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Evaluation of the Emergency Reconstruction Facility (ERF)

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ACRONYMS

ANTEL	Asociación Nacional de Telecomunicaciones (National Telecommunications Administration)
BANAP	Banco Nacional de Ahorro y Préstamo (National Savings and Loan Bank)
CABEI	Central American Bank for Economic Integration
CAF	Corporación Andina de Fomento (Andean Development Corporation)
CARIBANK	Caribbean Development Bank
CDERA	Caribbean Disaster Emergency Response System
CEPAL	Economic Commission for Latin America and the Caribbean
COEN	Comité de Emergencia Nacional (National Emergency Commission)
CONASOL	Comité Nacional de Solidaridad (National Solidarity Commission)
CORPOVARGAS	Corporación para la Recuperación y Desarrollo del Estado Vargas (Corporation for the Recovery and Development of the State of Vargas)
CVG	Corporación Venezolana de Guayana (Venezuelan Guayana Corporation)
DFID	Department for International Development
EDELCA	Eletrificación del Caroní (Caroní's Electrical Company)
ERF	Emergency Reconstruction Facility
FEMA	Federal Emergency Management Agency
FIDES	Fondo Intergubernamental para la Descentralización (Intergovernmental Fund for Decentralization)
FIS	Fondo de Inversión Social (Social Investment Fund)
FISDL	Fondo de Inversión Social y Desarrollo Local (Social Investment & Local Development Fund)
FIV	Fondo de Inversiones de Venezuela (Venezuela's Investment Fund)
FONTUR	Fondo Nacional de Transporte Urbano (National Urban Transportation Fund)
FOREC	Fondo para la Reconstrucción y Desarrollo del Eje Cafetero (Fund for the Reconstruction and Development of the Eje Cafetero)
FUNVI	Fundación para la Vivienda (Housing Foundation)
FUSAI	Fundación Salvadoreña de Apoyo Integral (Salvadoran Foundation of Integral Support)
HIDROCapital	Water Company in charge of services in affected areas in the Venezuelan states of Vargas and Miranda
IFAD	International Fund for Agricultural Development
IFRC	International Federation of Red Cross and Red Crescent Societies
MAG	Ministerio de la Agricultura (Ministry of Agricultura)
MARN	Ministerio del Ambiente y de los Recursos Naturales (Ministry of the Environment and Natural Resources)
MOWT	Ministry of Works and Transport
MPD	Ministerio de Planificación y Desarrollo (Ministry of Planning and Development)
NEMO	National Emergency Management Organization
OCHA	Office for the Coordination of Humanitarian Affairs
OFDA	Office of United States Foreign Disaster Assistance
OIRSA	Organismo Internacional Regional de Sanidad Agropecuaria (International Regional Organization of Agricultural Sanitation)
PAHO	Pan-American Health Organization
PCR	Project Completion Report
PDVSA	Petróleos de Venezuela, S.A. (Venezuela's state oil company)
PEU	Project Execution Unit
PPMR	Project Performance Monitoring Report
PREANDINO	Programa Regional Andino para la Prevención y Mitigación de Riesgos (Andean Regional Program for the Prevention and Mitigation of Disaster Risk)
SAMARN	Servicio Autónomo del Ministerio del Ambiente y los Recursos Naturales (Autonomous Service of the Ministry of the Environment and Natural Resources)
SISNAE	Sistema Nacional de Emergencia (National Emergency System)
SUMA	Sistema de Manejo de Suministros Humanitarios (Humanitarian Supply Management System)
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WASA-BWS	Belize Water and Sanitation Authority
WFP	World Food Program

EXECUTIVE SUMMARY

The Bank's Executive Board approved the creation of the Emergency Reconstruction Facility (ERF) on November 11, 1998, along with Operational Policy Guidelines for addressing emergency situations arising from natural and unexpected disasters. It requested that the Facility be evaluated by the Operations Evaluation Office, now the Office of Evaluation and Oversight, 36 months after the approval of the first operation. This request was confirmed in mid-2001, in the context of the Policy and Evaluation Committee's consideration of Management's Review of the ERF. The present report responds to these requests.

The ERF was created with an initial approval authority up to US$100 million from which individual loans capped at US$20 million under the Ordinary Capital Account were to be financed. This authority is fully committed to five loans extended to four countries in the following chronological order: Colombia, Venezuela, Belize and El Salvador. The present report evaluates the instrument of the ERF with reference to these loans.

The report is based on a review of documents on the Bank's Policy on Natural and Unexpected Disasters, the instrument of the ERF, and individual ERF loans; interviews with Bank professionals involved in the preparation and execution of the loans; and country case studies for which independent consultants undertook missions to Colombia, Venezuela, Belize and El Salvador.

The ERF is part of a broader agenda by the Bank in the context of the growing frequency of natural disasters in Latin America and the Caribbean. The Bank's Policy on Natural and Unexpected Disasters provides for Bank engagement in three phases surrounding natural disasters: before the emergency (policies and investments to reduce risk and vulnerability), during the emergency (support to the recovery process), and after the emergency (rehabilitation and reconstruction). Together with technical assistance as appropriate, the ERF is the instrument of choice for the actual emergency phase. Its proceeds are meant to cover costs incurred *during* the emergency.

The ERF's objective is the immediate provision of liquidity to initiate the disaster recovery process, clearing away debris, restoring basic services, and taking other eligible measures to expedite the return to normalcy. As such, the ERF is neither about disaster prevention nor reconstruction. It is designed to play a supporting role by making available timely financing to assist the affected country in coping with the challenges of the emergency during the first days and weeks after the occurrence of the disaster, prior to the initiation of the reconstruction process.

The key aspect is immediacy, i.e. making resources available "in the first hours after the disaster takes place" and "shortening the Bank's response time in the case of catastrophic disasters." Immediacy implies speed in deployment. Yet, for an instrument with a retroactive feature such as the ERF, the critical consideration is not the speed with which the loan is processed and executed, but the confidence that can be given to local autorities that liquidity will be provided to enable them to spend as the situation demands in the immediate aftermath (say, the first three to six months) of the disaster.

The ERF comes with provisions to facilitate preparation, approval and the process of execution, aiming to achieve full disbursement within twelve months. It also comes with eligibility

conditions and rules regarding the utilization of funds, procurement procedures, and disbursement:

- Borrowers are eligible for ERF financing when three conditions are met: (i) an official state of emergency has been declared; (ii) the emergency is within the scope of the appropriate Guidelines; and (iii) the Borrower provides solid assurance of commitment to strengthen in-country capacity in the areas of preparedness, prevention and organizational set-up to manage disaster mitigation and relief efforts.

- The preparation and approval of ERF loans is supported by a standardized process put in motion immediately after a major disaster has occurred. The process requires no studies as the loan is to be spent on a predetermined menu of items eligible for financing. The menu is limited to disaster response activities and does not cover reconstruction.

- ERF resources can be utilized to purchase goods and to contract works and studies to restore services to the affected population. Loans under the ERF are projects (not a kind of budget support) that disburse against evidence of services purchased or physical work performed (for example, debris removal). The procurement rules to be followed are for projects in emergency situations.

- Three arrangements are envisaged to facilitate the timely disbursement of ERF funds. First, a revolving fund of up to twenty percent of the loan can be put in place, facilitating the resource flow subject to rules governing procurement and the utilization of funds. Second, a retroactive element is envisaged, enabling Borrowers to submit requests for recognition of expenditures incurred prior to the eligibility for disbursement (or, depending on the case, the signature) of the loan. The ceiling for the revolving fund and retroactivity is higher than the levels permitted under regular loans. Third, counterpart requirements for ERF loans are satisfied by recognizing the resources contributed to the emergency effort by national public and private entities and international donors. ERF Guidelines stipulate that coordination with other agencies should be granted priority in order to obtain the best possible resource complementarity.

The evaluation reviewed compliance with these stipulations, among other aspects, and concludes the following:

1. The Bank has largely fulfilled the mandate to process ERF loans rapidly to the point of approval and beyond.

2. Nevertheless, immediacy as defined above was achieved in few loans. In one of the five cases, the ERF failed to have an impact on the emergency phase. In this and in other cases, the lack of institutional capacity to organize spending on the ground in the first weeks and months, and delays in ratification and processing on the part of Borrowers, hampered the efficiency of deployment of the instrument.

3. Therefore, more rapid action by the Bank is not what is needed to achieve immediacy. Instead, what is required is more rapid ratification and processing on the part of Borrowers as well as better in-country capacity and greater local familiarity with the instrument and Bank procedures.

4. The third condition of eligibility identified above was never interposed between a request for an ERF loan and its approval. Disaster prevention and preparedness were built into the ERF in the form of Condition iii, but in a manner that cannot have the intended effect. While the evaluation concludes that the Condition was voluntarily fulfilled in the case of one of the ERF countries, there are reasons to question its enforceability, as it does not constitute a basis to deny access to the EFF to non-complying Borrowers.

5. In all of the cases examined, there was a tendency, after some months, to shift funding to long-term rehabilitation and reconstruction activities not foreseen in the ERF menu of eligible activities. OVE's analysis suggests that the "emergency phase" of a disaster is only three to six months in duration, after which begins a reconstruction phase for which instruments other than the ERF are needed. The strong demand for reconstruction funds suggests the need to find ways to accelerate the reformulation of existing loans or the approval of reconstruction loans taking into account the Bank standard process requirements. It does not suggest that the ERF menu should be expanded to cover long-term rehabilitation and reconstruction expenditure wholesale.

6. In no case was the ERF the only or even (with the exception of Belize) the main source of external assistance available to the affected countries. This raises the question of the mechanism's relevance, relative to other sources of funds including reformulated loans, to the different purposes to which it might be directed. Other sources address reconstruction over several years with sums that dwarf the assistance extended immediately for disaster response. Relative to the funds available for response, the ERF's US$20 million has been relevant to a greater or lesser extent in all of the cases; relative to the funds required for reconstruction, it is not. The ERF's relevance lies in its contribution to response, and thus to the immediacy with which it provides an expectation that governments will be reimbursed for expenditures.

7. The attempt manifested in the ERF language and Guidelines to maintain a separation between recovery, on the one hand, and long-term rehabilitation and reconstruction, on the other, has not succeeded. The result of the separation has been disagreement about the eligibility of expenditures and delay of disbursement. The evaluation has confirmed the existence of ambiguities with respect to the duration of the emergency phase and the delimitation of activities. Yet eliminating ambiguity by making everything eligible is not the appropriate way forward.

8. Therefore, bearing in mind that the ERF's relevance derives from its immediacy, it is appropriate to exclude long-term reconstruction from the ERF's menu of eligible activities. Other instruments should be designed or modified for purposes of reconstruction.

9. The evaluation confirms the merits of exploring alternatives to the project approach to providing liquidity in the aftermath of disasters. The project approach provides some assurance to the Bank that the money will not be misallocated and that it should be used, in part, to bolster preparedness for and prevention of future disasters (e.g. through the studies option which has not been widely used). But the project approach also erodes the Facility's immediacy and undermines its relevance.

10. Ideally, the Bank's instrument targeted at the emergency phase would (i) mitigate the country's immediate liquidity constraints in responding to a disaster; (ii) require countries to

demonstrate prevention, preparedness and disaster response institutional capability before the on-set of a crisis; (iii) require pre-approval of loan amounts by both the Bank and the Borrowers, to permit emergency response expenditure within days of the disaster; (iv) be limited to retroactive funding for defined expenditures undertaken in the first three to six months after the disaster; and (v) work through executing entities that have been apprised of the ERF Guidelines and Bank procedures and are pre-certified by auditors as eligible for ex-post validation of expenditures.

11. It has been shown to be difficult, however, to meet all of these objectives using a single instrument without compromising any. Ideally, the objective of disaster preparation and prevention would be removed from the ERF and addressed through Bank programming in other instruments. The ERF would be refocused solely and explicitly on the transfer of resources to address an emergency situation. However, the need for short-term liquidity and the requirements of risk management and safeguarding past development achievements must be balanced. Incentives must be created to foster investment in prevention and preparedness. The ERF must be tied to prevention and preparedness, not in the "loose" form of Condition iii, but as part of an investment program to which countries requesting the instrument must subscribe.

The following recommendations, then, are intended to design an ERF that is relevant to disaster response and effective at providing immediate liquidity without relaxing the Bank's emphasis on disaster prevention and preparedness:

1. Explore alternatives to the project approach for providing short-term liquidity and budget support in the event of disasters, coupled with investment in prevention and preparedness under both the Bank's Disaster Prevention Sector Facility and country programming.

2. Limit funding for disaster response to expenditures incurred in the first three to six months after the disaster.

3. Clear up differences between the Policy guidelines and ERF guidelines with respect to the definition of eligible expenditures.

4. Cancel the loan if not ratified and signed within three to six months from Board approval.

5. Cancel uncommitted balances 12 months after eligibility.

6. Consider differentiation of loan amounts in function of needs and ability to appropriately use resources. If past experience is guide, the appropriate direction of scaling is downward as one mechanism to focus spending on the items eligible under the menu.

7. Use Bank programming process to foster investment in prevention and preparedness as an ex-post requirement of utilizing the ERF.

8. Change the name of the Facility to better reflect its objective of providing resources for emergency responses in the aftermath of disasters.

I. INTRODUCTION

1.1 The Bank's Executive Board approved the creation of the Emergency Reconstruction Facility (ERF) on November 11, 1998, along with Operational Policy Guidelines for addressing emergency situations arising from natural and unexpected disasters.[1] It requested that the Facility be evaluated by the Operations Evaluation Office, now the Office of Evaluation and Oversight, 36 months after the approval of the first operation.[2] This request was confirmed in mid-2001, in the context of the Policy and Evaluation Committee's consideration of Management's Review of the ERF.[3] The present report responds to these requests.

1.2 The ERF was initially created with an approval authority up to US$100 million from which individual loans capped at US$20 million under the Ordinary Capital Account and US$10 million under the Fund for Special Operations were to be financed. The initial authority is fully committed to five Ordinary Capital loans extended to four countries in the following chronological order: Colombia, Venezuela, Belize and El Salvador. On June 27, 2001, the Bank's Executive Board approved an extension of the Facility in the amount of US$100 million, subject to existing procedures and an expiration date of June 30, 2002. A sixth operation—a loan to Peru requested after an earthquake in the southern part of the country—was approved on July 20, 2001.

1.3 The present evaluation focuses on the five loans under the initial endowment and addresses four questions:

- Did the loans meet the conditions and guidelines established under the ERF?
- Were the loans executed efficiently?
- Were the loans effective in achieving their purpose, which in each case has essentially been defined as the restoration of basic services in the disaster area?
- Were the loans (and, by implication, was the instrument of the ERF) relevant as a response to the disaster-induced disruptions in the borrowing countries?

1.4 The report is divided into three chapters in addition to this Introduction. It presents background on the ERF in the context of both the growing frequency of natural disasters in Latin America and the Caribbean and the Bank's recent history of working with Borrowers to address the resulting challenges. It then evaluates the loans with reference to the questions identified above. Lastly, it offers conclusions and recommendations with respect to the loans and the instrument of the ERF more broadly.

1.5 The analysis is based on the review of the main documents of the natural disasters policy and project reports; interviews with Bank professionals involved in the preparation and execution of the ERF projects; and missions to El Salvador, Belize, Colombia, and Venezuela carried out by three independent consultants. The country case studies developed by the consultants are summarized in Annex 3.

[1] Documents GN-2038-2 and GP-92-15, respectively.
[2] Minutes of Board meeting 98/45 of November 11, 1998. The first operation (Colombia) was approved on February 18, 1999.
[3] Document GN-2038-4.

II. BACKGROUND: NATURAL DISASTERS, BANK RESPONSE, AND THE EMERGENCY RECONSTRUCTION FACILITY

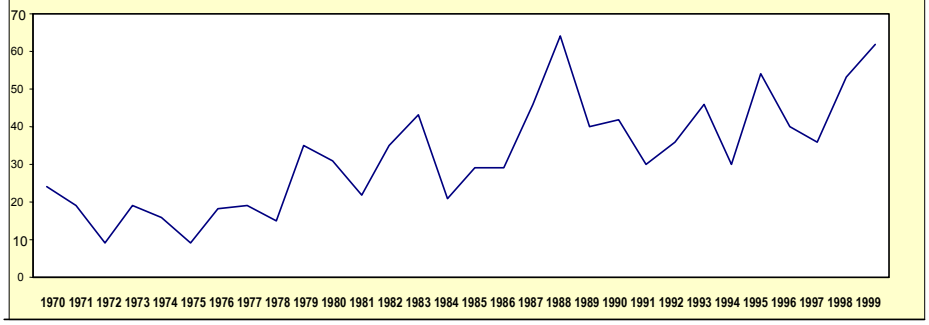
A. Growing Incidence of Disasters

2.1 The Latin American and Caribbean Region is prone to natural disasters. Floods, hurricanes, earthquakes, landslides, droughts, and volcanic eruptions (in this order of occurrence) are frequent events with tragic consequences. It is estimated that during the last ten years alone, natural disasters killed more than 45,000 people in the Region, affected some 40 million people, and caused over US$20 billion in direct damages.[4]

2.2 Natural disasters are "temporary events triggered by natural hazards that overwhelm local response capacity and seriously affect the social and economic development of a region."[5] Hence, natural hazards become disasters only if they seriously disrupt peoples' lives. This is happening with increasing frequency in Latin America and the Caribbean (Figure 2.1). Development patterns, including population growth and rapid urbanization, widespread poverty, and environmental degradation have led to an increase in vulnerability and the propensity to be affected by disasters.[6]

2.3 The probability (or risk) of occurrence of natural disasters is determined by physical circumstances, which cannot be controlled, and vulnerability, which is shaped by policy and human behavior, for example, patterns of settlement and use of natural resources, economic incentives, and the presence or absence of rules and regulations. In principle, vulnerability can therefore be controlled and reduced.[7] There is consensus, however, that it is not being controlled and reduced very effectively in the Region.

FIGURE 2.1
Annual Occurrence of Natural Disaster Events in Latin America & the Caribbean (1970-1999)



Source: IDB, Regional Policy Dialogue, *Natural Disasters in Latin America & the Caribbean: An Overview of Risk*, May 2001.

[4] IDB, *Facing the Challenge of Natural Disasters in Latin America and the Caribbean: An IDB Action Plan*, IDB-SDS Special Report, March 2000; p. 1.
[5] IDB, Regional Policy Dialogue, *Natural Disasters in Latin America and the Caribbean: An Overview of Risk*, May 2001; p. 2.
[6] IDB, *Facing the Challenge ...* , op. cit., p. 6. Latin America and the Caribbean account for a large percentage of natural disasters worldwide every year. According to the United Nations website www.reliefweb.org which tracks natural disasters, the Region accounted for 22%, 21% and 26% of all natural disasters in 1999, 2000, and 2001, respectively. It is suspected that climate change may play a role in the rising incidence of natural disasters. While there is no evidence, for example, of a rise in the frequency of earthquakes, there is such evidence with respect to major windstorms and floods, which many observers take as being linked to climate change.

2.4 As a result, disaster-induced damages and economic losses are on the rise, although precise loss assessments are difficult to make. For example, a full estimation of disaster-induced consequences at the microeconomic level would require detailed data on relevant stocks and flows. One would need to analyze the calamity's effects on the productive assets of different agents and on their income, investment activity, and consumption over time. Few such studies have been carried out.[8]

2.5 At the aggregate level, following methodology proposed by CEPAL,[9] direct damage (loss of infrastructure and fixed assets) and indirect losses (the value of goods and services not produced because of disruption in economic activity) must be assessed (Box 2.1). The disruption in economic activity can have macroeconomic consequences such as a decline in GDP growth, fiscal imbalances, and rising indebtedness linked to stepped-up spending and public investment requirements that may prompt recourse to new domestic and/or external debt. The balance of trade and the balance of payments can be affected by reductions in exports and/or by increases in imports to accommodate unmet internal demand and the requirements of rehabilitation and reconstruction. Inflationary pressures may ensue because of shortages, speculation, and other manifestations of market failure. On the other hand, growth may recover rapidly over the subsequent years as reconstruction efforts spur the economy.

2.6 The recovery, however, may mask long-lasting setbacks and welfare losses experienced by selected individuals and communities. By all accounts, the poor are particularly vulnerable to natural hazards and to the setbacks caused by them: they do not have the resources (savings, insurance policies, etc.) needed to cope, their housing is more fragile, and unskilled labor is likely to be the first to be thrown out of work in the wake of economic disruption.[10] Social capital may break down in the aftermath of an unexpected disaster, leaving people without the support of their communities. Natural catastrophes can lead to a worsening of the distribution of income if the poor are excluded from, or participate with a lag in, the eventual recovery.

B. The Bank's Response

2.7 The Bank has been responsive to the growth in the occurrence of natural disasters. The response is both an operational one (lending and technical cooperation) to respond to disasters and/or invest in preparedness and prevention, and a non-operational one in the form of studies and consultations on the options for controlling and reducing vulnerability (Box 2.2 on terminology). A review of the Bank's response to emergencies arising from natural and unexpected disasters, carried out in 1998, inventoried 22 loans approved to help Borrowers cope with emergencies between 1980 and 1995.[11] Between 1995 and 2001 some 34 projects with natural disaster-related objectives were approved. (Some of these projects also had other objectives—Figure 2.2 and Annex 1). A

[7] IDB, Regional Policy Dialogue, op. cit., p. 9.
[8] An example of this kind of analysis is given in S. Vosti, *Understanding and Coping with Natural Disasters: El Niño in Latin America and the Caribbean*, Draft, International Food Policy Research Institute, Washington DC, February 1999.
[9] ECLAC, *Manual para la estimación de los efectos socio-económicos de los desastres naturales*, 1991.
[10] T. J. Andersen, *Managing Economic Exposures to Natural Disasters: Exploring Alternative Financial Risk Management Opportunities and Instruments*, Report prepared for the IDB, April 2001, p. 5.
[11] Document GP-92-12, May 22, 1998.

preliminary analysis of the 1995-2001 portfolio shows that 47% of the natural disaster-related funding valued at US$1.87 billion in these 34 projects supported activities aimed at disaster prevention and mitigation. (Twenty-one out of 34 projects had a prevention component.) Forty-six percent of the funding in this portfolio supported reconstruction, the remainder being funding under the ERF.

2.8 The Bank also carries a portfolio of technical assistance devoted to disaster-related objectives. Between 1995 and 2001 76 technical assistance operations were initiated for a total of US$10.8 million (38% of this value was for prevention and mitigation; 43% for reconstruction; and 19% for immediate post-disaster assistance; Annex 2).

