



Report and Recommendation of the President to the Board of Directors

Project Number: 50181-001
June 2016

Proposed Loan Republic of Fiji: Emergency Assistance for Recovery from Tropical Cyclone Winston

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 June 2016)

Currency unit	–	Fiji dollar/s (F\$)
F\$1.00	–	\$0.4784
\$1.00	–	F\$2.090

ABBREVIATIONS

ADB	–	Asian Development Bank
CIU	–	construction implementation unit
DRF	–	disaster recovery framework
EAL	–	emergency assistance loan
GDP	–	gross domestic product
PDNA	–	post-disaster needs assessment
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Fiji ends on 31 July.
- (ii) In this report, "\$" refers to US dollars, unless otherwise stated.

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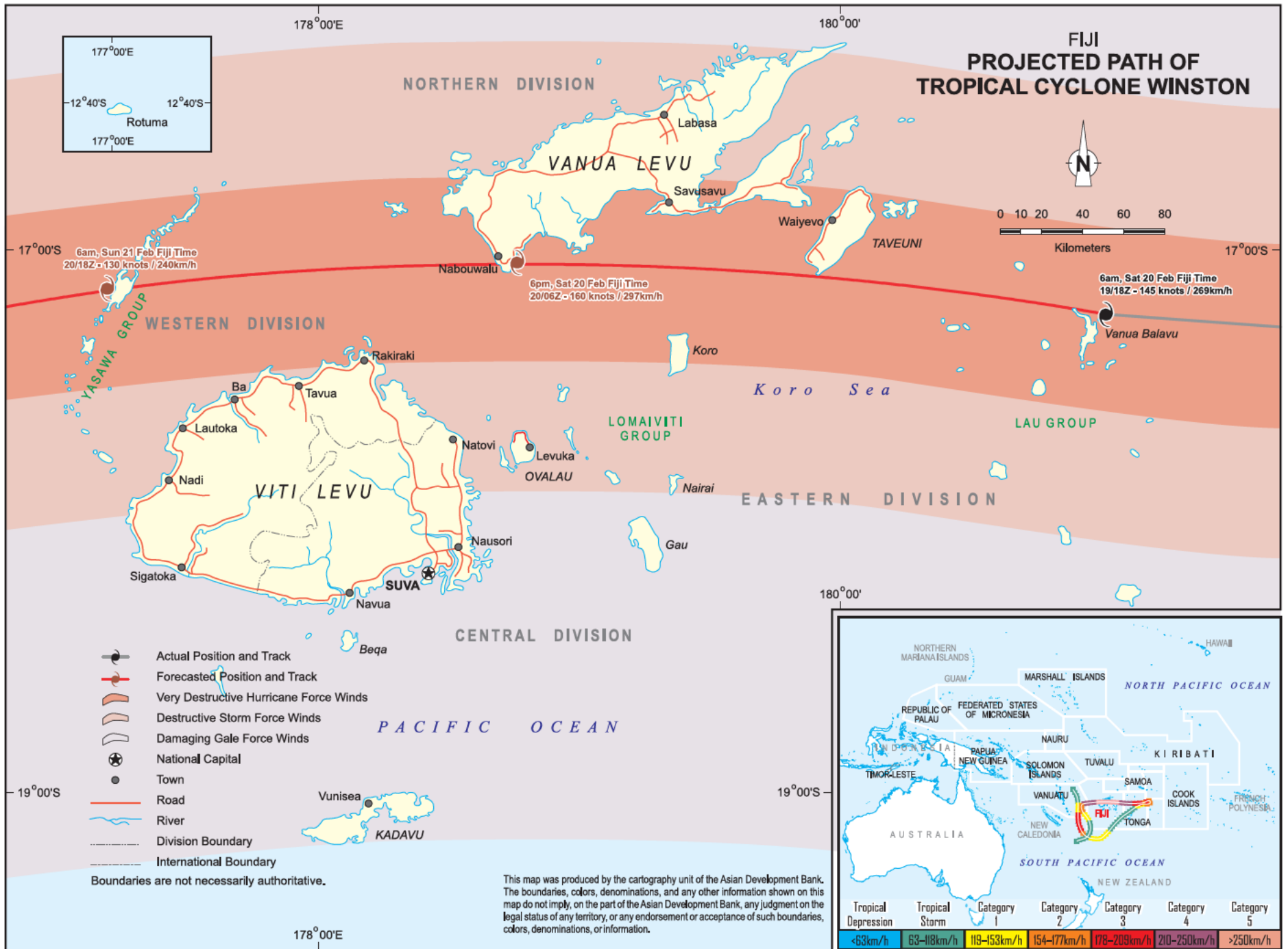
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CONTENTS

