains. The shortfall in disaster risk management capacity continues to impose substantial development costs on vulnerable populations and economies. Efforts under the Hyogo Framework for Action (HFA), 2005–2015 to mainstream disaster risk management and support investment in disaster risk reduction have produced important advances in preparedness and response, but a midterm assessment of the HFA shows that significant gaps remain in meeting HFA priorities.⁵

5. Disaster risk management has been a key component of ADB’s assistance to DMCs for many years. In 1987, ADB was the first multilateral development bank to have a dedicated disaster policy.⁶ This commitment is reinforced in Strategy 2020, with disaster risk management, climate change adaptation, and risk financing identified as elements of ADB’s

¹ In this report, IDRM means systematic activities that aim to avoid, lessen, or transfer the adverse effects of all hazards, specifically through the integration of climate change adaptation, disaster risk finance, and disaster risk management measures.
Within ADB’s climate change priorities, disaster finance has been identified as an important component. Since 2010, ADB has focused on the development of an IDRM framework that includes three main areas: (i) disaster risk reduction to support investments that will enhance hazard management and disaster prevention, (ii) climate change adaptation to incorporate adaptive strategies into disaster risk management initiatives, and (iii) disaster risk finance to develop finance capacity and insurance and capital market instruments.

6. ADB has identified four priority areas for action if the region’s vulnerability to disasters is to be addressed adequately: (i) institutionalizing disaster risk reduction into governance systems and fostering disaster risk management participation among communities, women, and the private sector; (ii) developing disaster risk finance options, including the reform of domestic insurance markets and their regulation; (iii) disaster risk management capacity development, especially with regard to urban disaster risk and addressing the region’s vulnerability to water-related disasters; and (iv) addressing challenges such as linking disaster risk reduction and climate change adaptation actions at both policy and operational levels and enhancing regional disaster risk management coordination. Progress in these four priority areas will support the development of systematized DMC disaster management policies and programs that emphasize ex ante disaster risk management approaches and mechanisms, develop finance options to manage the large variances in disaster losses over time, integrate critical constituencies such as communities and women into the disaster risk management process, and finally develop a “total climate risk” approach that links disaster risk reduction and climate change adaptation.

7. The fund will provide a strong mechanism for supporting ex ante investment in IDRM and will complement ongoing technical assistance (TA) developing IDRM solutions in Indonesia, the Philippines, and Viet Nam, funded from the Japan Fund for Poverty Reduction as well as the ex post relief and recovery activities of the Asia Pacific Disaster Response Fund. Enhancing ADB’s ability to provide disaster risk reduction assistance through this fund will match a new Disaster Response Facility initiative to be pilot tested during the ADF XI period (2013–2016) that will provide Southeast Asian ADF countries with increased assistance to cover emergency expenses, rehabilitation, and reconstruction costs. Appendix 1 illustrates how the IDRM Fund links with ADB’s existing arrangements for providing assistance to disasters and emergencies.

8. ADB’s IDRM approach will work in partnership with government agencies, regional and international organizations such as the Asian Disaster Preparedness Center and the Asian Disaster Reduction Center, bilateral funding agencies, the private sector, and civil society organizations. The fund will directly help to improve the lives of millions of people in Southeast Asia, and make a significant contribution to achieving the Millennium Development Goal targets by supporting reforms in disaster risk finance, hazard resilience, and disaster recovery management; and assisting the organizational and policy reforms needed to create more appropriate institutional processes in disaster risk management.

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8 ADB. 2010. *Addressing Climate Change in Asia and the Pacific: Priorities for Action*. Manila.

9 In this report, disaster risk reduction refers to a series of interconnected actions to minimize disaster vulnerability by avoiding (prevention) or limiting (mitigation and preparedness) the adverse effects of hazards within the broad context of sustainable development.

10 In this report, climate change adaptation refers to the adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

9. The World Bank Group and the Inter-American Development Bank (IADB) have developed similar vehicles, funded by development partners, to support disaster risk management investments. A central feature of the IADB model has been the integration of various risk reduction investments with disaster risk finance programs to link these initiatives into a national disaster management strategy; the fund will seek to support IDRM measures in a similar manner.

III. FUND OBJECTIVE AND SCOPE

10. The fund will support grant components of investment projects, stand-alone grant investment projects, TA, direct charges, and any other activities agreed between the Government of Canada and ADB to support activities under ADB’s IDRM framework, which combines disaster risk finance, disaster risk reduction, and climate change adaptation. It will provide incentives for leveraging further investments by DMCs in IDRM. By using an overall IDRM framework that couples disaster risk finance measures with risk reduction and climate adaptation investments, ADB can assist DMCs to reduce their fiscal exposure to the economic shocks associated with disasters and undertake substantive risk reduction measures that will reduce their underlying vulnerability. This linkage is central to ADB’s IDRM model and will be the main driver in establishing more coordinated and systematic IDRM capability among DMCs.

11. By soliciting and supporting proposals from DMCs, development partners, regional and subregional institutions, or ADB through relevant ADB departments, the fund will foster a broad set of regional and subregional solutions on IDRM across multiple sectors and professional disciplines and encourage greater attention to IDRM as a mechanism for protecting development gains and promoting resilience. All projects receiving fund support must reflect regional solutions that produce cross-border disaster management mechanisms spanning at least three countries. This is a major distinguishing feature of this fund.