Box 2.1 CEPAL Damage Assessments for the Colombia, Venezuela, Belize, and El Salvador ERF Cases

CEPAL's damage assessments in the aftermath of natural catastrophes (accessible through http://www.cepal.org.mx) are valuable because they are comprehensive and made available rapidly (for example, the 115-page assessment of the January 13, 2001, earthquake in El Salvador was published on February 21, 2001). The assessments follow the same methodology, focusing on the affected population, estimating damage to infrastructure and the social and productive sectors, assessing macroeconomic consequences, and suggesting elements of a strategy for reconstruction and the reduction of vulnerability. To summarize:

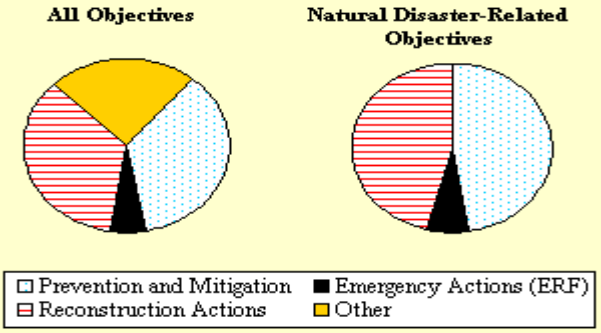
Colombia: On January 25, 1999, two violent earthquakes occurred in Colombia, affecting an estimated 1,300 square km in the coffee-growing region of the western part of the country (Caldas, Quindío, Risaralda, Tolima, and Valle del Cauca). Damage was estimated at US$1.8 billion, corresponding to 35% of the previous year's GDP of the affected region and 2.2% of national GDP. Most damage (88%) was classified as "direct," with housing representing by far the most important category. The primarily affected population numbered 160,400; another 400,000 were directly affected, the two categories amounting to 1.4% of national population. The number of deaths and disappeared was close to 2,000. The earthquake worsened an already difficult economic situation owing to strongly recessionary conditions, declining coffee prices, an unfavorable international environment after the Asian (1997) and Russian (1998) crises, domestic political insecurity in the period leading up to elections, and a restrictive monetary policy applied in order to defend the *banda cambiaria* in the face of speculative attacks.

Venezuela: Violent and prolonged rains caused landslides and avalanches in December 1999, causing extensive damage in densely populated areas of several states and most particularly in the state of Vargas. Total damage was estimated at US$3.2 billion or about 3.3% of national GDP for the year. Some 60% of damages were "direct," the remainder representing estimated losses of income. All manner of public and private infrastructure was affected or destroyed, including transport, water and sanitation, electricity, social sector infrastructure, and housing. Some 70,000 people were severely affected in the sense that their homes were destroyed or rendered uninhabitable; another 420,000 were directly affected as defined by a range of criteria, including the loss of their job. (These two categories amount to 2% of the national population.) The death toll and the number of missing persons were very high, but have proven difficult to quantify unambiguously. The exceptional precipitation led to what is thought to be the worst catastrophe suffered by the Venezuelan population in its contemporary history.

Belize: Hurricane Keith passed over the northern half of the country and outlying keys ("cayes") on September 30-October 1, 2000, causing severe wind damage and flooding. Total damage was estimated at US$280 million or about 46% of the year's nominal GDP (79% of 1999 exports). Three-quarters of this were classified as "direct damage" valued at present value or replacement cost in current prices, depending on the item. Economic damage was concentrated in the tourism sector (destruction of buildings and infrastructure; reduction in tourist arrivals) and in agriculture and fisheries (sugar, citrus and rice crops were affected; infrastructure and equipment required by fishermen was lost). Some 3,000 houses (about 10% of the 1994 housing stock in the affected areas, all precariously built) were damaged so badly as to require replacement. Water supply systems were greatly affected. There was damage to roads, bridges, school buildings, the National Hospital, and the power and telecommunications sector. Some 57,000 people were affected (23% of the country's population), although the death toll was limited.

El Salvador: Two devastating earthquakes hit during 2001, on January 13 and February 13. Total damage was estimated at US$1.55 billion (US$1.2 billion due to the first quake alone), corresponding to 12% of the previous year's national GDP. The share of direct damage (60% in the first quake, 53% in the second) was lower than in the case of the disasters described above, and was concentrated mostly on housing, and transportation and communications infrastructure. Economic disruptions (indirect damages) accounted for a relatively high share of total damage as many businesses were destroyed or severely damaged. One-third of export-oriented firms reported damages to their installations, tourism and revenues of the hospitality industry were affected significantly. More than a million people (18% of the national population) were directly affected by the first quake, and over 250,000 (4% of the national population) by the second one. Close to 1,300 deaths were registered. The number of wounded was 7,900.

FIGURE 2.2
IDB Loan Approvals with Natural Disaster-Related Objectives (1995-2001)



Source: IDB.

2.9 The Bank's recent non-operational response includes: the design of new Operational Policy Guidelines on Natural and Unexpected Disasters (hereafter, the "Policy Guidelines);[12] the publication of an IDB Action Plan to address the threat of natural disasters;[13] the introduction of the theme of prevention and mitigation of natural disasters into the Regional Policy Dialogue;[14] the organization and co-chairing of the Consultative Group for the Reconstruction and Transformation of Central America in 1999 (after Hurricane Mitch); the inclusion of the topic of natural disasters in the Bank's Statement of Strategic Programs presented at the April 2001 Summit of the Americas; the commissioning of policy studies on disaster prevention, risk reduction, and financial risk management;[15] and more generally the stepping up of policy analysis and outreach in the form of seminars, conferences, and the building of networks and strategic alliances on these topics.[16]

Box 2.2. Definition of Terms

a. *Disaster preparedness*: Planning and programming activities, and legal, financial and institutional arrangements to lessen the impact of a disaster by structuring in advance countries' ability to cope quickly and effectively with emergencies. Examples: information and early warning systems, equipping and training specialized human resources, creating funded disaster response institutions.
b. *Disaster prevention and/or mitigation*: Measures to control and *reduce vulnerability* by preventing natural phenomena or hazards from having harmful effects on persons, economic infrastructure, development processes, or the environment. Examples: building codes, zoning laws, drainage systems to minimize effects of torrential precipitation, agroforestry activities and erosion control, riverbank protection, construction of dams, verification of dam safety, enhanced engineering and retrofitting of buildings and infrastructure.
c. *Emergency action; Disaster response*: Measures to restore basic services and foster return to "normalcy" after a disaster.
d. *Rehabilitation*: Measures to rebuild or restore a physical entity to its state before the disaster. May be temporary (restoration of damaged infrastructure for short-term use) or permanent, in which case it becomes more closely synonymous with *Reconstruction*—cf. GP-92-15. Whereas rehabilitation is the recuperation of existing infrastructure, reconstruction refers to the building of new infrastructure.

[12] Document GP-92-15, dated December 1, 1998, and approved by the Executive Board on November 11, 1998. This supersedes the earlier Natural Disasters Policy set out in GP-92-10, dated July 18, 1991.
[13] IDB, *Facing the Challenge* ... op. cit.
[14] The Dialogue is a senior-level forum for policy discussion and strategic thinking sponsored by the Bank.

2.10 Under the category of "flexible lending instruments" the so-called Disaster Prevention Sector Facility was approved in 2001, an instrument to strengthen disaster prevention and risk management systems through vulnerability reduction and improved preparedness for natural disasters.[17]

2.11 The Action Plan mentioned above emphasizes the need for prevention in the form of a wide-ranging set of policies and investments to control vulnerability. Noting that disaster prevention has largely been absent from the public investment agenda and the public discourse in borrowing countries,[18] it proposes a comprehensive agenda for the Bank in the field of risk reduction, strengthened by new instruments and approaches. The Operational Policy Guidelines also emphasize prevention, but give equal weight to Bank action in three phases surrounding natural and unexpected disasters as depicted in Table 2.1.

TABLE 2.1
IDB Operational Policy Guidelines for Three Phases Surrounding Natural and Unexpected Disasters

Before the emergency: Prevention and Mitigation	During the emergency	After the emergency: Rehabilitation and Reconstruction
* Policies and investments to reduce vulnerability	* **Emergency Reconstruction Facility** (ERF)	* Reformulation of uncommitted balances under approved operations
* Disaster Prevention Sector Facility	* Technical Cooperation (document AT-719)	* New investment and/or technical cooperation loans
* Technical Cooperation	* Consultative Group meetings to mobilize resources and coordinate the reconstruction process	

Source: Adapted from *Review of the Emergency Reconstruction Facility for Natural and Unexpected Disaster Support,* Document GN-2038-4, May 24, 2001.

2.12 Thus, the Bank views the ERF as part of an integrated strategy to support Borrowers in dealing with the growing threat of natural disasters. The Policy Guidelines distinguish between a period *before* the emergency, a period *during* the emergency, and a period *after* the emergency. As seen below, the ERF is intended as a rapid-response instrument with a rather narrowly defined scope of deployment, exclusively meant to address the period *during* the emergency. Other instruments are meant to be used to address challenges related to natural disasters before and after the emergency.

C. The Emergency Reconstruction Facility

2.13 The review of the Bank's response to emergencies cited above found that emergency loans display "slightly faster and more flexible" initial processing, "but, once approved, there is no substantial difference from the execution of regular operations."[19] It is essentially this latter finding that led to the search for an instrument (later to be known as the ERF) whose prime underlying *motivation* would be "the urgency of having resources

[15] Some of these studies are cited above.
[16] See briefing for Executive Directors on reduction of disaster risk, November 1, 2001.
[17] Document GN-2085-5, approved by the Executive Board on March 12, 2001.
[18] IDB, *Facing the Challenge* ... op. cit., p. 6: "...the prevailing attitude [in many borrowing countries] has been that prevention is a "cost" rather than an "investment." And further: "The dominant paradigm for dealing with disasters has been the development of preparedness and emergency response plans, which are inevitably directed toward the effects rather than the causes of natural events."
[19] GP-92-12, p. 3.

on the ground in the first few hours after the disaster takes place" and whose *purpose* would be "exclusively to shorten the Bank's time response in the case of catastrophic disasters in which severe dislocation of normal life occurs, affecting the security and well being of the stricken country's population."[20]

2.14 The instrument's main *objective*, therefore, is the immediate provision of liquidity to initiate the disaster recovery process, in order to clear away debris, restore basic services, and take other eligible measures to expedite the return to normalcy. As such, the ERF is neither about prevention nor reconstruction. As portrayed in Table 2.1, it is designed to play a supporting role by making available timely financing to assist the affected country in coping with the challenges of the emergency during the first days and weeks after the occurrence of the disaster, prior to the initiation of the reconstruction process.[21]

2.15 To facilitate this role, the ERF comes with provisions to speed up preparation, approval and the process of execution, aiming to achieve full disbursement within twelve months. It also comes with eligibility conditions and rules regarding the utilization of funds, procurement procedures, and disbursement, as follows (summary in Box 2.3):

- *Eligibility*: Borrowers are eligible for ERF financing when three conditions are met: (i) an official state of emergency has been declared; (ii) the emergency is within the scope of the Policy Guidelines; and (iii) the borrower provides solid assurance of commitment to strengthen in-country capacity in the areas of preparedness, prevention and organizational set-up to manage disaster mitigation and relief efforts.[22] It should be noted that with respect to item (ii) there are discrepancies between the Policy Guidelines and the ERF Product Definition and Operational Guidelines[23] in that the former includes slow-onset emergencies such as drought among the eligible events, whereas the latter appears to be concerned with rapid-onset disasters only.

- *Preparation and approval:* The preparation and approval of ERF loans is supported by a standardized process put in motion immediately after a major disaster has occurred. The first step in this process is a report by the Country Office describing the disaster and submitting an initial justification for an ERF loan.[24] Once an official request for a loan is received, an ERF Team is appointed to develop the justification for the loan. (The team may go on mission to the country as part of this process.) The loan brief is reviewed in an emergency *Comité de Revisión Gerencial* and forms the basis for negotiations with the Borrower. This step concluded, the project document is transmitted to the Executive Vice President for consideration and referral to the President for approval. Preparation requires no studies as the loan is a standardized instrument that must be spent on a predetermined menu of items eligible for financing. This helps speed up preparation relative to regular loans.

[20] Document GN-2038-2, p. 1.
[21] This suggests that the Emergency *Reconstruction* Facility is ill-named.
[22] This and the following presentation of the criteria and guidelines governing the deployment of the ERF are taken from GN-2038-2.
[23] GN-2038-2; both guidelines were approved by the Board on the same day.
[24] The Country Office report includes: a description of the event; scope and coverage of the disaster; declaration of a state of emergency by the government; an initial assessment of damages; government action and a preliminary assessment of the country's capacity to deal with the disaster; possible intervention by the Bank; justification and initial assessment of the resources needed from the ERF; and coordination with other agencies.

Approval is accelerated by being delegated to the President ("delegation of authority"). However, ratification by the borrowing country may lag for different reasons, particularly if consideration of the loan by the national legislature is required.

- *Utilization of funds and procurement procedures:* ERF resources can be utilized to purchase goods and to contract works and consulting services required to promptly restore services to the affected population. Loans under the ERF are *projects* (not a kind of sector loan) that disburse against evidence of services purchased or physical work performed (for example, debris removed). The procurement rules to be followed are for projects in emergency situations.[25] They permit *simplified procedures* for procurements in amounts above the thresholds established for international competitive bidding and *exceptions* to competitive bidding for procurements below this threshold, including: limited bidding (invitations to bid sent out to a specific number of firms, rather than being communicated to all firms in the market through a public announcement); direct contracting with a maximum per contract, a maximum cumulative amount per single firm and a maximum under the loan; and "force account" execution of civil works—an arrangement whereby the contracting entity (typically the executing agency for the ERF loan) performs specific civil works using its own staff, equipment and machinery. The test for compliance for the acquisition of the eligible goods, services and works is carried out ex-post.

- *Menu of eligible activities:* The items eligible for financing under the ERF (Box 2.3) support the objectives of stabilization of the disaster-affected area, *temporary* reconstruction, and restoration of basic services. It should be noted that there are discrepancies between the (restrictive) characterization of eligible activities under the ERF Guidelines and the (broader) coverage of activities during the emergency phase permitted under the Policy Guidelines. For example, the former limit spending on housing to temporary housing. The latter foresee unqualified spending on housing during an emergency. The Policy Guidelines also provide for spending on rehabilitation during an emergency. The ERF Guidelines make no mention of the term "rehabilitation."

- *Financing arrangements*: Three arrangements are envisaged to facilitate the timely disbursement of ERF funds. First, a revolving fund of up to twenty percent of the loan can be put in place, facilitating the resource flow subject to the rules governing procurement and the utilization of funds. (Revolving funds in "normal" operations are limited to 5% of the proceeds, unless special waivers are granted.) Second, a retroactive element is envisaged, enabling Borrowers to submit requests (up to a ceiling) for recognition of eligible expenditures incurred between the date of the disaster and the eligibility for disbursement (or, depending on the case, the signature) of the loan. In fact, retroactivity is a key design feature, and it is therefore interesting to note that the ERF Guidelines do not provide much guidance on this and that the operational manual on the ERF mechanism (PR-806) does not even mention the term. Third, counterpart requirements for Bank loans extended under the ERF are satisfied by recognizing the resources contributed to the emergency effort by national private

[25] See the annex to GP-92-15, or document GP-601.

and public entities, as well as the contributions by other multilateral or bilateral agencies. ERF Guidelines stipulate that the Bank should grant priority to coordination with other agencies "in order to obtain the best possible resource complementarity."

2.16 The purpose of these design features is to expedite loan processing and execution under the ERF in order to enable the Bank to be present and to respond rapidly to emergency situations on the ground. The task for this report is to evaluate the effectiveness of these features in fostering a rapid response. In so doing, however, it is appropriate to note that the focus on the issue of speed in deployment may be misleading. In effect, with immediacy the objective, the critical consideration for an instrument with a retroactive feature is not the speed with which the loan is processed and executed, but the confidence that can be given to local authorities that liquidity will be provided to enable them to spend as the situation demands in the immediate aftermath (say, the first three to six months) of the disaster.

Box 2.3: ERF Précis

Immediate Objective:
To make available immediately the resources necessary to finance a pre-established menu of eligible activities. The aim is to re-establish basic services, clean up the affected area, repair basic infrastructure on a temporary basis, and erect temporary dwellings for the population.

Medium-Term Objective:
Analysis mission evaluates status of disaster preparedness and prevention/mitigation; identifies action for future strengthening of capacity in these areas; fosters integrated vision covering both emergency response and reconstruction.

Eligibility:
Three criteria: a) official state of emergency declared; b) nature of the emergency to be within the scope set out in the Policy Guidelines on Natural and Unexpected Disasters; c) solid assurance given by borrower of commitment to strengthen in-country capacity for preparedness, prevention, and organizational set-up to manage disaster mitigation and relief efforts.

Menu of Eligible Activities:
1. Removal of rubble; 2. clean up and restoration of damages caused to the environment; 3. control and stabilization of buildings, terrain, and physical infrastructure such as bridges, embankments, dams, roads, telecommunication towers, etc; 4. repairs to restore the supply of power, potable water, sanitation services including solid and liquid waste; 5. repair, erection and purchase of equipment and facilities to restore human and health services to the population; 6. communications equipment and facilities; 7. temporary housing; 8. studies and surveys to inventory damage and to set up plans for reconstruction and rehabilitation.

Complementary Aspects:
If possible, assess need for and feasibility of redirecting resource balances from existing Bank loans; link ERF with actions supported by other external sources of support ("resource complementarity").

Maximum Loan Amount:
US$20 million OC; US$10 million FSO.

Financial Conditions:
Terms and conditions under the ERF adhere to the prevailing policy governing the respective source of financing, with maximum flexibility permitted under said policies.

Special Conditions:
Retroactive element (extent undefined). Revolving fund up to 20% of loan proceeds (exceeding the 5% established for regular loans.) Disbursement in principle predefined at 12 months from signature of loan contract.

Approval:
Within weeks after receipt of loan request. Streamlined procedure starting with memo from Field Office. Approval delegated to President. Board kept informed (2 days no-objection). Counterpart requirements: resources contributed by other donors acceptable.

Executing Agency:
Not predefined.

Procurement:
Simplified rules and exceptions as per Procurement Procedures for Emergency Projects. Rules under national legislation accepted within limits agreed with Bank under GP-92-15/GS-601.

2.17 Four further aspects deserve to be noted for consideration in this report. First, for the concept of the ERF as a rapid-response measure to work, in-country capacity to execute to the specifications of the instrument is needed. There are likely to be serious institutional constraints, and the question will be: How were they addressed? Second, working definitions of the notion and duration of what the Policy Guidelines and the ERF Guidelines term the "emergency" are needed. The Guidelines do not define the term "during the emergency" in Table 2.1. It is likely that in practice activities undertaken during the emergency overlap with rehabilitation and reconstruction activities that in Table 2.1 are classified as belonging to the post-emergency phase. So there are questions regarding the duration of the emergency phase in given contexts and the spending needs and applicability of the ERF menu of eligible activities in different sub-phases of the emergency.

2.18 Third, it is noted that despite the acknowledged focus on the provision of liquidity, the ERF fosters an integrated vision that ranges from the challenges of the short run response to those of disaster prevention, the reduction of vulnerability, and the strengthening of preparedness. This emerges from the requirement—as a condition to qualify for an ERF loan—that Borrowers demonstrate their commitment to strengthening capacity in these areas. The implication is that, in reality, the ERF embraces a second objective (the fostering of prevention and preparedness) in addition to the objective of providing liquidity. An issue for the evaluation to consider is whether both of these desiderata can be satisfied by means of one and the same rapid-response instrument.

2.19 Fourth, and finally, it is noted that disasters are political events. They create opportunities for positioning and the pursuit of advantage. The question of who manages the funds intended for disaster relief therefore becomes all-important. Decisions in this regard may interfere with attempts at solving institutional capacity problems. Political factors may cause delays in the use of funds no matter how fast the Bank approves them.

D. Aspects to be Tested in this Evaluation

2.20 This discussion suggests the following interrelated questions to be addressed in this evaluation: First, what is an emergency, how long does it last, and can the term "during the emergency" be defined in operationally useful ways? Second, is there an immediate need for delivering liquidity *during* the emergency? Third, what role does the retroactivity of Bank disbursements play—and how (if at all) do retroactive disbursements *after* the emergency help to deliver liquidity *during* the emergency? Fourth, what other needs arise in an emergency and does the ERF's menu of eligible activities address those needs? Fifth, are the ERF's design features pertinent to any or all of the needs that must be fulfilled? (The design features are the ones mentioned above that are meant to expedite preparation, approval, disbursement, and the utilization of funds.) Sixth, can the instrument fulfil the dual objective of responding rapidly to emergencies and fostering the reduction of vulnerability and increased institutional preparedness to deal with disasters? Seventh, what in-country capacity is needed for the instrument to work? And eighth, is the project approach (i.e., the ERF as a "projectized" instrument) the right solution to whatever needs there are in the context of an emergency?

E. Products Similar to the ERF Offered by Other Institutions

2.21 Before turning to the evaluation of operations under the ERF in the next chapter, it may be useful to ask about similar instruments offered by international financial institutions operating in the Bank's borrowing region. We look at the World Bank, CAF, and the Caribbean Development Bank.

2.22 The World Bank has a Disaster Management Facility,[26] which is essentially a knowledge resource whose goals include the improved management of disaster risk in borrowing Bank member countries. Under the umbrella of the Facility the World Bank can provide different forms of emergency assistance as set out in its Operational Policy 8.50. One of these is the provision of an Emergency Recovery Loan. This instrument differs from the ERF in that it has a longer time horizon (two to three years) and is designed to "help *rebuild* physical assets and restore economic and social activities after emergencies" (emphasis added). Activities undertaken under this loan "address restoration of assets and production, rather than relief." And further: "An [Emergency Recovery Loan] takes into account the Country Assistance Strategy and sectoral development strategies." From the definition of "relief" given in OP 8.50 it is apparent that certain expenditure items eligible under the ERF (Box 2.3) are ineligible under the World Bank's instrument (for example, temporary shelter, restoration of access to transport, sanitation services). It is concluded that the World Bank does not possess a rapid-response instrument focussing on short-term needs, including in particular the restoration of basic services, comparable to the IDB's ERF.