	Page
PROJECT AT A GLANCE	
MAP	
I. THE PROPOSAL	1
II. THE EMERGENCY ASSISTANCE LOAN	1
A. Rationale	1
B. Impact and Outcome	7
C. Outputs	7
D. Investment and Financing Plans	7
E. Implementation Arrangements	8
III. DUE DILIGENCE	8
A. Economic and Financial	8
B. Governance	8
C. Poverty and Social	8
D. Safeguards	8
E. Risks and Mitigating Measures	9
F. Technical Assistance	9
IV. ASSURANCES	9
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	12

PROJECT AT A GLANCE

1. Basic Data		Project Number: 50181-001	
Project Name	Emergency Assistance for Recovery from Tropical Cyclone Winston	Department /Division	PARD/SPSO
Country	Fiji, Republic of	Executing Agency	Ministry of Finance
Borrower	Republic of Fiji		
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Social protection initiatives		50.00
		Total	50.00
3. Strategic Agenda		Climate Change Information	
Subcomponents			
Inclusive economic growth (IEG)	Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Disaster risk management		
4. Drivers of Change		Gender Equity and Mainstreaming	
Components			
Governance and capacity development (GCD)	Public financial governance	No gender elements (NGE)	✓
Partnerships (PAR)	Official cofinancing Regional organizations		
5. Poverty Targeting		Location Impact	
Subcomponents			
Project directly targets poverty	Yes	Nation-wide	High
Household targeting (TI-H)	Yes		
6. Risk Categorization:		Complex	
7. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Sovereign Special assistance loan: Ordinary capital resources		50.00	
Cofinancing		50.00	
World Bank - Loan		50.00	
Counterpart		0.00	
None		0.00	
Total		100.00	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	



I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Republic of Fiji for Emergency Assistance for Recovery from Tropical Cyclone Winston. The emergency assistance loan (EAL) will support the Government of Fiji's fiscal response to provide additional funding for disaster-related recovery expenditure. The EAL will help to mitigate the adverse social and economic impacts of the cyclone on vulnerable people and households.¹

II. THE EMERGENCY ASSISTANCE LOAN

A. Rationale

2. **Description of the emergency.** Tropical Cyclone Winston, the second most powerful storm on record (after Typhoon Yolanda in the Philippines in 2013), struck Fiji on 20 February 2016. The cyclone killed 44 people and left a trail of destruction across large parts of Fiji. As many as 540,000 people (62% of the population) were affected by the disaster. An estimated 30,369 houses (22% of households) were destroyed or damaged, leaving approximately 131,000 people residing in temporary shelters or under tarpaulins. The cyclone damaged 495 schools and 88 health facilities, disrupted basic public services (power, water, and communications), and destroyed food crops and livelihoods.

3. Total damage and loss is estimated to be \$1.42 billion—equivalent to 31% of gross domestic product (GDP). This is based on the post-disaster needs assessment (PDNA) jointly prepared by the government and development partners. Among the social and productive sectors, damage and loss was especially concentrated in the housing, education, and agriculture sectors (Table 1).

Table 1: Disaster Damage and Loss Estimates
(\$ million)

<i>Item</i>	<i>Damage</i>	<i>Loss</i>	<i>Total</i>
Productive sectors	115.69	284.46	400.15
Agriculture, livestock, forestry, and fishing	38.89	220.43	259.32
Commerce and manufacturing	34.84	33.45	68.30
Mining	5.51	9.55	15.06
Tourism	36.45	21.03	57.48
Social sectors	453.41	19.15	472.56
Education	90.4 ^a	3.53	93.93
Health	3.68	2.99	6.67
Housing	359.33	12.63	371.96
Infrastructure sectors	99.04	19.28	118.32
Electricity	15.78	3.89	19.67
Water and sanitation	8.09	3.73	11.82
Transport and communication	75.17	11.66	86.83
Crosscutting sectors	114.67	315.59	430.26
Culture	2.45	0.13	2.58
Disaster risk management	0.97	14.11	15.08
Environment	111.25	301.35	412.60 ^b
Total	782.81	638.48	1,421.29

^a Initial estimates of education damages of \$33 million have been revised upwards based on subsequent substantive assessments carried out by the Fiji Institute of Engineers.

