



1. Project Data:		Date Posted : 04/20/2001	
PROJ ID: P063089		Appraisal	Actual
Project Name: Emergency Flood Recovery Project	Project Costs (US\$M)	200.0	199.7
Country: Bangladesh	Loan/Credit (US\$M)	200.0	199.7
Sector(s): Non-Sector Specific	Cofinancing (US\$M)		
L/C Number: C3144			
	Board Approval (FY)		99
Partners involved :	Closing Date	06/30/2000	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives
To assist Bangladesh in maintaining macroeconomic stability in the immediate aftermath of the devastating 1998 floods that caused an estimated \$2 billion in losses equivalent to 6% of FY97 GDP.

b. Components
Financing imports needed for restoring infrastructure assets, agricultural and manufacturing production levels, and food grain stocks. These included imports against a positive list that included : seeds, fertilizers and other agricultural imports; spare parts and other raw material for manufacturers; and fuel, cement and other construction materials . Important elements of design were simplified and streamlined procurement procedures to ensure rapid and timely response to the emergency; transparent, stringent and frequent financial auditing; and minimal front -loaded conditionally, namely appointment of independent auditors as a condition of effectiveness .

c. Comments on Project Cost, Financing and Dates
The credit was designed to be quickly disbursed and did so in six months - a year ahead of the projected closing date. Up to 20% of the credit could be made retroactive to cover the initial days of the disaster . Private sector imports accounted for 77% of the credit.

3. Achievement of Relevant Objectives:
The objective was fully achieved in what effectively became a fast -dispensing balance of payments support operation.

4. Significant Outcomes/Impacts:

- The credit was identified, appraised and made effective in a record time of 8 weeks because of close consultation and collaboration with the IMF and the borrower, the borrower's strong commitment, and extensive involvement of resident mission financial management staff . QAG rated quality at entry as highly satisfactory on project concept, design and approach and financial management provisions .
- Unlike most earlier emergency loans, the project did not become involved in repairing or rehabilitating infrastructure and was thus able to focus on and achieve a few simple objectives . Instead, essential repair/rehabilitation work was more pragmatically financed by adjusting existing IDA projects thus moving away from stand-alone emergency reconstruction projects and enhancing better integration of disaster mitigation in country programs.
- Emergency assistance from the Bank, the IMF and other donors averted internal and external macroeconomic imbalances that would otherwise have deteriorated sharply after the 1998 floods. The overall budget deficit was limited to 4.8 % of GDP as against a projected increase of more than 5% without such assistance . At the end of the project the balance of payments current account deficit was 1.4% of GDP in FY99 compared with a target of 3%. Foreign exchange reserves fell slightly below target of \$ 1.7 billion due to a fall-off in export growth in FY99.
- On foodgrain imports alone, the IDA credit provided almost 10% of the emergency imports of \$635 million, while 55% of the credit was used for imports to repair/rehabilitate damaged industrial and other infrastructure .
- Use of the credit had a direct impact on poverty by contributing towards provision of emergency food supplies and agricultural production inputs that kept food price inflation under control (it fell from 17.6% in December 1998 to 6.5% in August 1999) thus ensuring continued access by the poor; and through imports that

maintained manufacturing and related infrastructure and thus employment - but less successfully because of deep-seated structural deficiencies in the economy that caused a post -flood recession.

- The responsible government agencies worked closely with the independent auditors to quickly implement a transparent disbursement system that was audited quarterly and worked very successfully .
- The emergency project highlighted the need for longer -term programs for disaster mitigation and management and emphasized the imperative to mainstream these concerns into longer -term donor and IDA assistance . Indeed, consideration of the future risks and hazards has led to Bank proposals for a Disaster Management Facility to buttress the economy against recurring disasters and an insurance provision against catastrophic risks.

5. Significant Shortcomings (including non-compliance with safeguard policies):

None. However, government has dragged its feet on agreeing a medium -term framework and policy measures with the Bank and IMF to address new macroeconomic vulnerabilities that emerged after the 1998 floods. Deep-seated structural deficiencies in the banking, power and communications sectors and the high cost of doing business have blunted the impact of external assistance .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Highly Satisfactory	Highly Satisfactory	
Institutional Dev .:	Modest	Substantial	Achieving better governance was a significant achievement in Bangladesh .
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Establishing clear emergency recovery objectives, unencumbered by conditionality related to longer -term institutional and macroeconomic reform, enables rapid implementation that, *inter alia*, benefits the poorest.
- With proper and transparent fiduciary and procurement controls, the Bank's procurement and disbursement procedures can be successfully streamlined and simplified giving greater ownership to the borrower thus enhancing the Bank's country partnership . This, in turn, provides a platform to discuss and resolve systemic differences on development issues .
- In countries prone to natural disasters, appraisal of emergency credits should seek to mainstream disaster mitigation and recovery into longer-term country institutional development activities .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

Satisfactory .