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# **Disaster Risk Management and Disaster Response Assistance in ADF Countries**

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## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CCA	–	climate change adaptation
CRW	–	Crisis Response Window
DEAP	–	Disaster and Emergency Assistance Policy
DMC	–	developing member country
DNA	–	damage and needs assessment
DRF	–	Disaster Response Facility
DRM	–	disaster risk management
DRR	–	disaster risk reduction
EAL	–	emergency assistance loan
HFA	–	Hyogo Framework of Action
OCR	–	ordinary capital resources
PBA	–	performance-based allocation

## GLOSSARY

Disaster	–	A serious disruption of the functioning of a community or a society involving widespread human, material, economic, or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources.
Disaster risk management	–	The systematic process of using administrative directives, organizations, and operational skills and capacities to implement strategies, policies, and improved coping capacities to lessen the adverse impacts of hazards and the possibility of disaster.
Disaster risk reduction	–	The concept and practice of reducing disaster risks through systematic efforts to analyze and manage the causal factors of disasters, including through lessened exposure to hazards, lessened vulnerability of people and property, wise management of land and the environment, and improved preparedness for adverse events.
Integrated disaster risk management	–	As used in this paper, systematic activities that aim to avoid, lessen, or transfer the potential adverse effects of all hazards, specifically through the integration of climate change adaptation, disaster risk finance, and disaster risk reduction measures.

## NOTES

- (i) In this report, “\$” refers to US dollars.
- (ii) Percentages may not total 100% because of rounding.

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## CONTENTS

	<b>Page</b>
EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
II. MANAGING DISASTER RISKS: CHALLENGES AND CONSTRAINTS	1
A. Challenges in ADF Countries	1
B. ADB's Operating Constraints	2
III. MAKING A DIFFERENCE: ADB'S MANDATE AND EXPERTISE	4
A. ADB's Mandate for Disaster Response	4
B. Developing Member Country's Expectations	5
C. ADB's Comparative Advantage	6
D. Capacity and Expertise: Disaster Risk Management in ADB	7
IV. A DISASTER RESPONSE FACILITY	9
V. ISSUES FOR DONORS' GUIDANCE	11
APPENDIXES	
1. Progress on Disaster Risk Management Toward Hyogo Framework of Action Commitments Among Asian Development Fund Countries	12
2. Emergency Assistance Versus Needs	13
3. Implementation and Application of Emergency Assistance Financing Modality, 2005–2010	14
4. Framework for Integrated Disaster Risk Management	16
5. Proposal for a Disaster Response Facility	19



## EXECUTIVE SUMMARY

Asian Development Fund (ADF) countries are particularly vulnerable to natural disasters as the magnitude of the impact is larger and the recovery is slower than in more developed countries. Natural disasters pose considerable risks to inclusive and sustainable development in ADF countries, and disproportionately affect the poor. The mandate of the Asian Development Bank (ADB) to reduce poverty and foster economic growth and cooperation is intrinsically associated with disaster risk management (DRM). Strategy 2020 explicitly recognizes ADB's key role in providing priority rehabilitation and reconstruction assistance following disasters, and incorporating DRM in its operations. ADB has supported the efforts of ADF countries to manage disasters, decrease their sensitivity mainly through long-term development programs, and increase their adaptive capacity. This support has progressively broadened from post-crisis assistance (emergency assistance, reconstruction, and rehabilitation) to proactive disaster preparedness and disaster risk reduction. Based on ADB's track record, comparative advantages, and impact on countries' long-term developmental goals, developing member countries (DMCs) expect ADB to continue leading DRM in the region, in close coordination with other development partners.

ADB has faced external and internal challenges in supporting DRM efforts. The vulnerability of ADF countries to disasters is rooted in their limited capacity to prevent, prepare, and/or respond to such situations. ADB is also constrained by the availability of and difficult access to resources. For disaster preparedness, regular development program resources may be used either through investments or technical assistance. However, ex-post disaster response cannot, by its nature, be programmed. ADB's disaster response is constrained mainly because (i) funds provided are generally insufficient; donor support often covers only a small fraction of the disaster needs; (ii) the performance-based allocation (PBA) system does not account for disaster vulnerability or repeated exposure to natural hazards, and does not permit the allocation of additional resources to assist countries affected by a disaster; (iii) the current approach of reallocating and reprogramming diverts resources from much-needed, long-term development and poverty-reduction activities; and (iv) the use of separate trust funds creates problems.

To overcome these difficulties, ADB proposes establishing a dedicated funding mechanism, the Disaster Response Facility (DRF). The objective of the DRF is to help ADF-only DMCs cover rehabilitation and reconstruction costs that arise after a natural disaster of sudden and unusual proportions. DMCs generally expressed support for the establishment of the facility. Based on advice from donors and DMCs, the following modifications have been made to the proposal discussed during the first ADF XI replenishment meeting in September 2011:

- (i) The scope of assistance has been narrowed to natural disasters only. The DRF will support medium-term rehabilitation and reconstruction needs.
- (ii) The size of the DRF has been reduced from 5% of the total ADF resources to 3% of the PBA resources. This estimate was derived from historical support and actual DMC needs.
- (iii) While the facility will focus on ADF-only countries, blend countries affected by a disaster can be assisted through hard-term ADF and additional ordinary capital resources.
- (iv) DRF operations will be closely coordinated with those of the World Bank's Crisis Response Window.

The paper seeks donors' guidance on the rationale and broad concept of a DRF to be established within ADF to enhance ADB's capacity to respond to natural disasters.



## I. INTRODUCTION

1. During the first meeting of the tenth replenishment of the Asian Development Fund (ADF XI) held in Manila on 8–9 September 2011, the Asian Development Bank (ADB) presented a paper entitled *Preparing for and Responding to Crises*,<sup>1</sup> which highlighted the following:

- (i) Asia and the Pacific is more prone to natural disasters than any other region of the world. Disaster-related risks continue to increase in ADF countries because of urbanization, poor regulatory environments, unplanned human settlements, environmental degradation, climate variability, and increasing vulnerability.
- (ii) Disasters continue to erode development gains throughout the region.
- (iii) ADF countries are frequently exposed but ill-equipped to withstand the impacts of economic crises and natural disasters, which makes them particularly vulnerable.
- (iv) ADB has expanded its crisis response operations, most recently following the 2007–2008 food price crisis and the global financial crisis. ADB's disaster risk management (DRM) assistance intensified and broadened during 2005–2010 to include more disaster risk reduction (DRR) to complement recovery and reconstruction operations.
- (v) While ADB has significantly increased its institutional capacity—through new policies and instruments, knowledge support, and partnerships—ADB's capacity to finance crisis response operations is severely constrained, particularly in ADF-only countries.
- (vi) To address this funding constraint, the paper presented a proposal to create a crisis response facility as part of the ADF XI replenishment

2. ADF donors appreciated the growing risks of natural disasters and economic shocks to inclusive and sustainable development in ADF countries. Although most ADF deputies were not convinced that a crisis response facility is needed, they remained open to further discussion, particularly if the facility were to focus exclusively on natural disasters. As a result, deputies requested that a paper be prepared and presented during the second ADF XI replenishment meeting, clarifying (i) the constraints to be addressed (i.e., specific impediments with current instruments that need to be overcome); (ii) the views of ADF countries; (iii) ADB's expertise and mandate for responding to crises; and (iv) areas where the ADF and such a facility could make a difference compared with existing mechanisms of other institutions. This paper responds to the request and lays out some broad principles underpinning the design of the proposed Disaster Response Facility (DRF).

## II. MANAGING DISASTER RISKS: CHALLENGES AND CONSTRAINTS

### A. Challenges in ADF Countries

3. **Limited capacity.** ADF countries are particularly vulnerable to disasters as the magnitude of the impact is larger and the recovery is slower than in more developed countries. The vulnerability of ADF countries is rooted in their limited capacity to prevent, prepare, and/or respond to such situations. Constrained by inadequate financial resources and a lack of capacity, the responses by governments are often reactive and at times ineffective. These constraints are reflected in underdeveloped DRM capacities, infrastructure inadequacies, insufficient social protection programs, and shortcomings in economic management and

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<sup>1</sup> ADB. 2011. *Preparing for and Responding to Crises*. Paper prepared for the first ADF XI replenishment meeting, Manila, 8–9 September 2011.

structural policies at the national and local levels. In addition, external assistance is usually only a fraction of what is needed to address a disaster's effects.<sup>2</sup>

4. **Measuring progress in addressing risk factors.** Progress has been made in some areas, especially since the adoption of the Hyogo Framework of Action<sup>3</sup> (HFA) in 2005. The HFA has been instrumental in (i) generating the political momentum needed to enshrine and/or update disaster legislation in some ADF countries, (ii) developing DRR policies to guide national development agendas, and (iii) establishing a common language and framework for critical actions to follow. However, the midterm assessment of progress on HFA commitments by the United Nations International Strategy for Disaster Reduction, based on 82 national progress reports including 22 ADF countries,<sup>4</sup> illustrates the problems that ADF countries continue to face. In general, this group of ADF countries finds it difficult to assess disaster risks comprehensively and factor risk assessment information into national planning, investment, and development decisions, and to incorporate local communities into planning and execution activities. Producing reliable loss and impact information remains a challenge, especially after large disasters. Risk assessments have not been incorporated into recovery programs. See Appendix 1 for further details.