^b The estimate of environmental damage and loss includes valuation of ecosystem functions that are not included in the official national accounts.

Source: Government of Fiji. Forthcoming. *Post-Disaster Needs Assessment*. Suva

¹ The design and monitoring framework is in Appendix 1.

4. As a result of Tropical Cyclone Winston, GDP growth in 2016 is anticipated to fall by 1.4 percentage points (Table 2). Initial estimates for the impact on GDP were that Tropical Cyclone Winston would cut economic growth by 2.5% in 2016. However, immediate relief efforts—which included the Fiji National Provident Fund permitting members to withdraw up to \$2,400 of their savings to help meet housing recovery needs, and the government’s supplemental funding for social protection programs—provided a boost to consumer spending and to GDP overall. With recovery and reconstruction activity already under way, the economy is expected to grow by 3.6% in 2017 and 3.2% in 2018.

Table 2: Selected Macroeconomic Indicators^a

Item	2013	2014	2015 ^b	Pre-Cyclone			Post-Cyclone		
				2016 ^c	2017 ^c	2018 ^c	2016 ^c	2017 ^c	2018 ^c
Real economy									
GDP (\$ million)	4,196	4,532	4,782	4,765	5,183	5,381	4,872	5,061	5,267
Real GDP growth (%)	4.6	5.3	4.0	3.8	3.2	3.1	2.4	3.6	3.2
Consumer price growth (%; period average)	2.9	0.5	2.8	2.0	2.5	2.8	2.1	3.0	2.6
Fiscal accounts (% of GDP)									
Revenue (% of GDP)	27.0	27.6	28.2	29.3	29.1	29.2	29.0	29.1	29.2
Expenditure (% of GDP)	27.6	31.8	32.8	34.4	33.5	32.5	36.0	34.5	32.2
Current (% of GDP)	19.5	20.3	21.1	20.8	19.2	17.7	21.6	19.9	18.1
Capital (% of GDP)	8.1	11.5	11.7	13.6	14.3	14.8	14.4	14.6	14.1
Overall balance (% of GDP)	(0.6)	(4.3)	(4.6)	(5.1)	(4.4)	(3.3)	(6.4)	(5.0)	(2.9)
Balance of payments									
Current account balance (% of GDP)	(9.8)	(7.2)	(5.4)	(7.9)	(6.5)	(6.2)	(7.8)	(8.2)	(8.5)
Imports (% of GDP)	74.2	62.8	54.6	68.5	74.6	61.6	71.8	79.0	65.7
Exports (% of GDP)	56.6	54.8	49.8	55.7	56.9	52.8	57.3	58.9	53.1
Gross reserves (\$ million)	990	1,010	1,062	1,136	1,183	1,242	942	959	988
In months of imports (months)	5.3	5.2	5.1	4.8	4.5	4.9	3.8	3.5	4.3
External debt (% of GDP)	21.1	22.1	20.9	21.0	20.2	19.5	22.8	22.0	21.1
External debt (\$ million)	885	1,000	999	1,056	1,064	1,073	1,156	1,164	1,173

GDP = gross domestic product.

^a Calendar year.

^b Estimated.

^c Projected.

Sources: Fiji Bureau of Statistics, Reserve Bank of Fiji, World Bank, and Asian Development Bank estimates.

5. Tropical Cyclone Winston will adversely affect Fiji’s medium-term fiscal position and the government’s capacity to implement planned fiscal consolidation measures. The government had been anticipating reducing expenditure by approximately 1.5% of GDP between 2015 and 2018, after significant expansions between 2011 and 2014 to provide free primary education and improve road infrastructure and water supply.² However, the need for significant recovery and reconstruction spending will lead to further fiscal pressures in 2016 and 2017. Following the cyclone, the government immediately reprioritized spending to meet emergency and early recovery needs. As a result, the fiscal deficit is expected to increase to 6.4% of GDP in 2016 (from 5.1% prior to Tropical Cyclone Winston).³ As the recovery spending winds down, the deficit is forecast to moderate to 5.0% in 2017 before declining to 2.9% in 2018 as fiscal consolidation gets under way.

² In April 2016, the government announced a long-planned change to the fiscal year from a calendar year to one that runs from August 1 to July 31. This analysis is based on calendar years.

³ This figure does not include anticipated revenue from the planned sale of public assets.

