



Report and Recommendation of the President to the Board of Directors

Project Number: 49038-001
June 2015

Proposed Loan and Technical Assistance Grant Islamic Republic of Pakistan: Flood Emergency Reconstruction and Resilience Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 May 2015)

Currency unit	–	Pakistan rupee/s (PRe/PRs)
PRe1.00	=	\$0.01
\$1.00	=	PRs100

ABBREVIATIONS

ADB	–	Asian Development Bank
DRM	–	disaster risk management
EAL	–	emergency assistance loan
EARF	–	environmental assessment and review framework
FMA	–	financial management assessment
LARP	–	land acquisition and resettlement plan
PAM	–	project administration manual
PCU	–	project coordination unit
PID	–	provincial irrigation department
PIU	–	project implementation unit
TA	–	technical assistance
UN	–	United Nations

NOTE

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


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CONTENTS

	Page
PROJECT AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	3
C. Outputs	3
D. Investment and Financing Plans	3
E. Implementation Arrangements	4
III. TECHNICAL ASSISTANCE	6
IV. DUE DILIGENCE	7
A. Technical	7
B. Economic and Financial	7
C. Governance	7
D. Poverty and Social	8
E. Safeguards	8
F. Risks and Mitigating Measures	9
V. ASSURANCES AND CONDITIONS	10
VI. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	14

PROJECT AT A GLANCE

1. Basic Data		Project Number: 49038-001	
Project Name	Flood Emergency Reconstruction and Resilience Project	Department /Division	CWRD/PRM
Country	Pakistan	Executing Agency	Planning & Development Department (P&D)
Borrower	Government of Islamic Republic of Pakistan		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
Agriculture, natural resources and rural development	Rural flood protection		75.72
Transport	Road transport (non-urban)		144.32
	Total		220.04
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	High
Environmentally sustainable growth (ESG)	Disaster risk management		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Pilot-testing innovation and learning	Effective gender mainstreaming (EGM)	
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	High
		Urban	Medium
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		220.04	
Sovereign Project loan: Ordinary capital resources		218.04	
Sovereign Capacity development technical assistance: Technical Assistance Special Fund		2.00	
Cofinancing		0.00	
None		0.00	
Counterpart		24.23	
Government		24.23	
Total		244.27	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed loan to the Islamic Republic of Pakistan for the Flood Emergency Reconstruction and Resilience Project, and (ii) proposed technical assistance (TA) for Capacity Building of Institutions Handling Disasters.¹

2. The project will contribute to the economic recovery of flood-affected districts in Punjab Province and other flood-affected districts through the rehabilitation and reconstruction of high-priority infrastructure damaged and weakened during the floods in September 2014.² The project will also support capacity building for disaster risk management (DRM) to mainstream resilience in development planning. Reconstruction of damaged and at-risk infrastructure in the flood-affected areas will use appropriate and cost-effective multihazard-resistant design and construction standards to mitigate the potential impact of future disasters.

II. THE PROJECT

A. Rationale

3. A late and concentrated monsoon, coupled with high flows in Pakistan's eastern rivers, resulted in flooding in the northern regions of Pakistan, and Punjab and Sindh provinces in September 2014. The flood affected 44 districts, and led to the displacement of more than 2.5 million people. Major displacement and damage in central Punjab resulted in 367 deaths, and injured more than 600 people. Nearly 110,000 houses were partially damaged or destroyed, and more than 445,154 hectares of agricultural land was damaged, affecting 250,000 farmers. This resulted in the loss of standing food, fodder, or cash crops. Nonfarm sources of livelihoods and services were also affected, including many small enterprises, manufacturing and processing businesses, and loss of wage employment due to disruption of the economy.

1. Damage, Loss, and Needs Assessment

4. The relief phase has been completed successfully. The cost of the relief effort was not collated because a major portion of the inputs were provided in-kind and the remaining cost came from various independent government and United Nations (UN) agencies. Federal government authorities and the Government of Punjab undertook initial surveys and assessments to determine immediate needs of the affected population for the recovery effort. The National Disaster Management Authority, provincial disaster management authorities, and UN agencies conducted a multisector recovery needs assessment. The assessment estimates recovery needs at \$439.7 million, including \$56.2 million for building resilience of the affected population and their productive assets. The assessment focused on early recovery of livelihoods, housing, social sectors, and community infrastructure. Over 50% of this cost was for housing and livelihood restoration of the affected population and another 40% for community infrastructure, health, water, and resilience. In November 2014, the Government of Pakistan formally requested the Asian Development Bank (ADB) and the World Bank to prepare damage and needs assessments. Instead, ADB and the World Bank agreed to assist the respective governments in preparing their own damage assessments to develop their internal capacity considering the recurring nature of disaster in Pakistan. The damage assessment reports focus on public assets, and data from these reports provide the basis for this project.