12. The fund will support activities such as the following:

(i) Disaster risk identification and analysis, including data collection, maintenance and distribution; risk profiling; and mapping and model development.

(ii) Disaster risk reduction, including land use planning, building code enhancement, infrastructure protection; the strengthening of legal and regulatory frameworks; and disaster contingency planning.

(iii) Disaster risk finance, including insurance sector capacity building; development of public–private partnerships; and disaster risk finance solutions to enhance government disaster liquidity, asset protection schemes, insurance pooling, and increasing insurance access by the poor.

(iv) Community-based and gender-focused IDRM projects, and other projects aimed at promoting synergies between climate change adaptation and disaster risk reduction; including disaster awareness, education modules, needs assessment tools, and early warning systems that address social and gender impacts of natural disasters on the most vulnerable populations.

12 The World Bank receives funding support through the Global Facility for Disaster Reduction and Recovery, a partnership of 38 countries and seven international organizations organized to mainstream disaster risk reduction and climate change adaptation into country development strategies. The IADB has established two disaster risk management funding vehicles (the Disaster Prevention Fund and the Multidonor Disaster Prevention Trust Fund, the latter with Canada as a contributor),
13. **Grants.** Grant components of investment projects and stand-alone grant investment projects will be focused on initiating innovative, proactive measures to manage disaster risks, encourage risk financing, and facilitate adaptation through the procurement of goods, works, and services by DMCs. The grants will provide an opportunity to support DMCs’ lead on IDRM activities, catalyze further public and private sector investment, initiate policy and regulatory reform, and defray the higher project preparatory and transaction costs associated with innovative projects.

14. **Technical assistance.** TA is essential to developing and strengthening capacities within DMCs and enabling the establishment and refinement of IDRM systems. ADB will provide TA to support DMCs in such activities as:

   (i) research and development for new IDRM tools and mechanisms;
   (ii) preparation of projects, transactions, and programs for investment;
   (iii) accessing relevant knowledge and skills from elsewhere in the world;
   (iv) brokering relationships with partners in the private sector, civil society, and academia to establish effective private–public partnerships;
   (v) developing the capacities of public and private sector actors to initiate and implement IDRM programs;
   (vi) guiding implementation of IDRM programs and activities as needed;
   (vii) strengthening policy, planning, regulatory, and institutional arrangements; and
   (viii) enhancing capacity development.

15. **Direct charges.** Direct charges will support additional activities of the fund that have not been developed as specific project proposals, but are directly related to a project activity, such as workshops and surveys. Direct charges will be used for programmatic activities to leverage additional knowledge management in relation to fund projects. Direct charges will also be used to provide additional resources for operation and management of the fund. In total, direct charges will not exceed 10% of the grant contributions received, with no more than 5% of the grant contributions for the operation and management of the fund through consultants.

**IV. ELIGIBILITY CRITERIA**

16. The fund will encourage and support innovation in establishing proactive and scaled-up approaches to IDRM in the context of broader regional development planning and decision making. Project proposals are strongly encouraged by DMC agencies, development partners, and regional and subregional institutions, but must come through relevant ADB departments, e.g., the Southeast Asia Department or the Regional and Sustainable Development Department (RSDD). Project proposals for fund support should:

   (i) comprise regional activities to be implemented in three or more of ADB’s DMCs in Southeast Asia, including Cambodia, Indonesia, the Lao People’s Democratic Republic, Myanmar, the Philippines, Thailand, and Viet Nam;
   (ii) be consistent with the objectives of the country partnership strategy and results framework in each of the participating DMCs;
   (iii) be consistent with the objectives of ADB’s Disaster and Emergency Assistance Policy (2004) or any successor disaster management policy;
   (iv) be consistent in the implementation and practice of ADB’s safeguard policies and procedures (including ADB’s policies on gender and development, environmental protection, and involuntary resettlement and indigenous peoples);
   (v) introduce innovative solutions;
(vi) adopt a participatory approach;
(vii) be catalytic and have high demonstration value in the sector;
(viii) have good potential for replication and scalability in the country and/or elsewhere in the region;
(ix) have an implementation period of less than 3 years and contribute to the impact, outcome, and outputs outlined in the design and monitoring framework in Appendix 2; and
(x) be consistent with such other criteria as may be agreed between the donor and ADB.

17. Projects that support stronger engagement with specific stakeholders, including civil society and the private sector, will be encouraged as will projects that enhance gender equality and social inclusion. ADB anticipates that most projects will relate to risk identification and analysis, disaster risk reduction, disaster risk finance, or community-based and gender-focused IDRM.

V. GRANT CONTRIBUTION

18. The Government of Canada will provide to ADB, on an untied basis an initial grant contribution in the amount of Can$10 million in installments for the purposes of the fund between 2013 and 2017 on the terms set out in an administrative arrangement between ADB and the Government of Canada, through the Canadian International Development Agency (CIDA). Upon mutual agreement, the Government of Canada and ADB may adjust the indicative disbursement and/or increase the grant contribution based on progress achieved and funding needs. The grant contribution will be held, administered, and invested at the discretion of ADB and will be separately accounted for.