2.23 The Caribbean Development Bank, on the other hand, can make available an emergency loan not exceeding US$500,000 to member countries to meet expenses for the clearing and cleaning of affected areas and for emergency restoration of services.[27] CAF (the *Corporación Andina de Fomento*), finally, can provide emergency loans in response to natural disasters, which can finance a range of activities, including the ones stipulated under the ERF's menu, to be agreed with the Borrower on an ad hoc basis.[28]

[26] Information derived from www.worldbank.org/dmf. Note that the IMF also has the ability to provide emergency assistance (related to natural disasters and post-conflict situations). Information is available at: www.imf.org/external/np/exr/facts/conflict.htm.
[27] www.caribank.org/web
[28] Telephone interview, Vice President of Operations, February 27, 2002.

III. EVALUATION OF LENDING UNDER THE EMERGENCY RECONSTRUCTION FACILITY

3.1 In the Introduction, four broad evaluation questions for this report were identified as follows:

- Did the loans comply with the conditions and guidelines established under the ERF?
- Were the loans executed efficiently?
- Were the loans effective in achieving their purpose, essentially defined as the restoration of basic services in the disaster-affected areas?
- Were the loans (and, by implication, was the instrument of the ERF) relevant as a response to the disaster-induced disruptions in the borrowing countries?

3.2 In Chapter II, specific aspects to be tested were identified in paragraph 2.20. The purpose of the present chapter is to assess the instrument of the ERF with reference to those aspects in order to build the foundation from which the above broader issues can be addressed. The discussion is organized around an examination of the ways in which the instrument was applied in different cases, in application of the ERF Guidelines. The Guidelines[29] specify design features and criteria governing the deployment of the Facility that can be collapsed into four components: a requirement of speed in deployment ("…what drives the utilization of this facility is the urgency of having resources on the ground…"[30]); a set of eligibility criteria; a number of operational guidelines; and rules regarding counterpart requirements and resource complementarity. Accordingly, the present chapter is divided into sections entitled: ERF Timeline, Eligibility, Operational Guidelines, and Resource Complementarity, followed by an Evaluative Assessment. Annex 3 contains descriptions of the ERF loans extended to Colombia, Venezuela, Belize and El Salvador; this chapter's analysis is based on the findings in those case studies.

3.3 Table 3.1 lists the five loans that have been extended under the initial approval authority of the ERF. Each was for the permissible maximum of US$20 million. The table also presents timeline data that permit an analysis of the speed of processing on the part of both the Borrowers and the Bank. (For the sake of completeness and because the additional data point helps firm up the conclusions, the table includes data for the loan to Peru which is not otherwise reviewed in this report.)

A. ERF Timeline

3.4 Table 3.1 permits breaking the timeline into three components: time to approval, approval to contract, and contract to disbursement eligibility. These are examined in turn with a focus on clarifying the reasons behind instances of above-average delay. It can be seen that speed of processing and disbursement varied from one operation to the next, falling notably short of the ERF stipulations in two of the cases.

[29] GN-2038-2.
[30] Ibid., p. 1.

TABLE 3.1
ERF Timeline

Country	Disaster and Date	Project and Contract Numbers	Date of IDB Board Approval	Days Disaster to Approval	Date of Contract	Days Approval to Contract	Date of Disbursement Eligibility	Days Contract to Disbursement Eligibility	Days Disaster to Disbursement Eligibility	Current Date Final Disbursement*	% Disbursed as of Feb-02
Colombia	Earthquake 25-Jan-99	CO-0243 1171/OC-CO	18-Feb-99	24	19-Feb-99	1	30-Apr-99	70	95	-	100.00%
Venezuela	Floods, landslides 15-Dec-99	VE-0122 1239/OC-VE	03-Mar-00	79	16-Oct-00	227	07-Nov-00	22	328	01-Apr-02	99.97%
Belize	Hurricane 02-Oct-00	BL-0018 1275/OC-BL	01-Nov-00	30	21-Nov-00	20	11-Dec-00	20	70	30-Aug-02	83.10%
El Salvador	Earthquake 13-Jan-01	ES-0148 1310/OC-ES	09-Feb-01	27	23-Feb-01	14	20-Apr-01	56	97	26-May-02	98.41%
El Salvador	Earthquake 13-Feb-01	ES-0150 1315/OC-ES	16-Apr-01	62	06-Aug-01	112	21-Dec-01	137	311	16-Nov-02	17.74%
Peru	Earthquake 23-Jun-01	PE-0215 1329/OC-PE	20-Jul-01	27	23-Jul-01	3	05-Sep-01	44	74	23-Jul-02	40.41%

* As of January 2002.
Source: IDB.

3.5 Approval was swift (within a month of the disaster) in the case of four loans. It took longer in the case of Venezuela (79 days) and in that of the second loan to El Salvador (62 days). In both of these cases the above-average time to approval was a harbinger of further complications to come.

3.6 The loans that were approved rapidly (i.e., within the month) demonstrate the feasibility of preparing and processing the standardized instrument of the ERF far more quickly than regular loans. As a result, it can be said that the Bank has largely lived up to the expectations placed on it in the context of the ERF as far as processing through approval is concerned. Perhaps time to approval could be brought down further, but Table 3.1 suggests that the bulk of the effort required to speed up the delivery of resources to the affected countries must focus on the period beyond.

3.7 The delays to approval in the case of Venezuela can in part be explained by the government's doubt as to whether or not to restore basic services in the affected high-risk locations. The Ministry of Planning and Development had been working on a strategy for more balanced settlement and sought to take advantage of the disaster in the state of Vargas to accelerate this scheme. This slowed negotiations with the Bank over the content of the operation and set the stage for eligibility problems under the loan later on. When the possibility of an ERF operation first arose (on December 19, 1999), the government's declared priority was to identify rapidly the resources that would help reestablish services and disrupted surface travel. By the time the Bank approved the operation in March 2000, a considerable part of this *funcionalidad mínima* had been restored and the country was beginning to focus on the task of reconstruction (cf. Annex 3).[31]

3.8 In the case of the second loan to El Salvador, the delays to approval must be analyzed with reference to the country's situation after the second major earthquake in four weeks. The authorities and relief organizations were struggling with the task of prioritization.

[31] This suggests that the immediate recovery phase was largely over after three months.

The Government requested the second ERF loan on about February 17, 2001,[32] at a time when it was distracted with immediate response activities required by both calamities and did not yet have clarity on how to use the second loan.[33] It took time to work out the programmatic content of the second operation and eventually to agree to devote the bulk of the proceeds to the same sector supported by the first loan, i.e., temporary housing (augmented by road clearing and repair work). But there were other factors at work, too. Once the Bank had signaled to the country that it would process a second loan with a significant retroactive element in response to the authorities' request, the pressure to expedite approval was off in a situation in which capacity problems made it impossible to spend the funds immediately.[34] In addition, bureaucratic delays (reportedly having to do with the time taken to translate the loan document prior to its distribution to the Board) apparently contributed to the fact that it took 62 days to approve the project.

3.9 The second component of the timeline, approval-to-contract, was swift in the majority of cases (it took one day in the case of Colombia, and, because of an intervening weekend, three days in that of Peru).[35] In the case of Venezuela it took 227 days and in that of the second loan to El Salvador 112.

3.10 In Venezuela the reasons for the delay at this stage of the project cycle were institutional: the Ministry of Planning and Development was unable to process new loans and the reformulation of existing multilateral loans rapidly. Another reason, reportedly, was uncertainty with respect to the mechanism by which to introduce into the State's finances the external resources that were forthcoming as a result of the disaster.[36]

3.11 Whatever the reasons, when the loan contract was finally signed in October 2000, the *Comité Nacional de Emergencia* created soon after the disaster no longer existed—an indication that the emergency phase was considered past, although some emergency-related works (debris removal) continued for another number of months.[37] Reflecting on the experience, an interviewee at the Ministry in January 2002 said that perhaps the loan should have been cancelled rather than signed, and indicated that signature went forward "for lack of experience," with participants placing their bets on the hope that it would somehow be possible to garner the reimbursements.

3.12 In El Salvador, the approval-to-contract delay was a consequence of the initial refusal of the Legislature to ratify the loan, on the grounds that a requested written and oral progress report on the results of the reconstruction effort in general and the ERF-1 in particular was not being submitted.

[32] The letter conveying the official request is dated March 1, 2001.
[33] This emerges from internal memoranda of Region 2.
[34] This means that the immediacy objective was achieved in the case of this loan: The authorities knew that they could begin to spend against the promise of funds. The retroactive element in this case was 75%--see Table 3.3.
[35] The ERF stipulates that approval-to-contract should not exceed 90 days—by the data in Table 3.1 a needlessly generous rule in most cases.
[36] An arrangement had been made whereby disaster-related spending would be financed from an account in the *Fondo de Inversiones de Venezuela* (a development bank). This account was financed by short-term domestic debt and (to a lesser degree) reprioritized government spending with the expectation that these sources of finance would be reimbursed by new multilateral loans, including the ERF. The absence of a budget law for emergency situations complicated the cash flow to and from the FIV account.
[37] Because of the delay to signature, the full program had to be carried out through the modality of retroactive financing. (The project document PR-2477 of February 22, 2000 stipulates retroactive financing of up to half the loan proceeds.)

3.13 The third component of the timeline, contract-to-eligibility, took an average of 58 days and ranged from twenty days in the case of Belize to 137 days in that of El Salvador-2. (Note that the Belize operation was the one that performed best on this criterion, as well as on the overall indicator of the number of days between the disaster and disbursement eligibility.) The two above-average cases at this stage of the timeline were Colombia and El Salvador-2. In Colombia the delay in question is explained by the executing agency's start-up difficulties that are more fully described in Annex 3.[38] In El Salvador, the delay was due to the absence of incentives to move (see above). Both loans to this country included significant pre-disbursement conditions (including inter-agency agreements to be signed) that had to be fulfilled before eligibility could be declared. But the number and nature of these conditions did not differ enough between the two operations to explain the vast difference in the time it took to move from signature to eligibility (56 days in the case of the first operation, 137 days in the case of the second).

3.14 To conclude, Table 3.2 answers the question of how the ERF timeline discussed in this section compares with the timeline from disaster to approval and from disaster to eligibility for a sample of "regular"(i.e., non-ERF) emergency loans that the Bank extended in recent years. The comparison of Tables 3.1 and 3.2 shows that ERF loans were processed more rapidly, implying that the special features of the ERF, which are designed to expedite approval and processing to later stages in the project cycle compare favorably with the record of "regular" emergency loans.

TABLE 3.2
Timeline for Regular (Non-ERF) Emergency Loans*

Country	Disaster and Date	Project and Contract Numbers	Loan Amount (US$ Millions)	Date of IDB Board Approval	Days Disaster to Approval	Date of Contract	Days Approval to Contract	Date of Disbursement Eligibility	Days Contract to Disbursement Eligibility	Days Disaster to Disbursement Eligibility	% Disbursed
Argentina	Flood / El Niño 28-Apr-98	AR-0242 1118/OC-AR	300.0	05-Aug-98	98	08-Aug-98	3	07-Oct-98	59	160	66.8% as of 30-Jan-02
Guatemala [1/]	El Niño / Hurricane Mitch 03-Aug-98	GU-0137 1147/OC-GU	40.0	18-Nov-98	107	22-Jan-99	64	08-Mar-99	44	215	97.6% as of 9-Mar-02
Dominican Republic	Hurricane Georges 27-Sep-98	DR-0135 1152/OC-DR	105.0	02-Dec-98	65	02-Dec-98	0	27-Aug-99	268	333	72.6% as of 12-Dec-01
Honduras	Hurricane Mitch 30-Oct-98	HO-0143 1029/SF-HO	18.8	20-Jan-99	81	13-Mar-99	51	02-Jul-99	110	242	97.9% as of 21-Dec-01
Belize	Hurricane Mitch 30-Oct-98	BL-0015 1211/OC-BL	21.3	20-Oct-99	355	24-Nov-99	34	16-Aug-00	264	653	9.4% as of 27-Dec-01

* From Annex I.

1/ This loan was initially conceptualized in response to the 3-Aug-98 declaration of emergency by the country due to floods caused by El Niño. During preparation, US$ 15 million were incorporated to address reconstruction needs generated by Hurricane Mitch, which occurred on 30-Oct-98.

B. Eligibility

3.15 ERF Guidelines indicate three conditions of eligibility that Borrowers must meet in order to access the Facility's resources: (i) an official state of emergency must have been declared; (ii) the emergency must be within the scope set forth in the Policy Guidelines on Natural and Unexpected Disasters; and (iii) the Borrower must provide "solid assurance of [...] commitment to strengthen in-country capacity in the areas of

[38] As a condition for the first disbursement, satisfactory evidence needed to be submitted to the Bank that the executing agency, FOREC *"...se haya comprometido a cumplir con todas las obligaciones que le corresponden como Organismo Ejecutor del Proyecto, de conformidad con los términos y condiciones de este Contrato de Préstamo"* (cf. Loan Contract).

preparedness, prevention and organizational set up to manage disaster mitigation and relief efforts." Thus, the ambitious Condition iii calls for an adequate stance in terms of both the reduction of vulnerability to disasters ("prevention") and preparedness to deal with disasters once they occur.

3.16 There were no issues with respect to the first two of these conditions: they were met in all cases.[39] Difficulties arose, however, with respect to the third condition, which was of concern to the Bank's Executive Board in approving the Policy Guidelines and the ERF. Condition iii does not offer very precise guidance with respect to what measures and institutional mechanisms Borrowers must be able to show in order to qualify for an ERF loan. As a result (as seen below) loans were extended to countries with different levels of capability to reduce vulnerability and proffer disaster preparedness.

3.17 In-country capacity for disaster prevention, mitigation and preparedness varies widely and can summarily be characterized as follows for the ERF cases of Colombia, Venezuela, Belize and El Salvador:

- Colombia has a well-recognized natural disaster response, mitigation and prevention system—the *Sistema Nacional para la Prevención y Atención de Desastres*, established in 1988 following the Nevado de Ruiz/Armero disaster that killed 22,000 under a massive volcanic mud avalanche. In 1989 the National Directorate for the Prevention and Management of Disasters was created (Decree-Law 919). The System was consolidated in subsequent legal and institutional changes with the aim of strengthening the capacity to respond to emergencies and reduce vulnerability while maintaining links to broader policy efforts fostering socioeconomic development and the control of risk factors. The System operates at different levels, nationally and regionally, and through line ministries such as Health, among other channels. The mitigation efforts of the latter have included programs to reduce the vulnerability of health installations throughout the country.

  According to a recent analysis by the Andean Regional Program for the Prevention and Mitigation of Disaster Risk (PREANDINO), the System needs strengthening, however, in both prevention and response capacity.[40] The latter is insufficient in the face of major disasters such as the coffee belt earthquake. "Because of the inadequacy of the legal functions and resources allocated to the [System] and in order to bring about the requisite coordination between the national and local levels," FOREC (the *Fondo para la Reconstrucción y Desarollo del Eje Cafetero*) was created by Decree 197 on January 30, 1999.[41] FOREC became the executing agency for the ERF loan to Colombia.

[39] A state of emergency was declared on the following dates for the disasters that gave rise to the loans evaluated in this report (date of disaster in parentheses): Colombia—29 January 1999 (25 January 1999); Venezuela—16 December 1999 (from early December 1999); Belize—1 October 2000 (30 September to 2 October 2000); El Salvador—14 January 2001 (13 January 2001) and 13 February 2001 (same date).

[40] PREANDINO has been created recently under the sponsorship of CAF in response to a mandate from the Presidents of the Andean countries (www.grupo-lia.com/preandino [under construction]).

[41] Project document PR-2385-1, February 16, 1999.

- Venezuela: Legal and institutional arrangements for the prevention and management of disasters are not well developed in Venezuela.[42] A Civil Defense system exists to respond to emergencies under complicated and duplicative institutional structures. There is no legislation governing the prevention of disaster risk, but a draft law for a *Sistema de Gestión de Riesgo y Atención de Desastres* is under preparation. It proposes to integrate three subsystems: risk management; disaster management; and rehabilitation and reconstruction. The intention is to assign responsibility for prevention not to a single institution, but to all entities charged with public policy in relevant domains under the coordination of the Ministry of Planning and Development. In late 2001 legislation covering the subsystem of civil protection and disaster management was passed.

  The floods and landslides of December 1999 and guidance provided under the PREANDINO program have prompted a growth in official interest in building an effective system for the reduction of vulnerability, disaster mitigation, and the management of emergencies. The description in Annex 3 of the political and institutional context in which the response to the 1999 emergency unfolded makes it clear that institution-building in this area is overdue.

- Belize: Prior to Hurricane Mitch (November 1998), disaster emergency management was handled in an ad hoc fashion from the Office of the Prime Minister.[43] The Hurricane prompted activation of NEMO, the National Emergency Management Organization, and exposed the need to further improve disaster and community preparedness in three respects: pass legislation to duly establish NEMO and the responsibilities of other public entities in the context of a National Disaster Plan which itself needs to be developed; enhance the availability of technical resources and equipment to strengthen NEMO's ability to handle emergencies; and undertake hazard information and risk assessment studies to guide public and private investment in critical infrastructure and lifeline networks. Project BL-0015, the Hurricane Rehabilitation and Disaster Preparedness Program approved in 1999 (i.e., prior to the ERF loan to Belize) consists of three components, which (if successful) should go a long way toward meeting these needs. The components include: (i) Structural measures to mitigate vulnerability (reducing both the vulnerability of shelters and the hazard proneness of Belize City by upgrading the drainage infrastructure); (ii) Institutional measures to improve the hurricane response capacity; and (iii) Support to long term sustainability (maintenance of drainage works and shelters).

  It would appear that by taking out this program, Belize has provided "solid assurance" of commitment to strengthen in-country capacity, implying that it has fulfilled the ERF's Condition iii. According to the most recent PPMR, however, the implementation of BL-0015 has run into difficulties, with progress in two of the components rated as "unsatisfactory." The reasons given in the PPMR include the emergence of a local resource gap and institutional difficulties. In the absence of a

[42] See the PREANDINO study just cited.
[43] See the situation analysis in project document PR-2431, the loan proposal for a hurricane rehabilitation and disaster preparedness program in Belize (22 September 1999). Hurricanes are by far the most frequent natural hazard threat in Belize.

more detailed analysis of the nature of the resource gap, it would seem that these problems, which are of a kind frequently encountered in program execution, do not warrant altering the judgment that Condition iii has been met.

- El Salvador possesses a National Emergency System (SISNAE) comprising institutions and responsibilities that focus on preparing for and responding to disaster events. But the System is not deemed to be performing well:[44] "The citizen safety component of the present government's New Alliance Program provides a strategy for protection against natural disasters". Yet despite political commitment in this respect, "progress has not been made to date in the risk assessment strategy as contemplated in the New Alliance Program. A draft text of the Civil Protection Act was submitted to the Legislative [in 2001], but the legal framework has not been updated yet. [SISNAE] currently comprises institutions and responsibilities that focus on preparing for and responding to emergencies. To create a modern system, a national comprehensive risk management policy must be put into place, which will give direction to public, private, and local development sectors and processes, and reduce vulnerability to natural disaster, an investment that is essential for the development of El Salvador."[45]

  At the same time, while comprehensive strengthening of SISNAE is needed, El Salvador's response capacity has gained from experience accumulated from Hurricane Mitch in 1998, and this has enabled the country to respond in a relatively effective fashion to the 2001 earthquakes. A key actor in this response is FISDL (the *Fondo de Inversión para el Desarrollo Local*), the principal executing agency for the Bank's ERF loans to El Salvador.

3.18 The picture that emerges of countries' preparedness, risk reduction, and disaster management capacity is a mosaic consisting of encouraging experiences (Box 3.1) and cases with great scope for improvement. A full evaluation of the disaster prevention and management situation in borrowing countries, and of Bank action to address problems in this complex area, is beyond the scope of the present report. This will be carried out as part of OVE's planned evaluation of the Bank's record of implementation of the Policy Guidelines as a whole.

3.19 In the meantime it is noted that (prompted by Condition iii) the importance of investing in prevention and disaster management was discussed with Borrowers at the time the loans to the respective countries were being prepared. In the case of El Salvador, the authorities committed themselves to requesting a non-reimbursable technical cooperation project to help evaluate the country's capacity to manage disaster risk and define a plan of action to make a risk management strategy operational.[46] However, Condition iii was not enforced as it does not form a basis for the denial of ERF assistance to a stricken country.[47] It is concluded that it is not very realistic to ask for a commitment to foster in-

[44] See the project documents for the ERF loans to El Salvador, PR-2564 (February 7, 2001) and PR-2567-Rev. (April 11, 2001).
[45] Ibid.
[46] The TC operation has not yet been initiated. It is in the pipeline for 2002.
[47] Note also what can be construed as a contradiction between Condition iii and the recent approval of the Disaster Prevention Sector Facility. Document CC-5571-5 (February 15, 2001) states that the Facility is meant to be complementary to the ERF. It is intended as an instrument to

country capacity right after disaster has struck. Everyone's focus at that moment is on the mobilization of resources and arrangements to foment the initial response and the process of recovery. The very existence of the Facility stacks the incentives against the extraction of meaningful promises to undertake improvements towards preparedness and the reduction of vulnerability.

Box 3.1 Disaster Management in Peru

Peru has an effective system to handle emergencies. In 1997 the Bank approved a disaster mitigation and preparedness loan for Peru—the El Niño Emergency Program, PE-0188. Two notable features of this program are (i) that (acting on forecasts) it was initiated *before* El Niño entered into its principal phase in December 1997/January 1998 and (ii) that it was able to function through, and contribute to the further strengthening of, a well-performing organizational set-up to deal with natural disasters. The Project Team considered SINDECI (the *Sistema Nacional de Defensa Civil*), in which all sectors of the government participate, along with private organizations and the public more broadly, sufficient as an institutional arrangement to handle the emergency. The System operates with the support of each ministry in programming, physical execution, and application of budgetary resources, sufficient as an institutional system to handle the emergency. In addition, however, a Program Coordination Unit was set up in the Investment Office of the Ministry of Economy and Finance (MEF) with a team specially designed to coordinate execution and channel resources to the various activities being carried out by sub-executing agencies. The Unit's location in MEF (an entity "senior" to the spending ministries and known for its capacity to execute) helps explain the effectiveness of the country's emergency response system. It is envisaged that the Unit, with its accumulated know-how, revert to a kind of virtual existence between disasters. It was activated in the face of the June 2001 earthquake that gave rise to PE-0215, the ERF loan to Peru. Given this institutional set-up to deal with disasters, Peru would seem to be a country of which one can say that it has fulfilled the "organizational set up to manage disaster mitigation and relief efforts" part of Condition iii.