¹ The design and monitoring framework is in Appendix 1.

² Other flood-affected districts include Haveli, Kotli, and Poonch.

5. The 2014 Flood Damage Assessment Report prepared for the districts of Haveli, Kotli, Poonch, and other flood-affected districts in the region, estimates the overall reconstruction cost of the flood damage to public infrastructure at \$123.87 million, of which \$67.55 million (55%) represents the reconstruction cost of roads and bridges. In Punjab Province, the flood resulted in approximately \$136.87 million in reconstruction cost for damage to public infrastructure in the social and economic sectors, of which over \$104 million (75%) represents damage to transport and irrigation, drainage, and flood protection. Damage in all other sectors was less significant.³

2. Government and Development Partner Response

6. At the start of the flood, the National Disaster Management Authority and local disaster management authorities with support of the Flood Forecasting Division of the Pakistan Meteorological Department, Provincial Rescue 1122, the Army, district administrations, and the UN led the initial rescue and relief efforts. The national and local governments declared an emergency in the most affected districts. Local and international nongovernment organizations mobilized to provide assistance. UN-supported early recovery field-based sector clusters were established in the most flood-affected districts.

7. The government convened several donor meetings during September–December 2014 to inform the donor community about the flood situation and discuss the role of donors in the damage assessment, relief, recovery, and reconstruction efforts, and possible funding instruments for the reconstruction efforts. The Ministry of Finance is leading the ongoing national coordination effort through regular meetings with donors. Multilateral agencies like ADB, the UN, and the World Bank are providing regular updates and briefings to all international stakeholders on the status of recovery and reconstruction activities in the country. The planning and development departments of the flood-affected regions are leading the coordination effort of relief and reconstruction in their domain, with support of the disaster management authorities. The World Bank has prepared a \$150 million emergency loan to partly support the reconstruction of resilient community, energy, and urban infrastructure after the 2014 floods. A major part of the loan supports DRM capacity building and early warning capacity. The Japan International Cooperation Agency is also focused on supporting early warning and DRM technical capacity building. However, a major part of the needs for early recovery and reconstruction remains unfunded, except for a portion in Punjab, which is being funded through the diversion of development funds from other projects. Most of the houses, bridges, and flood-protection works have still not been repaired or reconstructed, and livelihood of the affected population remains affected due to losses incurred as a result of the flood and challenges related to access and vulnerability of their assets and farm lands to future disasters.

3. The Borrower's Request

8. The government asked ADB for a 3-year emergency assistance loan (EAL) to restore priority infrastructure.⁴ Processing of the EAL exceeded the 12-week requirement in order to comply with internal procedures for projects located in a disputed area. The project meets the requirements for an EAL as (i) it was prepared in response to an official government request for assistance; (ii) the project scope is based on priorities in the government's damage assessment, which does not include program lending or quick-disbursing components; (iii) it focuses on the transitional phase of the emergency response for rehabilitation and reconstruction of priority

³ These figures underwent a third-party validation process by the Punjab Planning and Development Department, but do not reflect the additional cost needed to make the structures resilient against future disasters since the Communication and Works Department and Provincial Irrigation Department only estimated the cost of restoration of these structures to pre-flood levels.

⁴ Letter dated 2 March 2015 from the Economic Affairs Division, Ministry of Finance, Government of Pakistan.

roads, bridges, irrigation, and flood management infrastructure damaged by the floods to complement humanitarian relief efforts by other development partners and to restore productivity and economic activity; (iv) the cost burden and risk-sharing by the government and other partners like the World Bank is appropriate; and (v) by providing financing for the most urgently needed works, the loan and associated TA will enable the government to redirect its own financing to housing and livelihood cash grants for the most vulnerable groups, thus restoring the economic activity essential to their survival. ADB's Disaster and Emergency Assistance Policy provides for an EAL implementation period of up to 2 years for natural disasters.⁵ It may be exceptionally extended for, at most, 2 additional years if the destruction and dislocation are deemed extreme. As the flood damage is widely spread over 44 districts (about 40% of the country) in some of the most densely populated areas, the 3-year implementation period requested by the government for the EAL is justified.