VI. IMPLEMENTATION

19. ADB’s RSDD will manage the fund in consultation with ADB’s operations directors responsible for IDRM activities in Southeast Asia and will be the focal point for the fund for technical matters. The IDRM steering committee will include the directors general of the Southeast Asia Department, RSDD, and one other regional department, and will be chaired by the director general of RSDD. The IDRM steering committee will guide the strategic direction of the fund and will approve allocations from the fund. A working group with representatives from the relevant operations departments, and sector representatives in RSDD (including those responsible for disaster risk management and gender) and chaired by the director general, RSDD (or their designate) will be constituted to oversee, review, and make recommendations on funding applications from the fund based on eligibility criteria agreed between the Government of Canada and ADB and as outlined in this paper. The working group will also make policy and procedural recommendations to the steering committee regarding fund operations. The director general, RSDD (or their designate) will serve as the fund manager and will be responsible for preparing an annual work program, initial screening of funding applications, final approval of direct charge applications, and the day-to-day operations, monitoring (including the limitation on direct charges) and evaluation, and reporting of the fund, with assistance from consultants. The fund manager will serve as the secretariat for the fund and as focal point for technical matters. ADB’s Office of Cofinancing Operations will facilitate contributions to the fund, and act as the official channel of communication for financial matters related to the fund.
20. Activities to be supported by the fund will be identified, designed, processed, approved, and implemented in accordance with applicable ADB policies, procedures, and guidelines, including consulting services and procurement, disbursements, gender equality, social and environmental safeguards, anticorruption and governance, financial management, and reporting. Disbursements of direct charges will follow those of TA.

21. The selection and engagement of consultants will follow ADB’s Guidelines on the Use of Consultants (2010, as amended from time to time) and the procurement of goods, works, and other services will be carried out in accordance with ADB’s Procurement Guidelines (2010, as amended from time to time).

VII. ADMINISTRATIVE ARRANGEMENTS

22. ADB will exercise the same care in the discharge of its functions as it exercises with respect to its own affairs, and will have no further liability in respect of the contributions. ADB will, in accordance with its usual procedures, maintain records and accounts to show the use of and expenditures financed by the fund and will provide the Government of Canada (i) an annual progress report that analyzes progress made toward expected results, and the work program for the coming year; (ii) following each batch review, a list of projects selected for funding; and (iii) unaudited six-monthly statements of expenditures status in US dollars based on ADB’s fiscal year, including amounts deposited, committed, and disbursed from the fund and income and investment income, if any. The Government of Canada and ADB will hold annual consultations to review the actual progress achieved with support from the fund.

23. In accordance with its standard procedures, ADB will use part of the grant contribution (together with any interest and investment income earned thereon) to cover ADB’s service charges for the administration of activities supported by the fund.13 For stand-alone grant-financed activities, the fee structure for grant components of investment projects will be applied. The service charges will be paid from the grant contribution at the same time as disbursement.

VIII. RECOMMENDATION

24. It is recommended that the Board approve

   (i) the establishment of the proposed Integrated Disaster Risk Management Fund and its administration in accordance with the provisions set forth in this paper; and
   (ii) ADB entering into the channel financing arrangement with the Government of Canada in relation to its grant contribution to the fund, substantially in the form of the draft attached in Appendix 3.

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13 Under the Review of the Asian Development Bank’s Service Charges for Administration of Grant Cofinanced from External Sources (R189-09 approved on 6 November 2009), the service fee charges are set at (i) 5% of amounts disbursed for TA; and (ii) 5% of amounts disbursed for grant components of investment projects up to $5 million, or 2% of amounts disbursed for grant components of investment projects above $5 million with a minimum of $250,000, whichever is greater.
ADB assistance to disasters and emergencies

**Uses**
- **Disaster risk reduction (Ex ante)**
  - Integrated Disaster Risk Management (IDRM) including Disaster Risk Reduction, Climate Change Adaptation, Disaster Risk Financing
- **Disaster response (Ex post)**
  - Emergency assistance, rehabilitation, reconstruction, build-back safer

**Existing Financing Modalities**
- **Normal Lending and TA**
  - Hazard management projects
  - Knowledge products
  - Piloting disaster risk financing projects
- **IDRM Fund** (for Southeast Asia)
  - Grant assistance to support
    - Disaster risk identification and analysis
    - Disaster Risk Reduction
    - Disaster Risk Finance
    - Community-based and gender-focused IDRM
- **Asia Pacific Disaster Response Fund**
  - Short-term loans to re-build high priority assets and restore economic activities
    - Up to $3 million
    - All DMCs are eligible
- **Emergency Assistance Loan**
  - Loans and grants for emergency assistance, rehabilitation, and reconstruction, with a “build-back safer” component
    - Set aside resources from ADF pool (3% of PBA)
    - For ADF only and blend countries

**Policy**
- Disaster and Emergency Assistance Policy (DEAP), 2004 - Comprehensive policy dealing with disasters (ex ante and ex post)
- Additional Financing Policy, 2011 - Allows fast track emergency assistance through existing projects