6. **Poverty incidence.** The cyclone will put at risk recent gains in reducing poverty countrywide. Prior to the cyclone, the incidence of poverty using national poverty lines had fallen from 35% in 2003 to 28% in 2013.⁴ The highest per capita damage and loss was incurred along the northern coast of the main island of Viti Levu; the southern coast of Vanua Levu; and the outlying Koro, Lau, and Lomaviti island groups—all areas of Fiji which have a high incidence of poverty. However, anecdotal evidence suggests that many people have left the affected areas for safer locations, placing increased pressure on extended families and social services in urban areas. In addition, poor people across the country face increasing hardship as a result of sharp increases in food prices, particularly agricultural produce. This includes the large concentration of poor people living in informal settlements around the major urban areas of Suva, Nadi, and Labasa.

7. Women face particular challenges since deprivation and hardship affect men and women differently. While water, shelter, and food are basic necessities for all, a recent study in Fiji found that more women than men identify electricity, sanitation facilities, and personal care as being important to their welfare.⁵ This suggests that, with many homes substantially damaged and without basic services, women are likely to be facing greater hardship than men in the aftermath of Tropical Cyclone Winston by, for example, having to collect firewood for cooking and difficulty in accessing drinking water, basic sanitation, and sanitary items.

8. **Government disaster management architecture.** Fiji has a strong national structure for disaster risk management. This consists of the National Disaster Management Council, National Disaster Management Office, and disaster management committees at the provincial and district levels. The country also has developed a Natural Disaster Management Plan (1998), Natural Disaster Management Act (1998), and Standard Operating Procedures for Disaster Response (2010).

9. The National Disaster Management Council declared a state of natural disaster on 20 February 2016. The government, including the armed forces and police, responded to the disaster through rapid mobilization of rescue, evacuation, and relief operations that provided basic food supplies, water, and medical assistance.

10. In February, the government, acting on advice provided by the World Bank, made available \$10 million in post-disaster social protection payments to support vulnerable households and individuals most likely to fall into poverty. This support was provided through the expansion of three existing social protection programs including the poverty benefits scheme, which targets the poorest 10% of households; the social pension scheme, which targets people over the age of 68 who are not covered by the Fiji National Provident Fund; and the care and protection scheme, which targets vulnerable households with children (single parents, abandoned spouses, death of breadwinner). In total, 44,169 people benefited from top-up assistance under these programs (Table 3).⁶ The World Bank is providing general budget support to the government, including support for these programs through a development policy operation.

⁴ Fiji Bureau of Statistics. 2015. *Household Income and Employment Survey: 2013/2014*. Suva.

⁵ Australian National University. *State, Society and Governance in Melanesia*. 2016. *The Individual Deprivation Measure. Overview of Results from Fiji, January 2016*. Presentation by International Women's Development Agency. Fiji, February 2016.

⁶ The government decided against geographic targeting to the most affected areas, given the close poverty targeting of these schemes and the fact that poor people nationwide were affected (as outlined in para. 6).

Table 3: Expanded Social Protection Program Benefits and Post-Disaster Payments

Scheme	Number of Beneficiaries	Ordinary Benefit (monthly)	Post-Disaster Benefit
Poverty benefits scheme	23,035 households	F\$30 per person (for up to four household members), F\$50 food voucher	F\$200 x 3 months
Social pension scheme	17,232 people	F\$50 or F\$50 food voucher	F\$100 x 3 months
Care and protection scheme	3,902 households	F\$110 plus F\$50 food voucher	F\$100 x 3 months

Source: Government of Fiji, Forthcoming. *Disaster Recovery Framework*. Suva

11. **Emergency assistance coordination with other agencies.** The government-led efforts were undertaken with strong support from the international community. Immediate emergency efforts were supported with military logistical assistance primarily from Australia and New Zealand but with support also from France, India, Indonesia, and Tonga. As of 1 June 2016, international donors had pledged assistance valued at \$68 million, with approximately 75% of this being in kind and 25% in cash. Major contributors include Australia, New Zealand, and the European Union, with contributions also from a wide range of other countries and organizations. Private businesses also contributed approximately \$5 million for relief support to victims.⁷

12. On 29 March 2016, the government, with the support of development partners including the European Union, the World Bank, the Asian Development Bank (ADB), and a number of regional agencies, initiated a PDNA. The PDNA, through 18 sector assessment teams, built on initial and detailed sector damage assessments undertaken by eight national clusters (led by government ministries): (i) health and nutrition; (ii) water, sanitation, and hygiene; (iii) education; (iv) safety and protection; (v) shelter; (vi) public works and utilities; (vii) logistics; and (viii) food security and agriculture. The PDNA examined damage to physical assets; losses suffered because of change in economic flows; and assessed priority repair and reconstruction needs.