## B. ADB's Operating Constraints

5. ADB is one of the largest and most proactive donors supporting DRM in Asia and the Pacific. ADB has supported the efforts by ADF countries to manage disasters, decrease their sensitivity mainly through long-term development programs, and increase their adaptive capacity. This support has progressively broadened from post-crisis assistance (emergency assistance, reconstruction, and rehabilitation) to proactive disaster preparedness and DRR. However, ADB's assistance remains constrained by the availability of and difficult access to resources. For disaster preparedness, regular development program resources may be used either through investments or technical assistance. However, planning is not possible when responding to a disaster.

6. **Insufficient funds to deliver meaningful assistance.** ADB's emergency response assistance to its DMCs has, with few exceptions, been 10% or less of the total requirements identified in the respective disaster damage and needs assessments (DNAs), as discussed in more detail in Appendix 2. Moreover, DNA requirements are generally not fully met by the donor community overall, creating an unprecedented burden for lower-income countries, particularly ADF-only countries. For example, ADB estimates that no more than 25% of all financial needs identified in the DNA for the 2007 Solomon Islands earthquake and tsunami disaster reconstruction were provided by the international community. ADB's estimates also suggest that only about 30% of the funds necessary to cover all needs identified in the DNA for the 2010

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<sup>2</sup> Reports by the Organisation for Economic Co-operation and Development's Development Aid Committee state that humanitarian assistance is less than 10% of disaster losses (see J. Linnerooth-Bayer et al. 2011. Insurance against losses from Natural Disasters in developing countries. *Journal of Integrated Disaster Risk Management*, 1(1), pp. 1–23). In addition, the United Nations reports that only about two-thirds of humanitarian appeals are normally met each year.

<sup>3</sup> The HFA was adopted at the 2005 World Disaster Reduction Conference in Kobe, Japan. See Appendix 3 for further information on progress achieved.

<sup>4</sup> The ADF countries are Afghanistan, Bangladesh, Bhutan, Cambodia, Georgia, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, the Marshall Islands, Mongolia, Nepal, Pakistan, Papua New Guinea, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Timor-Leste, Tonga, Uzbekistan, Vanuatu, and Viet Nam.



Pakistan flood disaster may have come from external sources.<sup>5</sup> In Nepal, the government has received from development partners 47% of the total 2008 emergency flood DNA estimates.<sup>6</sup>

7. **Allocation under the performance-based allocation system.** For ADF countries, it is difficult to mobilize additional resources during crises. The performance-based allocation (PBA) system does not account for disaster vulnerability or repeated exposure to natural hazards. Moreover, the system does not permit the allocation of additional resources to assist countries affected by a disaster. While blend countries have access to alternative resources, particularly ordinary capital resources (OCR), in times of distress, the situation is more acute for ADF-only countries.<sup>7</sup>

8. Constrained by a lack of additional resources, ADB has typically responded to crises through reprogramming, project restructuring, and reallocation of loan savings. While some of these steps may be necessary to reflect the revised priorities, these processes can be lengthy and significantly delay the crisis response. When additional resources are readily available, ADB has acted quickly. For example, most of the assistance that followed the 2004 Asian tsunami and the 2005 earthquake in Pakistan was approved on average 3 months after the disaster. This was greatly facilitated by the establishment and resourcing of the Asian Tsunami Fund and Pakistan Earthquake Fund (90% of all funds were provided by ADB from its OCR net income)<sup>8</sup> Similarly, emergency food assistance was processed rapidly in Bangladesh (3 months) and Cambodia (6 months) because of the set-aside of an allocation of ADF IX additional commitment authority exclusively for this purpose. However, where resources were not made available separately, the process was much slower. All other assistance approved in response to natural disasters took an average of 8 months to be processed (Appendix 3). Delays are costly for governments, not only through direct costs associated with assistance to displaced communities, but through foregone opportunities of productive assets.

9. Most importantly, this approach diverts resources from much-needed, long-term development and poverty-reduction activities. To respond to disasters, ongoing development programs need to be disrupted in order to redirect resources, forcing a trade-off between disaster assistance and broader development goals.

10. **Access to trust funds.** To cope with these difficulties and supplement resources, ADB has established a small number of separate trust funds financed with ADB's net income and/or single- or multi-donor contributions.<sup>9</sup> However, these trust funds also pose problems:

- (i) Trust funds generally have been set up for specific disasters (e.g., the Asian Tsunami Fund and Pakistan Earthquake Fund). The establishment of such funds generally requires disasters to be subregional and of unprecedented magnitude

<sup>5</sup> An estimated 20% would have been provided from international financial institutions and bilateral donors, 20% from federal and provincial governments, and 10% by the United Nations and nongovernment organizations.

<sup>6</sup> The Government of Nepal is funding almost 20% of the identified financial needs; the balance is yet to be met.

<sup>7</sup> Asian Development Bank (ADB) employs a classification system for its developing member countries (DMCs) to determine their eligibility to borrow from the Asian Development Fund (ADF) and their access to ordinary capital resources (OCR). Based on this classification system, ADB DMCs are grouped as follows: (i) Group A DMCs, or ADF-only, are eligible to borrow from ADF only, (ii) Group B DMCs, or blend countries are eligible to borrow from both ADF and OCR and (iii) Group C DMCs have access to OCR only.

<sup>8</sup> The use of OCR net income is unlikely to be feasible in coming years based on constraints on OCR lending capacity.

<sup>9</sup> Disaster response trust funds established since 2005 include the Asian Tsunami Fund (2005), the Pakistan Earthquake Fund (2005), and the Asia Pacific Disaster Response Fund (2009). In addition, disaster preparedness activities may be eligible for financing by a small number of trust funds, including the Japan Fund for Poverty Reduction (2000), the Regional Cooperation and Integration Fund (2007), and Climate Change Fund (2007).

- and impact to mobilize multi-donor support, disadvantaging smaller countries with less visibility.
- (ii) When region-wide trust funds have been established, such as the Asia Pacific Disaster Response Fund, they cover a limited number of phases of the disaster cycle, and are severely underfunded.<sup>10</sup>
  - (iii) ADB indirectly provides assistance for disaster preparedness and prevention through (a) a small number of thematic funds, and (b) selected donor cofinancing. However, these only cover a small fraction of disaster types and preparedness activities.
  - (iv) Administratively, trust funds may be lengthy to establish. Even when this process is accomplished in a timely manner, access to the trust funds often includes conditions that may delay much-needed disbursements.
  - (v) Each trust fund requires the establishment of separate governance and management structures, which may at times significantly diverge from, and add to, ADB's established processes. This results in heavy demands on the time of DMC and ADB staff.
  - (vi) Trust funds have administration costs associated with them. Effectiveness and efficiency call for integrated approaches and economies of scale.

11. **Front-loading.** Where resources have been insufficient, the PBA policy allows for additional country demands to be met through borrowing against future allocations or, in exceptional cases, through reductions in other countries' ADF allocations.<sup>11</sup> However, front-loading has rarely been exercised by DMCs in distress,<sup>12</sup> because of the likely significant impact on long-term development programs. In extreme circumstances, when rehabilitation and reconstruction assistance extended through emergency assistance has proven insufficient (e.g., the Pakistan earthquake), ADB has provided DMCs with supplementary assistance 1–2 years after the emergency, but this requires sacrificing part of the agreed program.

### III. MAKING A DIFFERENCE: ADB'S MANDATE AND EXPERTISE

#### A. ADB's Mandate for Disaster Response

12. **The disaster–poverty nexus.** Natural disasters routinely cause injury and death, undermine livelihoods, and lead to chronic poverty. The impact can be deep and long-lasting, compromising long-term growth and development, both as a direct consequence and as a result of diverting development funds to replace lost social and economic infrastructure. Studies show a large and long-term impact of exogenous shocks on poverty, highlighting how these affect low-income countries differently and describing how periods of sharp contraction have historically

<sup>10</sup> The fund was established in 2009 as a special fund to provide incremental, quick-disbursing grants of up to \$3 million for each distinct declaration of a state of national disaster to assist DMCs in meeting immediate expenditures for the restoration of life-preserving services to communities affected by disasters and in augmenting aid provided by other donors. As of 31 May 2011, \$18.7 million of the total \$40 million in available resources has been used and/or committed from the fund.