**Sources**
- Asian Development Fund (ADF)
- Ordinary Capital Resources (OCR)
- Special funds/facilities (e.g. Technical Assistance Special Fund, Japan Special Fund, Water Financing Partnership Facility)
- Portfolio restructuring, loan savings
- Donors

(*) The Special Evaluation Study: ADB Responses to Natural Disasters and Disaster Risks, October 2012, recognizes the need for the IDRM Fund in order to provide for more active disaster risk management.
## DESIGN AND MONITORING FRAMEWORK

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<td><strong>Impact</strong></td>
<td>Reduction of disaster impacts and preservation of development gains in Southeast Asia</td>
<td>Increased capacity and performance of DRM systems in participating DMCs as measured by average of core indicators for HFA progress reported in ISDR Global Assessment Report by 2020</td>
<td>National and local reporting to ISDR Global Platform. Annual data of recorded disasters; people killed; numbers of people affected by disasters; and damage incurred as reported by CRED EM-DAT database and Red Cross World Disaster Report</td>
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<td><strong>Outcome</strong></td>
<td>Increased access to and use of IDRM tools in Southeast Asia by key stakeholders including vulnerable groups, particularly women</td>
<td>Increased number of IDRM projects being undertaken in participating DMCs by 2017 % of tools developed that are relevant and inclusive of the needs and perspectives faced by vulnerable groups, particularly women</td>
<td>Listing of initiatives in the DRR Project Portal developed by the ISDR Asia Partnership (IAP) undertaken with ADB support in 2009–2012; national and local reporting to ISDR Global Platform; reporting of regional organizations such as ASEAN</td>
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<td><strong>Outputs</strong></td>
<td>1. Enhanced risk identification and analysis by DMCs</td>
<td>Regional hazard maps and risk profiles completed or improved for at least 4 DMCs</td>
<td>Project progress and completion reports submitted by fund recipients</td>
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<td>1 regional risk information clearinghouse established (with relevant hazard, exposure, and vulnerability data, including gender and social disaggregated data as appropriate)</td>
<td>Average score on Core Indicator 4 under HFA Priority for Action 2 increases from 2.83 to 4.00 by 2020</td>
<td>Reporting of initiatives in the ISDR Asia Partnership DRR Project Portal Reporting of DMC governments for ISDR Global Platform</td>
<td>Increased prevalence of loss models will encourage greater interest from private sector to expand disaster risk finance activities in the targeted DMCs.</td>
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<td>2. Increased investment in DRR</td>
<td>At least 6 projects (of which 4 focus on urban risk) to introduce new regional approaches for increasing national and local investment in IDRM, implemented by 2020 At least 25% of projects supported include civil society, including women’s groups, or private sector stakeholders by 2017 % of projects that include socially inclusive and gender-responsive initiatives</td>
<td>Project progress and completion reports submitted by fund recipients Reporting of initiatives in the DRR Project Portal</td>
<td>Increased confidence in working with private sector on disaster risk finance will enable national and local governments to develop effective public–private partnerships on disaster risk finance.</td>
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<td>3. Improved access to disaster risk finance solutions, including for the poor and particularly poor women</td>
<td>At least 4 disaster risk finance projects (of which 2 focus on urban and local level) completed by 2017 At least 25% of projects supported include civil society, including women’s organizations, or private sector stakeholders, by 2017 % of projects providing accessible insurance coverage for the poor, particularly poor women</td>
<td>Project progress and completion reports submitted by fund recipients</td>
<td>DMCs will be able to strengthen consensus between national and local levels and with private sector on investing proactively in DRM.</td>
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<td>4. Scaling up of community-based and gender-focused approaches</td>
<td>A regional initiative to support joint learning and action on DRM, reflective of the relevant gender equality and social impact issues among civil</td>
<td>Project progress and completion reports submitted by fund recipients</td>
<td>Opening a funding channel to community organizations will enable</td>
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|                | society and community-based organizations including women’s groups, developed that engages at least 6 DMCs 20% of total funds support community-based DRM, all of which have gender equality as primary focus by 2017 | them to increase their engagement in regional IDRM dialogue and decision making substantially. | Risks  
Not all local solutions may be appropriate for regional scaling.  
There may be a lack of community-based organizations capable of partnering with ADB. |
| 5. Increased regional cooperation on IDRM | At least 30% of projects supported link to initiatives under ASEAN, ISDR, and other regional DRM fora by 2017 | Project progress and completion reports submitted by fund recipients Reporting for ISDR Global Platform and ASEAN Agreement on Disaster Management and Emergency Response initiative | Assumptions  
Continuation of ASEAN Agreement on Disaster Management and Emergency Response and United Nations International Strategy for Disaster Reduction regional DRM programs will increase interest from DMCs in regional collaboration on DRM.  
ADB IDRM initiatives can be effectively linked with regional DRM initiatives supported by other development partners.  
Risk  
Dependencies on progress in other institutions’ initiatives may slow down or adversely affect project completion. |
| 6. Enhanced knowledge and tools for IDRM | 100% of projects supported produce and/or disseminate knowledge products or contribute in building capacity to promote IDRM in participating DMCs by 2017. At least 40% of participants in training and workshop activities of fund projects are women and the relevant gender issues are included in the knowledge products, training, and workshop content, where applicable, through completion of fund projects by 2020 % of women represented in the decision-making bodies | Project progress and completion reports submitted by fund recipients (including sex-disaggregated participation data for project activities) Web statistics to track number of downloaded documents | Assumption  
Knowledge products and capacity services are effectively targeting policy and decision makers.  
Risk  
The emergence of new technologies and expectations for communication may demand new approaches to sharing and learning that are distinct from traditional approaches and not always well tested and established. |
### Design Summary