C. Operational Guidelines

3.20 In this section, five of the ERF design features and operational guidelines that regulate preparation, approval, and implementation-disbursement of loans under the Facility are reviewed. A first guideline prescribes the nature and content of the Country Office Report and the Loan Request. (The Country Office Report is a memorandum by the Representative to the corresponding Regional Manager informing of the disaster and transmitting the Loan Request.) OVE found no issues warranting comment or improvement in this respect. The Reports were issued in a timely fashion[48] and contained the information stipulated in GN-2038-2. Similarly, the application of the second set of guidelines—Approval Procedures—does not give rise to comment as they were followed in all cases, albeit with varying speed as set out above.

3.21 The third set—Items Eligible for Financing—proved harder to abide by and was disregarded to a greater or lesser extent in all cases. In the case of the ERF Colombia, some US$11.5 million (of close to US$20 million spent on so-called "direct cost" items) were spent on reconstruction activities (permanent housing, in this case). In Venezuela,

help build the in-country capacity regarding which the ERF's Condition iii demands "solid assurance." The approval of this instrument (for which, according to the cited document, ERF countries will receive priority attention) three years after the creation of the ERF is recognition of the difficulty of enforcing Condition iii.

[48] Days from disaster as dated in Table 3.1 to date of Country Office Report: Colombia—8; Venezuela—6; Belize—4; El Salvador first earthquake—9; El Salvador second earthquake—23.

more than US$17 million were spent on reconstruction (permanent prevention measures and rehabilitation of infrastructure). In Belize, the bulk of expenditure was for a category called "restoration of coastal drainage and road works" (see Annex 3). In other words, in these cases more than half of the loan proceeds were spent on "reconstruction" rather than "response" activities such as the clearing of debris and the restoration of basic services stipulated under the ERF menu. The shift to spending on reconstruction was well under way three months after the disaster in Colombia and Belize, and six months after the disaster in Venezuela. El Salvador (first loan) differed from this pattern in that the bulk of loan proceeds was spent on the ERF-eligible activity of temporary housing. Expenditure under this loan strayed into the reconstruction category in the context of the work to control and stabilize hillsides, an activity for which 25% of the loan proceeds were reserved (Annex 3 for details).

3.22 In all ERF loans, funds were reserved for studies and preinvestment activities to support disaster prevention and preparedness systems. Most of these funds were not used for this purpose, but were shifted to support reconstruction.[49]

3.23 By the design of the ERF, the violation of the menu of eligible activities implies that spending addressed non-emergency, or post-emergency, needs. This brings to the fore the problem of defining what an emergency is, how long it lasts, and what needs arise during and after such an event. Box 3.2 shows that emergencies are heterogenous phenomena, that they last different amounts of time, depending on the context, and that it is difficult to clearly demarcate the line between the needs arising during the emergency and those arising in the post-emergency period (i.e., the period of reconstruction). But the Box also argues that the three-to-six months period following the date of the disaster is in many situations a reasonable proxy for what the Policy Guidelines term the period *during* the emergency (Table 2.1).

3.24 As to the needs, it is argued in Annex 3 that the reported preference for reconstruction activities is in keeping with the fact that (as per CEPAL damage assessment studies) reconstruction is where the bulk of needed expenditure lies. This would suggest that—with its focus on the restoration of basic services—the ERF menu is defined too restrictively. But it could also mean (based on the information assembled so far) that the ERF comes too late to help the authorities pay for the costs that arise *during* the emergency phase as per the instrument's menu of activities, or that there are other problems obviating the use of the funds as intended (for example, institutional capacity problems that slow down the rate of spending).

[49] The data on the size and use of the studies funds are as follows (from Annex 3): Colombia: US$2 million, US$0.7 million used; Venezuela: US$1.5 million, US$0.2 million used; Belize: US$0.5 million, US$0.1 million used; El Salvador: item taken over by government.

Box 3.2: On the Nature and Duration of the Emergency Phase Following Natural and Unexpected Disasters

There is no clear-cut answer to the question: How long does the emergency phase (as different from the reconstruction phase) following a natural and/or unexpected disaster last? This is not so much because there is no universally agreed definition of the term "emergency" (which there isn't), but because the nature of emergencies varies, and actions needed to overcome a state of emergency differ as a consequence of contextual, institutional, political and legal factors. Thus, identical activities (say, the repair of a health clinic) are termed emergency action, post-emergency action, rehabilitation, reconstruction, or even development, depending on the context and the institutional perspective.

Emergencies are *heterogeneous*. They can be typified in different ways. The often-made distinction between natural and man-made disasters is less helpful than the distinction between the categories of sudden onset (an earthquake, an act of terrorism), slow onset (a gradually worsening situation such as drought or a gradual descent into civil unrest and war), protracted or chronic (a continual state of emergency), and recurrent (hurricanes in Belize; el Niño episodes).

At the risk of caricaturizing, in the case of the Armero disaster in Colombia, the emergency lasted essentially one day as towns and people were suddenly and irretrievably buried under a massive mud avalanche (no scope for restoring basic services to the affected population). In the case of the Twin Towers, debris removal and inspection for structural damage continued six months after the event, but (thanks to effective programs of emergency assistance) no longer operated under the sense of emergency that had prevailed in earlier days. The emergency phase of the 1997 el Niño episode in Peru, referred to in Box 3.1, lasted about six months as continuing rain caused recurring damage. In the case of earthquakes and hurricanes in Latin America and the Caribbean the emergency period tends to last about three months as indicated by evidence from the ERF loans reviewed in this report, although in the case of earthquakes there can be aftershocks which can complicate the picture. El Salvador's *Plan de Recuperación* after the 2001 earthquakes distinguishes between a *rehabilitation phase* of five months "to mitigate and cope," an *emergency phase* of ten months (to October 2001) to await the end of the rainy season and the danger of floods and landslides, and a five-year r*econstruction phase*. Indirect evidence regarding the duration of the emergency (as opposed to the reconstruction) phase is the timing of the shift in spending under ERF loans from the menu of eligible (short-term) activities to ineligible long-term rehabilitation and reconstruction. As demonstrated in Annex 3, in Colombia, Venezuela and Belize this shift began to take place sometime after the third month from the date of the disaster.

The duration of the declared state of emergency is another indicator of the length of the emergency period. Information on this could be located for Colombia and Venezuela only. In Colombia, the state of emergency after the coffee belt earthquake was revoked after thirty days. In Venezuela, the state of emergency was never officially revoked, but the *Comité Nacional de Emergencia* that was established in late December 1999 was disbanded six months later, in June 2000.

In Venezuela, three (overlapping) stages of the emergency period were identified (1):

- Phase 1. "Search and rescue;" duration = two weeks from December 16, 1999; directed by the Armed Forces.
- Phase 2. "Damage assessment, debris clearing, initiation of rehabilitation;" duration = some three weeks, to mid-January 2000; coordinated by the Ministry of Health and Social Development.
- Phase 3. "Damage assessment and quantification (housing, water, sewerage, roads, public buildings, etc), creation of master plan *ordenación del territorio*, execution of recovery works;" establishment of *Autoridad Única de Vargas;* duration = not defined; execute recovery and reconstruction works according to following sample specifications: initial studies to stabilize hill sides by February 2000, clean run-off zones by April, restore 83% of electricity also by April, surface access by end June, restore sewerage treatment by July (waste water treatment plant Punta Gorda estimated to be fully operational by July 2001), *limpieza de colectores* by August, restore water service by October, etc.

(1) Cf *Exposición del proyecto de reconstrucción del Estado de Vargas en cadena nacional*, Carlos Genatios, *Autoridad Única de Vargas*, April 2000 (http://www.analitica.com/biblioteca/genatios/).

3.25 The fourth guideline—Disbursements—recommends that ERF loans should fully disburse within a period of twelve months. Calculating this window from the day of eligibility (more reasonable than earlier yardsticks such as the date of signature of contract), it is concluded that this was achieved in the case of the first loan to El Salvador.[50] It was not achieved in the case of the operations in Colombia, Venezuela, and Belize. Whether it will be achieved in the case of the second loan to El Salvador and the operation in Peru is unknown: at the time of writing the loans operated within the original twelve-month disbursement window.

3.26 The fifth aspect of interest refers to the use that was made of key design features aimed at facilitating loan *execution* —see Table 3.3. All loans had a revolving fund of up to 20% and a retroactive feature ranging from 15% to 75% of the proceeds, depending on the loan. The Bank's ERF Teams (the Project Teams) set the retroactive amount in accordance with their assessment of the ability of the executing agency to spend retroactive resources and the estimated time to disbursement eligibility. Thus, as explained by the Team of Region 2,[51] the retroactive amount in the two El Salvador loans was large because it was thought that the well-organized executing agency for the loan's housing component would execute the component rapidly. The retroactive amount in Belize was smaller because it was believed (correctly) that eligibility would be achieved quickly and that the authorities could not actually spend more money up to that point in time. Retroactive spending in Belize was devoted to items eligible under the ERF menu. It was spending in the post-retroactive phase that shifted to reconstruction activities. In Colombia, no reimbursement requests were presented for the retroactive period. In Venezuela, in turn, the whole loan had to be executed retroactively because of the delay in processing the operation, described earlier and in Annex 3.

TABLE 3.3

Selected ERF Project Characteristics

Variable	Colombia CO-0243	Venezuela VE-0122	Belize BL-0018	El Salvador ES-0148	El Salvador ES-0150
Retroactive [1/]	up to $3 mn	up to $10 mn	up to $5 mn	up to $15 mn	up to $15 mn
Revolving Fund	up to 20% of loan	up to 20% of loan	up to 20% of loan	up to 20% of loan	up to 20% of loan
Force Account [2/]	up to $5 mn	up to $5 mn	up to $5 mn	no	up to $1 mn
Procurement	Emergency (GP-92-15) *Exceptions: direct contracting of consultants for external monitoring and supervision	Emergency (GP-92-15) *Direct contracting: cumulative total = $12 mn; limit of $0.3 mn per contract and $1 mn per firm	Emergency (GS-601) *Exception: direct contracting of consultant and auditor *Direct contracting: cumulative total = $10 mn; cumulative maximum per firm $0.6 mn	Emergency (GS-601) *Direct contracting: cumulative total = $5 mn; cumulative maximum per firm: $0.6 mn	Emergency (GS-601) *Direct contracting: cumulative total = $5 mn; cumulative maximum per firm: $0.6 mn
Accounting and Audit	Quarterly	Quarterly	Concurrent	Concurrent	Concurrent
External Monitoring and Supervision	Quarterly reports	n.a.	Quarterly reports	Multiple arrangements	Multiple arrangements

Source: Loan documents.

[1/] CO: between date of loan application and signing of contract; VE: between date of loan request and approval of loan; BL: between date of loan request and disbursement eligibility; ES1: between date of loan request and approval of loan; ES2: between date of declaration of emergency and signature of loan contract.

[2/] Finances specific works by Contracting Entity/Executing Agency using their own staff, equipment and machinery.

[50] Loan Management System data.
[51] Comment on a draft of the present report.

3.27 All loans also made use of the emergency procurement procedures, including the execution of works on force account (the latter possibility was not built into the first loan to El Salvador). The thresholds for the different procurement modalities for civil works, goods and services, and consulting services that were agreed between the Bank and the Borrowers under the emergency procedures varied from loan to loan. Table 3.3 summarizes the arrangements for the modality of direct contracting without competition. The brunt of contracting (in terms of the number of contracts) tended to take place under this modality, followed by the options of price comparison and private bidding (Box 3.3 on Belize in this respect; see also Table A.4 on Venezuela).[52]

Box 3.3: Procurement and Retroactive Financing in Belize

The ERF loan arrangements in Belize included retroactive financing for up to US$5 million (fully used up) and direct contracting and execution of works on force account for up to US$10 million with limits of US$0.3 million per contract and US$0.6 million per contractor. The option of "price comparison" was not retained, but private international bidding (for works valued at between US$0.3 million and US$1.5 million) and international competitive bidding (for works valued at more than US$1.5 million) were retained as procurement options, although the latter did not come to pass. In the event, as of February 2002, by far the largest number of contracts was issued under the direct contracting option (81 contracts as compared with 9 contracts under the private bidding option). The largest direct contract was for US$0.25 million and the cumulative maximum achieved for a contractor was US$0.55 million. Most of the "allowance" for direct contracting was allocated to retroactive financing, but the allowance was not fully used up, reportedly because the Project Execution Unit to some extent sought to "bundle" works into larger projects in order to receive more attractive offers for funding under the concurrent (i.e., non-retroactive) phase.

3.28 Procurement rules under the ERF are quite flexible and, as best as could be ascertained, were not a material source of difficulty or delay in loan implementation (They led to complaints from executing agencies about what in their view were excessively conservative ceilings on direct contracting). However, what did lead to difficulties in a number of cases (particularly Colombia and Venezuela) was compliance with the needed justification of expenditure. In Colombia, for example, it proved difficult for FOREC, the newly established executing agency, to produce the required documentation for expenditures incurred in the early days after the earthquake. The immediate aftermath of a major disaster is by definition a hectic period during which the proper issuance of receipts, invoices and contracts, and the keeping of records, is challenging. Training regarding the rules of the Bank would likely have helped, but in this case the institution in question did not even exist before the disaster. In addition to training, the arrangements made with respect to auditing are important in keeping frictional delays related to the issue of *comprobantes* to a minimum. From the country case studies in Annex 3 it appears that matters went more smoothly in this respect in those cases where a concurrent audit as opposed to interval-based auditing was at work.

3.29 It is concluded from this discussion of the application of ERF design features and operational guidelines that they have helped speed up loan preparation, approval, and (in most cases) initial disbursements. In-country capacity limitations were a countervailing force, slowing implementation. Spending was not confined to emergency response

[52] No contracts were awarded under international competitive bidding.

activities, but strayed substantially into reconstruction. Since the period during which the instrument is supposed to operate is short, it is challenging, even with a retroactive element, to spend US$20 million on the items foreseen under the menu of eligible activities in a situation in which (as shown next) the ERF is not the only source of support available to deal with the disaster.

D. Resource Complementarity

3.30 The ERF, when invoked, is not the stricken country's only source of funds to face the emergency. The ERF Guidelines therefore state that "the Bank should grant maximum priority to coordination with other agencies in order to obtain the best possible resource complementarity". The Bank was particularly active in this respect in the cases of Belize and El Salvador. On December 7, 2000, it sponsored a quasi-consultative group meeting for Belize (the "Friends of Belize Meeting" held at IDB Headquarters in response to Hurricane Keith). On March 7, 2001, it co-chaired the Consultative Group on the Reconstruction of El Salvador, in Madrid.[53]

3.31 Focusing on external assistance and loans, this subsection attempts to reconstruct the external resource framework of which the ERF was a part in the countries where it was deployed. The exercise should make possible a qualitative judgment about the importance of the financial support that the ERF represented at the margin. However, the focus on external contributions in this section must not detract from the fact that countries' main recourse in an emergency is to internal resources which come in the form of government funds, and self-help and solidarity (Box 3.4 on the latter).[54]

Box 3.4: Self-Help and Solidarity

As would be the case in other disaster-affected countries, in Colombia the national population, and civil society organizations, spurred by the media which had deployed massively to the affected *eje cafetero*, responded with thousands of tons of food, medicines, clothes and plastic sheeting, most of it spontaneous and unsolicited. As reported to OVE by an eyewitness, the glut of relief initially overwhelmed the local authorities, church bodies, associations, and NGOs. The sorting of goods (including some unwanted or useless items such as expired medicines and other artefacts) slowed the supply system. Warehouses filled up with containers, packages, and tools, all of which proved essential in the immediate aftermath of the earthquake, even though it took several days before an orderly distribution system was established. In rural areas, the role of the National Federation of Coffee Growers was critical. The Federation's detailed registers and knowledge of member farmer families were crucial in getting rapid damage and loss assessments carried out and initial relief distributed.

Arguably, it is because of the combination of self-help, solidarity, government support and the official external contributions discussed in this report that the emergency response phase in the ERF countries did not become critical for the survivors as measured in terms of standard humanitarian indicators and criteria. In Colombia, for example, morbidity and mortality rates during the emergency phase (other than directly caused by the event) did not reach internationally recognized emergency levels. The most immediate generalized need was for emergency shelter from heavy tropical rains. Despite a slow start most people were under emergency shelter (from plastic sheeting to tents and public buildings) within ten days. Eventually some 130 temporary shelter centers were constructed and fifty others were adapted and improved.

[53] See Table 3.7 on indications of support assembled during the El Salvador CG. A similar pledging table was not produced for Belize since few pledges were made at the meeting.
[54] Data on the role of government funds in the case of Venezuela are presented in Annex 3.

3.32 External contributions and flows received by ERF countries sought to address both short-term needs and the requirements of reconstruction. Initial-response assistance (including humanitarian aid) came from United Nations and bilateral sources in the form of grants and in-kind contributions. Table 3.4 summarizes the state of emergency relief to the ERF countries as given by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA). Table 3.5 offers a break-down by sources of emergency relief and humanitarian aid for Venezuela (assembled with the help of the UNDP office in Caracas; the data cover a shorter accounting period than Table 3.4, which explains the smaller total.[55]) In all ERF countries, external grants and humanitarian aid began to materialize within hours of the occurrence of the respective disasters.[56] Humanitarian supplies included blankets, tents, food, medicine, water purification and sanitation equipment, rescue equipment, mobile hospitals, medical personnel, power generators, engineering services, tools, and cash for relief emergency operations, including temporary housing and housing reconstruction. There was thus some overlap between the types of activities that were supported by these contributions and the ones eligible for funding under the ERF.[57]

TABLE 3.4
U.N. ESTIMATES OF EMERGENCY RELIEF DIRECTED TO ERF COUNTRIES*

Country	US$ millions
Colombia (as of March 21, 2000)	32.1
Venezuela (as of December 22, 2000)	33.6
Belize (as of February 8, 2000)	2.6
El Salvador (as of January 31, 2002)	73.9

*International emergency relief and humanitarian aid provided in response to the disasters that gave rise to the ERF loans reviewed in this report.
Source: www.reliefweb.org (The United Nations Office for the Coordination of Humanitarian Affairs-OCHA).

TABLE 3.5
Venezuela: Emergency Relief Received*

Country/ Entity	Date	Amount (US$)	Country/ Entity	Date	Amount (US$)
BILATERAL			BILATERAL *(continued)*		
Algeria	12/18/1999	100,000	Spain	from 12/19/1999	2,023,000
Argentina	n.a.	75,000	Sweden	from 12/21/1999	1,625,000
Australia	12/24/1999	64,470	Switzerland	from 12/20/1999	280,250
Barbados	from 12/20/1999	50,000	Turkey	n.a.	50,000
Brazil	from 12/20/1999	10,000	United Kingdom	from 12/23/1999	1,805,000
Canada	from 12/20/1999	194,841	United States	from 12/22/1999	6,348,000
China	from 12/19/1999	375,000	Vatican	12/20/1999	50,000
Costa Rica	from 12/17/1999	30,000	**Subtotal**		**21,411,520**
Czech Republic	n.a.	20,000			
Denmark	12/20/1999	35,000	**MULTILATERAL**		
Egypt	12/23/1999	75,000	ACNUR	12/23/1999	25,000
Finland	12/19/1999	3,125	UNICEF	n.a.	1,000,000
France	from 12/19/1999	42,000	AGFUND	12/29/1999	100,000
Germany	from 12/19/1999	966,983	OAS	12/27/1999	20,000
Greece	12/23/1999	50,000	CAF	n.a.	25,000
Honduras	12/28/1999	2,000	OCHA	12/21/1999	130,000
Hungary	from 12/21/1999	120,000	UNDP		200,000
Iran	12/23/1999	50,000	IDB	12/21/1999	50,000
Israel	12/23/1999	5,200,000	OPEC Fund	12/21/1999	400,000
Jamaica	12/21/1999	10,000	EU	12/24/1999	4,631,200
Japan	from 12/17/1999	606,028	**Subtotal**		**6,581,200**
Korea	12/20/1999	60,000			
Mexico	from 12/20/1999	100,000	**PRIVATE DONOR**	12/23/1999	25,000
Morocco	12/21/1999	150,000	**Subtotal**		**25,000**
Netherlands	from 12/22/1999	370,823			
Norway	from 12/21/1999	470,000	**TOTAL**		**28,017,720**

*As of May 15, 2000.
Source: UNDP.

[55] More detailed information on emergency relief provided to Venezuela can be obtained from www.pnud.org.ve/emergencia99/cierre/htm.
[56] The Bank normally contributes a humanitarian assistance TC operation in the amount of US$50,000 to the grant-based international relief effort, irrespective of whether an ERF loan is being prepared.

3.33 Table 3.6 presents the results of a compilation of externally provided emergency relief for Belize (compiled with the help of the Foreign Ministry and UNDP). Table 3.7 reports data for El Salvador. Of the total pledges of US$1.4 billion[58] made at the Consultative Group for the Reconstruction of El Salvador, US$224 million were classified as emergency assistance and humanitarian aid—far more than the OCHA figure in Table 3.4 for this country. (The figure of US$224 million includes the two ERF loans to El Salvador.) The point that can be made with respect to these data is that major rapid-onset disasters attract considerable external emergency relief from UN and bilateral sources.

TABLE 3.6

Belize: Emergency Relief Received

Donor	Recipients	Amount (US$)	Donor	Recipients	Amount (US$)
BILATERAL			**INTERNATIONAL/MULTILATERAL**		
Canada	PAHO, CDERA, Red Cross	108,273	CariBank*	NEMO	100,000
China	NEMO	210,000	EU	Red Cross (IFRC), PAHO	738,171
Colombia	NEMO	40,000	IDB	Red Cross	50,000
Denmark	Government	28,809	OAS	Government	20,000
Germany*	IFRC	42,524	OCHA	Government	30,000
Italy	UNDP	80,000	OIRSA	MAFCOP	59,000
Japan	Government	53,500	PAHO	Doctors	100,000
Korea*	Government	20,000	Red Cross*	NEMO	10,000
Mexico	Government	6,194	Red Cross (Int'l Fed.)	Government	406,173
Nigeria	Government	19,500	Red Cross (U.S.)*	Government	24,995
Norway*	Ministries of Health and	268,200	UNDP*	NEMO	100,000
	Economic Development		UNESCO	Ministry of Education	25,000
United Kingdom	Gov't, Red Cross (IFRC),	578,061	UNICEF	Ministry of Education	264,735
	PAHO-Min. Health, UNICEF		WFP	SUMA	147,308
Spain*	NEMO	50,000	**Subtotal**		**2,075,382**
United States	NEMO, Ministry of Health,	421,480			
	Government		**PRIVATE DONORS**	Various	**170,631**
Virgin Islands	Government	25,000			
Subtotal		**1,951,541**	**TOTAL**		**4,197,554**

*Contributions in cash and in services.

Source: UNDP.