<sup>11</sup> Of the 15 ADF-only countries, five (Cambodia, Kyrgyz Republic, Lao People's Democratic Republic, Nepal, and Tajikistan) have a policy limit of 62.5% on the annual use of their performance-based allocation (PBA). The remaining 10 countries have policy limits of up to 175% (Bhutan, Kiribati, Maldives, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu).

<sup>12</sup> As part of crisis response, donors strongly supported the proposal to allow up to 100% front-loading of the 2009–2010 biennial allocation for 15 ADF countries with a current annual ceiling of 62.5%. The ceiling could be waived upon request and subject to availability of commitment authority at the time of the request. However, only four countries (Georgia, Armenia, Mongolia, and Papua New Guinea) sought such approval.

been extremely harmful for human and social development.<sup>13</sup> For example, exogenous shocks lead to parents' withdrawing their children from schools. Many of these children do not go back to schools even after the disaster is over.

13. Since disasters affect the poor disproportionately, post-disaster assistance is in line with ADB's mandate of combating the region's poverty in all its aspects. Poor people are often most likely to be exposed to natural and non-natural hazards, even though they can least afford to deal with such exposure. As disasters are expected to increase in both number and intensity in Asia and the Pacific, combating their negative effects becomes increasingly intertwined with ADB's poverty reduction agenda.

14. **ADB's Charter.** DRM covers all stages of the multifaceted disaster cycle.<sup>14</sup> After disasters, DRM financing by ADB covers rehabilitation and reconstruction, particularly (though not exclusively) of services and facilities funded by ADB's regular operations, such as education and health services, and transport, energy, and social infrastructure facilities. This is aligned with ADB's purpose, as stated in the Charter, to foster economic growth and cooperation in the region and contribute to the acceleration of economic development in DMCs, collectively and individually.<sup>15</sup> Humanitarian relief is undertaken by partner organizations, with which ADB collaborates closely.

15. **Strategy 2020.**<sup>16</sup> Strategy 2020, ADB's long-term strategic framework, explicitly recognizes ADB's key role in (i) providing priority rehabilitation and reconstruction infrastructure assistance in post-disaster and post-conflict situations; and (ii) incorporating DRM as a vital part of its promotion of, and investment in, sound environmental management. Strategy 2020 also emphasizes the need to continue to mainstream DRM and provide early and medium-term disaster response, as well as assistance in partnership with specialized aid agencies.

## B. Developing Member Country's Expectations

16. **Track record.** ADB is one of the largest and most proactive donors in Asia and the Pacific. Since the 1980s, ADB has assisted its DMCs in their post-disaster recovery and reconstruction efforts.<sup>17</sup> ADB's involvement in disaster emergency and particularly recovery stages is perceived as an essential step in maintaining the development momentum. Despite the increasing number and magnitude of disasters, ADB has remained a responsive partner to its DMCs. The number of emergency-related projects has also risen.<sup>18</sup> Its DMCs expect ADB to continue the necessary support and reduce its response time.

17. **Working with partners: coordinated response and division of labor.** ADB, in coordination with other development partners, has traditionally played a leading role in

<sup>13</sup> Evidence suggests that deceleration of growth can cause key human indicators to plummet and significantly erode achievements. Social indicators tend to deteriorate rapidly during economic downturns and improve slowly during economic booms (World Bank. 2010. *Global Monitoring Report 2010: The MDGs after the Crisis*. Washington, DC.)

<sup>14</sup> This cycle includes the following phases: (i) development or prevention; (ii) disaster; (iii) emergency response and transition (covering relief and other humanitarian aid, but also priority reconstruction); and (iv) recovery.

<sup>15</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila. The Charter stipulates that ADB is not in the business of providing humanitarian relief.

<sup>16</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

<sup>17</sup> ADB's first exposure to emergency lending was in support of cyclone recovery in Tonga in 1983. This was followed by a number of emergency assistance operations to small islands in the Pacific, and subsequently post-conflict support in Sri Lanka and flood rehabilitation projects in Bangladesh.

<sup>18</sup> ADB approved 26 rehabilitation and assistance loans between 1987 and 2002 for a total of \$1.04 billion from ADF and \$800 million from OCR. From 2005 to 2010, ADB processed 22 emergency assistance projects for a total of \$2.88 billion in response to disasters, including 16 projects for \$1.96 billion in 10 ADF countries.

responding to emergencies in the region. Efforts have included supporting DMCs in conducting DNAs, and rapid and effective knowledge and financial assistance. For example, ADB played a crucial role responding to the December 2004 Indian Ocean tsunami, the 2005 Pakistan earthquake, and the 2009 Samoa earthquake and tsunami. More recently, ADB has selectively launched a number of disaster preparedness pilot initiatives,<sup>19</sup> which have been jointly developed with or shared and well received by development partners.

### C. ADB's Comparative Advantage

18. Guided by DMC priorities, disaster responses are carefully coordinated among development partners, building on competitive strengths and extensive sector knowledge. While jointly led, sector and thematic inputs to DNAs are generally prepared by organizations regularly engaged in each area. This division of labor allows knowledge to be captured and shared effectively, expedites the response, and integrates it with the country's long-term development objectives (Box 1). The ensuing emergency financial and technical assistance is prepared following the same principles. In line with Strategy 2020, ADB typically supports infrastructure, environment, education, and finance areas of operation, but this may be extended based on need and demand from DMCs and/or other development partners. For example, when a tsunami hit the Solomon Islands in 2007, the government asked ADB to rehabilitate a road ravaged by the disaster, while the World Bank focused on health and education. ADB had been involved in the transport sector for a long time and the World Bank had been supporting social sectors before the disaster. This clear division of responsibility remained an efficient approach during the disaster response as well. Similarly, after the 2005 Pakistan earthquake, ADB focused on assistance to reconstruct earthquake-damaged high-priority infrastructure in the transport and energy sectors as well as education and health facilities. On the other hand, the World Bank financed activities to restore livelihoods, rebuild houses, purchase critical imports, and strengthen capacity for implementation and hazard risk management.

19. ADB's comparative advantages are its regional presence, good working relationships with its client countries, and well-established strategic partnerships with United Nations agencies and other development partners (especially those based in Asia and the Pacific), specialized nongovernment organizations, regional bodies, and the private sector. This allows for an integrated disaster management response that is multisectoral, fully aligned with and supportive of its DMCs' long-term developmental goals and institutional and capacity building programs. ADB has also demonstrated strengths in partnering with its DMCs to develop monitoring and surveillance capacities to deal with disasters and pandemics.

20. **Good performance.** Despite the constraints facing ADB, its emergency assistance has performed well. Emergency assistance has been processed and administered in a timely manner and has responded to specific DMC requests. In general, emergency assistance loans were implemented within the timeline stipulated, largely because of the flexibility provided by ADB's Disaster and Emergency Policy (DEAP). Of the ten project completion reports for natural disaster response approved since 2005, eight were rated *successful* and two *highly successful*. The two available validation reports both rated ADB's operations *successful* (Appendix 3).

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<sup>19</sup> One such example is Nepal's disaster and climate change risks screening tool, designed to incorporate a country's hazard challenges into ADB operations.

### Box 1: Disaster Response—Working with Development Partners

**Nepal emergency flood damage rehabilitation.** On 18 August 2008, the Koshi River breached its embankment and shifted its course. This displaced some 47,000 people in Nepal and badly damaged about 5,000 hectares (ha) of farmland and roads. In parallel, heavy rainfall caused floods and landslides in districts of the far western and midwestern regions, affecting 43,500 families and damaging physical infrastructure. In October 2008, the Ministry of Finance asked the Asian Development Bank (ADB) to lead a post-flood damage and needs assessment (DNA) in infrastructure (including roads, energy, housing, and water), agriculture and irrigation, health, and educational to assist the government in preparing rehabilitation works. ADB coordinated closely with development partners in the preparation of the DNA and subsequent emergency assistance, particularly the United Nations (leading the international humanitarian relief efforts through thematic clusters), the Government of India, and nongovernment organizations. Aware of the country's exposure and vulnerability, ADB committed to undertake a disaster vulnerability assessment in preparation for its country partnership strategy and is mainstreaming risk mitigation measures into ADB's operations. On completion, the grant will have restored economic activities mainly in the three districts and improved livelihoods of about 300,000 flood-affected people.