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<td>involved in projects&lt;br&gt;All fund proposals to have included a gender analysis in their application form by 2017</td>
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### Indicative Activities

1. Enhanced risk identification and analysis by DMCs
   1.1 Development of common risk information infrastructure for use by DMCs
   1.2 Aggregation of existing hazard, vulnerability, exposure, and DRM capacities data
   1.3 Risk profiling to scope DRR needs and opportunities
   1.4 Survey of existing loss models and development of new models, as needed, to ensure regional DMC access to risk models for disaster risk finance and other IDRM applications
2. Greater investment in DRR and climate change adaptation
   2.1 Preparation and design for large-scale DRR/climate change adaptation interventions, especially in context of urban (re)development, risk-sensitive land use planning, including inclusive approaches to community-based and gender-focused DRM
   2.2 Research and development for incentives linking DRR progress to disaster risk finance investments
   2.3 Policy analysis to strengthen fiscal and legislative support for IDRM
3. Improved access to disaster risk finance solutions
   3.1 Design and testing of regional risk pooling mechanisms and incentive structures to encourage investment in IDRM
   3.2 Design and initiation of new disaster risk finance solutions, including micro-insurance and other insurance for the poor, particularly poor women
   3.3 Design of measures to increase competitiveness and health of insurance markets
   3.4 Development and testing of public–private partnership models for disaster risk finance
   3.5 Support for regulatory reforms to allow open and transparent risk transfer
4. Scaling up community-based and gender-focused approaches
   4.1 Peer-to-peer learning among grassroots organizations, women’s groups, and other civil society organizations on community-based disaster risk management
   4.2 Investment in regional and trans-boundary community-based disaster risk management applications related to disaster awareness, education, needs assessment, and early warning systems
5. Increased regional cooperation on IDRM
   5.1 Partnering with regional organizations such as ASEAN, UNISDR Asia Partnership, Asian Disaster Preparedness Center, and Asian Disaster Reduction Center to advance IDRM applications
6. Enhanced knowledge and tools for IDRM
   6.1 Awareness raising and capacity development for policy makers and key stakeholders on IDRM, with particular attention to inclusiveness and gender equality
   6.2 Dissemination of project results and lessons to stakeholders
   6.3 Development of indicators to better track capacity development and cost and benefits of IDRM initiatives within the region

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, CRED = Centre for Research on the Epidemiology of Disasters, DMC = developing member country, DRM = disaster risk management, DRR = disaster risk reduction, HFA = Hyogo Framework for Action, IDRM = integrated disaster risk management, ISDR = International Strategy for Disaster Reduction.

Note: This design and monitoring framework provides an overview of indicative IDRM targets to be achieved under the Integrated Disaster Risk Management Fund. Since the fund aims to be responsive to applicant priorities and capacities, the project selection process will be flexible—to encourage and support innovation in establishing...
proactive and scaled-up approaches to IDRM—and the resulting portfolio will be diverse. The framework outlines the basis on which fund achievements will be measured.


Source: ADB
ADMINISTRATIVE ARRANGEMENT

between the

GOVERNMENT OF CANADA

and the

ASIAN DEVELOPMENT BANK

in regard to a Grant for the

INTEGRATED DISASTER RISK MANAGEMENT FUND

Dated as of ____________________
ADMINISTRATIVE ARRANGEMENT (the “Arrangement”) between the Government of Canada (the “Donor”) as represented by the Minister for International Cooperation, acting through the Canadian International Development Agency (“CIDA”) and the Asian Development Bank (“ADB”).

WHEREAS, the Donor wishes to provide a grant to support regional initiatives for innovative and effective integrated disaster risk management (IDRM) in Southeast Asia that strengthens the engagement of diverse actors, especially in community-based and gender-focused disaster risk management;

WHEREAS, the Donor wishes to facilitate closer working relationships, policy dialogue and collaborative programming with ADB in this respect and for ADB to establish an Integrated Disaster Risk Management Fund (the Fund) for that purpose;

WHEREAS, the Donor has indicated its intention to provide a grant to ADB to the Fund for the purpose of financing all or part of a program of activities described in Paragraph 3 of this Arrangement (the Program), and has requested ADB to manage the grant according to the terms of this Arrangement;

WHEREAS, the Donor and ADB wish to conclude the present Arrangement for the purpose of setting out the terms concerning the provision and the management of the grant for the Program;

THEREFORE, the Donor and ADB (the “Signatories”) have reached the following arrangement:

PARAGRAPH 1: RESPONSIBLE AUTHORITIES

1.01 The Donor designates CIDA as the Agency responsible for the implementation of its responsibilities under this Arrangement.