B. Impact and Outcome

9. The impact will be economic and social recovery from the 2014 floods by 2018. The outcome will be the restoration and reconstruction of critical public and social infrastructure to multihazard resilience standards.

C. Outputs

10. The project will address immediate losses to priority assets and restore capacity and productivity, rather than providing relief or comprehensive reconstruction. The priority infrastructure included in the project scope is a lifeline for livelihoods and socioeconomic activity of the affected population before the floods; its sustainability during future flood seasons is critical. The project will adopt a systematic approach to disaster management by focusing on institutional capacity for disaster vulnerability and risk assessment, mainstreaming DRM in the development planning process, and ensuring resilient infrastructure to adapt to and mitigate the impact of future natural hazard events. This will be achieved in close partnerships with key national and international stakeholders to pool resources and maximize synergies for effective emergency aid. Project outputs include the following:

- (i) Output 1: Flood-damaged roads and bridges in Punjab Province and the districts of Haveli, Kotli, and Poonch reconstructed. The component will focus on rehabilitating major arterial and district roads and bridges to multihazard-resilience standards.
- (ii) Output 2: Flood-resilient irrigation and flood management infrastructure in Punjab Province implemented. The component will focus on reconstructing and upgrading priority irrigation, drainage, and flood management structures in the flood-affected districts of Punjab to multihazard-resilience standards.
- (iii) Output 3: DRM strengthened. This will involve (a) human and institutional capacity development and strengthening of the DRM interface with districts (downward) and other mandated institutions, (b) multihazard risk assessment data and system development, and (c) pilot subprojects for mitigation and adaptation.

D. Investment and Financing Plans

11. The project is estimated to cost \$242.27 million (Table 1). ADB financing of \$218.04 million will be required for the project. Detailed cost estimates are in the project administration manual (PAM).⁶

⁵ ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila.

⁶ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Roads and bridges	124.66
2. Irrigation and flood management structures	53.54
3. Disaster risk management	7.27
4. Project management and evaluation	18.20
Subtotal (A)	203.67
B. Contingencies^c	27.93
C. Taxes, Duties, and Financing Charges^d	10.67
Total (A+B+C)	242.27

^a Includes taxes and duties of \$2.38 million to be financed from government resources in the form of cash.

^b In mid-2015 prices.

^c Physical contingencies computed at 7.75% for civil works. Price contingencies calculated based on Asian Development Bank (ADB) cost escalation factors.

^d Includes interest and commitment charges. Interest during construction for the ADB loan is computed at the 3-year fixed-swap forward London interbank offered rate plus a spread of 0.35%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

12. The Government of Pakistan has requested a loan of \$218.04 million from ADB's ordinary capital resources to help finance the project.⁷ The loan will have a 24-year term, including a grace period of 4 years, custom-tailored repayment method, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year (the interest and other charges during construction will be capitalized in the loan), and such other terms and conditions set forth in the draft loan and project agreements. Based on this, the average loan maturity is 15.93 years and the maturity premium payable to ADB is 0.10% per annum.

13. The government will contribute \$24.23 million of its own resources to pay for civil works, taxes, and duties. The financing plan is in Table 2.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (loan)	218.04	90.0
Government	24.23	10.0
Total	242.27	100.0

Source: Asian Development Bank estimates.

E. Implementation Arrangements

14. Separate implementation arrangements are provided for the project in Haveli, Kotli, and Poonch districts and Punjab Province. Each region will have a separate project steering committee, and executing and implementing agencies. Project steering committees will be established to provide policy direction, strategic oversight, and interagency coordination. For the portion of the project to be implemented in Haveli, Kotli, and Poonch districts, the Ministry of Kashmir Affairs and Gilgit Baltistan will be the executing agency. The implementing agencies will be the designated (i) Planning and Development Department for the DRM strengthening

⁷ The ADB loan may finance local transportation and insurance costs, and recurrent costs.

component; (ii) Communication and Works Department for reconstruction of the roads (and bridges), and surveys and landslide work; and (iii) Department of Forestry, Fisheries and Wildlife for landslide management, focused on bio-engineering measures along major corridors and roads included in the project scope. For Punjab Province, the Planning and Development Department will be the executing agency, while the implementing agencies will be (i) the Provincial Irrigation Department (PID) for the irrigation and flood management component, (ii) Communication and Works Department for the roads component, and (iii) provincial disaster management authorities and Planning and Development Department for the provincial DRM component.