**Solomon Islands earthquake and tsunami emergency response.** On 2 April 2007, an undersea earthquake of magnitude 8.1 triggered a tsunami with waves up to 10 meters that struck eight islands in the Western and Choiseul provinces of Solomon Islands. The islands suffered widespread damage to houses, infrastructure, schools, and clinics. Several villages were destroyed and livelihoods ruined. About 20,000 of a total population of 90,000 in both provinces were affected, including 52 deaths and 5,000 displaced. ADB, in coordination with major development partners (including the World Bank, Australia, and New Zealand), assisted the government in conducting a DNA. ADB led data collection and field assessments for various sectors. In recognition of ADB's comparative advantage and experience in infrastructure and implementation of ongoing projects and technical assistance, the government asked ADB to prepare an emergency assistance project to facilitate coordination of the recovery process. ADB also administered assistance from the European Commission. As a result of these efforts, the project restored economic and social activities and accessibility in the affected areas to allow resumption of activities, safeguard public health, and make infrastructure less vulnerable to future natural hazards and climate change. An associated technical assistance supported the government in formulating a recovery action plan, shelter strategy, and rehabilitation strategy and program.

**Pakistan flood emergency reconstruction.** The floods of mid-2010 affected 20 million people and caused 1,600 deaths. Basic transport infrastructure and irrigation facilities were badly damaged as were health and education centers, housing, agriculture, livestock, fisheries, and livelihoods. Of the 110 districts across Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh, 80 were seriously affected. About one-fifth of the country was under floods and the total damage was estimated at \$10 billion. The Government of Pakistan asked ADB and the World Bank to jointly lead the DNA, and in parallel the United Nations to lead the early recovery needs assessment. The DNA team covered fifteen sectors, eight of which were led by ADB. The DNA not only contained the sector data collected, but also macroeconomic information. It also suggested governance and institutional arrangements for implementing the reconstruction program while incorporating social and environmental, disaster risk management, and climate change considerations. On completion the project will have restored critical physical infrastructure, livelihoods and access to markets, including sections of the road network system and irrigation facilities.

Source: Asian Development Bank.

#### D. Capacity and Expertise: Disaster Risk Management in ADB

21. Since 2004 ADB has strengthened existing systems and developed new policies and tools, and undertaken a number of organizational initiatives to build its capacity for DRM and crisis response. In addition, ADB continues to review its institutional capacity for DRM and is launching new initiatives.

22. **Policies.** ADB was the first multilateral development bank to establish a dedicated disaster policy in 1987. ADB approved the DEAP<sup>20</sup> in May 2004 and an action plan to enhance DEAP implementation<sup>21</sup> in April 2008. ADB also promotes an integrated DRM framework to guide DMCs in strengthening their capacities for effective DRM and meeting their domestic and international commitments on DRR, including scaling up gender mainstreaming as part of the integrated DRM model. The approach combines DRR, elements of climate change adaptation, and disaster risk financing to support DMCs in developing their DRM capacities.

23. ADB's integrated DRM approach is particularly relevant and applicable to ADF countries. This systematic and holistic approach combines proactive DRR mechanisms and policies with reactive activities such as disaster assistance, recovery, and reconstruction (Appendix 4). The key objective of integrated DRM is to develop country capacity to manage disaster risk by (i) establishing financial tools and policies to reduce the effects on the population and economy, and (ii) investing in DRR and climate change adaptation. By shifting emphasis to proactive investments, integrated DRM creates a virtuous cycle of protecting development gains under a “no regrets” investment approach<sup>22</sup> as part of a broader effort to achieve inclusive and environmentally sustainable growth. ADB has recognized strengths in infrastructure development, project implementation, and technical assistance, all of which are salient for integrated DRM execution. ADB emphasizes the importance of advancing support to ADF countries to develop disaster risk management capacity and capability over time. The former may be achieved through risk-focused advisory and investment work, the latter through risk-based financing support. In the medium-term, financing flexibility after natural disasters remains a concern.

24. **Instruments and tools.** The emergency assistance loan modality, introduced under the DEAP, emphasizes rapid approval of transitional loans and grants, and helps DMCs rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies. The additional financing policy recognizes that emergency assistance may be pursued through the expansion of existing non-emergency projects, allowing for part or all of an ongoing project to be converted into emergency assistance.<sup>23</sup> The Asia Pacific Disaster Response Fund provides immediate grant support to help DMCs meet the urgent initial costs of responding to a major disaster.

25. As part of its proactive interventions, ADB is developing new tools to guide the prioritization of disaster risk issues within country partnership strategies. These include risk screening and related sector risk assessment tools that enable better identification of disaster risk issues in the design and implementation of sector projects. DRR components are also being incorporated into selected sector operational plans, such as ADB's Water Operational Plan, 2011–2020<sup>24</sup> and the draft urban operational plan (Box 2).

<sup>20</sup> ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila. This policy superseded ADB. 1987. *Rehabilitation Assistance to Small DMCs Affected by Natural Disaster*. Manila and ADB. 1989. *Rehabilitation Assistance After Disasters*. Manila.

<sup>21</sup> ADB. 2008. *Action Plan for Implementing ADB's Disaster and Emergency Policy*. Manila.

<sup>22</sup> An approach whereby the action taken will create the desired benefits even without a deliberate policy.

<sup>23</sup> ADB. 2010. *Additional Financing: Enhancing Development Effectiveness*. Manila.

<sup>24</sup> ADB. 2011. *Water Operational Plan, 2011–2020*. Manila

### **Box 2: Reducing Disaster Risk in Viet Nam**

Viet Nam is especially exposed to natural hazards, and its susceptibility to the effects of climate change raises its level of risk further. Viet Nam ranks seventh in terms of the world's most exposed countries to multiple disasters with a risk profile dominated by hydrometeorological hazards. This includes high exposure to typhoons and consequent flooding, tornadoes, landslides, and droughts, making Viet Nam the world's fifth most afflicted country from climate change. Rapid urbanization will require substantial new infrastructure, but unless this is designed to withstand natural hazards, urban development will further raise the risk of loss from more severe and more frequent disasters. Like the rest of Asia and the Pacific, Viet Nam has relied on post-disaster assistance, an approach that carries substantial risks in timing, targeting, and opportunity costs. Major disaster recovery gaps could occur every 10 years, and the government acknowledges it lacks sufficient financial resources to implement timely and effective response and recovery measures from large-scale disasters. The government has included disaster insurance as part of its national disaster strategy. The Asian Development Bank is initiating an integrated disaster risk management project focusing on disaster risk financing for total climate risk that directs attention to current hydrometeorological hazards as well as risks posed by future climate variability. The project will support two cities in advancing the use of financial instruments, link the financing to investments in disaster risk reduction, and promote climate change adaptation.

Source: Asian Development Bank

26. **Partnerships.** In addition to providing financial support, ADB recognizes the importance that knowledge and partnerships play in maximizing the impact of any recovery intervention. The DEAP emphasizes the need to leverage ADB's expertise by developing strategic partnerships and drawing strength from complementarities. ADB has traditionally collaborated closely with other development partners during the post-disaster and recovery phases. This collaboration is now being expanded to proactive phases with the establishment of joint surveillance facilities (e.g., the recently established Health Observatory for Asia and the Pacific where the Australian Agency for International Development, World Bank, and ADB participate as well as various other bilateral development partners). ADB is also strengthening its ties with subregional organizations such as the Association of Southeast Asian Nations, Central Asia Regional Economic Cooperation, South Asian Association for Regional Cooperation, and Secretariat of the Pacific Community.

## **IV. A DISASTER RESPONSE FACILITY**

27. Following up on discussions during the first ADF XI replenishment meeting, ADB proposes establishing a dedicated funding mechanism for responding to disasters. The objective of the DRF is to help ADF-only DMCs cover rehabilitation and reconstruction costs that arise after a natural disaster of unexpected, sudden, and unusual proportions. The broad principles underpinning the DRF and operational steps are in Appendix 5.

28. The DRF is a significantly modified version of the proposal presented in the first replenishment meeting. Based on the feedback from donors during the meeting and from ADF countries (para. 32), the following key modifications have been incorporated in the proposed facility:

- (i) The scope of assistance has been narrowed to natural disasters only. The DRF will support medium-term rehabilitation and reconstruction needs.
- (ii) The size of the DRF has been reduced from 5% of total ADF resources to 3% of PBA resources. This estimate was derived from historical support and actual DMC needs.
- (iii) While the facility will focus on ADF-only countries, blend countries affected by a disaster can be assisted through hard-term ADF and additional OCR resources.