3.34 In addition, international financial institutions lend their support by reformulating loans and preparing new operations, but this takes time. In Colombia, the IDB reprogrammed resources in the amount of US$133.7 million and the World Bank for US$93.2 million. The World Bank later followed up with a reconstruction credit for US$225 million. The IDB's reformulated loan became eligible for disbursement in December 1999, eleven months after the disaster and eight months after the ERF loan reached eligibility. The World Bank's reformulated loan was approved in August 1999, eight months after the disaster and four months after ERF eligibility. The World Bank's Earthquake Recovery Project was approved in late March 2000, fourteen months after the disaster.

3.35 For El Salvador, contributions under the categories "reprogrammed" and "new funds" are given in Table 3.7. The initial reformulation, after the first earthquake, was for US$107.3 million. Balances of nine IDB loans amounting to US$83.1 million were reprogrammed

[57] For example, the OCHA total for El Salvador given in Table 3.4 includes US$2.8 million for housing reconstruction, including prefabricated housing and a significant, not quantified amount for temporary shelter.

[58] The damage inflicted by the two El Salvador earthquakes is estimated at US$1.55 billion (Box 2.1).

by a decision within the competence of Bank Management. This sum became available to the government very rapidly, in February 2001. The reformulation for US$24.2 million of 838/OC-ES, an electricity development program, required Board approval, which was granted swiftly, in March 2001. However, ratification by the Legislature of the modified loan contract was obtained on September 13, 2001 only—four months after the first loan reached eligibility. The World Bank's Earthquake Emergency Reconstruction and Health Services Extension Project, a new operation for US$143 million, was approved in December 2001, almost a year after the first earthquake.

TABLE 3.7
El Salvador Consultative Group:
Preliminary Information on Indications of Support
(US$ millions)

Donor	Emergency/ Humanitarian Aid (a)	Reconstruction		Total (a + b +c)	Of Which	
		Reprogrammed (b)	New Funds (c)		Donations	Loans
BILATERAL						
Belgium	0.7		1.6	2.3	2.3	
Canada	2.2	2.0	30.8	35.0	9.6	25.4
Finland	0.2	0.3	0.0	0.5	0.5	
France*	1.9	6.5		8.4	8.4	
Germany	5.5	13.8	13.8	33.0	5.5	27.5
Israel	1.0		3.0	4.0	4.0	
Italy	3.7		8.0	11.7	3.7	8.0
Japan*	13.5		8.1	21.6	21.6	
Luxembourg*			3.3	3.3	3.3	
Netherlands	2.5			2.5	2.5	
Norway	1.2		3.8	5.0	1.2	3.8
Spain	27.9	29.7	73.0	130.6	91.1	39.5
Sweden*	3.5	1.2	4.4	9.1	9.1	
Switzerland	0.6	6.3	0.8	7.7	7.7	
United Kingdom	3.5			3.5	3.5	
United States	22.0	10.0	100.0	132.0	132.0	
SUBTOTAL	89.8	69.8	250.5	410.1	305.9	104.2
INTERNATIONAL/MULTILATERAL						
CABEI	0.2	22.0	105.0	127.2		127.2
EU	10.0	1.9	35.2	47.0	47.0	
IDB	40.1	170.3	239.6	450.0	0.1	449.9
IFAD		17.0	20.0	37.0		37.0
PAHO	3.0			3.0	3.0	
Red Cross	30.0			30.0	30.0	
Taipei, China	3.0		3.0	6.0	6.0	
UN*	12.0			12.0	12.0	
UNESCO	0.3			0.3	0.3	
World Bank	36.0		250.0	286.0		286.0
SUBTOTAL	134.6	211.2	652.8	998.5	98.4	900.1
TOTAL	**224.4**	**280.9**	**903.3**	**1,408.6**	**404.3**	**1,004.3**

*Preliminary information.
Source: IDB.

3.36 For Venezuela, data on reprogramming by IDB, CAF, and the World Bank are given in Table 3.8. The IDB operations in question had displayed low levels of execution performance and were going to be cancelled. In the light of the emergency, their balances were reassigned to immediate response and reconstruction needs in their original sectors

of activity.[59] The first three loans in Table 3.8 became available to the government on July 3, 2000 (date of letter communicating Bank Management's decision of reformulation), seven months after the occurrence of the disaster.

TABLE 3.8
Venezuela: Reformulation of Uncommitted Balances

Redirected Loans	Program	Redirect Balance (US$ millions)
IDB (696/oc-ve)	Agriculture	32.4
IDB (779/oc-ve)	Education	10
IDB (928/oc-ve)	Housing	12
IDB & CAF (732/oc-ve)	Roads	130*
IDB & CAF (818/oc-ve)	Urban Transport	45*
CAF	Social Investment	25
CAF	Water	50
World Bank	National Parks	10
World Bank	Environment	1
World Bank	Slum Improvement	n.a.

* Total for both institutions.
Source: IDB.

3.37 Taken together, these data convey a contextual view of the external resource framework within which the ERF operated in the various countries. Quite clearly, the Facility was very important in the case of Belize, where it accounted for US$20 million out of a total of US$24.2 million received.[60] It represented a much smaller fraction of total external resources brought to bear on the other cases: El Salvador—US$40 million out of total pledges of US$1.4 billion and total emergency pledges of US$224 million; Colombia—US$20 million out of a total of US$259 million;[61] and Venezuela—US$20 million out of a total of about US$349 million (Tables 3.5 and 3.8).

3.38 The data show that the option of external funds is a real one, resulting in considerable resources brought to bear on the post-disaster situation. However, a sizeable portion of the resources that are available rapidly from UN and bilateral sources are in-kind and directed to nongovernmental entities. In this situation, and in view of the fact that the reformulation of loans and the preparation of new operations take time, the ERF, with the possibility of making funds available retroactively, does appear to fill a gap by providing funds to the authorities that are not otherwise made available in the short-run. While the sizeable rapid deployment of disaster relief from different sources is a welcome fact, it does not fill the same need (or only partially fills the same need) as that which the ERF can satisfy. Hence, it is concluded from the analysis of resource complementarity that the ERF, while not the only source of external finance available to governments in the aftermath of a disaster, can play a useful role.

[59] In the first months of 2000, special authorization to incur debt for up to the equivalent of US$1 billion was granted to the Executive in Venezuela in order to create the legal basis to receive new loans from international institutions. In the end, however, only the operations listed in Table 3.8 were approved. An emergency response credit was negotiated with the World Bank, but was not realized.

[60] Contrary to the indications in Table 1.2 in the project document for BL-0018, originally expected financing from the World Bank and the Caribbean Development Bank did not materialize, making the IDB by far the most important source of emergency assistance. The ERF for Belize amounted to some 12% of the State's budget in 2000-2001 and was almost equal to the investment budget for the year. Note that the absence of CDB and World Bank lending created difficulties for the government in contributing counterpart resources to the ERF.

[61] This total includes the OCHA figure in Table 3.3 and the above-mentioned reprogrammed amounts by the IDB and the World Bank.

E. Assessment

3.39 A number of messages emerge from this review of experience with the ERF—subject to the caveat that one cannot really generalize on the basis of the small number of loans that are available for analysis at this time:

- First, there appears to be an inconsistency between the ERF's objective of making liquidity available immediately and ERF Guidelines which seek to provide for speed in implementation. Under the immediacy objective, the need is for the local authorities to be given confidence that funds will be provided retroactively to help them defray the cost of coping with the emergency. Under the Guidelines, the focus is on processing and implementation at a rate faster than the Bank norm. The timeline analysis showed that while processing of the loans through approval was rapid in most cases (i.e., within the month), processing to the point of eligibility for disbursement took from 70 to 328 days from the occurrence of the disaster, and implementation took longer than the suggested 12 months in the majority of cases for which a judgment in this respect can be made at the present time. While this is fast relative to the average Bank project, it is not in keeping with the mandate of immediacy, except where there was a large retroactive portion and good in-country spending capacity (El Salvador). Immediacy in the sense of enabling local authorities to spend, confident of future reimbursement, appears clearly to have been achieved in the case of the second loan to El Salvador. Robust spending is taking place in the areas retained for financing under this loan (temporary housing and road repair). The processing delays referred to above are entirely compatible with the achievement of immediacy in this case which, arguably, was linked to the loan's large retroactive element (75%) and to learning from the first loan about the instrument and the Bank's handling of it. In fact, immediacy would help explain why processing on the part of the Borrower was slow: there was no need for speed in the light of a promised ERF and the presence of very sizeable amounts of other funds.

  What this implies is that (i) Guidelines and relevant design features were successful in accelerating Bank action towards the processing of the loans; (ii) further acceleration of Bank action is not what is needed to achieve the objective of immediacy; and (iii) whether or not that objective is achieved depends on such factors as in-country capacity, the size of the retroactive element, and Borrower experience with the instrument, in addition to swiftness on the part of the Bank.

- Second, while emergencies are heterogeneous and "contextual," there is evidence to the effect that the emergency period following the disasters to which the ERF responded lasted at most six months and was often closer to three months (Colombia, Belize). From the disbursement timeline that was presented, this means that current spending lasted well into the reconstruction phase in Colombia, Venezuela and Belize[62] and financed tasks that are ineligible under the ERF menu. The ERF, therefore, was only partially deployed as the emergency response instrument that it was designed to be.

[62] Less obviously so in El Salvador because of the large retroactive element of these loans.

This could mean that the Facility's menu is too narrowly defined and that it should be expanded to cover rehabilitation and reconstruction endeavors. But it could also largely be a symptom of a problem in terms of implementation capacity. It follows from Annex 3 that the ERF as deployed (i.e., with both a response and a reconstruction component) was to a greater or lesser extent relevant and pertinent in light of the needs on the ground in all cases. At the same time, it is noted that implementation was at times inefficient, disbursement was slow and the use made of the retroactive feature limited. Bank Project Teams set the retroactive element in line with their assessment of Borrowers' implementation capacity. In a majority of cases they judged in-country capacity to be insufficient to warrant a large retroactive feature. Because of limited institutional capacity and (as shown in this chapter) the presence of alternative sources of funding during the emergency, spending was drawn into the post-emergency phase where it came into conflict with the narrow specification of the menu.

- Third, in all of the cases reviewed, governments had access to multiple sources of liquidity to finance disaster response activities and reconstruction. The options available to finance disaster-induced needs include the reprogramming of expenditure under the current budget, new taxation, the issuance of domestic debt, and external financing (i.e. foreign grants and official and commercial loans). All of these options came into play in the ERF countries taken as a group. Data were presented to show that in all cases but one, the ERF represented a very small fraction of total financing mobilized by the stricken countries. This however does not make the instrument irrelevant as long as it is made available and processed by the Borrower in such a way that rapid deployment is achieved. Among the official external financing options the ERF is, in principle, the fastest money available. The reformulation of multilateral loans and the issuance of new credits take time. The ERF (a more flexible resource than the foreign donations that come in the form of in-kind contributions) can and does provide valuable liquidity until follow-on loans come on stream.

- Fourth, the Eligibility Condition iii (assurance of intent to invest in risk reduction and preparedness) was never interposed between a request for an ERF loan and its approval. While it was concluded that the criterion was voluntarily fulfilled in one of the country cases reviewed above,[63] there are reasons to question its enforceability This suggests the need to pursue the objective embodied in Condition iii by other means, notably through country programming and dedicated investments that would build on the activities aimed at disaster prevention, mitigation and preparedness that exist in the Bank's portfolio of projects with natural disaster-related objectives (Chapter II).

[63] Evidence of partial fulfillment for a second country was given in Box 3.1.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 Natural disasters are occurring with increasing frequency in Latin America and the Caribbean. The Bank is responding, under the Policy Guidelines on Natural and Unexpected Disasters in effect since 1998, by expanding its lending and technical assistance for disaster prevention, preparedness, response, and reconstruction. The ERF is an instrument conceived under the Policy Guidelines as a rapid-response mechanism to provide resources to assist local authorities in disaster recovery.

4.2 The ERF was designed with an immediacy mandate. Immediacy is achieved when local authorities have resources available for urgent, eligible disaster response activities, such as the removal of debris and the restoration of basic services, with the expectation of being reimbursed. To meet the expectation requires swiftness on the part of the Bank in processing the loan, good in-country capacity, an understanding by executing agencies of the instrument and Bank procedures, and a sizeable retroactive element. Retroactivity – the disbursement of funds for expenses incurred prior to the eligibility – permits money to be spent on the country's disaster response "within hours of the disaster" as stipulated in the ERF Guidelines with the expectation that the Bank will reimburse the countries for the expenditures undertaken. Specifically, retroactivity allows local authorities to reallocate funds from other commitments to disaster response with confidence that the other commitments can be honored once the loan is disbursed.

4.3 Six loans have been extended to five Borrowers since the instrument was established. Five of these loans (those corresponding to the initial approval authority of the ERF) were evaluated in this study. The conclusions that emerge from the study are the following.

4.4 First, the Bank has largely fulfilled its undertaking of processing ERF loans rapidly to the point of approval and beyond.

4.5 Second and nevertheless, immediacy as defined above was achieved in few loans. It was achieved best in the case of El Salvador-2, as explained in Chapter III. Yet in one of the five cases (Venezuela), the ERF clearly failed to have an impact on the emergency phase, and in a second case (Colombia) its failure was similar if less pronounced.

4.6 Third, therefore, more rapid action by the Bank is not what is needed to achieve immediacy. Instead, what is required is more rapid ratification and processing on the part of Borrowers as well as better in-country capacity and greater local familiarity with the instrument and Bank procedures.

4.7 Fourth, disaster prevention and preparedness were built into the ERF, but in a manner that cannot have the intended effect. What is more, building them into the Facility undermines immediacy. Following a disaster, no country that requests ERF funding could plausibly be denied it because of failure to comply with prevention and preparedness eligibility conditions. On the other hand if the country *does* accept the

conditions, and it must make new investments to meet them, its ability to marshal an immediate response is impeded so far as it has bound itself to additional fiscal commitments.

4.8 Fifth, in all of the cases examined, there was a tendency, after some months, to shift funding to long-term rehabilitation and reconstruction activities not foreseen in the ERF menu of eligible activities. OVE's analysis suggests that the "emergency phase" of a disaster is only three to six months in duration, after which begins a reconstruction phase for which instruments other than the ERF are needed. The strong demand for reconstruction funds suggests the need to find ways to accelerate the reformulation of existing loans or the approval of reconstruction loans taking into account the Bank standard process requirements. It also suggests the need to promote familiarity with the instrument, foster in-country capacity, and expedite processing on the part of the Borrower as a means to focus spending on the emergency phase. It does not suggest that the ERF menu should be expanded to cover long-term rehabilitation and reconstruction expenditure wholesale.

4.9 Sixth, in no case was the ERF the only or even (with the exception of Belize) the main source of external assistance available to the affected countries. This raises the question of the mechanism's relevance, relative to other sources of funds including reformulated loans, to the different purposes to which it might be directed. Other sources address reconstruction over several years with sums that dwarf the assistance extended immediately for disaster response. Relative to the funds available for response, the ERF's US$20 million has been relevant to a greater or lesser extent in all of the cases; relative to the funds required for reconstruction, it is not. The ERF's relevance lies in its contribution to response, and thus to the immediacy with which it provides an expectation that governments will be reimbursed for expenditures.

4.10 Seventh, the attempt manifested in the ERF language and Guidelines to maintain a separation between recovery, on the one hand, and long-term rehabilitation and reconstruction, on the other, has not succeeded. The result of the separation has been disagreement about the eligibility of expenditures and delay of disbursement. The evaluation has confirmed the existence of ambiguities with respect to the duration of the emergency phase and the delimitation of activities. Yet eliminating ambiguity by making everything eligible is not the appropriate way forward.

4.11 Eighth, therefore, bearing in mind that the ERF's relevance derives from its immediacy, it is appropriate to exclude long-term reconstruction from the ERF's menu of eligible activities. Other instruments should be designed or modified for purposes of reconstruction.

4.12 Ninth, the evaluation confirms the merits of exploring alternatives to the project approach to providing liquidity in the aftermath of disasters. The project approach provides some assurance to the Bank that the money will not be misallocated and that it should be used, in part, to bolster preparedness for and prevention of future disasters (e.g. through the studies option which has not been used extremely). But the project approach also erodes the Facility's immediacy and undermines its relevance.

4.13 Ideally the Bank's instrument targeted at the emergency phase would (i) mitigate the country's immediate liquidity constraints in responding to a disaster; (ii) require countries to demonstrate prevention, preparedness and disaster response institutional capability before the on-set of a crisis; (iii) require pre-approval of loan amounts by both the Bank and the Borrowers, to permit emergency response expenditure within days of the disaster; (iv) be limited to retroactive funding for defined expenditures undertaken in the first three to six months after the disaster; and (v) work through executing entities that have been apprised of the ERF Guidelines and Bank procedures and are pre-certified by auditors as eligible for ex post validation of expenditures.

4.14 It has been shown to be difficult, however, to meet all of these objectives using a single instrument without compromising any. Ideally, the objective of disaster preparation and prevention would be removed from the ERF and addressed through Bank programming in other instruments. The ERF would be refocused solely and explicitly on the transfer of resources to address an emergency situation. However, the need for short-term liquidity and the requirements of risk management and safeguarding past development achievements must be balanced. Incentives must be created to foster investment in prevention and preparedness. The ERF must be tied to prevention and preparedness, not in the "loose" form of Condition iii, but as part of an investment program to which countries requesting the instrument must subscribe.

4.15 The following recommendations, then, are intended to design an ERF that is relevant to disaster response and effective at providing immediate liquidity without relaxing the Bank's emphasis on disaster prevention and preparedness:

- Explore alternatives to the project approach for providing short-term liquidity and budget support in the event of disasters, coupled with investment in prevention and preparedness under both the Bank's Disaster Prevention Sector Facility and country programming.

- Limit funding for disaster response expenditures incurred in the first three to six months after the disaster.

- Clear up differences between the Policy Guidelines and ERF Guidelines with respect to the definition of eligible expenditure.

- Cancel the loan if not ratified and signed within three to six months from Board approval.

- Cancel uncommitted balances 12 months after eligibility.

- Consider differentiation of loan amounts in function of needs and ability to appropriately use resources. If past experience is guide, the appropriate direction of scaling is downward as one mechanism to focus spending on the items eligible under the menu.

- Use Bank programming process to foster investment in prevention and preparedness as an ex-post requirement of utilizing the ERF.

- Change the name of the Facility to better reflect its objective of providing resources for emergency responses in the aftermath of disasters.

FUNDS APPROVED BY THE IDB IN RESPONSE TO NATURAL DISASTERS, 1995-2001

Project	Total Value US$ Mill.	Prevention and Mitigation Actions	Total Value US$ Mill.	Emergency Actions	Total Value US$ Mill.	Reconstruction Actions	Total Value US$ Mill.
A. LOANS WITH DISASTER PREVENTION AND MITIGATION COMPONENTS							
BR-0182 – Mejoramiento Urbano Rio de Janeiro (1995)	180,0	Pavimento/Drenaje y Estabilización laderas	89,5				
BR-0183 – Cartografía y Drenaje Urbano Rio de Janeiro (1995)	30,0	Drenaje Urbano para evitar inundaciones	12,9				
ES-024 – Programa Ambiental de El Salvador (1995)	30,0	Conservación de suelos y agroforestería	22,1				
NI-0025 – Programa Socioambiental y Desarrollo Forestal (1995)	15,3	Conservación de suelos y agroforestería	10,9				
BR-0234 – Control Inundaciones de Campinas (1996)	19,8	Drenaje para evitar inundaciones	15,2				
EC-0143 – Protección a las Laderas del Pichincha (1996)	20,0	Regulación hídrica, control de flujos de lodo, manejo de recursos naturales y control de escorrentía	13,5				
ME-0179 – Saneamiento del Valle de México (1996)	365,0	Obras de marco drenaje para evitar y prevenir inundaciones	268,7				
AR-0136 – Gestión Ambiental de Cuenca Matanza-Riachuelo (1997)	250,0	* Obras de control de inundaciones y drenaje * Planificación para casos de emergencia	204,2 9,0				
GU-0032 – Programa de Vivienda (1997)	60,0	Estrategia del proyecto es reducir del riesgo de perdidas por desastres naturales	48,8				
GU-0070 – Apoyo a la Reconversión Productiva Agroalimentaria (1998)	33,0	Manejo Forestal Sostenible en Cuencas medias y altas	10,0				
BR-0250 – Mejoramiento Urbano de Rio de Janeiro – II Etapa (2000)	180,0	Vialidad y Drenaje Pluvial para evitar inundaciones	53,3				
CA-0034 – Programa Trifinio (2001)	21,8	* Manejo sost. Cuencas * Mit. Prev. Desastres	9,9 2,1				
HO-0179 – Manejo de Recursos Naturales en Cuencas Prioritarias (2001)	25,0	* Gestión Riesgos y Vulnerabilidad * Inversiones Manejo Sostenible	1,2 13,0				
NI-0141 – Programa Socioambiental y Desarrollo Forestal II (2001)	32,7	* Conservación de suelos y agroforesteria * Obras prevención y mitigación desastres naturales	17,8 4,0				
SUBTOTAL	**1,262.6**		**806.1**		-		-
B. REGULAR EMERGENCY LOANS							
PE-0188 – Apoyo a la Emergencia Fenómeno El Niño (1997)	150,0	Prevención – drenaje, protección de quebradas, escuelas, monumentos históricos, etc.	30,0			Rehabilitación y Reconstrucción	117,0
EC-0182 – Emergencia para Afrontar el Fenómeno del El Niño (1997)	70,8						
CO-0058 - Reconstrucción Eje Cafetalero (1997)	100,0					Rehabilitación y Reconstrucción	100,0
AR-0242 - Emergencia para Recuperación de Zonas Afectadas por Inundaciones (1998)	300,0	Sistema de alerta temprana, estudios, capacitación	4,0			Rehabilitación y Reconstrucción	290,0
PR-0112 – Emergencia y Rehabilitación de Infraestructura (1998)	34,5	Fortalecimiento Institucional	4,4	Equipos para la población que se quedó aislada	1,1	Rehabilitación y Reconstrucción	26,0
GU-0137 – Programa de Emergencia por Desastres Naturales (1998)	40,0	Protección de ribera, estabilización de cauces, etc	4,6	Drenaje, Restauración, protección de sitios arqueológicos, etc	16,4	Rehabilitación y Reconstrucción	18,0
EC-0187 – Programa Complementar para Afrontar el Fenómeno el Niño (1999)	48,0					Rehabilitación y Reconstrucción	33,0
DR-0135 – Emergencia Huracán Georges (1998)	105,0	Fort. Prevención y Ordenamiento Territorial	3,8			Rehabilitación y Reconstrucción	80,3
HO-0143 – Emergencia para Infraestructura Vial y Agua Potable (1998)	18,8					Rehabilitación y Reconstrucción	16,5
HO-0146 – Vivienda Pos Huracán (1999)	10,4	Mapas de riesgo, gestión ambiental	0,7			Rehabilitación y Reconstrucción	7,8
BL-0015 – (Reconstrucción pos Huracán y Preparación Desastres Naturales (1999)	21,3	Medidas estructurales para reducir vulnerabilidad y fort. inst.	21,3				
PE-0198 – Reconstrucción después de El Niño (1999) - Cancelado	120,0					Rehabilitación y Reconstrucción	120,0
HO-0164 – Suplemento Emergencia Vial (2000)	26,8					Rehabilitación y Reconstrucción	26,8
BH-0031– Rehabilitación Infraestructura (2000)	21,0					Rehabilitación y Reconstrucción	21,0
SUBTOTAL	**1,066.6**		**68.8**		**17.5**		**856.4**
C. LOANS UNDER THE EMERGENCY RECONSTRUCTION FACILITY (ERF)							
CO-0243 – Emergencia Terremoto Eje Cafetalero (1999)	20,0			Retiro de escombros, limpieza, reparación, edificaciones temporales	20,0		
VE-0122 – Emergencia Lluvias Torrenciales (2000)	20,0	Acciones de Prevención	1,0	Retiro de escombros, limpieza, reparación de infraestructura, refugios temporales	19,0		
Belice – Emergencia Huracán Keith (2000)	20,0			Emergencia	20,0		
ES-0148 – Emergencia Terremoto 13 de enero (2001)	20,0	Prevención y fort. inst. de manejo de riesgos	5,0	Vivienda temporal	15,0		
ES-0150 – Emergencia Terremoto 13 de febrero (2001)	20,0			Vivienda temporal y reparación de carreteras	20,0		
PE-0215 – Emergencia Terremoto (2001)	20,0			Limpieza, estabilización edificios, reparación infraestructura, viviendas temporales	20,0		
SUBTOTAL	**120.0**		**6.0**		**114.0**		-
GENERAL TOTAL	**2,449.2**		**880.9**		**131.5**		**856.4**