13. Almost half of the estimated immediate damage was private housing. The government estimates that 11,989 houses were completely destroyed and a further 18,380 houses partially damaged by Tropical Cyclone Winston. In Fiji, the majority of rural households have limited access to affordable private insurance for cyclone-related damage to houses and limited access to savings to reconstruct and repair homes. With more than 130,000 people living in temporary shelters, on 9 April 2016, the Prime Minister announced the first phase (\$34.5 million) of the Help for Homes initiative. The aim of the initiative is to improve the resilience of the Fiji people to disasters such as Tropical Cyclone Winston by advising and providing assistance to households to “build back better” and to a standard of home that will withstand at least a category 3 cyclone.

14. The initiative provides housing grants through a voucher program to people with household incomes below \$24,000 (F\$50,000) per annum whose homes have been destroyed or partially damaged by Tropical Cyclone Winston.⁸ The vouchers can be redeemed for designated construction materials needed to repair or rebuild homes. Following vetting by the Department of Social Welfare, eligible households have been issued with e-cards to hold the

⁷ Emergency Assistance Coordination (accessible from the list of linked documents in Appendix 2).

⁸ According to limited available income information (Household Income and Expenditure Survey 2008–2009), the urban average household income was F\$23,000 per annum and rural incomes were F\$11,068 per annum. It is, therefore, anticipated that almost all affected households will be eligible to receive a materials grant.

small grant funds. The value of the vouchers depends on the extent of damage to houses, with households eligible for up to \$3,300 (sufficient to construct one category 3 cyclone resistant room) where houses have been completely destroyed, and between \$717 and \$1,435 where houses have been partially damaged. No involuntary settlement of people from their land is planned under the scheme.⁹

15. In May, with assistance from ADB and other partners, the government prepared a budgeted disaster recovery framework (DRF) for Tropical Cyclone Winston. This is the first time following a disaster in Fiji that such a framework has been prepared. The DRF highlights four key priority disaster recovery areas and the budgeted costs of disaster recovery over 2016–2018: (i) rebuilding homes, (ii) restoring livelihoods, (iii) repairing and strengthening critical infrastructure (education, health, transport, communications), and (iv) building resilience.¹⁰

16. The DRF (Table 4) estimates the total cost of recovery and reconstruction activities to be approximately \$434.1 million for the 2-year recovery period from mid-2016 to mid-2018. The government anticipates being able to finance approximately \$131.3 million (equivalent to 30% of the total program costs) partly from reallocations and partly from fast disbursing financing from partners like ADB. However, this still leaves a significant financing gap of \$294.0 million for which additional external financial support is required.

Table 4: Disaster Recovery Framework Budget
(\$ million)

Item	Total Budget 2016–2018	Government	Donor	Financing Gap
Priority 1: Rebuilding homes	88.0	34.5	0.0	53.5
Housing (public and private)	88.0	34.5	0.0	53.5
Priority 2: Restoring livelihoods	114.3	50.3	4.8	59.3
Agriculture, livestock, forestry, and fisheries	24.2	1.3	4.5	18.4
Commerce and industry	25.3	4.3	0.0	21.0
Tourism	3.5	0.0	0.0	3.5
Employment, livelihoods, and social protection	61.0	44.7	0.0	16.3
Household and community livelihood	0.3	0.0	0.3	0.0
Priority 3: Repairing and strengthening critical infrastructure	220.5	44.8	5.8	169.9
Education	90.4 ^a	34.2	5.8	50.4
Health	14.4	0.0	0.0	14.4
Transport	85.1	1.3	0.0	83.8
Water and sanitation	11.4	0.0	0.0	11.4
Electricity	6.8	0.0	0.0	6.8
Communication	9.3	9.3	0.0	0.0
Environment (solid waste management)	3.1	0.0	0.0	3.1
Priority 4: Building resilience	11.4	0.0	0.0	11.4
Culture and heritage	1.3	0.0	0.0	1.3
Disaster risk reduction and management	7.0	0.0	0.0	7.0
Environment (restoration of ecosystem)	3.1	0.0	0.0	3.1
Total: Priorities 1–4	434.1	131.3	10.5^b	294.0

^a Initial estimates of education damages of \$33 million have been revised upwards based on subsequent substantive assessments carried out by the Fiji Institute of Engineers.