- (iv) DRF operations will be closely coordinated with those of the World Bank's Crisis Response Window (CRW).<sup>25</sup>

29. **Rationale.** The DRF would improve ADB's capacity to support its DMCs in responding to natural disasters, increase predictability, and expedite the delivery of emergency and recovery assistance. Natural disasters are expected to increase in number and intensity in the region. Such events cause immediate economic damage and loss of life, but also have deep and lasting impacts on growth, poverty, and human development. Countries typically need large additional resources to rebuild essential social and economic infrastructure after a disaster. ADB has had difficulty mobilizing additional resources, especially in ADF-only countries, which have limited access to resources beyond the PBA-determined ADF. Reallocation of resources from ongoing programs takes time and is inefficient. Reliance on separate trust funds is unpredictable, unsustainable, and time-consuming.

30. ADB's DRF complements other crisis response mechanisms, particularly the World Bank's CRW, in the following ways:

- (i) As part of their specialized roles, ADB and the World Bank generally divide their interventions in any given DMC by sector and geographical location. The continued presence and sector knowledge enable each institution to respond rapidly to a disaster.
- (ii) CRW resources<sup>26</sup> would not be sufficient to address the extended needs of DMCs in distress, especially since it is a global facility facing large demands. For most affected countries in Asia and the Pacific, a combination of resources would be necessary.

31. **Coordination with development partners.** Building on well-established cooperation systems set in motion under emergency conditions, ADB would continue to coordinate with development partners when allocating new funds for disasters. In addition, ADB would seek to (i) harmonize the DRF triggering mechanisms with those of the World Bank's CRW, and (ii) ensure the complementarity of the assistance each facility provides. In addition, ADB will collaborate with organizations with complementary roles, particularly the United Nations and other organizations with a relief mandate, such as the International Federation of the Red Cross.<sup>27</sup> ADB will also seek to involve civil society and bring in private sector partners where appropriate opportunities are identified.

32. **Feedback from developing member countries.** DMCs have generally expressed support about the usefulness of the DRF. ADF-only countries have welcomed the concept, which would provide them with additional and timely resources to finance critical investments for reconstruction and recovery after a natural disaster. Some blend countries have raised concerns about the proposal, because it would reduce their ADF allocation without providing them access to the facility. The proposal now includes a provision for prioritizing hard-term ADF resources and OCR savings to support blend countries affected by natural disasters.

<sup>25</sup> World Bank. 2010. *Technical Note on the Establishment of a Crisis Response Window in IDA16*. Washington DC.

<sup>26</sup> The global Crisis Response Window (CRW) was approved as an ex-ante facility for an amount of SDR1,335 million (including SDR329 million allocation for Haiti).

<sup>27</sup> ADB has an active letter of intent with the International Federation of the Red Cross aimed at facilitating collaboration.



## **V. ISSUES FOR DONORS' GUIDANCE**

33. Donors' guidance is sought on the rationale and broad concept of a DRF to be established within ADF to enhance ADB's capacity to respond to natural disasters.

**PROGRESS ON DISASTER RISK MANAGEMENT TOWARD HYOGO FRAMEWORK OF ACTION COMMITMENTS AMONG ASIAN DEVELOPMENT FUND COUNTRIES**

<b>HFA Priority Areas</b>	<b>Progress</b>
1. Ensure DRR is a national and local priority with a strong institutional basis for implementation.	Some progress to set up institutional structures; limited progress in resourcing and local implementation.
2. Identify, assess, and monitor disaster risks and enhance early warning.	Major obstacles in applying risk assessments for planning and development decisions. Scientific data not connected to local vulnerability or capacity reviews; risk assessments for critical infrastructure (e.g., schools and health facilities) not undertaken; gender-disaggregated vulnerability and capacity data seldom collected; national standards to address DRR seldom exist.
3. Use knowledge, innovation, and education to build a culture of safety and resilience at all levels.	Efforts to integrate DRR into school curricula and relevant formal training programs are sporadic, and there are significant gaps in public awareness strategies.
4. Reduce the underlying risk factors.	Little progress tackling core risk drivers (e.g., only 25% of low-income countries invested in retrofitting critical public infrastructure such as schools and hospitals).
5. Strengthen disaster preparedness for effective response at all levels.	Attention given to installing early warning systems, but low level of institutional and operational capacity, insufficient coverage of hazard types, lack of resources, and difficulty issuing local warnings. Insufficient funds, especially at the local level.

ADF = Asian Development Fund, DRM = disaster risk management, DRR = disaster risk reduction, HFA = Hyogo Framework of Action.

Source: Compiled by Asian Development Bank staff from United Nations—International Strategy for Disaster Reduction, 2011.

## EMERGENCY ASSISTANCE VERSUS NEEDS

Table A2.1: Historical Emergency Assistance, 2005–2010

Country	Disaster Type	EAL (million \$)				Year	DNA (\$ million)	EAL (%)
		ADF	OCR	Other	Total			
<b>ADF-Only Countries</b>								
Cambodia	Food security	35.0	–	–	35.0	2008	506	7
Kyrgyz Republic	Post-conflict assistance	100.0	–	–	100.0	2010	1000	10
Maldives	Tsunami	1.8	–	20.0	21.8	2005	472	5
Nepal	Flood damage	25.6	–	–	25.6	2009	88	29
Solomon Islands	Earthquake and tsunami	4.95	–	4.00	8.95	2007	40	22 <sup>a</sup>
<b>ADF Blend Countries</b>								
Bangladesh	Flood rehabilitation	152.3	–	–	152.3	2005	2300	7
	Flood and cyclone	120.0	–	–	120.0	2008	3000	4
	Food Security	170.0	–	–	170.0	2008	1300	13
Georgia	Post-conflict assistance	70.0	–	–	70.0	2008	3700	2
Pakistan	Earthquake assistance	220.0	–	172.5	392.5	2005	5,200	23
		400.0	–	–	400	2007		
	Flood assistance <sup>b</sup>	50.0	600.0	3.0	653.0	2011	9000	7
Sri Lanka	Tsunami	7.0	–	150.0	157.0	2005	3000	7
	Post-conflict assistance	40.0	–	5.9	45.9	2005		
		12.7	–	–	–	2010		
Post-conflict assistance	–	150	1.5	151.2	2010			
Viet Nam	Typhoon damage	50.97	–	–	50.97	2006	365	21
		25.5	–	–	25.5	2008		

ADF=Asian development fund; DNA= damage and needs assessment; EAL= emergency assistance loan; OCR= ordinary capital resources; – = not available.

<sup>a</sup> ADB's contribution was only 10% of the total DNA requirements. The balance was provided by cofinanciers.

<sup>b</sup> As the emergency occurred in mid-2010, the project will be considered for this year for the purpose of computations.

Source: Asian Development Bank staff.

Table A2.2: Proportional Emergency Assistance, 2005–2010

Item <sup>a</sup>		ADF IX Allocation		ADF X Allocation	
		2005–2006	2007–2008	2009–2010	
ADF-Only countries	ADF Total	984	1332	2441	
	EA (\$ million)	Total	21.8	43.95	125.6
		ADF	1.8	39.95	125.6
	(Emergency ADF/Total ADF) %	0.2 <sup>b</sup>	3.0	5.1	
	Emergency (ADF/Total) %	8.2	91.0	100.0	
ADF Blend Countries	ADF Total	1962	3350	2861	
	EA (\$ million)	Total	798.7	785.5	804.2
		ADF	470.3	785.5	50
	(Emergency ADF/Total ADF) %	24.0	23.4	2.0	
	Emergency (ADF/Total) %	58.9	100	6.2	

ADF = Asian Development Fund; EA = emergency assistance.

<sup>a</sup> Based on country classification at the end of 2011.

<sup>b</sup> During the 2005–2006, the Asian Development Bank allocated a major portion of its revenues to assist tsunami- and earthquake-affected countries. This figure may therefore be distorting.

Note: For illustrative purposes and to show processing times, Appendix 2 and 3 incorporate data for all ADB emergency assistance loans and grants, even if the purpose of this paper focuses exclusively on natural disasters.

