

Ex-ante Evaluation

1. Name of the Project

Country: The Islamic Republic of Pakistan

Project: Emergency Earthquake Recovery Loan

(Loan Agreement: January 13, 2006; Loan Amount: 11,220 million yen; Borrower: The President of the Islamic Republic of Pakistan)

2. Necessity and Relevance of JBIC's Assistance

(1) The Earthquake Recovery Assistance in Pakistan and the Necessity of This Program

The 7.6-magnitude earthquake that occurred in northeastern Pakistan on October 8, 2005, caused heavy damage, particularly in the North West Frontier Province (NWFP) and in Azad Jammu and Kashmir (AJK). As of November 3, there are an estimated 73,000 dead, 70,000 injured, 2.8 million people without housing, and 2.3 million people without adequate food. Of the residences in the disaster area, 84% in AJK and 36% in NWFP have partially or totally collapsed, and hospitals and schools have also suffered serious damage. Moreover, there are many areas where road access was cut off by the earthquake, such as Neelum Valley (north of Muzaffarabad), Jhelum Valley (south of Muzaffarabad), and Kagan Valley (north of Balakot). There is concern that deaths from cold and starvation will occur as snowfall is likely to impede access to the disaster area and hinder delivery of supplies. Even if earthquake victims travel down from the highlands to relief centers, the infrastructure, including water supply and medical facilities, is underdeveloped, and so outbreak of epidemics is also a concern.

In view of this situation, JBIC participated in the needs assessment survey jointly with the World Bank, Asian Development Bank (ADB), and other donor agencies, concerning the need for recovery assistance. (A needs assessment survey of emergency assistance was also implemented primarily through UN agencies.) The results of the surveys show that an estimated total of US\$5.2 billion is required for emergency assistance and recovery assistance over the next five years.

Because the disaster area was not a major area of economic activity, the effect of the earthquake on Pakistan's overall economy is expected to be limited; however, according to the results of the needs assessment surveys, a decline of 0.4% in the annual GDP growth rate is considered unavoidable, and the budget deficits in FY2005/06 are forecast to expand by 0.6% of GDP.

Earthquake damage was mainly in eastern NWFP and in AJK, which are relatively undeveloped areas of Pakistan. Therefore, immediate reconstruction and recovery are urgently needed to ensure lifeline support for the disaster victims.

In particular, smooth implementation of humanitarian assistance and preparations for recovery (i.e., removal of rubble and debris) during the winter is a prerequisite for starting full-scale recovery assistance in the disaster area from the spring. In addition to the humanitarian perspective, the assurance of quick reconstruction and recovery through implementation of recovery assistance in this disaster area will make an essential contribution to the economic stability of Pakistan.

(2) Consistency with JBIC’s Assistance Policy

In JBIC’s current Medium-Term Strategy for Overseas Economic Cooperation Operations, priority is placed on sectors that contribute to “global issues and peace-building”, “ensuring of human security and human development”, “development of a sound market economy”, and “achievement of balanced regional socio-economic development”. The post-disaster reconstruction and recovery program contributes to the reconstruction of the economic infrastructure and the revitalization of economic activities damaged by the earthquake in the disaster area, which is less developed with a high poverty rate, and this program is wholly consistent with JBIC Strategy. Therefore, the necessity and relevance of JBIC assistance through this program is high.

3. Project Objectives

The post earthquake disaster reconstruction and recovery program aims to bring about an economic recovery in the disaster area through provision of emergency assistance and reconstruction of economic and social infrastructure over the medium to long term, taking the needs assessment surveys into consideration, and thereby contribute to the economic stability of Pakistan.

4. Project Description

(1) Project Outline

The post-disaster reconstruction and recovery program aims to carry out emergency assistance and economic recovery assistance in the medium to long term in order to achieve recovery of the area struck by the earthquake. Specifically, in addition to implementing humanitarian assistance with snowfall taken into consideration including provision of housing, food, blankets, and access to social services, various assistance will be provided for full-scale reconstruction of the infrastructure necessary to people’s lives, including repair of collapsed roads, bridges, hospitals, and schools, as well as reconstruction of housing and improvement of public health and sanitation. Yen loan funds provided in this program are appropriated for necessary imported supplies after the earthquake, and local currency funds accrued from such imports (counterpart funds) will be used for the implementation of the post-disaster reconstruction and recovery program.

(2) Total Project Cost/Loan Amount

The total amount necessary for emergency assistance and for recovery assistance over the next five years is approximately US\$5.2 billion, as estimated by the needs assessment surveys. The ODA loan amount is 11,220 million yen (equivalent to US\$100 million).

(3) Implementation Structure

(a) Borrower: The President of the Islamic Republic of Pakistan

(b) Executing Agency: Economic Affairs Division, Ministry of Economic Affairs and Statistics

(4) Environmental and Social Considerations

(a) Environmental Effects

(i) Category: C

(ii) Reason for Categorization

This program is classified as Category C because it is in a sector (financial assistance) where

no particular environmental effects are anticipated, and moreover, it is not in a region that is susceptible to or has characteristics likely to cause the effects declared in “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (established April 2002).

(b) Promotion of Poverty Reduction

The disaster area is a less developed area of Pakistan with a high poverty rate. Poverty reduction can be anticipated through the effects of the recovery development activities of this program.

(c) Promotion of Social Development (e.g. Gender Perspective)

A target of the counterpart fund under the program includes the reconstruction of the hospitals and schools in the disaster area, and this assistance will enable early restoration of the healthcare and education sectors in the disaster area to pre-disaster levels.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

In this program, the positive effects on Pakistan’s balance of payments will be verified, based on the criteria the foreign currency reserves and import/export figures. There will be a follow-up on recovery from the earthquake so that progress can be evaluated, in accordance with the joint scheme for comprehensive monitoring of the assistance programs of the major donors.

(2) Internal Rate of Return

N/A

6. External Risk Factors

There is a possibility that other donors will not contribute funds as planned to the recovery assistance for the disaster area.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

From similar programs in the past, it has been learned that the preparation of the system for efficient and effective management and monitoring of the programs by utilizing the counterpart funds and verification of the proper usage of the counterpart funds through usage reports, etc are important. For the counterpart funds in this program, arrangements are in place for the Pakistani government to produce a report and for usage and progress to be periodically verified under the donors’ joint monitoring scheme.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluations

- (a) Balance of payments
- (b) Progress of the earthquake recovery in the disaster area

(2) Timing of Next Evaluation

After program completion