

## **POST DISASTER NEEDS ASSESSMENT DRAFT EXECUTIVE SUMMARY**

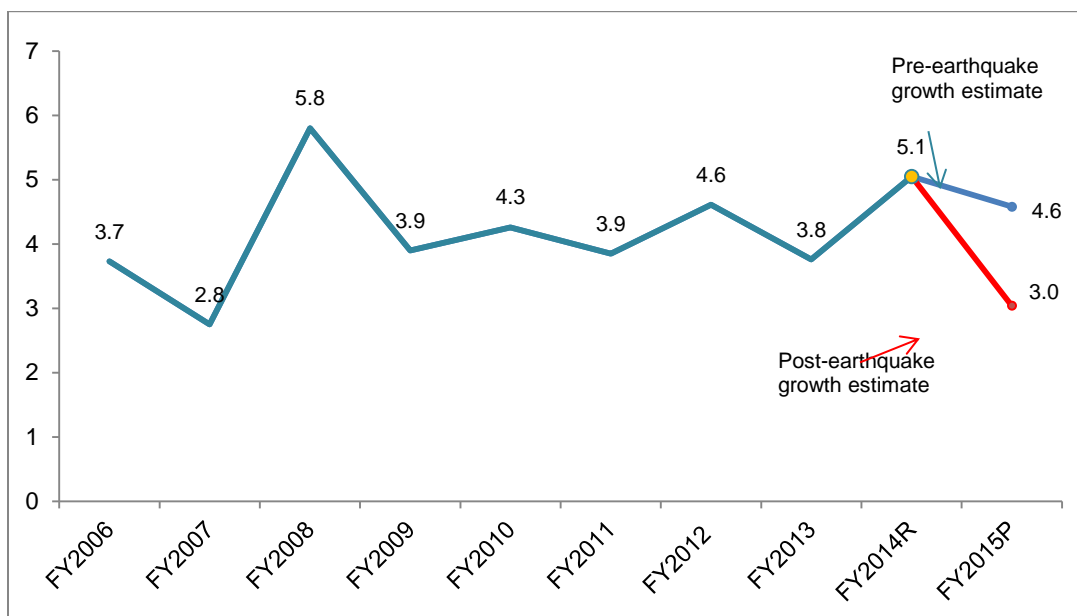
1. The National Planning Commission launched a Post-Disaster Needs Assessment (PDNA) on 15 May 2015. It consists of twenty-three clusters composed of officials from respective government agencies and development partners. The PDNA is scheduled to be completed on 15 June 2015 and presented at a donors' conference on 25 June 2015 in Kathmandu. ADB has a substantial role, either as lead or co-lead, in the education, transport, irrigation and macroeconomic impact assessment clusters.
2. The key objective of the PDNA is to assess the impact of the earthquake and chart out a holistic and viable recovery strategy. The PDNA will address areas such as funding implications, livelihood restoration, economy and services, rehabilitation and reconstruction of housing and infrastructure, while ensuring resilient recovery based on the outcomes of the Third UN World Conference on Disaster Risk Reduction, in particular the concept of "Build Back Better", among others. Finally, it will present recommendations on institutional mechanisms and policy options required for efficient, effective and resilient growth promoting reconstruction.
3. While the damage and needs assessment is ongoing, this note provides a summary of the latest development and preliminary estimates. A more firm estimate on losses and recovery costs will be available around mid-June 2015.
4. Forty-one of the country's 75 districts have been affected by the earthquake and its multiple aftershocks. The government declared 14<sup>1</sup> of these as severely affected for the purpose of prioritizing rescue and relief operations. According to preliminary estimates, the cumulative damage and loss to public and private property and infrastructure could be around \$7.2 billion, or about 34% of estimated FY2015 GDP (Table 1). An overwhelming majority of the estimated loss and damage has been to private property, such as residential houses, commercial buildings, farmland, and livestock. Public property such as roads, schools, utility, heritages, and hospitals has also suffered major damages in the severely affected districts.
5. The total economic cost would be higher than the direct estimate of the loss of property and physical infrastructure because the losses due to stalled industrial and services production are expected to be much higher in the coming months. A preliminary assessment shows that GDP growth in FY2015 (ends 15 July 2015) will likely be 1.5 percentage points lower than the estimated 4.6% in a no-earthquake scenario (Figure 1).<sup>2</sup> Since the earthquake struck in the tenth month of FY2015, it has affected agriculture, industry and services sectors in varying degrees. Agriculture, industry and services sectors are estimated to grow at 1.9%, 2.7% and 3.9% respectively. The sectoral growth estimate before the earthquake was 2.3%, 4.6% and 6%, respectively. In FY2016, GDP growth is expected to be around 4.5%, coming largely from the boost in aggregate demand (from cash transfers to the affected population as part of relief efforts), accelerated reconstruction of damaged infrastructure, and partial restoration of livelihoods in rural areas. Apart from the monsoon rains, remittance inflows and political situation, medium-term economic growth outlook is contingent upon the scope and pace of reconstruction efforts.