## IMPLEMENTATION AND APPLICATION OF EMERGENCY ASSISTANCE FINANCING MODALITY, 2005–2010

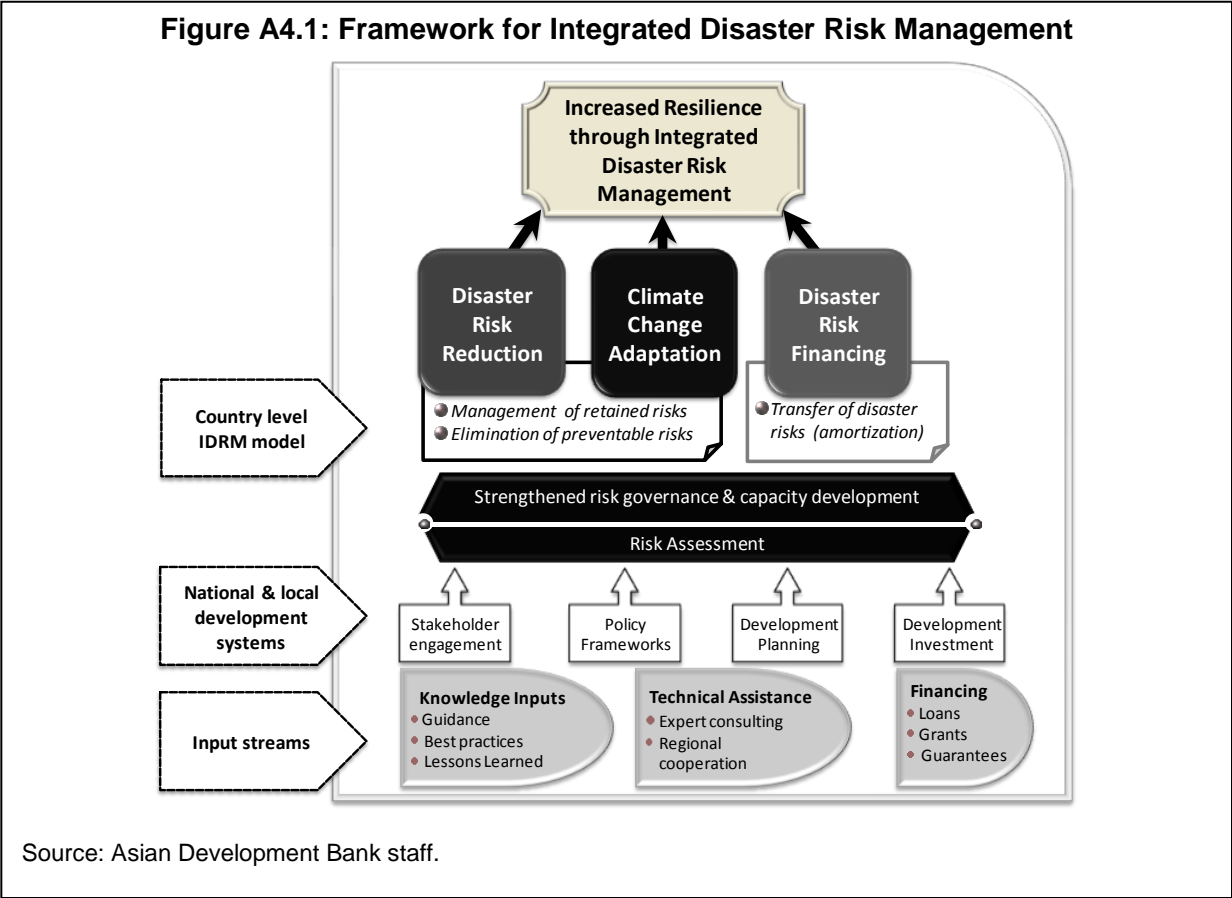
Year	Country	Loan/Grant No.	Project Title	Amount	Type of Assistance	Date of Emergency/Dama	Date of Needs	Fact-Finding Mission	Board Approval	Latest Closing Date	PCR Ratings	IED Validation
2005	BAN	Loan 2156	Emergency Flood Rehabilitation	152,300,000	Natural Disaster	Jun 2004	Sep 2004	12-27 Sep 2004	20-Jan-2005	31-Jul-2007	HS	S
2005	MLD	Loan 2160	Tsunami Emergency Assistance	1,800,000	Natural Disaster	Dec 2004	Jan/Feb 2005	03 Feb 2005	31-Mar-2005	31-Aug-2008	GS	NA
2005	MLD	Grant 0001	Tsunami Emergency Assistance	20,000,000	Natural Disaster	Dec 2004	Jan/Feb 2005	N/R	31-Mar-2005	31-Aug-2008	GS	NA
2005	INO	Grant 0002	Earthquake and Tsunami Emergency Support	293,500,000	Natural Disaster	Dec 2004	Jan 2005	N/R	07-Apr-2005	30-Dec-2010	S	NA
2005	INO	Grant 0014	Contribution to the Multidonor Trust Fund	10,000,000	Natural Disaster	Dec 2004	Jan 2005	N/R	07-Apr-2005	30-Jun-2010	S	NA
2005	IND	Loan 2166	Tsunami Emergency Assistance (Sector)	100,000,000	Natural Disaster	Dec 2004	Feb 2005	24 Feb - 11 Mar 2005	14-Apr-2005	31-Oct-2009	UP	NYD
2005	IND	Grant '0005	Tsunami Emergency Assistance (Sector)	100,000,000	Natural Disaster	Dec 2004	Feb 2005	24 Feb - 11 Mar 2005	14-Apr-2005	31-Oct-2009	UP	NYD
2005	SRI	Loan 2167	Tsunami-Affected Areas Rebuilding	7,000,000	Natural Disaster	Dec 2004	Jan 2005	15-28 Feb 2005	14-Apr-2005	31-Dec-2010	NA	NYD
2005	SRI	Grant 0006	Tsunami Affected Areas Rebuilding	150,000,000	Natural Disaster	Dec 2004	Jan 2005	15-28 Feb 2005	14-Apr-2005	31-Dec-2010	NA	NYD
2005	SRI	Grant 0013	North East Community Restoration and Development II	5,900,000	Post-Conflict	Dec 2004	Jan 2005	15-28 Feb 2005	14-Apr-2005	31-Dec-2009	NYD	NYD
2005	SRI	Loan 2168	Northeast Community Restoration and Development II	26,000,000	Post-Conflict	Dec 2004	Jan 2005	15-28 Feb 2005	14-Apr-2005	31-Dec-2011	NYD	NYD
2005	SRI	Grant 0007	North East Community Restoration and Development II	14,000,000	Post-Conflict	Dec 2004	Jan 2005	15-28 Feb 2005	14-Apr-2005	31-Dec-2011	NYD	NYD
2005	COO	Loan 2174	Cyclone Emergency Assistance	2,800,000	Natural Disaster	Feb - Mar 2005	Mar 2005	11-18 Mar 2005	30-Jun-2005	30-Jun-2009	S	S
2005	PAK	Loan 2213	Earthquake Emergency Assistance	220,000,000	Natural Disaster	Oct 2005	Oct- Nov 2005	10-15 Nov 2005	13-Dec-2005	30-Jun-2011	NYD	NYD
2005	PAK	Grant 0029	Earthquake Emergency Assistance	137,500,000	Natural Disaster	Oct 2005	Oct- Nov 2005	10-15 Nov 2005	13-Dec-2005	30-Jun-2011	NYD	NYD
2005	PAK	Grant 0037	Earthquake Emergency Assistance	35,000,000	Natural Disaster	Oct 2005	Oct- Nov 2005	10-15 Nov 2005	13-Dec-2005	31-Dec-2010	NYD	NYD
2006	VIE	Loan 2273	Emergency Rehabilitation of Calamity Damage	50,970,000	Natural Disaster	Jul - Dec 2005	27 Mar - 28 Apr 2006	27 Mar-28 Apr 2006	21-Nov-2006	31-Dec-2011	NYD	NYD
2007	PAK	Loan 2335	Earthquake-Displaced People Livelihood Restoration Program	400,000,000	Natural Disaster	Oct 2005	Nov 2005	12-27 Mar 2007	27-Jun-2007	31-Dec-2008	S	NA
2007	SOL	Grant 0078	Emergency Assistance	8,950,000	Natural Disaster	Apr 2007	–	14-25 May 2007	27-Jun-2007	30-Jun-2011	S	NA
2008	BAN	Loan 2409	Emergency Disaster Damage Rehabilitation (Sector)	120,000,000	Natural Disaster	Jul - Aug 2007	Oct/Nov 2007	27 Sep-9 Oct 2007	31-Jan-2008	31-Dec-2010	HS	NA
2008	BAN	Loan 2430	Emergency Assistance for Food Security	170,000,000	Food	Apr - May 2008	May/June 2008	27 May-15 Jun 2008	22-Jul-2008	31-Dec-2009	NYD	NYD
2008	CAM	Loan 2455	Emergency Food Assistance	17,500,000	Food	Mid 2007 to Early 2008	–	23 Jun-4 Jul 2008	02-Oct-2008	30-Sep-2011	NYD	NYD
2008	CAM	Grant 0116	Emergency Food Assistance	17,500,000	Food	Mid 2007 to early 2008	–	23 Jun-4 Jul 2008	02-Oct-2008	30-Sep-2011	NYD	NYD
2008	GEO	Loan 2469	Emergency Assistance for Post-Conflict Recovery	70,000,000	Post-Conflict	Aug 2008	Sep 2008	17-25 Sep 2008	12-Nov-2008	30-Sep-2009	S	NA
2009	PRC	Loan 2508	Emergency Assistance for Wenchuan Earthquake Reconstruction	400,000,000	Natural Disaster	May 2008	Jun 2008	20-27 Nov 2008	19-Feb-2009	30-Jun-2012	NYD	NYD
2009	NEP	Grant 0150	Emergency Flood Damage	25,600,000	Natural Disaster	Aug 2008	Oct - Nov 2008	12-28 Jan 2009	21-Apr-2009	31-Dec-2012	NYD	NYD
2009	FUJ	Loan 2541	Emergency Flood Recovery (Sector)	17,560,000	Natural Disaster	Jan 2009	Feb 2009	24 Mar-14 Apr 2009	27-Aug-2009	29-Feb-2012	NYD	NYD