^b Amounts committed to date. While total donor pledges amount to \$68 million, much of this was in-kind support for the immediate humanitarian response and has not been included in the government's medium-term recovery estimates.

Source: Government of Fiji. Forthcoming.. *Disaster Recovery Framework*. Suva.

⁹ As part of an ongoing initiative that predates Tropical Cyclone Winston, the government, is responding to about 100 requests for preventative resettlement of villages from exposed coastal areas that face a high disaster risk.

¹⁰ ADB provided technical support to the development of the DRF.

17. Given the need for fiscal responsibility the government's FY2017 budget to be announced on 22 June has not been able to fully finance the disaster recovery program. The budget prioritizes disaster recovery expenditures amounting to \$111.1 as set out in Table 5.

Table 5: Disaster Recovery Expenditures FY2017

Sector	Rehabilitation Cost (\$ million)
Housing & Reconstruction	10.0
Education	68.4
Health	1.8
Agriculture (including Sugar)	6.6
Fisheries and Forestry	1.6
Infrastructure Services	22.6
Total	\$111.10

Source: Government of Fiji, Ministry of Finance.

18. **Structure and modality of ADB's proposed emergency assistance loan.** ADB proposes to provide an EAL of \$50 million to assist the government to finance the additional disaster-related recovery expenditures in the FY2017 budget. The government has requested ADB financing primarily to assist with reconstructing and building back better 495 schools that were damaged by Tropical Cyclone Winston. Of this total, 219 schools have been extensively damaged and government anticipates being able to rehabilitate approximately 60% of these during FY2017. All new buildings will be required to adhere to stringent standards to maximize their ability to withstand natural disasters. In addition government proposes to use a significant portion of the loan to finance expenditures for the Help for Homes program. This follows a request by the government to both ADB and the World Bank on 11 April 2016 for fast-disbursing emergency finance. In preparing this operation, ADB has worked closely with the World Bank, which will seek Board approval for \$50 million of financing for its policy-based operation on 30 June.¹¹

19. The EAL complements other support that ADB has provided following Tropical Cyclone Winston, including a \$2 million grant from ADB's Asia Pacific Disaster Response Fund. The grant agreement was signed by the vice-president of Operations 2 during a visit to Fiji on 28 February 2016 and was disbursed on 29 February 2016. ADB also mobilized \$0.3 million from the Pacific Regional Infrastructure Facility to bring a team from Tonga Power (with which ADB worked previously on cyclone reconstruction in Tonga) to assist the Fiji Electricity Authority restore power lines. ADB is exploring possibilities for financing from the Japan Fund for Poverty Reduction to support the recovery effort.

20. An EAL is considered to be the appropriate response instrument. It is consistent with ADB's overall engagement with Fiji as set out in ADB's country partnership strategy, 2014–2018 approved by the ADB Board of Directors in November 2014.¹² The EAL will specifically contribute to achieving the country partnership objective of reducing volatility and building resilience. The proposed loan is also consistent with the six characteristics for an EAL set out in ADB's Disaster and Emergency Assistance Policy as follows: (i) help rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies; (ii) mitigate immediate losses to priority assets, capacity, or productivity rather than provide relief or comprehensive reconstruction; (iii) provide immediate short-term transitional assistance;

¹¹ World Bank. Forthcoming. *Post-Cyclone Winston Emergency Development Policy Operation—Program Document*. Washington DC.

¹² ADB. 2014. *Country Partnership Strategy: Fiji, 2014–2018*. Manila.

(iv) the loan is restricted to the transition phase and is to be used exclusively for priority rehabilitation; (v) the loan is linked with and complements humanitarian relief efforts by other development partners to ease the transition from relief to normal development; and (vi) the loan may include quick-disbursing components but is not a policy-based loan.¹³

B. Impact and Outcome

21. The impact will be disaster resilience enhanced. The outcome will be to mitigate the immediate impact of Tropical Cyclone Winston on poor and vulnerable households.

C. Outputs

22. The EAL will provide \$50 million in immediate short-term financial support so that disaster recovery reconstruction programs—including school rehabilitation and disaster-responsive housing assistance programs—are adequately financed within fiscal constraints.