15. **Procurement.** Given the urgent project needs, procurement of goods, works, and services will be carried out in a manner consistent with the simplified and expedient procedures permitted under ADB's Disaster and Emergency Assistance Policy in addition to ADB's Procurement Guidelines (2015, as amended from time to time), and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). For Punjab, some procurement has already taken place under the extreme emergency and as advance procurement by the field offices of the Communication and Works Department and PID. Project management consultants for the Communication and Works Department and PID will be recruited through single-source selection and awarded time-based contracts for design and construction supervision. Consulting firms previously engaged under ADB-funded projects could be considered for recruitment through single-source selection. Except for shopping, ADB will require prior review of all civil works, consulting services, and supply contracts. Audits will be conducted on a regular basis. ADB's Pakistan Resident Mission will provide oversight and guidance on procurement.

16. **Advance contracting and retroactive financing.** Advance contracting will be considered for works to ensure serviceability of key infrastructure. Retroactive financing will be allowed with an overall cap of 30% of the total loan and applicable only to eligible expenditures incurred after the emergency (3 September 2014) and not earlier than 12 months before the date of the loan agreement. ADB will consider retroactive financing of contracts that meet the selection criteria provided in the PAM. In general, retroactive financing will be subject to ADB review establishing (i) soundness of the procurement process, (ii) price verification of awarded contracts against market norms, and (iii) random physical verification.

17. The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 7).

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	July 2015–June 2018
Estimated completion date	30 June 2018 (loan closing date is 30 December 2018)
Management	
(i) Oversight bodies	Steering committee (for Haveli, Kotli, and Poonch districts) Additional chief secretary, planning and development (chair) Joint secretary, Economic Affairs Division; joint secretary, Planning Commission; joint secretary, Ministry of Kashmir Affairs and Gilgit Baltistan; secretary, Communication and Works Department; secretary, Irrigation Department; secretary, Forest, Wildlife and Fisheries Department; secretary, Finance Department; director general, Disaster Management Authority; director, Land Use Planning Unit; project coordinator, Planning and Development Department (also serves as secretary of the steering committee)

Aspects	Arrangements		
	Steering committee (for Punjab Province) Chair, Planning and Development Board (chair) Joint secretary, Economic Affairs Division; joint secretary, Planning Commission; secretary, Communication and Works Department; secretary, Irrigation Department; secretary, Finance Department; member, Infrastructure, Planning and Development Department (also serves as secretary of the steering committee); director general, Provincial Disaster Management Authority; chief executive officer, Urban Unit		
(ii) Executing agencies	Ministry of Kashmir Affairs and Gilgit Baltistan; Planning and Development Department (Punjab)		
(iii) Key implementing agencies	Planning and development departments; communication and works departments; Punjab Irrigation Department; Punjab Disaster Management Authority; Forest Department for the districts of Haveli, Kotli, and Poonch		
Procurement	National competitive bidding	56 contracts	\$90.50 million
	Shopping	Multiple contracts	\$1.00 million
Consulting services	Selection method SSS	3 contracts	\$5.53 million
	Selection method QCBS	2 contracts	\$4.24 million
	Individual consultants	154.3 person-months	\$0.95 million
Retroactive financing and advance contracting	Advance contracting will be initiated for the recruitment of consultants and procurement of works. Retroactive financing of no more than 30% of the loan proceeds for expenditures that have been incurred and paid for after the emergency occurred but not earlier than 12 months prior to the signing of the loan agreement. Advance contracting and retroactive financing will be subject to ADB's Procurement Guidelines (2015, as amended from time to time), in particular, para. 3.3.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, QCBS = quality- and cost-based selection, SSS = single-source selection.
Source: Asian Development Bank estimates.

III. TECHNICAL ASSISTANCE

18. The ADB-administered TA for Capacity Building of Institutions Handling Disasters is estimated to cost \$2.2 million. ADB will provide a grant of \$2.0 million from ADB's Technical Assistance Special Fund (TASF-V).⁸ The government will provide the remaining funds in the form of staff, office, utilities, and other in-kind contributions. The TA will be implemented over 3 years (July 2015–June 2018). The executing agency will be the Ministry of Kashmir Affairs and Gilgit Baltistan; Planning and Development Department (Punjab). The grant will finance 8 person-months of international consultants and 245 person-months of national consultants. The objectives of the TA are to (i) kick-start all essential project management functions, (ii) maintain higher due diligence capacity for all aspects of project operations to allow fast-track implementation of the emergency loan, and (iii) shift the focus of DRM activities from responsive to disaster preparedness, mitigation, and adaptation. The TA will allow individual consultants to be hired for project implementing agencies to (i) establish management systems in implementing agencies, including monitoring, procurement, financial management, and reporting; (ii) augment social safeguards, procurement, contract management, and technical due diligence capacity of implementing agencies to fast-track implementation; and (iii) develop linkages to enhance DRM capacity, coordinate disaster risk assessment and mapping activities, and share DRM knowledge. The services will help the implementing agencies to fast-track implementation while ensuring quality, especially during early project stages.