TECHNICAL COOPERATION RELATED TO NATURAL DISASTERS, 1995-2001

Technical Cooperation	Country	Approval Date	Approved Amount US$ Mill.
A. PREVENTION AND MITIGATION			
Predicciones Desastres – Proyecto El Niño	Peru	1998	150.0
Mitigación Desastres Naturales Centroamérica	Guatemala	1998	75.0
Mitigación Desastres Naturales Centroamérica	El Salvador	1998	75.0
Mitigación Desastres Naturales Centroamérica	Nicaragua	1998	75.0
Fortalecimiento Sist. Manejo Emergencias	Belize	1999	150.0
Fort. Dialogo Regional Proceso Pos Mitch	Regional	1999	150.0
Mitigación Desastres en Centroamérica	Regional	1999	1,110.0
Genero y Desastres Naturales	Regional	1999	24.0
Reunión Técnica Genero y Desastres Naturales	Regional	1999	35.0
Buenas Prácticas Prevención Desastres Naturales	Regional	1999	35.0
Reunión Técnica Género y Desastres Naturales	Regional	1999	15.0
Mitigación Desastres Naturales en Centroamérica	Honduras	1999	75.0
Vulnerabilidad Ambiental Zonas Urbanas	El Salvador	1999	90.0
Vulnerabilidad en Cuenca Río Lempa	El Salvador	1999	150.0
Prevención y Control de Avalancha Nieve	Argentina	2000	50.0
Estudio Geotécnico Fallas Carretera CA-5	Honduras	2000	110.0
Manejo de Riesgo y Prevención de Desastres	Haiti	2000	75.0
Control y Prevención de Dengue	Regional	2000	291.0
Instrumentos financieros para desastres	Regional	2001	150.0
Uso SIG en Desastres Naturales	Guyana	2001	150.0
Crisis, Desastres y Mitigación	Regional	2001	120.0
Mitigación de Desastres y Conservación	Regional	2001	150.0
Ejecución, Seguimiento Proyecto Reconstrucción	El Salvador	2001	750.0
Subtotal			4,055.0
B. IMMEDIATE POST-DISASTER ASSISTANCE			
Emergencia Víctimas Huracán Gordon	Haiti	1995	50.0
Emergencia Departamento de Risaralda	Colombia	1995	50.0
Ayuda de Emergencia para OECS	Regional	1995	150.0
Apoyo Provincia Cotopaxi	Ecuador	1996	50.0
Emergencia Huracán Cesar	Costa Rica	1996	50.0
Rehabilitación Emergencia Huracán Cesar	El Salvador	1996	50.0
Situación Emergencia Huracán Cesar	Nicaragua	1996	50.0
Emergencia Tormenta Tropical	Haiti	1996	50.0
Desastres Naturales Inundaciones	Chile	1997	50.0
Emergencia Naufragio Fierte Gonaiviene	Haiti	1997	50.0
Emergencia Huracán Paulina	Mexico	1997	50.0
Emergencia Desastre Natural: Terremoto	Bolivia	1998	50.0
Emergencia Derivada Fenómeno El Niño	Paraguay	1998	50.0
Prog de Emergencia Huracán Georges	Dominican Rep.	1998	50.0
Emergencia Huracán Georges	Haiti	1998	50.0
Emergencia Estado de Chiapas	Mexico	1998	50.0
Emergencia Huracán Mitch	Belize	1998	50.0
Plan de Emergencia Huracán Mitch	Honduras	1998	50.0
Plan de Emergencia Huracán Mitch	Guatemala	1998	50.0
Plan de Emergencia Huracán Mitch	El Salvador	1998	50.0
Emergencia Huracán Mitch	Nicaragua	1998	50.0
Emergencia Tormenta Tropical Mitch	Panama	1998	50.0
Emergencia por Incendios Sta. Cruz/Beni	Bolivia	1999	50.0
Emergencia Natural Inundaciones Sureste	Mexico	1999	50.0
Desastre Natural causado por H. Floyd	Bahamas	1999	50.0
Apoyo Emergencia Catástrofe Natural	Venezuela	1999	50.0
Progr. Emergencia Víctimas Inundaciones	Brazil	2000	50.0
Mitigación Dengue Hemorrágico	El Salvador	2000	50.0
Asistencia Emergencia Huracán Keith	Belize	2000	50.0
Emergencia Incendio Mercado Riberalta	Bolivia	2000	50.0
Asistencia: Terremoto El Salvador	El Salvador	2001	50.0
Programa Emergencia Derivada Lluvias	Chile	2001	50.0
Apoyo Emergencia Sur de Perú	Peru	2001	50.0
Asistencia Víctimas Terremoto	El Salvador	2001	50.0
Desastre en Nassau a causa del fuego	Bahamas	2001	50.0
Apoyo pobl. Evacuada volcán	Ecuador	2001	50.0
Apoyo damnificados de la sequía	Honduras	2001	50.0
Asistencia emerg. Huracán Iris	Belize	2001	50.0
Ayuda Víctimas Inundaciones Zona Norte	Honduras	2001	50.0
Subtotal			2,050.0
C. RECONSTRUCTION			
Eval. Daños Desastres Tegucigalpa AP y Alcant	Honduras	1998	150.0
Reconstrucción Pos Huracán Mitch	Honduras	1998	150.0
Reconstrucción Pos Huracán Mitch	Nicaragua	1998	150.0
Programa Reconstrucción y Mejoramiento	Dominican Rep.	1998	750.0
Evaluación Daños Huracán Floyd	Bahamas	1999	30.0
Apoyo Rehabilitación Infraestructura Dañada	Honduras	1999	150.0
Disposición de Escombros	Colombia	1999	150.0
Impactos Socioeconómicos del El Niño/ENOA	Regional	1999	998.0
Proceso de Reconstrucción Nacional	Honduras	1999	1,000.0
Reconstrucción Tegucigalpa	Honduras	1999	90.0
Obra de Protección de Inundaciones	Honduras	1999	400.0
Planificación y Reconstrucción Tegucigalpa	Honduras	1999	410.0
Fort. Reconstrucción Local Pos-Mitch	Nicaragua	2000	150.0
Reconstrucción microempresas terremoto	Peru	2001	120.0
Subtotal			**4,698.0**
Total			**10,803.0**

ERF Country Case Studies

A.1 The purpose of this Annex is to present an overview of the ERF country cases with a view to clarifying: the institutional context in which loan execution took place; the capacity of each loan's executing agency to implement the project in the "hands-on" fashion that is required under the rapid-action concept of the ERF; the impact of any measures taken to strengthen these agencies on an ad hoc basis to expedite execution; the relevance of the ERF funds in the context of spending requirements; the factors that facilitated or (as the case may be) hampered implementation; and the usefulness of the loans in terms of their objective of restoring basic services in the disaster-affected areas. The loans are addressed in the order in which they were approved. The conclusions are tentative, because with the exception of the loan to Colombia which is fully disbursed and for which a Project Completion Report exists, the operations are "works in progress," but nearing completion in the case of Venezuela, Belize, and El Salvador-1.

1. Colombia

Institutional Aspects: FOREC

A.2 Days after the earthquake, the Colombian Government established FOREC, the *Fondo para la Reconstrucción del Eje Cafetero*, as an autonomous body charged with the planning, coordination and supervision of both the immediate response and reconstruction. All funding, whether of domestic or external origin, was to be channeled through FOREC. The Fund became the counterpart entity for the Bank's ERF loan and subsequent reconstruction credits by the IDB and the World Bank. IDB's reconstruction credit, CO-0058, for US$133.7 million, was approved on December 15, 1999 (eight months after the ERF loan reached eligibility) and was financed by redirecting the balances of three existing operations.[64] The World Bank's reconstruction credit for US$93.2 million, approved in August 1999, was financed by reallocating resources from four previous loans. In addition, in 2000 the World Bank approved an "earthquake recovery project" for FOREC in the amount of US$225 million. The ERF loan must be considered in the context of FOREC's operations which were funded by these (and domestic) contributions to the process of recovery and reconstruction.

A.3 FOREC's business strategy, generally viewed as successful in Colombia, stressed five basic tenets: participation, efficiency, effectiveness, sustainability, and decentralization."[65] To discharge the task of developing a plan of action, determining beneficiary eligibility criteria, reviewing and approving individual financing proposals, and supervising implementation, FOREC (with some participation by municipal governments) divided the affected area into 32 zones. In each zone, the execution of reconstruction activities was managed by qualified NGOs ("Zone Managers"). The NGOs were selected according to criteria demonstrating business competence and agreed to by FOREC, its local partners, the IDB and the World Bank. The Zone Managers worked with affected communities in prioritizing reconstruction activities and identifying beneficiaries for housing subsidies. They were responsible for managing and supervising all reconstruction activities in their respective zones in accordance with the terms of an agreement with FOREC and approved Zonal Action Plans. A FOREC Technical Committee of sector specialists (infrastructure and public services, housing and urban development, education, health, environment, economic development, NGOs and community organizations, rural development, external relations, finance, information management, and monitoring and evaluation) served as the focal point for the recovery of the affected area. The Committee deliberated on Zonal Action Plans that consisted of specific subprojects and budgets for the reconstruction of each zone. The

[64] 774/OC-CO, 863/OC-CO, and 1075/OC-CO.
[65] See FOREC, *Informe de Apoyo del Banco Interamericano de Desarrollo al FOREC*, undated.

Plans were submitted for the Committee's consideration by the NGO/Zone Manager who had the responsibility to advance the reconstruction program in the respective zone in the most timely fashion possible.

A.4 FOREC also contracted projects and works directly. In the early months it did so to provide emergency assistance before the Zone Managers were hired. Since then its direct contracting has focused on *proyectos transversales* involving more than one zone. Direct contracting involved agreements with governmental entities and private contractors to attend to inter-zonal problems including the reconstruction of priority civil works pertaining to transport and communications, environmental management, airport reconstruction, rehabilitation of police facilities, and risk management and disaster prevention.

A.5 FOREC has been criticized for not fostering sufficient communication and integration among the Zone Managers and local governments.[66] Yet the consensus is that the agency "got the job done." It implemented the innovative institutional scheme described above and a housing policy that was supported by the IDB and the World Bank.[67] The policy involved assistance to qualified residents in the form of subsidies, and provisions and incentives to prevent resettlement in vulnerable zones and to assist residents of such zones in moving to safer sites.[68] In an attempt to be equitable (and responding to pressures from tenant groups during 1999) both owners and renters were able to qualify for subsidies to cover repair, reconstruction or acquisition of a new unit which, among other aspects, had to conform to an updated building code.

A.6 The involvement of civil society in the process of reconstruction under the overall management of FOREC (a requirement formulated by the IDB and the World Bank) was a noteworthy aspect of the institution's approach. On the other hand, one may ask questions about the sustainability of the "FOREC model": the experience gained and the capacity built may be in danger of disappearing with the closure of the Fund in early 2002. In addition, there is evidence, despite the rhetoric, that participation of municipal and departmental authorities was limited in the context of a constant drive for rapid execution in which they were excluded from direct management of projects and funds.[69] This, too may lead to problems of sustainability as local governments inherit both the reconstruction achievements as well as any unresolved problems from the FOREC era.

Implementation: Reconstruction, Rather Than an Emergency Response

A.7 As a new institution, FOREC—by definition—did not have a track record, and it needed time to establish adequate administrative and execution capacities. For this reason, the Bank set the retroactive element of this loan at US$3 million—the lowest level of all ERF loans (Table 3.3, main text), required an ex ante review of the supporting documentation regarding past expenditure as a condition for the replenishment of the project's revolving fund (as opposed to the ex post rule practiced in other ERF loans), and defined the thresholds for the different procurement modalities conservatively.[70]

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[66] Different reports and testimony cited in the PCR for the ERF loan.

[67] Recall that the main category of damage inflicted by the earthquake was to the housing sector. Some 60% of the approximately 136,000 shelters in urban and rural areas of the affected zones suffered some type of earthquake damage. About 7,000 of these units were in rural areas, and about 76,000 in urban areas. About 46% of the latter displayed structural or total damage (World Bank, *Project Appraisal Document for Proposed Loan in the Amount of $225 million to FOREC*, Annex 5; February 25, 2000). The bulk of IDB financing under the reconstruction project and, as we shall see, a considerable share of the ERF, was devoted to the subsidizing and reconstruction of housing in accordance with FOREC's housing policy.

[68] FOREC, incidentally, was presented the United Nations Sasakawa Award in 2000 in recognition of the prevention and vulnerability reduction elements included in its reconstruction activities.

[69] Evidence derived from fieldwork sponsored by OVE for this report.

[70] The PCR does not provide the actual thresholds used.

A.8 FOREC experienced start-up difficulties, which had the effect of slowing the rate of implementation of the ERF. For example, it was not until late in May 1999 that the Fund had an officer tasked specifically with the financial management and reporting necessary to meet IDB requirements. At about that time, FOREC set out to collect the paper work from the numerous actors under its purview (contractors, local and other governmental entities, NGOs) that was needed to begin to call forward the first disbursement. As explained below, it proved difficult to produce the required documentation for expenditures incurred in the early days after the earthquake. This contributed to delays in execution and to the shifting of expenditures from activities under the ERF menu towards reconstruction.

A.9 Resources under the ERF loan consisted of the loan proper in the amount of US$20 million and FOREC counterpart funds in the amount of US$13.5 million. As in subsequent ERF loans, the funds were assigned to three expenditure categories: administrative and financing costs, and the substantive category of "direct costs," i.e., debris removal, recovery assistance, and rehabilitation. Table A.1 provides data on planned and actual expenditure under different categories and subcategories. The expenditure category "rehabilitation and repair of infrastructure" initially included US$11.3 million of the total of US$20 million. Subsequently, however, US$6.7 million was moved from this category into "housing and temporary buildings," bringing the latter up to US$11.5 million. There was a great similarity between the use of these ERF funds for housing reconstruction and the expenditure on housing covered by the subsequently redirected IDB loans and, for that matter, the World Bank's reconstruction loans. Much of the ERF expenditure under this category and expenditure for housing reconstruction under the reconstruction loans occurred side-by-side, and often in the same areas. While the rest of the loan funds were disbursed to cover ERF-eligible emergency activities such as the removal of rubble, demolitions, the provision of temporary shelter, and the opening of roads, the housing category (which received more than half the loan proceeds) ended up funding permanent reconstruction activities that, in principle, are ineligible under the ERF.

A.10 The reasons behind the partial allocation of funds to reconstruction were as follows: By the time the ERF reached disbursement eligibility (April 30, 1999) the emergency phase had passed, and three realities began to emerge. First, it proved difficult for FOREC to collect from contractors supporting documentation covering the first weeks of the emergency phase. Copies of contracts and receipts for emergency expenditure were not readily available. As a result, no use was made of the possibility of retroactive financing; however, a first installment of the revolving fund in the amount of 20% of the loan was disbursed upon eligibility and used up rapidly. Second, as it turned out, FOREC had considerable resources at its disposal to cover early expenditure.[71] And third, within weeks of the disaster, permanent, rather than temporary housing was (appropriately) identified by FOREC as the main emergency reconstruction priority.

[71] Cf. PCR. The resources available to FOREC included unquantified advances by the central government and local governments, external emergency assistance as detailed in section III D. of the main text, and the IDB and World Bank loans whose proceeds were used to reimburse central and local government advances. ECOPETROL, the national oil company provided fuel on credit to keep machinery going during the early weeks after the disaster.

TABLE A.1
ERF Colombia: Planned and Actual Financing of Project Activities*
(US$ thousands)

BUDGET	PLANNED			ACTUAL		
	Bank	Local	Total	Bank	Local	Total
1. Administrative Costs						
1.1. Executing agency	-	500.0	500.0	-	664.0	664.0
1.2. Auditing	-	250.0	250.0	-	0.0	0.0
Subtotal	-	750.0	750.0	-	664.0	664.0
2. Direct Costs						
2.1. Debris removal	3,000.0	3,000.0	6,000.0	2,874.3	1,286.0	4,160.3
2.2. Clean up, repair of environmental damages, fitting of debris and garbage heaps	2,000.0	2,000.0	4,000.0	12.5	2,502.0	2,514.5
2.3. Infrastructure rehabilitation and repair	11,300.0	2,200.0	13,500.0	4,556.2	2,404.0	6,960.2
2.4. Housing and temporary buildings, community kitchens	1,000.0	3,000.0	4,000.0	11,492.3	5,241.0	16,733.3
2.5. Monitoring system	500.0	500.0	1,000.0	150.0	145.0	295.0
2.6. Preinvestment, studies and design	2,000.0	1,000.0	3,000.0	714.7	1,269.0	1,983.7
Subtotal	19,800.0	11,700.0	31,500.0	19,800.0	12,847.0	32,647.0
3. Financing Costs						
3.1. FIV	200.0	-	200.0	200.0	-	200.0
3.2 Interest and commissions	-	1,050.0	1,050.0	-	-	-
Subtotal	200.0	1,050.0	1,250.0	200.0	-	200.0
TOTAL	20,000.0	13,500.0	33,500.0	20,000.0	13,511.0	33,511.0

* State of accounts on termination of 1171/OC-CO.
Source: IDB (PCR).

A.11 The Bank's rules regarding the documentation required to permit reimbursement of eligible expenditure by the executing agency and its contractors lowered the attractiveness of the ERF in a situation in which local governments were able to use their own resources during the emergency for subsequent submission to FOREC for reimbursement with few formalities. The fact that different contributing entities, whether foreign donors or national institutions, including the Ministry of Finance, had different requirements and definitions of what constituted *bona fide* expenditures created a selection bias against the ERF funds. The bias was reinforced by the relatively small size of the ERF operation in relation to the magnitude of resources eventually administered by FOREC. It took the permanent attention of the Country Office to guide the process such as to make possible the utilization of the ERF resources.

A.12 The slow rate of implementation led to a crossroads in mid-1999 where the options were to cancel the loan or shift part of its proceeds to the category of housing reconstruction, where there was demand for the resources.[72] As reported in the Project Completion Report, the decision to opt for the latter was taken with reference to the Policy Guidelines on Natural and Unexpected Disasters. Under "Financing Criteria" the Policy Guidelines state that "... the financing of *rehabilitation*[73] operations may be covered by: a) a loan from the Emergency Reconstruction Facility; b) the redirection of undisbursed balances within the same sector or across sectors; ...". Rehabilitation was taken to be synonymous with restoration and reconstruction and this, plus the apparent incoherence between, on the one hand, the reformulation of Bank loans to finance reconstruction and, on the other, the cancellation of part of the ERF in the face of continued needs, led to the decision by the Country Office to shift resources to the category of rehabilitation and support to permanent housing—a category permissible under the Policy but vetoed under the ERF. Clearly, the contradiction between the Policy Guidelines and the ERF Guidelines needs to be resolved.

[72] One indication of demand (or in any case unfulfilled need) is that to this day there remain people in temporary accommodation (cf. field interviews sponsored for this report).
[73] Emphasis added.

Effectiveness, Efficiency and Relevance

A.13 What, then, can be said about the effectiveness, efficiency and relevance of the loan? Assessed in terms of the financial execution summarized in Table A.1,[74] the loan's declared objective of fostering the resumption of basic services to the stricken population can be said to have been fulfilled in part, i.e., up to the amount of about US$8.5 million that was devoted to non-permanent recovery and restoration activities under the operation. The remaining "direct cost" expenditure, which was devoted to the restoration of permanent housing under FOREC's policy, is believed to have fulfilled a valuable purpose in response to priority needs, even though it was not strictly permitted under the ERF. This at least was FOREC's view expressed in its report to the Bank,[75] and it is the judgment of the Project Completion Report. In other words, key actors viewed the loan as useful and as such "relevant," or pertinent, in light of the needs on the ground. The loan was made available to the authorities on a timely basis, four months before the first of two World Bank reconstruction loans and eight months before the IDB's reconstruction loan (calculated from the date of ERF eligibility). However, implementation lagged because of start-up difficulties by the executing agency that were overcome gradually with assistance from the Country Office and the learning that occurred in the interaction between FOREC and the project auditor.