D. Investment and Financing Plans

23. The government has requested an EAL of \$50 million from ADB's ordinary capital resources. The loan will have a 20-year term, including a grace period of 5 years, straight-line 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, and such other terms and conditions set forth in the draft loan agreement. Based on this, the average loan maturity is 12.75 years, and there is no maturity premium payable to ADB.

24. Similar to ADB's EAL to the Philippines following Typhoon Yolanda, the EAL will use a single quick-disbursing component equal to 100% of the loan.¹⁴ Fast-disbursing financing will allow the government to provide direct transitional social safety net support to poor and affected households, consistent with ADB's emergency assistance policies and as the government has done to date through expanded social protection programs and the housing assistance program.¹⁵ This reflects the urgency of the situation in Fiji and the need to mitigate the immediate economic and social impacts. International studies show that rapid response is critical to addressing poverty and restoring livelihoods.¹⁶

25. Also similar to ADB's EAL to the Philippines following Typhoon Yolanda, the Board is requested to waive the requirement under the Disaster and Emergency Assistance Policy for such quick-disbursing components to finance only a list of identified imports necessary for effective recovery assistance.¹⁷ The EAL for Fiji is intended to help finance government's disaster recovery expenditures, especially for school reconstruction and the Help for Homes initiative. Given the EAL will primarily support the financing needs of these programs, rather than direct procurement of goods, it is not practicable to limit financing to a specific positive list of imports.

¹³ ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila.

¹⁴ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Philippines for Emergency Assistance for Relief and Recovery from Typhoon Yolanda*. Manila.

¹⁵ ADB. 2015. *Disaster and Emergency Assistance. Operations Manual*. OM D7/BP. Manila (para. 21).

¹⁶ For example: R. Walton, R. Mays, and M. Halselkorn. 2011. *Factors Affecting the Experience of Speed in Humanitarian Logistics*. Proceedings of the 8th International ISCRAM Conference. Lisbon (May).

¹⁷ ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila (para. 111).

E. Implementation Arrangements

26. The full amount of the EAL is proposed to be withdrawn in a single tranche upon loan effectiveness. The proceeds of the EAL will be disbursed to Fiji as the borrower. The Ministry of Finance will be the executing agency. Disbursement and audit will be done in accordance with ADB's Simplification of Disbursement Procedures and Related Requirements for Program Loans.¹⁸ Subject to Board approval, the government has requested that funds be disbursed in the first week of August 2016, at the start of the FY2017 financial year based on borrowing authority gained from Parliament in the budget submitted on 22 June 2016. The EAL period is from July 2016 to July 2017.

III. DUE DILIGENCE

A. Economic and Financial

27. The EAL will support the increase in government disaster recovery expenditure—especially for school reconstruction, and financing of the Help for Homes initiative—associated with the transitional relief and recovery efforts following Tropical Cyclone Winston.

B. Governance

28. Governance and anticorruption efforts are core government priorities. Fiji's annual national budgets incorporate a medium-term fiscal framework that includes 2-year forward targets for overall revenue, expenditure, fiscal balance, and public debt. Financial reports including the classification of the budget are Government Finance Statistics compliant, and the government works closely with Pacific Financial Technical Assistance Centre and the International Monetary Fund on capacity building for budgeting, accounting, macroeconomic, and Government Finance Statistics standards. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.¹⁹ The Strategic Planning Office will provide coordination, monitoring, and oversight for the EAL.

C. Poverty and Social

29. The incidence of poverty is expected to temporarily rise as a result of the economic and social costs of Tropical Cyclone Winston. The EAL aims to help mitigate the adverse impact on affected communities by supporting the government's FY2017 public expenditure program linked to key disaster recovery initiatives, especially for school reconstruction, and the Help for Homes initiative. The EAL is categorized as having no gender elements.

D. Safeguards

30. The EAL does not trigger ADB's safeguard policies and is categorized C for the environment, involuntary resettlement, and indigenous peoples as loan proceeds are not earmarked for specific physical projects.

¹⁸ ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

¹⁹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

E. Risks and Mitigating Measures

31. The EAL has three main risks that are rated medium. These are summarized in Table 6 alongside suggested mitigation measures.