⁸ Attached Technical Assistance (accessible from the list of linked documents in Appendix 2).

IV. DUE DILIGENCE

A. Technical

19. All subprojects to be financed by the project will be approved by the department, provincial or central development working party of the government depending on their scope and cost. These forums will ensure that all subprojects meet the multihazard resistant design standards required to protect them from future disasters. Before loan approval, third-party validation consultants already hired by the Planning and Development Department will undertake the design review for retroactive work to be undertaken in Punjab, to ensure multihazard resistant design (except minor repairs below \$10,000 equivalent). The technical due diligence staff to be hired under the TA grant will undertake sample-based design and completion validation of retroactively financed subprojects after loan approval. The project management consultant to be hired under the loan will be responsible for design and resident construction supervision of all subprojects after loan approval. ADB will not finance any subproject that does not conform to the multihazard design criteria. The technical due diligence consultants hired under the TA grant will undertake quarterly review of ongoing and completed works, verifying quality and design resilience and recommending improvements where required.

B. Economic and Financial

20. In accordance with ADB's Disaster and Emergency Assistance Policy, economic analysis of the project and subprojects must be conducted before the start of project implementation. An economic analysis of the project is under way and is being conducted in accordance with ADB guidelines. The analysis is expected to confirm that project investments are economically viable as they will restore economic activities that existed before the floods and improve the resilience of basic infrastructure to allow sustained access and protection from future floods, thereby improving the economic well-being of affected regions. Accordingly, only subprojects that meet ADB guidelines will be approved.

C. Governance

21. As confirmed by Punjab's public financial management assessment (FMA) conducted jointly by ADB, the World Bank, and the Department for International Development of the United Kingdom, ADB notes that Punjab has a well-defined budgeting process in terms of the Annual Development Program (development budget), and acceptable accounting standards for formulating and reporting the budget and for recording the current and development expenditure and revenue. While no formal public FMA has been conducted for the districts of Haveli, Kotli, and Poonch by any of the international financial institutions, a detailed FMA was conducted for the executing and implementing agencies for Haveli, Kotli, and Poonch districts during project preparation. The FMA notes that the government's established budgetary, accounting, and financial reporting and auditing systems and procedures are functioning effectively in Haveli, Kotli, and Poonch districts. The FMA notes that internal audit units need to be operationalized for all executing and implementing agencies. The project coordination units (PCUs) and project implementation units (PIUs) should have adequate accounting and finance staff prior to commencing loan disbursements. The various risks and mitigation measures are included in the detailed FMA, while key risks are set out in the risk assessment and management plan. On the whole, the FMA assesses the premitigation financial management risk to be substantial. Key issues are adequate staffing of PCUs and PIUs, capacity building of staff, and operationalization of the internal audit functions. Proper staffing will be a condition precedent to disbursements. ADB's Pakistan Resident Mission staff will train the PIU and PCU staff upon commencement of project implementation.

22. Overall project procurement risk is assessed as medium. PID has enough capacity locally to undertake procurement activities according to Punjab Procurement Rules 2014. The Punjab Communication and Works Department has separate field offices to look after the flood damage of provincial highways and district roads. The field offices have already completed the emergency works under extreme urgency (to be considered for retroactive financing) and have initiated procurement processes for the remaining subprojects as advance contracting under Punjab Procurement Rules. The Communication and Works Department for the districts of Haveli, Kotli, and Poonch will use standard ADB bidding documents for small works in case of civil works contracts of district roads. The Department of Forestry, Fisheries and Wildlife will apply local procurement procedures under force account for the land stabilization activity.

23. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the executing and implementing agencies. The specific policy requirements and supplementary measures are described in the PAM (footnote 7).