A.14 If the loan was relevant, it was not particularly efficient, however.[76] Once the first installment of the revolving fund was used up, the requests for reimbursement under the remainder of the loan had to be accompanied by the same ex ante supporting documentation (invoices, contracts, certification of work done) as required under non-emergency operations. It proved difficult for FOREC to collect this documentation from co-executing agencies, contractors and Zone Managers operating out of numerous field offices during a period of upheaval and reconstruction. OVE judges the Bank's controls on spending by the executing agency to have been appropriate. But there was a need for training and technical assistance with respect to what constituted eligible expenditures and acceptable supporting documentation that was not adequately fulfilled. Based on the experience with the ERF loan, the ex post option for submission of documents, and other facilitating arrangements, were adopted for the subsequent IDB reconstruction loan. Presumably, this was justified by then on the grounds of the learning about Bank procedures that had taken place on the basis of the experience with the ERF.

2. Venezuela

Institutional aspects

A.15 Venezuela was ill prepared for an event of the magnitude of the Vargas disaster in December 1999. The national political and institutional context at the time was one of change and uncertainty: Congress had been dissolved earlier in the year, the public sector was undergoing an organizational transformation, senior personnel turned over rapidly, and experience in both crisis management and dealing with international organizations offering assistance was in short supply. Locally, the state of Vargas, where the brunt of the disaster had struck, had been a Federal Entity (i.e., a state) for less than two years. Its administration had little capacity to cope. The Joint Command of the Armed Forces took early control of the situation. Amidst problems of coordination with civilian actors, surface access to the stricken area was reestablished over a period of three weeks, making possible the initiation of a phase of rescue that focused on the preservation of life and the reintroduction of essential services.

[74] As opposed to an independent physical inspection.
[75] FOREC, *Informe de Apoyo* ... op. Cit.
[76] The evaluative criterion of efficiency judges the productivity or "swiftness" with which project inputs (design, money, procedures) are converted into outputs, in this case, the work undertaken with the financing under the "direct cost" categories in Table A.1.

A.16 The institutional arrangements that ensued were complex and of somewhat limited effectiveness. A *Comité Nacional de Emergencia* operating under the tutelage of the Ministry of Health and Social Development worked through three Subcommittees (infrastructure and housing, social services, and communications and logistics) on which different public sector entities were represented. An *Autoridad Única de Area*, coordinated by the Ministry of Science and Technology, was created in the state of Vargas, but had little operational capacity. Members of the *Autoridad* included the Ministries of Infrastructure, Production and Commerce, Planning and Development, Environment, the governor of the state of Vargas, and the general commander of the army. In parallel with others, but with little coordination, the Ministry of Science and Technology worked with universities to develop territorial and settlement plans with a view to reducing vulnerability to the kinds of avalanches that had devastated so many towns and agglomerations. The Ministry of the Environment was active in similar pursuits in the jurisdictions covered by the *Autoridad*, whereas the Ministry of Planning and Development dealt with the task of *reordenamiento territorial* from a wider perspective. Among other aspects, this included the exploration of possibilities to take advantage of the catastrophe to rationalize and link the reconstruction effort with national policies and programs such as an initiative for the decongestion and deconcentration of the national capital area.

A.17 In the view of officials of the *Autoridad* interviewed for this report, the large number of institutional actors present created a situation of paralysis while firm operational decisions were being awaited from somewhere. It proved difficult, in this context, to identify and prioritize concrete needs on the ground and to channel resources (domestic or external) to address them. The experience of an Italian rescue and support team that set out to work in Vargas in the early days after the disaster is symptomatic of the reigning state of confusion: the team decided that it could not work in the area originally identified. It shifted operations to affected parts of the state of Miranda where, working through local institutions, it was reportedly able to contribute very successfully to the recovery effort underway.

A.18 Different views with respect to the appropriate direction of the reconstruction effort, the future development of the state of Vargas, and the controversial issue of resettlement complicated the challenge of engineering a rapid response focused on the victims of the catastrophe. As for the attempts at resettlement, they were not very successful for different reasons, including the difficulty of identifying areas with job opportunities to which people could have relocated. In the end, many people went back to the high-risk zones where they had come from.

A.19 The problems besetting the task of salvage, rescue and recovery were political and institutional, not financial. The declaration of the state of emergency on December 16, 1999, authorized the government to effect budgetary transfers to finance the expenditures made necessary by the disaster. On January 4, 2000, a Trust Fund for the Reconstruction (*fideicoimiso*) was established in the *Fondo de Inversiones de Venezuela* (FIV).[77] By August 2001, the Trust Fund had received the equivalent of approximately US$400 million and had a balance of about US$55 million.[78] It was financed through a variety of sources, including the emission of bonds, redirected items in the budgets of institutions of the Central Government, resources from autonomous agencies, and special resources available to the government for relief and rehabilitation, among other sources. The transfers were made as new external credits and the reformulation of existing loans from international financial institutions were being awaited, the idea being that these resources would serve to reimburse the domestic entities' advances to the Trust Fund. Absorbed by other tasks (including the challenges of developing a resettlement policy), the Ministry of Planning and

[77] Now BANDES (Banco de Desarrollo Económico y Social).
[78] BANDES.

Development—chosen by the government as the executing agency for the ERF loan—was slow in negotiating external funding, a circumstance which (according to interviewees in the Ministry and other entities) heightened the need to emit domestic debt until such time as new funding could be brought on-stream.

A.20 Table A.2 displays preliminary data on disaster relief expenditure under the FIV Trust Fund through different institutional channels during the period between March 2000 and February 2001. Later in 2001, the Fund began to operate as a matrix fund with auxiliary funds held in trust directly by some of the decentralized operational entities that were involved in the emergency. This scheme was instituted in order to accelerate execution. For illustrative purposes, Table A.3 provides preliminary data on these accounts held by a sample of executing agencies during the period June 2000 to June 2001.

TABLE A.2

Venezuela: Domestic Disaster Relief Expenditure, March 2000-Feb. 2001*

Entity	Period	Disbursement (US$)
Autoridad Única Vargas	Mar-00	9,719,634
FUS	Mar-00 to May-01	27,154,163
FONTUR	Mar-00 to Dec-00	64,987,957
FUNVI	Apr-00	3,906,238
HIDROVEN	Mar-00 to Jul-00	14,293,096
Gobernación Distrito Federal	May-00 to Jun-00	2,206,103
Puerto Litoral Central	Sep-00	1,365,190
SAMARN	Mar-00 to Jan-01	35,668,325
BANAP	Dec-00	14,326,647
Defensa Civil	Dec-00	4,305,705
Fundación Proyecto País	Dec-00	2,149,767
Gobernación Estado Vargas	Dec-00	2,149,767
CORPOVARGAS	Feb-00	9,992,862
FONDAFPA	Feb-00	42,826,553
TOTAL		**235,052,007**

*Preliminary.

Source: Elaborated on the basis of BANDES data as of July 2001.

TABLE A.3

Venezuela: Disaster Relief Accounts, Selected Entities, June 13, 2000-June 26, 2001*

Entity	Activity	Date	Initial Amount (US$)
Servicio Autón. Sanidad Agrícola (SASA)	Obras de infraestructura agrícola afectadas por la catástrofe	06/13/00	15,234,168
Servicio Autónomo de Prop. Intelectual (SAPI)	Construcción de obras en 10 parques industriales afectados	06/13/00	7,658,321
Fundación de Edif. y Dotaciones Educativas (FEDE)	Construcción de 30 escuelas bolivarianas para atender la catástrofe natural	06/13/00	1,454,546
Oficina Coordinadora de Hidrografía y Navegación (OCHINA)	Construcción y reparación de unidades militares afectadas por las precipitaciones	02/08/00	16,958,179
Pueblo Guri	Ejecución del proyecto habitacional Pueblo Guri, para desconcentrar áreas habitadas por la emergencia	03/01/01	2,542,931
OCAMAR	Adquisición de equipos y maquinarias para la Brigada de Infantería de Marina	02/08/00	1,780,949
FUNINDES – USB (Univ. Simón Bolívar)	Obras civiles y reconstrucción del Núcleo del Litoral afectado	06/26/01	6,944,444
Fundación Fondo Transporte Urbano	Reconstrucción, Restablecimiento y Fomento de la	05/25/01	15,772,752
Corpozuila	Sarao Sur del Lago	04/05/01	15,306,122
TOTAL			**83,652,412**

*Preliminary.

Source: Elaborated on the basis of BANDES data as of July 2001.

A.21 The government's strategy to advance funds to the executing agencies through FIV, for reimbursement by external sources, and the delays in processing the ERF analyzed in the main text of this report, led to the need to execute the ERF loan fully under the modality of retroactive financing. The Loan Contract had foreseen a retroactive element of up to half the loan amount.

Implementation: A Burdensome Process

A.22 As a non-operational entity without experience in project management, the Ministry of Planning and Development (MPD) acted essentially as an intermediary between the Bank and the three sub-executing agencies retained, i.e., SAMARN (the *Servicio Autónomo del Ministerio del Ambiente y Recursos Naturales*), Hidrocapital (the water company in charge of services in the affected areas), and FONTUR *(*the *Fondo Nacional de Transporte Urbano*). These sub-executors procured work largely through the modality of direct contracting pursuant to national legislation. Joint commissions composed of the sub-executors, representatives of the Armed Forces and the Engineers' Corps of the Federal District determined unit prices to be paid and supervised the physical inspections of work carried out. Contractors were paid from funds channeled through FIV, as explained. MPD subsequently transmitted invoices and other required documentation, requesting reimbursement under the ERF—a slow and burdensome process.[79]

[79] Under "lessons learned," the December 2001 PPMR states: *En el caso de préstamos de emergencia, la unidad ejecutora que lo maneje debe contar con experiencia, pues no hay tiempo para preparar el personal. Por eso, la unidad ejecutora del préstamo debería ser alguna unidad ejecutora que esté formada y que pueda presentar buenos resultados*.

A.23 As in the case of Colombia, it proved difficult for the sub-executors to produce invoices, contracts and certifications of works performed to the specifications of the ERF. A recurring issue with FONTUR, furthermore, was that their direct contracting exceeded the loan contract's ceiling on the size of individual contracts and the permissible cumulative total per firm. For example, at the time of signature of the ERF, FONTUR had made individual payments to contractors for the removal of debris for an amount of US$550 million in 169 contracts. Auditors dispatched by MPD to review the available documentation rejected recognition of expenditures in most cases on the grounds that the sums involved exceeded the direct contracting limits under the ERF. This led FONTUR to advise MPD not to subscribe to the ERF because of the "rigidity and inflexibility" of its procedures.

A.24 Also as in the case of Colombia, there was a tendency for spending to shift toward reconstruction activities as time elapsed. A review of the expenditures presented for reimbursement in 2000, undertaken for this report, showed that they corresponded largely to works carried out during the first months of the year (and in particular the first quarter), i.e., the emergency phase, well before the signature of the ERF loan contract. However, the requests for reimbursement presented in 2001 corresponded to works carried out in the second half of 2000 and in 2001, up to a year or more after the emergency. This 2001 batch of requests for reimbursement showed evidence of a growing shift toward reconstruction, away from the removal of debris and other rapid-response activities that had been important during the first three to six months after the disaster.

A.25 Table A.4 shows the evolution of procurement over time for the three procurement modalities that were invoked for civil works (private bidding, price comparison, and direct contracting). Contracts in the year 2000 fell exclusively under the modality of direct contracts, and their average value was relatively small (US$63,000). In 2001, as spending shifted toward reconstruction, contracts grew in size, making it necessary to adopt the modality of private bids, price comparison, and direct contracting with equal frequency. The average value of contracts under these three modalities was US$1.1 million, US$0.6 million, and US$0.1 million, respectively.

TABLE A.4
ERF Venezuela: Distribution of Civil Works Contracts by Type of Procurement, 2000-2001

Bidding Modality	Limits (US$ millions)	% Contracts		% Total Value		Average Value (US$ millions)	
		2000	2001	2000	2001	2000	2001
Private bidding	0.8 - 3.0	0	8	0	34	0	1.1
Price comparison	0.3 - 0.8	0	15	0	35	0	0.6
Direct contracts	0.0 - 0.3	100	77	100	31	0.06	0.1

Source: IDB.

A.26 Table A.5, finally, shows the state of financial execution as of March 2002. It is seen in the Table that funds were shifted among different "direct cost" categories, a reflection of the differences between the anticipated and the actual demand for resources. In particular, less than what was foreseen was spent on debris removal, the cleaning and reparation of environmental damages, temporary shelters, and studies and designs to support disaster prevention. In turn, much more was spent on the rehabilitation and repair of infrastructure, a category that falls under "reconstruction" (items 2.3 and 2.5 in the Table), rather than "response."

TABLE A.5
ERF Venezuela: Planned and Actual Financing of Project Activities
(US$ thousands as of March 2002)

BUDGET	PLANNED			ACTUAL		
	Bank	Local	Total	Bank	Local	Total
2. Direct Costs						
2.1. Debris removal and demolition	3,000.0	3,000.0	6,000.0	1,547.5	3,088.2	4,635.7
2.2. Cleaning and repair of damage to environment, preparation of existing and new dumps for debris and refuse, management of toxic substances	2,000.0	2,000.0	4,000.0	418.5	1,667.0	479.2
2.3. Rehabilitation and repair of infrastructures	10,500.0	10,000.0	20,500.0	14,603.3	13,565.0	11,752.4
2.4. Temporary shelters	1,000.0	3,000.0	4,000.0	-	-	-
2.5. Prevention measures	1,000.0	-	1,000.0	2,927.1	1,295.9	4,223.0
2.6. Studies and designs and support to disaster prevention system	1,550.0	950.0	2,500.0	213.8	382.6	596.4
TOTAL	19,050.0	18,950.0	38,000.0	19,710.2	19,998.8	39,709.0

Source: IDB.

Effectiveness, Efficiency and Relevance

A.27 From this discussion it is apparent that the program was neither efficient nor effective and timely in delivering on its objective of helping to restore basic services in the aftermath of the disaster. More than two years after the tragedy, requests for payment of expenses carried out in 2001 were still being received in January 2002,[80] and (as noted, and not surprisingly at this late stage in the game) they were focused on reconstruction, rather than initial recovery expenditure. As to relevance, the operation did, by definition, contribute liquidity and thus the means to help repay a small portion of the government's advances under FIV/BANDES—swapping internal debt for external debt in the process. But it did so at a very slow pace, not in keeping with the tenets of the ERF.

A.28 A key lesson emerging from this is that the ERF cannot operate without adequate in-country capacity in the form of an executing agency capable of managing the "nuts and bolts" task of contracting public works. The MPD lacked this capability, and there was no provision to compensate for this deficiency in the loan design. In a section entitled "lessons learned," the latest PPMR has this to say about the experience with the operation in Venezuela: *El monto de los daños durante la emergencia fue de más de US$ 3.000 millones, por lo que US$ 20 millones es marginal. Este tipo de préstamos sólo tiene importancia en los primeros meses después del desastre, por lo que se debe contar con un mecanismo para que sea aprobado en un plazo máximo de un mes. Si el Gobierno no lo firma de inmediato, como es el caso de éste préstamo el Banco no debería continuar con la operación.*

3. Belize

Institutional Aspects: Belize's Evolving Hurricane Preparedness

A.29 The National Emergency Management Organization (NEMO) is today the governmental entity charged with the operational responsibility for disaster prevention, preparedness, and response in Belize. NEMO functions as a committee of ten ministries that are represented at the district level by District Emergency Committees which in turn operate locally through Village Emergency Committees. NEMO functions under a flexible organizational scheme that consists of a non-crisis

[80] With the active involvement of the Country Office, without which the loan could not have been disbursed.

group composed of sixteen people from different ministries in different parts of the country, and a crisis group that is activated when an emergency occurs. This group consists of 25 trained officers located in the district offices of the ministries that are part of NEMO.

A.30 Since its establishment in 1999, NEMO has dealt with three hurricanes, one of which, Keith, gave rise to the ERF loan to Belize. NEMO's activities to strengthen hurricane disaster response capacity are carried out with the support of the Bank's Hurricane Rehabilitation and Disaster Preparedness program (BL-0015). While the implementation of this program has suffered delays, the set of activities initiated so far includes: an education and awareness campaign regarding aspects of prevention and self-protection, directed at civil servants, organizations of civil society, and the population at large; initial construction to retrofit local shelters and build new ones; the preparation of a Disaster Prevention and Preparedness Law establishing the institutional framework of NEMO and associated entities, the obligations of each institutional actor in the framework, the identification of vulnerable areas, and a typology of disaster response plans at the national level; the preparation of contracts to upgrade Belize City Drainage Works; and the hiring of manpower to assist in disaster planning, hazard mapping, and the formulation of mitigation policy.[81] It is expected that if the program of investment and institutional strengthening foreseen under BL-0015 for the next two years is implemented, Belize's disaster management capacity will be significantly improved. Up to this point, however,the prospect is one of potential benefits. Much remains to be done to realize the vision implicit in BL-0015.

Implementation: Clarifying Eligibility

A.31 An important actor in the NEMO configuration is the Ministry of Works and Transport (MOWT), the executing agency for the ERF loan and the "home" to the Project Execution Unit (PEU). Consisting of the Project Manager, a financial/budget specialist, and an environmental specialist supplied by the Ministry of Natural Resources and the Environment, the PEU was until recently supported by a project management advisory firm (WSP International Ltd.)[82] and continues to work with the local KPMG office as the independent auditor.

A.32 The implementation of the ERF Belize can be clearly separated into two stages, the first one retroactive, covering the three-month period from October to December 2000, the second one concurrent, starting in January 2001. The PEU's initial activities, in cooperation with WSP, the independent auditor, and the co-executing agencies, included the compilation and verification of the documentation required for retroactive recognition, the development of a business plan for the program, and field inspections both to supervise works in progress and to identify new works to be initiated during the second stage. The types of works that were paid for retroactively included: road restoration, drainage, culvert works, spot patching, grading and elevation, restoration of village streets, and other civil works.[83] Some repair of school buildings, health posts, libraries, and sanitation infrastructure was also included. The sub-executing agencies that generated requests for reimbursement during the retroactive stage included: the Social Investment Fund, the Water and Sanitation Authority, NEMO, the Ministries of Housing, Tourism and Culture, Education, and Rural Development, the Ministry of Finance, and local governments. To this should be added work carried out by MOWT under the "force account" modality.

[81] Latest PPMR BL-0015.
[82] As of this writing (February 2002), WSP is no longer on contract because the program is in the process of winding down. WSP started working in early January 2001. It brought to the task project management experience as well as technical competence in highways/drainage rehabilitation, topographical and geotechnical surveys, environmental aspects, buildings/structure rehabilitation, and water/sewerage rehabilitation.
[83] WSP, First Quarterly Progress Report, April 2001.

A.33 It appears in retrospect that the payments that corresponded to the first stage (and slightly exceeded the retroactive allowance of US$5 million), addressed and "took care" of the most immediate needs in terms of the restoration of basic services and infrastructure. During the concurrent stage the nature of the works proposed began to change, shifting to larger rehabilitation undertakings. During this stage, the PEU itself took charge of the selection and execution of projects. WSP prepared studies and bids on its behalf and supported it in aspects ranging from project identification, the bidding process, adjudication, and the supervision and validation of works. This was done rather well. The evidence suggests that (i) the PEU and the supporting firms worked efficiently and transparently, and (ii) the different instances of supervision put in place by the Bank functioned well (Box A.1). Clearly, the government devoted a lot of attention to the management and execution of the ERF. The MOWT, furthermore, is well acquainted with the core expertise that an ERF executing agency must possess, i.e., knowledge of the business of transacting contracts.

A.34 At the same time, the choice of MOWT as the executing agency led to a heavy emphasis on roads, coastal drainage and other physical infrastructure which, while important, arguably came at the expense of recovery activities in the social sectors, particularly the much affected housing sector.[84] The emphasis on physical infrastructure facilitated developments that led to controversy with respect to the eligibility of certain projects that were being proposed. Projects for US$6.6 million began to be developed early during the concurrent stage whose eligibility under the ERF was later questioned by Bank Headquarters—after the Country Office had given its "no objection" to the PEU. The projects in question are listed below with the intention of illustrating the difficulty of navigating the gray zone between the "restoration of basic services" and long-term rehabilitation-reconstruction under the ERF. The key issue that emerged was the extent to which repairs were permitted to incorporate upgrades to greater resistance (lower vulnerability) than that which had characterized the structures prior to the disaster.

Box A.1: Program Supervision in Belize

Five mechanisms of supervision were in effect in the case of the Belize ERF, in addition to the permanent supervisory role of the Country Office. An *independent auditor* provided concurrent and financial audit services for the project. A *project management advisor* provided support to the Project Execution Unit in all phases of the project cycle, from identification to studies, the bidding process, execution and validation. *Quarterly Progress Reports* by this advisor provided timely and comprehensive information on the status of activities. A *fact-finding mission* from Bank headquarters (not foreseen in the original design of the supervision scheme) reviewed issues of eligibility in June 2001. *Memoranda of Understanding* between the Project Execution Unit and co-executing agencies helped to keep the objectives, approach and expectations clear. The evidence suggests that this system performed well.

A.35 The projects that gave rise to eligibility disputes were: (i) moving the San Pedro pier to a new location (proposed with the justification that rebuilding in the old location—vulnerable to hurricane damage—made no sense); (ii) Coney Drive (a one-mile stretch that according to the PEU/WSP proposal needed to be widened and firmed-up to avoid future hurricane damage in the form of a washed-out foundation); (iii) drainage projects for Belize City (construction of two new drainage channels in an inundation-prone area); (iv) the Boca del Rio bridge as a substitute for hurricane-damaged infrastructure that served an existing ferry service; (v) the prison of Hattieville (project proposed to rehabilitate hurricane-damaged cells; after construction started it

[84] As communicated by the Project Team, this sector was not retained for funding under the ERF because the government's priority was for permanent housing, which cannot be financed under the ERF.

was noted that the existing structure was in sufficiently bad shape that it would be preferable to erect a new building); (vi) Environmental Restoration Works (debris removal, the planting of trees, and facilities for waste and debris collection in two affected locations; and (vii) Drinking Water and Sanitation projects (works and the purchase of equipment by the water operator for Belize City, the recently privatized Belize Water and Sanitation Authority, or BWS).