Year	Country	Loan/Grant No.	Project Title	Amount	Type of Assistance	Date of Emergency/Dama	Date of Needs	Fact-Finding Mission	Board Approval	Latest Closing Date	PCR Ratings	IED Validation
2010	SRI	Loan 2618	North East Community Restoration and Development II	12,770,000	Post-Conflict	Dec 2004	Jan 2005	–	09-Mar-2010	30-Jun-2012	NYD	NYD
2010	SRI	Loan 2626	Conflict - Affected Region Emergency	150,000,000	Post-conflict	Feb 2007- May 2009	Jul 2009	–	15-Apr-2010	30-Sep-2013	NYD	NYD
2010	KGZ	Loan 2668	Emergency Assistance for Recovery and Reconstruction	48,500,000	Post-conflict	Apr and Jun 2010	May/Jul 2010	–	23-Sep-2010	31-Mar-2014	NYD	NYD
2010	KGZ	Grant 0217	Emergency Assistance for Recovery and Reconstruction	51,500,000	Post-conflict	Apr and Jun 2010	May/Jul 2010	–	23-Sep-2010	31-Mar-2014	NYD	NYD
2010	SRI	Grant 0246	Conflict - Affected Region Emergency	1,500,000	Post-conflict			–	27-Sep-2010	30-Sep-2013	NYD	NYD
2011	PAK	Loan 2743	Flood Emergency Reconstruction Project	600,000,000	Natural Disaster	Jul-2010	Oct-2010	–	30-Mar-2011		NYD	NYD

BAN=Bangladesh, CAM=Cambodia, COO=Cook Islands, FIJ= Fiji Islands, GEO= Georgia, GS = generally successful, HS = highly successful, INO=Indonesia, IND=India, KGZ=Kyrgyz Republic, MLD= Maldives, NA=not applicable, NEP=Nepal, NYD=not yet determined, PRC= People's Republic of China, S=successful, SRI= Sri Lanka, PAK=Pakistan, SOL=Solomon Islands, UP=under preparation, VIE=Viet Nam.

Note: For illustrative purposes and to show processing times, Appendix 2 and 3 incorporate data for all ADB emergency assistance loans and grants, even if the purpose of this paper focuses exclusively on natural disasters.

### FRAMEWORK FOR INTEGRATED DISASTER RISK MANAGEMENT



1. The Asian Development Bank’s integrated disaster risk management (DRM) framework is based upon three pillars: disaster risk reduction (DRR), elements of climate change adaptation (CCA), and disaster risk financing. DRR seeks to identify opportunities to prevent or reduce disaster impacts such as through land use planning or construction code strengthening. CCA in this context looks for investments that can increase resilience to the hydrometeorological effects of climate change. Within this systematic framework, DRF provides financial tools and options to developing member countries (DMCs) to better anticipate, plan for, and transfer natural disaster risks.

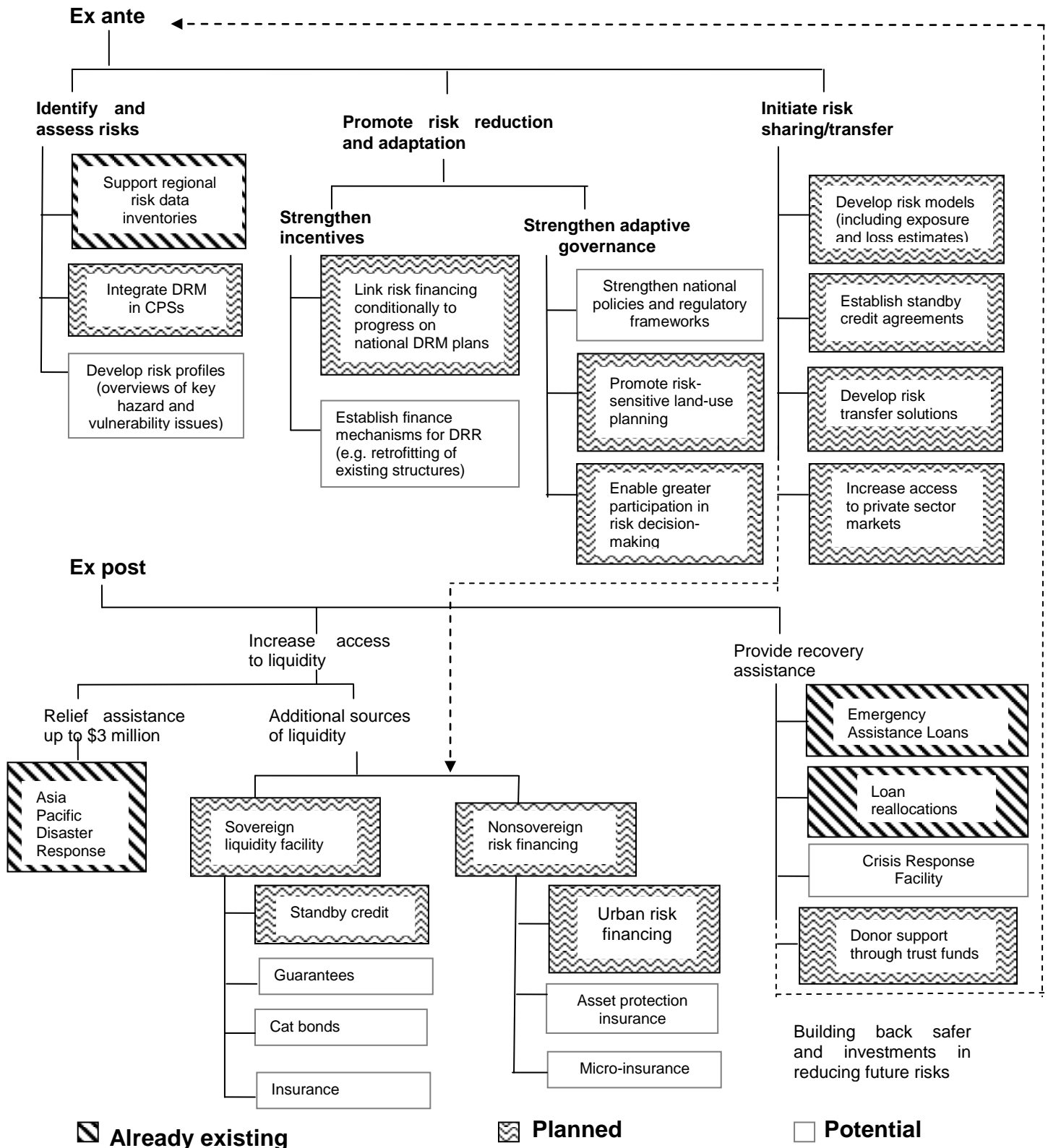
2. All three pillars within the integrated DRM framework are mutually reinforcing and mutually dependent. Disaster risk financing, CCA, and DRR each provide proactive support on their own. However, by linking the availability of disaster finance to risk reduction and adaptation investments, synergies are developed that reward risk reduction and adaptation, which can make disaster finance more cost-effective and affordable. For example, the cost of risk transfer should be reduced if investments in DRR are undertaken that lessen disaster losses. This mutually reinforcing impact can be further enhanced with regional applications, where opportunities for scale and risk diversification can provide greater benefits. Moreover, since the disaster risk financing component is directly linked to DRR and CCA, it reduces moral hazard. Five themes underline the integrated DRM framework:

- (i) Proactive: should anticipate future events.
- (ii) Holistic: should encompass all aspects of disaster management, based on principles of risk management.
- (iii) Tailored: should be designed for individual DMCs or regional needs.
- (iv) Leveraging: should be capable of bringing in financial options to manage risks.
- (v) Impact-sensitive: should be responsive to post-disaster needs since reconstruction and rehabilitation is still of vital importance.

3. With support from a governance foundation, the three pillars of DRR, CCA, and disaster risk financing will advocate, develop, and implement proactive DRM measures and capacities. Linking DRR and DRF initiatives will encourage systematic risk management. Harmonizing DRR and CCA will achieve common objectives. Disaster risk financing will provide a catalyst role and bring in private sector players and markets.