D. Poverty and Social

24. Social and gender dimensions, as detailed in the summary poverty reduction and social strategy, include (i) providing incentives to contractors to hire workers from the flood-affected population; (ii) under the DRM component, incorporating poverty and social issues in the multihazard risk assessment and mapping exercise, which will provide information for developing inclusive and pro-poor strategies and plans for social protection, disaster-risk reduction, preparedness, and post-disaster response; (iii) including safety measures for the local population in project design for road reconstruction as part of the "build back better" approach; (iv) piloting projects that mitigate the disaster risks such as landslides in Haveli, Kotli, and Poonch districts, and breaches in flood protection bunds in Punjab; and (v) conducting community awareness-raising campaigns targeting poor segments of the population on disaster-risk reduction, preparedness, and response.⁹ The project is categorized as effective gender mainstreaming, and a gender action plan ensuring women's participation and benefits was developed. All these provisions will be tracked through the project's monitoring and evaluation system.

E. Safeguards

25. **Social safeguards.** Reconstruction activity for roads, bridges, and irrigation will remain within existing rights-of-way and locations. Therefore, land acquisition is not envisaged for subprojects in these areas, although some resettlement impacts may still need compensation. Flood protection works may need some land acquisition for which land acquisition and resettlement plans (LARPs) will be prepared (as required) in accordance with ADB's Safeguard Policy Statement (2009). Based on information from the government, the land acquisition and resettlement impacts are expected to be insignificant, and the project is categorized B for involuntary resettlement and C for indigenous peoples as no indigenous peoples exist in or around the project areas. A land acquisition and resettlement framework, prepared in accordance with ADB's Safeguard Policy Statement (2009), will guide the process of preparation, disclosure, implementation, and monitoring of LARPs. In view of EAL provisions, the procedural flexibility allowed under ADB's Safeguard Policy Statement (2009) for emergency loans was applied for preparing a framework and subproject resettlement plans after approval of the loan by the ADB Board of Directors. Contract packages will be designed post-Board approval and LARPs (where required) will be prepared, implemented, and monitored in accordance with ADB's Safeguard Policy Statement (2009) and subproject selection criteria.

⁹ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

26. **Environmental safeguards.** The project is categorized B for environment. The works of all proposed subprojects are to be carried out within existing rights-of-way. As the portfolio is spread over a wide area and subprojects are not fully screened, an environmental assessment and review framework (EARF) was prepared to provide policy and procedural guidelines for the preparation, implementation, and monitoring of environmental assessments for individual subprojects. The EARF complies with applicable national and provincial laws and regulations extended by the Pakistan Environment Protection Act 1997, ADB’s Safeguard Policy Statement (2009), Disaster and Emergency Assistance Policy, and other applicable ADB *Operations Manual* components. The implementing agencies, supported by expert consultants, are responsible for compliance with the EARF, ADB’s Safeguard Policy Statement (2009), and the loan and project agreements. Rapid environmental assessment checklists will be applied to all subprojects. Due to the limited environmental impacts in the irrigation and transport sectors (district and provincial roads), the EARF includes a sector approach to the preparation of initial environmental examinations, which will ensure faster approval without compromising compliance standards.

27. **Climate change.** As a developing country with high dependence on agriculture and vulnerability to flooding, Pakistan faces high risks from climate change.¹⁰ The 2014 flood event and associated deaths and impacts to livelihoods, agriculture, and infrastructure highlight this vulnerability, which may be exacerbated by higher temperatures and increased precipitation in the future.¹¹ In the initial rapid environmental assessment climate checklist, the project was flagged to be potentially at high risk to future climate change, due in part to the flood-prone nature of its location. In its “build back better” approach to the reconstruction of the flood-damaged transport and water management infrastructure, during implementation the project will improve climate resilience by assessing the risks of future climate change and incorporating appropriate and feasible adaptation options in the project design.¹² The project will also support multihazard vulnerability and risk assessments in the affected area to guide this work, as well as support the development and establishment of climate change capacity within the executing and implementing agencies.

F. Risks and Mitigating Measures

28. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.¹³ The integrated benefits and impacts are expected to outweigh the costs.

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
The internal audit process is not fully operationalized for the executing and implementing agencies in Punjab Province and the districts of Haveli, Kotli, and Poonch.	The federal and provincial governments have assured that internal audit units will be fully operationalized prior to loan effectiveness. ADB will closely monitor compliance before disbursements are commenced.

¹⁰ Government of Pakistan. 2003. *Pakistan’s Initial National Communication on Climate Change*. Islamabad.