1.02 ADB designates the Regional and Sustainable Development Department (RSDD) as the unit responsible for the implementation of ADB’s responsibilities under this Arrangement pertaining to technical matters in consultation with ADB’s operations directors responsible for IDRM activities. A designated Fund Manager in RSDD will be responsible for preparing an annual work program, initial screening of applications for funding, as well as for the day-to-day operations, monitoring and evaluation, and reporting on the Fund. The Fund Manager will serve as the secretariat for the Fund and as focal point for technical matters.

1.03 An ADB IDRM Steering Committee (the Steering Committee), including the directors general of the South East Asia Regional Department, RSDD and one other regional department will be constituted to (i) guide the strategic direction of the Fund, and (ii) approve allocations from the Fund.

1.04 An ADB working group including representatives from relevant operations departments and sector representatives in RSDD (including those responsible for integrated disaster risk management and gender) and chaired by the director general of RSDD (or their designate) will be constituted to (i) oversee, review, and make recommendations on applications for Fund assistance, and (ii) make policy and procedural recommendations to the Steering Committee regarding Fund operations.
ADB designates the Office of Cofinancing Operations as the unit responsible for facilitating contributions to the Fund and acting as the official channel of communication for financial matters related to the Fund.

PARAGRAPH 2: THE GRANT AND DISBURSEMENT TO ADB

2.01 The Donor will provide, on an untied basis, a grant to ADB for the purposes of the Fund in the amount of ten million Canadian Dollars (CAD10,000,000) in installments (the “Grant”), which will be deposited into a US dollar interest-bearing account to be specified by ADB (the ADB account):

2.02 The Donor will transfer the Grant of CAD 10,000,000 above in accordance with the following installment payment schedule:

2.02.1 Promptly following the signature of this Arrangement, the Donor will make a payment of two million, six hundred and ten thousand Canadian dollars (CAD2,610,000) for the Donor’s fiscal year 2012/13;

2.02.2 On or prior to 31 March 2014, the Donor will make a second installment payment of one million, eight hundred and thirty-five thousand Canadian dollars (CAD1,835,000) for the Donor’s fiscal year 2013/14;

2.02.3 On or prior to 31 March 2015, the Donor will make a third installment payment of nine hundred and twenty-five thousand Canadian dollars (CAD925,000) for the Donor’s fiscal year 2014/15;

2.02.4 On or prior to 31 March 2016, the Donor will make a fourth installment payment of one million, nine hundred and seventy-five thousand Canadian dollars (CAD1,975,000) for the Donor’s fiscal year 2015/16;

2.02.5 On or before 31 March 2017, the Donor will make a fifth installment payment of two million, six hundred and fifty-five thousand Canadian dollars (CAD2,655,000) for the Donor’s fiscal year 2016/17.

2.03 Any changes to the installment payment schedule above will be made by way of an amendment in accordance with the amendment provisions outlined in Paragraph 16 of this Arrangement.

2.04 The proceeds of the Grant will be converted by ADB’s depository bank into United States Dollars at the exchange rate prevailing on the same day of the transfer.

2.05 The Grant will be held, administered and invested at the discretion of ADB and will separately be accounted for. Pending disbursements, ADB may invest and reinvest the Grant, and any income earned in respect of such investment and reinvestment, as well as interest accrued in respect of the ADB account, will be credited to the ADB account and used for the purposes of the Program and/or to defray the costs of administration and other expenses, e.g. bank fees and charges, incurred by ADB with respect to the administration of the Fund and the Program in accordance with the terms of this Arrangement.
2.06 ADB will make withdrawals from the ADB account as are necessary to meet the expenditures on projects and activities supported by the Fund. If other currencies are required for payment to meet eligible expenditures, ADB may purchase the required currencies with the available funds in the ADB account. Any fees and charges relating to such purchase will be paid out of the ADB account.

PARAGRAPH 3: THE PROGRAM

3.01 The Fund will be used to support activities under ADB’s IDRM framework, which combines disaster risk finance, disaster risk reduction, and climate change adaptation, and provide incentives for leveraging further investments by DMCs in IDRM. Activities to be supported under the Fund will include grant components of investment projects, stand-alone grant investment projects, technical assistance, direct charges, and any other activities agreed upon by the Donor and ADB. The scope of the Program and the basic principles guiding the use of the Fund are more fully described in the Board paper for the establishment of the Integrated Disaster Risk Management Fund which will constitute an integral part of this Arrangement.

PARAGRAPH 4: RECIPIENTS OF THE GRANT CONTRIBUTION

4.01 The recipients of financing from the Grant (the Recipients) will be ADB’s developing member countries (DMCs), and in particular, any combination of three or more of ADB’s DMCs in Southeast Asia, including Cambodia, Indonesia, Laos, Myanmar, Philippines, Thailand, and Viet Nam, and institutions operating in these countries, as well as regional and sub-regional institutions in Southeast Asia.

4.02 ADB will use best efforts to ensure that the Recipients of financing from the Grant must ensure that such financing will be used for its intended purpose and on the same terms, conditions, and principles as set forth in this Arrangement.