A.36 Upon review, the Bank admitted as eligible the projects (ii), (vi), and (vii), the latter without ineligible components such as an elevated water reservoir not there prior to the hurricane. (These projects were originally valued at US$3.5 million.) The possibility of funding some of the proposals under BL-0015, the Hurricane Rehabilitation and Disaster Preparedness Program, was being examined[85] and resolved as follows, as indicated in the latest PPMR of BL-0015 (p. 4): "In order to make sure that all the resources under the ERF loan (1275/OC-BL) would be utilized within the 12-month execution period available (*sic*) four of the five contracts [for Belize City Drainage Works] (US$3.51mn) were "transferred" from the HRDP to the ERF, in "exchange" for a number of other complementary drainage works, and a new pier and bridge at San Pedro."[86]

A.37 Some reflections on this experience with ineligible proposals are as follows. The grounds on which the Bank decided to overrule the Country Office in the case of some of the proposals cannot be disputed in the light of the ERF's eligibility rules. The Bank lived up to its fiduciary responsibility of enforcing compliance with the terms of the instrument in question. On the other hand, infrastructure is of poor quality in Belize and it is therefore a legitimate question whether it is reasonable to repair hurricane-damaged infrastructure such as road and water works up to the pre-hurricane level which is prone to failure, or whether improvements aimed at correcting some of the initial dysfunctional conditions should be made in the process. The ERF guidelines require a conservative interpretation, both because in going beyond the *status quo ante* it is difficult to know where to draw the line and because other instruments are available to foster improvements beyond initial restoration—although their application after the application of ERF-funded repairs might lead to questions with respect to cost-effectiveness. In the situation of Belize it was particularly difficult to know where to draw the line because there was a lot of ERF money left (some US$14 million to be precise) after the initial retroactive payments had been made. It is plausible to suggest that the issue would not have arisen under a smaller ERF, one more aligned with the size of the country, its economy, and the authorities' spending capacity.

A.38 Now, had the PEU decided to go ahead with more limited repairs in the case of some of the disputed projects such as Coney Drive, the Bank might have never known about it, but would have financed vulnerable infrastructure—with the risk of seeing itself confronted with questions, say after the next hurricane, about qualitatively deficient repairs financed under the ERF, and with the risk for the country of having to take out another loan to improve on the old repairs after a new storm of similar intensity.

A.39 Turning to the financial execution of the loan, Table A.6 on the planned and actual amounts devoted to different expenditure categories under the ERF shows that in the process of loan execution (in 2001) funds were shifted from various direct cost categories to the category of road works and coastal drainage, even though the independent direct cost estimates by CEPAL (then available, but not at the time the Project Team put together the ERF) point to much greater needs in the housing sector than in the sector of roads and coastal drainage[87]. The distribution of the

[85] Identifying alternative funding was important in light of the legal obligations incurred with the issuance of "no objection."
[86] As communicated by the Project Team, each subproject that "migrated" was required to meet he contractual standards of the project into which it migrated. Some subprojects that were rejected for ERF financing have not yet been approved for financing under BL-0015, and one has been rejected outright. OVE did not investigate these assertions.
[87] See the CEPAL damage assessment which is dated November 30, 2000. The Bank approved the Belize ERF operation on November 1, 2000.

ERF resources across the expenditure categories in Table A.6 is not proportional to the distribution of damage estimates by CEPAL for the direct-cost categories. While the ERF covers some 88% of the direct cost of repairs to water and sanitation systems and some 46% of the direct cost of repairs to roads and coastal drainage, it covers only 2% and 4%, respectively, of needed repairs to the environment and the housing sector. Government (i.e., MOWT) estimates of damage to roads significantly exceed the CEPAL estimates.[88] While the limited attention paid to the housing sector can be explained by the fact that (as stated above) the authorities expressed a preference for permanent housing over the ERF's temporary housing,[89] it also appears that following the lead of its own figures, rather than shifting ERF resources in accordance with the CEPAL assessment, MOWT influenced resource allocation in the direction of activities under its purview (particularly road works)—beyond the share reserved for this category when the program was designed.

TABLE A.6
ERF Belize: Planned and Actual Financing of Project Activities
(US$ thousands as of March 2002)

BUDGET	PLANNED			ACTUAL		
	Bank	Local	Total	Bank	Local*	Total
1. Administrative Costs						
1.1. Project executing unit	200.0	57.0	257.0	188.3	57.0	245.3
1.2. Concurrent auditing	240.0	-	240.0	111.3	-	111.3
1.3. Project management	500.0	-	500.0	444.5	-	444.5
Subtotal	**940.0**	**57.0**	**997.0**	**744.2**	**57.0**	**801.2**
2. Direct Costs						
2.1. Rubble removal	2,500.0	-	2,500.0	489.8	-	489.8
2.2. Restoration of coastal drainage and road works	10,850.0	-	10,850.0	12,254.7	-	12,254.7
2.3. Repair of water and sanitation services	1,500.0	-	1,500.0	1,349.4	-	1,349.4
2.4. Environmental restoration	500.0	-	500.0	474.2	-	474.2
2.5. Repair of schools and sanitary installations	1,140.0	-	1,140.0	443.2	-	443.2
2.6. Housing and refuge stabilization	1,200.0	-	1,200.0	101.2	-	101.2
2.7. Studies and consulting services	500,0	-	500,0	108.9	-	108.9
2.8. International Assistance	-	4,871.0	4,871.0	-	4,242.6	4,242.6
Subtotal	**18,190.0**	**4,871.0**	**23,061.0**	**15,221.2**	**4,242.6**	**19,463.8**
3. Financing Costs						
3.1. FIV	200.0	-	200.0	200.0	-	200.0
3.2. Interest	670.0	-	670.0	453.7	-	453.7
3.3. Credit commission	-	72.0	72.0	-	72.0	72.0
Subtotal	**870.0**	**72.0**	**942.0**	**653.7**	**72.0**	**725.7**
TOTAL	**20,000.0**	**5,000.0**	**25,000.0**	**16,619.1**	**4,371.6**	**20,990.7**

Source: IDB.
* As of January 2002.

[88] The Government's overall damage estimate exceeds CEPAL's by 20%.
[89] Note the existence of a large Taiwan-funded housing project in the country.

Effectiveness, Efficiency, and Relevance

A.40 BL-0018 can be said to have fulfilled the objectives of the ERF in the sense that the activities undertaken permitted the restoration of basic services that were damaged by Hurricane Keith. But this was more clearly the case during the initial, retroactive stage than in the concurrent stage during which the program moved into the gray zone of eligibility that ended up haunting it. The utilization of the program's resources was rapid and efficient, implying that the operation could have been carried out in twelve months (or nearly so) had it not been for the eligibility issue, although it should be noted that twelve months is a short period in which to carry out civil works in the rain-soaked climate of Belize. With respect to the specific objectives implied in the allocation of resources to different direct-cost items indicated in Table A.6, it is evident (as mentioned) that heavy emphasis was placed on the realization of infrastructure works, particularly during the program's second stage. The activities directed to the social sectors and the repair of environmental damage took on secondary importance because the corresponding public entities were not closely associated with the setting and supervision of priorities under the program.

A.41 Supported by WSP and KPMG, the device of concurrent audit (as opposed to the ex post audit practiced in the cases of Colombia and Venezuela) and the permanent dialogue with the Country Office, the PEU operated effectively, making possible the use of a sizeable part of the available resources in a short amount of time, an achievement that is particularly noteworthy in view of the large volume of resources made available to Belize under the ERF. Because of the ERF, the MOWT managed much more money in 2001 than in "normal" years.

A.42 In fact, the size of the Belize ERF was probably excessive. It is true that, as in all ERF cases, the credit covered only a small fraction of total damage (9.5% of CEPAL's direct cost estimate of US$210 million).[90] But it accounted for a large share of the state's budget for fiscal 2000-2001 (9%) and accelerated the trend of rising external indebtedness that has manifested itself in recent years. Belize's total external debt service jumped from US$20 million in 1990 to US$43 million in 1999 and US$66 million in 2000.[91] The debt service ratio for these years (total debt service/exports) was 8.7%, 10.4%, and 15.2%, respectively. The country's outstanding debt to the IDB (US$37 million as of March, 2002) was boosted as a result of the ERF. In this situation, given the country's propensity to be battered by hurricanes which may make further external credits necessary to face their consequences in future years, there was a premium on keeping this operation as small as possible.

4. El Salvador

A.43 This section addresses the first loan to El Salvador; the second one has only recently become operational, which means that it is too early for a material evaluation.

Institutional Aspects: FISDL

A.44 The emergency response to the earthquakes of early 2001 was relatively rapid and coordinated, due in part to experience accumulated from Hurricane Mitch some two years before. The affected communities were the first to respond, through unplanned search and rescue, first aid and other acts of solidarity. El Salvador's *Comité de Emergencia Nacional* (COEN), activated within hours,

[90] All the more important, then, to direct the resources judiciously to the sectors most in need, rather than allocating what in light of the identified eligibility problems must be viewed as an excessive allocation to roads and other forms of "hard" infrastructure.
[91] World Bank data.

coordinated the overall response, compiling and conducting needs assessments, setting priorities, and coordinating with the Salvadorean Armed Forces, Civil Defense, local government, and national and international rescue organizations. The private sector established the *Comisión Nacional de Solidaridad* to manage the distribution of foreign and domestic assistance in cash and in kind. Soon after the first earthquake, all levels of government were mobilized to deal with the disaster. Initial funding came from the *Fondo ANTEL*, a development fund created with proceeds from the recent sale of the state telecoms company. A Plan for Recovery of the Damage Caused by the Earthquakes was prepared by the government and presented to the Consultative Group for El Salvador in March 2001, organized by the IDB. This plan stressed transparency in the management of emergency assistance, economic and political decentralization to make sure that local needs would be met, and participation by civil society and local government in decision making. It also stressed oversight and accountability, income generation for those affected, the need to invest in risk management, and the strengthening of disaster response capacity.

A.45 The plan called for municipal governments to be responsible for distributing needed items to the affected population, and for the Social Investment Fund for Local Development, FISDL, to manage the demand for temporary shelter modules and the removal of rubble from destroyed homes. NGOs, the Red Cross and church bodies were to play a prominent role in the response.

A.46 The FISDL is a permanent government body, responsible for local development in El Salvador.[92] Established in 1996 as a follow-on to the Social Investment Fund, FISDL could count on considerable installed capacity to carry out its functions during and after the emergency. Its central role in the emergency response at the local level is described as follows in the Plan for Recovery of the Damage Caused by the Earthquakes (p. 4): *La herramienta crucial para apoyar el proceso de descentralización es el Fondo de Inversión Social para el Desarrollo Local (FISDL). El FISDL, además de financiar proyectos a nivel local, brinda diferentes tipos de servicios a los gobiernos locales, como son la formulación, ejecución y supervisión de proyectos de infraestructura social básica a nivel comunitario y municipal. Estos servicios comprenden el manejo financiero de los recursos y los procesos de adquisiciones y contrataciones. En ese proceso, el FISDL articula las inversiones públicas a nivel municipal y central, de tal forma que la programación de las inversiones sectoriales de los distintos Ministerios puede realizarse en función de las demandas locales y en el marco de las políticas y estrategias de desarrollo nacional*.

A.47 FISDL is the principal executing agency for both ERF operations in El Salvador. The entity was judged by the Bank to have the operational, financial and human resources to carry out the program. A coordinator responsible for program supervision was appointed along with a financial advisor to provide financial and administrative support, working along with other members of the coordinating group who are regular FISDL staff. The first loan (ES-0148) covered three main categories of expenditure as set out in the project document: (i) Temporary housing in permanent sites (US$15 million); (ii) Prevention and control measures for unstable hillsides (US$5 million); and (iii) Studies to orient physical and economic recovery (subsequently covered by government funds and dropped from the project at the mid-term review). FISDL's main task was to coordinate the temporary housing module. It also coordinated prevention measures for unstable hillsides and early warning in cooperation with the Ministries of Agriculture (MAG) and Environment and Natural Resources (MARN). These civil works were contracted out to private companies, under the supervision of the ministries. An engineering consultancy company[93] was engaged to monitor these contract activities.

[92] For background, see the FISDL Annual Report June 2000 – May 2001.
[93] Consulta S.A.

Implementation: The Virtue of Simplicity

A.48 Temporary housing in permanent sites (including rubble removal)[94] was the main component of the loan budget. The El Salvador loan was more simple in its design than the three ERF loans reviewed thus far: it included only two expenditure categories to the five or six categories retained in the other loans. Temporary housing accounted for US$15 million, or 75% of the Bank portion of the project. The approach was straightforward. Affected households and municipalities were assisted to both clear rubble and to erect temporary shelters. These tasks were conducted using materials and tools provided by the FISDL, from centralized procurement, to the municipalities, who in turn passed them on to neighborhoods and families. The materials are estimated to be worth US$200 per household and the tools US$23.[95] Families could design and construct the provisional shelter as they wished. In addition, a subsidy of 900 Colones (about US$100) was made, 600 Colones to the family directly and 300 Colones to the municipality on their behalf, for centralized rubble removal. Each family had to remove the rubble from their land, to the public road, where the municipality collected it for disposal in public pits or rubble collection points. In many cases rubble was easily and rapidly removed[96] and the subsidy to the families became a cash support.

A.49 Not all expenditures incurred by the FISDL under these activities were deemed to be eligible. During the audit process, prior to disbursements, the FISDL and the auditors chose expenditures on the basis of what was most easily justified. Expenditures that could not be clearly and adequately documented were rejected prior to presentation. This slowed the disbursement approval process.

A.50 The second component of the loan project was hillside *(laderas*) stabilization activities. An important aspect of the first earthquake in particular was the occurrence of landslides. (The slide that occurred in Colonia Las Colinas was a tell-tale example). It is understandable, therefore, that activities were included under the ERF loan to stabilize hillsides, strengthen flood banks on rivers and develop local early-warning systems.

A.51 As it happened, however, these works proved to be of a much grander, more complex and time-consuming nature than the more appropriate temporary-shelter and rubble removal activities that made up the bulk of the loan. As of early 2002 many of these activities had not been completed. The duration of some contracts had to be extended, and the budgets increased.[97] The early warning program at least, will not be completed on time, and an extension will in all likelihood be required.[98] Of five contracts selected from the January supervisor's report, four had been increased significantly (e.g. by as much as 20%) during execution. This highlights the difficulty of assessing requirements and setting specifications adequately for large works during an emergency.

A.52 In comparison with the temporary shelter activities, this part of the project has been more difficult and slow. First, the assessment of what *laderas* to include was difficult. While a recurrent menace to property, the risk of regular flooding, for example, could not be compared with the imminence of a hillside collapsing on houses and communities. Second, the scale of some of the works was too grand to be managed as an emergency repair programme. They required, as openly admitted by the technical experts concerned, greater time for planning, design and implementation than

[94] From "Informe Semestral de Ejecución. Préstamo BID 1310/OC-ES".
[95] Auditors report of December 2001.
[96] On-site visits to families.
[97] January 2002 supervisor's report (Consulta S.A.)
[98] Direct observation on sites and interviews with contractor, supervisor, and Bank technical staff

had been available under the project. Third, community involvement for sustainability of works and early-warning systems requires considerable preparation and follow-up. Fourth, the coordination of the project with three separate and independent governmental actors (FISDL, MAG and MARN) was unduly slow and cumbersome for an emergency project. Finally, prevention activities such as the early-warning projects require a level of expertise and concerted, organized community support not easily come by in an emergency situation.

A.53 The government provided US$5 million to the project as a counterpart contribution. This was recognized in expenditures already incurred by the government during the emergency response. The counterpart funds were all categorized under the heading "support for the emergency and reconstruction" (US$4.9 million) and the "credit fee" (US$75,000). See Table A.7 for details on the financial execution of the loan.

TABLE A.7
ERF El Salvador: Planned and Actual Financing of Project Activities
(US$ thousands as of March 2002)

BUDGET	PLANNED			ACTUAL		
	Bank	Local	Total	Bank	Local*	Total
1. Administrative Costs						
1.1. Program Coordinating Group	100.0	-	100.0	79.7	-	79.7
1.2. Concurrent and Ex-	250.0	-	250.0	117.9	-	117.9
1.3. Technical Supervision	150.0	-	150.0	104.5	-	104.5
Subtotal	**500.0**	-	**500.0**	**302.1**	-	**302.1**
2. Direct Costs						
2.1. Temporary Housing at permanent sites	15,000.0	-	15,000.0	15,010.3	-	15,010.3
2.2. Prevention and control measures for unstable hillsides and early warning	3,900.0	-	3,900.0	1,812.3	-	1,812.3
2.3. Studies to orient physical and economic recovery	100.0	-	100.0	-	-	-
2.4. Support for emergency and reconstruction	-	4,925.0	4,925.0	-	4,925.0	4,925.0
Subtotal	**19,000.0**	**4,925.0**	**23,925.0**	**16,822.5**	**4,925.0**	**21,747.5**
3. Financial charges						
3.1. Interest	300.0	-	300.0	300.0	-	300.0
3.2. Credit fee	-	75.0	75.0	-	75.0	75.0
3.3. Inspection and supervisi	200.0	-	200.0	200.0	-	200.0
Subtotal	**500.0**	**75.0**	**575.0**	**500.0**	**75.0**	**575.0**
TOTAL	20,000.0	5,000.0	25,000.0	17,624.7	5,000.0	22,624.7

Source: IDB.
* As of January 2002.

A.54 Expenditures were subjected to different levels of control: National Assembly approval and ratification; the Deloitte and Touche 'concurrent audit', aimed specifically at the Bank loan; the separate FISDL audit covering all FISDL expenditures for the emergency programme; the Court of Accounts inspections, covering all emergency expenditures; "social audit" through the vigilance of community leaders and individual beneficiary households; and for the mitigation and early warning component of the loan, supervision by an engineering company.[99]

[99] Consulta S.A.

Effectiveness, Efficiency, and Relevance

A.55 The temporary shelter approach was effective, efficient, and relevant to the needs on the ground. Apart from being a fast and relatively cheap response, it provided families and municipal authorities with a welcome cash injection. The hillside stabilization and early warning activities, as already explained, did not provide such positive results, however. Such activities are ill-adapted to an emergency loan. Regarding the temporary housing at permanent sites and rubble removal activities, the choice of temporary housing in permanent sites helped avoid a proliferation of camps, in line with established good practice in emergency shelter.[100] Second, the choice of cash and temporary shelter materials and tools was both appropriate and timely. As best as could be ascertained, distributions were conducted fairly. The strong reliance on community leaders and structures (for identifying and organising distributions) contributed towards the success of the operations. This is recognised by central authorities, municipal staff and by the auditors. The feedback from beneficiaries to both the auditors (who conducted extensive field visits and interviews in 69 municipalities as part of the concurrent audit) and to an evaluation visit in January 2002 has been highly positive regarding this component. As a general conclusion, households and municipal authorities were content with the assistance provided.

A.56 Two issues have arisen, however. First, the zinc sheeting that was used is not ideal for thermic insulation (hot in the day, cold at night). Second, complaints were heard from families whose houses had been damaged, but not destroyed: some of these families felt neglected relative to those that suffered more extensive damage to their homes.[101] The evaluation concludes that some of these cases may well have been eligible for the temporary shelter, given that the families had been sleeping outside their homes, for fear of collapsing masonry.

A.57 The hillside stabilisation and early warning sub-project required more in-depth preparation and longer implementation than originally planned. The rapid deployment spirit of the ERF does not fit well with relatively large and complex engineering works.

A.58 The Bank made important contributions to foster implementation. For example, short seminars were provided by Bank staff for FISDL, MAG and MARN staff on the subject of procurement rules under the ERF and the Bank's requirements regarding documentation of expenditure that is to be reimbursed. This type of training ought to be emulated in other operations, as one example of a broader set of guidance and support activities for entities applying and executing ERF funds. On the other hand, complaints of micro-management were made by the FISDL[102] regarding some of the Bank's involvement in the project. These relate in particular to the "concurrent audit" process. The FISDL saw the Bank as too involved in the details of implementation, a view which points to the challenge of exercising the right balance in supporting the executing agency.

5. Conclusion

A.59 The ERF country case studies indicate the presence of considerable heterogeneity with respect to the institutional context in which the loans were executed. They point to the need to choose the implementing agencies judiciously, and they demonstrate the merits of measures supporting implementation. Where such technical assistance was built into the loans or provided in parallel,

[100] As explained in a range of emergency manuals and handbooks, such as UNHCR (P.134 'Use longer-term planning principles, even when the … situation is expected to be temporary') and the SPHERE handbook on minimum standards in emergency response (P.176 'People … almost always want to stay in or near their home if possible … assistance to people where they are is more sustainable …')
[101] Field interviews.
[102] In an interview with senior FISDL staff.

as in Belize and El Salvador, execution benefited and was more timely than where this was not done.

A.60 The case studies underscore the crucial role that was played by the Country Offices in each case in seeing the disbursements through and generally supporting implementation. The studies demonstrate the value of close coordination between headquarters and the Country Offices in executing the ERF, which is still a new instrument with a limited and specific menu of activities, special procurement and contracting standards, and a short disbursement cycle. The Belize experience points up the need for the Bank to provide information and training about the instrument to the Country Offices. Such training should be done before disasters occur in disaster-prone countries so as to expedite preparation of ERF loans when they become necessary and maximize the level of local competence to accompany implementation.

A.61 The Belize experience suggests the need to clarify the extent to which infrastructure should be repaired to a level that reduces vulnerability to future disasters. This is an issue not addressed in ERF Guidelines. As a short-term instrument, the ERF is not meant to finance long-term reconstruction. On the other hand, in the interest of rational resource allocation, where appropriate, care should be taken not simply to rehabilitate public installations to pre-disaster levels of vulnerability.

A.62 The country case studies suggest that all loans were "relevant," at least to a degree, in the sense that they supplied liquidity to help finance response activities. In no case, however, was spending confined to the menu of eligible activities. While the dividing line between response and short term rehabilitation, on the one hand, and reconstruction, on the other, is blurred, spending clearly did stray into the terrain of permanent reconstruction which, by design, is ineligible for consideration under the instrument. The shift to reconstruction was modest in El Salvador and significant in the other three cases where rather more than half of the resources ended up being devoted to this endeavor. Thus, the Facility's defining design feature that limits it to the response required *during* the emergency as opposed to the reconstruction process *after* the emergency was only partially respected.

A.63 This leads to the question whether the current menu is too restrictive, resulting in an instrument that does not adequately address countries' recovery needs. It is shown in the main text of this report that major natural disasters attract considerable emergency relief from a variety of external sources to address the needs of the initial response and rescue phase. In three of the four cases reviewed, this largely grant-based relief (additional to the domestic resources that are brought to bear on the disaster) amounted to a multiple of the resources made available under the ERF. This, and the manifest demand for reconstruction funds, could be used as a basis for arguing that the menu should be expanded to cover rehabilitation and reconstruction needs. On the other hand, if implementation capacity were stronger and processing by the Borrowers more rapid, execution would proceed at a more rapid pace and would not reach into the reconstruction phase as much as it has. The ERF's relevance lies in its contribution to disaster response, rather than its contribution to the financing of reconstruction, since the size of ERF loans pales in relation to the cost of reconstruction.