¹¹ ADB. 2009. *Country Partnership Strategy: Pakistan, 2009–2013*. Manila.

¹² The concept of “build back better” refers to rebuilding/upgrading to applicable multi-hazard resistant standards.

¹³ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigating Measures
PCUs and PIUs lack adequately qualified finance and accounting staff to ensure good project financial management.	The federal and provincial governments have assured that the required staff will be posted immediately after the PCUs and PIUs are set up. ADB will closely monitor compliance before disbursements are commenced.
The executing and implementing agencies lack sufficient systems to mitigate fraudulent practices.	At the project level, the two project steering committees will periodically monitor implementation and will issue minutes of steering committee meetings. ADB's prior review of consultancy and works contracts and direct payment and post-review for shopping contracts will reduce the related risks.
Implementing agencies lack familiarity with ADB procurement and consulting services guidelines.	Dedicated staff with knowledge of ADB procurement guidelines and with procurement capacity hired through the technical assistance grant will be placed in the PIU of each implementing agency and be responsible for preparing procurement documents and guiding the procurement of goods, works, and services; ADB will hold procurement clinics for implementing agencies to provide hands-on guidance.

ADB = Asian Development Bank, PCU = project coordination unit, PIU = project implementation unit.
Source: Asian Development Bank.

V. ASSURANCES AND CONDITIONS

29. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

30. The government has agreed with ADB on certain covenants for the project, which are set forth in the loan agreement and project agreements.

VI. RECOMMENDATION

31. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the loan of \$218,040,000 to the Islamic Republic of Pakistan for the Flood Emergency Reconstruction and Resilience Project, from ADB's ordinary capital resources, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 24 years, including a grace period of 4 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements presented to the Board; and
- (ii) the provision of technical assistance not exceeding the equivalent of \$2,000,000 to the Government of Pakistan for Capacity Building of Institutions Handling Disasters.

Takehiko Nakao
President

23 June 2015

DESIGN AND MONITORING FRAMEWORK

Impacts the project is aligned with:
Economic and social recovery from the 2014 floods by 2018 (National Disaster Management Plan 2012–2022)^a

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome</p> <p>Restoration and reconstruction of critical public and social infrastructure to multihazard resilience standards</p>	<p>a. By the end of 2018, traffic volume of all type of vehicles in 23 flood-affected districts is equal or more than pre-flood levels (baseline 2013/14)</p> <p>b. By the end of 2018, production of major crops in Punjab equals or is more than pre-flood levels (baseline: 2013/14, in '000 tons: Wheat: 18,000 Sugarcane: 43,000 Cotton: 8,900)</p>	<p>Progress reports of Communication and Works Department and subproject completion reports.</p> <p>Federal and provincial government statistics on agriculture and cultivated land</p> <p>Punjab Agriculture Department reports</p>	<p>Factors such as security restrict access to the project area.</p> <p>Rules restricting access to GIS data are re-invoked, restricting access to information.</p> <p>Competing priorities continue to minimize investment in DRM in terms of budget allocation.</p>
<p>Outputs</p> <p>1. Flood-damaged roads and bridges in Punjab Province and the districts of Haveli, Kotli, and Poonch reconstructed</p>	<p>1a. By the end of 2018, 1,740 km of damaged provincial highways and district roads repaired, rehabilitated, and reconstructed</p> <p>1b. By 2018, 173 km of roads and bridges include safety measures that are friendly to women, children, the elderly, and persons with disabilities</p>	<p>1a. Progress reports provided by the Communication and Works departments and the Planning and Development Departments</p> <p>1b. Progress reports and Gender Action Plan</p>	<p>Logistics constraints, including availability of construction materials, delay construction.</p>
<p>2. Flood-resilient irrigation and flood management infrastructure in Punjab Province implemented</p>	<p>2a. At least 90% of selected flood protection and irrigation structures damaged by 2014 floods reconstructed and made more resilient by 2018</p>	<p>2a. Punjab Planning and Development Department and PID progress reports</p>	<p>Security concerns affect the mobility of consultants and contractors.</p>