**Figure A4.2: Schematic Overview of ADB Integrated Disaster Risk Management**

Policy—Financing—Capacity



CPS= country partnership strategy, DRM= disaster risk management, DRR=disaster risk reduction. Source: Asian Development Bank staff.



## PROPOSED DISASTER RESPONSE FACILITY

### A. Rationale

1. Asia and the Pacific frequently experiences natural hazards, which can severely affect countries in the region and disproportionately harm the poor. With changing climate patterns and persistent vulnerabilities, natural disasters are expected to increase in number and intensity. Such events cause immediate economic damage and loss of life, but can also have deep and lasting impacts on growth, poverty, and human development—both as a direct consequence and as a result of diverting development funds to replace lost social and economic infrastructure.

2. For Asian Development Fund (ADF) countries, it is difficult to mobilize additional resources during crises. The performance-based allocation (PBA) system does not take into consideration vulnerability or repeated exposure to disasters. It does not allocate additional resources to assist countries affected by a natural disaster. Reliance on separate trust funds is unpredictable, unsustainable, and time-consuming.

3. The establishment of a Disaster Response Facility (DRF) would (i) expedite the response of the Asian Development Bank (ADB) to its vulnerable development member countries (DMCs) and improve the results of its operations under emergency conditions; (ii) provide additional assistance to ADF-only countries, which are most frequently affected and most vulnerable to the impact of natural disasters; and (iii) prevent the diversion of resources from vital long-term development and poverty-reduction activities.

### B. Design

4. The objective of the DRF is to help ADF-only DMCs cover rehabilitation and reconstruction costs that arise after a natural disaster of unexpected, sudden, and unusual proportions.<sup>1</sup> In such instances, ADB's response would be timely, both in terms of project preparation and implementation and/or disbursement. DRF interventions would also increase DMCs' capacity for integrated disaster risk management. The following criteria would determine whether a country and/or event is eligible to access DRF resources:

- (i) **Country eligibility.** All ADF-only countries would be eligible to access DRF.
- (ii) **Triggering mechanisms.** DRF would be made available only if (a) the emergency was the result of an exceptionally intense disaster caused by a natural hazard; and (b) the impact was severe, particularly affecting the poorest and most vulnerable segments of the population. Parametric data may be used to determine the extreme intensity of the event, and technical assessments (which may include damage and needs assessment findings) will be used to determine overall and specific impacts (on the most vulnerable). For common disasters, DRF triggers would be harmonized with those of the World Bank's Crisis Response Window.
- (iii) **Resource insufficiency.** The DRF should be accessed only (a) after all other resources have been evaluated and found to be inappropriate or insufficient to provide a meaningful response to the emergency, and/or (b) the diversion of such

<sup>1</sup> For disaster preparedness, regular development program resources may be used either through investments or technical assistance. Low-intensity impacts caused by frequent natural hazards should be systematically considered in country programs; and prevention, preparedness, and mitigation measures should be incorporated in project design and implementation. These expenditures should be financed from regular developmental resources and allocated according to existing performance-based criteria for ADF countries. ADB's support to a regular low-intensity impact event may follow established reprogramming procedures.

resources may directly and significantly constrain the affected DMC's ability to attain its Millennium Development Goals targets.<sup>2</sup> To make this determination, in consultation with the partner country, ADB may quickly evaluate alternative resources, including (a) full or partial cancellation of ADB loan and/or grant amounts that are no longer needed; (b) reprogramming of non-priority ADB projects; and (c) existing ADB and external trust funds and/or cofinancing that may support emergency, rehabilitation, and reconstruction activities.

**Box A5: Triggering and Allocating Resources under International Development Association's Crisis Response Window**

In keeping with the practice of the International Development Association (IDA), the Crisis Response Window (CRW) resources are provided only after a major natural disaster where existing resources and allocations are insufficient to mount a credible response. Only disasters that are exceptionally severe and intense would be considered for CRW eligibility. Parametric data on disaster frequency and impact would be used to corroborate the extent to which an event would qualify for CRW resources, but would not be the only basis of eligibility.<sup>3</sup> For minor and/or recurring events, IDA countries would rely on existing flexibility.

The process builds on current practice but adds a number of elements intended to ensure a more systematic determination of whether the impact of a specific natural disaster is sufficiently severe to warrant accessing CRW resources. Furthermore, it also adds guidance regarding the amount of resources that would be made available. However, it is not practical to limit this guidance to a simple formula because IDA countries have very different characteristics, including with respect to their size and absorptive capacity. They may also face different constraints in terms of mobilizing resources for reconstruction, including from their existing portfolio of IDA projects. CRW financing would need to take into account these factors, which may vary considerably.<sup>4</sup>

5. ADF-only countries will be eligible to receive ADF loan and/or grants (based on findings of the country's debt-sustainability analysis). A separate ADF allocation for the DRF, independent of the PBA pool, would apply and be exclusively used to provide assistance after a natural disaster. To minimize the delayed utilization of headroom, any unused allocation will be returned to the PBA pool at the end of the biennium.

6. For blend countries affected by a natural disaster, ADB will prioritize the use of hard-term ADF resources. Additional support will be provided through savings and the reallocation of ordinary capital resources.

<sup>2</sup> In assessing cancellations and reprogramming opportunities, ADB should ensure that projects directly assisting the country's attainment of the Millennium Development Goals and specifically targeting poverty reduction are retained. Where reallocated or reprogrammed funds are insufficient to mount a credible emergency response, the DRF will cover the gap.

<sup>3</sup> Parametric data (e.g., the magnitude of an earthquake on the Richter Scale) may not always adequately reflect the impact of a disaster. In the case of an earthquake, for example, disaster preparedness and proximity to human settlements are just as important factors that determine the severity of a disaster. While the 1965 Rat Islands earthquake was the 10th largest earthquake in human history with a magnitude of 8.7, it had little impact (no deaths, damage of less than \$10,000). The 2010 earthquake in Haiti, in contrast, had a magnitude of 7.0 but its low depth and proximity to the capital city of Port-au-Prince, compounded by limited disaster preparedness, made it one of the deadliest earthquakes on record (220,000 dead and 1,500,000 injured) with damages estimated at \$7.9 billion or 120% of Haiti's 2009 gross domestic product.

<sup>4</sup> Text adapted from World Bank. 2010. *Technical Note on the Establishment of a Crisis Response Window in IDA16*. Washington, DC.

### C. Access and Size

7. **Allocating funds.** Figure A5 details the process that will be followed in assessing the need for DRF resources and the subsequent allocation. In determining the full extent of its intervention, ADB will consider (i) parametric data to determine the intensity of the disaster; (ii) disaster impact, including the immediate economic damage and loss of life (as measured by absolute and relative number of affected persons, impact on gross domestic product, issuance of a United Nations Flash Appeal, etc.);<sup>5</sup> and (iii) the country's absorptive capacity. In determining whether DRF resources should be allocated to a particular intervention, ADB will assess (i) the eligibility criteria, (ii) the priority areas requiring post-disaster assistance and ADB's relative expertise and presence in the country, and (iii) the availability of resources to respond to the disaster from ADB's resources (programmed ADF or other) or otherwise (e.g., the government's resources or other donors).

8. **Processing instruments.** Loans and grants using DRF resources might be made available to eligible countries based on their ADF eligibility grouping and debt-distress classification.<sup>6</sup> Available special instruments may be utilized to process emergency projects. These instruments include (i) emergency assistance loans (EALs) or grants,<sup>7</sup> and (ii) additional financing loans or grants. While EALs must comply with ADB policies (including those on safeguards, procurement, financial management, and disbursement), flexible approaches may be applied to ensure the rapid processing, implementation, and disbursement of funds.

9. **Sizing the Disaster Response Facility.** Historically, emergency assistance lending has constituted 3%–5% of the total ADF allocation in ADF-only countries. However, this level of assistance has repeatedly been insufficient to meet the requirements in the disaster needs assessments. Based on historical and needs-based data, the DRF should be equal to about 3% of the PBA resources. The DRF may also be opened to additional donor contributions if a disaster turns out to be of a greater magnitude than initially anticipated. The additional DRF contributions would be processed in accordance with ADF additional contribution procedures.

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<sup>5</sup> This information may be drawn from government and other resources, including the damage and deeds assessment.

<sup>6</sup> ADB. 2007. *Revising the Framework for Asian Development Fund Grants*. Manila.

<sup>7</sup> Emergency assistance loans may include quick-disbursing components but are not program loans. Quick-disbursing components of an EAL should only be used to finance a list of imports identified as necessary for an effective recovery program. Disbursements should be allowable up to 100% of eligible project costs. These components are expected to be moderate in size.

**Figure A5: Disaster Response Facility Allocation Process Chart**