PARAGRAPH 5: IMPLEMENTATION OF THE PROGRAM

5.01 Activities to be supported by the Fund will be identified, designed, processed, approved, and implemented in accordance with applicable ADB policies, procedures, and guidelines, including consulting services and procurement disbursements, gender equality, social and environmental safeguards, anticorruption and governance, financial management and reporting.

PARAGRAPH 6: PROCUREMENT OF GOODS AND SERVICES

6.01 The selection and engagement of consultants will follow ADB’s Guidelines on the Use of Consultants (2010, as amended from time to time) and the procurement of goods, works and other services will be carried out in accordance with ADB’s Procurement Guidelines (2010, as amended from time to time).

6.02 The selection and engagement of consultants and the procurement of goods and services under technical assistance operations will be the sole responsibility of ADB. For components of investment projects, the selection and engagement of consultants and the
procurement of goods, works, and services will be carried out by the Recipients in accordance with ADB’s *Procurement Guidelines* and *Guidelines on the Use of Consultants*.

**PARAGRAPH 7: ANTI-CORRUPTION**

7.01 The Fund will be subject to ADB’s *Anticorruption Policy* (1998) and *Integrity Principles and Guidelines* (2010), both as amended from time to time. ADB’s Anticorruption Policy requires staff, Fund Recipients, beneficiaries, consultants, bidders, suppliers and contractors involved in the Fund or any activity financed by or related to the Fund to observe the highest standards of ethics and personal integrity. Any party found in breach of ADB’s Anticorruption Policy may be subject to sanctions and other remedial actions in accordance with ADB’s Integrity Principles and Guidelines. Any legal entity or individual debarred or cross-debarred in accordance with the Integrity Principles and Guidelines will be ineligible to participate in activities financed by or related to the Fund.

**PARAGRAPH 8: COMBATING THE FINANCING OF TERRORISM**

8.01 Recognizing the obligations of ADB member countries under various United Nations Security Council Resolutions to take measures to prevent the financing of terrorism, ADB undertakes to use reasonable efforts, consistent with the Agreement Establishing the Asian Development Bank (the ADB Charter) and its policies, including those pertaining to anti-money laundering and combating the financing for terrorists, to ensure that funds provided under this Arrangement are used for their intended purposes and are not diverted to terrorists or their agents. ADB will inform the Donor in a timely manner if, during the course of this Arrangement ADB becomes aware that funds provided under this Arrangement are being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a resolution of the United Nations Security Council on combating the financing of terrorism taken under Chapter VII of the Charter of the United Nations. In the event that it is determined that such prohibited payments are being made, ADB and the Donor will consult to determine the appropriate course of action, if any.

**PARAGRAPH 9: ADMINISTRATION COSTS**

9.01 In accordance with its standard procedures, ADB will use part of the Grant (together with any interest and investment income earned thereon) to cover ADB’s service charges for the administration of activities supported by the Fund up to five percent (5%) of the amounts disbursed under the Grant. Under the Review of the Asian Development Bank’s Service Charges for Administration of Grant Cofinanced from External Sources (R189-09 approved on 6 November 2009), the service fee charges are set at (i) 5% of amounts disbursed for technical assistance and (ii) 5% of amounts disbursed for grant components of investment projects up to $5 million, or 2% of amounts disbursed for grant components of investment projects above $5 million with a minimum of $250,000, whichever is greater. For standalone grant investment projects, the fee structure for grant components of investment projects will be applied. The service charges will be paid from the Grant at the same time as disbursement.

9.02 Direct charges as referred to in Paragraph 3 of this Arrangement will also be used to support consultant services and expenses related to the operation and management of the
Fund. Direct charges related to the operation and management of the Fund will not exceed 5% of the Grant

PARAGRAPHS 10: RECORDS, ACCOUNTS, REPORTS AND AUDITS

10.01 ADB will, in accordance with its usual procedures, maintain records and accounts to show contributions to and expenditures financed by the Fund.

10.02 ADB will provide the Donor with: (i) annual progress reports on the Program, including activities supported by the Fund, analysis of progress towards expected results, and work program for the coming year; (ii) following each batch review, a list of activities selected for funding; and (iii) unaudited six (6) monthly statements of expenditure stated in US dollars based on ADB’s fiscal year, including amounts deposited, committed and disbursed from the Fund and income and investment income, if any.

10.03 ADB will inform the Donor promptly of any condition which significantly interferes, or threatens to interfere, with ADB’s administration of the Fund.

10.04 ADB will, upon request provide the Donor with financial statements of the Fund audited by ADB’s external auditors within six (6) months from financial closure of the Fund, with the costs of these audits to be borne by the Donor.

PARAGRAPHS 11: CONSULTATIONS AND REVIEW OF THE FUND

11.01 The Donor and ADB will hold consultations each year after this Arrangement enters into effect to review the actual progress achieved with support from the Fund and the estimated funding needs for the next fiscal year, with a view to confirming the next installment of the Grant, to be deposited into the ADB account for such year.

