

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Project

Country : The Islamic Republic of Pakistan

Program : Emergency Import Support Loan

Loan Agreement : January 21, 2011

Loan Amount : 5,000 million Yen

Borrower : The President of the Islamic Republic of Pakistan

2. Background and Necessity of the Program

(1) Current State and Issues of the Pakistan Floods Disaster happened in 2010

Pakistan experienced extraordinary rainfall from late July, 2010, and it led to the worst floods since the birth of Pakistan covering over 20 percent of the country (160,000 square km) from northwest to south along the Indus River basin. As a result of the floods, more than 20 million people have been affected, 1.9 million homes have been destroyed, various kinds of infrastructures including roads and irrigation facilities have been seriously damaged, and more than 200 thousand of livestock have died. The medium and long-term reconstruction cost is estimated at about 8.9 billion US dollars, including 2.4 billion US dollars for transportation and communication sector (of which 2.1 billion US dollars are required for transportation sector), 2.2 billion US dollars for housing sector, and 1 billion US dollars for agricultural sector.

In the fiscal year 2010/11 (from July 2010 to June 2011), due to the recent floods, Pakistan is expected to face slowdown of economic growth, increasing inflationary pressure, and deterioration of fiscal balance and external balance. Increasing inflationary pressure caused by the rise of imports like foods and fuel is regarded as a major factor for the acceleration of inflation.

While the relief and recovery cost for immediate 12 months is estimated at 2 billion US dollars under the Floods Emergency Response Plan¹ prepared by the United Nations in September, 2010, the medium and long-term reconstruction cost calculated under the Damage and Needs Assessment (DNA), which World Bank and Asian Development Bank led and JICA participated in, is estimated at about 8.9 billion US dollars equivalent to about 1 percent of Gross Domestic Product². Because of fragile fiscal revenue base and increasing pressure of fiscal spending, these funding needs may not be fulfilled by the fiscal space of government of Pakistan, and the support from the international community is required.

¹ Floods Emergency Response Plan is the result of assessment led by the United Nations focusing on relief and emergency recovery at an early stage of disaster. The implementation of the plan will be led by the United Nations.

² In case that it takes 5 years to implement the medium and long term reconstruction of about 8.9 billion US dollars calculated under the DNA, about 1.8 billion US dollars, which is equivalent to 1% of nominal GDP for fiscal year 2009/10 (about 174.8 billion US dollars), is required for every year.

(2) Response to the Floods Disaster in Pakistan and the Priority of the Program

As well as mobilizing the Pakistan army to serve the relief activities for floods affected people, the government of Pakistan planned and coordinated the emergency humanitarian assistance and the early recovery plan with having the National Disaster Management Authority and each Provincial Disaster Management Authority as focal points for floods response. Meanwhile in the international conferences, such as the United Nations General Assembly, Friends of Democratic Pakistan's meeting and Pakistan Development Forum, the government of Pakistan announced its response plans and strongly requested for the international community's support. Further, taking into account the recovery and reconstruction needs identified by DNA, the government planned to have its macroeconomic and fiscal framework based on IMF's consent and immediately took actions for getting IMF and World Bank assistance for budget support and import financing required for the immediate floods response needs.

The "Emergency Import Support Loan" (the Program), which is to be utilized for import financing for goods essential to the immediate relief, recovery and reconstruction, will contribute to the stabilization of the economic and fiscal management and the floods disaster response by the government of Pakistan, so that it can meet the aforementioned policy of the government of Pakistan.

(3) Japan and JICA's Policy and Operations in response to the Floods Disaster

A disaster may bring serious damages on lives and assets of floods victims, and has the potential of undermining the stability and sustainable development of Pakistan politics and economy. Therefore, the assistance for the recent floods can meet "ensuring human security and human development" and "development of a sound market economy" under the Japan's ODA assistance policy towards Pakistan. Japan's approach for disaster assistance is a seamless assistance from emergency response to recovery and reconstruction phase. In case of the great northern Pakistan earthquake in 2005, the government of Japan provided a wide range of assistances such as dispatching Japan Disaster Relief team and Self-Defense Forces, financial assistance including a loan of 11,220 million Yen for "Emergency Earthquake Recovery Loan," and disaster education. In response to past floods disaster in Pakistan, JICA extended commodity loans including a loan of 12,247 million Yen for emergency flood assistance in 1993. For the 2010 Pakistan Floods, Japan provided emergency relief supplies, dispatching Japan Disaster Relief team and Self-Defense Forces, and emergency grant aid. In addition, JICA participated in DNA preparation and involved in the planning of the medium and long term reconstruction and the coordination with other donors.