Table 6: Risks and Mitigating Measures

Risks	Mitigation Measures
Insufficient government ownership and commitment to priority social programs	The disaster recovery framework (DRF) will serve as a strategic management tool for the government to plan and implement its recovery effort over the next 2 years and strengthen its disaster risk management system for the future. Although the government is not fully able to finance the DRF, its initial response in 2016 has prioritized community-level programs. The FY2017 budget, presented to Parliament on 22 June 2016 has maintained this focus
The government's administrative capacity and resources may be stretched, limiting implementation of its recovery programs in the DRF	The Asian Development Bank will seek regional technical assistance to support the implementation of the disaster recovery program, as set out in para 32 of the main text.
Fiduciary risk that funds: are not used for the intended purposes or are not properly recorded and accounted for.	Diagnostic tools including Fiji's public expenditure and financial accountability assessment, public expenditure review, and the International Monetary Fund–World Bank debt sustainability analysis will help to mitigate fiduciary risks.

Source: Asian Development Bank.

F. Technical Assistance

32. ADB mobilized technical assistance (TA) to support the preparation of the PDNA and the DRF in close coordination with the government and partners.²⁰ The government has requested additional TA from ADB to support implementation of the disaster recovery programs. In addition, the World Bank will provide TA to assist the government survey recipients of expanded social protection financing and to evaluate experience with a view to designing a more robust disaster-responsive social protection framework.

IV. ASSURANCES

33. The government has assured ADB that implementation of the EAL 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 loan agreement. The government has agreed with ADB on certain covenants for the EAL, which are set forth in the loan agreement.

²⁰ ADB. 2014. *Technical Assistance for Sector and Thematic Analyses in Policy Development*. Manila (TA8819-REG).

V. RECOMMENDATION

34. 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 \$50,000,000 to the Republic of Fiji for Emergency Assistance for Recovery from Tropical Cyclone Winston, from ADB's ordinary capital resources, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a term of 20 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) a waiver of the requirement that quick disbursement components finance a list of identified imports under the Disaster and Emergency Assistance Policy as more fully discussed in para. 25 of this report.

23 June 2016

Takehiko Nakao
President

DESIGN AND MONITORING FRAMEWORK

Impact the Emergency Assistance Loan is Aligned with: Disaster resilience enhanced (Government of Fiji's Green Growth Framework) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Outcome</p> <p>Immediate impact of Tropical Cyclone Winston on poor and vulnerable households mitigated</p>	<p>By end of July 2018</p> <p>1. Number of poor and vulnerable households that have received additional payments under three poverty-targeted social protection programs of government (Baseline: 0; 2017 target: 50,858)</p> <p>Government will have reconstructed 60% of 219 schools partially or fully damaged.(Baseline 0: target:131)</p> <p>3. Number of households that have received vouchers under the Help for Homes initiative (Baseline: 0; target: 30,000).</p>	<p>1a. Ministry of Social Welfare, Women and Poverty reports on social protection programs</p> <p>1b. Impact evaluation conducted by the government with technical support from the World Bank</p> <p>2a. Construction implementation unit</p>	<p>Further extreme weather events occur</p>
<p>Outputs</p> <p>1. Reconstruction programs, including school rehabilitation and disaster-responsive housing assistance programs adequately financed within fiscal constraints</p>	<p>By end July 2017:</p> <p>1a. Post-disaster needs assessment and disaster recovery framework endorsed by the cabinet, and circulated to development partners</p> <p>1b. Immediate recovery expenditures fully financed by reprioritizing funds in the FY2016 in accordance with the Finance Instructions of 2010.</p> <p>1c. Additional financing for rehabilitation and reconstruction included in the FY2017 budget (Baseline: \$0; target: \$100 million)</p>	<p>1a. Post-disaster needs assessment</p> <p>1b. Ministry of Finance expenditure reports.</p>	<p>Government's administrative capacity and resources stretched, limiting implementation of the disaster recovery program</p>
<p>Inputs</p> <p>Asian Development Bank: \$50,000,000 loan World Bank: \$50,000,000 loan</p>			
<p>Assumptions for Partner Financing</p> <p>Outputs not administered by the Asian Development Bank that are necessary to reach the outcome include Post-Cyclone Winston Emergency Development Policy Operation (World Bank).</p>			

^a Government of Fiji. 2014. *Green Growth Framework*. Suva.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=50181-001-3>

1. Loan Agreement
2. Contribution to the ADB Results Framework
3. Summary Assessment of Damage and Needs
4. Emergency Assistance Coordination
5. Fiji Country Economic Indicators
6. Summary Poverty Reduction and Social Strategy
7. Risk Assessment and Risk Management Plan

Supplementary Documents

8. Summary Public Financial Management Assessment
9. List of Ineligible Items