11.02 The Donor and ADB will consult in particular whenever either Signatory proposes to: (i) modify materially any agreement entered into for the implementation of this Arrangement; or (ii) suspend or terminate, in whole or in part, disbursements of the Grant under this Arrangement.

11.03 The Donor may monitor, review and evaluate the Program, with support from ADB. Any costs related to such action will be borne by the Donor.

PARAGRAPHS 12: SPECIAL PROVISIONS

12.01 It is understood that no member of the House of Commons of Canada will be admitted to any share or part of this Arrangement or to any benefit arising therefrom.

12.02 Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If CIDA’s appropriation is changed by the Parliament of Canada, CIDA may reduce the grant contributions, or terminate this Arrangement.
12.03 Projects and activities funded under this Arrangement will be only for the benefit of ADB and its DMCs in accordance with the objectives agreed between the Donor and ADB.

12.04 ADB will exercise the same care in the discharge of its functions under this Arrangement as it exercises with respect to the administration and management of its own affairs.

12.05 Where appropriate, ADB will acknowledge CIDA’s funding in publications, speeches, press releases or other similar matters. To make Canadians and populations of recipient countries aware of this Fund, ADB will publicize the Fund on its website.

**PARAGRAPH 13: REPLENISHMENT**

13.01 This Arrangement may be extended by mutual agreement between the Donor and ADB for any additional funding which the Donor may provide for the purpose of the Program through an amendment to this Arrangement executed in accordance with the provisions outlined in Paragraph 16.

**PARAGRAPH 14: TAKING EFFECT AND TERMINATION**

14.01 If it appears to the Donor or ADB that the cooperation envisaged by this Arrangement can no longer appropriately or effectively be carried out, this Arrangement may be terminated by the Donor or ADB by giving ninety (90) days prior written notice to the other Signatory. Such termination will not affect any agreements entered into between ADB and developing member countries, consultants, other persons or third parties prior to ADB’s receipt of giving of notice of such termination, and ADB will be entitled to continue to make disbursements and receive further payments from the Donor in respect of such agreements as if this Arrangement had not been terminated. Unless otherwise agreed in writing between the Donor and ADB, funds provided by the Donor under this Arrangement prior to its termination will, after the termination of this Arrangement, continue to be governed by the terms of this Arrangement. Upon termination of this Arrangement the Donor and ADB will discuss options for the possible use of any unutilized Fund balance, including accrued interest.

14.02 Unless otherwise agreed by the Donor and ADB, the Fund will terminate on such date as the grant contributions have been substantially disbursed by ADB and no replenishment is anticipated. At such time, except for actions necessary for the orderly and expeditious winding up of the Fund activities, ADB’s functions in relation to the Fund will be considered terminated. The termination of ADB’s responsibilities will not affect the general arrangements for cooperation and exchange of information under the Program between the Donor and ADB. When any and all winding up activities have been concluded, this Arrangement will be considered terminated.

**PARAGRAPH 15: PUBLIC DISCLOSURE**

15.01 ADB, in consultation with the Donor, may disclose this Arrangement and information with respect to it in accordance with ADB’s *Public Communications Policy* (2011) as amended from time to time.
PARAGRAPH 16: AMENDMENTS

16.01 This Arrangement may be modified through an exchange of letters signed by the Donor and ADB.

PARAGRAPH 17: ADDRESSES

17.01 Unless otherwise specified in writing to the other Signatory, correspondence relating to this Arrangement will be addressed to the following:

(a) For the Donor:

Canadian International Development Agency
Embassy of Canada, Jakarta
6th Floor, World Trade Centre 1
Jl Jenderai Sudirman Kav., 29, Jakarta 12920
Indonesia

Facsimile Number: (62-21) 2550-7813
Attention: Head of Co-operation

(b) For ADB:

Asian Development Bank
6 ADB Avenue
1550 Mandaluyong City
Metro Manila
Philippines

(i) General Communication and Financial Matters:

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)

Attention: Head, Office of Cofinancing Operations

(ii) Implementation and Technical Matters:

Facsimile Numbers: (63-2) 636-2193 (Direct)
(63-2) 636-2444 (Central)

Attention: Director, Public Management, Governance, and Participation Division,
Regional and Sustainable Development Department

PARAGRAPH 18: SETTLEMENT OF DIFFERENCES

18.01 The Donor and ADB will seek amicably to settle any difference and dispute arising out of or in connection with the implementation of this Arrangement.
PARAGRAPH 19: EFFECTIVENESS

19.01 This Arrangement is not an international treaty; it is an administrative arrangement between the Donor and ADB.

19.02 This Arrangement will come into effect upon the date of the last signature of the Signatories.

19.03 The Signatories have signed this Arrangement in duplicate as follows:

Signed in Gatineau, Québec
this ___ of _______________ 2013

Signed in Manila
this ___ of _______________ 2013

For the GOVERNMENT OF CANADA
acting through
THE CANADIAN INTERNATIONAL
DEVELOPMENT AGENCY

Name: Cheryl Urban
Title: Director, Indonesia, Philippines, China, and Southeast Asia Regional Program

For ASIAN DEVELOPMENT BANK

Name: Cécile L.H.F. Gregory
Title: Head of Office of Cofinancing Operations