(4) Other Donors' Activity

In response to the recent floods, among the bilateral donors, the United States announced about 1 billion US dollars, and Saudi Arabia committed about 0.6 billion

US dollars. As for the multilateral donors, while the United Nations are under the implementation phase of the Floods Emergency Response Plan prepared in September 2010, World Bank and Asian Development Bank announced 1 billion US dollars' and 2 billion US dollars' assistance respectively (including reallocation of funds from the on-going projects) together with leading DNA preparation. Further, IMF provided an emergency natural disaster assistance equivalent to 0.45 billion US dollars as the budget support, and World Bank committed its assistance for import financing of 0.3 billion US dollars.

(5) Necessity of the Program

As for the response to the recent floods, the immediate relief and recovery cost is estimated at 2 billion US dollars, and the medium and long-term reconstruction cost is estimated at about 8.9 billion US dollars, which is equivalent to about 1 percent of Gross Domestic Product. From the viewpoints of humanitarian aspect, early recovery of the Pakistan economy, and normalization of the living of flood victims, it is very urgent and necessary to support import financing for goods essential to the immediate relief, recovery and reconstruction. Further, JICA's assistance for the Program is regarded as highly necessary and relevant since it will also contribute to mitigation of pressure on worsening balance of payment.

3. Program Description

(1) Program Objective(s)

The objective of the Program is to support smooth execution of flood disaster restoration by providing import financing for goods and services essential to the recovery and reconstruction, thereby contributing to normalizing and stabilizing the living of flood victims and reviving the economy of the country in a timely manner.

(2) Program Site/Target Area

Throughout the country

(3) Program Component(s)

The Program is to be utilized for import of goods, etc. which are/were essential to disaster restoration and made on and after July 22, 2010, when the extraordinary rainfall and floods happened in Pakistan. The main eligible items for the Program are food, fertilizer, seed, steel, wood, machinery, fuel, etc.

(4) Loan Amount

5,000 million Yen

(5) Schedule

The loan is scheduled to be disbursed in January 2011. To be completed with the completion of disbursement.

(6) Program Implementation Structure

- 1) Borrower : The President of The Islamic Republic of Pakistan
- 2) Executing Agency : Ministry of Finance

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

① Category : C

② Reason for Categorization : The Program is classified as Category C, because it applies (provides financial assistance) to a sector in which no particular environmental impact is expected, and because it does not have characteristics that are liable to cause adverse impacts nor is it located in a sensitive area, as defined in the "JICA Guidelines for Environmental and Social Considerations" (April 2010).

2) Promotion of Poverty Reduction : None

3) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases Including HIV/AIDS, Participatory Development, Consideration for the Person with Disability etc.) : None

(8) Collaboration with Other Donors : None

(9) Other Important Issues : None

4. Targeted Outcomes

(1) Performance Indicators (Operation and Effect Indicator)

The followings shall be confirmed 1 year after the completion of the Program.

1) Progress of overall flood damage restoration implemented by the government of Pakistan

2) Effect on the mitigation of pressure on the balance of payment, confirming by the related indicators, such as overall balance, official reserves

(2) Internal Rate of Return : N / A

(3) Qualitative Effect Indicators: Normalization and stabilization of the living of flood victims, Early recovery of Pakistan economy

5. External Factors and Risk Control

None

6. Lessons Learned from Past Programs

None

7. Plan for Future Evaluation

(1) Indicators to be Used

1) Progress of overall flood damage restoration implemented by the government of Pakistan

2) Effect on the mitigation of pressure on the balance of payment, confirming by the related indicators, such as overall balance, official reserves

(2) Timing

1 year after the completion of the Program