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. DRM strengthened	<p>3a. 200 hectares of active slide area along major road corridors treated through bio-engineering interventions by 2018</p> <p>3b. Enhanced safety procedures for dams and flood protection structures institutionalized in PID by 2018</p> <p>3c. Land-slide risk mitigation measures include procurement of 30% of the forest nurseries owned by women</p> <p>3d. Gender-disaggregated data and analysis of multihazard vulnerability and risk assessments available for 20 most vulnerable districts by 2018</p>	<p>3a. Project progress reports</p> <p>3b. PID reports</p> <p>3c. Project progress reports</p> <p>3d. Gender Action Plan</p>	<p>Rules restricting access to GIS data are re-invoked, restricting access to information.</p> <p>Federal DRM advisory group is unable to develop a common understanding on the scope and methodology of the MHVRA.</p>
<p>Key Activities with Milestones</p> <p>1. Flood-damaged roads and bridges in Punjab Province and the districts of Haveli, Kotli, and Poonch reconstructed</p> <p>1.1 Prepare procurement documents by 31 October 2015.</p> <p>1.2 Establish monitoring and grievance redress system by 30 September 2015.</p> <p>1.3 Recruit and mobilize project management, supervision, and design consultant by 31 December 2015.</p> <p>1.4 Design 10 contract packages by 31 March 2016.</p> <p>1.5 Award civil works contracts for all subprojects by 30 June 2016.</p> <p>1.6 Implement and complete civil works by 30 June 2018.</p> <p>2. Flood-resilient irrigation and flood management infrastructure in Punjab Province implemented</p> <p>2.1 Recruit and mobilize project management and supervision consultant by 30 September 2015.</p> <p>2.2 Prepare procurement documents by 31 October 2015.</p> <p>2.3 Establish monitoring and grievance redress system by 30 September 2015.</p> <p>2.4 Award civil works contracts for all subprojects by 30 June 2016.</p> <p>2.5 Complete civil works by 30 June 2018.</p>			

<p>Key Activities with Milestones</p> <p>3. DRM strengthened</p> <p>3.1 Procure GIS software and hardware by 31 March 2016.</p> <p>3.2 Undertake bio-engineering protection works on slides by 31 March 2018.</p> <p>3.3 Prepare procedures for safety inspection of dams, dikes, and flood protection works by 30 April 2016.</p> <p>3.4 Safety inspection equipment is procured and revised inspection procedures for dams and 2,000 km of flood embankments are operational by 31 December 2016.</p> <p>3.5 Complete staff training and capacity building by 31 December 2017.</p> <p>3.6 Conduct disaster risk and vulnerability assessment surveys in 16 to 20 most vulnerable districts by 31 December 2017.</p> <p>3.7 Draft climate change mitigation and adaptation action plan by 31 December 2016.</p> <p>3.8 Integrate DRM plans with development planning database by 31 March 2018.</p> <p>3.9 Approve and complete MHVRA scope and methodology in 16 to 20 most vulnerable districts, and develop mitigation and adaptation plans by 31 March 2018.</p> <p>4.0 Procure common DRM and planning database, software, and hardware by 30 June 2016.</p> <p>Project Management Activities</p> <p>Project offices fully staffed by 30 September 2015.</p> <p>ADB finalizes terms of reference and work plans for individual consultants for at least three TA consultants for each implementing agency before 30 July 2015.</p> <p>At least one TA consultant for each implementing agency hired and mobilized by 31 August 2015.</p> <p>First safeguard (environment, social, and gender) monitoring report produced by 30 October 2015.</p> <p>Project performance management system developed under the TA by March 2016.</p> <p>Project financial management system developed under the TA by 30 October 2015.</p> <p>First set of bidding documents submitted by all implementing agencies by 30 September 2015.</p> <p>A secure and access-controlled web portal for sharing of GIS-based MIS related to DRM developed under the TA by June 2018.</p>
<p>Inputs</p> <p>ADB: \$218,040,000, ordinary capital resources loan</p> <p>TA: \$2,000,000 grant, Technical Assistance Special Fund (TASF-V)</p> <p>Government: \$24,226,667</p>
<p>Assumptions for Partner Financing</p> <p>Not applicable</p>

ADB = Asian Development Bank, DRM = disaster risk management, GIS = geographic information system, km = kilometer, MHVRA = multihazard vulnerability and risk assessment, MIS = management information system, PID = provincial irrigation department, TA = technical assistance.

^a National Disaster Management Authority. 2012. *National Disaster Management Plan*. Islamabad.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://adb.org/Documents/RRPs/?id=49038-001-3>

1. Loan Agreement
2. Project Agreements
3. Summary Assessment of Damage and Needs
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Emergency Assistance Coordination
7. Attached Technical Assistance
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Gender Action Plan
11. Environmental Assessment and Review Framework
12. Resettlement Framework
13. Risk Assessment and Risk Management Plan