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<sup>1</sup> Gorkha, Rasuwa, Sindhupalchowk, Dolakha, Ramechhap, Kavrepalanchowk, Lalitpur, Bhaktapur, Kathmandu, Nuwakot, Makawanpur, Dhading, Sindhuli and Okhaldhunga.

<sup>2</sup> ADO 2015 had also estimated the same at basic prices in March. The already lower growth rate is due to the impact of the delayed and subnormal monsoon and the deceleration of remittance inflows in the first half of FY2015. Typically, Nepal's GDP growth is affected by remittance-induced consumption demand, especially in services sector, and the monsoon rains. Workers' remittances amounted to 28.2% of GDP in FY2014.

**Figure 1: GDP growth (at basic prices), %**



Source: Central Bureau of Statistics

6. In FY2015, Nepal's GDP is estimated to be \$21.6 billion, which is \$371 million less than what would have been in a no-earthquake scenario. Overall, gross output loss<sup>3</sup> is estimated at \$523 million in FY2015, 61% of which is accounted for by services sector. It amounts to about 2.4% of GDP. Meanwhile, per capita GDP decreased by \$23 compared to the no-earthquake scenario (in which case per capita income would have been \$785). Accordingly, real per capita income increased by just 0.6% against 3.6% in no-earthquake scenario.

7. The severely affected 14 districts account for about 13.6% of the total number of people living below the poverty line in Nepal. Among them, Dolakha, Makwanpur, Ramechhap, Rasuwa, Sindhuli, and Sindhupalchowk have higher poverty rates than the national average of 25.2%. Similarly, nine have human development index (HDI) score lower than the national average.

8. Preliminary estimates show that the income shock, as a result of the earthquake, will likely push an additional 700,000-982,000 people below the poverty line. This translates into an additional 2.5%-3.5% of the estimated population in 2015 pushed into poverty compared to the no-earthquake baseline scenario. About 50%-70% will come from rural central hills and mountains, where vulnerability prior to the earthquake was already high. The income shock is largely felt though the loss of income-generating opportunities/livelihoods (including death and injuries to primary wage earners) and the loss of housing, productive assets (seeds, livestock and farm equipment), and durable assets (assorted household items).

9. Beyond these monetary-based poverty estimates, a larger impact can be expected when factoring in multidimensional poverty, which includes additional factors such as inadequate and

<sup>3</sup> Gross output is the total value of all goods and services produced during the accountancy period (at basic prices). Intermediate consumption is the total value of goods and services consumed as inputs by production processes (at purchasers' prices). Gross value added is the difference between gross output and intermediate consumption. Finally, GDP is equal to gross value added plus taxes minus subsidies.

unreliable water and sanitation service provision, disruption of schools and health services, and the possibility of an uptick in food insecurity. The poor and vulnerable are particularly dependent on local infrastructure (roads, bridges, health posts and schools) for access to labor and commodity markets, and for accumulation of human capital (especially those of children). Reviving local economic activities and resumption of basic public services coupled with an accelerated implementation of reconstruction projects will be critical to make up for the set back on poverty reduction caused by the earthquake.

10. Furthermore, the progress towards achieving the Millennium Development Goals, on which Nepal was mostly on-track prior to the earthquake, is likely to be affected, given the widespread damage to houses, classrooms, and health posts, which have affected several million people and children, leaving them in urgent need of shelter, education, health, and water.

**Table 1: Estimated damage, loss and needs**

Item	Damage	Loss	Total (damage & loss)	Needs (recovery & reconstruction)
USD billion	5.1	2.1	7.2	6.7
Share of GDP (%)	24.1	10.1	34.1	31.3

Source: PDNA Secretariat, National Planning Commission; and Asian Development Bank.